SPECIAL FOCUS INSIDE

Government has expectations from CMAs to ensure 'Make in India' a major success

- Hon'ble Minister Shri M Venkaiah Naidu, Page 19

the MANAGEMENT ACCOUNTANT

THE JOURNAL FOR CMAs

FEBRUARY 2015 VOL 50 NO. 2 ₹100

50 YEARS 1966 ~ 2015 the MANAGEMENT ACCOUNTANT

COST COMPETITIVENESS THROUGH LEADERSHIP

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

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The Institute of Cost Accountants of India, a statutory body set up under an Act of Parliament in 1959, has been publishing its pioneering journal, *The Management Accountant* for 50 years. The journal is aimed at the needs of Cost and Management Accountants (CMA) and provides information, analyses and research on global and national developments. The wide circulation and inputs from academicians, researchers and industry stalwarts have been the reasons for the success of the journal.

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (erstwhile The Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.

On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.

It has since been continuously contributing to the growth of the industrial and economic climate of the country.

The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

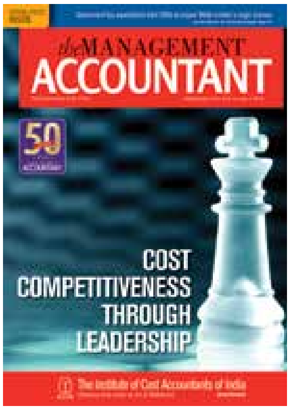
VISION STATEMENT

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

IDEALS THE INSTITUTE STANDS FOR

- to develop the Cost and Management Accountancy profession
- to develop the body of members and properly equip them for functions
- to ensure sound professional ethics
- to keep abreast of new developments

Behind every successful business decision, there is always a CMA



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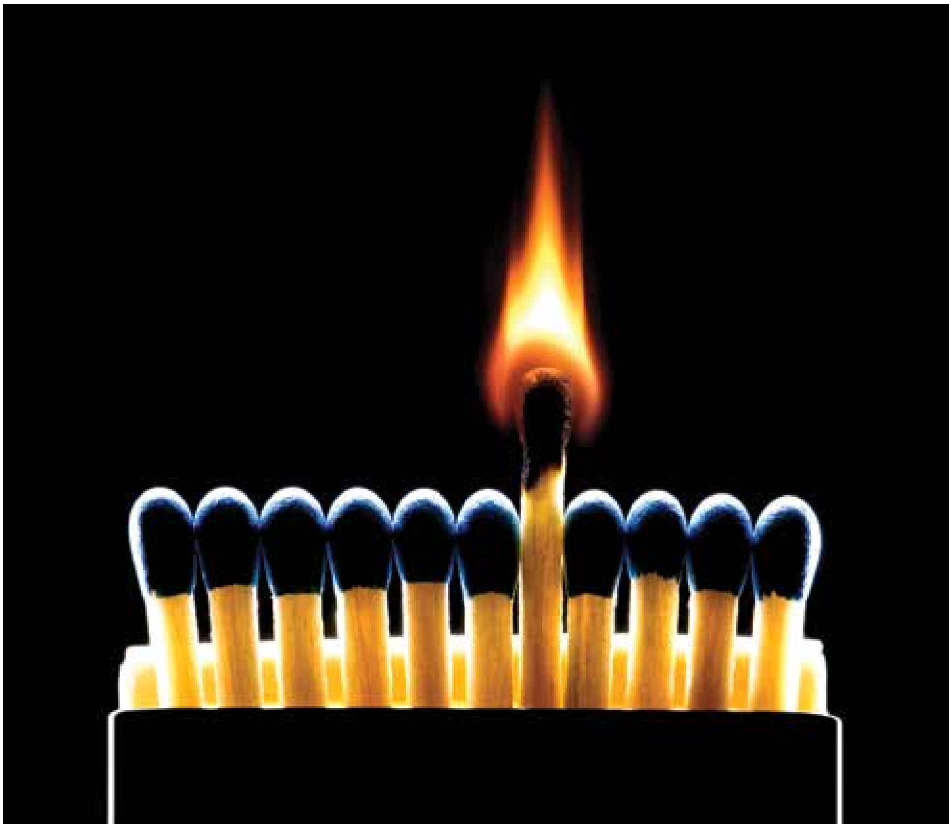

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FROM THE EDITOR'S DESK

Greetings!

A firm pursuing a cost-leadership strategy attempts to gain a cost competitive advantage primarily by reducing its economic costs below its competitors. A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. The leadership strategies seek competitive advantage in a broad range of market or industry segments.

Cost competitiveness as a level of operation allows an organization to go on winning sales at a price that generates a sufficient level of return both for stakeholders and for the investment needs of the business.

Attaining cost leadership typically requires aggressive construction of efficient scale facilities and strong pursuit of cost reductions through experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, cost of production, advertising, etc. While attempting to achieve an overall cost leadership position, low cost relative to competitors is the theme running through the entire strategy and cost competitiveness through leadership thus get enhanced.

A low-cost position defends the firm against powerful buyers because buyers can exert power only to drive down prices to the level of the next most efficient competitor. Low cost provides a defense against powerful suppliers by providing more flexibility to cope with input cost increases. The factors that lead to a low-cost position usually also provide substantial entry barriers in terms of scale economies or cost advantages. Finally, a low-cost position usually places the firm in a favourable position vis-à-vis substitutes relative to its competitors in the industry. In one word, cost advantages can create value for a firm by reducing the five threats of entry, rivalry, substitutes, suppliers and buyers.

Barney & Hesterley (2006) mean that there are six main cost advantages or, sources of cost advantages for firms that successfully adopt cost leadership: 1.Size differences and economies of scale, 2.Size differences and diseconomies of scale, 3.Experience differences and learning-curve economies, 4.Differential low-cost access to productive inputs, 5.Technological advantages independent of scale, and 6. Policy choices

Economies of scale: One of the most cited sources of cost advantage for a firm is its SIZE. There is a relationship between firm size measured in terms of volume of production and costs measured in terms of average costs per unit of production. The optimal volume of production is reached when the average costs per unit of production is minimum.

The learning curve: The learning-curve model attempts to relate the volume of production and costs over time. Economies of scale focus on the relationship between the volume of production at a given point in time and average unit costs. The learning curve focuses on the relationship between the cumulative volume of production and average unit costs.

Differential Low-Cost Access to Factors of Production: Differential low-cost access to factors of production may create cost differences among firms producing similar products in an industry. Factors of production are any inputs used by a firm in conducting its business activities. They include labor (human resources), capital, land, raw materials, knowledge

Technological Advantages Independent of Scale: A possible source of cost advantage not depending on economies of scale may be the different technologies that firms employ to manage their business. Technologies include not only technological hardware of companies but also technological software of firms (quality of relations among labor and management, an organization's culture, the quality of managerial controls). All these characteristics of a firm have an impact on a firm's economic costs.

Policy Choices: In general firms that attempt to implement a cost-leadership strategy will choose to produce relatively simple standardized products that sell for relatively low prices compared to the products and prices of firms pursuing other business or corporate strategies.

This issue presents a good number of articles on the cover story theme 'Cost Competitiveness through Leadership' 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.

WE NEED TO HAVE A CLEAR STRATEGY ON LOW COST PRODUCTS AND DIFFERENTIATED PRODUCTS

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

If opportunity doesn't knock, build a door – ***Milton Berled***

My Dear Professional Colleagues,

India and China are in the Economic Growth rate since the late 1940s, where in India adopted democracy and China turned to communism. China moved over the decades from social economy to a market driven economy, with the support of the Government support and emerged as the world's leading economy. The World Bank report suggests that, by 2017, India will be growing faster than China. If India keeps it up, the World Bank expects its economy to grow 7 per cent in 2017, up from 5.5 per cent in 2014.

The present Government led by Hon'ble Prime Ministers Shri Narendra Modiji is determined to put the Country into a growth path, lining up several initiatives such as Make in India, ease of doing business, smart cities, infrastructure growth, agricultural reforms and also a cleaner India through Swatch Bharat, etc. The nature of manufacturing is changing. If we have to hook up to Make in India initiative which is very laudable, we need to have clear strategy on low cost products and differentiated products. Depending on the products we need new strategies. China is far ahead of India in terms of low cost products and there are two major reasons for this: one, Huge capacities built up for scale and two, cheaper labour. But, pure labour cost arbitrage less important. Lead times and flexibility of supply chains are far more important, leading many companies to move manufacturing back closer to the big markets and this is visible in the West clearly.

The above is the agenda of this year's National Cost Convention, which was inaugurated on 31st January 2015 at Hyderabad by the Chief Guest Shri Bandaru Dattatreya, Hon'ble Union Minister of State for Labour and Employment (I/C). Shri Y.S. Chowdary, Hon'ble Minister of State for Science & Technology & Earth Sciences was the Guest of Honor of the event. Padma Bhushan CMA Dr. Mritunjay B Athreya presented the Keynote address. The convention is being attended by more than 800 delegates. As I am writing this page, there are great deliberations going on during the two day annual event of the Institute. More on this will reach you soon.

I thank the members of the Institute for making the 56th NCC 2015 a grand success. I also would like to thank all the sponsoring organisations and associate & knowledge partners for their continued guidance and support to the professional development initiatives of the Institute.

MOU with TCS

The Institute signed a Memorandum of Understanding (MOU) on 31st January 2015 at Hyderabad with Tata Consultancy Services Ltd to Enhance the Learning of students through Collaborative Learning Environment. The MOU will provide for Learning Exchange (Anchor Pack) solution for ICAI students, faculty and administrators for collaborating with one another. All registered students of ICAI will be able to use the solution.

MOU with CIMA UK

The Institute has an MoU with CIMA, UK since 2008 based on the Syllabus 2008 of our Institute and CIMA 2010 Syllabus. Thereafter, CIMA has introduced Syllabus 2015 while our Institute has also launched Syllabus 2012. To extend the professional opportunities for CMAs the Institute has renewed the MoU with CIMA, UK on 31st January 2015 at Hyderabad under the revised terms and conditions, which attaches wider recognition to CMAs, while pursuing CIMA-UK Course. CMAs under the revised terms would be appearing TOPCIMA and pursuant to clearance would be recognized as CGMA (Certified Global Management Accountants) which is having a global recognition.

MOU with ASSOCHAM

With a view to make India's micro, small and medium enterprises (MSMEs) globally competitive, highly innovative and create first-generation entrepreneurs, apex industry body ASSOCHAM and The Institute have together set up country's first Virtual Centre for Development of MSMEs and MOU in this regard was signed on 31st January 2015 at Hyderabad. ASSOCHAM – ICAI-CMA Virtual Centre for Development of MSMEs endeavors to overcome the stagnating productivity in the sector through technology upgradation, improving credit flow, updating the MSMEs as per latest trends and demands, developing globally competitive human resource, ensuring better compliance with government policies and facilitating their participation in international trade thereby eliminating the bottlenecks in successful business operations. Besides, providing consultancy services on various critical issues, imparting training to nurture experts who are skilled and trained on state of art technologies, cluster development of MSMEs and generating awareness about holistic corporate social responsibility (CSR) related practices for sustainable development are certain key objectives outlined in the vision document concerning growth and development of the sector.

During the Convention several publications of the Institute are being released for the benefit of members and stakeholders. A knowledge portal for the benefit of members was also opened up during the Convention which has several articles, presentations, and other reference material and this portal will have continuous updation with knowledge material periodically.

WIRC RCC

Keeping in tune with the clarion call given by our Hon'ble Prime Minister, Shri Narendra Modi for a "Make in India" Mission, the Western India Regional Council and the Navi Mumbai Chapter of the Institute of Cost Accountants of India jointly organised a Regional Cost Convention-2015 on 16th and 17th January, 2015 at Navi Mumbai on the theme Role of CMAs-Mission-Make in India.

Shri Bipin Shah, President of Thane Belapur Industries Association was the Chief Guest on the occasion. Speaking on the occasion, Shri Bipin Shah congratulated the Institute for the timely discussion on the relevant theme and stated that there is a huge scope for the Cost Accountants in this project of "Make in India". He stated that "Money saved is Money Earned" and the efforts of Cost Accountants in the direction of cost control and cost reduction would be highly helpful for the Manufacturing and Service Industry.

Speaking on the occasion Shri M.V. Tanksale, Chief Executive, Indian Banks' Association brought out how the CMAs can play a major role in Make in India mission. He stated that doors for Concurrent audit and project appraisal for big projects are being opened to Cost Accounting professionals. He congratulated the Institute for this timely convention.

EIRC RCC

Eastern India Regional Council & Bhubaneswar Chapter of the Institute of Cost Accountants of India jointly organized the 36th Regional Cost Conference – 2015 at Puri on 11th& 12th January, 2015 on the theme "Make in India-CMA Connect". Shri Jual Oram, Hon'ble Union Cabinet Minister of Tribal Affairs, Govt. of India was the Chief Guest of the RCC. There were many eminent speakers and guests who addressed the participants. It was transpired from the discussions that Make in India will not be possible if Cost and Management Accountants are not connected to the system. CMAs always play a major role in strategy formulation of companies. While addressing the participants I spoke about significant contribution CMAs can make towards development of India not only in optimizing resources and managing cost of economic enterprises but responsible reporting which propels the growth story of our country.

New Building of Thrissur Chapter

I was invited to inaugurate the new building of Thrissur Chapter of ICAI on 19th January 2015. The inaugural ceremony was a grand event attended by members, students and dignitaries. While addressing the participants I reiterated that the journey has just begun and there is a need to be ever resilient, smart, and stable in our efforts to take the profession to greater heights. A Charitable Association formed by the students was formally launched by me. The Chapter also has lent a helping hand as part of our Corporate Social Responsibility.

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

Continuing Professional DevelopmentDirectorate

I am proud to inform that increasing initiatives by our Regional Councils and Chapters in organizing various programs, seminars and discussions for the members on the topics of professional relevance such as , The Companies (Cost Records & Cost Audit) Amendment Rules 2014, Advance Tax, TDS and Tax Planning, Risk Based Internal Audit for Effective Management Control, Roadmap to GST Reforms, Balance Score Card, Outsourcing Decisions - Relevance of Marginal Costing and Qualitative Factors, Variance Analysis as a Feedback Mechanism and for Reviewing Current Strategies, Role of Chemical & Fertilizer Industries for the Indian Economic Growth, Value Chain Analysis, Essential Guidelines for Drafting Agreements, Inventory in Changing Market Conditions, Service Tax - Provisions with Spl reference to Reverse charge Mechanism, Inventory Valuation - AS 2 & AS 7, Role of CMAs - Mission- Make in India, and so on. We are sure that our members are immensely benefitted with such programs. Look forward for active participation of our members to enhance professional knowledge and skills.

Cost & Management Accounting Committee

I wish to inform you that the Institute is organizing 'Asian Summit on Health Care Cost Management' on theme 'Touching Lives through Cost Management in Health Care' on 12th & 13th March 2015 at Vigyan Bhwan, New Delhi. Look forward for active participation from members. Cost & Management Accounting Committee continued with the Webinars on 'Series on Cost Management" to reach members at large. These webinar sessions are well received by the members. The details of the Series are available on the website of the Institute.

ICWAI MARF Programs

I am pleased to inform that the promotional training program for finance division officers of Delhi Transco Limited was organised during 12-16 January 2015 at New Delhi. The program for the officers of Standardisation Testing and Quality Certification Directorate (STQC) was organised on 'Cost Evaluation and BOM Evaluation' during 19-21 January, 2015 at New Delhi. Programs on 'Risk based Internal Audit for Effective Management Control' and 'Advance Tax, TDS and Tax Planning' were organized during 20-23 January, 2015 at Jaipur and were attended by executives of various organizations.

Hyderabad Center of Excellence

The online mid assessment test for the diploma program in Information Systems audit and control was conducted on 20th January 2015. I attended the 66th Republic Day celebration at the center and unfurled the tricolor. The center hosted the meeting of the Committee on Training and Educational facilities of the Institute and also the Council meeting of the Institute on 30th January 2015.

IT Directorate

The Institute launched an email service for the members of the Institute on the domain icmaim.in. This email platform is aimed at digitally empowering members and to keep them updated with the events & developments at the Institute. The members are advised to actively use the email ids not just as a general point of contact for administrative purposes but also to actively engage in the support & development activities of the Institute

International Affairs Department

The International Affairs Committee under the Guidance of CMA Sanjay Gupta, Chairman, International Affairs Committee and Central Council Member organized a full day Conference on "Make in India Crossroads: Ways and Means Anti-Dumping and Transfer Pricing" on 23rd January 2015 at India International Centre, New Delhi. Shri J.K. Dadoo, (IAS) Joint Secretary & Designated Authority, DGAD- Ministry of Commerce and Industry was the Chief Guest of the conference. CMA M.K. Anand, Chief (Finance) CERC and Shri G Ramachandran, Adviser (Cost) -DGAD were the Guests of Honor. The Conference was attended by large number of delegates. CMA Ravi Sahni and CMA S.K. Bhatt, Regional Council Members-NIRC delivered the vote of thanks. The other speakers of the conference were CMA AK Gupta, Cost Accountant, Shri S. Seetharaman, Principal Partner & Country Head (Lakshmikumaran & Sridharan, Advocates and Solicitors, New Delhi), CMA Krishan Vrind Jain (Transfer Pricing Expert, Chandigarh), Shri Avinash Gupta (ACA, LLM in International Taxation, Vienna University, Europe) and CMA Amit Kumar. The conference discussed the Anti-Dumping and Transfer Pricing Regulations and the role of CMAs in these regulations.

The International Affairs Committee will be issuing its first e-newsletter in the month of February 2015 covering the activities of the Committee and the overseas centers of the Institute. The International Affairs Committee is also planning to organize online classes on Integrated Reporting and Transfer Pricing subjects. The Committee will be organizing a conference on E-commerce in the month of February 2015 at New Delhi.

SAFA Events

CMA Dr. S.C. Mohanty, Immediate Past President & CCM and CMA T.C.A. Srinivasa Prasad, Chairman, SAFA-PAIB Committee and CCM represented the Institute in SAFA events hosted by the Institute of Chartered Accountants of India at Bangalore from 28thto 29thJanuary 2015.

Membership Department

It is a well-accepted fact that one of the parameters of judging the credibility of any Institution is its alumni strength or the members' strength. This holds good for our Institute as well. I am happy to share that during the period 2014-15 (till date), 1164 candidates have been brought into the Associateship fold and 169 Associate members have been advanced to Fellowship. I heartily welcome all the new Associate members to the CMA fraternity. I am sanguine that the new members will play a pivotal role and take interest in the activities of the Institute and provide the desired enrichment.

I would like to point out that there are few members who are yet to clear their membership fee for FY 2014-15. I urge upon them to quickly pay off their membership fee to continue to enjoy the benefits of membership.

Professional Development Directorate

Ministry of Corporate Affairs (MCA) has notified Companies (Cost Records and Audit) Amendment Rules, 2014 on 31st December 2014. Through this Notification, many sectors, which were left in the original Notification dated 30th June, 2014, have been included. The amended Rules have linked the products manufactured by different industries with the Central Excise Tariff Act (CETA) Code in order to provide clarity as to which Sectors/ Industries are covered in the Maintenance of Cost Records and applicability of Cost Audit. There are many technical issues which are being addressed by the Institute through issuance of Frequently Asked Questions (FAQs). These FAQs are being finalized by Technical Cell of the Institute and will be shortly hosted on the Institute website. Some of the issues may have not been included in these FAQs for which may I request our Members to send their queries to Director (PD) on email id pd@icmai.in. Further, the Institute is also in process of developing Costing Taxonomy to enable filing of Annexures to Cost Audit Report (Form CRA-3) in XBRL format.

Research & Journal Directorate

I am glad that the Directorate of Research and Journal of the Institute organized a round table discussion on 'Live & Let Live', an Awareness Campaign Against Brutality on January 2, 2015 at EIRC Auditorium. Syed Nurus Salam, Secretary, West Bengal Board of Madrasah Education, Gnani Sukhwinder Singh, Head Priest, Gurudwara Sant Kuitya, Dr. Ajanta Paul, Principal, Women's Christian College, Rev. Sukrit Roy, Christ Mission Ashram, Ven. H. Dhammaratana Thero, BhikkhuIncharge, Maha Bodhi Society, Dharmarajika Chaitya Vihar, Swami Tadbodhananda, Ramakrishna Math & Mission, Belgharia, Shri Jaynarayan Sen, Social Activist were the key resource persons in the seminar. CMA Manas Kumar Thakur, Council Member, ICAI also deliberated in brief on the said topic. The discussion ended by lighting candles after paying homage to those souls who lost their lives in the savagery with the prayer to rest them in peace.

Another round table discussion on 'Emerging Trends in Management Accounting' had been held on January 16, 2015 at EIRC Auditorium. Prof. Pradyut (P.K) Sen, Associate Dean & Professor, University of Washington, Bothell, U.S.A, CMA Dr. Bhabatosh Banerjee, Editor, Indian Accounting Review, President, IAA Research Foundation Guest Faculty, IIM Calcutta, Former Professor of Commerce & Dean of Commerce and Management, University of Calcutta and Former Director of Research, ICAI, CMA Harijiban Banerjee, Former President, ICAI, CMA Amal Kumar Das, Former President, ICAI were among the eminent dignitaries present and shared their valuable views on the concerned theme. CMA Manas Kumar Thakur, Council Member, ICAI and CMA Dr. Debaprosanna Nandy, Director, Research and Journal, ICAI also chaired an important session in the seminar.

I am pleased to note that the Directorate of Research and Journal of the Institute has celebrated the Golden Jubilee Year of our Journal 'The Management Accountant' on January 28, 2015 at EIRC Auditorium with a seminar on the topic 'Be and Make'. Swami Purnatmanandaji Maharaj, Secretary, Swami Vivekananda's Ancestral House & Cultural Centre, Ramakrishna Mission, Shri Sanjib Chattopadhyay, Renowned Author, Shri Jayanta Kushari, Social Activist, Dr. Dibyangshu Kundu, Recipient of the Rashtrapati Award were among the dignitaries vividly discussed on the famous quote of Swami Vivekananda 'Be and Make'- the theme of the seminar and enlightened everyone present over there. Swamiji and other dignitaries released a Golden Jubilee Brochure of the Journal during the seminar. CMA Manas Kumar Thakur, Council Member, ICAI also opined his views. The entire session was highly thought provoking and enriching.

I wish prosperity and happiness to members, students and their family on the occasion of Guru Ravidas Jayanti and Maha Shivaratri.

With warm regards,

(CMA Dr. A S Durga Prasad)
1st February 2015

'TAKING THE CAT COURSE TO UNREACHED AREAS IS AN INNOVATIVE STEP'

Dear Professional Colleagues,

Skilling India is a very important objective of the new Government and I am happy that an initiative by the Institute towards this very objective – the Certificate in Accounting Technicians (CAT) course – has met with much success.

I thank CMA M Gopalakrishnan, CCM & Past President, CMA B R Prabhakar, Past Chairman - SIRC, for initiating the CAT course in Kerala and involving me in the entire process even though I was not associated with the CAT Committee before this. The Council has entrusted me to take the initiatives further in 2014-15 as Chairman, CAT Committee. I thank President & Vice President of the Institute for the same at this juncture. I am as passionate about this as I have been about my stint as Chairman, Journal Committee in 2011-12 and Chairman, T&EF Committee 2012-14.

I also thank CMA Amit Anand Apte, CCM and Past Chairman of CAT for taking the CAT course to new heights specially in the state of Kerala and Rajasthan. My special thanks goes to CMA H Padmanabhan, Chairman SIRC, for his passionate support to establish the CAT Course in Kerala and take it to the position it is now in.

The Institute has innovated by taking the CAT Course to unreached areas of the country. In fact, the Governments of Kerala and Rajasthan have already asked the Institute to offer its Certificate in Accounting Technicians Course to enhance the employability of their youth. The features of the Institute's initiatives in these States are:

KERALA

The Government of Kerala has introduced the Additional Skill Acquisition Programme (ASAP) for its School (+2) and college students who are studying for BA/BSC/B Com, etc. As a knowledge partner of the Government, we provide Accounting skills through the CAT Course to the students of Kerala. The CAT course has been introduced in cluster centres across the State. Under this model, the Government bears the fees of all the students. More than 4000 students have been enrolled in this course in Kerala. This year the number will cross 5500.

RAJASTHAN

The Government of Rajasthan has made all 40 Government Colleges and 29 Private Colleges as Recognised Oral Coaching Centres of the Institute for admitting their students to the CAT Course. In the first year, around 1500 students studying in 69 colleges in Rajasthan became students of CAT. When these students graduate, they will have an additional skill which will open up new employment opportunities.

We have taken several initiatives to enhance the quality of CAT students and some of them are:

- Quality Framework developed to scheduling classes
- Online Monitoring System developed
- Online Self Study & Assessment Module developed for students
- Training of Trainers (TOTs) conducted for CAT ASAP faculty members

Internship/Placement: CAT is not also far behind in terms of campus placement. We are committed to the quality delivery of CAT Course and organise internship /placement for the CAT students. We have successfully conducted placement of CAT students in the State of Rajasthan and the MOU signed with Genpact has paved way for CAT students to become interns with Genpact and find placement with them.

These initiatives have taken the Institute to the remotest parts of the country as part of our "Professional Social Responsibility" (to borrow the words of CMA Rakesh Singh, CCM and past President who reposed faith in me at the beginning itself in CAT matters) and we are committed to developing employable skills for the youth of the country in Accounting.

All this would not have been possible without the CAT Directorate, various Institute officials at HQ, Delhi, SIRC and co-ordinators in Kerala and Rajasthan. I thank the officials of the State Governments of both Kerala and Rajasthan too in this regard.

We are talking to other State Governments to replicate these successes in these States too.

CMA TCA Srinivasa Prasad
Chairman, Committee for Accounting Technicians
The Institute of Cost Accountants of India

'RESEARCH AND JOURNAL COMMITTEE COMPLETES MOST OF ITS ASSIGNMENTS'

Dear Professional Colleagues,

I express my sincere thanks to the President, Vice President and the Council for giving me this opportunity to serve the Institute as the Chairman of Research, Innovation and Journal Committee. I firmly believe that the Committee has tried to deliver most of the tasks bestowed upon it. The little that has not been achieved, I am sure, the Directorate with its proficient manpower would be able to achieve them soon.

The Management Accountant

- From January 2015 the journal has been printed on glossy paper (LWC) to match global magazine standards.
- Improved cover design and layout to match international standards
- New columns such as: Economy Updates (*e-Bulletin*); CMA Dossier; Regular interviews of the top brasses of various Industries; From the Research Desk (Role of CMAs)
- An exclusive, dynamic and vibrant website of the Research & Journal Directorate has been launched.
- DVD of "*The Management Accountant*" to commemorate Golden Jubilee Celebration : 1966 - 2015 (Jan)
- Exclusive theme topics with suggestive subtopics are being announced four months ahead.
- Journal now available on 6 e-commerce portals
- Journal is now enriched with quality articles and rich contents.

Other research publications

- The *Research Bulletin* will become a quarterly from April 2015. It is now a bi-annual. The April issue will be published in collaboration with NISM, an educational initiative of SEBI.
- The other publication initiatives have been: *CMA e-Bulletin* (monthly), *e-News Digest* (weekly), e-Magazine on Cost Competitiveness (quarterly)
- The Directorate has prepared knowledge studies on: Swachh Bharat for Sustainable Growth, Make in India – Role of CMAs, Varanasi -The Hub of Religious and Rural Tourism, Enhancing Cost Competitiveness through the MSME Sector in India and Role of CMAs, Leveraging Jan Dhan Yojana, International Meet on Buddhist Tourism, Madhya Pradesh: A MICE Tourism Destination, Exchanges for SMEs: Emerging Needs vs. Future Challenges, Think Tourism, Think India and Cost Effectiveness through Cost Audit
- The copies of the first edition of *Capital Markets in India* in association with JAICO were exhausted within six months from the date of publication and the Directorate will release a thoroughly revised second edition soon.
- The Directorate is preparing zero draft on the following burning issues: Forensic Audit, Performance Management and Expenditure Management.
- The association with Assocham, CII, PHD Chambers has become more vibrant.

As part of ongoing research and allied activities, the Directorate has/is undertaking the following:

- Research studies on 'Major Ports in India' as per the direction of the Indian Port Association of India and 'Agriculture and Indian Economy'.
- The Directorate is contacting and building relationships with reputed universities so that members of the Institute can avail Ph.D. registrations through an authorized research centre and collaborate on research activities.
- The Directorate will soon start extensive study and projects in association with Tata-Hitachi, National Skill Development Agency(NSDA) and the Panchayat and Rural Development Department of West Bengal.

CMA Manas Kumar Thakur
Chairman, Research, Innovation & Journal Committee
The Institute of Cost Accountants of India

Letter to the Editor

Dear Sir,

I have read the articles published in your esteemed journal 'The Management Accountant' issue January, 2015. It brings up many crucial areas to be looked upon from the viewpoint of the banks. With huge 'Entrepreneurial frustration' with banks, new measures and evolving strategies thereon ensuring level playing field for Entrepreneurship will be needed. I would like to know more about entrepreneurship and the views of banks and FIs on felicitation of budding businesses, the policies and about the scope of entrepreneurial management in future issues.

— Mini Saraf, Bilaspur

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

NOTIFICATION

Kolkata, the 16th January, 2015

Sub: Uniform Fee Structure

No. CMA(1)/2015: As recommended by the Training & Educational Facilities Committee and approved by the Council at its 290th meeting held on 9th October, 2014, Uniform Fee Structure for pursuing CMA Courses is notified and shall be made effective for all registrations/enrollment to the Intermediate/ Final Course. w.e.f. 01.02.2015. It may be noted that CMA Foundation Course Fee structure is uniform - irrespective of either Oral or Postal mode of coaching.

The Uniform Fee Structure w.e.f. 01.02.2015 shall be as follows:

Course	Existing (upto 31.01.2015)		Revised (w.e.f. 01.02.2015)
	Oral (Rs.)	Postal (Rs.)	For either Oral or Postal (Rs.)
Foundation	4,000	4,000	4,000
Intermediate	20,000	16,000	20,000
Final	17,000	12,000	17,000

Students shall, thereafter, be eligible to either opt for Oral or Postal mode of coaching as per their choice and convenience. This is a composite fee which includes facilities for coaching (either oral or postal), specified trainings as prescribed for CMA Intermediate/ Final Course.

Kaushik Banerjee
Secretary (Acting)

Glimpses of the 56th National Cost Convention – 2015 on Powering Economic Growth through Cost & Management Accounting, in Hyderabad held on 31st January & 1st February, 2015

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1. Hon'ble Minister Shri M Venkaiah Naidu with the Council Members and other dignitaries on the dais at the NCC 2015

2. Hon'ble Minister Shri M Venkaiah Naidu addressing the gathering at NCC 2015

3. Hon'ble Minister Shri M Venkaiah Naidu, Shri P Madhusudhan, CMD, RINL with President and the Vice President at the NCC 2015

4. President, CMA Dr A S Durga Prasad in conversation with Hon'ble Minister Shri M Venkaiah Naidu

5. Inaugural session of the National Cost Convention 2015. From the left CMA Dr A S Durga Prasad, President, Hon'ble Minister Shri Badaru Dattatreya, Hon'ble Minister Shri Y S Chowdary, Padma Bhushan CMA Dr M B Athreya, CMA P V Bhattad, Vice President, and CMA H Padmanabhan, Chairman SIRC

6. Hon'ble Minister Shri YS Chowdary addressing the gathering

7. President with Hon'ble Minister Shri Badaru Dattatreya and Hon'ble Minister Shri YS Chowdary on the dais

8. President CMA Dr A S Durga Prasad in his inaugural address

9. Release of the NCC 2015 Souvenir by the dignitaries

10. Release of the Knowledge Study on 'Swachh Bharat for Sustainable Growth' by the dignitaries

11. Release of the 'Guidance note on Cost Management in Higher Education' by the dignitaries

12. Padma Bhushan CMA Dr MB Athreya being welcomed by Chairman, SIRC

13. MOU with CIMA, UK

14. One of the Technical sessions in progress

NCC 2015

National Cost Convention 2015 - A Report

Inaugural Session

Vice President of our Institute, and Chairman of National Cost Convention - 2015, CMA PV Bhattad, while warmly welcoming all the dignitaries and participants, emphasised the roles and responsibilities of the CMAs in the new Indian era of 'Make in India'.

President of the Institute, CMA Dr AS Durga Prasad said that the lull in the economy in the past, made the current Government determined to put the Country into a growth path, lining up several initiatives such as Make in India, ease of doing business, smart cities, infrastructure growth, agricultural reforms and also a cleaner India through Swatch Bharat, etc. He went on to say that while we have been regularly harping on most of the above, there is more to be emphasized about agriculture which is one of the key components in the growth of economy. He touched upon issues of India being a leading producer of pulses, rice, wheat, fresh fruits and vegetables and even of milk production. Growth in agriculture productivity increased from 40% to 500 % through green and white revolutions and other initiatives.

Hon'ble Minister of State for Science & Technology and Earth Sciences, Government of India, Shri Y S Choudhury, while giving the key note address:

- Emphasised the need for 'co-operation & coordination' rather than 'competition & confrontation'. He also highlighted as to how Science and Technology can trigger the dream of making India Cost Competitive a reality. He reemphasised the need for 'co-operation & coordination' rather than 'competition & confrontation'. He also highlighted as to how Science and Technology can trigger the dream of making India Cost Competitive a reality. He reemphasised the need to connect between science & Technology and CMA Community so that the concepts which can be useful in bringing down the costs can be filtered and worked upon by the scientific community for making them available to public and business enterprises.
- Focus more & more on original inventions to push up the economic wheel. The famous Indian 'Jugaad' strategy can become a global technology provider to many developing nations.
- Run the business through dash board.
- He acknowledged the vital role that the CMAs can play in improving the mankind.

Padma Bhushan CMA Dr MB Athreya, Management Consultant, in his Key Note Address:

- Emphasized for a focus on agri-manufacturing, infrastructure, inter dependence of economy & finance, the need for skills for specialization for excellence & operation for synergy. He urged the Institute to design a 'multi-level action plan' for the centre & states.
- He re-emphasised the theme he has been propagating in the past that CMAs should continue to have the evangelist approach for propagating cost.
- The road map he laid down for the Institute on a multi-level action plan was to come out with intellectual outputs of well researched topics of interest in cost and management accounting with a hue of practical applicability.
- The road map he gave to the Regions and Chapters is to involve the local public administration and government for awareness of CMA role on nation building. With their connect with the members and students at grass root level, they should spread out puts from the Institute to them through conferences, seminars and workshops.

Hon'ble Minister of State for Labour and Employment (I/C), Government of India, Shri Bandaru Dhattatreya in his Chief Guest address informed the august gathering:

- That the main concern of the economy is to power up through effective cost leadership.
- The Government's main concern is 'estimation of project cost', and sticking to it in actual implementation wherein CMAs can play a vital role.
- Skill development & vocational training requires more focus to improve the economic growth.
- He recommended 'political & administrative will' be combined with cost leadership & management to maximize yield.
- He assured us all key notes & suggestions given by Institute will be taken to the Govt. of India.

The Plenary session on 'Make in India and make India' was set in motion by CMA D Sundaram, Vice Chairman & MD, TVS Capital Funds Ltd, on a new format of non-conventional note where he said that the session would be like a TV debate. He triggered the panel discussion with a slew of issues, which was addressed by the panellists in turn.

The Panellists' Views:

Shri Gulzzari Lal Babber, former President, Chartered Institute of Management Accountants (CIMA), viewed the 'Make in India' as goods and services having 100% components from India. He compared India to a big corporate, with the Prime Minister running it as the CEO.

Shri Ravindra Sannareddy, Chairman, Southern Region of Assocham, shared his association with the development of SEZ Sri City in the state and emphasized on providing World class infrastructure in India and attributed the success of Sri City to the availability of land, power, utilities & manpower at competitive costs. He dwelled on CMAs' contribution from

Planning to Execution of the factors in controlling cost. He also emphasised that the regulatory stumbling blocks continue to derail the economy building agenda of the nation.

CMA R C Gupta, General Manager, GAIL India Ltd, shared that estimates show that India will be 5th largest consumer by 2019 and Cost competitive and Consciousness were critical at all levels. To make the Make in India campaign successful CMAs need to estimate, capture and report the costs appropriately. He emphasised the need for helping MSMEs deliver as they form the chunk of economy and are the largest employers of youth.

CMA M Gopalakrishnan, former President, ICAI-CMA, highlighted the take away for the Institute is to help in pushing for ease of doing business by highlighting the invisible cost of too much compliances and too little governance. He showcased the proposed MSME experiment of the Institute thru CMA Labs, which will be the help desk for MSMEs, with the help of members as mentors and students as on the ground connect.

Technical Session I on GROW IN INDIA, GROW INDIA

Professor Dr Asish Bhattacharya, Chairman Board of Advanced Studies, ICAI-CMA, set the tone of the discussion by quoting that the agricultural growth rate in the Indian environment was around 4% and invited the panellists to discuss and analyze the ways and means to increase productivity in the sector. He also highlighted that this untapped sector for CMA initiatives hold a large potential for bringing back their contribution to the GDP growth albeit thru a voluntary effort by the Institute in advising the Government on removing bottlenecks. He highlighted the high productivity achieved thru green and white revolutions being frittered away by infrastructure bottlenecks which do not enable perishable goods reaching the consumers to realise their value. The invisible cost of poor long term storage also has made many farmers dumping their produce, as a waste, resulting in huge loss of the valuable resources used in producing them.

Shri Subhash Zadoo, Executive Director of Food Corporation of India, walked through the origin of Food Corporation of India and mentioned that Minimum Support Price mechanism sets the price issues. He shared interesting statistics like 52% crops were still rainfall dependant, 77 million tons of food storage capacity is created by FCI and emphasized that FCI depends on CMAs to prepare detailed cost sheets. He informed that the MOU with the Institute for cost trainees' engagement has streamlined the book-keeping and accounts at various procurement and storing centres of the FCI

Smt N Brahmani, Executive Director, Heritage Foods Ltd, shared her experience in the Dairy Industry where the consumer market has become aspiration and the taste of consumers is becoming diversified as the customers are becoming health conscious. She felt that lifestyle changes and nuclear family structure has brought in the convenience of packaged and frozen foods in agriculture and dairy products. At present the sale of liquid milk is 60% and the residual 40% is for value added products but felt that this trend is set to reverse in the next 5 years. She spoke on how India was still a growing market and the need to benchmark the global standards. She stressed upon the need of government intervention to improve infrastructure for better productivity.

Dr GV Ramanjaneyulu, Executive Director, Centre for Sustainable Agriculture, spoke about sustainable agriculture and mentioned about the Economic and technological problems including the shortcomings in Government regulation on pesticides. He stressed on the necessity of Fertilizer efficiency to bring down the cost and referred to use of alternative methods like cow dung to be used as pesticides. He emphasised that less use of pesticides can bring down cancer in a big way, and also urged everybody not to use globally banned medicines. This he said highlighted the indirect cost, which is never measured by any orgainsation and wondered whether the CMA Institute can take up that initiative for public good.

Technical session II on BUILD INDIA

CMA P Thiruvengadam, Senior Director, Deloitte, the moderator set the tone by explaining how infrastructure is capital intensive and front loaded. He indicated the pointers from the previous session on agriculture as to how a better infrastructure can help the agro produce to realise their values. Similarly, while manufacturing can be cost competitive in hinterland connect and shipping capacity build up in the nearest port will enable sustainability and growth thru exports. Similarly, with cities growing fast, a robust transport network such as London Metro, will shrink the distances for commuting and also save time of public, which is the costliest and irretrievable resource. In indicating the future shape of things to come, he indicated that self-sufficiency is a key concept which can empower economic growth, Key aspect in any infrastructure project is to manage the time, to avoid cost overrun risk coupled with quick decisions. He informed about the new breed of Cost engineers who will be playing a substantial role to make this sector efficient and self-sufficient.

Shri AJ Rao, Managing Director, Indian Ports Association, suggested increasing the market share of shipping and ports to 2% of global market, only Indian built ships to be used, reduce import of components to less than 30% through R&D. He also highlighted the humungous growth in ship building capacity, in the recent past of which only 40% is utilised. India with a vast coast line has enormous potential with both major ports and minor ports, which can not only serve the global trade but also provide an economic goods transport network for even domestic trade.

Shri KK Sabrewal, Director Finance, and CFO of Delhi Metro gave a presentation on Delhi Metro's operations and functions. The success point is punctuality. They had no cost or time overrun. They use benchmarking technique to check the operational efficiency. He emphasised as to how Delhi Metro insisted on a major portion of products to be sourced in India either thru collaboration or green field venture mode to encourage 'Make in India'. He also indicated the unique Life Cycle Costing approach for all transport units so that the cost escalation on subsequent component supply could be avoided.

Smt. CMA Dr Lakshmi Deosathali, Mumbai Port Trust, spoke how the operational costs in old ports like Mumbai and Kolkata are 2 to 3 times more than the newly built ports, she emphasised the use of activity based costing to optimise costs.

She also shared her experiences of Activity Based Costing for Ports, which is fast emerging as a path breaking initiative for making ports cost competitive.

There was also an interesting rapid fire round, an innovative technique used by Shri Thiruvengadam, where he wanted the panellists to come out with skill and competencies required by CMA profession.

Technical session III on MAKE INDIA INTELLIGENT AND INVITING

The Chairman, CMA BB Goyal, Principal Adviser (Cost), Government of India, emphasized that the Government should play the role of facilitator and not of regulator and also there should be a clarity in the fiscal and non-fiscal policies as well as labour reforms as a key trigger. He insisted on complete transparency in taxation and other laws quoting the example of Vodafone case. He indicated that the day is not far off when we may have to have an Electronic Visa system. The Government is already moving towards Visa-on-Arrival which will create a major influx of tourists, provided the infrastructure and transport bottlenecks are smoothened. He stressed upon that India should be ready to create smart infrastructure to millions of people who are going to be urbanized. The reach of the mobile network in rural hinterland is a classic example of how the rural populace can very well adapt the best practices with aplomb. The Indian concept of "missed call" has become an effective tool both for marketing as well as for political parties.

Smt Karuna Gopal, President, Foundation of Futuristic Cities, while defining SMART (Self-Monitoring, Analysis, and Reporting Technology) said that smart cities are made by smart Governments, i.e. who can make the living spaces Liveable, Sustainable, Citizen centric?

They rely on 3 decisions Viz., 1 Smart decision: gave an example of Hyderabad city needing effective public transport system in lines of London which will shrink the city geographically, 2 Smart collaboration, and 3 Smart innovations. She answered the question 'why smart city at all?' by the counter question 'Why not'. 'We should never kill the aspirations of the citizens; smart cities can be by developing new ones or retrofitting the existing ones'. She confidently said we are very close to the ground and we understand the Indian terrain. Smart Cities serve the citizens without them needing to hither and thither for making their homes easier to live.

According to Shri Manguirish Raiker, Co-chairman ASSOCHAM, who hails from Goa started with the tag line for Goa as 'Where the entire country comes for a vacation' He said to attract India as a tourism destination we should change our mind set that 'garbage can be put there, but not in my backyard'. He said 'teach them young' and inculcates the habit of hygiene from childhood itself. Promotion of India to foreign tourists is done by many Hollywood movies, which triggered hundreds of chartered flights to Goa. But the real meaning of 'Athithi Devo Bhava' is yet to materialise. He commended the programme 'Sathyameva Jayete' which was a good catalyst for the move.

Shri Yogesh Srivastav, Director, PHD Chamber of Commerce, mentioned that when we are smart, we will have smart cities. He also asked a thought provoking question about how should the existing manufacturing industries respond to the smart cities which are self-sufficient.

CMA B B Goyal, summarised the key take away from the session and connected the CMA role to them in his concluding remarks.

In the intervening session there were special addresses by Hon'ble Minister **Shri M Venkaiah Naidu** Garu, and Shri Madhusudhan, CMD of RINL and an icon of CMA profession, pointed out the various roles that the CMAs can play in running of industries. He also drew attention to synergy amongst industries and the contribution of CMAs towards the same. He cited various examples drawn from cost competitive practices which are practiced in RINL, which enabled them to emerge as a leading steel producer from the region.

We had the excellent opportunity of the august presence of Hon'ble Union Minister of Urban Development, Housing & Urban Poverty Alleviation and Parliamentary Affairs, Shri Venkaiah Naidu, who in his imitable style connected brilliantly the role of CMAs in • Allocation and apportionment of Budgets • Waste Management • Curbing Money Laundering • Public purpose • Framing of Government strategies. On a lighter vein he described the shift from rural to urban over the years which also reflected in him migrating from a Minister for Rural Development to the Minister for Urban Development.

He said he is very much privileged to work with our Hon'ble Prime Minister who is a strategic and visionary leader in reforming dead processes and revive infrastructure.

He also expressed that as CMAs have expectations from the Government; the Government also has expectations from CMAs to ensure 'Make in India' a major success. He reminded the audience that, this cannot happen in a single day or the only magic wand which can transform and Make India economically strong is sustained hard work. The Honourable Minister's address was punctuated with repeated applause from the audience, who were spell bound from his address, showcased the Government's initiatives and neatly connected the same with the NCC theme.

Technical Session IV on MAKE IN INDIA & MAKE IT EXCELLENT

The Chairman CMA A N Raman, former President, SAFA, structured the panel discussion on the two major objectives of Strategic and Operational view inter-sliced into Input, process and outcome. He plotted these two into CMA role that can be played in the cost related and non-cost related silos. The micro view of the above was again diced into Accounting, Reporting and Decision Making, which becomes the basic building block of any entity. Based on this he set the tone for discussion into the role of innovation in domestic and global markets, capturing the value proposition in them, the role of customer retention, should we be acquiring/buying or adapting or developing new technologies, and finally the skills and competencies for the new generation of CMAs emerging in the current dynamic business environment.

Responding to Shri Raman, Shri Muthukumar Iyer, Director (Operations), Nippon Paints (India) Ltd, very well deliberated about connect with CMA for Grow in India, build in India, 'Make in India', clean India and role of enterprises in Make in India. He brought out instances in Nippon Paints, where the demand for cost and non-cost information on a continuous basis, enabled the management to reshape and retune the business strategies, based on the dynamics of business. The key continuous linkages of the dealer, painter and Builder/Architect are a must for the success of his industry, in which even one weak link will jettison the entire spectrum.

According to Shri G Sunderraraman, Vice-President, Godrej & Boyce Manufacturing Ltd, the biggest challenges to make a product sustainable are the Role of innovation in targeting market. He emphasised that CMA should have better understanding between business usual and business un-usual. He also Re-defined the entrepreneur quality and entrepreneurship.

CMA M S Shankar, Senior Director-Innovation, Anand Group, responded to the posers that detailed discussion about challenges before Government and business man to make India successful. According to him, the image of the country, quality improvement, optimum utilization of youth skill, creating break through to create innovation and aspirations, strategic planning process to align with affordable prices and understanding of Value added preposition are the key drivers.

CMA Raman interjected with a further question on what to be making and how to be make to make in India. He also highlighted that more understanding about Non-financial parameter like, customer satisfaction, environmental issue, Invention, Technological Engineering, Value Chain Analysis & Value Engineering are the best tool for CMA to redefine the business. In the past, the question to CMA was whether he visited the factory. Now it is 1) have you visited the customer along with marketing team, 2) have you visited the design and production planning team and have you discussed with the purchase team? Shri Sunderraraman interjected that it was exactly the questions he was asked when he was budding in his career.

The few additional points that emerged in the discussion amongst the panellists were, Leverage developing by using the Lean Management Concept, optimum utilization of resources by using experience curve, build & promote aspiration level of youth to a higher level, promote innovation than "Jugaad", make better differentiation among Cost of identifying customer, Cost of Retaining Customer & Cost of acquiring Customers etc.,

The session concluded that CMAs are more competent in 'Make in India' provided they are able to avail these golden opportunities to serve the nation and enhance their prestige.

Technical Session – V on CONCIOUSLY CLEAN & CLEANING THE MESS

CMA K Narasimhamurthy, Practicing cost accountant, Hyderabad is his opening moderator remarks, provided a candid introduction to the tough job he has to handle in linking CMA Role to the Clean India campaign. He indicated that he was fortunate to have two eminent personalities in the session, which can provide an outside view on the issue, not necessarily from bean counter role.

Shri Robinder Sachdeva, President, The Image India Institute, in his discussion highlighted the issues of Cleanness of roads, role of Technology in Waste Management and Project Management. He complemented the active participation of the Institute in the campaign he launched in Delhi and according to him CMA as a citizen can become an enabler in 'Cleaning of Mess'?

Prof Dr Shantha Sinha, Chairperson, National Commission for Protection of Child Rights, in her response indicated that, good management or Good governance can be done only with the mutual partnership of citizens & Government. Going beyond the literal meaning she expanded the definition of cleanliness as a} no corruption, b) transparency in system, c) no child labour and d) better systems is to be in place, subsequently adherence of the systems. According to her, as Accountants we have the competency to implement all the above in the places we work for and the clients whom we have.

CMA Narasimhamurthy summed up the session with the take away that, CMAs can play a vital role in a) Waste Management & efficient use of wastage to bring down the cost, b) Making viable system of waste disposal by applying the concept of 'Kaizen' c) Adopt wastage management project as a part of CSR activity. He also advocated Review of Cost application in waste management & its reduction.

- Recommend Guidance Note on 'Municipal Cost Structure'
- Promote more & more Activity Based Costing to control or cut down the Cost.

The Valedictory Session commenced with a welcome address by CMA PV Bhattad.

CMA TCA Srinivasa Prasad, CCM & Chairman, Technical Committee, NCC 2015, in an innovative way, summed up the two days proceedings with visual captures of all the sessions, while he was summing up. He rightly pointed out the innovative methods used in the NCC 2015 like, Twitter, SMS, visual captures of the sessions and assured the audience that apart from the cities becoming smart, our Institute will also become smarter. He thanked all the Technical Committee members, others who had contributed and the students who were solidly behind the Technical Committee.

CMA Dr AS Durga Prasad, President in his address, expressed his gratitude to all those who have made this NCC 2015 possible. He stressed the relevance of Management Accounting and reminded members that we should not lose sight of this and that we should concentrate equally on industry and infrastructure to generate value for all stakeholders.

Shri Gireesh B Pradhan, IAS, Chairman & Chief Executive, CERC asserted that the Institute and CMAs have a big role to play in the power sector and invited the Institute for imparting their expertise knowledge on cost management on various strategic areas at CERC. He also proposed for a MoU with the Institute for undertaking different projects.

Swami Shitikanandaji Maharaj, Director, Vivekananda Institute of Languages, Ramakrishna Math, Hyderabad articulated his best wishes for the Convention and the Institute activities and services. He stressed more on the teachings of Swami Vivekananda and its application in day-to-day life through value education and ethics.

CMA DLS Sreshti, CCM & Convenor, NCC 2015 expressed the feelings of gratitude to one and all. He especially acknowledged the tireless efforts put in by the Institute's officials at Hyderabad Chapter, SIRC at Chennai, Delhi and Kolkata. He thanked all the dignitaries, speakers, delegates, sponsors, the event managers and all connected with the event.

The NCC 2015, concluded with paying respect to the Nation through National anthem

ICAI-CMA SNAPSHOTS

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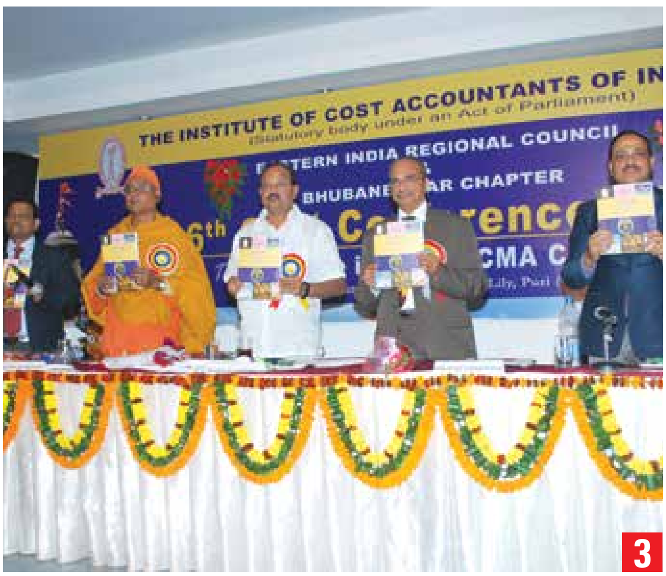

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1. CMA Dr A S Durga Prasad, President, CMA P V Bhattad, Vice President, and other Central Council Members holding the memento offered to commemorate Golden Jubilee celebration of 'The Management Accountant' Journal. Also seen are Shri Pramod Kumar, Government nominee and CMA Kaushik Banerjee, Secretary (Acting) of the Institute at the Institute's Hyderabad Centre of Excellence

2. Shri Jual Oram, Hon'ble Union Cabinet Minister, Tribal Affairs, Govt of India addressing the gatherings on the occasion of 36th Cost Conference, 2015 jointly organised by the Bhubaneswar Chapter and EIRC in Puri during 11 & 12 January, 2015.

3. Inauguration of the Souvenir on the occasion of 36th Cost Conference, 2015 jointly organised by the Bhubaneswar Chapter and EIRC at Puri during 11 & 12 January, 2015

From the left CMA Manas Ranjan Lenka, Chairman, Bhubaneswar Chapter, Swami Parishuddhananda, Secretary, Ramkrishna Ashram, Puri, Shri Debi Prasad Mishra, Hon'ble Minister of Industries, School and Mass Education, Govt of Odhisa, CMA Dr A S Durga Prasad, President & CMA Srikanta Kumar Sahoo, Chairman, EIRC

ICAI-CMA SNAPSHOTS

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4, 5 & **6** CMA Dr S C Mohanty, Immediate Past President, CMA T CA Srinivasa Prasad, Central Council Member and other eminent dignitaries at the SAFA Board Meeting held at Bengaluru on January 2015.

7. Golden Jubilee Celebration of the Journal 'The Management Accountant' was organized by the Directorate of Research & Journal of the Institute on January 28, 2015 held with the seminar on the theme 'Be and Make', quote by Swami Vivekananda.

From the left Shri Jayanta Kushari, Social Activist, Shri Sanjib Chattopadhyay, Renowned Author, Swami Purnatmanandaji Maharaj, Secretary, Swami Vivekananda's Ancestral House & Cultural Centre, Ramakrishna Mission, CMA Manas Kumar Thakur, Central Council Member, Dr. Dibyangshu Kundu, Recipient of the Rashtrapati Award were among the dignitaries

8. CMA M Gopalakrishnan, Former President hoisting the Indian Flag at SIRC on Republic Day 2015. Others seen are CMA H Padmanabhan, Chairman, SIRC, CMA M J Gopalakrishnan, Past Chairman, SIRC, Shri V Gopi, Ms. Saraswathy, Shri Akshay, Student Representatives SIRC, and CMA Govindan, Faculty Member

ICAI-CMA SNAPSHOTS


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9. CMA Dr A S Durgaprasad, President lighting the lamp in the presence of CMA P V Bhattad, Vice President, CMA H Padmanabhan, Chairman SIRC, CMA DLS Sreshti, Central Council Member and other eminent dignitaries following the ICAI SIRC Regional Cost Convention, CMA SUMMIT 2014-15 held in Thiruvananthapuram on 19 and 20 December 2014.

10. CMA Sanjay Gupta, CCM & Chairman, International Affairs Committee welcoming Chief Guest Shri J. K. Dadoo, (IAS) Joint Secretary & Designated Authority, DGAD- Ministry of Commerce and Industry at the 'Make in India Crossroads: Ways and Means – Anti Dumping and Transfer Pricing' conference on January 23, 2015

11. CMA Manas Kumar Thakur, Central Council Member presenting a Memento to Swami Purnatmanandaji Maharaj, Secretary, Swami Vivekananda's Ancestral House & Cultural Centre, Ramakrishna Mission during the Golden Jubilee Celebration of the Journal 'The Management Accountant' organized by the Directorate of Research & Journal of the Institute on January 28, 2015.

12. Releasing the Vision & Mission Document of ASSOCHAM – ICAI-CMA Virtual Centre for Development of MSMEs. From the left Shri U K Joshi, Director, Assocham, Shri Ravindra Sannareddy, Chairman, Southern Regional Development Council, Assocham, CMA Dr A S Durga Prasad, President of the Institute and Shri D S Rawat, Secretary General, Assocham

13. CMA Dr A S Durga Prasad, President and Shri D S Rawat, Secretary General, Assocham exchanging the MoU for establishing ASSOCHAM – ICAI-CMA Virtual Centre for Development of MSMEs on 30th January, 2015 in Hyderabad. Also seen is Shri Ravindra Sannareddy, Chairman, Southern Regional Development Council, Assocham

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PAPERS INVITED

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

Issue months	Themes	Subtopics
March 2015	Infrastructure Development & Economic growth	• Infrastructure investment • Risk Management • Social infrastructure • Sustainable growth • PPP Model • Real Estate • Global trend • Role of Government
April 2015	FDI & Economic Growth	• Suitability of FDI in Indian context • FDI and economic growth indicators • FDI flow at sectoral level of Indian economy • 'Make in India' and FDI • Prospects of FDI in India • FDI and domestic industry • FDI policies in India
May 2015	Integrated Reporting and Business Sustainability	• Concept of Integrated Reporting (IR) • Need, emergence & current trend of IR • Pre-requisites for successful implementation of IR • Stakeholders expectations from IR • Enterprise Performance Management and IR • Sustainability Reporting, CSR and IR • Linkage between IR and GRI G4 • Role of CMAs in IR
June 2015	Skill Development & Productivity	• Skill development for inclusive and sustainable growth • Enhancing skills and productivity through professional education • Rural & Women Entrepreneurship • CMAs and Skill Development • Empowerment through skill development • Government initiatives • Role of Financial Institutions • Role of Corporate Sector in skill development

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

Directorate of Research & Journal
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Ref. No.: DOS/9/11/2014-15 Kolkata, December 09, 2014

CIRCULAR

Sub: Exemption for Engineering Graduates/Engineers for pursuing CMA Course

Notified for general information Qualification related exemption offered to Engineering Graduates/ Engineers for pursuing the CMA Course

<table>
<tr><td rowspan="4">For Engineering Graduates having completed 2nd year/IV Semester/equivalent
or
Graduate Engineers (qualified Engineering Final Examination)</td><td>Exempted from CMA Foundation Course</td></tr>
<tr><td>Direct Entry to CMA Intermediate Course</td></tr>
<tr><td>Exemption from appearing in the following two papers at the Intermediate Course under Syllabus 2012:
Paper 6 - Laws, Ethics & Governance (LEG)
Paper 9 - Operations Management & Information System (OMIS)</td></tr>
<tr><td>Exemption from undergoing 100-hours Compulsory Computer Training</td></tr>
</table>

Application for exemption to be made to Director of Studies, HQ, as per guidelines.

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

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

CORRIGENDUM

The email address of the corresponding author for the article titled 'A critical review of some measures to quantify credit risk in lending' published on page 71 of January 2015 Journal issue is contactgourab007@gmail.com.

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

Ref. No.: DoS/12-03/2014-15 Kolkata, December 19, 2014

CIRCULAR

Sub: Simplification of procedures for Revalidation and Postal students

As decided by the Training & Educational Facilities Committee and approved by the Council, Directorate of Studies announces simplification of procedures for students from undergoing Revalidation of Coaching and Postal Students pursuing CMA Intermediate course only.

It may be noted that presently students are getting admitted/registered/enrolled to the CMA Courses (Foundation, Intermediate and Final), either opting for Oral or Postal Mode of Coaching. Students who are undergoing Postal Mode of Coaching therefore requires to submit answers to postal test papers, 4(four) for each subject/paper, unless otherwise eligible to submit answers for 2(two) test papers under modified scheme.

It is further clarified for information that completion of coaching - both oral and postal mode - is to be undergone by students besides the prescribed trainings . Hence a student undergoing Postal Coaching shall qualify in the on-line test module. Such will be duly incorporated in records of DOS besides improving the learning skills of the student.

To bring about simplification in the procedures and facilitate students at large, the initiation is now executed with Intermediate students. The hard copy submission of answer scripts would be dispensed with and substituted with on-line self assessment 'Take A Test" modules.

- Self-assessment tools and would report the status at the time of final submission
- 24x7 on-line access
- Answers to be submitted in 'text mode' and not a multiple choice question
- Liberty to fit in with the time requirement - benefit to "pause" in between and "start/resume" the test once again
- Multiple-appearances possible - as at every time a different set of question including different numericals would get generated.

For	Existing Procedure - its applicability	New Procedure
Postal Test Papers (Intermediate Students only)	Submission of hard copies for answers on Postal Test Papers - dispensed with for all students getting registered - w.e.f. 01.01.2015	On-line Self-Assessment "Take a Test". Web link provided under 'students-learning resources'.
Revalidation Test Papers (Intermediate Students only)	Submission of hard copies for answers on Postal Test Papers - dispensed with for all students getting registered - w.e.f. 01.01.2015	

During this interim period - i.e. students getting registered for Intermediate upto 31.12.2014 - will be guided by the existing procedure of submitting the postal scripts in hard copy. However, they have the option to 'take a test' instead of hard copy submission.

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

ROLE OF ENTREPRENEURIAL LEADERSHIP IN COST COMPETITIVENESS

Entrepreneurial leadership today has bigger challenges than ever in competitive edging. 'Quality' and 'cost' are the two prime and related areas of competitive edging and the leadership should encourage systems-drive with agility and continuous improvements for meeting the challenges

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ENTREPRENEURIAL leadership is not only a key resource for driving other resources but also a strategy for keeping ahead of competition. In this article, we will review the role of entrepreneurial leadership in leveraging competitiveness with respect to 'cost' as a factor of 'profitability' and its trailing determinants like product design, technology, plant organization and management practices that also affect 'quality'.

Core concept of leadership

'Leadership' can be conceived differently in different contexts e.g. leading a family or an enterprise or a political party or a nation and so on. There are various theories on leadership – from psychological traits of motivation to political styles of dominance. In management parlance, 'Managerial Grid' is an important concept considering leadership on two dimensions viz. task-getting and relation-making. Modern theories differentiate between 'management' and 'leadership' though management also includes leadership (taking its root in 'commanding' which got subsequently changed to 'directing' and then to 'leading'). There is a fundamental difference between old and new theories as explained below :

1) Old theories: # Leadership is inborn # It is exerted through formal authority emanating from top level of the organizational hierarchy and tappering down to bottom # It copes with one 'best way' of doing a thing in a given situation.

2) New theories: # Leader-

ship is also learnt # It is more effectively exerted through informal authorities at all levels of orgnaizational hierarchy # It explores 'better ways of doing things' encouraging organizational learning, innovations, continuous improvements and human development.

It is noteworthy that new theories are bent on 'human' resource as the ultimate controller of physical resources. Further, advancements in Computer Science, Information & Communication Technology (ICT) added new dimensions to modern theories as these are increasingly complementing human brain (and even human hands).

Theories apart, let us consider the genesis that leader-followers emerge whenever common problems can better be solved in a collective way. Leader shows the way. Leader has a strong mission to create a future and a clear vision to foresee it. Leader is an exemplar or idol to be imitated or followed and a trustee to be relied upon. Leader pulls and not pushes. Leader bears ultimate responsibility or risks of failures.

Entrepreneurial leadership and competitiveness

Ongoing globalization and advancing technologies are increasingly making businesses competitive with fast changing scenarios or situations. Today, "adapt or perish" is the business rule. Therefore, entrepreneurial leadership faces bigger challenge than ever in ensuring enterprise's survival and growth.

A few major areas for competitive edging that entrepreneurial leadership focuses on, are discussed below in brief :

1) Technology-Driven Product Qualities - The Basis Of 'Mark'-eting :
Brands like Dettol (antiseptic), Cheriblossom (shoe polish), Microsoft (software), Xerox (copier), Nescafe (coffee), Hawai (slippers), Walkman (portable cassette player), Remington (typewriter), etc became inseparable from the products for their time-tested qualities and wide popularities. Some of these may have become obsolete for advancements in technologies (e.g. Walkman and Remington), but the brands remain as lasting marks in the history of market leaderships.

It is being emphasized that even patented products are competed away in the long run. Therefore, there is no substitute for continuous innovations. We will review this in point (6) below.

2) Business Integration – Synergies Of Mergers & Acquisitions :
Many enterprises expand back and forth as strategic moves. For example a steel plant may acquire ore mines, collieries and power plants for captive requirements, a jute manufacturer may embark upon upstream products like garments, carpets, upholsteries, bags, etc. These give synergic advantages in terms of costs.

Similarly, different units of an industry may unite or combine with or without losing individual identities as in mergers, amalgamation, holding-subsidiary relations, pools, cartels, trade associations, etc. These give advantages for price regulation through controlling overall supply.

[Note : (1) Many of the combinations may not be good for the society and are being regulated differently by different nations. For example, MRTP Act/ Competition Act in India seeks to regulate dominant undertakings (2) In consolidation, related party transactions are regulated under Companies Act, 2013 and tax different laws]

3) Business Outsourcing – "Doing The Best And Sourcing the Rest" :
There is hardly any business today which is self-sufficient in resources for all situations. Outsourcing of non-core activities enables an enterprise to focus more on core activities or resources. Sometimes, outsourcing may involve demerging of activities into different companies either under the same management or under separate entrepreneurship.

Even core resources may be complemented by resources of key vendors treated as partners. For example, a critical process of manufacture may be upgraded through technical collaboration.

Technical collaboration may include composite functions like supply, operation and maintenance of equipments together with supply of spares and consumables. Sometimes, collaboration includes skill development through training. Collaboration agreements usually operate on long-term basis.

Foreign collaborations sometimes include equity participation (FDI) as part consideration money. Indian manufacturer-exporters may also benefit out of duty exemptions on imports of capital goods and inputs for such projects against export obligations.

Outsourcing may take different forms from technical collaboration to contract manufacturing, job work, equipment leasing or hiring, maintenance tie-up, labour supply, etc. Sometimes, collaborations may result in exclusive tie-ups with key vendor with conditions for shareholding in the latter on firm allotment or private placement basis.

Outsourcing changes cost-structure as fixed costs reduce while variable costs increase. There may be issues regarding qualities of outsourced services which need to be addressed by regular reviews.

[Notes : (1) Some activities which are perennial in nature and attracting contract labour regulation in India, may be difficult to be off-loaded (2) Foreign Collaboration and Duty Exemption Schemes are regulated under FEMA, Foreign Trade Regulation, Customs Duty Act and Industrial Policy]

4) Human-Resource Development-Culturing Man As 'Capital' Not Recorded In Balance-Sheet :
Man "thinks" and behaves unlike materials and machines. Technology is necessary for speed and consistency but it cannot replace human intelligence. Man is the ultimate controller of physical resources whether natural or man-made. Man-made resources like buildings, machineries, software, etc (forming parts of 'capital' in economics) increase human efficiencies. Thus, human development contributes to capital formation and national income besides being a sub-system of the society.

In today's context of fast advancing technologies, development of human knowledge, skills and competencies is all the more important. Several entrepreneurs spend substantial monies in schools, colleges, training institutes and research centers. In many cases, these spending are founded more on societal causes than profit-seeking. Many entrepreneurs also prefer employee training off-the-job for higher responsibilities. Thus, benefits of entrepreneurial development of head-hand in human being are also reaped by industries.

[Notes : (1) Some of the human resource development activities like illiteracy eradication is included in Corporate Social Responsibilities (CSR) in Companies Act, 2013 (2) Almost all countries find it difficult to finance free and compulsory education even upto primary level. India is no exception. Therefore, there is a need for non-governmental supports like that of private entrepreneurs and NGOs (3) Measurement of benefits of human resource development may be difficult and may involve long-term approaches taking into account educational needs of an individual, his or her contributions over a given time, etc]

5) Information & Communication System – Interfacing Between Enterprise's Changing Environment And Its Adaptive Organization:
Information & communication system attunes an enterprise to its internal and external environments. Leadership also uses it as an indispensible instrument for analysis, decision-making, delegation, co-ordination and control.

Business involves large number of factors, most of which are unpredictable (barring a few which are controlled within an enterprise). For solving such complexities, appropriate quality model is adopted as we will see in point (6) below. Any such model today combines quantitative techniques (Operations Research & Statistical models) which are increasingly being used with modern software that is often tailored for the enterprise. Moreover, modern management and growing uses of Management Accounting techniques require physical and non-financial data to be integrated with accounts on 'online' basis (as in 'ERP' systems and e-Commerce).

Further, ICT today offers a number of communication channels from e-mails to web conferencing (audio & video) such that dependence on public assembly and boardroom meetings are much reduced.

Computers today interface a number of systems as follows :

a) Audio-visual systems like sound recorders and cameras.

b) Analogue sensors e.g. for reading bar codes, machine conditions, vehicle movements, employee identity.

c) Numerically controlled machines (MNC) or computer-aided manufacturing (CAM) and computer-aided designing (CAD).

These have revolutionized computer applications. Thus, present era is rightly called an 'information-age'.

6) Quality Management – Art Of Making Big Change Through Small But Continuous Improvements :

'Quality' connotes relative worth evaluated subjectively. To an enterprise, it is the profit that the product fetches. To a customer it is the usefulness of the product (and sometimes its esteem or brand image) as also its 'price' in stricter sense, in comparison to those of competitors' products. To the society, it is the welfare that the product generates. Therefore, there is a need for integrating interests of various stakeholders.

Quality movement fosters the view "take care of process and process will take care of results". Another aspect of process-result is that it is difficult to establish quantifiable relationship between enterprise's processes as cause and business results as effect. Several models have emerged to address such uncertainty that gives rise to business risks. But almost all such models are by far descriptive in their applications despite umpteen quantitative techniques that are available. The models also differ in approaches and coverage though most of these converge on one fact that there is no substitute for 'learning from results'. Some models do advocate experimentation as a basis of learning and innovation.

In hedging risks, failure or its recurrence need to be timely prevented. There are several early indications which reflect on enterprise's weaknesses and threats. Information system has to build up such indicators. Some of these indications are stated below :

1) Dis-satisfactions of customers, employees, suppliers, shareholders and the society.

2) Superior performance of competitors.

3) Declining trends of profits, net worth, cash accruals, plant utilization, etc

4) Adverse variations from standards adopted for input-output, time-work, man-machine and financial budgets.

It is noteworthy that failures often ascend from (4) to (1) and therefore, controlling base indicators leads to controls of others in the hierarchy.

Entrepreneurial leadership needs to integrate interests of different stakeholders, position the enterprise strategically in the crowd of competitors, define goals and employee-roles clearly and drive these with discipline and human motivation. Failures should be addressed without carrying the causes forward to next review cycles. This ensures continuous improvements. There may be situations demanding long-drawn process of improvements through research as in new products, new technology, etc. Sometimes immediate one-time change becomes inevitable through process re-engineering.

Taking a synoptic view of an organization deployed by an enterprise, Marketing function has to provide sufficient information on customers (their needs & feedback), market (size & segments), competitors and product performance while Production function develops, delivers and renews products. Finance function controls funds and evaluates profitability. Therefore, the whole Organization has to function with utmost co-ordination and agility for preventing failures. A major instrument in the hand of leadership for ensuring such integrated efforts is Information & Communication System as explained in point (5) above.

A successful leader also deploys one or more appropriate Quality Management models. There are various models available right from Tailorism to other approaches that evolved over last 60 years as listed below :

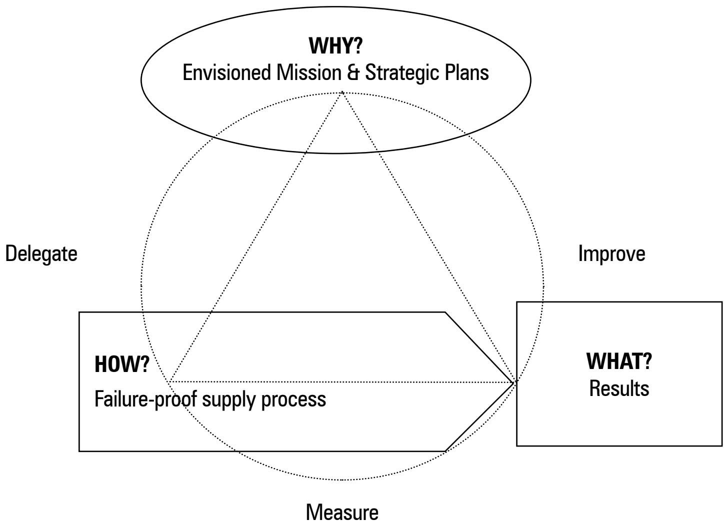
 # ISO system # Six-Sigma (6) # Kaizen System # Malcom-Baldridge Model # Deming Model # Bench-Marking (BM) # Total Productive Maintenance (TPM) # Environmental Management Systems (EMS) # Occupational Health & Safety Standards (OHSAS) # Corporate Social Responsibilities (CSR) # Theory of Constraints (TOC) # Lean Enterprise # Value Chain concept # Value Engineering # Standardization # Management By

Objectives (MBO) # Balanced Score Card (BSC) # Business Process Re-engineering (BPR) # Tipping Point Theory # Supply-Chain Management (SCM) # Risk Management.

(Note : Above is only an illustrative list and not an exhaustive one. There are plenty of models and many are developing. Several of these require continuous applications while a few are meant for drastic one-time improvements. Some of these models are more comprehensive than others. Usually, a holistic model with other specific-purpose models including Corporate Governance as may be necessary, are adopted in an enterprise. It is noteworthy that TQM implies decentralized controls with trained employees covering all activities of an enterprise).

A representative model is presented in the Diagram 1:

Diagram 1: A Representative Model for Quality Management



[Diagram 1 depicts a triangular relationship among mission-process-results in WHY-HOW-WHAT circle outlining the functions delegate-measure-improve].

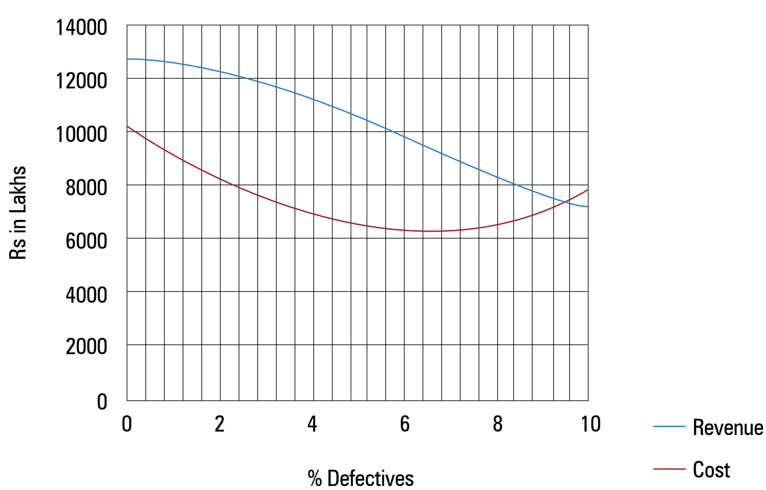
Cutting cost-competitive edges through leadership

Two related factors of strategic importance that merit consideration for competitive edging, are 'cost' and 'quality'. To cite Deming's findings, high quality need not mean high cost. Value Engineering techniques also suggest that quality-cost can traded off for maximum profit (Illustrated in Diagram 2 at the end of this section).

The various factors influence quality and cost are as follows :

1) **Product Design:** We have seen in the above section that a brand acquires esteem after successful use of the product by large number of customers over a period. Product's life span in the market is greatly enhanced if its design addresses factors like efficiency, reliability, user-friendliness, maintainability, durability etc as appropriate for the product on one hand and cost to customer on the other hand. Design

Diagram 2: Cost-Revenue Analysis with Respect to Defectives



(Diagram 2 shows that profit is maximum at 4% defective. Several reasons can be assigned to it. For example, increased costs below 4% level due to more maintenance efforts in calibrating machineries. Similarly, cost increases above 4% level due to increased downtime and breakdown repairs. Defectives may also increase with tighter tolerance in product specification. Revenue declines with reducing yields and may increase with tighter tolerances, even if such decrease or increase are not proportionate) has to address one question at last : how is it better than competitors' products ?

[Refer also Diagram 2 illustrating quality-cost-revenue relationship which is analyzed in product designing].

2) **Technology Selection:** Selection of machineries and materials have far reaching effects on quality and cost of product. Technology absorption process includes collaboration and knowhow development as mentioned in the above section. Modernization of plant is another area for technology renewal. Since these commit an enterprise for long, a detailed techno-commercial analysis and feasibility studies may be necessary with professionals or consultants drawn from different fields. A project report normally is drawn up for Board's approval and such report forms the basis of financing including share issue (initial or subsequent), bank loans, etc.

Some important facts for cost-benefit analysis in regard to technology selection are as follows :

a) Automation reduces direct labour but increases production overheads.

b) Life-cycle cost of technology has two broad aspects viz. effects of 'teething' problems & learning in initial phases and increasing effects of wears in later phases. Therefore, employee training and preventive maintenance functions are important in reducing downtime and spoilage costs. For new technologies specially those absorbed through collaborations, it is necessary to document standard operating procedures, trouble-shooting check lists and part replacements & assembly overhauling schedules. These also provide basis for cost estimations and internal audits.

c) Chances of obsolescence of machineries may badly affect costs, if spares are not available in future. Therefore, vendor selection and their commitments are also important considerations.

d) Phases in product life have determinate effects on technology selection.

e) Time value of money is an important consideration. Usually, Internal Rate of Return (IRR) is adopted for evaluation of financial feasibility (after considering inflation factor in estimated cash flows over life). IRR can be easily compared with risk-free return rates or interest rate.

3) **Plant Location, Layout & Ergonomics:** Appropriate location of a plant reduces inbound & outbound logistics costs. Appropriate layout reduces in-house logistics costs and handling time. Layout should also consider ventilation, light, space, waste disposal and other human conditions (some of these are regulated by statutes). Workplaces should be designed appropriately for safe working with minimum fatigue. Such health, safety and ergonomic measures have favorable effects on both quality and cost.

4) **Process Planning & Control:** Use of digital technology with computers and networks help better planning & control of machine conditions, workflow, vehicle positions, employee-attendance and inventory. These have considerable effects on cycle-time and costs.

5) **Materials Handling:** Mechanized or automated handling contributes to phenomenal increase in productivity and reduction of cycle-time. Volume of handling should justify mechanization or automation. A cost-benefit analysis is desirable before making major investments [In automated production processes as also in flexible manufacturing systems (FMS), automated materials handling is almost inseparable from processes and it plays significant role for in-process feeds].

6) **Management Practices:** We have already discussed various areas in the foregoing section that leadership has to consider in cutting competitive edges for the enterprise. In particular, leadership has to make and drive the enterprise as a supplier of goods and services, orienting continuously to customers and markets. It has to take into account all regulatory requirements and care for all stakeholders. It should depend more on technology-driven systems and make the organization as lean as possible with skilled employees. It should encourage learning, innovation and excellence in performance with adequate rewarding system. A regular review of performance is of paramount importance in preventing failures. It is said ***"The speed of an enterprise is the speed of its leader"***.

Conclusion

"It is not the big but the fast which survives and grows" (Darwin). Entrepreneurial leadership today, has bigger challenges than ever in competitive edging. 'Quality' and 'cost' are two prime and related areas of competitive edging which cut across several trailing areas like product design, technology, organization and performance. Leadership should encourage systems-drive with agility and continuous improvements for meeting the challenges. MA

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COMPETITIVENESS THROUGH LEADERSHIP: ENGINE FOR TURNAROUND MANAGEMENT

A DISCUSSION WITH A CASE STUDY

The world, as it appears, learns to live in a Schumpeterian world of creative destruction where competitiveness through leadership is the mantra for survival. Therefore, the concept of competitiveness and effective leadership has gained importance. Unless practicing managers leading a firm understand this reality and adopt a competitive strategy for turnaround, his firm will simply be eliminated from the market

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IN the globalised business environment governed by market driven economy, understanding concept of competitiveness and its implementation are the key factors for a firm's growth on a sustained basis. Since the concept is translated and put into operation by leaders, their role as transformational agent in improving competitiveness of a firm is also equally important. In this paper, competitiveness and its application have been conceptualized in the context of a manufacturing unit only and not with reference to a nation or a group of industries. Leaders, entrepreneurs and managers have been taken in the same connotation. Role of these two factors is more critical in the context of turnaround management. As one knows, turnaround management refers to the management measures that reverse the deteriorating trend in the performance indicators of a company. Dealing with a crisis situation in its dynamic best is quintessence of turnaround management. Role of a leader who, with his knowledge and experience, can confront a reality and foster innovation to achieve improvement in organizational performance is thus co-essential. With these key features in mind, this paper has been structured as follows: After reviewing literature in section 1, definition and indicators of competitiveness and traits of an effective leader in the present-days' context has been described in section 2. In section 3, calculation for optimum turnover to be achieved to make a firm competitive has been shown on the basis of the concept of marginal costing. In section 4, we present a case study. In section 5, we conclude.

Review of literature defining competitiveness and effective leaders

Competitiveness of a firm has been defined by many studies. It is defined as the ability of a firm to design, produce and market products superior to those offered by competitors, considering the price and non-price qualities (D'Cruz, 1992). Some authors view competitiveness with the competency approach. They emphasise the role of factors internal to the firms such as firm strategy, structures, capabilities to innovate, and other tangible and intangible resources for their competitive success (Bartlett and Ghosal, 1989; Doz and Prahalad, 1987; Hamel and Prahalad, 1989, 1990; Prahalad and Hamel, 1990; Grant, 1991; Barney 1991, 2001; Peteraf, 1993). Ability to develop and deploy capabilities and talents far more effectively than competitors in achieving competitiveness has been viewed by a scholar (Smith, 1995). Productivity is termed as a surrogate of competitiveness of a firm by many authors (Porter, 1990; McKee and Sessions –Robinson, 1989). A number of studies have been made relating sources of competitiveness with firm performance with focus on price, quality, design, marketing, flexibility and management. (Barney, 2001; Sushil, 2000; O'Farell et al 1992). According to Porter (1980), competition within an industry is defined by five structural parameters: current competition within the industry, bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitute products or services.

A number of studies have also been made on the issue of leadership. Effects of transformational leadership on performance of a firm has been examined by many authors (Bass, 1999; Barrett and Sexton, 2006; Grant, 1996; Hurley and Hult, 1998, Nonaka and Takenchi, 1995). A study has argued that good leadership should enable an organization to integrate, share and use his knowledge and experience innovatively in order to improve competitiveness (Senge et al, 1994). Some researchers have prescribed that innovativeness of leaders is means to improving organizational competitiveness (Loof and Heshmati, 2002; Zollo and Winter, 2002; Domanpour and Schneider, 2006). Reviewing the literatures on the subject, it appears that competitiveness is a concept that is widely used, but difficult to define explicitly. Such construct is often used in different and somewhat ambiguous meanings. As such, many theories about competitiveness and related inter-disciplinary fields of strategy are not widely used by practitioners. Literatures on leadership indicate that effective strategic leadership practices can help firms enhance performance with improved competitiveness, but style and traits of leaders vary from one business environment to other. What we understand after studying the literatures is that there is a need to capture the concept of competitiveness and leadership from a practitioner's point of view. This motivates us to present this paper with a case study in such a manner that may help a practitioner to translate the concept and draw an action plan to improve a firm's competitiveness to the level required for its turnaround.

What is competitiveness and what are the roles of leaders in improving competitiveness

Applying common sense, one can say that an unit A is more competitive than an unit B under the same business environment when productivity measured in terms of capital, labour or what goes in the name of total factor productivity is more than that of B with more market share. But then, an improved productivity which is reflected in a reduced cost of production might not necessarily mean a high return on invested capital because the rate of return depends on the rate of profit which is not necessarily accelerated with a reduction in the cost of production. Business environment also changes and sometimes is different for different units. Again, in the era of globalization, firms are exposed to global business environment. This calls for more explicit definition for competitiveness. Role of leaders and quality of leadership come in the picture in such a situation to make one unit more or less competitive than the other. After all, main function of a manufacturing unit is to convert inputs into outputs by utilizing its infrastructural facilities, production facilities, technology, human resources and other service facilities. But then, getting outputs from inputs is not enough. These outputs are to be sold into the market at an acceptable price to the extent that will help the unit to capture maximum market share and get back cash which should be enough for continuance of the production after meeting its outside obligation, namely, servicing interest and repayment of term liabilities in a phased manner. Leaders play an important role in all these processes and functions associated with converting components of inputs into saleable outputs and generating adequate cash flow to service the debts and interest obligations. With this background, we define competitiveness as an intrinsic strength of a firm which gives a proper judgement about profitability, liquidity, leverage, debt-servicing capacity and efficiency in regard to management of assets and liabilities of a firm. Refining the explicitness, we select certain parameters for competitiveness under two business environments. First, where a firm is exposed to only domestic market and second, where it is exposed to both domestic and international market. For the first group, Return on Investment (ROI), Internal Rate of Return (IRR), Debt Service Coverage Ratio (DSCR), Interest Coverage Ratio (ICR), Current Ratio and market share are the appropriate indicators. For the second group, four additional ratios, namely, Domestic Resource Cost (DRC), Economic Rate of Return (ERR), Effective Rate of Protection (ERP) and percentage of export sales to total sales should be considered. In order to improve competitiveness in terms of the above indicator, traits of an effective leader should be as follows: have visions; be forceful and optimistic communicators; focus on a short list of priorities; exhibit courage and convictions; prepare homework relentlessly; take risks and make decision; be stewards of other people's resources and finally he should be a person of passion. Three key tasks a leader should perform are: Managing multiple time lines; Building coalitions by engaging the right talent and working as a team, not just a collection of individuals and finally, creating a vision. Six core competencies that a creative leader should have for turning strategy into action are: Set clear priorities; create conditions that allow others to be effective; make strategy for a learning process; act decisively in the face of uncertainty; keep both short-term and long-term plan and have the courage of your convictions. Therefore, competitiveness can be considered a multidimensional construct as a number of variables should be jointly adopted to measure it. The factors affecting such construct may have different weights which generally vary from firm to firm as well from industry to industry.

Calculation for optimum turnover

As one knows, concept of marginal costing helps a manager for a number of management decision makings. One of them is to calculate value of optimum output. This is required to find out what should be the level of output of a firm that will generate adequate cash flow to meet not only the fixed cost but also to repay the loan along with its interest. Once the level of optimum output is found out, a manager can assess whether the unit has got capacity to produce that level of output. In the absence of capacity, a decision can be taken to incur additional capital expenditure for enhancing capacity. A manager can also assess whether the optimum output produced by a firm can be sold in the market and at what price. With extension of the concept of marginal costing, the management can decide on profitable mix of sales, effect of change in selling price, in fixed cost, in variable cost and in volume of sales. Suppose, Profit – Volume ratio (contribution to sales ratio) is PVR and operating fixed cost excluding interest is F, interest is I, repayment obligation is R, then optimum level of output should be [**(F+I+R) ÷ PVR**]. If the unit has to earn profit of P to incur additional capital expenditure and for incremental net working capital, then value of output optimum should be [**(F+I+R+P) ÷ PVR**]. With such calculation, a leader can decide on which path he should take for improving competitiveness of a firm.

Turnaround of Satyam Computer: A case study

That effective leaders (Management) can turnaround a difficult company by improving competitiveness and adopting appropriate innovative strategies can be demonstrated by discussing the case of turnaround of Satyam Computers (SC). At the time Tech Mahindra (TM) took over SC, accumulated losses of SC was about Rs.10,000 crores; all banks had frozen credit lines; all experienced persons left SC and about fifty percent of the customers refused to work with SC. Management of TM had drawn a three years turnaround plan which focused on : (a) Retaining core areas of business and pride of the employees, (b) Motivating and allowing all investigating agency to find out the extent of scam and how the fraud was engineered, (c) Holding on the customers by meeting and telling them the facts to retain the company's strength, (d) Organizing customers' and analysts' meets across the globe to answer their queries and (e) Bringing back the lost customers and experienced employees. Turnaround strategies that were adopted with innovative and transformational idea included amongst others: (i) Restructuring the assets and liabilities and re-audit the accounts (ii) Sale of surplus assets and vacating all rented offices yielding cash inflow of ₹ 2.50 crores. (iii) Curtailing unnecessary expenses and saving ₹ 100 crores per annum. (iv) Reducing employees cost by offering separation scheme and thereby saving ₹ 100 crores per annum. (v) Restructuring the customers and reducing marketing cost. (vi) Adding a few futuristic capabilities which can be run with Tech Mahindra's expertise, and finally (vii) Merging with Tech Mahindra at appropriate time.

Then, merger took place on 21st March, 2012 with a view to create synergic gains. Mahindra Satyam's journey followed the following turnaround path given below:

Result is that turnaround was complete. Indicators of competitiveness improved through dynamic, innovative and transformational management of TM. Data given in **Table 1** would capture the reality.

Conclusion

In the era of globalization, a firm devoid of competitive advantage can

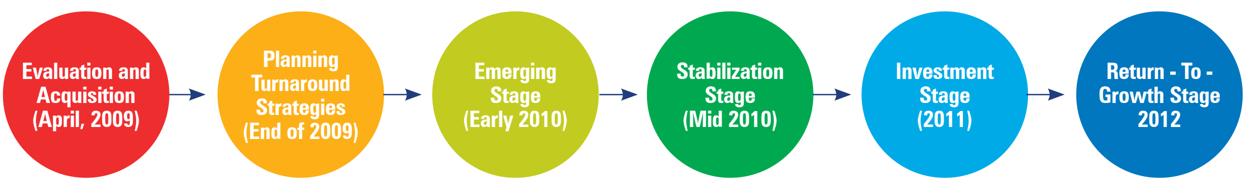

Table 1						
For the year		Mar'10	Mar'11	Mar'12	Mar'13	Mar'14
Total Revenue	₹ m	47,008	52,690	55,879	67.984	189,444
Gross Profit	₹ m	11,058	9,912	9,182	14,242	41,838
Profit after Tax	₹ m	7,005	6,442	10,955	12,878	30.288
Gross Profit Margin	%	23.9	19.3	16.7	20.7	22.2
Net Profit Margin	%	15.1	12.5	30.0	18.7	16.1
Current Ratio	x	1.4	1.3	1.3	1.1	2.3
Return on Assets	%	15.2	12.3	17.3	15.5	19.5
Return on Equity	%	24.3	19.2	27.0	23.7	33.0
No. of Employees	₹ '000	33.5	38.3	40.8	83.1	89.4
Avg. Net Profit per employee	₹ '000	209	168.1	268.7	155	338.6

not survive. A firm with competitive efficiency entering the market with reduced long average cost, threatens the less competitive firm. The present era of economy in our country can be conceived as a period of boom in a Schumpeterian paradigm of capitalist development. The world, as it appears, learns to live in a Schumpeterian world of creative destruction where competitiveness through leadership is the mantra for survival. At the level of a firm, the message is that the competitive efficiency is the key for survival. Given this background, the concept of competitiveness and effective leadership has gained importance. Unless practicing managers leading a firm understand this reality and adopt a competitive strategy for turnaround, his firm will simply be eliminated from the market. In this context, this paper seems to be useful for a turnaround manager in practical decision making situations.

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MICHAEL PORTER'S GENERIC STRATEGY OF COST LEADERSHIP – PERTINENT ISSUES

As long as there is competition, prices are not administered and artificially controlled and there is emphasis on productivity, efficiency and optimum utilization of resources, the study and management of cost is here to stay

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Practicing Cost Accountant, Guwahati

ONE need not necessarily be a specialist in cost and financial management or a strategic analyst to understand a basic and simple truth – a business entity which can procure or produce the goods sold by it or deliver the services provided by it at a cost which is lower than that of the other players in its market segment or the industry, is at an obvious advantageous position. However, there was no specific structured study to show as to how such cost advantage can result into a competitive advantage until in 1980, Michael Eugene Porter came up with a book titled *Competitive Strategy* which introduced us to five basic forces driving industry competition and three generic strategies to outperform the competitors. Overall cost leadership was one of these three generic strategies and ultimately the role of better cost management to achieve a better strategic positioning in the industry was formally accorded its due importance.

Interestingly, Michael Porter who was born in 1947 and referred to as one of most significant contributors to strategic management literature, was not a straightforward entry into the realm of strategic business management. He had an engineering degree in aerospace and mechanical engineering in 1969. Two years later, he had an MBA degree from Harvard Business School and thereafter a PhD in Economics. Porter himself said that he got interested in the subject of competition through sports and he was a participant from Princeton University in the National Collegiate Athletic Association (NCAA) golf squad. It might be the case that his interest in competitive sports had shaped his thoughts on business strategy and competition. However, his book on competitive strategy was a result of his long drawn research and experiences gathered as a researcher as well as a teacher which in his words 'stood the test of peer review, and the draft chapters had survived the scrutiny of my MBA and executive students'.

Meaning of Competitive Strategy

In Porter's own words, competitive strategy can be defined as the "plan for how a firm will compete, formulated after evaluating how its strengths and weaknesses compare to those of its competitors".

Various management gurus have defined strategy in numerous ways but the simple plausible meaning of strategy or specifically business strategy is to formulate a plan to achieve a pre-determined goal in circumstances which is filled with uncertainty and resources to achieve the goals are limited. According to Mintzberg, a strategy can be a plan, a pattern, a position, a ploy or a perspective. Accordingly, competitive strategy is that kind of a strategy where such plan, patterns etc. are devised by an organization to give a competitive edge over its rivals. Strategy, which does not provide a competitive edge over other players in the field, may not be sustainable over a period of time and thus, by default, competitive strategy needs to be sustainable.

Industry competition and its structural determinants

According to Porter, the state of competition in an industry is driven by five basic competitive forces which he described as

a) Threat of new entrants
b) Rivalry among existing competitors
c) Threat of substitute products
d) Bargaining powers of suppliers
e) Bargaining powers of buyers

All these above five forces jointly and/or cumulatively determine the intensity of competition in an industry and its resultant profitability. Strategy formulation under such circumstances needs to take care of the forces, particularly those prominent among them. The five forces also drive a point that competition in an industry extends beyond established and existing player and may well spread to customers, suppliers, substitutes and potential entrants.

To have a competitive edge over its rivals, it is essential for a firm to identify and analyze the forces and their underlying causes affecting competition and to realign its strengths and weaknesses from a strategic standpoint to provide the best defense against existing array of competitive forces, improve its relative position and respond before the rivals to any anticipated shifts in the underlying factors. This response should be appropriate to the resultant change in competitive balance arising out of anticipated shifts so as to exploit the change to its advantage ahead of its competitors.

Generic competitive strategies

As stated, to cope with the competitive forces and to take a strategic defendable position in an industry to yield a better return compared to the competitors, a firm needs to adopt certain strategies. To create such a defendable position and to outperform the rivals, Porter had identified, at the broadest level, three internally consistent generic strategies, which are

a) Overall cost leadership
b) Differentiation
c) Focus.

The cost leadership strategy generally involves targeting cost conscious customers or customers with a price sensitivity. This requires the firm to offer an equivalent or lower price as compared to its rivals or market a product which has better value as compared to the price paid for it. To achieve this, the firm must be able to operate at a lower cost than its competitors and accomplish a cost leadership which sustains.

As per the second generic strategy i.e. differentiation, a firm thrives for being unique. The firm seeks to be somewhat exclusive, exceptional and distinctive from its rivals along some dimensions that are perceived as important by the buyers. The firm positions itself along this line and gets rewarded with a premium price for its uniqueness and exclusivity. Differentiation strategy generally suits such markets which are not price sensitive and are mostly saturated or highly competitive.

The third generic strategy of focus concentrates on the selection of a limited or narrow competitive scope within an industry and is thus different from the other two. The main focus of the focus strategy is to select a segment or segments of markets and mould its strategy to suit the particulars needs of that segment. In this process, the other segments are excluded and because of tailoring and optimizing the strategy for the target segments, the firm generally obtains a competitive advantage in that particular segment.

Generic strategy of Overall Cost Leadership and related competitive advantage

In 1970s, one concept that gained popularity was the 'experience curve'. The experience curve was developed by Bruce Henderson and BCG (Boston Consulting Group) in 1960 while anlaysing the overall cost behaviour. Experience curve is basically a graph which shows the effect of experience on the cost structure. The basic principle behind this concept is that as a firm goes on increasing its experience, the way of performing its operations gets better resulting into a reduction in average and marginal costs. However, the developers of the concept began to emphasize its implications in the field of strategy only in 1968 and a research by BCG revealed that the curve did have an effect on the industries ranging from 10-25% in 1960s and 1970s. There was a pursuit in the 1970s to achieve higher market share based on the principles of experience curve. Porter's first generic strategy was somehow drawn on this line where a set of functional policies was aimed at the basic objective of an overall cost leadership. Such an overall cost leadership provides the firm with enough ammunition to yield an above average return and thus gives a cushion against strong competitive forces.

Cost leadership is not gained overnight, neither is it attained for perpetuity. It is gained and needs to be sustained over a period of time through various functions and factors such as economies of scale, cost reduction through experience and learning curve; overhead cost control and cost minimization in appropriate areas. The recurring theme through every strategy, plan, process and function should be 'lower cost' as compared to the competitors. A business unit having a lower cost logically has an advantage over its rivals which more often than not result into above average return or a reasonably steady return when the competitors find it tough to even stick to the industry average yield. In the context of competitive force of bargaining power of buyers, it gives the firm with a lower cost a strong position of defense because even if the buyer brings down the price to the level offered by the next strong competitor, the lower cost as compared to the next competitor still provides an edge to the low cost producer. A firm with lower cost also becomes somewhat immune to the threat of new entry.

A firm enjoying and sustaining cost leadership should logically be able to be more than an average performer subject to the condition that it is in a position to command price equivalent or near equivalent to the average industry prices. However, an element of differentiation is also embedded in it in a sense that if the product is not perceived as comparable to the competitors' products, there may be a need to discount the prices. Porter mentioned in his book that 'a cost leader must achieve parity or proximity in the bases of differentiation relative to its competitors to be an above-average performer, even though it relies on cost leadership for its competitive strategy'.

Porter in his subsequent book 'Competitive Advantage' published in 1985, brought a 'tool' called 'value chain' which used to be the recurring theme throughout the book along with specific sources of competitive advantage. He discussed value chain and cost analysis and narrated that for the purpose of cost analysis, the generic value chain should be disaggregated into individual value activities and then operating costs and assets should be assigned to the value activities. He further described that a firm's cost position results from the cost behaviour of its value activities which depends on a number of structural factors that influence cost, which he termed 'cost drivers'. According to him ten cost drivers determine the cost behaviour of value activities which are – economies of scale, learning, capacity utilization, linkages - within the value chain as well as vertical, interrelationships with other business units in a firm, vertical integration, timing, discretionary policies, geographical location and institutional factors including government regulation. Ultimately, cost advantage occurs if the firm is able to achieve a lower cumulative cost of performing value activities

THEORETICALLY, THE STRATEGY OF ATTAINING OVERALL COST LEADERSHIP SOUNDS VERY NICE BUT IN PRACTICE, IT IS TOUGH TO ACHIEVE. IT OFTEN CALLS FOR A HIGHER MARKET SHARE OR PROPRIETARY TECHNOLOGY. IT MAY ALSO REQUIRE ACCESS TO RAW MATERIALS AT A LOWER COST, WHICH IN TURN MAY REQUIRE VERTICAL BACKWARD INTEGRATION

as compared to its competitors.

Risks of cost leadership strategy

Theoretically, the strategy of attaining overall cost leadership sounds very nice but in practice, it is tough to achieve. It often calls for a higher market share or proprietary technology. It may also require access to raw materials at a lower cost, which in turn may require vertical backward integration. The manufacturing processes and layout may require redesign which may entail huge upfront capital investment. However, if once achieved, low cost position helps itself in sustaining the same as lower cost results into higher profitability and ploughing back the profits into the business helps retain the advantage.

The above does not necessarily mean that decline in cost due to achievement of economies of scale is automatically achievable, it require significant continuous attention. And as the going says 'uneasy lies the head that wears the crown', cost leadership puts burden on the firm to sustain it despite the fact that cost leadership is vulnerable to an array of risks. According to Porter, important among them are:

1. Technological advancements that annul huge upfront investments made in the past
2. Over emphasis and attention on cost making one oblivious to required product or marketing changes
3. Inflation in cost restricting the firm to maintain enough of a price differential
4. Low cost learning by industry newcomers or followers.

More often than not, every strategy brings with it inherent risks. That however, does not nullify the acceptability of a strategy which offers unique advantages and is preferably placed in terms of a cost-benefit analysis. In a trade off, if the benefits far outweigh the cost, the concept needs to be appreciated despite its risks, which nevertheless needs to be taken care of.

Present day relevance of Porter's cost leadership strategy

Porter's book 'Competitive Strategy' which presented overall cost leadership as a generic strategy is about 35 years old. A lot has changed since then. New technologies, management thoughts, tools, principles and approaches have emerged. Internet had virtually reshaped and redrawn everything – be it personal life or business environment. Under such drastically changed scenario, it is nothing but natural to ponder whether Porter's five competitive forces and three generic strategies specifically cost leadership strategy is any more relevant.

Porter himself does not think that they are irrelevant. He thinks his book provides an underlying framework for examining competition that transcends industries, technologies or management approaches. His ideas have passed the time of test for the very reason that they address the underlying fundamentals of competition which is independent of specifics and is not stylized.

In an issue of the magazine Chief Executive dated 17th June 2011, Dr. Jonathan B. Schiff and Dr. Allen I. Schiff, Professor of Accounting at Fairleigh Dickinson University, New Jersy and Professor of Accounting at Fordham University, New York respectively, narrated from their practical experiences that the last major recession generated a renewed interest in effective cost management practices and several companies improved their productivity as well as profitability by efficient use of tools such as Activity Based Costing. Their study proved that the cost leadership not only yielded a competitive advantage in efficiency but also produced improved 'top line'. In their opinion, it is the time for the corporate executives and business leaders to move from cost management to the next higher level of cost leadership. According to them, Cost leadership is characterized by four primary criteria:

(1) recognition as the lowest cost producer in one's industry, without compromise in quality or customer focus;
(2) realization of a long-term cost-centric culture where cost consciousness is a strategic and leadership preoccupation across functional lines and independent of the vagaries of financial markets;
(3) dissemination of cost information with regard to customer, product, distribution channel, and the like that is timely, understandable, credible, and actionable and is made available to decision makers to fuel continuous improvement; and
(4) aggressive and balanced performance targets are established across the value chain.

They also added that there should a natural progression from cost management which had a 'reactive' attitude with an orientation on 'cost control' to the next level of cost leadership with a 'proactive' attitude and an orientation on 'business growth'. Their study based on practical experiences forces us to accept the fact that the time of retirement for Porter's generic strategy of cost leadership might not yet arrived.

Some academics like Dr. Lawrence Emeagwali of Girne American University are of the opinion that although Porter's theory cannot be said to be outdated but it is macro analytical in nature whereas the currently popular competitive dynamics and hyper competition research are micro analytical in nature. In the opinion of Prof. S.G. Deshmukh of IIT, Delhi, Porter gave a new perspective in the context of strategy and competitiveness.

According to him, in today's context, every management concept seems to be tentative and fluid and the surrounding environment is highly turbulent. In such an environment, Porter must be appreciated for presenting an altogether new perspective to help us understand the competitive forces better.

Criticisms of cost leadership strategy

Porter's model was challenged on the issue of fundamental trade-off between cost and differentiation strategy. Porter and his followers back an understanding that the two strategies of overall cost leadership and differentiation cannot be reconciled without an inevitable trade off. The differing school of thought maintains a position that such an inevitable trade off is not a necessity. In their opinion, differentiation need not necessarily lead to increased cost and these two strategies can be compatible. Porter has maintained that successful strategies require choice or they can be easily imitated. In his opinion becoming 'stuck in the middle' is a sure recipe for disaster.

However, if we look at this criticism from a different perspective, we find that whereas Porter's basic concept of inevitable trade off or incompatibility between the two strategies of cost leadership and differentiation has been challenged but the fundamentals and efficacy of these two strategies have seldom been challenged. It goes to defend an idea that Porter's generic strategy of overall cost leadership might be an acceptable strategy of attaining a competitive advantage.

In a paper titled 'A Critique of Porter's Cost Leadership and Differentiation Strategies' selected for presentation at the Oxford Business & Economic Conference in June 2009, writer Dr. Y K Datta had criticized Porter's cost leadership and differentiation strategies on several grounds. According to him, Porter's suggestion that a low-cost position often requires high market share places an inevitable reliance on differentiation as the target of acquiring a high market share at the first place is achieved via a strategy of differentiation rather than a cost leadership policy. His further view was that contrary to what Porter said, differentiation strategies are more profitable than cost leadership strategies, because market share leaders prefer to compete more on the basis of differentiation than low cost. He also added that research shows that cost leadership and differentiation can co-exist and a business does not need to adopt the rigid culture of cost leadership strategy to achieve a leadership in market share. Renowned academic and author on business and management, Henry Mintzberg has an interesting argument to offer. According to him, Porter's low cost strategy is actually a differentiation strategy based on low price.

However, one recurring thought that comes to the mind is that if every firm in an industry adopts the strategies advocated by Porter, would any of them be able to secure a competitive advantage? Would there be then a superior power derived from expert knowledge? Or would that be a simple myth as some management experts like to term 'strategy' as nothing but a myth?

One of the most scathing criticisms of Porter came from management writer Steve Denning, who in a write up in Forbes magazine, questioned why Monitor Group, a strategic consulting firm co-founded by Michael Porter was forced to file bankruptcy petition in 2012 and why the famous five force analysis advocated by Porter could not save their own firm. He even went further to claim that even the Monitor group did not believe in five forces analysis.

Relevance of cost leadership in the Indian context

While there are opposed schools of thought, which is quite common and even desirable in a stream of social science, if we completely discard and even discount the concept of gaining an advantage through a strategy of low-cost, as a nation we are at a peril. Even if we tend to keep aside the competitive advantage of following a cost leadership policy, can we simply wash away the proven fact that a strategic position on low cost or a well drafted cost management policy helps in improving efficiency and results in optimum utilization of resources?

Whenever the issue of competitiveness of Indian industries is discussed, invariably China creeps into it. Till very recently, China had an edge over others in terms of cost of manufacturing because of key factors like labour cost arbitrage despite lower productivity and artificially depreciated currency. Although China is losing this cost competitiveness fairly quickly, India is still considered less favourable in terms of cost of labour. Labour cost is necessarily one of the important components of cost, but sole focus on labour only makes the study of competitiveness one dimensional. There are not enough studies and research to focus the areas and element of cost, apart from labour, where India can have a competitive advantage and whether Porter's generic strategies have any bearing and relevance there.

A section of the business leaders of India believe that India should desist from competing with other players on the basis of low cost and should focus on areas like manufacturing quality, R&D and innovation. This reads and sounds nice but the pertinent questions that need to be answered are – do we really have the required investment to tread along this path, if not, does Indian manufacturing industry have the capability of attracting foreign investments given the fact that India ranks among most difficult places to do business? Should we concentrate on manufacturing for the global audience only or do we need to manufacture for the domestic market also which still remains broadly price sensitive and where low cost still plays a significant role? Have we studied the areas where we can really offer something unique to the global customers differentiating us from others or are we simply building castles in the air? Does frugality and low cost necessarily mean compromised quality and does cost management loses its relevance if we go for quality, R&D and innovation? Will this debate on low cost remain centred on manufacturing only or will it encompass the services also in cases where there is no differentiation to offer?

The striking reality as of today is that electrical equipment maker Havells, which used to source table fans from a Chinese Company called Midea now produces the same at a factory in Haridwar at a cost which is 10% lower than offered by Midea. Godrej, Micromax, Bosch, ABB and ITC, to name a few, have all started manufacturing operations in India and the key driver for them to shift manufacturing bases from China to India has been low cost only. According to Deloitte's Global Manufacturing Competitive Index, India is currently the fourth most competitive manufacturing destination worldwide and is expected to become second only to China by 2018 and the reason for the appeal primarily comes from none other than low cost which mainly results from labour cost advantage.

However, some experts still feel that competitiveness on the basis of low cost is not sustainable beyond a certain point. CII-BCG Manufacturing Leadership Survey 2012 revealed that as of now low cost labour is one of three competitive advantages for Indian manufacturing sector but 89% of the respondents in the survey think it is unlikely that this advantage will remain sustainable.

Under the circumstances, let there be a wishful thinking. Let the Indian manufacturing sector have two segments – one concentrating on low cost production with reasonable quality catering to a major chunk of the domestic market as well as a particular segment of the global market. Let the other segment cater to the more sophisticated one – be it domestic or global. Let Porter's generic strategy of cost leadership and differentiation have their suitable places to stay in the Indian manufacturing scenario.

However, all said and done, till the time there is competition, prices are not administered and artificially controlled and there is emphasis on productivity, efficiency and optimum utilization of resources, the study and management of cost is here to stay and will continue to have appropriate influence on strategic decision making and competitive advantage.

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GET BRAND LEADERSHIP BY TREATING MARKETING AND INNOVATION COST AS INVESTMENT

Marketing costs and innovation expenses should be treated as investments and not a burden on the organization. The initial costs are higher but they gradually tend to decrease as the brand establishes itself in the market

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"Companies worry too much about the cost of doing something. They should worry about the cost of ***not doing it****"*
- By Philip Kotler, Marketing Guru

The new era has begun. Advertising and marketing a product a decade ago was much different than what it is today. Owing to the new digital world, several new processes, means and short-cuts have evolved making the job both easy and complicated at the same time. E-mails, short message services(SMS), promotion on phones, the web etc. have conquered the advertising and marketing space. Several firms have gone off the race for their poor marketing skills and capabilities, though they have a wonderful product in hand. It is not an unknowing fact that marketing personnel earn based on the projects brought to an organization as a percentage of sales. The direct impact that they create on the firm's revenues is highly paid. This is not an easy task, for it needs a detail study of the product, the competitors' products and more importantly the customer perception and utility created. Success had always followed those who understood these forces, their effects and those who have adapted change needed dynamically. These successful firms have emerged as leaders and one must admit that there is certainly a learning from these leaders about the new strategies and innovations in place. The authors have made every attempt to explain how innovation and low cost marketing by several organizations have improved their revenues tremendously by suitable examples.

For any company to succeed, first and foremost thing it needs is marketing and branding, without which it may not succeed despite producing the best product or service. That is the reason why, large companies continue to invest heavily on advertising and marketing to keep its brand alive. When we observe, most of these large companies spend anywhere between 5% - 10% of the cost towards advertisement. Example HLL Spend around 8% of its revenue for advertising its product. If this has been the case of larger companies, think about startup companies, whose number is increasing, that find difficult to sustain if they need to spend more.

Promotion is one among the 4P's of marketing- the others being product, place and price. Place also goes with promotion as promoting in a wrong place will not yield any results. For example, a fast food chain will be more successful if launched in a college area than a residential complex. Similarly coffee day chains were able to see a huge profit as they have set up the chain of stores in busy areas, students localities etc. Coffee day chain has never spent much on advertising its brand in television or newspapers. Only a proper choice of location has given it all the advantages.

Consumers who drove businesses also starting impacting and driving markets today. Traditional marketing techniques have always focused on developing strategies to attract the customer and paid not much attention to what features were included in the product. But it's now time to understand the customer need, tap the mood and provide what the customers need. This is called "**Disruptive Marketing**".

Disruptive marketing is a business model and not a marketing strategy

The goals of a disruptive company are -
1) To design new products / services perceiving the customer need OR
2) Re-design the existing product to satisfy the dissatisfied customers

From this starting point, a marketing team designs an advertising campaign with disruptive messages that either challenge the conventional thinking in an existing market or speak to a new one.

In a nutshell, marketing is all about creating awareness amongst the masses about one's product. The one who gener-

THE ONE WHO GENERATES MORE REACH AND HENCE INCREASED REVENUES WITHIN A GIVEN MARKETING INVESTMENT SEES A BETTER RETURN AND FLOURISHES AS THE LEADER

ates more reach and hence increased revenues within a given marketing investment sees a better return and flourishes as the leader.

A. " The art of marketing is the art of brand building .If you are not a brand, you are a commodity. The price is everything and the low cost producer is the winner "- By Philip Kotler, Marketing Guru

The following examples showcase how investments in marketing resulted in sustainable returns over a long period of time.

TATA GoldPlus golden bangle

The issue: Tata GoldPlus, the poor cousin of Tanishq, was launched in Bheemavaram and other 15 places in South India and has received resounding acceptance from customers. Typically, the buyers would go to their family jeweler with whom the customers have a relation for generations and this was the challenge to Titan. Gold Plus's advertising has been restricted to local newspapers and sponsoring of local events. While Tanishq was intended for urban/elite population, GoldPlus was intended for rural and semi-urban population.

What GoldPlus did: Currently, this market is dominated by small time local mom and-pop jewellery stores. Also these small players excel only in traditional designs, give low caratage, and have inconsistent pricing. GoldPlus have seen this gap – the gap between what is needed and what is given as an opportunity and has setup stores in 30 locations. Tata Gold Plus offered wide range of jewellery for all occasions, purity, discounts, affordable prices, trust and good retail experience along with transparent business practices at a reasonable cost.

While Tanishq has advertised heavily on the television, Gold Plus created several promotional offers to attract the customer. ; it created a ***24.5 kg gold bangle 140 mm wide of 22 carat gold*** that gave it an entry into the Limca Book of Records and took the bangle on a road show in 17 towns. The bangle is symbolic of TATA's core values - Trust & Transparency, Customer Focus, Honesty and Innovation. Competitions were organized around the same theme like a 'guess the weight of the bangle' contest. The company also offered a photo opportunity to visitors, with options to mail their photographs to five of their acquaintances. Such exercises helped the company to establish a sound network. This very large bangle brought in 15 million people to the stores creating awareness.

Then, GoldPlus has also built a ***golden nano car***, another disruptive strategy like the golden bangle. This has brought in 35 million people to the stores which has given a good brand image for GoldPlus in rural areas.

Gold Plus also has a custom-built bus called the *thanga ratham* (**golden chariot**), which goes from village to village in Tamil Nadu and educates rural population about purity of gold, hall marking etc. Whatever it does, GoldPlus is clear that more than anything else it has to win over the trust of the consumer.

GoldPlus, which was in losses previously, has grabbed 20 percent of the market share post the above disruptive techniques and is now company of turnover of Rs. 20,000 crore and profit Rs. 800 crore.

B. ***"Innovation distinguishes between a leader and a follower" –Steve Jobs***

Kodak was the fourth most valuable brand in the world twenty years ago and was bankrupt later. This is because, it failed to adjust to the customers' perception and ease of the use of digital photography. Customers stopped buying the film and this change was not received by Kodak.

How Apple – "Think Different" reacted to change?

Innovation: Prior to the Apple's launch of iTunes, customers had to buy an entire album though they preferred to listen to only one tune in the album and own hours of music / songs what they were not going to listen to. Singles were not available Apple was the first one to start such. Customers who purchased iTunes had the option to buy songs of their choice – of artists or albums. This innovative approach had made digital albums and Apple synonymous.

The Result: iTunes has been the largest music vendor in the world since 2010 and has sold more than 75 billion songs worldwide. This has become an important source of revenue to Apple had an income of $4.5 billion per quarter on an average. Selling singles rather than the whole album has created Apple's monopoly in digital music in the world.

C. Creating a strong brand – the Pidilite Fevicol's way

How the brand has developed: Though there are alternatives to Fevicol in the market by different brands like Jivanjor of Jubilant Organosys, the preferred option is still Fevicol. Fevicol was preferred as a cheap alternative to natural glue which was quite costly. Over the last 50 years, fevicol has become synonymous with glue in India and the potential customers are carpenters. Secondary applications include upholstery, footwear etc. The brand's reputation for its consistent focus on quality was propagated through word of mouth publicity, and has led to the brand enjoying a high level of trust among its target audience. Apart from product quality, maintaining close contact with its primary target audience, the carpenters, has helped Fevicol sustain its leadership position in the white glue market. While competitors like Jivanjor marketed their products through timber depots and hardware marts, fevicol approached the carpenters directly. The Fevicol Champion's Club (FCC) was another initiative introduced by the company. It served as a platform for carpenters to increase their social contacts and be part of a social network. Organizing free dental checkups, blood donation camps, or celebrations during festivals like Independence Day played its part in making the bond stronger. This tactical move has helped the company build strong brand equity for Fevicol.

Marketing done: Intelligent humor in advertising has helped keep the brand alive in this non-interesting category. Some of its award winning TV advertisements include showcasing an egg that won't crack because the hen that laid it fed from a Fevicol tube (1988), to more Indian-specific ones like a creaky bus carrying an unimaginable number of passengers glued together because of a Fevicol signage ad (2001). Today fevicol's marketing expense is negligible.

D. Connecting with Customer - Proctor & Gamble's Tide washing powder and its innovative techniques

The issue: In 2000, the prospects for Tide washing powder, the biggest brand for P&G were limited. This detergent was in the industry for more than 50 years but the growth was not fast enough to support P&G.

What P&G did: P&G's strategic effort resulted in a 'new-growth factory' which has helped the company strengthen both its core businesses and its ability to capture innovative new-growth opportunities. P&G has trained its senior management and project team about the mind sets and behavior that foster disruptive growth. P&G has formed group of experts to help the project teams about commercial questions like customers' choice in using the detergent etc. They have developed a organizational structure to drive growth and produced a process manual to create new-growth businesses. They have also run demonstration projects to showcase the emerging factory's work. They have studied the production schedules and growth opportunities for the next 7 to 10 years. This made them launch Tide in several scents and capabilities.

P&G has also done ethnographic research and customized products for different geographies. It had observed in 80% of Indians wash their clothes by hand. They would prefer detergents that were soft for skin and good at cleaning. So, P&G has come up with Tide Naturals in 2009 which cleansed clothes well without much irritation. The product was also priced 30% below other similar products. This made Tide accessible to 70% of Indians and significantly improved Tide's presence in our country.

The result: Tide's revenues have nearly doubled, helping push annual division revenues from $12 billion to almost $24 billion. The brand is surging in emerging markets, and its iconic bull's-eye logo is turning up on an array of new products and even new businesses, from instant clothes fresheners to neighborhood dry cleaners.

E. Connecting with Customer - Proctor & Gamble Gillette Guard

P&G has observed that more than half a billion men in India use a century-old technology i.e., a double edged razor for shaving, sitting on floor in dim light using a mirror against wall. Most Indians do not use running water to clean the blades but just shake the blades in a water cup. While the previous types launched have always had hair stranded in between the blades making Indians not to prefer the product. Also disposing off after a few shaves was a costly affair while the old double-edged razor hardly costed a rupee for the same purpose. The study done by P&G team has resulted in innovation. They started giving a guard for the blades which helped hair in not getting stranded in between. The same product is now being advertised for its savings – a shave at less than a rupee. So the guard has increased affordability and at the same time saved a lot of time spent for shave.

F. "The essence of strategy is choosing to perform activities differently than rivals do" – Porter

Example of Amazon Kindle Fire, a Hardvard Business Review case study

When Apple introduced the iPad to the world, tech companies scrambled to catch up. Many manufacturers entering the tablet market used the Android operating system to run software on their devices. However, since they were trying to deliver a product similar to the iPad, with similar features and with a similar price, the Android tablet market couldn't match the success of the iPad.

Meanwhile, Amazon was quietly developing the Kindle Fire. It didn't have the same features, interface, or capabilities as an iPad—but it also didn't have the same price. In a prime example of low-end market disruption, Amazon found consumers who didn't want all the great features of the iPad, but wanted the basic features at a baseline price. Prior to the fourth quarter of 2011, the Kindle Fire wasn't even available. By the end of the first quarter of 2012, it had grabbed more than half of the Android tablet market.

WHEN APPLE INTRODUCED THE IPAD TO THE WORLD, TECH COMPANIES SCRAMBLED TO CATCH UP. MANY MANUFACTURERS USED THE ANDROID OPERATING SYSTEM TO RUN SOFTWARE ON THEIR DEVICES. HOWEVER, SINCE THEY WERE TRYING TO DELIVER A PRODUCT SIMILAR TO THE IPAD, WITH SIMILAR FEATURES AND WITH A SIMILAR PRICE, THE ANDROID TABLET MARKET COULDN'T MATCH THE SUCCESS OF THE IPAD

Concluding thoughts

Marketing costs and innovation expenses should be treated as investments but not a burden on the organization. The initial costs are higher and they gradually tend to decrease as the brand establishes itself in the market. No matter, any organization may adopt practices innovatively as described above. The prime motto before a marketing act by a firm should be to analyse the customer's requirement. Though pricing is one of the 4 P's of marketing, it alone does not play. If it is the case, all low cost products should have had the highest sales. Place of launch and the promotion techniques are also important as seen from the above examples. So a careful planning of marketing activity is quite important amongst this competition. That marketing campaign is the more successful which has taken care of all the above mentioned factors. As the phrase goes "Customer is king", so he is and any entrepreneur has to understand his needs for a successful business.

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COST LEADERSHIP AND GLOBAL COMPETITIVENESS IN THE CONTEXT OF MILLENNIAL CHALLENGES

It is evident that technology and customer delight are key for the competitiveness and the organizations have to provide them with low cost investments to sustain profitability and market share. The changes that influenced the economic evolution, demands cost effective strategies and leadership

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ECONOMICALLY, the world is increasingly interdependent in spite of significant and impressive growth over the years. The last major recession has spawned renewed interest in rigorous cost management practices and the globalization dominates in magnitude, reach and complexity.

The negative and dysfunctional reactions will proliferate, will influence and will dominate an organization that isn't proactive in promoting innovation and creating a cost leadership culture, strategy, and practice that's backed up with coherent planning, initiatives, and actions.

In every business challenge context, there have always been rise and fall. Every morning the economy has new face, it isn't to bewail or critique to what has happened in the past, but to align on how business leaders can arch to meet the needs of the changing economy. Organizations should focus on how to improve opportunities for business success in this challenging time.

Finance leaders and business executives should embrace the evolution from cost management to cost leadership characterized by low production cost without compromising quality or customer focus. At the outset, the focus of the management accountant has to be on providing information to business that brings basic level of cost control. At its most basic level is about ensuring that budgetary controls are applied and that costs are only incurred if they are within the budget. When necessary cost can be reduced crudely but effectively by reducing budgets, or even imposing an embargo on certain costs, such as travel, recruitment or capital expenditure.

Cost leadership is essential to long-term survival. Managers must view costs relative to the value they contribute to the business or its stakeholders in the short and long term. Cost reduction to improve operating efficiency must be balanced by investment in developing the company's competitive position. The firm's services or products must be continuously developed to meet customers' needs so that the success of the business is sustainable.

For competitive advantage, businesses need to focus on different strategies, including leadership in cost, quality, differentiation or services offered. Strongest advantage comes through leadership in a factor that is important to customers and hard for competitors to match. Cost leadership would mean to produce with the low cost in the chosen markets. That gives the ability to set lower prices than competitors while offering customers the same benefits.

The next question in the minds of every entrepreneur and business leader is: How relevant are the above elements in the present context of globalization and technological advancements.

In the present Internet economy, technology is the most important driver for change. The above cannot be considered outdated, but need to revisit these forces and its applicability. Significant increase in Digitalization, Globalization and Deregulation forced changes in the industrial structures. It envisages the understanding of these changes and its impact on the strategies implemented by the business houses to sustain competition. And in the midst, the role of cost leadership to sustain the competitiveness.

Collaboration has its wings spread due to globalization. Access to internet, has enabled global communication and advanced progress in logistics and distribution.Price comparability is made easier for the both customer and competitor with information at touch screens. It has also reduced the trade barriers and enforced economic reforms across continents.

Let's recap the basic elements of competitive advantage:	
Value to Customer	With cost advantage, the customers be offered best quality of products at the competitive price.
Flex to changes	Rise in price by supplier or increased buyers demand for product quality and low price, helps to maintain the profitability trend.
Barrier to Entry	Strong cost leadership pose barrier to new entrant in the market
Collaboration	Emphasize members to contribute to the cost reduction and create cost advantage over competitors
Investment	Invest in the strategies and opportunities that strengthen competitive base and to increase market share.

COST LEADERSHIP IS CHALLENGED DUE TO LOW COMMUNICATION AND TRANSPORT COSTS, AND EASY START-UPS WITH LOW BARRIERS. RAPID TECHNOLOGICAL CHANGES AND AVAILABLE INFORMATION FOR COMMUNICATION AND DEVELOPMENT HAVE BECOME THE KEY DRIVERS OF GLOBALIZATION

Cost leadership is challenged due to low communication cost, low transportation cost, easy start-ups with low barriers. Rapid technological changes and available information for communication and development have become the key drivers of Globalization. Consumer behavior being dynamic to the changes in the diversified markets has rippled both the price and cost pressures.

Industrial and business structures have taken new shape due to government withdrawal or dilution of control.Liberalization has opened skies for new entrants and the business were forced to align to the new changing structures. Information technology is now essential to business evolution.

The hard reality of the new "Information Darwinism," a term coined by Eric Marks, draws attention of every business leader at the make–or–break impact of IT on accelerating the global struggle for market share. Business houses are compelled to look at how the Internet has transformed business strategy and business strategy creation, IT strategy, and manufacturing strategy for manufacturing and service firms, and made significant inroads in driving revenue enhancement and cost savings as well as reducing a firm's time to market.

Citation: SIA Airlines, A premium service provider and Cost Leader

Airline industry is a live example of de-regularization. It has globally impacted the "tourism and travel" industry. The airlines have to align to the new structures for its survival because of tough competition and decreasing prices. Prior to deregulation, most of the airlines were owned and maintained by the governments making it tougher for the new entrants. With deregulation, low budget airlines have entered the market providing alternative options for the customers to travel. Prices are now time lined and tickets are made available in advance periods with low cost. The basic services are priced to cut the competition.

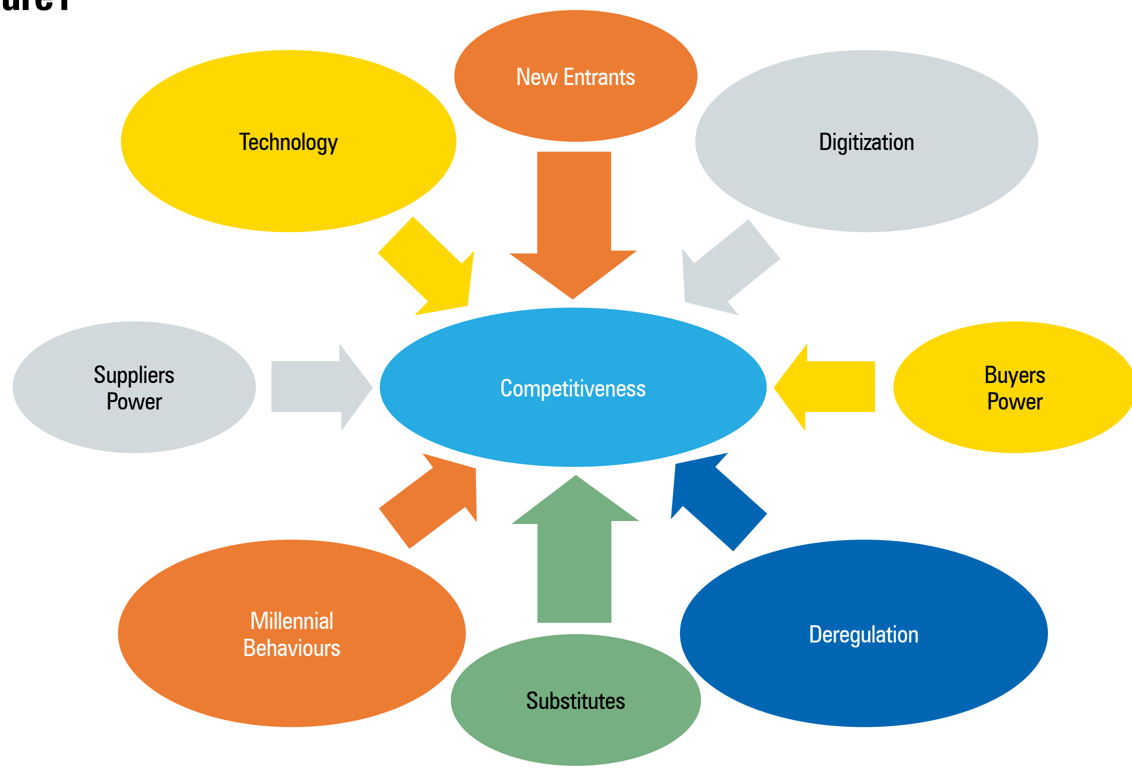
Against all odds, Singapore Airlines have exhibited cost leadership and has earned stellar reputation by providing customers with high-quality service. SIA is one of the industry's most cost-effective operators. From 2001 to 2009, its costs per available seat kilometer (ASK) were just 4.58 cents. According to a 2007 International Air Transport Association study, costs for full-service European airlines were 8 to 16 cents, for U.S. airlines 7 to 8 cents, and for Asian airlines 5 to 7 cents. In fact, SIA had lower costs than most European and American budget carriers, which ranged from 4 to 8 cents and 5 to 6 cents respectively.

SIA has combined the supposedly incompatible strategies of differentiation—which it pursues through service excellence and continuous innovation—and cost leadership. SIA has followed 4-3-3 rule of spending to sustain the competition: 40% on training, 30% on revising processes and procedures, and 30% creating new products every year.

The board principles followed were (1) Harness the power of your people and culture as this cannot be copied by the rivalry (2) Make good use of technology and stop use of technologies that don't serve the customer (3) Utilize the power of business echo systems rather than the value chains (4) Make investment decisions strategically.

The current economy, induced with digitalization has influenced and changed the dynamics of all the

Figure1



> **A HEALTHIER APPROACH IS TO LOOK AT THE FORCES THAT BRING IN POSITIVE COMPETITION AND THEREBY APPLICATION OF COST TECHNIQUES TO IMPROVE MARKET COMPETITION**

industries. Today's market place is highly affected by the speed of Information Technology. With easy access of information to the market participants, digital information goods gains importance in the economic cycle. Now companies use internet as information, communication and sales medium. Organizations are able build large customer base due to vast reach of internet and with low financial cost.

End of the day, every organization strives to provide and satisfy customer wants. Customers have increasingly accustomed to round the clock service, real time fulfillment, personalized attention, global accessibility and zero errors. Customer delight has been prioritized to sustain competition. The benefits of digitizing information is huge. Cost can be cut upto 90% and turnaround time is improved significantly. Good examples are "Online banking systems" and "Online Ticket booking systems" for Airline, train and other logistics. Others are:

- Bank digitization of their mortgage process cuts cost significantly and reduce approval time
- A telecom company providing prepaid service and enable self-service options to its customers, register high sales orders without back-office involvement.
- A retailer could save time and cost to maintain and retrieve inventory and staff
- An insurance company can simplify the claim process.

In addition, replacing manual processes with software allows businesses to automatically collect data that can be mined to better understand process performance, cost drivers, and causes of risk. Real-time reports and dashboards on digital-process performance permit managers to address problems before they become critical. For example, supply-chain-quality issues can be identified and dealt with more rapidly by monitoring customer buying behavior and feedback in digital channels.

Emerging forces of competition

Threat of new entrant, bargain power of buyer and suppliers, threat of close substitutes should be viewed with constructiveness for refinement and to provide quality in goods and services. A healthier approach is to look at the forces that bring in positive competition and thereby application of cost techniques to improve market competition. Today competition has new look with globalization and technological advancements (See figure1).

Conclusion and recommendation

It is evident that technology and customer delight are key for the competitiveness and the organizations have to provide them with low cost investments to sustain profitability and market share. The changes that influenced the economic evolution, demands cost effective strategies and leadership. Business houses and decision makers should align proactively and win every cost reduction opportunities that come their way.

Decision makers are to be watchful of the slightest change in the market, which begin low and slow while dominate and change the consumer behavior and spending in big way in no time. Mobile Industry emerged to be a superlative market for investment and returns in a very short span of time, the speed with which it evolved in Asian markets, brings out the influence of globalization and digitalization on the millennial era.

Lastly, business leaders, Cost Management Accountants and all other professionals have to leverage the e-learning, e-JIT and other cost techniques to be applied over the web for quick decision making to counter global competitiveness.

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COST LEADERSHIP STRATEGIES IN INDIAN SCENARIO: A STUDY OF THE STEEL INDUSTRY

This study was done to search for the cost leader in the steel industry and to justify the cost leadership strategies for steel industry. Descriptive statistics was used and a modified Du Pont model was applied to observe the strategies of firms

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COST leadership is a business strategy (i.e. comparatively lowest operation cost in the industry) that a firm must adopt mainly to make competition irrelevant (Steve Job). Cost is the amount of resources used for something which must be measured in terms of money[1]. Michael Porter defined strategy in 1980 as the "...broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals" and the "...combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there."[2] Porter (1980) broadly propounded cost leadership strategy for the first time. Cost leadership aims at reducing costs throughout the value chain and reaching the lowest cost structure possible. A cost leader enterprise puts products with an acceptable quality and limited standard features on the market in order to gain competitive advantage and to maximize its market share. Such kinds of enterprises appeal to a wide group of customers.

Statements of problem

Cost competitiveness has been at the heart of the Japanese success in 1980s. This will help to enhance the competitive strength of individual firms by utilizing the available resources efficiently and effectively. Buckley' view of competitiveness is at the firm level (Buckley et al., 1988); a firm is said to be competitive if it can produce goods and services of superior quality at a relatively lower costs than its domestic and international competitors. While Porter (1998) argues that competitiveness meant the ability to compete in world markets with a global strategy. As a result, it became firms' ultimate goal to craft cost leadership strategies (Porter). The firm takes advantage of cost leadership by creating new market pace with innovative product and services. The cost leadership strategy has been successfully implemented in Japan. For example, the Toyota company system - Its superior competitiveness in cost reduction, quality and delivery time, has provided the impetus for a worldwide shift toward increasing efficiency through cost-cutting strategies (Schonberger, 1994). Cost leadership strategies are preferred in developing countries such as Indonesia, Malaysia, India and China where they have lower labour cost, and hence, a lower production cost (Aulakh et al. 2000).

Literature review

Various discussions were held across the world in the area of cost leadership strategies and several other theories have emerged. The following paragraph has been made to highlight a few contextual literatures for the present study.

Utterback and Abernathy (Utterback, 1975) theoretically describes three competitive strategies associated with the innovative patterns of firms: performance maximizing, sales maximizing and cost minimizing. Porter (Porter M. , 1980) suggests that differentiation, cost leadership and focus are the strategies that provide firms with the ability to attain a competitive advantage and outperform rivals in an industry by cost reduction in every stage. Miller (Miller, 1988) suggests four broad categories of dimensions that reflect competitive strategies. These dimensions are differentiation, cost leadership, focus and asset parsimony. The cost leadership dimension measures if firms are producing products cheaper than their competitors. Schuler and Jackson (Schuler, 1987), based on Porter's typology, identify three competitive strategies that firms can use to gain competitive advantage: innovation, quality enhancement and cost reduction. Under the cost reduction strategy, a firm tries to be lowest cost producer in the industry. Ward, Bickford and Leong (Ward, 1996) propose four basic strategic configurations: niche differentiator, broad differentiator, cost leader and lean competitor. Cost leaders attempt to offer products at a lower price than competitors. In addition to Porter's generic competitive strategies, some strategy textbooks offer a fifth strategic choice, namely best cost provider strategy (Thompson, 1999) and integrated low cost differentiation strategy (Hitt, 2007). These strategies imply that a firm can gain advantages by offering products with unique features at a lower price compared with its competitors. Chang, Lin, Wea and Sheu (Chang, 2002) develop three strategy categories are classified: pre-emptive/first mover, low cost/follower and differentiation/follower. The low cost/follower firm enters the market late or has a late adoption of new technology. These firms try to achieve competitive advantage by strict cost control policies.

The competitive advantage of cost leadership is achieved by performing important value chain activities at lower cost than competitors (Porter M. , 1985). Cost leadership requires a strong focus on the supply side as opposed to the demand side of the market, as this requires a high level of competitor orientation (Day, 1998). Cost Leadership tends to be more competitors oriented rather than customer oriented (Frambach, et. al, 2003). Cost-leadership strategy strives to supply a standard, no-frills, high-volume product at the most competitive price to customers (Li & Li, 2008). The cost leadership strategy is an integrated set of action taken to produce goods or services with features which are acceptable to customers at the lowest cost, relative to that of competitors (Ireland, 2011). An important requirement of the cost leadership strategy is "heavy up-front capital investment in state-of-the-art equipment" (Porter, 1980). So, Kiechel (1981) says that in order to maintain cost leadership a firm should therefore "buy the largest, most modern plant in the industry." In basic industrial commodities, such as pulp, paper, and steel "knocking a couple of percentage points off production costs has far more strategic impact than all the weapons the marketer could employ in these industries" (Bennett & Cooper, 1979). According to this theory, the market-share leader can underpriced competition because of its lower costs due to its cumulative experience, thus "further hastening its drive down the curve" (Kiechel, 1981).

Objectives

The following objectives are framed for the study:

(i) To search the cost leader in steel industry.

(ii) To justify the cost leadership strategies for steel industry.

Hypothesis

Following hypothesis is generated for the study:

H_{01}: The firms across the steel industry aren't following any special strategies except cost leadership strategies.

Research methodology

Analytical research was conducted to attain the aforesaid objectives. We consider top six steel companies in the category of Steel industry (Large and Mid. & Small) as classified in the Capitaline Corporate database. To search the cost leader we have considered variables, such as; Net Sales (NS), Adjusted Net Profit (ANP), APATM (Adjusted profit after tax margin), R & D expenses (R & D), Assets Turnover(AT), RONOA(Return on Net

1 Cost and Management Accounting Book by Directorate of studies, ICAI, page no-6.
2 Porter, Michael E. (1980). Competitive Strategy. Free Press. ISBN 0-684-84148-7

Operating Assets), PBIDTM(%), MS (Market Share),Cost of Production(COP) during the period covering six years ending on March 31, 2014. To measure the significance of the variables descriptive statistics was used and modified Du Pont model was applied to observe the firm's strategies.

Palepu and Healy (2008) suggest that a firm pursuing cost leadership strategy may generate a relatively low profit margin but balance that against a relatively high asset turnover. Little et al (2009) concluded that the Du Pont model enabled them to determine that for a firm to be successful with cost leadership it was through generating asset turnover while success with differentiation was through generating profit margins. Philip et al. (2011) shows that some firms follow differentiation strategies (i.e. profit margin is high and asset turnover is low) and cost leadership strategies (i.e. profit is low and asset turnover is high).

The modified Du Pont model is as follows:

RONOA = OPM x AT

Where; RONOA (Return on Net Operating Assets) = Net Income/ (Fixed Assets + Net Working Capital)

OPM (Operating Profit Margin) = (Operating Income / Sales); AT (Asset Turnover) = (Sales / Net Operating Assets); Operating Income = Sales - Cost of Sales - Operating Expenses; Net Operating Assets = Accounts Receivable + Inventory + Net Property, Plant, and Equipment.

Results and discussion

We have followed modified Du Pont model and below table is showing the Mean and Sd. value of the selected variables for six year starting from March, 2009 to March 2014(Ref: Table A).

It was seen from the above table that most of the selected firms are in low PDIDTM mean like Uttam Value Ste. (2.78), Jindal Stain. (10.90), S A I L(17.30), JSW Steel(19.55) and their COP/NS ratio is very high but Tata Steel (33.59) and Bhushan steel(25.91) are in high PBIDTM and comparatively low COP/NS ratio. Mean AT ratios of Uttam Value Ste is very high i.e 1.84 and for Bhushan steel it is lowest i.e.0.64. RONOA of Uttam Value Ste is 5.76 and for Bhushan steel is 15.76 with this the ROE is negative for Uttam Value Ste. whereas 16.36 for Bhushan steel. In the above table we have seen that more than 70% market share held by SAIL, Tata Steel and JSW steel. Tata Steel enjoys high PBIDTM compare to other sample companies but mean of AT ratio also highest i.e.1.20 and COP to sales ratio is 0.58 finally, RONOA is 40.26. SAIL enjoys moderate PBIDTM but AT ratio is 0.80 and COP to Sales is 0.87, RONOA is 13.68. For JSW steel PBIDTM is moderate (=19.55), AT ratios (=1.01), COP/NS (=0.84) and RONOA is 19.70.

Conclusion

From the aforesaid analysis it may be inferred that Uttam Value Ste

Table A: Mean value of selected components during the year end 2009-14.

		Tata Steel	Uttam Value Ste.	S A I L	Bhushan Steel	JSW Steel	Jindal Stain.
AT	Mean	1.20	1.84	0.80	0.64	1.01	0.81
	SD	0.19439	0.38682	0.07007	0.38982	0.06348	0.14335
PBIDTM %	Mean	33.59	2.78	17.30	25.91	19.55	10.90
	SD	4.77727	2.7685	6.90768	3.34379	3.06591	5.03595
RONOA	Mean	40.26	5.76	13.68	15.76	19.70	8.93
	SD	8.39886	5.03198	5.31779	7.71999	3.76329	4.87745
MS	Mean	0.13	0.02	0.19	0.04	0.12	0.04
	SD	0.01506	0.00816	0.02503	0.00548	0.03834	0.00837
APATM	Mean	16.89	-2.84	8.86	8.83	6.63	-0.72
	SD	3.54337	3.15942	4.71952	4.87698	2.2143	4.88587
COP/NS	Mean	0.58	0.99	0.87	0.77	0.84	0.92
	SD	0.0295	0.02317	0.04517	0.02858	0.02066	0.04561
ROE	Mean	14.40	-0.09	13.17	16.36	13.64	-0.44
	SD	4.39894	0.22045	8.37471	9.83718	5.09784	18.53661
R&D	Mean	59.87	0.07	120.50	NA	35.66	0.89
	SD	17.27698	0.04243	12.37017		20.75533	0.46685
R&D % to NS	Mean	0.19	0.00	0.25	NA	0.03	0.01
	SD	0.0437	0	0.02881		0.03886	0.00983

Source: Capitaline corporate database & self calculations has truly followed cost leadership strategies as it's AT ratio (=1.84) is the highest and PBIDTM also very low (=2.78), RONOA is 5.76. With this strategy that company is able to increase market share near about 87% during these periods. Again ROE (-0.09) is too low that indicate pure cost leadership isn't appropriate for steel industry. On the other hand Bhushan Steel follow pure differentiation strategy as it's AT ratio (=0.64) is lowest, PBIDTM (=26) and RONOA is 15.76, ROE is very high (=16.36) but MS growth is 42%. When we observe the result of industry leader on base of market leader then SAIL, Tata Steel, JSW steel follow mixed or hybrid strategies and they spend money on R&D expenses (R&D mean 120.50, 59.87&35.66 respectively) to develop the quality of product. Tata Steel is the company which manages cost better (PBIDTM=33.59 & COP/NS=0.58) and is able to increase MS (=25%) during the periods and ROE (14.4) also high.

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'Make in India Crossroads: Ways and Means – Anti Dumping and Transfer Pricing' Conference on January 23, 2015

The International Affairs Committee of the Institute organized a full day conference on 'Make in India Crossroads: Ways and Means – Anti Dumping and Transfer Pricing' at India International Centre, New Delhi on January 23, 2015.

The programme was inaugurated by the Chief Guest Shri J. K. Dadoo, (IAS) Joint Secretary & Designated Authority, DGAD-Ministry of Commerce. CMA Sanjay Gupta, Chairman, International Affairs Committee in his welcome address highlighted the need for this conference on Transfer Pricing and Anti-Dumping. He said that the young CMAs can start practice in these areas and this conference would help them to face the challenges in their professional field.

CMA M.K. Anand, Chief (Finance) CERC and Shri G Ramachandran, Adviser (Cost) DGAD, Department of Commerce, New Delhi were the Guests of Honour. Shri J. K. Dadoo said that strong Anti-Dumping regulations are needed for safeguarding the Indian Industry and government has taken many steps to save the domestic Industry from injury because of dumping.

The 1st technical session was on Anti-Dumping & Safeguards. Shri G Ramachandran, CMA AK Gupta, Principal Consultant, TPM Consultants, New Delhi and Shri S. Seetharaman, Principal Partner & Country Head, Lakshmikumaran & Sridharan, Advocates and Solicitors, New Delhi, were the speakers of the first technical session. Shri G Ramachandran discussed the broad overview and procedures of anti-dumping and safeguard measures. He also shared the departmental experiences in the anti-dumping area. CMA AK Gupta discussed the role of accountants in International Trade and opportunities available to them in this area. He also discussed the trade protections measures available in WTO like countervailing duty, safeguards measures etc. He highlighted the procedure for filing anti-dumping petition and investigation. Shri S. Seetharaman discussed the principles of safeguard law under GATT 1994, and under custom tariff act. He also discussed the procedure for initiation of Safeguards investigations, determination of serious injury or threat of serious injury, hearing, submissions, preliminary findings, levy of provisional duty, final findings/notification of safeguard duty and opportunities for CMAs.

The 2nd technical session was on Transfer Pricing. CMA Krishan Vrind Jain, transfer pricing expert, Chandigarh, Shri Avinash Gupta and CMA Amit Kumar, New Delhi were the speakers of the session. CMA Krishan Vrind Jain discussed the relevance of transfer pricing, Indian transfer pricing regulation and their evolution. He also discussed the international and Indian transfer pricing regimes. The amendments brought to transfer pricing regulation by the finance at 2012 were also covers by his presentation. Introduction to Transfer Pricing and role of CMAs in the field. Shri Avinash Gupta, discussed the transfer pricing issues in Central Excise, imperatives for Indian industry, implications for excise authorities, recent transfer pricing disputes.

CMA Amit Kumar discussed the transfer pricing Issues in International Taxation including the Vodafone case. Thereafter CMA Sanjay Gupta, concluded the session. The said that the topics of Anti-Dumping and Transfer Pricing are very vast and a full day conference should be organized on each topic. CMA S K Bhatt Regional Council Member, NIRC delivered the vote of thanks. He thanked the speakers for sharing their experiences and also thanked the delegates for participating in the conference. The workshop was attended by around 100 members.

CMA DOSSIER

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

Name of the topic	Author	Reference with date	Link
Who Needs CSR? The Impact of Corporate Social Responsibility on National Competitiveness	Ioanna Boulouta, Christos N. Pitelis	Journal of Business Ethics February 2014, Volume 119, Issue 3, pp 349-364	http://link.springer.com/article/10.1007/s10551-013-1633-2
Benchmarking the performance of Chinese airlines: An investigation of productivity, yield and cost competitiveness	Kun Wang Xingli Fan Xiaowen Fu Yiran Zhou	Journal of Air Transport Management Volume 38, June 2014, Pages 3–14	http://www.sciencedirect.com/science/article/pii/S0969699713001567
Review of industrial competitiveness and growth of solar firms in India: Exploring role of technology management and policy	Momaya, K. Chachondia, S.	Management of Engineering & Technology (PICMET), 2014	http://ieeexplore.ieee.org/xpl/login.jsp?tp=&arnumber=6920987&url=http%3A%2F%2Fieeexplore.ieee.org%2Fxpls%2Fabs_all.jsp%3Farnumber%3
Evaluation of the Impact of Implementation of Resource-Centered Approach on Cost Leadership Strategy- Based Export Performance in Industry	Shahpour Alizadeh	VOL. 3, NO. 1, January 2014 ISSN 2307-2466 International Journal of Economics, Finance and Management	http://www.ejournalofbusiness.org/archive/vol3no1/vol3no1_2.pdf
State Cost Competitiveness Dashboard	Nilesh Patel Stefan Gvozdenovic Ted Meyer	MAY 5, 2014	https://www.wpi.edu/Pubs/E-project/Available/E-project-050814-222635/unrestricted/Final_report_5.6.2014_FINAL-revisions.pdf
The role of maintenance in improving company's competitiveness and profitability: A case study in a textile company	Damjan Maletič Matjaž Maletič Basim Al-Najjar Boštjan Gomišček	2014 Volume 25 Issue 4 Advanced Maintenance Engineering	http://www.emeraldinsight.com/doi/abs/10.1108/JMTM-04-2013-0033
Factors Affecting the Competitiveness of the Agribusiness Sector in Swaziland	Bongiwe P. Dlamini, Johann F. Kirsten, Micah B. Masuku	Vol 2, No 1 (2014)	http://www.macrothink.org/journal/index.php/jas/article/view/4775
Use of ICT and e-commerce towards achieving competitive advantages	Dr Fareeha Zafar Rabeea Ishaque Mashhad Javaid	European Journal of Research and Reflection in Management Sciences Vol. 2, No. 1, 2014	http://www.idpublications.org/wp-content/uploads/2014/02/USE-OF-ICT-AND-E-COMMERCE-TOWARDS-ACHIEVING-COMPETITIVE-ADVANTAGES.pdf
The impacts of environmental regulations on competitiveness	Antoine Dechezleprêtre and Misato Sato	November 2014	http://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2014/11/Impacts_of_Environmental_Regulations.pdf
Improving Competitiveness of IT Companies by Leveraging Flexibility	K. S. Raghuveer, Ranjit Kuppili, Parimi Nikhil	Organisational Flexibility and Competitiveness Flexible Systems Management 2014, pp 213-222	http://link.springer.com/chapter/10.1007/978-81-322-1668-1_15
Bridging the Strategy/Performance Gap How Leadership Strategy Drives Business Results	David L. Dinwoodie, Laura Quinn, and John B. McGuire	WHITE PAPER 2014 Center for Creative Leadership.	http://solutions-sgd.ccl.org/leadership/pdf/research/BridgingTheStrategy.pdf
A case study on 'target costing design for testing better margin in the highly competitive buyer's market on a textile spinning mill product'	Dr. Jelsy Joseph	Vol 3, No 1 (2014)	http://pezzottaitejournals.net/index.php/IJAFMP/article/view/1205
Personality And Leadership Composition in Top Management Teams: Implications For Organizational Effectiveness	Amy E. Colbert Murray R. Barrick Bret H. Bradley	Personnel Psychology Volume 67, Issue 2, pages 351–387, Summer 2014	http://onlinelibrary.wiley.com/doi/10.1111/peps.12036/full
Competitiveness and Development of Kazakhstani SMEs	Almas Mamyrbayev	Vol 22, No 1 (2014), pp. 57-64	http://www.pp.bme.hu/so/article/view/7214/0
Strategic Management, an Organisational Risk Management Framework: Case Study of Guaranty Trust Bank Plc	Olajide Solomon FADUN	International Journal of Academic Research in Accounting, Finance and Management Sciences Vol. 4, No.2, April 2014, pp. 51–61	http://hrmars.com/hrmars_papers/Article_06_Strategic_Management_an_Organisational_Risk_Management1.pdf

From the Research Desk

Cost Competitiveness through Leadership

Role of CMAs

Economic Advantage through effective leadership- Leaders lacking the ability to think and act deliberately could pose significant financial and human capital risks to an organization. On the other hand, leaders who exhibit strength in this competency provide long-term decision-making and problem-solving skills needed for the organization's success. Thus CMAs can apply a long-range view to problem solving and decision making through objective analysis and planning that leads to action to achieve economic advantage through effective leadership.

Strategic Cost management - Strategic cost management is an important part of the business plans of all business entities at present, as they are extremely essential for growth, business sustainability and to become the market leader. In this regard, the CMAs should use a smart combination of tactical cost reduction techniques and strategic cost management initiatives to achieve the desired target.

Resource Mapping- It has been observed that the companies, which use their resources in a cost effective way are able to make their strategic cost management plans run. This in turn makes sure of the economic stability of the company and its ability to grow sustainably to become the market leader. In this context, the CMAs should recommend the management to employ allocation and apportionment of resources by resources mapping.

Leadership and organizational competitiveness- Organizational effectiveness is vital to achieve success in any economy. In order to attain increased and sustainable business results, organizations need to implement suitable strategy and engage employees. Managing human resources refers to the functions that a manager performs relative to the organization's employees. The CMAs can suggest suitable strategies to the management regarding planning and allocation of human resources, creating pertinent working environment to attain desired target and enhance value maximization of the business.

Essence of Cost leadership- Every era has faced leadership challenges; increased globalization, regulation, and technology create unprecedented complexity, velocity, and volatility for today's leaders. Companies that wish to be successful by following a cost-leadership strategy must maintain constant efforts aimed at lowering their costs and creating value for customers. Thus, CMAs should build efficient-scale facilities, establish tight control of production and overhead costs, minimise the costs of sales, service, R & D costs and consider the value chain of primary and secondary activities and effectively link those activities for business sustainability and market leadership.

Differential leadership Strategy- The differential strategy calls for differentiating a product or service from the competitor's products or services. The differentiation may be in the product form, the brand image, features, technology, customer service, pricing or distribution channels. Here the CMAs can suggest cost competitive strategies by benchmarking and benchtrending methods to surpass the competition with increased market share, revenue, profitability, and rising stock prices.

Restructuring, mergers, and acquisitions- The most important purpose behind M&A is to eliminate competition and protect existing market. In the process, acquisitions also aim at obtaining new market outlets of the offered for new product development or diversification and enhancing product range. Market expansion also reduces advertising costs, improves public image and allows strategic control of patents and copy rights and also makes it a market leader. Cutting costs to improve operating efficiency must be balanced by investment in developing the company's competitive position. The firm's services or products must be continuously developed to meet customers' needs so that the success of the business is sustainable. The CMAs can support management and pursue a low cost, high-quality, customer-centric approach to manage the business.

Awareness Programme on Live and Let Live


AN Awareness Programme on 'Live & Let Live' had been organized by the Directorate of Research and Journal at EIRC Auditorium of the Institute on January 2, 2015. Eminent dignitaries from various communities were present in the dais and shared their valuable speeches and made the seminar auspicious. Dr. Ajanta Paul, Principal, Women's Christian College described the word 'violence' and said that violence comes from the syllables 'vio' and 'lence'. 'Vio' comes from the word 'violin' which is used to create some of the most beautiful notes and also a symphony of sounds and the term 'Lens' is a piece of glass that affords us a vision. Combining these two must create an optimistic and positive outlook and the word 'Violence' becomes symbolic of music. But she griefed the fact that unfortunately the word is playing a brutal role in the context of humanity. There are lack of engagements and initiatives on our part. She opined the need to enter beyond the self into a broad paradigm and larger cosmos so that we can negotiate the differences and could reach the radiance of rationality. Shri Jaynarayan Sen, Social Activist believes in the principles of Srimad Bhagavad Gita and asserted that the whole creation in this Universe is eternal and divine, it is not material. He has strong faith in 'Karmafal' and according to his belief a person who commits any crime would get it reverted back. Gnani Sukhwinder Singh, Head Priest, Gurudwara Sant Kutiya asserted that 'Parmatma' is present in every individuals and we all are part of it. He regretted that the common persons have separated society by religions. Guru Granth Sahib, the central religious text of Sikhism is open irrespective of any religions. He said God would not forgive those who commits brutality and unity, love and compassionate are the three features that needs to be present in every individuals. Ven. H. Dhammaratana Thero, Bhikkhu Incharge, Maha Bodhi Society, Dharmarajika Chaitya Vihar said that there is a requirement to become a good human being and also there is a need of proper care and upbringing which would resist a person to do any brutal act or violence. Rev. Sukrit Roy, Christ Mission Ashram asserted that we have no authority to almighty God if we don't believe in God and the common people do have no power to take the lives of the innocents and the persons who commits brutality, murder has no place in heaven. He requested everybody that we must live peacefully and let others live. He described the meaning of Jesus that originated from "Yesu" meaning saviour and said Lord Jesus came to establish peace in earth. Swami Tadbodhananda, Ramakrishna Math & Mission, Belgharia believes on the dictum of Sri Ramakrishna Paramhansa, "Joto Mot toto Poth". He believes that a person must trust himself and should change his animal instincts to reduce this brutality. There is wide acceptance of all religions in Ramakrishna Mission. Syed Nurus Salam, Secretary, West Bengal Board of Madrasah Education said that Islam means peace and the person who commits such crimes are not proper human beings. There must be cooperation and coordination in every persons. CMA Manas Kumar Thakur, Central Council Member also shared that if a person respects his parents, family, society and themselves, only then he would also receive the same. If a person is still alive in the minds of many even after his death, then he has made a mark in mankind. The programme ended by lighting candles after paying homage to those souls who lost their lives in the savagery with the prayer to rest them in peace.

REACHING THE HIGH-HANGING FRUITS: REFORM AND PROGRESS IN CENVAT CREDIT LAW

The CENVAT Credit Rules, 2004 are the fundamental pillar on which the Union Vat System in Central Excise and Service Tax operates. The progress in CENVAT Credit Law will remove visible and invisible tax cascading in both Central Excise and Service Tax and offer a competitive tax edge to Indian exports of manufactured Products as well as Services

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It is a central feature of any value added tax system that Input Tax Credit has to be provided to justify taxing value addition at every stage in the tax chain. The rationale for the nomenclature of a Value-added tax is the facility to recoup previous-stage taxes on Inputs, Capital Goods and Input Services. The superiority and efficiency of a value-added tax system depends proportionately on the extent of recovery of previous stage input taxes. Even though our country has been operating value-added tax systems both at the Union and at the level of States for quite some time, it cannot be said that the Indian VAT systems fulfil the fundamental criteria regarding tax credits on the inputs. The result has been a barely-noticed spiral of tax cascading, skewing the tax-cost structure in the economy. Coupled with the fact that the aggregate rate of indirect taxation comes close to a third of the cost of most of the manufactured products as against the much lower level of indirect taxation in India's Asia neighbourhood, such as Japan, Singapore, Sri Lanka, China, etc., the deficiency in the extent and availability of input tax credits makes the India Tax story on the indirect taxation front far from exemplary. The reduction in the high rates of Indirect taxation in the country would have to await a brand new Goods and Services Tax (GST). In the meanwhile, what should not be delayed is the reform of input tax credits in the indirect taxation structure. The coming Union Budget is an ideal opportunity for the spring-cleaning of the Cenvat credit scheme. The Union Government, given its pre-eminent stewardship of the National Fiscal architecture, is in a good position to lead the reform of the provisions relating to input tax credits in the indirect tax system. The CENVAT Credit Rules, 2004 are the fundamental pillar on which the Union Vat System in Central Excise and Service Tax operates. The progress in CENVAT Credit Law will remove visible and invisible tax cascading in both Central Excise and Service Tax and offer a competitive tax edge to Indian exports of manufactured Products as well as Services. Such reform will also be a compelling incentive for the State Governments to follow suit. In this Article we will analyse seven significant areas of the CENVAT Credit Law which are certainly ripe for improvement and reform.

Incorporation of principles of cenvat credit in the parliamentary acts

The CENVAT Credit scheme which integrates Central Excise Duties and Service Tax for both Manufacturers and Service Providers is singularly absent in the respective Parliamentary Acts governing the levy and collection of Central Excise duty and Service Tax, viz., the Central Excise Act, 1944 and the Finance Act, 1994. The lack of Parliamentary guidance and establishment of Fundamental Principles of input tax credit in the relevant mother Acts has led to a profusion of litigation and a perennial confusion over interpretation of even elementary words and phrases. The Cenvat Credit Rules are a veritable jumble of policy prescriptions and procedural compliances. It is difficult even for trained judicial minds to determine whether the CENVAT Credit Rules are a substantive law or a procedural mechanism. The relegation of Cenvat Credit Rules to the status of Subordinate legislation by a tactical tax administration has enabled the tax babus to play ducks and drakes with the availability of input tax credits unmindful of the impact on the wider National economy. The Judicial and Quasi-Judicial intervention in CENVAT Credit Law has been a perplexing saga of see-saw interpretation. Along the way, certain immutable principles have been propounded by the Hon'ble Supreme Court. These salient principles could be summarised as follows:-

(A) There is no one-to-one correlation between input and output.

(B) The presence of the input in the final product is not to be insisted upon.

(C) The Cenvat Credit is an instant credit.

(D) CENTVAT Credit once taken validly becomes a vested, indefeasible right which cannot be denied without due process.

(E) Availment of CENVAT Credit is not to be thwarted for mere procedural and technical deficiency.

In addition to the above principles laid down by the Apex Court we could add the principle of recoupment of all previous-stage taxes which are related to the activities of the Business and which is also conceptually recognized as one of the operating idioms of the CENVAT Credit Law. The advantage of having the principles of input tax credit ensconced in the Parliamentary Acts is that it bestows clarity, purposeful guidance and acts as a dampener to Executive tinkering through the mechanism of Subordinate Legislation.

When time is of the essence: Time-limits in cenvat credit:

Time Limits have been a necessary evil in the tax credit law. Even the MODVAT Credit Rules, which were the precursor to the present Cenvat Credit Rules, contained a time limit. But there was a provision to allow MODVAT Credit beyond the time limit in genuine circumstances and discretion was given to the tax authorities to relax the rigour in this regard. Against this backdrop, when CENVAT Credit Rules came into being with effect from September 2004 without any Time Limit, there was all-round satisfaction as it permitted retrieval of missed CENVAT Credits without reference to any time limit and without invoking the discretionary mercy of the tax babus. The only time-limit of concern was with reference to availment of input service tax credits which could be taken only after settling the bills of the supplying vendors. Later the provision was a little liberalised when availment of input service tax credit was permitted without settling the bills of the Vendors though such bills were required to be settled within three months from the date of the invoice, failing which credit taken should be reversed but subject to re-credit after finally settling the bills of the Vendors.

The happy state of affairs in CENVAT Credit Law on Time Limit was terminated by the Government when a provision was introduced requiring that credit should be taken within six months of the date of invoice. The six-month time-limit had no provision for relaxation for genuine circumstances as in the case of MODVAT Credit Rules. There is no doubt that the time limit has caused difficulties to the Trade and there is a compelling need to relax the time limit to one year or even better, doing away with it. There is a further anomaly with regard to availment of Cenvat Credit of Service Tax paid on input services. The provision requires that when instant credit is taken on input service tax, the bills of the suppliers should be paid within three months of the date of invoice. Suppose a tax payer has received an input service invoice rather late or has not taken credit even after a passage of the time of three months from the date of such invoice, he will not be in a position even to avail the credit and unless he settles the vendor's before the expiry of six months Time Limit, the whole availability of credit will be lost. The Rule regarding the three months Time Limit to settle the input service vendors was introduced when Service Tax functioned on the principle of payment of tax on receipt of consideration. Therefore it made sense for the Government not to allow instant credit of input service tax without making the service recipient pay the consideration to the supplier who then would be legally obliged to pay the Service Tax since he has now obtained the consideration. With effect from 1st July 2011, the Service Tax has become payable on accrual basis, i.e., as soon as the invoice was raised or service rendered. Now a service provider is required to pay Service Tax whether or not his bill has been settled by the service recipient. Therefore it does not make any sense to deny instant credit to the recipients of the service without linking it to an obligation to pay up the service suppliers. Thus the Rule requiring settlement of the bills of Vendor is redundant and deserves to be scrapped.

Penalty even for book entries relating to unused tax credit

Not long ago, the CENVAT Credit Rules had a provision by which even when CENVAT Credit which was incorrectly taken was reversed without having utilized such credits in any manner, such reversal was penalized with huge tax interest at the rate of 18% per annum. The injustice inherent in penalising even a book reversal of credit entries with interest outgo was removed by a statutory amendment with effect from 1.4.2012. However, the provision prescribing confiscation and penalty still applies if any person takes CENVAT Credit wrongly even if he has not utilized such credit or has reversed such credit without utilization, though it does not make any sense for the government to withdraw tax interest on the reversal of a book entry but retain the threat of penalty and confiscation over a mere change in the book entry with no damage to the Exchequer.

Investment-unfriendly provision of restriction of credit on capital goods

The CENVAT Credit Law has long retained a provision under which CENVAT Credit on Capital Goods could be taken only at 50% of the credit during the year in which the goods are received and the remaining 50% could be taken only from the ensuing year. The presence of this unreasonable restriction on Capital Investment has been copied by all the State VAT Laws which have incorporated varying degrees of restriction of credit of input tax paid on Capital Goods. The restriction penalises a new investment when such investment will likely result in increased production and additional employment. The Tax Credit restriction would obviously run into hundreds of crores of rupees for the Indian Industry. The removal of this provision will make for increased tax credit utilization and enhance competitive pricing.

Activities relating to business

In a measure aimed at showing up Government revenues without inviting the odium of increasing the taxes, the Government curtailed CENVAT Credit on a wide range of input services which came under the umbrella

THE GOVERNMENT WOULD DO WELL TO CONCENTRATE SOME OF ITS ENERGIES ON REFORMING THE CENVAT CREDIT LAW AND REFRAIN FROM USING IT AS A SUBALTERN WAY OF GARNERING MORE REVENUES

expression 'Activities Relating to Business'. The damage has been sustained since the 1st of April 2011 and the tax cost to the Business and Industry has gone up by a considerable amount. Restoration of the CENVAT Credit to all activities relating to business that was on the Statute Book till 31st March 2011 will make CENVAT Credit law a fairer and a truer foundation of the Value Added Taxation. Such recoupment will enhance tax credit efficiency and considerably minimise tax cascading. The cumulative effect will be conducive to competitive pricing and boost exports.

Refunding unutilized cenvat credit

Unlike state VAT systems, the Cenvat Credit Rules have no provision for refund of accumulated, unutilized credit balances which have to be compulsorily carried forward interminably. The cash refund of Cenvat credit is granted only for the use of inputs and input services in export scenario. The mis-match between the state VAT and Cenvat in this arena is too glaring to miss. When all the state Vat laws provide for such cash refund of unutilized input credit balance (though getting such tax credit refunds is normally a herculean endeavour) there is no plausible reason why the Union tax administration should shy away from levelling the field at the central level and come forward to provide for the refund of the unused tax credits. Such refund facility within the Cenvat credit system would be conducive to tax-cost reduction and boost competitive pricing of Indian products in the world markets.

Integrated excise and service tax return (EST)

Though the CENVAT Credit Rules have integrated availment of CENVAT Credit of both Excise Duty and Service Tax for Manufacturers and Service Providers alike, the logical culmination of such integration of tax credits in the form of an Integrated Excise and Service Tax Return has been singularly missing. The result has been that Industries and Businesses that are simultaneously paying Central Excise Duty and Service Tax have been compelled to segregate the tax credits and account them in separate Central Excise Returns and Service Tax Returns. Such tax credit segregation is always wasteful, artificial and undermines the principle of combating tax cascading through the mechanism of input tax credits. The Integrated EST Return has been promised for several years and we would hope that the Government as part of its drive to make India an easier place to do business in would unveil this long-delayed Return in the forthcoming Budget.

Conclusion

The CENVAT Credit Law has been a very significant feature of the Union Indirect Tax System, whose reform has been neglected so far. A sub-optimal provision of Tax Credit is the same as a direct and open increase of tax rates or levy of new taxes. It has a direct impact on competitive pricing. Therefore the Government would do well to concentrate some of its energies on reforming the Cenvat Credit law and refrain from using the Cenvat Credit scheme as a subaltern way of garnering additional Revenues. The Cenvat Credit framework should be recognized as the Engine of the Union Indirect tax system, which should not be tinkered with by departing from the basic principles. All things considered, any hope for a stable and durable CENVAT Credit Reform before the advent of the GST hinges on the principles of Tax Credit law being enshrined in the Parliamentary Acts governing Central Excise duty and Service tax. MA

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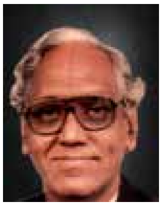
THE GST BILL: ON THE THRESHOLD OF MAKING FISCAL HISTORY

The abolition of a multi-layered system of taxes and the adoption of a uniform rate of tax all over the country will significantly add to the image of India as a country eager to provide a modern fiscal face



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Masters in Law

The GST Bill: On the threshold of making fiscal history

Fiscal history is about to be made when Parliament takes up for approval the long awaited Goods and Services tax Bill in February 2015. We have been talking about this Bill for years. At long last, the Union Cabinet gave its ascent to the introduction of a constitutional amendment Bill as a precursor to the GST Bill. Constitutional amendment is needed to vest concurrent powers on the Union of India and the States to tax Goods and Services at the retail level. The Bill will provide a dispute settlement mechanism. States fear loss of Revenue if the Bill is adopted and loss of fiscal autonomy. The Constitutional Amendment is expected to allay these fears. Compensation is built into the Bill for five years for the State.

Salient features

The Constitutional amendment Bill on Goods and Services Tax (GST) was introduced in Parliament in December 2014. The new Article 246A in the Bill proposes to confer simultaneously power to Union and State legislatures to make enactments on the GST. States will be compensated for loss of Revenue arising on account of implementation of the GST for a period of five years. Both Parliament and State assemblies are empowered to make laws for levying GST on the supply of Goods and Services in the same transaction.

A New Article 279A is proposed for the creation of a Goods and Services Tax council. This will be a joint forum of the Centre and the States. It will function under the Chairmanship of the Union Finance Minister. Each State will nominate a Minister to be incharge of Finance and Taxation. The Council will make recommendations to the Governmentsof Union and the States on important matters concerning tax Rates, exemptions, threshold limits and dispute Resolution mechanism. The Constitution Amendment will do away with the concept of 'declared goods of special importance' under the constitution.

A provision has been made in the amendment Bill to compensate States for loss of Revenue arising on account of implementation of the GST for a period of five years. The compensation will be on tapering bases i.e. 100% for first 3 years, 75% in the fourth year and 50% in the fifth year.

Federal structure

The GST Bill constantly keeps in mid the Federal structure of India enshrined in the constitution. At the Central level, the new GST will subsume Central taxes like Central Excise Duty, Additional Excise Duties, Service tax, Additional customs Duty (CVD) and Special Additional Duty of Customs (SAD). At the State level, taxes like VAT, Sales Tax, Central Sales Tax, Entertainment Tax, Octroi, Entry Tax, Purchase Tax and luxury tax will all be subsume in the GST. All Goods and Services, except Alcoholic liquor for human consumption, will be brought under the purview of GST. Petroleum and Petroleum products are also under the GST. The levy on such products will await a notification at a future date on the recommendation of the GST Council. In the interim period, States and Centre will continue the present arrangement of levying taxes like sales tax, VAT, CST, and Excise duty.

Both Central and States will simultaneously levy GST across the value chain. While Centre will levy and collect Central GST, States would levy and collect State GST on all transactions within a State. The Centre will levy and collect the Integrated Goods and Services tax (IGST) on all interstate supply of Goods and Services. There will be a Seamless flow of input tax Credit from one State to another. Proceeds of IGST will be apportioned among the States. The Centre has accommodated the States by agreeing to levy zero tax on petroleum products for three years leaving the States to tax the same. The GST council will take decisions on the tax. It is noteworthy the States will have 2/3rd of the Vote on the council. Major Revenue sources like Tobacco and Alcohol will not be covered by the GST. They are left to the States to administer. The stalemate between the Centre and the States about the Revenue Sharing was broken after the Union of India announced a compensation of Rs.11,000 crores to make up for the cut in CST rate to 2% from 4%.

Advantages

At a time when several small and big countries in Europe were moving towards a common European market, a common currency and even a common Parliament to deal with fiscal matters, it did look anachronistic that a well-established democratic polity like India chose to split itself into several States, each vying with one another for greater and greater share in the fiscal pie. Indirect tax rates are not uniform across the country. States have been allowed to indulge in trade and tariff wars to mobilize resources for themselves at the cost of others and the net result has been a chaotic fiscal structure. The new GST has several advantages:

- GST is a destination-based tax. All SGST on the final product will ordinarily accrue to the consuming State.
- GST rates will be uniform across the country. However, to give some fiscal autonomy to the States and Cen-

tre, there will be a provision of a narrow tax band over and above the floor rates of CGST and SGST.
- It is a proposed to levy a non-vatable additional tax of not more than 1% on supply of goods in the course of inter-State trade or commerce. This tax will be for a period not exceeding 2 years, or further such period as recommended by the GST council. This additional tax on supply of goods shall be assigned to the States from where such supplies originate.
- GST will simplify and harmonize the Indirect tax regime in the country.
- GST will broaden the tax base and result in better tax compliance due to a robust IT infrastructure.
- The seamless transfer of input tax credit from one State to another in the chain of value addition will provide a built-in mechanism in the design of GST that would incentivize tax compliance by traders.
- Introduction of GST will foster a common and seamless Indian market and contribute significantly to the growth of the economy.
- GST will significantly reduce the cost of manufacture since it will replace multiple central and State taxes on goods with a single tax that will create a unified national market.
- It will bring in more transparency and facilitate faster GDP growth and Revenue collection. It will be a continuing process which would evolve and improve with time.

Hurdles in the way

The London Economist is not entirely optimistic about the success of the new GST. (see issue dt.10.01.2015). "Tax design is tricky, and small details determined whether a reform helps or harms the economy. Early signs are not encouraging. An undertaking to compensate States for five years for loss of Revenue gives them little incentive to ensure that collecting the new tax runs smoothly. A hurried reform can sometimes be worse than no reforms at all".

India sits a lowly 142nd out of 189 countries in the World Bank's "ease of doing business" rankings. The abolition of multi-layered system of taxes and the adoption of a uniform rate of tax all over the country will significantly add to the image of India as a country eager to provide a modern fiscal face awaiting faster economic growth. The new GST Bill is expected to take effect from 1st April 2016. When enacted, it will certainly provide for the emergence of a vibrant India. MA

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TAX TITBITS

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Shome panel recommendations

Economic Times dated 4th December 2014 has reported third set of recommendations of Shome Panel and has raised its voice against them. Since revenue consideration may prompt tax administration to accept such recommendations, there is need to make representations against them as such recommendations violate all principles of taxation and would create numerous problems for both taxpayers and administration.

(i) Fringe Benefits Tax (FBT) – Revival

Fringe Benefits Tax (FBT) has been a tax, which has been tried and dropped. The scope of FBT went far beyond its object, which was to tackle tax avoidance on fringe benefits enjoyed by the employees in cash and kind. It is not necessary to require artificial disallowance of expenses on a percentage basis. It is enough, if the obligation to deduct tax are properly monitored. Rule 2BB and Rule 3 of the Income Tax Rules, if enforced, are sufficient to cover any leakage of revenue. Instead, it targets legitimate expenditure of the employers by providing for ad hoc disallowances. Manufacturing industries will be affected, since they have a large work force. The recommendation of the Panel to revive the same is retrograde.

(ii) Banking Cash Transaction Tax (BCTT) – Revival

Banking Cash Transaction Tax (BCTT) is yet another tax, which has the object of curbing tax evasion. The superstition, that cash transactions are not genuine, while banking transactions are, is already embodied in section 40A(3), 269SS and 269T requiring transactions above Rs. 20,000 to be by account payee cheques or account payee drafts. The proposal for revival of this tax on withdrawals above the specified limit is yet another measure, which will affect genuine transactions, besides causing an unnecessary burden on trade and industry. It should not be brought back.

(iii) Amnesty is opposed

Shome panel in one of its other recommendation would oppose any proposal for amnesty for tackling black money. One of the outstanding proposals is for an amnesty for gold deposits with banks or Government by way of Gold Bonds or Deposit Receipts without questioning the source of investment, so as to mobilise gold stock. Gold Bond Scheme, it has been suggested may be accompanied by a law providing for confiscation of gold hoard beyond prescribed ceiling. There need not be total immunity as regards the source of gold that are deposited as a tax free amnesty. Tax may be levied on withdrawal of gold at the market rate of gold on date of withdrawal under the Scheme. This may discourage withdrawal, except in times of stress, but with payment of tax, which could be collected at source, while permitting withdrawal. A similar scheme for perpetual Infrastructure Bonds to be taxable in the year of encashment without being questioned as to the source at the time of subscription should be welcome. Such limited amnesty is not much different from immunity already available for interest waiver and penalty waiver under section 273B of the Act. Such innovative schemes for gold and infrastructure bonds require consideration, if the idle assets or moneys are to be brought to the mainstream of the economy providing impetus for growth.

Year of assessment – Matching expenses with income

Though there is nothing sacrosanct in the period in which the earth goes round the sun as observed by the eminent economist J.M. Keynes, the law requires that the expenses should strictly relate to the year in which the income arises. It is only in the case of adventure in the nature of trade, computation of taxable income has to await completion. Contractors can follow percentage completion method computing the income for the work done during the year or on completed contract basis awaiting completion of contract as an exception to the general rule that income must be year-wise computed. Completed contract basis is acceptable as was pointed out by the Tribunal on the ground, that the income need not be recognised before it is realised in Dy. CIT v. Sudhir V. Shetty [2014] 35 ITR (Trib) 115 (Mumbai) citing several precedents on the subject. The law would be simpler if the expenses are allowed, if they are otherwise admissible in law instead of expecting it to match with the income of the year.

Carry forward of losses permissible in our law is to neutralise the uneven accrual of income over the years. But even this is not enough unless carry backward of loss is also permitted as under the U.S. law.

Jurisdiction of Transfer Pricing Officer on issue of shares

Where the assessee issued shares at a premium to its non-resident holding company, it became the subject matter of transfer pricing exercise. The Transfer Pricing Officer made an adjustment in respect of issue of shares to the extent of Rs.1308.91 crores as being short of arm's length price. This difference was also to be treated as a deemed loan for which deemed interest at Rs.88.35 crores was further treated as interest income. The jurisdiction issue was decided in favour of revenue in first appeal by the Disputes Resolution Panel. But on writ petition filed by the assessee, it was decided that the order of the Transfer Pricing Officer under section 92CA(3) was liable to be quashed. The question of ascertaining arm's length price did not arise in this case as there was no transaction giving rise to income as decided in Vodafone Services Pvt. Ltd. v. Union of India [2014] 369 ITR 511 (Bom).

In a similar case, where shares were issued to non-resident associated enterprises, it was held that such share issue does not fall within the scope of transfer pricing rules in Shell India Markets P. Ltd. v. Asst. CIT [2014] 369 ITR 516 (Bom), where an addition of Rs.15,220 crores was worked out by the Transfer Pricing Officer. There is no jurisdiction for determination of transfer pricing, so that the arm's length price for the shares issue was held to be not justified. This case follows the decisions of the Bombay High Court in Vodafone India Services P. Ltd. v. Union of India [2014] 368 ITR 1 (Bom) and [2014] 369 ITR 511 (Bom).

Unconfirmed reports indicate that these decisions are likely to be accepted by the Government.

Scientific research expenditure – Should it relate to assessee's business?

Scientific research expenditure is deductible under section 35. The deduction was, however, disallowed in the view that the research did not relate to assessee's business. Deduction was allowed in first appeal. The Tribunal in Dy. CIT v. Bharat Biotech International Ltd. [2014] 3 ITR (Trib)-OL 7 (Hyderabad) restored the addition on its inference of requirement, that the research must relate to business carried on by the assessee. For this proposition, Board Circular No.281 dated September 22, 1980 [1981] 131 ITR (St.) 4 was relied upon. There can be no inference that an assessee would undertake research, which can have no relevance to its business. The first appellate authority had pointed out that assessee is recognised by CSIR for its credentials as a company engaged in scientific research. Sanction letters were received not only from CSIR, but also from the funding agencies for laboratory research in development of biotech products. All the same, the Tribunal felt that research carried on by the assessee in respect of molecules cannot relate to assessee's business of developing vaccines and bio-pharmaceuticals. The inference is factually incorrect and the provision does not require assurance to prove its potential use. The decision needs review.

In the same case, the Tribunal also disallowed the expenditure by way of interest payments and consumables pending completion of the product development as capital expenditure. This inference also needs review as such expenditure was incurred in a running business. MA

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Attention please – Members in Practice

Members in practice can now view their validity of Certificate of Practice by following the procedure as laid down below:

1. go to the home page of the Institute website, ie www.icmai.in
2. go to the members' log in on the top of the Home page by using your membership number as 'User ID' and a combination of your DoB (in dd-mm-year format) and Membership number as your 'Password'
3. immediately you will be led to the 'Membership Management System' page
4. go to the 'Certificate of Practice' menu on that page
5. view the validity of 'Certificate of Practice' which is the last item on that menu

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Members are hereby requested to intimate the Transaction ID, Date of payment, amount deposited and membership number to membership@icmai.in and finance.arijit@icmai.in for membership fee payments made through Bank by NEFT.

In case of payments made directly by organizations to the Institute's bankers on behalf of the members, the details of the same may also be intimated to the above mentioned mail IDs as soon as the payment is made by the organization concerned.

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CD of List of Members, 2014 will be made available for sale to the Members at a price of Rs.100/- (Rupees Hundred) only per copy. Members interested to procure the same may remit Rs.100/- by Demand Draft in favour of "The Institute of Cost Accountants of India", payable at Kolkata, addressed to the Secretary, The Institute of Cost Accountants of India.

CMA SURESH WARIOR

AT THE HELM

Our heartiest congratulations to CMA Suresh Warior, a member of the Institute of Cost Accountants of India for taken over as Director (Finance) in Rashtriya Chemicals & Fertilizers Ltd. (RCF). He has been working in RCF since 1985 and held various key positions in areas such as corporate finance, costing, budgeting, project evaluation, treasury management etc. He has worked as a Hon. consultant to the Fertilizer Industry Coordination Committee (FICC), an arm of the Ministry of Chemicals & Fertilizers, to carry out subsidy calculations of various Fertilizer companies for over a decade. His efforts have been well appreciated by FICC. RCF has won various awards under his guidance including National Award for Excellence in Cost Management (second prize) from the Institute in the year of 2012-13 & 2013-14.

We wish CMA Suresh Warior the very best in all his future endeavours.

Top Stories from www.taxmann.com

DIRECT TAXES

Case Laws

- **Father gets section 54B relief for acquiring new land in son's name even if original land was held jointly with son -** The assessee was holding land in the joint name along with his son. The Assessing Officer computed capital gains on sale of land on basis of documents unearthed during search. He denied deduction under section 54B on the ground that new land was purchased by the assessee only in the name of his son.

  The CIT(A) upheld the action of AO. The Tribunal held that if the land was purchased in the name of assessee's son because of old age and other technical reasons, the assessee would still be entitled to deduction under section 54B - *Bant Singh* v. *ITO* [2014] 52 taxmann.com 364 (Chandigarh - Trib.)

- **TP norms would not put fetters on selection of foreign comparables if Indian companies did not satisfy test of comparability -** Indian Transfer Pricing Regulation does not put any fetters on selection of foreign comparables, if conditions are as such that the Indian comparables do not stand the test of comparability with the tested party. If the tested party itself was a foreign-based entity and the services rendered by it were very specific, for which the Indian comparables were not available or functionally not comparable then, it could not be held that foreign comparables could not be selected for benchmarking the arm's length price or margin - *Tata Motors European Technical Centre Plc.* v. *ADIT* [2014] 52 taxmann.com 411 (Mumbai - Trib.)

Statutes

- **CBDT plans to celebrate 'Good Governance day' on every Wednesday by holding it as a 'public meeting day' -** As a part of PM's 'Good Governance Day' promise to provide an "open and accountable administration" it has been decided by CBDT that all field offices of the Income-Tax department will observe 'Public Meeting Day' from 10.00 AM to 1.00 PM on every Wednesday with effect from January 7, 2015 to address the grievances of the public. Further, the CBDT has decided that a suitable feedback mechanism shall also be put in place to record the number of grievances attended to and solved on every 'public meeting day', and to identify the deficiencies to avoid delays in redressal of grievances - OFFICE MEMORANDUM [F.NO.DIR.(HQRS.)/CH.(DT)/29/2013], DATED 6-1-2015

- **CBDT directs AOs to stop coercing taxpayers for admitting undisclosed income during search/survey proceedings -** The CBDT had noticed instances of undue influence/coercion on assessee to admit undisclosed income during search or survey proceedings. Thus, CBDT reiterates that any such instance of undue influence/coercion shall be viewed by it adversely - LETTER [F.NO.286/98/2013-IT (INV.II)], DATED 18-12-2014

SERVICE TAX

- **Service tax on restaurants is valid; States cannot levy VAT on 'service portion' -** Article 366(29A)(*f*) does not indicate that service part is subsumed in sale of food/beverages; hence, service tax on service portion of supply of food/ beverages in hotels/restaurants is Constitutional; however, States cannot levy VAT on service portion quantified as per service tax law - *Hotel East Park* v. *Union of India* [2014] 52 taxmann.com 341 (Chhattisgarh)

- **Number of appeals to be filed before CESTAT must be equivalent to number of orders against which appeals are sought -** Number of appeals to be filed before CESTAT must be as many as number of orders-in-original to which case relates insofar as appellant is concerned - *Zaverilal Virjibhai Mandalia* v. *CST* [2014] 52 taxmann.com 340 (Ahmedabad - CESTAT)

- **Security provided by Assam Industrial Security Force in disturbed areas of Assam was not liable to service tax-** Security received from Assam Industrial Security Force (AISF) in disturbed areas in State of Assam is 'sovereign function' and does not amount to 'support services' and is *prima facie* covered under negative list under section 66D(a) - *Mcleod Russel (India) Ltd.* v. *Union of India* [2015] 53 taxmann.com 24 (Calcutta).

- **SC stays Travelite India (Delhi HC) judgment striking down service tax rule 5A(2) -** Supreme Court stayed operation of judgment of Delhi High Court in *Travelite (India)* holding that : (*a*) only type of audit contemplated under law is under section 72A, i.e., a special audit; and (*b*) rule 5A(2) of Service Tax Rules, 1994 providing for 'general audit' is *ultra vires* section 94 - *Union of India* v. *Travelite (India)* [2015] 53 taxmann.com 238 (SC).

- **Sum paid to advertise group name 'HCL' instead of assessee's name was also eligible for input credit -** Where assessee had advertised its group name "HCL" and had paid consideration, along with service tax, for said services, assessee was eligible for input service credit thereon, subject to production of documentary evidence – *CCE* v. *HCL Technologies Ltd.* [2014] 52 taxmann.com 390 (New Delhi – CESTAT)

- **No deduction of transport rebate allowed to customers if it forms part of taxable turnover of assessee -** Where assessee claimed deduction of certain amount representing transport rebate allowed to customers, since impugned amount formed part of taxable turnover, assessee was not entitled to deduction - *Hyderabad Industries Ltd.* v. *Commercial Tax Officer* [2015] 53 taxmann.com 38 (SC)

- **Duty cannot be demanded on intermediate goods if full duty is paid on final product -** If assessee does not pay duty on intermediate goods but pays full duty on final product and duty payable on intermediate goods was eligible for credit, then, owing to principle of revenue neutrality, duty cannot be demanded on intermediate goods; and even interest component cannot be demanded – *CCE* v. *Siddheshwar Textile Mills (P.) Ltd.* [2014] 52 taxmann.com 369 (Bombay)

INTERNAL AUDIT UPDATES

The Institute of Internal Auditors

INSTITUTE OF INTERNAL AUDITORS MANDATORY GUIDENCE – CODE OF ETHICS

Code of Ethics

The Code of Ethics states the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct, and behavioral expectations rather than specific activities.

Introduction to the Code of Ethics

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

The Institute's Code of Ethics extends beyond the Definition of Internal Auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

"Internal auditors" refers to Institute members, recipients of or candidates for IIA professional certifications, and those who perform internal audit services within the Definition of Internal Auditing.

Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services.

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Bylaws and Administrative Directives. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

Code of Ethics — Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:

1.1. Shall perform their work with honesty, diligence, and responsibility.
1.2. Shall observe the law and make disclosures expected by the law and the profession.
1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
4.2. Shall perform internal audit services in accordance with the INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (STANDARDS).
4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

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SPECIMEN SIGNATURE CARD FOR THE MEMBERS OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

Members of The Institute of Cost Accountants of India, are requested to provide their specimen signature and other details in the following format and send the same so as to reach "The Secretary, The Institute of Cost Accountants of India" at 12, Sudder Street, Kolkata – 700 016 **on or before 1st March, 2015 positively.** This would facilitate keeping records of the members of the Institute updated.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

CMA BHAWAN

12, Sudder Street, Kolkata – 700 016

SPECIMEN SIGNATURE CARD

(*) marked fields are mandatory

The Secretary to the Council of
The Institute of Cost Accountants of India
12, Sudder Street, Kolkata – 700 016

Affix passport size photograph

Sir,
I hereby send herewith the Signature Card duly filled in.

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Salutation	**Mr. / Mrs. / Ms. / Dr.**	FULL NAME OF THE APPLICANT	
First *			
Middle			
Last *			
Mobile *		Email *	

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1.	**2.**
3.	**4.**

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2 Recent passport size coloured photograph of the member should be affixed.
3 The above form should be sent to The Secretary, The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata – 700 016.
4 Only duly signed **hard copy (in A4 size Paper)** in above format shall be accepted.
5 Please use **Black Ink** for signature.
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SETTING MANAGEMENT ACCOUNTING RESEARCH PRIORITIES IN INDIAN CONTEXT

CMA Dr. T. P. Ghosh

TODAY'S *management accounting information, driven by the procedures and cycle of the organisation's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions."* This classical statement of Johnson and Kaplan (1987) in Relevance Lost: The Rise and Fall of Management Accounting was primarily based on the arguments that -

- Management accounting systems and techniques were as they had been since 1920.
- Information systemhad been geared towards financial reporting, as was the decision making process, causing a general drift from cost management to cost accounting.
- Existing management accounting could not adapt to new competitive environment, management styles, production techniques and organisational structure.
- Management accounting facilitated the growth of large enterprises, throughout in early 20th century and should be treated simply as a by-product of regulatory accounting.

But when Anne Loft (1990) found relevance of management accounting, since then Johnson (1992, 1994, 2008) regainedrelevance in management accountingthrough bottom-up empowerment, total quality management and profit beyond measure.In fact Johnson and Kaplan(1987) were referring to the practice of compilation of cost records out of financial records during 1980s when various industrial sectors were facing global competition and adapting various aspects of Toyota Production System (TPS) and lean manufacturing [TaiichiOhno (1988)].

In this article an attempt has been made to bring to record latest direction of management accounting research, and identifying research need in Indian context including leadership of the Institute of Cost Accountants of India in management accounting research.

Relevance of Lost and Regained

The 'relevance' debate is generally traced back to Kaplan (1983, 1984, 1985) which culminated into 'Relevance Lost'study of Johnson and Kaplan (1987) and more importantly Kaplan (1988) explained using a case of the components division of a heavy machinery business which had an excellent system of cost control and production efficiency as compared to traditional record keeping for compiling financial reports and taxation. Stagnation of management accounting techniques and practices was evaluated in the context of globalization and newer dimension of competition that forced many large scale manufactures to adopt many practices of TPSand lean management [TaiichiOhno (1988)] and quality control system requiring non-financial parameters of performance management.

Kaplan (1988) lamented that cost system designers have failed to recognize that their systems need to address three different functions:

(i) Inventory valuation for financial and tax statements, allocating periodic production costs between goods sold and goods in stock.

(ii) Operational control, providing feedback to production and department managers on the resources consumed (labor, materials, energy, overhead) during an operating period.

(iii) Individual product cost measurement.

In fact slow progress in the development of management accounting and lackluster approach to management accounting information has been traced to non-competitive demand-driven mass production during 1920s to1970s. In view of localized competition, secured markets and spread of consumerism in the developed economies, firms did not need to change. Accordingly, there was little business interest in management accounting techniques. In the words of Scrapens, Hoopers and Ashton(1992): "There was little incentive to minimise manufacturing costs, as increased costs could be passed on to the consumer". In a non-competitive industrialsituation where firms did not need to keep or require elaborate costing records; organisations had no real need to invest capital or time developing them. Since existing methods were satisfyingregulatory requirements, firms followed a "if it is not broken why to fix it" approach. It was not until the 1970's that firms in the USA and to large extent firms in the UK experienced many external environmental changes that highlighted internal problems which led to developments in newer management accounting tools.

It was evident in the 1980's that management accounting information driven by the financial reporting system is too late, too aggregated and too distorted to be relevant for managers' planning and control decisions . Accordingly, Johnson (1992) ran into bottom-up empowerment from top-down control to regain lost relevance of management accounting. Johnson's (1992) ' industrial era (1850-1950)' and 'dark age of relevance lost (1950-1980)'encountered the global era (1990-) using new management accounting tools like Just in Time (JIT), Statistical Process Control (SPC), Material Requirement Planning (MRP), Total Quality Management (TQM), Total Productive Maintenance (TPM) and Activity Based Costing (ABC). But Johnson (1992) emphasized that companies reorient accounting-based management information that reinforces attention to irrelevant sources of competitiveness - pushing output and cutting costs. Instead they need to focus on customer satisfaction being everyone's job.

Management accounting practices in the western countries based on accounting information to control business operations is devoid of new time-intensive, people-oriented, and resource-conserving methods developed in Japan, especially at Toyota during the 1960's and 1970's. Johnson (1992) observed decoupling the continuous linkage within an organization diminishes cooperation among departments resulting in inventory buffers and warehouses to absorb the production surpluses. But filling a warehouse to minimize cost variances (by reducing capacity costs)does not help to create harmony. Instead it distracts people from thinking about balance, harmony and economy. Standard cost performance evaluation systems motivate actions that increase complexity and overhead costs by focusing on output and prevent companies from seeing the long term benefits of continuous improvement in flexibility. Department supervisors act to keep machines and people busy producing output, regardless of demand, to minimize standard cost variances. By attempting to achieve cost targets, each department impairs the company's overall ability to compete.

Johnson (1992) while suggesting shift from 'remote control' management to 'global excellence' in management was greatly influenced by the concept of TaiichiOhno(1988), the inventor of the Toyoto Manufacturing System. TaiichiOhno (1988) - the idea to produce only what can be sold and no more. The key is the creation of conditions that make it economically feasible to do only as much as customers want you to do, when they want it, and then stop.

The basis of the TPS is absolute elimination of waste and controlling over-production. The two pillars on which TPS superstructure is built are just-in-time and automation. It relies on complete elimination of waste:

- waste of overproduction;
- waste of time on hand;
- waste of transportation;
- waste of processing ;
- waste of stock on hand (inventory) waste of movement
- waste of making defective products.

Management accounting research was engaged around devising metrics to cater managerial decision making to sub-serve newer dimensions of the TPS. Two interesting development during this phase are - operations management focus and marketing management focus. Operations management focus of managerial decision making motivated to devise non-financial performance measures, and responsiveness to building long term customer loyalty pushed to devise customer satisfaction metrics to aid managerial decision making.

Another significant development was dataprocessing in electronic modes. In the last few years of the twentieth century numerous operations and marketing functions are supported by Enterprise Resource Planning (ERP) systems such as SAP, PeopleSoft, Oracle and Baan. The system provides operations manager to unparalleled access to data. This facilitates to set detailed performance measurement parameters including activity analysis.

Strategic Cost Management Shift

Parallel to shop floor development, management accounting focus was shifted to strategic management which has been divided into three phases by Roslender (1996). In the first phaseresearch there were sporadic developments of new management accounting tools like:

- Development of Activity based costing of (ABC) by Cooper & Kaplan(1987 , 1988);
- Development of Backflush accounting by Foster &Horngren (1988) and Bhimani and Bromwich (1991) ; and
- Development of Throughput accounting by Goldratt & Cox (1984) , Galloway and Waldon (1988)

The focus of the first phase research was finding alternative cost accounting system for cost allocation rather than what could be called as decision support system for strategic positioning of a firm.

Amongst various alternative approaches most popular was activity based costing (ABC) developed by Cooper in association with Kaplan [Cooper and Kaplan (1987, 1988, 1991) , and Kaplan (1992)]. Cooper researched about activity based cost management in a series of article in Journal of Cost Management during 1988 and 1989. Although the primary focus of ABC was to achieve accuracy in cost computation, activity based cost management has been used to identify activity redundancies, improvement and better activity management for cost reduction. Foster and Horngren (1988) and Bhimani and Bromwich (1991) introduced backflush accounting in the context of just in time manufacturing system. Backflushing was found to be a theoretically elegant solution to the complexities of assigning costs to products and relieving inventory, but had implementation difficulties. In contrast, theory of constraints (TOC) and throughput accounting [Goldratt and Cox (1984) , Galloway and Waldon (1988)] deal with manufacturing response time. The TOC is not simply a costing method as it does not allocate costs to products and services. In contrast, using V-A-T logical structure control points [Cox and Spencer(1998)] and Drum Buffer Rope Scheduling method improvement in production process can be achieved by planning and controlling material flows using the control points. Research in throughput accounting focused in applicability of the TOC in buffer management, supply chain management, product mix decision, market segmentation, product pricing decision and performance measurement. Mcmullen (1998) linked throughout accounting to economic value added. The TOC approach calculates the product throughput as the product's sales price minus its material costs. All other costs are taken into account separately as operating costs and are not allocated directly to the products. However, Noreen et al. (1995) worked out throughput as the sales price minus all variable costs.

The second phase of development in management accounting was marked by strategic positioning focus influenced by the strategic cost management work of Shank and Govindarajan (1989, 1992 , 1993) which attempts to integrate – (1) value chain analysis, (2) strategic positioning and (3) cost driver analysis. The value chain stretches from the basic raw material sources of business through to the ultimate end-use products delivered to the customers. The sequence of these steps, which are identified with the economic functions of an organization are: research and development, production, marketing, distribution and servicing. Management accountants provide the information that managers need to make decisions within each of these six economic functions.The second component i.e. strategic cost management focuses on integration and coordination of activities taking place in all organizations/companies in the supply chain and in all economic functions in the value chain of each organization/company basis. For example, to reduce storage costs and transport of raw materials, some companies, require suppliers to deliver small quantities of raw materials often directly to production facilities.

In the strategic cost management , the role of cost analysis differs depending on the method chosen by the company in the competitive struggle, for example :

a) a company can compete with low costs (low cost strategy) or

b) a company can compete by offering superior products (product differentiation).

As a result, the company seeking differentiation strategy will strive to achieve optimal performance in terms of specific costs.

The third component of the strategic cost management is cost driver analysis, because they (the sources of cost) and output not best explain the behaviour of costs. At this stage management research attempted to re-establish cost behavior pattern. Porter (1998) and Riley (1987) attempted to establish a complete list of sources of cost, and within it a group of cost sources into two categories, namely: (i) structural sources – scale, range of coverage, experience, technology, and complexity; (ii) sources of performance - work force, total quality management, capacity utilization, spatial organization of plant efficiency, configuration of design effectiveness and exploiting linkages with suppliers and customers. Tools of strategic cost management are –

- *Value chain analysis* - add value to customers reducing costs, and understanding relation between business organization and booth customers.
- *Activity based costing* - an analytical tool aims to provide accuracy in allocating indirect costs.
- *Competitive advantage analysis* - defining strategy that an organization could adopt to excel over rivals.
- *Target costing*- cost that an organization is willing to incur according to competitive price that could be used to achieve desiredprofit.
- *Determination of cost attributes* - such products / services as a set of attributes (features) that differentiate products and whose costs are determined, this technique can be interpreted as an externally oriented services as attributes are determined by customer requirements
- *Benchmarking* - involves the identification of best practices and organizational performance comparison with the practices aimed at improving performance, this technique aims external orientation by competitors.
- *Monitoring the position of competitors* - aimed at obtaining information on competitors on sales, market share, unit costs, sales volume etc. from this information the organization can assess its position compared to major competitors.
- *Costing competitors* - analyzing cost structure of competitor.
- *Total quality management* - adopts necessary polices and procedures to met customers expectations.
- *Just in time* - a comprehensive system to buy materials or produce commodities when needed in appropriate time.
- *SWOT analysis* - a systematic procedure to identify critical success factors of an organization.
- *Life cycle costing* - primarily concerned with the cost of ownership over the life of an asset, and as such, provides a valuable framework for the analysis and allocation of all related expenses that will be incurred.
- *Theory of constraints* - a tool to improve rate of transferring material into finished goods.
- *Continuous improvement* - conducting continuous improvements in quality and other critical success factors. [Blocheret al (1999)]

Many researchers see these tools as essence of strategic cost management and it could be used individually or as a group to deal with global competition. It is obvious that a great deal of research in the first phase concentrated on one or a few these tools. Consequently, there was no integrative vision combining all tools to interpret SCM contents and illustrate logical sequence of what should be done to accomplish SCM. The existence of integrative vision of SCM is useful from both theoretical and practical perspectives.The research in strategic cost management focused on tools to achieve decisive and sustainable competitive advantage in each of the areas of activity of a firm.

Balanced Score Card

In the third phase of management accounting research is emergence of balanced score card to satisfy the need for integrated performance measurement of integrated strategic management process. Balanced score cardis an accounting report of critical success factors about the organization. It is divided into four major dimensions: financial performance, customers' satisfaction, internal operation, and innovation and growth. The radical approach in this phase introduction of performance measure using critical success factor rather than traditional performance measure of profit.

Kaplan and Norton (1992,1993) propagated the balanced scorecard to supplement traditional financial measures with criteria that measured performance from three additional perspectives—those of customers, internal business processes, and learning and growth. The scorecard introduces Managing Strategy: Four Processes that, separately and in combination, contribute to linking long-term strategic objectives with short-term actions:

- *Translating the vision* – helps managers build a consensus around the organization's vision and strategy;
- *Communicating and linking* – lets managers communicate their strategy up and down the organization and link it to departmental and individual objectives;
- *Business planning* – enables companies to integrate their business and financial plans;
- *Feedback and learning* – gives companies the capacity for what we call strategic learning. Existing feedback and review processes focus on whether the company, its departments, or its individual employees have met their budgeted financial goals.

With the balanced scorecard at the center of its management systems, a company can monitor short-term results from the three additional perspectives—customers, internal business processes, and learning and growth. Kaplan & Norton (1996) applied this approach to 100 organizations with the intention of developing a new strategic management system. They found that in each one, the senior executives discovered that the scorecard supplied a framework and thus a focus for many critical management processes: departmental and individual goal setting, business planning, capital allocations, strategic initiatives, and feedback and learning. Previously, those processes were uncoordinated and often directed at short-term operational goals. By building the scorecard, the senior executives started a process of change that has gone well beyond the original idea of simply broadening the company's performance measures.

Kaplan and Norton (1996) reported that companies are using the scorecard to –

- clarify and update strategy;
- communicate strategy throughout the company;
- align unit and individual goals with the strategy;
- link strategic objectives to long-term targets and annual budgets;
- identify and align strategic initiatives; and
- conduct periodic performance reviews to learn about and improve strategy.

The research trend outlined in this section is expected to provide important basis in determining future trends in the management accounting research.

Exploring Research Interests

In this section, an attempt has been made to appreciate trends in management accounting research based on – (1) academic research data, (2) observed role of Management Accountants, and (3) Expert opinion [Gary (2013)]. Recent academic research is evaluated using topics covered in Management Accounting Research [Scapens & Bromwich (2010)] and content analysis of management accounting research in different journals [Jason & Chris (2012)] .

The Editorial Report of 'Management Accounting Research' (Elsevier) published in 2010 an analysis range and diversity of research interest [Scapens and Bromwich, (2010)] – see Table 1. This analysis shows preference of the academicians in management accounting research. Interestingly , three topics that attracted the most of the academicians (based on the papers published in Management Accounting Research) are – (i) Management accounting practices , (ii) performance measurement, (iii) management accounting change , and (iv) cost accounting system and techniques.

Jason & Chris (2012) carried out content Analysis of 138 articles published in four key journals , namely Journal of Applied Management Accounting Research (JAMAR), Management Accounting Research (MAR), The Journal of Management Accounting Research (JMAR) and Accounting, Organizations and Society during 2008-2010. This study reveals very low emphasis on sustainability and strategic cost management. Research on management control and performance measurement found to be the major focus of management accounting research.

Douglas and Larry (2012) carried out a survey to assess inter alia change in functions of management accountant (IMA members in the US – sample size 10,000) as compared to 2003 survey carried out by the IMA. The findings of survey result inter aliapresent that cost reduction and efficiency improvements are a central focus of organizations, but it is not clear from the survey which elements in the organization are driving these improvements. This is consistent with another 2012 IMA survey and special report, Rising to the Challenge: Productivity in Accounting and Finance Organizations [Raef Lawson, (2012)] , that noted "…the most frequently cited primary concern was streamlining processes and improving productivity in order to reduce costs."The cost reduction role focus pushes the strategic cost management focus to the back seat.

Lastly, a recent article of Gary (2013) is referred to locate professional viewpoints on broad decision making categories applying management accounting. Having designed Taxonomy of Accounting , Gary (2013) identified three management accounting sub-components – (i) Cost accounting, (ii) Cost reporting and analysis and (iii) Decision support with cost planning , and observed management accountants' key role in six decision making areas:

(1) Product, channel and customer rationalization;
(2) Customer life time value;
(3) Planning, budgeting and rolling financial forecasts;
(4) Capital expense justification;
(5) Make vs. buy and general outsourcing; and
(6) Process and productivity improvement.

Table 1 Topics studied in Management Accounting Research

	1990-1999	2000-2009
Number of papers	178	205
ABC	7%	5%
Other advanced techniques	7%	10%
Capital budgeting	6%	1%
Budgeting, standard costing and variance analysis	7%	5%
Cost accounting system and techniques	11%	4%
Pricing including transfer pricing	3%	2%
EVA and residual income	3%	1%
Management accounting practices	16%	8%
Management accounting change	11%	15%
Management and organization and control	8%	17%
Performance measurement	14%	14%
Strategic management	5%	3%
Risk management		3%
Inter-organisational management control		6%
Governance		3%
Others	2%	3%
	100%	100%

Source : Scapens and Bromwich (2010)

Suggestions for future research

In the present Indian economic scenario , to appreciate the depth of application of management accounting in managerial decision making and governance, it is necessary to carry out an IMA style sample surveys [Raef Lawson (2012) , Douglas & Larry (2012)] to identify the business interest and research gap. The Institute of Cost Accountants could take lead in such a researchefforts in collaboration with various Chambers of Commerce. In the field of regulatory compliance of maintenance of cost records and cost audit, the recently issued Companies (Cost Records and Cost Audit), Rules 2014 provide guidelines. It may mentioned that the Institute of Cost Accountants of India has issued twenty two cost accounting standards. Thus a solid foundation exists in India as regards maintenance of cost records and preparation of cost accounting reports.However, further research to provide generic or industry-specific guidelines of "Cause and effect" and "Benefit Received" theories of cost allocation and improvement of various cost accounting standards would strengthen cost accounting framework. However, the primary focus of management accounting research should be towards building framework of strategic cost management and performance measurement.

The author is of the opinion that there exists a research gap in the following areas (the list is not to be treated as an exhaustive research agenda)–

- *Corporate Governance and management accounting:* Degree of governance is simply evaluated with reference to attendance of members andregulated by agenda to be discussed in audit committee meetings and remuneration policy to be set out by the Nomination and Remuneration committee. Pay-performance relationship reporting is simply linked to change in market capitalisation. This may change the management orientation towards short term profit making rather than long term sustainability. Also there is regulatory requirement for evaluation of Board's own performance – this cannot be simply measured by change in profit, market capitalization or EPS. Management accounting performance targets and achievements would provide relief fro short term financial achievement as performance evaluation criteria. Role of management accounting is envisaged in setting long term performance targets and

Table 2 : Content Analysis of Management Accounting Research

	Number	%
Management Control	83	60.14%
Budgeting	7	5.07%
Organisational control:	37	26.81%
Corporate Governance	6	4.35%
International control	7	5.07%
Inter-organisation control	9	6.52%
Intra -organisation control	10	7.25%
Transfer pricing	5	3.62%
Performance Measurement & Evaluation	39	28.26%
Benchmarking	1	0.72%
Consequences	10	7.25%
Incentive systems	6	4.35%
Performance measurement systems	22	15.94%
Cost Accounting	11	7.97%
Activity based costing	7	5.07%
Inter-organisational cost management	4	2.90%
Intellectual resource management	13	9.42%
Accounting information system	6	4.35%
Knowledge management	4	2.90%
Management information presentation	2	1.45%
Organisational learning	1	0.72%
Other	31	22.46%
Sustainable & Environmental Management	2	1.45%
Risk Management	4	2.90%
Strategic Management Accounting	8	5.80%
Miscellaneous	17	12.32%
	138	100.00%

Source : Jason & Chris (2012)

performance management , and designing information flow to the Board, facilitating evaluation of Board's own performance in the context of short-term and long-term performance targets.

- *Strategic cost management in the context of make in India:* In 13th International Conference on Cost Management (Bengaluru , 18 December,2014) B Muthuraman (Past president of CII and former Vice-Chairman Tata Steel) highlighted importance of total cost management :

"Manufacturing has to be competitive in order to survive, grow and to create wealth. Cost is no more a finance function. It is HR, operating and marketing functions. In all, it is a strategic function. The journey from cost understanding to maturity has three steps: standardisation of present processes, improvement of the process to the next level and standardising an improved process. This three-step process should be a continuous affair to set standards, improve standards and should finally lead to innovation."Standardisation of processes leading to innovations will translate into better value. Simplifying processes and reskilling people should be a continuous affair in the overall cost management process.

Interestingly, as per Charles Tilley, CE, CIMA, London, the CIMA and the CII have joined hands to create a strategic approach to cost management. The CII is developing online self-assessment diagnostic tools within the excellent TCM framework. Sustainable competitiveness should go hand in hand with cost competitiveness. The role of Institute of Cost Accountants of India should be reinforced in the cost of designing TCM framework. Indian universities can also join the TCM research which has been presented in this paper as second and third phase of development in management accounting research

Focus may be on application of strategic cost management and integrated performance management in various manufacturing sectors to support make in India.

- *Quality management and role of management accountant* – 'Make in India' campaign closely related to achieving total quality management. Role of management accountant in 'Make in India' can be researched in the context of total quality management principally in three areas :
  - Cost measurement in implementation of quality management practices.
  - Performance measurement system with focus of quality management and customer satisfaction would necessitate change in the existing performance measurement parameters.
  - Incorporation of continuous improvement system in decision making.
- *Impact assessment of Corporate Social Responsibility (CSR) projects:* The research in cost management is an essential focus based on recent focus in the Companies Act,2013 on mandatory contribution in CSR projects. The legal framework does not cover impact assessment of CSR spending. Research in the areas of Life cycle impact assessment and other metrics of CSR impact would provide a suitable framework for self-appraisal of CSR performance. This would assist the participating business to evaluate relevance of its contribution.

In a recent article Sachi Rai [Economic Political Weekly (EPW), Vol. XLIX No. 50 Dec. 13,2014] focused on year-wise sector-wise CSR expenditure during 2011-2013. As per the EPW paper, the CSR expenditure by public sector firms increased considerably in 2012-13 compared to 2011-12. The passage of the Act also led to an increase in the average CSR spending of public sector firms from Rs 25.72 million in 2012 to Rs 147 million in 2013. Expenditure focus of the research will become redundant unless the impact of the expenditure is evaluated and attempts are made to channelize CSR contribution appropriately. The level of the CSR expenditure as stated in the EPW article is expected to dramatically change on implementation of Section 135 of the Companies Act, 2013. As per the latest estimate the eligible companies would spend about Rs. 5000 cr. (Source: Economic Times, 6th October, 2014). In fact, the Institute Cost Accountants of India can add a new dimension to CSR research by designing impact assessment metrics of various CSR projects.

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

EXAMINATION TIME TABLE & PROGRAMME – MARCH 2015

FOUNDATION COURSE EXAMINATION
(Multiple Choice Questions – Online Mode)

Day & Date	Foundation Course Examination	
	Syllabus-2012	
Sunday, 1st March, 2015.	Paper – 1 & 2 (100 Marks) Time : 10 A.M. to 12.00 Noon **Paper 1** : Fundamentals of Economics and Management (50 Marks) **Paper 2** : Fundamentals of Accounting (50 Marks)	Paper – 3 & 4 (100 Marks) Time : 2 P.M. to 4.00 P.M. **Paper 3** : Fundamentals of Laws & Ethics (50 Marks) **Paper 4** : Fundamentals of Business Mathematics and Statistics (50 Marks)

Examination Fees

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

1. **The Foundation Examination under syllabus-2012 will be conducted in M. C. Q. Mode through Online only**.

2. Total Questions: 100 (Multiple Choice Questions) in each session, Maximum Marks: 100 (Each Question will carry 1 Mark) in each session. There will be no negative marking for wrong answers.

3. **Foundation Examination will be conducted under 2012 syllabus only.**

4. **Application Forms for Foundation Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted. STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**

5. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**

   (b) Students can also pay their requisite fee through payfee module of IDBI Bank.

6. **Last date for applying for Foundation Examination of March 2015 term is 14th January, 2015.**

7. **Examination Centres**: Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Erode, Faridabad, Gandhidham, Ghaziabad, Guwahati, Hardwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nasik, Nellore, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Valsad, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat. **(If no examination centre is available at a particular location, examinees will be accommodated at the nearest Centre available)**

8. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**

9. **Probable date of publication of result: Foundation – 3rd March, 2015.**

A. Das
Director (Examination)

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

IMPACT OF FOREIGN TRADE POLICIES ON INDIAN ECONOMY

The Foreign Trade Policy of 2014-19 should aim at doubling the India's share in world trade from the present level of 3% by the year 2020. By taking measures for import substitution on one side, the forthcoming policy should focus on increasing exports

CMA Mukesh Kumar Gupta
Chairman
Chandigarh
Panchkula Chapter
Chandigarh

Sh. L.N.Mishra former Union Minister for Foreign Trade said that "***Exports are lifeline and motive power for Economic Growth and Development***". EXIM Policy was first announced o 12.04.1985 by Sh.V.P. Singh, the then Commerce Minister for period of 3 years.

Prior to the 1991 economic liberalisation,India was a closed economy due to the average tariffs exceeding 200 percent and the extensive quantitative restrictions on imports. Foreign investment was strictly restricted to only allow Indian ownership of businesses. Since the liberalisation, India's economy has improved mainly due to increased foreign trade.

EXIM Policy presently known as "**Foreign Trade Policy**" (nomenclature changed from 2004-09 Policy) is considered as an Important Engine of Economic Development in India. Foreign Trade Policy is announced by the Ministry of Commerce, Govt of India which remains valid for a period of 5 years with the amendments, modifications, introduction of new schemes, etc every year after the Finance Budget is announced.

"Economic Development" refers to the Increase in the amount of Goods & Services produced in an economy over a period of time".

If we have a look at India's Trade deficit, one would noticed that Imports of Oil and Gold have widened the trade deficit gap, hence the need arise to chalk out the EXIM Policy to correct the adverse the Balance of Payment position and narrow the trade deficit gap.

Focus of all the EXIM Policies issued from 1985 onwards is towards Employment Generation, Growth in National Exports level, Acquiring Best Technology for manufacture of quality products and catering both at national and at international level.

Presently the Foreign Trade Policy 2009-14 is in force and the New Foreign Trade Policy 2014-19 is expected to be announced by the Ministry of Commerce soon.

Measures taken under EXIM Policy or Foreign Trade Policy for India's economic development

Foreign Trade Policy (EXIM Policy) aims at achieving the following main objectives thus leading to Economic Development of the country.

- To Earn Foreign Exchange for the Nation & sustained economic growth.
- Easy access to Raw Materials, intermediaries, consumables & Capital goods for increase in production.
- To Ensure Continuous growth of Exports across globe i.e. 15% per annum.
- Generate Employment Opportunities.
- Encourage Domestic Manufacturing.
- Focus on Indigenous sourcing of Raw Material as against Imports in order to develop the national competencies and capabilities.
- Incentives for Green goods manufacturers to build capacities for Environmental Sustainability.
- Innovation, Reduction in Transaction Cost.
- Use of E-Commerce for paperless transactions.
- Availability of quality goods to Consumers at national & International Level.
- To be internationally competitive & meet the requirements of global markets.
- Reduction of Import duties by 10-15% under EPCG scheme.
- Double the India share in World Export Trade by 2020.
- Creation of Export Processing Zones, Towns of Export Excellence, Special Economic Zone for manufacturing and reprocessing for Export.
- Import of Rough Diamonds at Nil rate / concessional rate of duty.

Foreign Trade Policy over the years has witnessed focus on Agriculture to Manufacturing and presently the Services. Foreign Trade Policy of 2009-14 has announced several measures/ Incentives as mentioned below for Promoting the Export of Goods from India across globe.

EXIM Policy and economic development – Brief overview from 1950's to 2014

India is ranked 10th largest in the World by nominal GDP and 3rd largest by Purchasing Power Parity.Exports in India averaged 4041.34 USD Million from 1957 until 2014, reaching an all time high of 30541.44 USD Million in March of 2013 and a record low of 59.01 USD Million in June of 1958. (Source: Ministry of Commerce)

Gross National Product in India averaged 13945.09 INR Billion from 1950 until 2013, reaching an all time high of 99965.15 INR Billion in 2013 and a record low of 103.60 INR Billion in 1951.

India Balance of Payment has been most adverse and during 1950 Balance of Trade was adverse for Rs. 2 crore and the trade deficit for April-March, 2013-14 stood at US $ 138593.59 million which was lower than the deficit of US $ 190335.97 million during April-March, 2012-13.

Balance of payment position has been impacted due to more consumption of indigenous goods and Imports due to population being increasing and goods are not available for catring in International market.

India's main exports are engineering goods (19 percent of total exports), gems and jewellery (15 percent), chemicals (13 percent), agricultural products (9 percent) and textiles (9 percent). India is also one of Asia's largest refined product exporters with petroleum accounting for around 18 percent of total exports. India's main export partners are United Arab Emirates (12 percent of total exports) and United States (11 percent). Others include: China, Singapore, Hong Kong and Netherlands.

Manufacturing sector in India has always been the main focus of liberalisation policies from Import Substitution to Export Promotion strategies. Manufacturing sector has maximum potential of Employment generation, contribution to the GDP of the nation.

GDP Growth of the manufacturing sector remained around 5-5.5% from 1950 to 1990's. Various incentives such as Duty Drawback, Cash Compensatory support, Replenishment Import Licence, Income Tax Exemption on Export profits, and establishment of Export processing Zones boost up the Exports.

With the Liberalisation policies of 1991, GDP has touched 6%. During the year 2000 important steps were taken to boost the growth of manufacturing sector exports **major initiatives in EXIM Policy** being discontinuation of actual user condition of Open General Licence Imports and shift of many items from Restricted Use to Open General Licence. One of the most important steps undertaken in 1992 was to shift basis from regulating Imports from positive list of freely importable items to a limited negative list in 1992, See graph below.

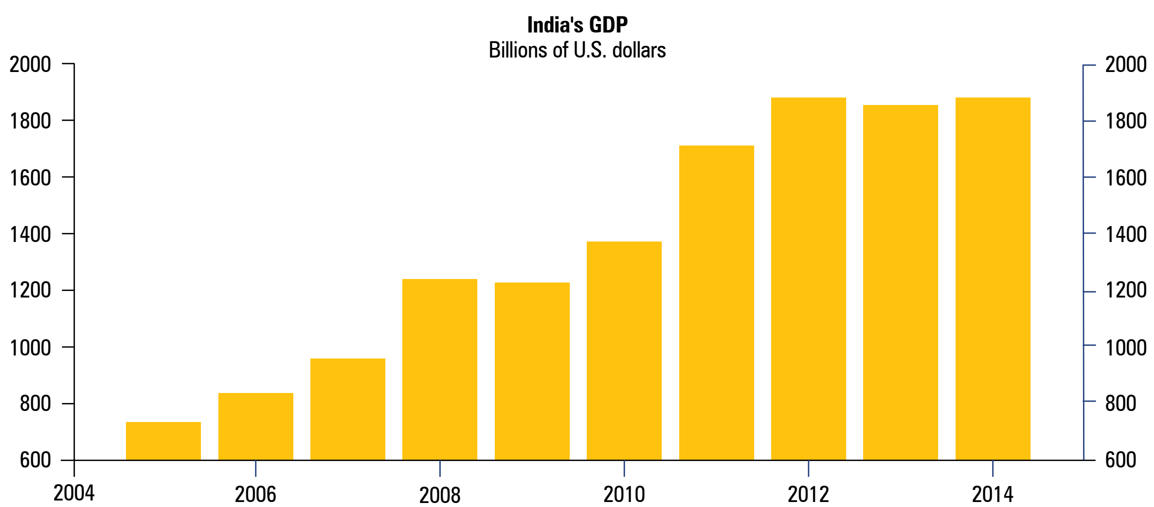
EXIM Policy of 1992 has done away with licensing and discretionary controls. Imports of Inputs, Consumables, intermediaries and Capital Goods were imported on payment of Import Duties. Quota Restrictions were abolished after a decade of liberalization reforms which further acts a driver in GDP growth of India.

Various Import schemes such as EPCG Scheme (Export Promotion Capital Goods Scheme) for Import of Capital Goods was announced wherein Import duty concessions were given subject to Export Obligation being completed over a period of 8-10 years. In short the Imports were linked with Exports with a view to benefit the Importers with Import duty concessions.

Shift in exports have been noticed from Agro products to readymade garments, Gems and Jewellery, Electronic Goods, hardware, software.

Export Policy 1992-97 was announced for five years instead of 3 years and important being that Exports-Imports were made free barring few items under Negative List of Imports & Exports.

EXIM Policy 1997-2002 focussed on enhancing technological strength efficiency of Agriculture, industry and services thereby improving competitive strength. Second areas being Employment generation besides sus-



Source: www.tradinoeconomics.com | WORLD BANK GROUP tained economic growth.

EXIM Policy 2002-07 focussed on Export Growth instead of liberalization; hence shift was noticed from liberalization to Export Oriented. Quota Regime with respect of quantative restrictions was withdrawn and various Export incentives were given to Exporters for incremental growth in exports.

Foreign Trade Policy 2004-09 announced on 31.08.2004 changed nomenclature of EXIM Policy to Foreign Trade Policy and considered International Trade as means of Economic and National development. Major objective of the EXIM Policy was to double the share of Indian Exports in 5 years and to generate more Employment opportunities. Special package of Incentive for Exports of Agro products was announced under Scheme Vishesh Krishi Gram Udyog Yojna to boost up exports of vegetables, flowers, fruits etc. Zero Duty EPCG Scheme for Import of Capital Goods with commitment to Export 6 times the Duty saved in 6 years. Focus on establishment of Agro Export Zones, Special Economic Zones.

Foreign Trade Policy 2009-14 was announced on 27.08.2009, when the world was emerging from the shadows of grim recessionary period. Objective of the policy was to adopt multilevel strategy to arrest the fall and reverse the trend of declining exports. A special Task force was constituted for Reduction in Transaction cost, procedures simplification and reduction of human interface. Indian Exports were at level of US$ 303 billion in 2009-10 and Export Target of US$ 500 billion by 2014 was projected and double exports by 2020. India share during 2013 in World Exports was 1.7%.

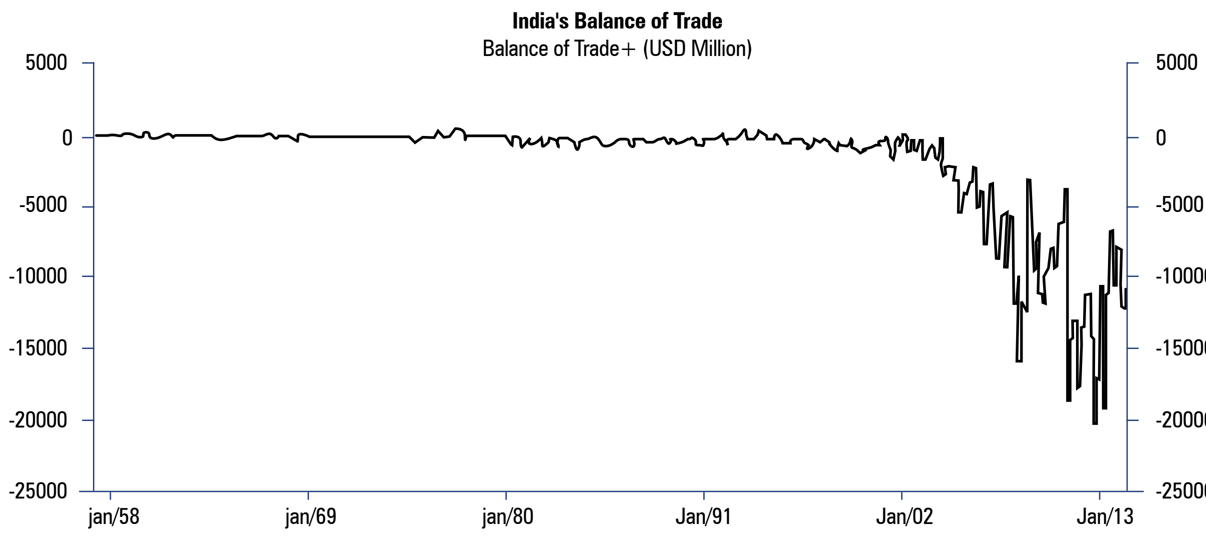
India's exports grew by 3.98 per cent to $312.35 billion in FY 2013-14 while imports fell by 8.11 per cent during the period. Imports declined to $450.94 billion, narrowing the trade deficit to $138.59 billion in the last fiscal. See graph below and on next page.

Export incentives under Foreign Trade Policy (2009-14) and impact on economic development

- Focus Market Scheme.
- Focus Product Scheme & Market Linked Focus Product Scheme.
- Status Holder Incentive Scheme
- Served from India Scheme.
- Agri Infrastructure Incentive Scrip.
- Vishesh Krishi Gram Udyog Yojna.
- Incremental Export Incentivisation Scheme.
- Higher Allocation for Market Development Assistance and Access.
- Interest Subvention to Textile Sector being Labour Intensive.
- Income Tax Exemption to EOU & STPI & Creation of SEZ (Special Economic Zones)

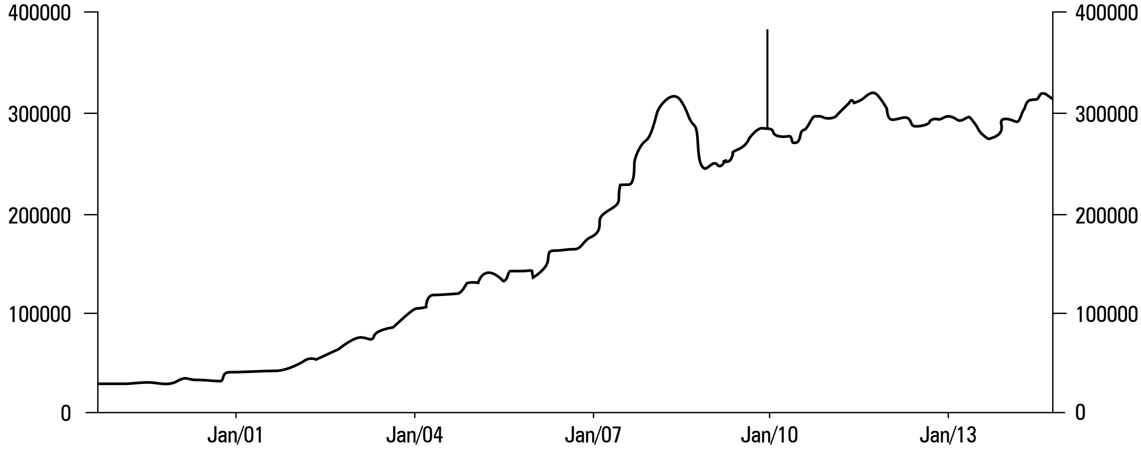
Above stated Incentives has not only resulted in Increase in the Exports from India in Global markets but has also resulted in Economic Development of the Country.

Mentioned below is the Trend of Exports & Imports from India in the past 10 years. FIEO (Federation of In-



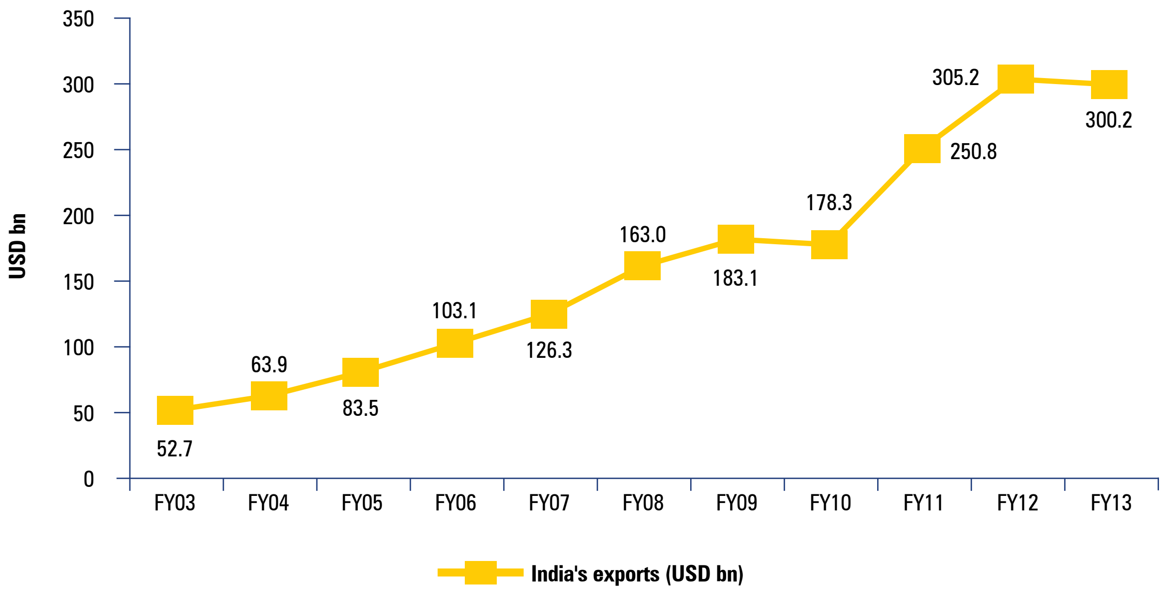
Source: www.tradinoeconomics.com | MINISTRY OF COMMERCE AND INDUSTRY. INDIA

India's foreign exchange reserves



Source: www.tradinoeconomics.com | WORLD BANK GROUP

Trend of exports from India in the past 10 years: brief overview



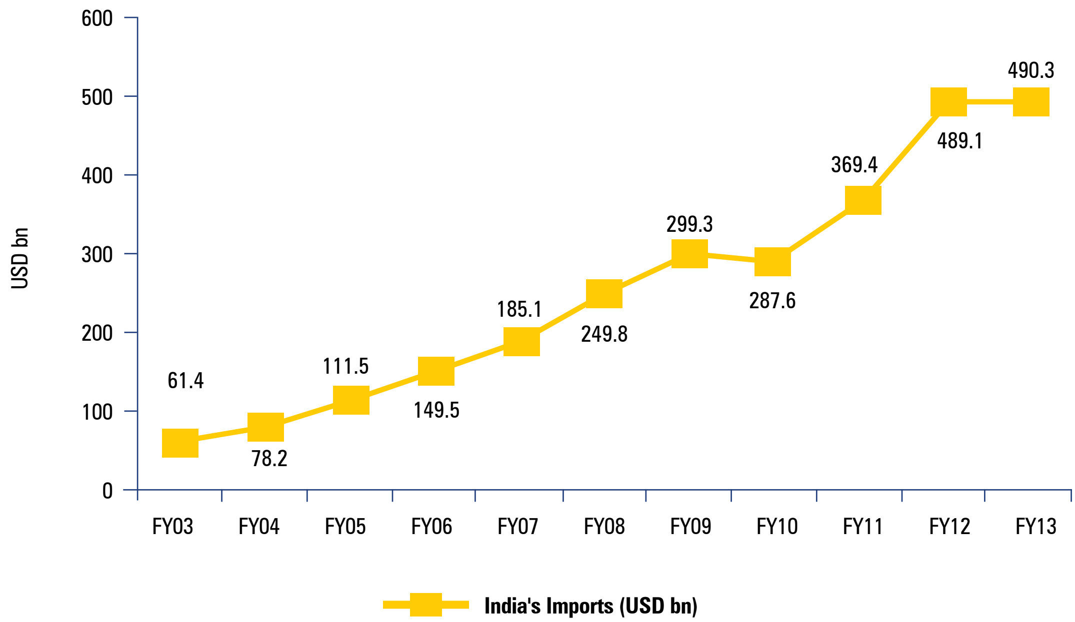
Source: Ministry of Trade and Commerce, India

dian Importers & Exporters) has recently projected the India's Exports Target of Rs. 750Billion US$ by the end of Year 2020 with Annual Growth of 25% from current fiscal 2014-15. See graph above and next page.

Served from India scheme

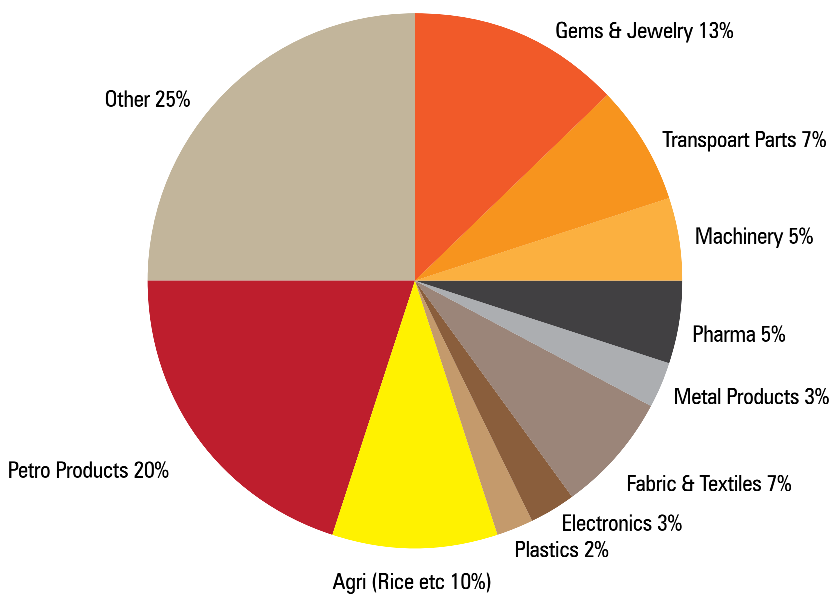
- Objective of SFIS is to accelerate growth in "Export of Services" so as to create a powerful and unique 'Served From India' brand, instantly recognized and respected world over.
- Indian Service Providers having foreign exchange earnings of atleast Rs. 10 Lakhs in current financial year and Individual service providers having forex earnings of Rs. 5 Lakhs are eligible for SFIS Incentive wherein Duty Credit Scrip equivalent to 10% of FOB Value of Exports is given to Service providers. The said Duty

Trend of imports from India in the past 10 years: brief overview



Source: Ministry of Trade and Commerce, India

India's top exports (US$, 2013-14)



Credit scrip shall be used for the purpose of making Duty payment on Imports of Capital Goods, Office Equipment, and furniture otherwise freely importable.

Impact on Indian environment

- SFIS Scheme has promoted the "Export of Services" across World and increase the GDP of nation. India has specialisation in various services besides cost competitiveness and have been outsourced various service by International Service Receivers i.e. International Call Centres, BPO, KPO etc are the major services outsourced to Indian Companies by Overseas Business houses.

Vishesh Krishi Gram Udyog Yogjna

- In order to promote Export of Agricultural, Minor Forest, Gram Udyog, Forest Based Products across globe, Ministry of Commerce has notified VKGUY scheme under FTP 2009-14 thus providing benefit from 5-7% on FOB Value of Exported Goods.
- VKGUY scheme was framed to incentivise Exporters to compensate high transport costs and offset other disadvantages. The same has proved to be beneficial for Indian Exporters and Indian Economy as resulted in increase in Export share in the World in respect of Agriculture goods.

Impact on Indian environment

- With the grant of VKGUY benefit under Foreign Trade Policy (earlier EXIM Policy) Spice exports from India are expected to reach US$ 3 billion by 2016-17, on the back of international competitiveness now besides other creative marketing strategies, innovative packaging, strength in quality and a strong distribution network. The Indian spices market is pegged at Rs 40,000 crore (US$ 6.61 billion) annually, of which the branded segment accounts for 15 per cent.
- Indian basmati rice processing and marketing companies such as KRBL Ltd and LT Foods Ltd have seen their profits grow with the incentivisation of VKGUY Scheme. Basmati exports to countries such as South Africa, Egypt, Azerbaijan, Tanzania, Poland and Ukraine, among others, have more than tripled in the past three years.

Focus market scheme

- Indian Exporters were not able to create their presence in various less developed countries i.e. Middle East, Far East & Latin American Countries due to High Freight Cost & Other Externalities.
- With a view to come over above concerns, Ministry of Commerce (Govt. of India) has announced "Focus Market Scheme" (Countries as listed in Appendix 37C of FTP 2009-14) under Foreign Trade Policy 2004-09 diversification of markets with addition of 26 more markets in Foreign Trade Policy of 2009-14.
- Incentive was fixed initially at 2.5% which was increased to 3% in FTP (Foreign Trade Policy 2009-14) and 4% for Markets categorised as Special Markets under FMS Scheme.

Impact on Indian environment

- Indian Exports have witnessed Growth of Exports within range of 15-20% in less developed Countries during period 2009-14 due to grant of above mentioned Incentive as the same has resulted in reduction in cost of Indian Exporters and making them internationally competitive.

Focus product scheme

- Objective of FPS is to promote export of products which have high export intensity / employment potential, so as to offset infrastructural inefficiencies and other associated costs involved in marketing of these products.
- Export of products (listed in Table 1 of Appendix 37D of HBPv1) to all countries (including SEZ units) shall be entitled for Duty Credit Scrip equivalent to 2 % or 5% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards.
- Certain Focus Product(s)/sector(s) listed in Appendix 37D shall be granted bonus benefit in the form of an additional Duty Credit Scrip equivalent to 2% of FOB value of exports (in free foreign exchange) over and above the existing rate for that product/sector from the admissible date of export/period specified in the public notice issued to notify the product/sector.

Impact on Indian environment

- Exports Products in various sectors such as Textiles (Labour Intensive Industry), pharmaceuticals, Engineering & Chemicals sector which has shown marginally downward trend has been incentivised ranging from 2-5% besides other sectors. Then same. In the year 2011-12 Indian Overall Exports grew by 21%.
- Engineering goods exports have seen almost steady rise in share from 1999-2000 to the first half of the 2010- 11 and high growth rates of 84% and 43.6 % in

2010-11 and in the first half of the 2011-12

Sector Specific Benefits

Economic Development in India emanates from various benefits given under EXIM/Foreign Trade Policy in the past to various sectors such as Agriculture, Marine, Gems & Jewellery, tea, Leather, Textiles, Pharmaceuticals, EOU, SEZ's.

Imposition of Anti-Dumping Duty

In order to protect Indian Industry from products dumped in India by various countries especially China and sales at price less than the production cost of domestic manufacturers, Govt of India has imposed Anti-Dumping Duty on Import of various products. This is resulted in survival of domestic industry, loss of Employment besides reduction in economic growth.

Infrastructure growth in India

Transportation cost and time in India for transportation of goods from factories to Gateway Ports is too high whereas the cost and time for transportation from Indian Ports to overseas nations is lesser and the same makes Indian exports incompetitive to great extent. Lot needs to be done by Indian Government in respect of creating infrastructure facilities. Indian Infrastructure at Ports is not good as compared with Ports of other countries such as Singapore, Shangai, etc. One always find high transaction cost, lack of connectivity for containerized cargo from dry port to Gateway Ports, Multiple handling at Custom Ports, Heavy congestion at Mumbai (Nhava Sheva / JNPT Port).

Depreciation of Indian Rupee from Rs. 39.37 per US$ in 2008 to Rs. 62.90 as of December 2014 has helped exporters to realise higher from Exports.

Growth in exports

With the grant of Exports benefits in various EXIM & Foreign Trade Policies, the Exports from India have shown a growth trend. Agriculture sector, Gems & Jewellery, Engineering, Chemicals & Pharmaceuticals, Textiles are the major sectors adding to GDP growth.

Other promotional measures under EXIM policy for economic development

- Ministry of Commerce, Govt of India has formulated various committees (Tandon committee, Gorewala Commitee, Rangrajan Commitee, etc for inviting suggestions and recommendations for promotion of Exports, reduction in Transaction costs.
- Various Export Promotion Councils have been set for Export Promotion, Facilitation to Exporters like FIEO (Federation of Indian Exporters Organisation), ECGC, EEPC, AEPC etc.
- Various GATT and Bilateral Trade Agreements have been entered into with various countries to provide for Imports under concession al duty rates. The said step has made available the imported technology for manufacture of quality goods to be catered to in domestic and international markets.
- Extension in repatriation of export proceeds from 180 to 365 days, but the same period is reduced again to 270 days from May 2013.
- Cost of borrowing in India is too high in comparison to China, the neighbouring country and the same increases the cost of final product and make the domestic product incompetitive in overseas markets. Interest subvention given to various sectors major being the Textiles- labour intensive to offset the high financial cost.
- 100% Equity participation is allowed in case of 100% EOU, EPZ's.
- FTA (Free Trade Agreements) executed with various countries such as Japan, Thailand etc to reduce the Cost of Imports.
- Cost of borrowing in India is too high in comparison to China, the neighbouring country and the same increases the cost of final product and make the domestic product incompetitive in overseas markets.

Suggestions for Foreign Trade Policy 2014-19

Foreign Trade Policy for the period 2014-19 is expected to be announced soon by the new Govt. The policy should aim at doubling the India's share in world trade from the present level of 3% by the year 2020. By taking measures for import substitution at one side, the forthcoming Foreign Trade Policy 2014-19 should focus on increasing exports at the present scenario of increasing current account deficit CAD. We also expect, the new Foreign Trade Policy 2014-19 includes necessary measures to boost productivity and earn exportable surplus at competitive rates in exports. Although rupee depreceation has helped exporters to certain extent on the other hand negatively impacted our Current Account deficit since India is hugely dependent on crude oil imports. The policy should also discourage The rise in Gold imports which are hurting our CAD should be discouraged. MA

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PLANNING UNDER CONTINUOUS AUDIT APPROACH

Continuous Auditing through evaluation of the risk base would change the way we audit and usher in a more effective audit function. It is that magical wand which pulls out hidden risk areas from apparently no-risk areas and converts potentially high risk areas into no-risk areas

CA Chandi Prosad Bagchi
President, Institute of Internal Auditors, India, Kolkata

CMA Malay Kumar Paul

CONTEMPORARY GRC (Governance, Risk Management and Control) arena continually engaged in establishing transformed obligations of Internal Audit. The Companies Act 2013, has also made the Boards and Audit Committees accountable for reinforcement of their oversee function. As a corollary, this has enlarged the encumbrance of auditors and heightened expectations from them.

The emerging modified expectancy value (EV)resulting from such expanded encumbrance, is a combined function of value-added audit (VA), pragmatic assurance (PA) and pro-active engagement (PE),which can be symbolically expressed as,

EV=f [VA*(PA*PE)]

By this symbolic representation, we are reinforcing the importance ofVA in any existing business entity which needs to be ably supported by regular occurrence of PA by frequent intervention through PE. The ceaseless dependence of Management and Boards on 'internal audit function' to form an opinion on the effectiveness of controls (not only financial controls) entails added vigil from internal auditors. Heightened expectations from Internal Audit have triggered fundamental modifications in audit's approach, through reporting on real time basis on entire population of financial and operational transactions. The Chief Audit Executives (CAEs) are left with limited resources of appropriate quality in balancing cost and effectiveness of audit functions under a robust compliance scenario on the one hand and extreme pressure of producing value added services on the other. However, computerization and use of audit tools is of great help in this aspect.

We can mathematically replicate the symbolic expression EV = f [VA*(PA*PE)] as under:
(i) VA as savings made through cost reduction over pre-review base (say 1% of cost of operation)
(ii) PA as multiplicity of review (say on an average 4 reviews in a period)
(iii) PE as post reviews newer engagements (say 1 for each self-inflicted review)

Then our EV = [1% *(4*1)] or 4%. In other words, 4% saving can be achieved after the entire review cycle is completed (considering the value of f as 1 or for 1 cycle - say operating cycle). It is needless to emphasize that EV achieved is over and above other benefits associated with risk mitigation and enhanced compliance.

Objective

The purpose of this write-up is to peruse 'continuous audit' methodology for better planning of audit activity, marshalling of scarce audit resources for ensuring conformity to legislative compliance. This in turn ushers in better governance for the entity and help the process of independent appraisal by audit committees of the Board.

Discussion

Stipulation of audit committee's duty to call for comments of internal auditor on internal control system[section 177(5)], risk management policy [section 134(3)(n)], directors responsibility statement [section 135(5)(e)], the operating effectiveness of internal financial control [section 143(3)(i)], evaluation of internal financial control [section 177(4)(vii)] and code of independent directors [schedule IV] by Companies Act 2013 made the function of internal auditing truly challenging and effectively prescribes for **Continuous Auditing**.

The Institute of Internal Auditors (IIA) defines Continuous Auditing as "any method used by Auditors to perform audit-related activities on a more continuous or continual basis. It is the continuum of activities ranging from continuous controls assessment to continuous risk assessment – all activities on the control-risk continuum." Alternatively, it specifies supplementary stress on uninterrupted vigil over controls and their status assessment, risk assessment and ultimate alleviation. Under Continuous Audit approach, the unplanned audits are more significant than the planned ones, pointing towards 'need based' assignments (pro-active engagement) consid-

Section 177 (5) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company

Section 134 (3) (n) stipulates that a proclamation demonstrating development and implementation of a risk management policy for the Company comprising identification of element of risk, if any, which in the opinion of the Board may impend the existence of the Company to be reviewed by Board.

The director's responsibility statement vide section 135(5) (e) of listed Companies entrusts the implementation of adequacy and effectiveness of financial controls. Additionally, the enactment of section 135(5) (f) ensures compliance with the provisions of all applicable laws with robust thrust

Auditor's Report Section 143 (3) (i) whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls

Section 177(4) (vii) guarantees evaluation of internal financial controls and risk management systems

Schedule IV–Code of Independent Directors. Clause II Role and functions-sub-clause (4) Independent Directors need to satisfy themselves on the integrity of financial information and that financial controls and the system of Risk Management

ering resources as a limiting factor. The risks apprehended inthe projected matrix are visited recurrently by the audit team to corroborate with their risk based relationship-matrix of audit processes and their seamless adaptability as envisaged. Continuous Audit replaces static risk based plan with a dynamic approach, where, instead of making the audit plan based on risk matrix, the risk bases are reviewed time and again for validation purposes. The static audit plans are modified on a continuous basis, based on the ceaselessly fluctuating business scenario of the entity concerned and their risk bearings. The unremitting focus on operation of the entity can be revealed through a vibrant planning and resourcing environment.

As of now, audit teams of most of the entities predominantly follow audit procedures to complete annual audit plan by bifurcating in to time horizon (e.g quarterly coverage) with prioritization, to cover at least the high risk areas (as high risk areas are first priority) during the plan-period based on adequate manpower scheduling. This methodology suffers from the following inadequacies:

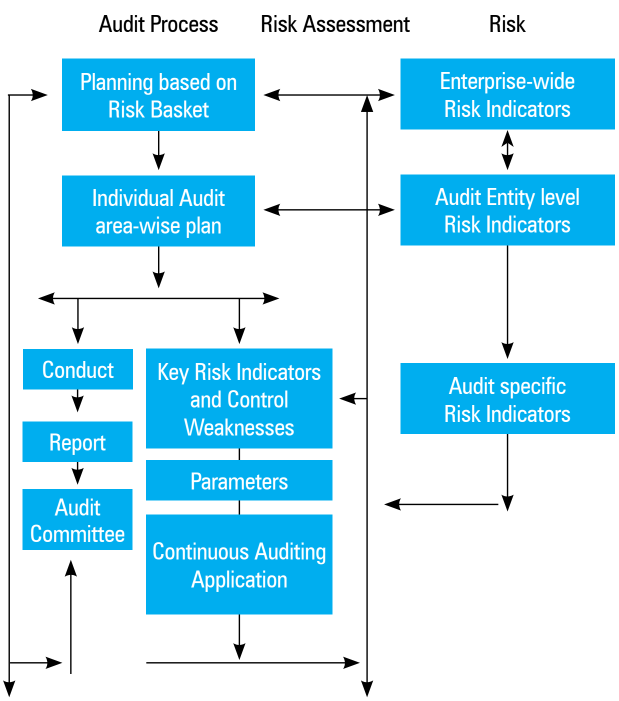
- RBIA (Risk Based Internal Audit) Plan prepared at the commencement of the year/period may not be entirely harmonised with complete risk profile of the entity, signalling presence of unattended risks.
- Inadequacy in capturing dynamic risk profiles due to the absence of continuous risk review and mitigation programmes.
- Inadequacy in the flexibility of functioning of the Audit Team to report concerns emanated while conducting audit of an already committed area.
- Obligation of team members to deliver on a time bound manner, may severally impact the review quality and risk identification as well as their mitigation process.
- Absence of dynamism in coverage of high risk areas (which ceaselessly changes during audit period) under the RBIA Annual Plan, may effectively keep major concerns out of audit purview for a considerable period (may be for a year or more).
- Absence of critical appraisal of Risk management process to assess their robustness and adaptability under changed dynamics.
- Customary periodical reporting not been able to address real time risk issues to Management/Audit Committee as well the steps taken by Management for mitigation.
- Better oversee and governance function of the Audit Committees may be affected due to non-appraisal of prevalent risk by audit team.

Continuous Auditing is defined as "a methodology for issuing audit reports simultaneously within a short period of time after the occurrence of the relevant events".

Ironically, the definition cited above is not appropriate for 'fraud reporting', on the premise that frauds are impossible to be identified instantaneously on occurrence. A robust structure of internal control can forestall probability of fraud and at times helps in speedy detection. Pertinently, under COSO(Committee of Sponsoring Organisations under Tread-way Commission) guideline – periodical, one-time and ad-hoc controls is not effective, as controls can fail, deteriorate or become irrelevant or redundant during the intermittent period resulting into fraud, abuse, wastage and non-compliance. Continuous audit is the methodology, which allows nursing control effectiveness during such intermittent period and timely identification of lapses. Continuous Auditing establishes mechanism for judicious identification of control issues, risk and mitigation virtually on real time basis.

The relentlessly evolving continuous auditing necessitates highly structured methodology. It needs to be aligned to the risk-base and leveraged through repeated evaluation. It has to be considered as a process, not an end in itself, depending on the outcomes of audit's assessment of management's monitoring process and the persistent emergence of new risks produced by peripheral factors as well as entity's internal control mechanism. Considering this, internal audit need to regularly engage in management's monitoring function and also in evaluating the risk scape. The audit team need to walk an extra mile by moving beyond their traditional auditing approaches and techniques. Key business processes are analysed for both anomalies at the transaction level and for data-driven indications on emerging risk and control weaknesses. Continuous audit is not something in addition to the normal audit activities; they are intertwined with ongoing audit exercises.

Approach to Continuous Audit



We can inject additional precision on this subject through an illustration. A traditional risk based plan labels risks under different buckets, that is, High, Medium and Low for embarking on appraisal during the plan period. Such identification can be through existing database/Risk Register and /or a combination of FOTP (Finger on the Pulse) approach. Nevertheless, due to modification of an entity's financial policy entailing Dollarized Revenue Stream and payments by Rupee Term, 'currency fluctuation risk' is mitigated even under the scenario of 'rupee depreciation'. Consequently, risk matrices require immediate attention and so long as the management follows this principle and activities follow the suit, 'currency risk' classification needs to be downgraded. This creates a space for CAEs (Chief Audit Executives) to channelize audit resources to other critical areas. Conversely, the audit team routinely come across situations where multiple Vendor Accounts (for delivery of services) are opened for the same entity without disclosure of PAN (Permanent Account Number) and Service Tax Registration number. Since this is a 'compliance issue', Management attention needs to be drawn immediately for revision of 'risk' to upper strata (Low to Medium or Medium to High) in the ladder. Frequent review (continuity) of the complete Vendor database needs to be undertaken to enlighten Management towards the fatality of non-compliance and financial implications thereof.

Through the conception of modified risk based approach and their effective implementation, Continuous Auditing generates a forceful control assessment mechanism and risk mitigation procedure by indulging in perpetual review of exceptions (high risk) and omitting the low risk or the mitigated ones in the process. A pragmatic illustrative module is built hereunder to demonstrate the phenomenon. Business and strategic risk of an entity is captured first. Audit coverages are planned under different audit cycles. It is appropriate to mention here that cycles construe area of audit activity.

Business and Strategic Risk	
Risk Basket	**Audit Area**
Dependency on group Companies with fixed rate contracts	Revenue Cycle
Cyclical nature of industry attributing volatility to service rates	Revenue Cycle
Environmental pollution and property damages/ losses	Revenue Cycle Fixed Assets
Currency fluctuations	Treasury Cycle Revenue Cycle
Dependency on contractual workforce for commercial operations	Operating Cycle Treasury Cycle
Increase in operating costs due to fuel price hike	Operating Cycle
Regulatory risk and Compliance	Regulatory Cycle

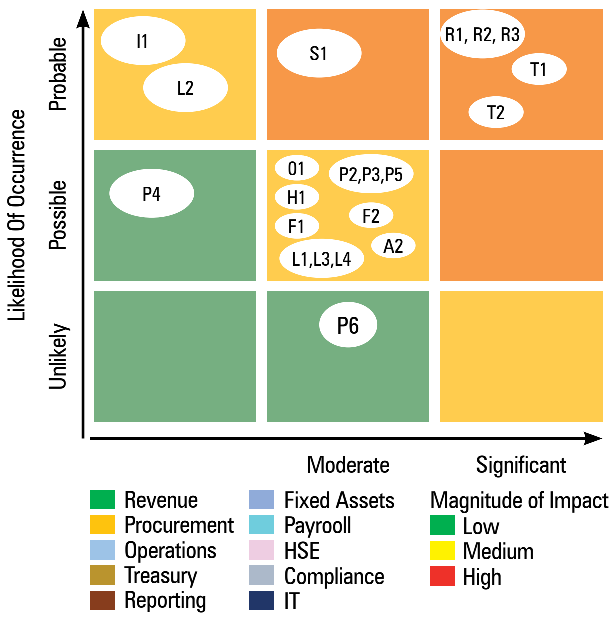
The above risk and audit areas are perceptively tabulated in a risk matrix to produce correlated pictorial representation of likelihood of occurrence of risk and their potentiality for the initial and subsequent review.

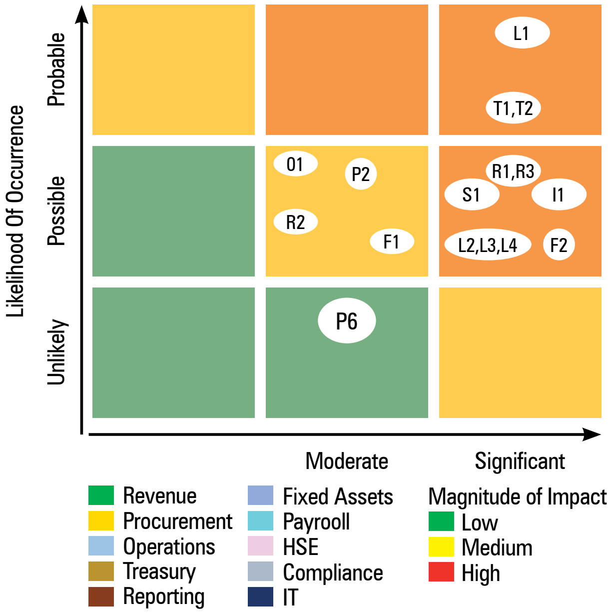
The abbreviations used are as follows – R = Revenue; P = Procurement and Payments; O = Operating Expenses; T = Treasury; A = Fixed Assets etc. Within each such Cycle prioritization e.g R1, R2 etc. made based on perceived risk score. The modification in risk matrix consequent upon review and proposed corrective action/s can be visualised in the risk matrix after final review.

The aforesaid changes in the risk classification, is on

Change in Risk Profile of the entity:

Pre and post review risk matrix with changes captured hereunder.





Ref.	sr.	Business Process
R= Revenue	R1	Business Development
	R2	Order Management & Invoicing
	R3	Accounts Receivable & Collections
P= Payment	P1	Vendor Selection, Planning & Pricing
	P2	Purchase Ordering & Receipt
	P3	Inventory Management
	P4	Accounts Payable & Payments
	P5	Other Services and Expenses
O= Operation	01	Operating Expenses
T= Treasury	T1	Loans (Secured & Unsecured)
	T2	Investments
F=Fin. Reporting	F1	Financial Reporting
	F2	Related Party/Inter group transactions
A=Assets	A1	Fixed Assets/CWIP
	H1	HR and Payroll Process
S=Safety	S1	Health, Safety & Environment (HSE)
L=Legal	L1	Companies Act and SEBI Act
	L2	FEMA and allied Laws
	L3	Industrial and Labour relation
	L4	Other incidental/ancilary laws
I= Infotech	I1	Systems Controls

Sr. No.	Business Processes of the Entity	Assessment/Review during the Year		
		1st	2nd	3rd
R1	Business Development	Medium	High	High
R2	Order Management and Invoicing	High	High	Medium
R3	Receivable & Collections	Medium	High	High
P1	Vendor Selection, Planning, Pricing	High	Medium	Low
P2	P.O and Receipts Logistics	High	Medium	Medium
P3	Inventory Management	Medium	Low	Low
P4	Accounts Payable & Payments	Medium	Medium	Low
P5	Other Service and Expenses	Medium	Low	Low
01	Operating Expenses	High	Medium	Medium
T1	Loans (Secured & Unsecured)	High	High	High
T2	Investments	High	High	High
F1	Financial Reporting	Medium	Medium	Medium
F2	Related Party/Inter gr. transaction	Medium	Medium	High
A1	Fixed Assets/CWIP	High	Medium	Low
H1	HR and Payroll Process	Low	Medium	Low
S1	Health, Safety and Environment	High	High	High
L1	Companies Act and SEBI Act	High	Medium	High
L2	FEMA and allied Laws	High	Medium	Medium
L3	Industrial and Labour relation	High	Medium	Medium
L4	Other incidental /ancillary laws	Medium	Medium	Medium
I1	Application Control (Systems)	High	Medium	High

Changes in Risk status after each review are reproduced hereunder:

No.	Business Process of Entity	Reason for Change in Risk Classification
R1	Business Development	• No growth in new business initiatives • High spent on initiatives taken
R2	Order Management and Invoicing	• Timely execution & avoidance of Liquidated Damages
R3	Receivable & Collections	• High Receivables, poor collection initiative • Cost of fund blockage increased
P1	Vendor Selection, Planning, Pricing	• Prices benchmarked against market rates
P2	P.O and Receipts Logistics	• Timely inventorization after quality check • Just in time inventory maintained
P3	Inventory Management	• Adequate inventory in terms of Production Plan
P4	Accounts Payable & Payments	• Accurate and timely release of payment
P5	Other Service and Expenses	• Low involvement of fund
01	Operating Expenses	• Initiatives for expense curtailment
T1	Loans (Secured & Unsecured)	• High borrowings with varied interest rate
T2	Investments	• New business initiatives and huge fund deployment
F1	Financial Reporting	• Adherence to Accounting Policies • Adequate provisions for accounting events
F2	RP/Inter group transaction	• Pending reconciliation between Group entities
A1	Fixed Assets/CWIP	• Timely capitalization and booking depreciation
H1	HR and Payroll Process	• Adequacy of checks and balances
S1	Health, Safety and Environment	• Nature of industry –pollutant
L1	Companies Act and SEBI Act	• New regulations and compliance requirement
L2	FEMA and allied Laws	• Min. fund movement and ensured compliance
L3	Industrial and Labour relation	• IR Regulations mostly complied with
L4	Other incidental / ancillary laws	• Transactional compliance
I1	Application Control (Systems)	• Inadequate access control • Improper mapping of Delegation of Authority in ERP

account of prevalent business scenario at the time of each audit and management's approach towards their mitigation.

The comprehensive illustrative module as portrayed above evidently depicts the change in entity's original Risk Matrices post repeat reviews. Some risk scores (high) also remained unchanged, which need appropriate focus of Management.

Conclusion

Continuous Auditing through evaluation of risk base would change the way we audit and usher in more effectiveness of audit function. It is that magical wand which pulls out hidden risk areas from apparently no-risk arena and coverts potentially (or common understanding of high risk) high risk areas into no-risk areas. In other words, this will help the audit committees in turning their hindsight into foresight and developing further insight. The evaluation of audit evidences calls for introspection on a two-way basis - by management as well as audit team towards risk and mitigation process and their seamless adaptation to specific operating environment. Multi-disciplinary audit teams would predominantly engage in this elaborated audit concept to match the expectancy value [EV= f (VA*(PA*PE)] and revolutionize the auditing methodology in the foreseeable future. MA

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IFRS IN INDIA: CHALLENGES AND THE WAY FORWARD

The decision to converge with IFRS will go a long way in the history of the corporate India. Implementation of IFRS involves challenges but change management can smoothen implementation to an extent

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IN the present era of globalization and liberalization, the World has become an economic village. A number of multi-national companies are establishing their businesses in various countries with emerging economies and vice versa. The entities in emerging economies are increasingly accessing the global markets to fulfil their capital needs by getting their securities listed on the stock exchanges outside their country. Sound financial reporting structure is, thus, imperative for economic well-being and effective functioning of capital markets.

The use of different accounting frameworks in different countries, which require inconsistent treatment and presentation of the same underlying economic transactions, creates confusion for users of financial statements. This confusion leads to inefficiency in capital markets across the world. Therefore, increasing complexity of business transactions and globalization of capital markets call for a single set of high quality accounting standards.

Adoption of IFRS helps the economy at large, investors, industry as well as the accounting professionals. It benefits the economy by increasing growth of its international business. It encourages international investing and thereby leads to more foreign capital flows to the country. With the diversity in accounting standards from country to country, enterprises operating in different countries face a multitude of accounting requirements.

The Hon'ble Finance Minister Sh. Arun Jaitley, in his last budget speech, highlighted the need and urgency for India to move to Ind AS. He announced that adoption of Ind AS will be mandatory from 2016-17 and voluntary from 2015-16. To meet the objective, National Advisory Committee on Accounting Standards (NACAS) has already been reconstituted by Ministry of Corporate Affairs (MCA)vide notification dated September 18, 2014. It is expected that all the converged Ind AS will be in place by December 2014.

The present article gives a sneak peek into the background of IFRS and a lucid analysis and insight in to the challenges and way forward with IFRS convergence.

Challenges in IFRS implementation

The changeover to Ind AS converged with IFRS is a major challenge. A crucial factor in the convergence to IFRS is the application of IFRS 1 on 'First-time Reporting of International Financial Reporting Standards' for which a corresponding Indian accounting standard (Ind-AS) 101has been issued.

Some of the challenges in implementation of Ind AS converged with IFRS are highlighted below:

Challenges in the first time adoption
First time adoption has its own challenges. In first time adoption, Ind AS grants limited exemptions in certain areas where the cost of compliance may exceed the benefits. These exemptions are optional and not mandatory.

An entity thus has to evaluate all these exemptions and understand the impact these will have on its financials.

Justifications for Regrouping/reclassification
Presently, items are regrouped or reclassified to confirm to current year classification without any justification. However, underInd AS, the same needs to be disclosed along with reasons thereof.

Changes in concepts requiring consideration
- Introduction of 'fair value' concept
- Introduction of 'time value of money' concept
- 'Substance over form' concept

Awareness at Board level
The buy-in for Ind AS implementation will be difficult, unless and until the Board of directors themselves understand Ind AS. Thus, the board need to be aware about the impact Ind AS implementation will have on the entity's financial results, ratios, the remuneration packages, distributable surplus etc.

Communications with stakeholders
It is, nowadays, essential for any public interest entity, to regularly communicate with its various stake holders in a transparent manner. The challenge would be to educate the stakeholders to correctly understand and analyse the Ind AS statements.

Changes in internal processes and systems
Ind AS will impact, not only on the accounts department but will also influence other departments too. There will be new terms, new definitions for old terms, different ways of things done hitherto. Ind AS will cause changes in various internal processes and systems, such as; it would be a need to reconfigure accounting softwares. The MIS also has to follow Ind AS and cannot be based on old systems.

Lack of core financial background amongst users of financial statements, such as research analysts, shareholders etc.

The annual reports are becoming more and more bulkier. Instead of results more and more information is being provided in the name of transparency. The on us of understanding result has shifted considerably from the management to the person analyzing the results.

Most of the financial and research analysts do not have a core financial background and rather hails from the management profession such as MBA where the advance financial knowledge is usually not imparted.

Lack of trained valuers
A significant proportion of the balance sheet items will be measured on fair valuation. The fair valuation will require valuation experts, thereby increasing the requirement of trained valuers and adequate numbers of subject matter experts. In the absence of requisite number of valuation experts, the quality may be hampered.

Accounting policy changes
Ind AS entails major accounting policy changes in the areas such as:
(i) Revenue Recognition
(ii) Inventory Valuation: Service Sectors
(iii) Accounting for taxes on income
(iv) Useful life of Intangible asset
(v) Prior period items
(vi) Extraordinary items
(vii) Financial Instruments
(viii) Business Combinations, etc.

Position vis-a-vis carve-outs

a) IFRS/ IAS/ IFRIC deferred by India in 2011 which are likely to be notified now

- **IFRIC 4 "Determining whether an Arrangement contains a Lease"**

IFRIC 4 is included as Appendix C to Ind AS 17. The Appendix C is likely to be notified

- **IFRS 6 "Exploration for and Evaluation of Mineral Resources"**

(Likely to be notified with suitable amendments based on guidance note on 'accounting for oil and gas producing activities')

- **IFRIC 12 "Service Concession Arrangements" and SIC 29 "Service Concession Arrangements: Disclosures"**
- **IFRIC 15 "Agreements for the Construction of Real Estate"**
- **IAS 41 "Agriculture"**

b) Carve-outs made by India in 2011 which are likely to be dropped

- **Ind AS 28, Investment in Associates**

The phrase 'unless it is impracticable' has been added in the relevant requirement, i.e., paragraph 25 of Ind AS 28. This relates to alignment of accounting period of associates. This carve-out is likely to be dropped now. **Ind AS 39, Financial Instruments: Recognition and Measurement**

A proviso has been added to paragraph 48 of Ind AS 39 that in determining the fair value of the financial liabilities which upon initial recognition are designated at fair value through profit or loss, any change in fair value consequent to changes in the entity's own credit risk shall be ignored. If IFRS 9 is converged, this carve-out may not be required.

- **Ind AS 101, First-time Adoption of Indian Accounting Standards**

➲ Presentation of Comparatives

Exemption from presentation of comparatives in the First-time Adoption of Indian Accounting Standards (Ind AS) 101, which was given earlier, may be done away with now.

➲ Presentation of reconciliation

Ind AS 101 provides an option to provide comparative period financial statements on memorandum basis. This option may be done away with now.

c) Carve-outs made by India in 2011 which are likely to continue

➲ Ind AS 21, The Effects of Changes in Foreign Exchange Rates

Ind AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. In this situation, Ind AS 21 requires the accumulated exchange differences to be amortised to profit or loss in an appropriate manner. IAS 21 does not permit such a treatment. This carve out is likely to continue for existing long term foreign currency monitory items.

➲ Ind AS 28, Investment in Associates

The phrase, 'unless impracticable to do so' has been added in the relevant requirements i.e., paragraph 26 of Ind AS 28. Since the investor has significant influence and not control over the associate, it may not be able to influence the associate to change its accounting policies.

➲ Ind AS 32, Financial Instruments: Presentation

An exception has been included to the definition of 'financial liability' in paragraph 11 (b) (ii), Ind AS 32 to consider the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments as an equity instrument if the exercise price is fixed in any currency. This exception is not provided in IAS 32.

➲ Ind AS 103, Business Combinations

Ind AS 103 requires the same to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve.

➲ Ind AS 17, Leases

Paragraph D9AA has been added to provide for transitional relief while applying Ind AS 17.

Ind AS 101, First-time Adoption of Indian Accounting Standards –

- **Cost of Non-current Assets Held for Sale and Discontinued Operations on the date of transition on First-time Adoption of Indian Accounting Standards (Ind AS)**

Ind AS 101 provides transitional relief that while applying Ind AS 105 - Non-current Assets Held for Sale and Discontinued Operations.

- **Cost of Property, Plant and Equipment (PPE), Intangible Assets, Investment Property, on the date of transition of First-time Adoption of Indian Accounting Standards.**

Ind AS 101 provides an entity an option to use carrying values of all assets as on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

d) Additional carve-outs that may be permitted

- Ind AS 17, Leases

Straight lining of lease rental may not be mandatory in the case the periodic rent escalation which is due to normal inflation (which is generally the case in the Indian context as compared to other countries). There is no such option in IAS 17.

Roadmaptosuccess and way forward

Ind AS implementation requires a project approach with commitment from the highest level. If done prop-

A CRUCIAL FACTOR IN THE CONVERGENCE TO IFRS IS THE APPLICATION OF IFRS 1 ON 'FIRST-TIME REPORTING OF INTERNATIONAL FINANCIAL REPORTING STANDARDS'

erly, it provides a huge opportunity. From my practical experience, I suggest the following approach to Ind AS implementation.

Phase I : Plan Conversion
Phase II : Impact Analysis &Quantification
Phase III : Redefine/Redesign
Phase IV : Opening balance sheet as per Ind AS
Phase V : Reporting date– Ind AS financial statements

Phase I:Planconversion

- Make a Steering Committee
- Make a Project Team
- Impart adequate training
- Develop milestones& ensure adherence to the same

Phase II: Impact Analysis & Quantification

- Project team should study existing policies, practices, processes and records.
- Assess and evaluate implication of Ind AS on

a) Financial statements and reporting
b) Long term contracts
c) Supporting business processes
d) Systems and controls
e) Tax compliances
f) MIS, etc.

- Identify the differences/gaps between existing policies, practices, processes and records with Ind AS requirements.

Phase III – Redefine/Redesign policies, practices, processes and records

- Once the team and the committee has evaluated the impact, they should carryout an ABC analysis for gaps/ differences and identify items and are as that

1. Requires minimal changes
2. Requires medium level changes
3. Requires significant IT and system changes

- Alternatives should be developed and options identified by the team. On the recommendation of the team, the committee should develop suitable criteria for approval of most appropriate alternative.

Phase IV: Opening balance sheet as per Ind AS

- After selection of Ind AS accounting policies most appropriate to the entity, the initial conversion to create Ind AS opening balance sheet will be undertaken.

Note: In the Indian context, opening Ind AS balance sheet will mean thebalancesheetason1-4-2015 (for those entities which will converge with Ind AS from 2016-17), i.e., the Ind AS balance sheet on the earliest date for which the comparatives will be presented.

- Further, one must exercise a caution that one will not only need the annual financial statements for2016-17butalsothequarterly financial statements since all listed companies will need to give comparative Ind ASquarterlynumbersin2015-16.

Phase V: Reporting date Ind AS financial statements

- The opening trial balance as on1.4.2015 has to be as per Ind AS.
- The Ind AS methodology should be integrated into day to day operations
- The auditors will vet the quarterly financial statements as per Ind AS requirements
- The project team and the steering committee will have to ensure self-sustenance.

Conclusion

The decision to converge with IFRS will go as a long way in the history of the Corporate India. Implementation of IFRS involves challenges but change management can smoothen implementation to an extent. Robust plan along with the dedicated team is required for successful implementation of Ind AS. MA

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MARKET POWER AND REGULATION: FROM GREAT ECONOMICS TO GOOD POLICIES

Jean Tirole is one of the most influential economists of our time. He has made important theoretical research contributions in a number of areas, but most of all he has clarified how to understand and regulate industries with a few powerful firms. Tirole is awarded this year's prize for his analysis of market power and regulation: The Royal Academy of Sciences, The Prize in Economics Sciences, 2014, Stockholm.

Saibal Kar
Centre for Studies in Social Sciences, Calcutta and IZA, Bonn Germany

PROF. Jean Tirole of the Toulouse School of Economics, France has been awarded the Nobel Prize in Economics Science for the year 2014. Prof. Tirole, goes without saying, is one of the most prolific writers in the subject spanning no less than eight major fields in economics along with his usual mastery over the core areas of the discipline. Jean Tirole for the last thirty years has produced some of the most influential pieces in the history of economics as a subject and has created a cult in understanding the patterns of industrial organization essentially with the aid of game theoretic formulations. This article would not be capable enough to delineate his contributions to the subject in general and to policy making in particular, which reportedly seems to be the basis of his choice in the aftermath of the financial crisis of 2009. Yet, a recount of his contributions in relation to where the global competition policy stands, and with reference to what has been achieved in developing countries per se, is more than due.

It is pointed out in several forums that the

Jean Tirole

lack of institutional regulations or strategic oversight on the part of regulators as to the working of firms and industries of various forms remains the prime source of the crisis that heavily rocked the global economy. The glaring inefficiencies present in the market that so clearly denies the textbook principles of how markets quickly adjust in the presence of strong competition is at the core of several contributions of Tirole, which the Nobel Committee counts at 60 as the basis for this special recognition of how strong theories and empirical evidence can translate seamlessly to policies. The practice of questioning the wisdom and efficacy of markets has always been popular outside Chicago, where a strong conviction exists about the supremacy and efficiency of markets to fall back on the desired equilibrium even if temporary deviations shake it to the core. The desired equilibrium is about setting the price right and about improving on the quality front on a continuous basis, such that no external intervention, in particular from public institutions would ever be needed. Thus, when even at the level of popular jokes, the Chicago school suggests that if a light bulb breaks you would not anybody to fix it, because the market will take care of it through the standard demand-supply mechanisms where the lack of light should raise the price of it and the supply should follow, they essentially hint at a much bigger story to shape up. The story is all about how efficiently the markets work in some places relative to others. Of course, you need strong institutional backbone for anything like that to happen, and that is where the world falls apart. The institutions are neither perfect, nor can take care of all inefficiency that arises from various entrenched interests. The markets are rarely efficient, because if they were, there would have not been limited suppliers of electricity or cable services, as the case has been in US, which motivated some of the key contributions of Tirole on aspects of industrial structure in consumer goods services.

Coming to think of it, what we observe in almost every country with respect to service provisions draws back to what Tirole want us to realize on a regular basis. How many electricity supplying company are there is India? How many are there in West Bengal or Kolkata? If we are so happy with monopolies, why should there be so many hue and cries about the wrongdoings of companies that control the entire market for various facilities in other industries? Why are we not bothered with the poor implementation of the once very popular Monopoly and Restrictive Trade Practices Act of India? The reason could be manifold, including the fact that the incumbent, which has been there for several years and across a wide range of facilities (the telephone industry in India is a case to reconsider, because it did break open the public sector monopoly earlier than many other countries of similar economic and political history and presently claims the most per-capita phone connections globally) create several conditions under which the entry of newer firms would be strongly deterred. There are several examples that can be cited. In fact, in the well-known book on industrial organization and several papers coauthored with Jean-Jaques Laffont and Roland Benabou, Tirole did offer a large number of cases where starting from telecommunication to computer software and hardware, the conditions for competition seem rather weak essentially because of weakness in the regulatory framework. A large amount of information that motivates and strengthens his arguments rests on practical evidence, where it is not difficult to measure the degree of firm concentration at the level of the industry. It can clearly identify and help to develop an index of the industrial structure of that industry, whether competitive (large number of firms), monopolistically competitive (a lot of firms, but not as many as that under competitive structure and also engaged in product differentiation), oligopolistic (a few, usually not more than five) or at the extreme a monopoly (singleton). Under oligopolistic structures, which often lies at the core of the meticulous theories developed by Tirole it is argued that assessment of public policies as corrective measures for structural deficiencies of a given market, of upholding regulations for transparency, etc, needs to form an opinion on whether such policies help or hinder tacit collusion. In simpler terms, a tacit collusion would mean that one firm plays to the tune and signal of the other firm, without necessarily hurting its interest and of course, not stating it out loud. If in India, one mobile phone service provider despite such opportunity does not lower the price compared to its closest rival, one has to assume that they are in a tacit collusion, where both benefit from higher prices and would willingly share the market. It can also go the other way, where both reduce price and deter others from entering it. This seems quite common in countries where the market size is big enough to accommodate more than one player with substantial profit from limited shares. The collusion question apart, reverting back to the efficacy of public policies aimed at oligopolies, it should be appreciated that many of the products that require elements from two different providers, are not necessarily copybook examples of 'substitutes in consumption'. There is strong product differentiation and therefore the vertical collusion that often takes place between producers of a handset and the mobile telephone service provider bypasses the regulatory authorities. The formation of an empire by aligning anything that serves a potential alternative market is the key to understanding the 'Antitrust' policies and movements that managed to break the Microsoft Corporation into two parts in the late 1990s. In fact, the antitrust agencies are more lenient towards Joint Marketing Alliances that allow firms to market their products independently outside the JMA. Tirole suggests that when 'essentiality of a commodity is low, firms are rivals and would like to raise price; yet, and except in the extreme case of perfect substitutes, such tacit collusion leads users to forego part of the technology, as the prices of the components do not vindicate acquiring all' (Patric Rey and J. Tirole, IDEI-801, TSE Working Paper, 2013).

The New York Times in a recent article published on the Nobel Prize states that the United States has taken Mr. Tirole's work on antitrust enforcement more seriously. Beginning in the 1970s, many courts and regulators rejected the idea that companies could increase market power by buying out their suppliers. A car company couldn't squeeze consumers by buying a parts-maker, because it still would face the same competition from other carmakers. But evidence turned out on the contrary and this was one of the most domineering contributions by Tirole where he showed that such vertical relation can indeed be socially harmful. Think of the Microsoft's Windows developing company buying out the provider of 'hotmail.com' or forcing consumers to use the windows own mail client, namely 'outlook', whenever they purchased a version of windows as an operating software. Why does it matter if people use the outlook instead of eudora, or opera, of gmail or any other client for that matter? Well, the relation is again about the monopoly pricing of commodities in a 'bundle' this time as compared to a competitive price for substitutes developed by others that run as a complementary product to a given operating software. If regulations cannot stop this bundling of products and therefore passively sustains monopoly, the social outcomes can be varied. First, it would deny several people access to such facilities simply owing to higher prices. Second, the lack of access shall perpetuate inequality and poverty if access to technology increases productivity and income. Those who shall have access to the better technology will gain immensely from the new innovations and would exist as a club where entry for the commoner would be totally restricted. That the technological revolution has allowed deep seated social mobility even in the poorest of countries in the world, owes a lot to such antitrust policies. The various service providers, including those which provide free e-mail services on a lifelong basis usually earn from the advertisements and merchant transactions that use such facilities. Limiting such avenues for only Microsoft or only Apple through collusion would have made the world a much unequal place even after the IT revolution provided wings of progress for so many. It is easy to cite several such examples from the IT world, now that it runs as an important aspect in our daily life. And that is where the contributions of Tirole make the largest impact. The policies curved out of his arguments to protect the consumers through limiting the power of firms in a given market has been veritably used by the antitrust authorities in Europe to stop the aggression of various tech companies as much as the control the financial institutions and banks enjoyed in many western European states.

Tirole, however, has not always been an advocate of regulation. When Washington sued Visa and MasterCard in 1998 for preventing banks from issuing American Express cards, the companies cited Tirole's work as showing that such membership rules were beneficial. More recently he has defended "patent pools," where owners of related patents bundle their work. This might have to do with the incentives to innovate which all the competitive firms strictly lack. This idea is not too different from the Chicago principle, where incentives (carrots) and punishments (stick) are the only regulators of a firm. The other point to note is that Tirole's work on regulations has not found great success in developing country contexts where the general governance structures are both weak and strategically chosen by the government to avoid unrest while staying in power. The rampant piracy of products remains a huge concern for firms in any form of market and the government does very little to stop that, because the existence of the shadow economy and the informal set up in such countries restrain public anxiety and anguish regarding the failure of those in power to establish governance and democracy in the sense of the western institutions. The oversight on the part of the government is almost voluntary. Finally, the question and incidence of corrupt practices are part and parcel of the regulatory mechanisms world over. It may just be more petty and ingenious in the developing countries, which if accounted for in the broader framework chosen by Tirole and his collaborators might make the implementation of regulation harder than what the majority of developed countries witness. I will stop with an example. A famous regional language newspaper company in India reportedly prints at least 10-15% more newspapers on a daily basis and sends the number of the print-run to the appropriate agency. It sells much less than what it prints and often takes the excess prints straight from the press to the warehouse where it is dumped without having seen the daylight. The Indian authority simply believes that the print-run is what it sells. Now, why do they do it? The answer lies in what Tirole long back suggested as entry-deterrent policies on the part of the incumbent. By looking at the huge print-run volume, many potential newspaper companies would simply think of doing other businesses, because, newspapers being substitutes, no one expects that one person would read five different newspapers. Besides, there are brand loyalties. So, if the company in question can establish that they serve the entire market, who would enter anyway? The additional prints cost lower than what they stand to lose if they have to give up a portion of the market to a competitor. Do regulators in India even understand this? Or have they been bribed to the teeth so that they don't actually show their tooth and claw? Anybody's guess; maybe we should look for an answer in Tirole.

Prof. Tirole received his PhD in economics from the Massachusetts Institute of Technology in 1981, and he taught at M.I.T. for eight years before returning to France in the early 1990s. He founded the economics school at Toulouse, which is now a leading center for the study of regulation. MA

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The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

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CIRCULAR

Sub: Relevant information for June 2015 and December 2015 term of Examination

(1) Applicability of The Companies Act, 2013

- For June 2015 and December 2015 term of Examination, all the sections of the Companies Act,2013 shall be applicable.
- Change/amendment in any provision of the law/statute, six months prior to the month of examination would be applicable for June 2015 and December 2015 term of Examination.
- This shall cover both Syllabus 2008 and Syllabus 2012 subjects/papers, as applicable.

(2) Applicability of the Finance Act, 2014

- For June 2015 and December 2015 term of Examination, provisions of Finance Act,2014 shall be applicable. Relevant amendments will be uploaded in the website of the Institute from 25/12/2014.
- Change/amendment in any provision of the law/statute relating to Indirect Taxation (like Central Excise, Customs, Anti-dumping, Service Tax, VAT, CST, SEZ, FTP) six months prior to the month of examination would be applicable for June 2015 and December 2015 term of Examination.
- This shall cover the following papers:

Under Syllabus 2008 (last term of Examination is June 2015 term)	Under Syllabus 2012
Paper 7 - Applied Direct Taxation	Paper 7 - Direct Taxation
Paper 10 - Applied Indirect Taxation	Paper 11 - Indirect Taxation
Paper 14 - Indirect & Direct-Tax Management	Paper 16 - Tax Management & Practice

(3) Applicability of CAR, CARR , CAS (1-22) and CAAS (1-4)

- CAR and CARR (shall be applicable based on notification by the Ministry of Corporate Affairs, Government of India) - shall be applicable from the date of notification in official gazette of the Government.
- In case of change/amendments pronounced in CAR and CARR as per regulations prescribed under Sec.148 of the Companies Act, 2013 is pronounced having less than six months, then for June 2015 term of examination, CAR - 2011 and CARR - 2011 shall be applicable. If the time period is more than six months, then the revised CAR and CARR shall be applicable for both June 2015 and December 2015 term of Examinations.
- Cost Accounting Standards [CAS] (1-22) and Cost Audit & Assurance Standards [CAAS] (1-4) shall be applicable for June 2015 and December 2015 term of Examination.
- This shall cover both Syllabus 2008 and Syllabus 2012 subjects/papers, as applicable.

(Chiranjib Das)
Joint Director, Head - Academics & Tax Research Department
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Eastern India Regional Council

Bhubaneswar Chapter of Cost Accountants

THE Chapter organized a campus interview for its qualified students at its premises. The executives of M/s Genpact conducted the interview in three stages, written, GD and PI. On 11 & 12 January, 2015 Eastern India Regional Council & the chapter jointly organized the 36th Cost Conference, 2015 on the theme 'Make in India-CMA Connect'. Shri Jual Oram, Hon'ble Union Cabinet Minister of Tribal Affairs, Govt. of India, Shri Debi Prasad Mishra, Hon'ble Minister of Industries, School & Mass Education, Govt. of Odisha (Cabinet), Swami Parishuddhananda, Secretary, Ramkrishna Ashram, Puri, CMA Dr A.S. Durga Prasad, President, CMA Srikanta Kumar Sahoo, Chairman, EIRC, Shri D.N. Panda, Judicial Member, CESTAT, Chennai, Shri D. Jay Sankar, IA & AS, Senior Accountant General (A&RA), Odisha, Shri R.S. Khurana, Dy. Commissioner, CBEC, New Delhi, Shri P.K. Jena, Regional Director, Reserve Bank of India, Odisha, Shri Ajitava Raychoudhuri, Professor, Department of Economics, Jadavpur University, West Bengal, CMA Trinath Behera, Director (Finance), ITDC Ltd., New Delhi, CMA Kulamani Biswal, Director (Finance), NTPC Ltd., New Delhi, Er. A.K. Bohra, CEO, WESCO, NESCO & SOUTHCO, Odisha, CMA R.K. Nanda, CFO, PPL, Odisha were among the dignitaries present in the session. Other dignitaries like CMA Chandra Wadhwa, Past President, ICAI & Member Expert Group, Dr S.K. Gupta, V.P (Internal Audit), Spentex Industries Ltd. New Delhi, CA. Abhijit Agarwal, KPMG, Kolkata, CMA Ramaballava Mishra, Ex- Chairman-cum-Managing Director, Heavy Engineering Ltd., CMA Santosh Kumar Sahu, Director (Finance), OHPC Ltd, Bhubaneswar, Shri R.P. Blah, Chief Regional Manager, The Oriental Insurance Company Ltd., Bhubaneswar, Prof (Dr.) Divya Gupta, IMIS, Bhubaneswar, CA Debasish Mitra, Debasish Mitra & Associate, Chartered Accountants, Kolkata & CMA N. Swain, General Manager (Finance), OPGC Ltd. delivered on various sub themes on the said conference. The conference comprised of five technical sessions, on the Companies Act, 2013, Infrastructure, Taxation and the Services sector besides a session on 'Managing Bottom Line in the fast changing business situation'. In the said Conference CMA Bibhu Prasad Mohapatra, Ex-Director (Finance), OPTCL & GRIDCO Ltd., Odisha, CMA Debaraj Biswal, CEO Bhubaneswar Stock Exchange Ltd., Odisha, CMA Kulamani Biswal, Director (Finance), NTPC Ltd., New Delhi, CMA Ramaballava Misra, Ex-Chairman & Managing Director, Heavy Engineering Corporation Ltd., CMA Pravakar Mohanty, Director (Finance), NINL, Odisha, CMA Khirod Kumar Parida, Director (Finance), Mahanadi Coal Fields Ltd., Odisha, CMA Santosh Kumar Sahu, Director (Finance), OHPC Ltd., Odisha, CMA Krushna Chandra Samal, Director (Finance), NALCO Ltd., Odisha, CMA Trinath Behera, Director (Finance), ITDC Ltd., New Delhi, CMA Saroj Kumar Mishra, Director (Finance), Dakhinachal Vidyut Vitran Ltd., Agra & CMA Umakanta Panda, Director (Finance & Commercial), Punjab State Transmission Corporation Ltd., Patiala had been awarded by the chapter as 'CMA Odisha Ratna Award'.

The chapter conducted a soft skill development program on 13 January, 2015 at its conference hall. Dr. Rayguru Kumar, Shri Mangesh Dash, Advisor, TWARAN, Ex-Professor in IMIS & an expert in soft skill training guided the students on development of soft skill & communication skill in order to excel in their professional life.

Howrah Chapter of Cost Accountants

On January 03,2015 the Chapter organized CEP program on 'Service Tax & its Audit & Tax filing on VAT by the enterprise & case study on VAT' at the Soumitra Memorial Hall at chapter premises. CA Shah Shivani, renowned Tax practitioner explained on the brief description on Service Tax, recent amendment and also on the scope of Tax Audit by the tax practitioner. She also discussed on various case studies on. Service Tax. In the second session CA Rip Das, a renowned Tax practitioner deliberated his lecture on Value added Tax of different states, described on tax calculations uses of different forms, furnishing of return and also referred different case history. He also explained provisions of Central Sales Tax Act. CMA Pranab Chakrabarty, Chairman of the chapter welcomed the eminent dignitaries and the members & professionals who attended the seminar. He also explained the recent activities and importance of the chapter towards this profession It was a very nice interactive session and good number of members in practice and from industry attended the session. CMA Jyotirmoy Auddy, Secretary of the chapter concluded both the sessions with the vote of thanks. Howrah Chapter of Cost Accountant has regularly organizing its workshop in its auditorium on different topics of financial aspects which enriched the professional development of this region.

Northern India Regional Council

Lucknow Chapter of Cost Accountants

THE Chapter organized 'Teacher's Day Celebration & Faculty Honor Function' on the occasion of Teacher's Day on September 5, 2014. Dr. Narender Dev, retired Chief Engineer, Irrigation Deptt. presently Founder & Trustee of Gayatri Gyan Mandir, being the Chief Guest, said Cost and Management Accountancy is the best course out of other professional courses since the CMAs are competent to space the Indian economy & control the inflation of the nation. Mr. Udai Bhan Singh Bhaudhriya, retired Chief Manager of HAL & Mr. Umanend Sharma, Chief Manager Trustee of Gayatri Gyan Mandir were also present in the seminar. On September 21, 2014 the chapter organized a badminton tournament for its members and students at CMA Bhawan. CMA Seema Singh, chairperson of the chapter and CMA Sunil Singh, chairman, PDC inaugurated the tournament. On October 2, 2014 the chapter in compliance with directives of PMO office conducted Swach Bharat Abhiyan. On October 31, 2014 the chapter organized CMA Marathon to pay tribute to Iron Man Sardar Vallabhbhai Jhaverbhai Patel on his birth anniversary. On December 20, 2014 the chapter organized a workshop on 'Goods & Service Tax' at CMA Bhawan. CMA K.L Prabhakar was the chief guest of the event and CMA K.B Saxena & CMA S.B Agarwal were guests of honour. The key speaker of the program, CMA Dr. Pawan Jaiswal discussed about 'Goods & Service Tax', the biggest Tax reform in independent India. In the workshop CMA members including chairperson of the chapter, CMA Seema Singh, vice-chairman of the chapter, CMA Vikas Srivastava, secretary of the chapter CMA Anjana

Chadha, chairman PDC, Sunil Singh, treasurer of the chapter, CMA Honey Singh, CMA Pawan Tiwari, CMA Dharmendra Singh Saluja, CMA Umesh Singh Rathore, CMA Shailendra Paliwal, CMA Neha Sharma took part and made it a memorable event.

Ajmer Bhilwara Chapter of Cost Accountants

ON December 28, 2014 the chapter organized a half day seminar on the topic 'Make in India'– Way Ahead for CMAs. CMA Vijendra Sharma, Chairman, NIRC, the chief guest said the Cost Accountants have plenty of opportunities with their intelligence and aptitude. He explained the role of Management Accountants in reduction of wastage, analysis of cost and providing suggestions for the improvement of the performance of the company. Shri R.L. Nolkha, Chairman, Nitin Spinners Ltd. in his presidential address explained the production techniques of India and China and other countries. He also said that China has advantage of mass production where Indian industries are yet to reach that level. Dr. J.C. Bhadada, Head of Department of Commerce, MLV Govt. College said for a successful professional attitude, communication at proper time and in proper manner was very essential and also timely communication resolves problem and gets acceptance to the observations of an Auditor. CMA V K Goyal, immediate past chairman also addressed the members. Shri V S Tapadia, chairman of the chapter welcomed CMA Shri R L Nolkha, chairman of the seminar, CMA Vijendra Sharma, chief speaker and chairman NIRC of ICAI, CMA Sanjay Kumar Jain, Chairman and CMA Vinod Chittora, Treasurer of Jaipur Chapter . He gave brief of activities of the chapter and services being provided in organizing training programmes for the students and members. Shri K C Moondra, secretary of the chapter proposed vote of thanks.

Chandigarh-Panchkula Chapter of Cost Accountants

THE Chapter organized one day conference on 'Roadmap to GST Reforms' and 'Cost Records & Audit Rules, 2014' on January 24, 2015. The Chief Guest was Sri T. R Rustagi, Member Duty Drawback Committee, Govt. of India & Ex-Chief Commissioner Customs, Central Excise & Service Tax & Ex-Joint Secretary, Ministry of Finance, Govt. of India. The Guest of Honours were Shri Deepak Nanda, Managing Director, Trident Group and Sri Suyog Jain, Chairman, Vardhman Chemtech Limited. The key note speakers were CMA Balwinder Singh, practicing cost accountant and CMA. Sanjay Malhotra, Indirect Taxes expert and member Task Force Committee on reduction in transaction costs (Indirect Taxes), Govt. of India. CMA Mukesh Kumar Gupta, Chairman of the chapter stated that the cost records and audit would assist the industry to reduce its own cost of products through Activity Based Costing. CMA Balwinder Singh, ex-central council member addressed that the main object of Cost Records and Audit is to ensure optimum utilization of natural resources of the country. CMA Sanjay Malhotra, member Task Force, Committee on reduction in transaction costs, Indirect Taxes, Govt. of India discussed India's plans to rationalise state and central indirect taxes into a harmonised goods and service tax (GST), a step closer to reality. CMA Jasdeep Kaur, ex-chairperson and CMA Preet Mohinder Singh, Chairman PDC co-ordinated the conference sessions.

Southern India Regional Council

THE SIRC Regional Cost Convention, CMA Summit 2014-15 was held on December 19-20, 2014. Trivandrum Chapter of Cost Accountants organised the same on behalf of SIRC. The CMA Summit was inaugurated by CMA Dr A S Durga Prasad, President, in the presence of CMA P V Bhattad, Vice President of the Institute with CMA H Padmanabhan, Chairman, SIRC presiding over the inaugural session. Former President, CMA V Kalyanaraman, CMA N P Sukumaran, CMA B V Ramanamurthy and CMA G N Venkataraman, Council Members, CMA Dr P V S Jagan Mohan Rao, CMA D L S Sreshti, CMA Vijender Sharma, Chairman, NIRC and team of RC Members of SIRC were among the members present in the convention.

CMA Summit witnessed five technical sessions. The panel discussion on Professional Development was chaired by CMA V Kalyanaraman, Former President ICAI and SAFA. The first technical session was on the topic 'Roads/Railways/Ports/Aviation/Aero Space' with CMA G N Venkataraman, Former President ICAI as Chairman and presented by CMA B V Subramanian, PCA and Shri C R Thomas, General Manager, Rocket Propellant, VSSC, Thiruvananthapuram. The second technical session was by the ICAI-SIRC Woman's Wing and it was purely a woman's session on the topic 'Automobile Industry/Food Processing Sector in India/Garment and Apparel' chaired by Dr. Anuradha

Balaram, IES, Member Secretary, Chief Economic Advisor & Director Project Financing Cell, Kerala State Planning Board, GoK and presented by CMA S Subhashini, PCA, CMA JyothiSatish, PCA and CMA LathaVenkatesh, PCA – all Patron, ICAI-SIRC Woman's Wing. The third technical session held on the topic Agro/Capital Markets-SME Sector/Investor Protection Measures in the Equity Market chaired by Dr. A Jayathilak IAS, Chairman, Spices Board and Rubber Board, GoI presented by the team comprising of Dr. James Jacob, Director (Research) Rubber Research Institute of India (RRIL), Rubber Board, Ministry of Commerce and Industry, GoI, Sri. C Vasudevan, Senior General Manager, IPF Secretariat, BSE Limited Mumbai and Dr. Simon Thattil, University of Kerala. The fourth technical session was on the topic Energy Audit/Renewable Energy/Energy Savings in Regulatory Sector in Electricity chaired by CMA B V Ramana Murthy, former President ICAI presented by CMA S Venugopal, Director Finance, Kerala State Electricity Board (KSEB) Ltd., Dr. R Harikumar, Energy Management Centre, Head Training Division, EMC, GoI with a very special address by Shri. M Sivasankar, IAS, Chairman and Managing Director, KSEB Ltd. GoK. The fifth technical session was on the topic 'Health Care/Tourism/Wellness/Media' chaired by CMA A N Raman, former President, SAFA presented by Dr. C Suresh Kumar, Triveni Nursing Home, Shri. R P Kandelwal, Direcor Finance, HLL & Life Care Ltd, Thiruvananthapuram and Shri. P P James, President Press Club, Thiruvananthapuram and Deputy Chief Editor, Kerala Kaumudhi. CMA Dr A S Durga Prasad, President, CMA P V Bhattad, Vice President, ICAI, CMA T C A Srinivasa Prasad, Central Council Member blessed the occasion with Dr. M T Reju, IAS, CEO, ASAP Govt of Kerala, the Chief Guest of the occassion.

Coimbatore Chapter of Cost Accountants

On December 7, 2014 the Chapter arranged communication & soft skill programme for the current batch of Inter students. CMA R. Maheswaran conducted the programme at the chapter. The first students' meet of the current batch was organised at the chapter on 15 December, 2014. The Chairman of the chapter, CMA A.R. Ramasubramania Raja, Vice-Chairperson of the chapter, CMA Meena Ramji and secretary of the chapter CMA A. Hariharasubramanian interacted with the students. The need for improving communication skill was explained to the students and it was decided to conduct the students' meet every month. A PDP meeting on 'Limited Liability Partnership – an overview' was organized jointly with ICSI Coimbatore Chapter on 29 December, 2014. The Chief Guest, Sri. N. Ramanathan, Registrar of Companies, Coimbatore and special guest Sri V.E. Jose Kutty, Deputy Registrar of Companies, Coimbatore were honored and felicitated. After their brief speech on the subject, the main speaker Dr. K.S. Ravichandran gave a vivid lecture on the theme.

Hyderabad Chapter of Cost Accountants

THE Chapter conducted a career counseling programme on December 6, 2014. CMA A. Vijay Kiran, Vice Chairman of the chapter explained about the courses offered by the Institute and the prospects awaiting the CMAs. On December 11, 2014 the chapter conducted an evening session on 'Preparation of detailed project report including Structuring, Syndication and Re-structuring'. Shri Ravichandran dealt on preparation of project report and the factors that need to be considered while preparing the report. On December 14, 2014 the chapter conducted a half day morning session on 'International Financial Reporting Standards – Overview'. CA Astik was the speaker of the session who informed that clarity is getting emerged on all the standards and he listed the differences in the present accounting standards and the proposed standards. On December 18, 2014 the oral coaching classes for the batch Dec. 2014 to March 2015 were inaugurated at Rama Krishna Math. Swami Anupamanandh Maharaj and Swami Poorna Bodhamayanandaji advised the students about development of character and informed the students to devote their time to serve the society and on the same day, Institute of Practical Accountants conducted the felicitation ceremony of professionals in various fields. CMA G. Narayana Rao, Former CMD Alimco and CMA D. Zitendra Rao, practising cost accountant were felicitated for the years 2012-13 and 2013-14 respectively. Central Council Member CMA Dr PVS Jagan Mohan Rao was felicitated for his achievements in the field of Company Secretary for the year 2012-13. On December 22, 2014, Genpact conducted campus interviews for final completed students and on the same day the chapter conducted an evening session on 'Cost Audit in electricity distribution companies'. CMA M. Venkateswarlu, well experienced in preparation of the Cost Audit report of the erstwhile APTRANSCO, dealt with the length on the various items of expenditure going into the preparation of the Cost Sheet. He too discussed about the impact of the free supply of electricity to agriculture and its impact on the revenue of the Company.

Trivandrum Chapter of Cost Accountants

THE 76th Session of oral coaching classes for Intermediate course of the chapter was inaugurated by CMA Joseph Louis, chairman of the chapter on December 29, 2014 at the chapter's CMA Hall. In the inaugural address CMA Joseph Louis briefly discussed the functions of ICAI, the details of CMA course, the scope of CMA course, facilities provided to students, etc. CMA S. Hariharasubramanian, CMA Chandran K, CMA Ajith Kumar G, CMA Ajith Kumar A and Smt. Jaya R, all faculty members addressed the students and convinced them that for completion of the course persistent hard work is required. The chapter celebrated the 66th Republic Day on 26 January, 2015 at its premises. CMA Joseph Louis, chairman of the chapter hoisted the National Flag followed by National Anthem. A large number of students, members and staff participated in the solemn ceremony.

Visakhaptanam Chapter of Cost Accountants

THE Chapter inaugurated the 4th session oral classes for their foundation, intermediate and final classes recently at its premises. Chairman of the chapter CMA Prakash Uppalapati stressed on building professional competency and meeting the industry demands. CMA T. Harinarayana, secretary of the chapter, Lions Club International Director of Andhra Pradesh region V. Vijaya Kumar Raju and faculty members were among those participated in the programme.

Western India Regional Council

THE Region organized a one day workshop on business valuation with special reference to derivative financial instruments on January 3, 2015. CMA Dr Gautam Mitra conducted the workshop at the newly inaugurated premises at SMFC – Thane. Dr. Mitra emphasized the importance and demonstrated the valuation procedure of Forward, Future and Option Contract. Senior member of the institute CMA Kirit Mehta made around three hours presentation on 'The Companies (Cost Records & Cost Audit) Amendment Rules 2014' and elaborately discussed the new rule by giving special emphasis on the applicability of the said rules in various industries.

Ahmedabad Chapter of Cost Accountants

THE Chapter inaugurated function of new batch of oral coaching on December 30, 2014. Chief Guest Shri Alpeshbhai Shah, Director, Jay Chemicals Industries Ltd, provided valuable tips to students for being successful in their career and about time management. CMA R B Kothari, Chairman of the chapter, CMA P D Modh, chairman of oral coaching committee guided 'How to face challenges ahead in-front of the student', and after passing final examination in which sector students can serve. CMA Ashish Bhavsar, Secretary of the chapter proposed vote of thanks.

Surat South Gujarat Chapter of Cost Accountants

The Chapter conducted career guidance programme on December 27, 2014. There were two sessions in which CMA R Rathi, Vice Chairman of the chapter explained the career opportunities for CMA with live illustrations. Mrs. Smita Nair, professor Narmada College coordinated the seminar and CMA Jyoti Purohit also coordinated from the side of the chapter.

Navi Mumbai Chapter of Cost Accountants

The Chapter conducted its regular monthly CEP session on December 21, 2014. CMA Vivek Bhalerao, Project Manager with Tata Consultancy Services Ltd, and handling SAP-BPC projects conducted the session on 'Overview of SAP – BPC'. He is a SAP certified FICO consultant and also the past chairman of the chapter. He lucidly introduced the technical jargon involved and traced the evolution of SAP till today and demonstrated through various screen shots how Planning and Consolidation are two broad areas and how integration happens in this popular ERP system. Shri K V V S Murthy, Chairman of PD committee proposed the vote of thanks.

Pune Chapter of Cost Accountants

A FULL day seminar report on 'The Companies (Cost Records and Audit) Amendment Rules 2014' had been organized by the Chapter on January 8, 2015. CMA Chaitanya Mohrir was the master of the ceremony for the inaugural session. CMA Satish Thombre, GM Finance, Thermax Ltd explained the necessity and usefulness of Cost Records for manufacturing sector in price determination and decision making. CMA Sunil Joshi, GM Finance, DANA India Pvt. Ltd., the Chief Guest explained the Cost Audit benefits in building up systematic records immensely useful to the industry. CMA Dr Dhananjay Joshi, Past President of the Institute emphasized the necessity of having a long term view of the Cost Audit mechanism rather than keeping it exposed to the discretionary powers. CMA Dr. Sanjay Bhargave explained the applicability of Cost Accounting Records and Cost Audit. CMA Neeraj Joshi, Member, WIRC explained provisions of the Companies Act relating to appointment of Cost Auditor and filling of Cost Audit Report. CMA Dr Shilpa Parkhi, CMA Varsha Limaye and CMA Anuradha Dhavalikar explained about the maintenance of the Cost Records and fulfill the requirements as stipulated in form CRA – 1 as per the new amendment rules. CMA Amit Apte, central council member and CMA Narhar Nimkar provided complete guidance on CRA – 3 i.e. Cost Audit report and Annexure to the Cost Audit Report.

The Chapter also organised a full day seminar on the theme 'Internal Audit – Non Conventional Vistas' on January 15, 2015. Mr. Praveen Agarwal, Executive Vice President & CFO Piaggio Vehicles Pvt. Ltd. mentioned that the beginning of his career started from internal audit which gave him complete insight into the business operations. Chief Guest for the seminar, Mr. Shrikrishna Sumant, President, Institute of Internal Auditors – Pune Audit Club explained about the role of Internal Audit changing over a period of time and also discussed the areas viz. Risk Assessment, Risk Management, Corporate Governance which are closely associated with the functions of Internal Audit. CMA V.S. Date was the guest of honor and he briefly compared the in house internal auditor and the internal auditor of an outside professional firm. CMA Dr. Dhananjay Joshi stressed the importance of internal audit as a measurement for improving the operations, the performance and the efficiency of an enterprise. CMA Ashish Thatte, immediate past chairman, WIRC explained the provisions and scope of internal audit under the new Companies Act. CMA Amit Apte, Central Council Member explained the importance of documentation and skill sets required for report writing and presentations to various levels of Management including presentation to Board of Directors. CMA Advocate Neeraj Aarora delivered his presentation on Forensic Audit and explained the concept of the same. He also discussed the knowledge and skill sets required to carry out such audits. CMA Vijay Joshi, past chairman, WIRC explained the requirement of internal audit of cost records. CMA Neeraj Joshi, WIRC Member gave an excellent presentation on ERP environment and systems Audit. Mr. Sandeep Gadia explained and demonstrated with live illustrations, latest crimes related to cell phone technology.

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

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

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

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

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

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

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

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

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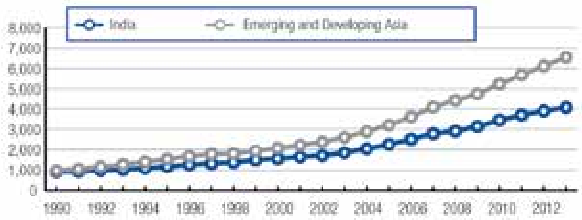
Global Competitiveness Index 2014-15

INDIA

Key indicators, 2013

Population (millions)	1,243.3
GDP (US$ billions)	1,870.7
GDP per capita (US$)	1,505
GDP (PPP) as share (%) of world total	5.83

GDP (PPP) per capita (int'l $), 1990–2013



Global Competitiveness Index

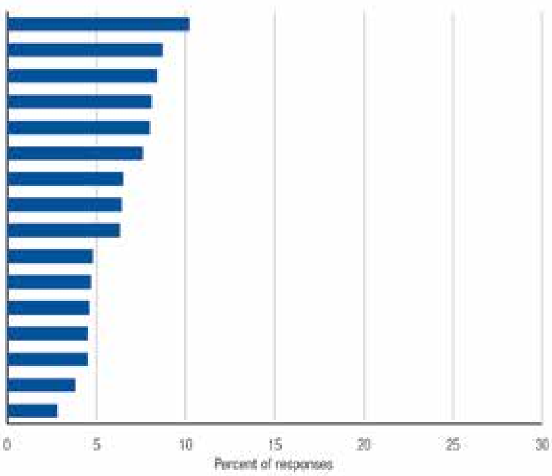
	Rank (out of 144)	Score (1–7)
GCI 2014–2015	**71**	**4.2**
GCI 2013–2014 (out of 148)	60	4.3
GCI 2012–2013 (out of 144)	59	4.3
GCI 2011–2012 (out of 142)	56	4.3
Basic requirements (60.0%)	**92**	**4.2**
Institutions	70	3.8
Infrastructure	87	3.6
Macroeconomic environment	101	4.2
Health and primary education	98	5.4
Efficiency enhancers (35.0%)	**61**	**4.2**
Higher education and training	93	3.9
Goods market efficiency	95	4.1
Labor market efficiency	112	3.8
Financial market development	51	4.3
Technological readiness	121	2.7
Market size	3	6.3
Innovation and sophistication factors (5.0%)	**52**	**3.9**
Business sophistication	57	4.2
Innovation	49	3.5

Stage of development

1	Transition 1–2	2	Transition 2–3	3
Factor driven		Efficiency driven		Innovation driven

The most problematic factors for doing business

Access to financing	10.2
Tax rates	8.7
Foreign currency regulations	8.4
Inadequate supply of infrastructure	8.1
Corruption	8.0
Inefficient government bureaucracy	7.6
Restrictive labor regulations	6.5
Government instability/coups	6.4
Inadequately educated workforce	6.3
Policy instability	4.8
Poor work ethic in national labor force	4.7
Crime and theft	4.6
Tax regulations	4.5
Inflation	4.5
Insufficient capacity to innovate	3.8
Poor public health	2.8



Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Source: World Economic Forum, The Global Competitiveness Index Report 2014-15

The Global Competitiveness Index in detail

INDIA

	INDICATOR	VALUE	RANK/144
	1st pillar: Institutions		
1.01	Property rights	4.1	73
1.02	Intellectual property protection	3.7	65
1.03	Diversion of public funds	3.4	60
1.04	Public trust in politicians	3.4	50
1.05	Irregular payments and bribes	3.5	93
1.06	Judicial independence	4.2	50
1.07	Favoritism in decisions of government officials	3.4	49
1.08	Wastefulness of government spending	3.5	49
1.09	Burden of government regulation	3.6	59
1.10	Efficiency of legal framework in settling disputes	3.8	57
1.11	Efficiency of legal framework in challenging regs.	3.8	43
1.12	Transparency of government policymaking	4.0	64
1.13	Business costs of terrorism	4.0	125
1.14	Business costs of crime and violence	3.8	98
1.15	Organized crime	4.0	114
1.16	Reliability of police services	3.8	68
1.17	Ethical behavior of firms	3.8	88
1.18	Strength of auditing and reporting standards	4.2	102
1.19	Efficacy of corporate boards	4.3	94
1.20	Protection of minority shareholders' interests	4.1	76
1.21	Strength of investor protection, 0–10 (best)*	6.3	34
	2nd pillar: Infrastructure		
2.01	Quality of overall infrastructure	3.7	90
2.02	Quality of roads	3.8	76
2.03	Quality of railroad infrastructure	4.2	27
2.04	Quality of port infrastructure	4.0	76
2.05	Quality of air transport infrastructure	4.3	71
2.06	Available airline seat km/week, millions*	3,488.0	12
2.07	Quality of electricity supply	3.4	103
2.08	Mobile telephone subscriptions/100 pop.*	70.8	121
2.09	Fixed telephone lines/100 pop.*	2.3	118
	3rd pillar: Macroeconomic environment		
3.01	Government budget balance, % GDP*	-7.3	129
3.02	Gross national savings, % GDP*	32.7	18
3.03	Inflation, annual % change*	9.5	133
3.04	General government debt, % GDP*	66.7	110
3.05	Country credit rating, 0–100 (best)*	57.8	55
	4th pillar: Health and primary education		
4.01	Malaria cases/100,000 pop.*	1,536.4	44
4.02	Business impact of malaria	3.6	61
4.03	Tuberculosis cases/100,000 pop.*	176.0	113
4.04	Business impact of tuberculosis	3.7	135
4.05	HIV prevalence, % adult pop.*	0.3	59
4.06	Business impact of HIV/AIDS	3.7	132
4.07	Infant mortality, deaths/1,000 live births*	43.8	115
4.08	Life expectancy, years*	66.2	110
4.09	Quality of primary education	3.6	88
4.10	Primary education enrollment, net %*	93.3	78
	5th pillar: Higher education and training		
5.01	Secondary education enrollment, gross %*	68.5	106
5.02	Tertiary education enrollment, gross %*	24.8	87
5.03	Quality of the education system	4.2	45
5.04	Quality of math and science education	4.2	67
5.05	Quality of management schools	4.4	56
5.06	Internet access in schools	3.8	87
5.07	Availability of research and training services	4.2	64
5.08	Extent of staff training	3.9	77
	6th pillar: Goods market efficiency		
6.01	Intensity of local competition	4.8	91
6.02	Extent of market dominance	4.2	36
6.03	Effectiveness of anti-monopoly policy	4.4	43
6.04	Effect of taxation on incentives to invest	3.9	49
6.05	Total tax rate, % profits*	62.8	130

	INDICATOR	VALUE	RANK/144
	6th pillar: Goods market efficiency *(cont'd.)*		
6.06	No. procedures to start a business*	12	131
6.07	No. days to start a business*	27.0	106
6.08	Agricultural policy costs	3.9	60
6.09	Prevalence of trade barriers	4.1	100
6.10	Trade tariffs, % duty*	12.4	124
6.11	Prevalence of foreign ownership	4.2	98
6.12	Business impact of rules on FDI	4.2	93
6.13	Burden of customs procedures	3.9	75
6.14	Imports as a percentage of GDP*	31.7	112
6.15	Degree of customer orientation	4.0	110
6.16	Buyer sophistication	3.8	38
	7th pillar: Labor market efficiency		
7.01	Cooperation in labor-employer relations	4.1	90
7.02	Flexibility of wage determination	4.4	113
7.03	Hiring and firing practices	4.1	47
7.04	Redundancy costs, weeks of salary*	15.8	75
7.05	Effect of taxation on incentives to work	3.9	45
7.06	Pay and productivity	4.0	69
7.07	Reliance on professional management	4.2	77
7.08	Country capacity to retain talent	3.9	42
7.09	Country capacity to attract talent	3.8	46
7.10	Women in labor force, ratio to men*	0.36	133
	8th pillar: Financial market development		
8.01	Availability of financial services	4.2	83
8.02	Affordability of financial services	4.1	73
8.03	Financing through local equity market	4.0	39
8.04	Ease of access to loans	3.6	29
8.05	Venture capital availability	3.5	20
8.06	Soundness of banks	4.3	101
8.07	Regulation of securities exchanges	4.3	62
8.08	Legal rights index, 0–10 (best)*	8	29
	9th pillar: Technological readiness		
9.01	Availability of latest technologies	4.1	110
9.02	Firm-level technology absorption	4.2	102
9.03	FDI and technology transfer	4.2	95
9.04	Individuals using Internet, %*	15.1	115
9.05	Fixed broadband Internet subscriptions/100 pop.*	1.2	103
9.06	Int'l Internet bandwidth, kb/s per user*	6.8	107
9.07	Mobile broadband subscriptions/100 pop.*	3.2	114
	10th pillar: Market size		
10.01	Domestic market size index, 1–7 (best)*	6.2	3
10.02	Foreign market size index, 1–7 (best)*	6.4	4
10.03	GDP (PPP$ billions)*	5,069.2	3
10.04	Exports as a percentage of GDP*	24.9	113
	11th pillar: Business sophistication		
11.01	Local supplier quantity	4.6	72
11.02	Local supplier quality	4.2	78
11.03	State of cluster development	4.5	27
11.04	Nature of competitive advantage	3.9	44
11.05	Value chain breadth	4.1	43
11.06	Control of international distribution	4.2	50
11.07	Production process sophistication	4.0	62
11.08	Extent of marketing	4.1	81
11.09	Willingness to delegate authority	3.9	57
	12th pillar: Innovation		
12.01	Capacity for innovation	4.0	48
12.02	Quality of scientific research institutions	4.0	52
12.03	Company spending on R&D	3.8	30
12.04	University-industry collaboration in R&D	3.9	50
12.05	Gov't procurement of advanced tech products	3.5	61
12.06	Availability of scientists and engineers	4.4	45
12.07	PCT patents, applications/million pop.*	1.5	61

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). For further details and explanation, please refer to the section "How to Read the Country/Economy Profiles" on page 101.

Source: World Economic Forum, The Global Competitiveness Index Report 2014-15

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

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

CIRCULAR

Sub: Payment of student fee through STATE BANK OF INDIA

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

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

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

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

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

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

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

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

CIRCULAR

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

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

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

(A) Foundation Course:

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

Accordingly the revised time line for Foundation Course are:

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

Example:

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

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

(B) Intermediate and Final Course:

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

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

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

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

Example:

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

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

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

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

****

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

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

(Chiranjib Das)

Joint Director, Head - Academics & Tax Research Department

& In-Charge of Directorate of Studies

Theme topics of *The Management Accountant* issues for the years: 1994 - 2014

Year	Month	Theme
1994	January	Globalisation
	February	Globalisation
	March	Globalisation & Pharmaceuticals
	April	Globalisation & Union Budget
	May	Trade & Tariff
	June	Environment & Accounting
	July	Capital Market & Market Economy
	August	Financial Reporting Transparency
	September	Profession in Global Perspective
	October	In Search of Excellence: Organisation and Management
	November	The Change Process: Industry and Manufacturing
	December	Capital and Financial Market
1995	January	The Vision of 21st Century
	February	Technology & Management Accounting
	March	Business Reengineering & Cost Management
	April	Union Budget 1995-96
	May	Industry & Management Accounting
	June	Banking & Finance
	July	Corporate Strategies & Practices
	August	Audit & New Perspective
	September	Strategic Management
	October	Human Resource Management
	November	Project & Capital
	December	Transport Sector Management
1996	January	Strategic Management Accounting
	February	Efficiency & Quality Management
	March	Finance & Financial Health
	April	Taxation & Tax Costing
	May	Steel Issue
	June	Productivity & Value Accounting
	July	Capital Market & Financing
	August	Strategic Cost & Management Accounting
	September	Optimisation & Technology
	October	Emerging vision of Management
	November	Valuation & Accounting
	December	Benchmarking & Performance Measurement
1997	January	Communication & Management Accounting
	February	Business & Environment
	March	Transfer Pricing
	April	Union Budget
	May	Emerging Concepts in Capital Market
	June	Corporate Strategy & Globalisation
	July	Human Capital
	August	Productivity in health care
	September	Environment and Accounting
	October	Changing Horizon of Accounting
	November	Banking & Financing
	December	Value addition as measure of performance
1998	January	Education & Human Resources
	February	Accounting & TCM for globalization
	March	Brand equity & brand accounting
	April	Marketing Finance & Marketing Management
	May	Performance & Profitability
	June	Corporate Governance
	July	Special Overseas Issue
	August	Golden Jubilee of Indian Independence
	September	Cost Management in Technology & Manufacturing
	October	Risk Profile & Risk Management
	November	Profitability & Efficiency
	December	Special Issue: Power Sector
1999	January	Cost Management & Activity Based Costing
	February	Buyback of Shares
	March	Liquidity, Productivity & Profitability
	April	Management in IT Era
	May	Economics of Transport & Communication
	June	Environment: Accounting and Impact
	July	Profitability & Performance
	August	Human Resources & Intellectual Capital
	September	Capital Flow & Capital Management
	October	Risk Analysis & Risk Management
	November	Insurance
	December	E. Commerce: the emerging buisness future
2000	January	New Millennium: The Infotech Age
	February	Asset Securitisation
	March	Value Creation & Strategy
	April	Communications Infrastructure
	May	New Dimensions of Accounting & Accounting Standards
	June	Environment: Valuation & Accounting
	July	Corporate Governance and Ethics
	August	Corporate Profitability & Corporate Growth
	September	Human Resources: Accounting & Disclosure
	October	Corporate Governance & Corporate Culture
	November	Costing in Helath & Agriculture Supplement on MoU of three Institutes
	December	IT in Management Accountancy
2001	January	Value Management in Economic and Competitive Environment

	February	Effective Cost Management
	March	Budget-2001
	April	Economic Management in Agriculture & Agro Industry
	May	Banking and Financial Institutions
	June	Power and Energy Sector
	July	Knowledge & Human Resource
	August	Activity Based Costing and Management
	September	Accounting & Taxation in Cyberspace
	October	Accounting Information & Financial Reality
	November	Banking
	December	Productivity and Enterprises
2002	January	Power & Knowledge Sector
	February	Business Financing: Risks and Strategies
	March	Cost effectiveness of Advertisement
	April	Data Mining
	May	Resource and Risk Management
	June	Information Technology
	July	Information Security & Information Value
	August	New Millennium Cost & Management Accounting
	September	Strategic Management Perspective
	October	Segment Reporting
	November	Industry & Performance
	December	Costing & Cost Audit in Telecom
2003	January	Globalising Cost Management & Management Accounting
	February	Enterprise Risk Management
	March	Forensic Accounting
	April	Transfer Pricing
	May	Public Sector Disinvestment
	June	Environment & Environment Accounting
	July	Business Excellence and Business Process
	August	Governance and Competitiveness
	September	Pricing & Industry
	October	Innovation & Knowledge Management
	November	Cost Management of New Millennium
	December	Cost Audit in Aviation Industry
2004	January	Business Process Outsourcing
	February	Insurance & Insurance Pricing
	March	Intellectual Capital & Human Resources
	April	Supply chain management
	May	Working Capital & Liquidity Management
	June	BPO in Global Perspective
	July	Working capital and cash flow
	August	Union Budget 2004

	September	Supply Chain Management
	October	Managing the future(s)
	November	Inventory & operations Cost Strategy
	December	Mergers & Acquisitions
2005	January	World Trade Organization
	February	Value added tax
	March	Union Budget 2005
	April	Environmental Accounting
	May	VAT revisited
	June	Environment & Disaster Management
	July	Transfer Pricing
	August	Corporate Governance
	September	Business Process Outsourcing
	October	Mergers & Acquisitions
	November	Risk Management
	December	Insurance Sector
2006	January	Fringe benefit Tax
	February	Human Resource Accounting
	March	Union Budget 2006
	April	Forensic Accounting
	May	Banking & Risk Management
	June	Environment & Environmental Accounting
	July	Information Efficiency of Market
	August	BPO & India
	September	Merger & Acquisition Revisited
	October	Inventory Management
	November	Corporate Governance Revisited
	December	Knowledge Assets & Knowledge Process
2007	January	WTO & GATS
	February	Benchmarking
	March	Agricultural Cost & Productivity
	April	Banking Products & Pricing
	May	Reverse Mortgage
	June	Environment & Biodiversity
	July	Knowledge Management
	August	Corporate Governance in Engineering Industry
	September	Value at Risk & Risk Management
	October	Retail Revolution
	November	Corporate Governance in Banking
	December	Repositioning the Management Accountant
2008	January	Knowledge Management
	February	Enterprise Engineering
	March	Natural Gas Transportation
	April	Cost Audit & Globalisation
	May	Hedge Fund & Equity Based Investment

	June	Environmental Management Accounting
	July	Cost & Management Accountant An Entrepreneur
	August	Sub Prime Crisis: Lessons for India
	September	BPO Industry: the way ahead
	October	The Economics of Environment
	November	Micro Finance - The Next Big Thing
	December	Accounting - The Way Ahead
2009	January	Human Resource Accounting
	February	Motto of ICAI: Promote Profit with Integrity
	March	Corporate Governance
	April	SMEs: Engine of Indian Growth
	May	SEZ: Path Towards Progress
	June	Applications of Information Technology
	July	Retailolution
	August	Recent Developments in Finance
	September	Costing Techniques
	October	Banking Business
	November	Taxation Matters
	December	Business Strategy
2010	January	Business Valuation
	February	Social Security
	March	Financial Inclusion
	April	Budget 2010: Growth Strategy for 2020
	May	Cost & Strategic Management for Growth of SME Sector
	June	Role of Cost & Management Accountants - Under Direct Tax Code
	July	Role of Cost & Management Accountants in GST Regime
	August	CMAs in Transport & Logistics Sector
	September	Derivatives Simplified
	October	Green Gains
	November	CMAs in Pharmaceutical Sector
	December	CMAs in Telecom Sector
2011	January	CMA s in Energy Sector
	February	Education & Empowerment
	March	Public Private Partnership
	April	CMAs in IFRS Sector
	May	Crisis Management in Infrastructure Sector
	June	CMAs in Insurance Sector
	July	Total Cost Management
	August	Risk Management in Financial Services

	September	CMAs in Hospitality Management
	October	Behavioural Finance
	November	CMA's in Service Sector
	December	Role of CMA's in Business Valuation
2012	January	Financial Inclusion
	February	Innovations in Finance
	March	Sustainable Growth
	April	Cost Accounting Models for Pricing
	May	Arm's Length Pricing: Role of CMAs
	June	FDI in Multi-Brand Retail
	July	Green Audit
	August	Performance Management
	September	Social Audit
	October	Ethical Governance
	November	Accounting for Intellectual Capital
	December	Enterprise Resource Planning-Role of CMAs
2013	January	Infrastructure Financing
	February	New Pricing Models
	March	Return on talent
	April	Cost Competitiveness: Role of CMAs
	May	Empowering SMEs for sustainable growth
	June	Corporate Social Responsibility
	July	Supply chain Management
	August	Cost Audit & Compliance
	September	Health Sector imperatives for CMAs
	October	Enterprise Risk Management
	November	Companies Act 2013: Rules may force COs to rethink CSR
	December	Financial stability of Panchayati Raj Institutions
2014	January	Strategic Cost Management in Banking and Insurance
	February	Economics of the Power Sector
	March	Strategic Cost Management in Transport and Logistics
	April	Cost Management in Education Sector
	May	Price and Cost Competitiveness
	June	Ethics of Accountants
	July	Government Accounting and the Role of CMAs
	August	Cost Accounting standards and its economic implications
	September	Forensic Accounting and Audit
	October	Urban Development & Economic Growth
	November	Agriculture & the Indian Economy
	December	Strengthening Human Resource Building the Nation

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The Institute of Cost Accountants of India (ICAI) is a statutory body set up under an Act of Parliament in 1959. The Institute, as a part of its obligation, regulates the profession of Cost and Management Accountancy. The Institute also believes that cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting are the key drivers of the profession. ICAI is headquartered in Kolkata. It has four Regional Councils in Kolkata, Delhi, Mumbai and Chennai and 96 Chapters in important cities in India and nine Overseas Centres. The Ministry of Corporate Affairs, Government of India, has administrative control of the Institute.

the MANAGEMENT ACCOUNTANT

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