THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

ISSN 0972-3528

February 2019 | VOL 54 | NO. 02 | Pages - 124 | ₹ 100

UGC APPROVED JOURNAL

CONTEMPORARY ISSUES IN CORPORATE GOVERNANCE

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** (erstwhile The Institute of Cost and Works Accountants of India) was 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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FEBRUARY 2019

February VOL 54 NO.2 ₹100

We have expanded our Readership from 1 to 94 Countries

Afghanistan, Algeria, Argentina, Australia, Azerbaijan, Bahrain, Bangladesh, Belgium, Benin, Botswana, Brazil, British Indian Ocean Territory, Bulgaria, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Djibouti, Egypt, France, Gambia, Germany, Ghana, Great Britain, Greece, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Liberia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nigeria, Oman, Pakistan, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Vietnam, Zaire, Zimbabwe.

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

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PRINTER & PUBLISHER - Dr. Ketharaju Siva Venkata Sesha Giri Rao
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

PRINTED AT - Spenta Multimedia Pvt. Ltd., Plot 15, 16 & 21/1 Village - Chikhloli, Morivali, MIDC, Ambernath (West), Dist: Thane - 421505
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

PUBLISHED FROM - The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal

CHAIRMAN, JOURNAL & PUBLICATIONS COMMITTEE - CMA Dr. I Ashok

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The Management Accountant technical data

Periodicity : Monthly
Language : English

Overall Size: - 26.5 cm x 19.5 cm

Subscription
Inland: ₹1,000 p.a or ₹100 for a single copy
Overseas: US$ 150 by airmail

Concessional subscription rates for registered students of the Institute:
₹300 p.a or ₹30 for a single copy

The Management Accountant Journal is Indexed and Listed at:

- Index Copernicus and J-gate
- Global Impact and Quality factor (2015):0.563
- UGC enlisted journal [Journal No. 42202]

EDITORIAL

Greetings!!!

Corporate governance is the system of rules, practices and processes by which companies are directed and controlled. Board of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. Since corporate governance also provides the framework for attaining company's objectives, it encompasses practically every sphere of management, from action plan and internal control to performance measurement and corporate disclosure.

Transparency in corporate governance is essential for the growth, profitability and stability of any business or organization. The need for good corporate governance has intensified due to growing competition amongst businesses in all economic sectors at the national, as well as international level.

The **Indian Companies Act of 2013** introduced some progressive and transparent processes which benefit stakeholders, directors as well as the management of companies. Corporate advisory services are offered by advisory firms to efficiently manage the activities of companies to ensure stability and growth of the business, maintain the reputation and reliability for customers and clients. Corporate governance ensures strict and efficient application of management practices along with legal compliance in the continually changing business scenario in India.

Corporate governance was also guided by Clause 49 of the Listing Agreement before introduction of the Companies Act of 2013. As per the new provision, SEBI has approved certain amendments in the Listing Agreement so as to improve the transparency in transactions of listed companies and giving a bigger say to minority stakeholders in influencing the decisions of management.

Global opportunities and growth mean global corporate governance responsibilities. New levels of accountability have elevated the concerns at board level of ensuring that effective, robust and reliable governance and compliance tools are in place and being utilized.

Effective monitoring of actions under the policy on Corporate Governance by the Board of Directors will enhance the organization's capabilities as well as promote healthy competition and ensure sustainable development, both in the short and long term, by providing assurance to investors, financial institutions and business partners. This will in turn lead to increased value to shareholders, as well as to other stakeholders in terms of social and environmental aspects.

Accounting is one of the beneficial tools of corporate governance and the gatekeeper of governance and financial reporting. Through accurate, thorough and honest accounting, organizations can make wise decisions about investment, growth and operations. Cost and Management Accountants help company leaders to manage money, prioritize and take concrete financial action.

Corporate Governance is concerned with holding the balance between economic and social goals. The Corporate Governance Framework is there to encourage the efficient use of resources and focuses on the ethical practices of the business and the responsiveness of an organization to its stakeholders and the environment in which it operates. E-Governance is basically effective and efficient utilization of the information technology and telecommunications in effectively monitoring the performance and functioning of an organization. In the corporate sector, this would mean the efficient, transparent and convenient services for the betterment of corporation and to secure efficiencies in the regulations and stakeholders' participation in corporate decision making.

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

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

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

Theme: March 2019 — Artificial Intelligence – An Emerging Trend of Technology

Subtopics

- ✦ Artificial Intelligence AI: New Horizons for Cost Estimation and Modeling
- ✦ The Digital Transformation of Accounting and Finance - AI, Robotic Process Automation and Chatbots
- ✦ AI in Project Management
- ✦ AI in Powered Banking Sector
- ✦ AI and Robotics: Redrawing the Healthcare Landscape
- ✦ AI - a catalyst for reducing cost in Digital Marketing
- ✦ AI - reshaping the contour of Supply-Chain and Logistics Industry
- ✦ Role of CMAs

Theme: April 2019 — Public Sector Accounting

Subtopics

- ✦ Public Sector Accounting and Financial Reporting: Today and Tomorrow
- ✦ Public Sector Accounting System and Public Governance
- ✦ Developments and Challenges in Public Sector Accounting
- ✦ Ethics and Integrity in Public Sector Accounting
- ✦ Pros and Cons regarding International Public Sector Accounting Standards (IPSAS) implementation in the Public Sector
- ✦ The Impact of International Financial Reporting Standards (IFRS) adoption on Public Sector Financial Statements
- ✦ Reforms in Public Sector Accounting
- ✦ Strengths and Weaknesses of existing system of Public Sector Accounting in India
- ✦ Role of CMAs

Theme: May 2019 — Big Data Analytics in Accounting and Auditing

Subtopics

- ✦ Big Data Analytics in Financial Reporting and Accounting
- ✦ Big Data in Business Analytics: Implications for the Audit Profession
- ✦ Big Data Analytics: Opportunity or Threat for the Accounting Profession
- ✦ Leveraging Big Data Analytics for Auditing: Towards a Taxonomy
- ✦ Big Data Analytics as KPIs (Key Performance Indicators) in Managerial Accounting
- ✦ Using Bots to Reduce Errors and Complete Time-consuming Accounting Tasks
- ✦ Current Practices of Data Analytics in Internal Audit and its Impact
- ✦ Data Analytic Competencies in the Accounting Curriculum from the Perspective of Academicians/Practitioners
- ✦ Role of CMAs in Data Analytics

Theme: June 2019 — Industry 4.0: Leveraging for Efficiency, Adaptability, Productivity

Subtopics

- ✦ Industry 4.0: Opportunities & Constraints
- ✦ Implementation of Industry 4.0 and its impact in the supply chain
- ✦ Smart & Digital Future for the Indian Manufacturing Industry
- ✦ Upskilling for Industry 4.0
- ✦ Understanding the new energy landscape and what it means for industrial users
- ✦ Industry 4.0 for SMEs: Start Small, Scale up
- ✦ The Fourth Industrial Revolution and its impact on India's job creation
- ✦ Role of CMAs

The above subtopics are only suggestive and hence the articles may not be limited to them only.

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

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PRESIDENT'S COMMUNIQUÉ

"Take risks in your life. If you win, you can lead, if you lose, you can guide."

-- Swami Vivekananda

CMA AMIT ANAND APTE
President
The Institute of Cost Accountants of India

My Dear Professional Colleagues,

Namaskaar!!!

59th National Cost Convention & SAFA Events in Pune

I congratulate CMA Fraternity across the globe for the success of the 59th NCC 2019 during its Platinum Jubilee Year on the theme **"Cost & Management Accountants - Power of the Past – Force of the Future"** on 20th & 21st January, 2019 at Hotel JW Marriott, Pune. **Dr. Abhay Firodia, Chairman, Force Motors Limited** inaugurated the 59th NCC as the **Chief Guest** and **Dr. Deepak Tilak** was the **Guest of Honour** of the inaugural session. The Chief Guest also released following publications of the Institute – "Knowledge Pack of NCC 2019", "Guidance Note on Corporate Insolvency Resolution Process", "Guidance Note on Block Chain Technology, "Guidance Note on Electricals and Electronics Industry", "Compilation of Response to Queries by Technical Cell (Cost Audit, Compliance and others)".

Large number of delegates from the country and abroad have actively participated in the Annual National event of the Institute to make it a grand success. I am especially glad to inform that over 4200 watched the event live on our YouTube Channel. I am very thankful to all dignitaries, guests and speakers, my council colleagues, members of regional councils and chapters, past presidents, sponsors, members, students, press & media, foreign delegates, Institute's staff and each one of you for the grand success of this historic event.

Brief Highlights of NCC:

Inaugurating the 59th NCC 2019 of the Institute, **Dr. Abhay Firodia**, Chairman, Force Motors Limited said that in India, CMAs are seen as ice bergs, you see very little on top and there is a lot underneath that you don't normally see and that is what matters, CMAs have in-depth knowledge of analyzing and evaluation of businesses. He urged the Institute to take necessary steps to prepare industry wise comparative cost analysis for the purpose of not only comparing cost of various activities of an enterprise but also with the different economies of the world. To analysis and point out where the cost of our economy lies and how to bring it down to the international level so that policies can be formulated to encourage the same. This will enable the CMA profession to rise as Cost Consultants rather than Cost Accountants.

Message from Shri Suresh Prabhu

A video message from Shri Suresh Prabhu, Hon'ble Minister of Commerce & Industry and Civil Aviation to all the delegates and CMA professionals was also played during the inaugural session.

SAFA Events held in Pune

The Institute also hosted various SAFA events on the sidelines of the NCC during 20-22 January 2019 at Pune. The Inauguration of SAFA events was held on 21st January 2019 at JW Marriott Hotel, Pune. **Shri Anil Shirole, Hon'ble Member of Parliament of Pune** graced the occasion as the **Chief Guest** of the Inaugural session. Souvenir of NCC 2019 was released at the hands of Hon'ble Chief Guest. During his speech, he congratulated the Institute for its Platinum Jubilee year celebrations and appreciated the work of SAFA as a forum of professional accountancy bodies is committed to positioning, maintaining and developing the accountancy profession in SAARC Region countries. While talking about the Cost and Management profession, he mentioned that the purpose of cost accountants is not merely generating periodical financial reports but also to identify the cost per unit of every product, process and project undertaken. He further added that in any business, costing is important to determine pricing of products & services and the role of Cost Accountants is critical as this work cannot be done by just ordinary accountant. In his concluding remark, he said that it is evident that the role of Cost Accountants is crucial in creating system and ensuring its efficient operations from time to time and I am confident that members of the Institute of Cost Accountants would be able to handle this task efficiently.

The Hon'ble Chief Guest also felicitated the Presidents of various SAFA Member bodies i.e. Pakistan, Nepal, Sri Lanka and Bangladesh during the inaugural session.

SAFA Board & Committee meeting held on 21st January 2019:

Various SAFA Committee meeting and 57th SAFA Board & 90th Assembly meeting were held on 21st January 2019 at JW Marriott Hotel, Pune. The meetings were attended by the Heads of Members Bodies of India, Sri Lanka, Pakistan, Bangladesh and Nepal.

SAFA Quiz and Elocution Contest 2019 and SAFA BPA Awards ceremony held on 22nd January 2019:

I am happy to share that the Institute organized the SAFA Quiz and Elocution contest 2019 at Pune Chapter of the Cost Accountants, CMA Bhawan, Pune on 22nd January 2019. Students nominated by various SAFA member bodies participated in the Contest. Winners and Runner ups of both contests were awarded for their performance. Thereafter, the presentation ceremony of SAFA BPA Awards and SAARC Anniversary Awards for Corporate Governance Disclosures was organized in the evening of 22nd January 2019 at Pune Chapter of the Cost Accountants, CMA Bhawan, Pune. The Chief Guest for the Awards Ceremony, **Dr. Ashok Ramkrishna Joshi, Honorary Director General, Indian Institute of Cost and Management Studies & Research (IndSearch), Pune** presented a total of 88 awards in various categories to the awardees.

Global Student's Summit 2K19

I am glad to inform that the Institute is organising its first Global Student's Summit 2K19 on the theme "CMAs - Today's Student, Tomorrow's Executive" at Thrissur, Kerala on 6th & 7th February 2K19. This Global Student's Summit will host Students from various parts of the country and abroad, participating in Brain storming sessions on Motivation, Leadership, Career Grooming, Management Competitions, Paper Presentation, Quiz Biz and Elocution Talents.

The Regions, Chapters, Overseas Centres, ROCCs and CMA Support Centers are requested to kindly take up with the students of your area/locality to actively participate in Global Student's Summit 2K19 in large numbers. I am very much sure that with your support and efforts, the Global Student's Summit 2K19 shall be a grand success.

Career Counselling

I am happy to inform that the Institute has collaborated with Commerce Teachers Foundation (CTF) for "Commerce Education & Beyond: Reinforcing Young Minds" entered into a Strategic Partnership primarily for the International Commerce Olympiad which is intended to help the school students of class XI & XII to evaluate their inner abilities, interests, talents and personality traits to develop and achieve realistic academic, professional and career goals.

We have also planned other Career Counseling activities to help the school students to make an informed choice while deciding upon the future choice of subjects / career; and for those who want to discover their field of aptitude and interest.

CTF's 10th International Commerce Olympiad was conducted in November 2018 in two phases on different dates i.e.16th November and 30th November 2018 wherein 458 schools from 108 cities participated, 28277 students appeared for the ICO. Result was declared in January 2019, wherein 17534 students qualified the test. The Institute and CTF will be felicitating the meritorious students and teachers after their forthcoming school examination.

I am happy to share that Chairman, Training & Education Facilities and Placement Committee of the Institute attended a Career counselling event organised by Synergy Youth Club (a not for profit organisation) on 11th January 2019 at Mumbai. He addressed the students about the importance of CMA Course, its career path and current need of CMA qualified candidates in the Corporate World. In the event, Mr. Ramesh G. Iyer, CEO of Mahindra and Mahindra Financial Services Ltd. and Managing Director of Mahindra Group of Companies also addressed the students about what is required to start career and reach to success.

Career Conclave at New Delhi

The Institute participated in four days Career Conclave during 28th January 2019 to 31st January 2019 at Thyagraj Stadium, New Delhi organised by Department of Education Delhi Government inaugurated by the Hon'ble Shri Manish Sisodiya, Deputy Chief Minister of Delhi. Around 10,000 students attended this conclave wherein students of class XII were given guidance on the CMA Course Curriculum, nearly 3000 students of expressed their keen interest in the CMA course.

Committee on Public Finance & Government Accounting

The Committee organized a programme on the theme "A perspective to Economic Reforms in India" wherein deliberations by experts in Insolvency & Bankruptcy Code 2016 and Goods & Services Tax on 13th January 2019 at Noida. There was overwhelming participation.

The Committee conducted a Seminar on 'Costing in Government Sector' on 17th January 2019 at Scope Convention Centre, New Delhi. The deliberations were well appreciated.

Directorate of Advanced Studies

I am happy to inform that Directorate of Advanced Studies has launched three new courses - Certificate Course in Forensic Audit, Control and Certificate Course in Data Analytics and Certificate Course in IS Audit (Revised) during National Cost Convention 2019.

Directorate of CAT

I am pleased to inform that Directorate of CAT of the Institute has organized Region wise Interactive Sessions with Recognized Oral Coaching Centres (ROCCs) and Chapters conducting classes of CAT Course on the theme "Building Career through Accounting Skills" at Delhi, Kolkata, Pune and Trivandrum for bringing inclusive growth for all CAT stakeholders through an interactive discussion and also the strategies to be formulated for expanding awareness of the course.

Chairman - CAT Committee addressed the stake holders in all the four locations. In Trivandrum, my council colleagues appreciated the support extended by Government of Kerala for ASAP Project and also deliberated on the development of CAT Course. In Pune, I also deliberated on the issues like extending Career Awareness among the young students, Training & Placement of CAT students, syllabus revision to suit the industry requirements for junior accountants and the action plan to be carried out for developing the skill course.

I am happy to inform that the CAT course in Kerala has reached the 6th year successfully through Additional Skill Acquisition Programme (ASAP) project of Government Kerala. On the 18th January 2019, Chairman – CAT Committee met the CEO of ASAP, Mrs Reetha S Prabha, IAS and discussed about the matters of concern and requested to extend MoU with Government of Kerala for two more years.

Directorate of Studies (Placement)

I am happy to inform that Directorate of Studies (Placement) has conducted Winter Campus Placement Program for June 2018 pass out Batch at Delhi and Mumbai in the month of January 2019. We have also planned for organizing Winter Campus Placement at other locations also.

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

The Insolvency Professional Agency of the Institute organized various Round table Interactions and workshops during the month on: Valuation - Past, Present and Future, Valuation of Stressed Assets and concept, process, tools and practical aspects of Forensic Audit.

IPA jointly with ICSIIIP has also organized a National Conclave on Corporate Insolvency and Valuation at Pune.

I attended the seventh meeting of the "Committee to advise on valuation matters" held on 11th January 2019 at the office of the Insolvency and Bankruptcy Board of India, New Delhi.

I am pleased to share that representative from the Institute attended the Insolvency Law Committee Meeting called by Ministry of Corporate Affairs to discuss the powers of IBBI on inspection and investigation on 31st January 2019 at New Delhi.

Membership Department

I welcome with pleasure all the 129 new Associate members and 18 members who were upgraded to Fellowship during the month of January 2019.

As indicated in my earlier communiqué, an advisory for renewal of CoP for the financial year 2019-20 has been hoisted on the Institute's website under the guidelines/circulars icon of the members section. For ready reference, the same has also been published elsewhere in this copy of the Management Accountant. I call upon all members desirous of renewing their CoP for FY 2019-20 to apply online for renewal at an early date well in advance.

Professional Development and CPD Committee

Professional Development & CPD Committee has released Guidance Note Corporate Insolvency Resolution Process, Guidance note on Block Chain Technology and Guidance note on Electricals and Electronics Industry in the 59th National Cost Convention 2019 held at Pune.

PD & CPD Committee and Branding Cell organized seminar on "Strategic Cost Management & Practical Issues on GST" jointly with Hosur Industries Association on 09th January 2019 at Hosur and another programme with Ambattur Industrial Estate Manufacturers' Association (AIEMA) on 11th January 2019 at Chennai.

I sincerely appreciate our Regional Councils and Chapters for organizing 39 programs, seminars and discussions on the topics of professional relevance and importance for the members such as, Insight to the Assessment of Income Tax, Inventory Control in Automotive Sector, Risk Management & Insurance, GST Audit & Its Return Filing and The Recent Judgements on Advanced Ruling in GST, Internal Audit of Downstream Oil Companies, Internal Audit of Telecom Sector, Cost Management in Textile Industry, NFRA Rules 2018 and so on.

The Institute was associated with PHD Chamber of Commerce and Industry for "Amendments made in CGST, IGST, UTGST, SGST Act effective from 1st February 2019" on 31st January 2019 at New Delhi. I hope our members will be immensely benefited with these programs.

Representative from the Institute attended the Evening Workshop- Directors' Symposium on Integrated Reporting organized by ACCA-The Association of Certified Chartered Accountants in collaboration with The <IIRC>- The International Integrated Reporting Council and Institute of Directors (IOD) 15th January 2019 in New Delhi.

Representation with Government, PSUs, Banks and Other Organizations

PD Directorate is sending representation letters to various organizations for inclusion of cost accountants for providing professional services. Madhya Pradesh Madhya Kshetra Vidyut Co. Ltd., Nagar Parishad Pakur, Municipal Corporation Deoghar, The Karnataka Handloom Development Corporation Limited, Jammu and Kashmir State Power development Corporation Limited, Karnataka State Beverages Corporation Limited, Andaman & Nicobar Island Integrated Development Corporation Limited, West Bengal State AIDS Prevention & Control Society, Indian Rare Earths Limited, National Building Construction Corporation Limited (NBCC), KIOCL Ltd., Northern Coalfields Limited, Allahabad Bank, Airports Authority of India, New Town Kolkata Green Smart City Corporation Ltd, UCO Bank, Madhya Pradesh Power Generating Company Limited, Maharashtra Electricity Regulatory Commission (MERC), Odisha State Road Transport Corporation, etc., have included Cost Accountants in their Tenders/EOIs during the month of January 2019.

Cost Accounting Standards Board (CASB)

I am pleased to note that the CASB of the Institute has issued an Exposure Draft on Compilation Engagements by a Cost Accountant for public comments to be received till February 8, 2019. I urge the members to come forward and send their suggestions / comments on the draft within the last date.

I wish to further inform you that the Council in its last meeting has approved the release of Cost Accounting

Standard on Cost of Production / Acquisition / Supply of Goods / Provision of Services (CAS-4 Revised 2018).

I am pleased to inform that the CASB, in continuation with organising the seminars on Cost Governance, organised a Seminar on Cost Governance in association with the CAASB and Jaipur Chapter of the Institute on 5th January 2019 in Jaipur, which was well attended by the delegates. In order to build capacity of the members and to create awareness of cost consciousness, the CASB has planned a Mega Cost Governance Conclave 2019 on 9th February 2019 in SCOPE Auditorium, New Delhi. I urge the members to attend the event in large numbers and get benefited by the deliberations.

I appreciate the initiatives taken by the CASB in development of Technical Papers for the capacity building of the members and stakeholders.

Cost Auditing and Assurance Standards Board (CAASB)

I am pleased to share that in its last meeting the CAASB of the Institute has approved the release of Exposure Draft of Standard on Quality Control for public comments. The exposure draft will be released shortly for public comments. Members are encouraged to give their suggestions / comments on further improvement of the draft within the last date. I have been informed that the CAASB has also finalised the FAQs on Standards on Cost Auditing (SCAs 101 to 104) which will be released shortly. I hope that the members will be benefited by the release of these documents.

The CAASB has also planned to organise a series of webinars on Standards on Cost Auditing and the first webinar of the series is expected to be organised on 7th February 2019. Formal announcement of the same will be done shortly. I hope that the members will be immensely benefited by this initiative of the Board.

Technical Cell

I congratulate the Technical Cell for coming out with the Compilation of Responses on the Queries received by the Technical Cell, which was released in the 59th NCC 2019 in Pune. The compilation is available for sale with the Technical Department of the Institute. The Guidance Note on Responsibility of Directors as regards Maintenance of Cost Records is also available for sale with the Technical Department of the Institute.

Corporate Laws Committee

The Corporate Law Day was organised on 4th January 2019 across the Country. There were programs, events and career counselling organised by the Regional Offices and Chapters of the Institute. I appreciate this initiative of the Corporate Laws Committee of the Institute.

Taxation Committee

I would like to congratulate Tax Research Department for successfully conducting two seminars, one on 27th January 2019 at Bhubaneswar themed "Insight to the Assessment of Income Tax" and the other on 28th January 2019 at Delhi on "GST- A boon or a bane for MSME Sector and its Consumers". The second seminar was honorably graced by Shri Pranab Kumar Das, Chairman, CBIC, Shri Upender Gupta, Principal Commissioner GST and Shri Samanjasa Das, Principal ADG, Directorate General of Anti Profiteering. Three webinars have also been conducted on the topics - GST Amendment Law and Latest Update, New forms for GST annual return and audit and New Horizons of GST Audit and Annual Return. The department also submitted a representation to the Government on 'Inclusion of Cost Accountants for authorizing the certificate of claiming ITC in case of exports'.

I wish prosperity and happiness to members, students and their family on the occasion of Basant Panchami, Guru Ravidas's Birthday, Shivaji Jayanti & Swami Dayanand Saraswati Jayanti and pray for the success in all of their endeavors.

Thanking you!!!

Warm Regards,

CMA Amit A. Apte
1st February, 2019

GLOBAL STUDENT'S SUMMIT 2K19

"CMAs - Today's Student, Tomorrow's Executive"

February 06 - 07, 2019

Venue: Kausthubam, Shornur Road, Thrissur, Kerala

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

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CMA H Padmanabhan
Council Member 2015-19
Chairman, National Students' Convention 2019
The Institute of Cost Accountants of India

Dear CMA and Student Fraternity,

Greetings from the Chairman, ICAI Global Student's Summit 2K19

Welcome to the Institute Global Student's Summit 2K19 scheduled to be held on 6th and 7th February 2K19 at Thrissur, Kerala, India at Kausthubam Hall.

The theme selected to ensure is: "CMAs – Today's Student, Tomorrow's Executive"

The 1st time Global Student's Summit will include apart from inaugural and valedictory sessions, exclusive sessions and events viz.,

- Motivational Session by renowned International Speaker
- Quiz Biz Talents for students
- Elocution Skill and Talents for students
- Paper Presentation Skill for students
- Nation Building Process Session by renowned Youth Movement
- Cultural Talents of students

The Student's Summit to commence from 9AM on 6th February 2K19 and will be till 7th February 2K19 evening to attend, benefit and cherish each moments.

The admission is by registration now and/or on the spot too with a fee to be remitted Rs.1,000/= only to participate in the event, Summit Kit, delicious snacks and food for both days at the venue when provided.

Come on and be part of the Institute Global Student's Summit and as per the theme be CMAs – Today's Student, Tomorrow's Executive for the world to see as Global Leader for sure.

Respectable CMAs from various walks of life also hereby invited to attend and bless the student fraternity. WELCOME Please.

With Winning Wishes,

BE A CMA, BE A Happy Professional

CMA H Padmanabhan

Council Member ICAI

Chairman, ICAI GSS 2K19

"Never stop fighting until you arrive at your destined place – that is, the unique you. Have an aim in life, continuously acquire knowledge, work hard, and have the perseverance to realize the great life"

- Dr A.P.J Abdul Kalam

CMA (Dr.) I. Ashok
Convener,
Convention Committee, NCC 2019
The Institute of Cost Accountants of India

In today's dynamic and uncertain world of business buffeted by persistent possibility of global shocks, it has become essential to devise strategies where the business gets value for every penny spent. Here, the CMAs step in with their professional skills to make it achievable.

The Institute has since been continuously contributing to the growth of the Industrial and Economic climate of the country. The Institute is the only recognized statutory Professional Organization and licensing body in India specializing exclusively in Cost and Management Accountancy.

I congratulate CMA Fraternity for the grand success of 59th National Cost Convention (NCC-2019), based on the theme 'Cost and Management Accountants: Power of the Past –Force of the Future' that was held on 20-21, January 2019 celebrating its Platinum Jubilee Year at Pune.

The National Cost Convention brought together an assembly of experts in the field of Cost and Management Accountancy to deliberate upon issues related to trade, industry and corporate sectors. The discussions focused on drawing a practical roadmap to deal with various issues facing the service industry, particularly the manufacturing sector and the field for practicing members.

Various latest publications *viz.* Knowledge Pack and the Souvenir on the theme '*Cost and Management Accountants: "Power of the Past-Force of the Future*" were released at the NCC 2019. Further, the Guidance note on Block Chain Technology, Guidance note on Electricals and Electronics Industry, Guidance Note on Corporate Insolvency Resolution Process and Compilation of Queries and their Responses by the Technical Cell have also been released in the auspicious event. Contents of these publications were emphasizing on emerging issues like Industrial Revolution 4.0, Artificial Intelligence, Big Data & Data Analytics, Emerging Regulatory Environment, Costing in Service Sector, Integrated Reporting, Health Care, Infrastructure, Telecommunication, Insolvency Profession etc. I am sure the publications will provide the necessary insight to the readers on the diverse issues they have covered and will prove to be highly beneficial for CMAs, Students, Industrialists and other concerned sectors as well.

I am overwhelmed by the spectacular success of the 59th NCC 2019, Pune and would like to articulate my heartfelt thanks to all the contributors, sponsors, advertisers, Council Members and all officials of the Institute for successful conduct of the annual event National Cost Convention 2019 and all the Directorates of the Institute for preparing and releasing the various Publications in such a platform for exchange of thoughts and ideas that would benefit all participants and others of this convention.

With the power of the glorious past, the Institute and its members are stepping towards becoming the Force of the Future wherein the emerging avenues like AI, IBC, Valuation, Banking & Insurance etc. are posing and enhancing professional scope as well for them.

Thanks and Regards

CMA (Dr.) I. Ashok
1st February 2019

Glimpses of 59th National Cost Convention 2019

Theme

Cost & Management Accountants
“Power of the Past-Force of the Future”

JW Marriott Hotel, Pune
January 20-21, 2019

In the changing economic and regulatory scenario, role of Cost and Management Accountants is also changing. They are supposed to be seen as business analyst, strategy formulator, internal consultant or advisor or business partner, interpreter, manager of complexity etc. Necessary skills for Cost and Management Accountants identified in the changing scenario include adapting cost and management accounting technologies to new forms of manufacturing process, exploring data analytics and artificial intelligence in managing organisational change propelled by the Industrial Revolution 4.0, acting as change agent and assist in strategy formulator roles, ability to be intuitive, synthetic and creative thinking, innovativeness and organizational design skills. All this constitutes the agenda of the National Cost Convention (NCC 2019) on Cost and Management Accountants: Power of the Past –Force of the Future held in Pune during 20th and 21st January 2019. The Indian business has to adopt best cost and management accounting practices and embed the same in business processes for extra ordinary results.

Inaugural Session Day 1

Inaugural Session Day 1

Plenary Session Cost & Management Accountants "Power of the Past-Force of the Future"

There were technical sessions with focussed discussions on the role of CMAs in the prevailing and emerging economic and regulatory environment of the country, to enrich the knowledge of the participants and enhance the skill set of the professionals.

Technical Session-1 Day1: Industrial Revolution 4.0

Technical Session-2 Day 1:Towards Social Sustenance

SAFA Events

South Asian Federation of Accountants (SAFA) is a forum of professional accountancy bodies committed to positioning, maintaining and developing the accountancy profession in SAARC Region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region.

Technical Session 3 Day 2: Costing in Service Sector

Technical Session 4 Day 2: Significance of Cost Audit in emerging regulatory environment

SAFA Board and Assembly Meeting Day 2

CFO's Vision for CMA Profession

Valedictory Session

National Lady CMAs Cost Convention, Saturday, 19th January 2019, CMA Bhawan, Canal Road, Vikas Mitramandal Chawk, Near Cummins College, Pune

Convention for National Lady CMA professionals organized by the Institute on the eve of National Cost Convention 2019 at Pune was intended to promote, communicate and amplify the influence of women CMAs in the workplace and beyond. We are committed towards putting an end to issues like pay gap, eliminate gender discrimination and achieve parity in company leadership and on corporate boards. This auspicious event NCC-2019 provided a forum for thoughtful discussions on the topics of relevance in today's business and economic context by successful Lady Professionals. The deliberations from eminent speakers was intellectually stimulating and professionally enriching for the Lady Student participants.

As we work towards closing the gender gap, we will be wise to continue to unleash the power of women within our organizations and communities. In both more developed and less developed countries, women are a still all-too-untapped force across the entire world. And that, too, is a preventable and treatable reality. There is growing evidence that large-scale investment in women's economic empowerment generates immediate and long-term social dividends. By economically empowering women, the living conditions of a woman and her family improve, their reliance on external aid decreases, and ultimately it contributes to the growth of local and national economies. Concluding with an inspirational quote on Women empowerment by renowned authoress, J.K. Rowling- "We do not need magic to transform our world. We carry all the power we need inside ourselves already. We have the power to imagine better."

PROGRAM ON 'CMAs & INDUSTRIES' ORGANIZED BY THE MEMBERS IN INDUSTRY COMMITTEE

Members in Industry Committee organised a seminar on 'CMAs & Industries' on the 18th of January, 2019 at JN Bose Auditorium of the Institute.

The Inaugural session began with the Chairman's welcome note where the Chairman of the Committee, CMA Biswarup Basu heartily welcomed the Chief Guest CMA Asim Kr. Mukhopadhyay, Vice President & Head of Business Finance, Tata Motors Ltd., the Guest of Honour CMA Dr. P.V.S. Jagan Mohan Rao, Council Member of the Institute & President of SAFA, the Guest of Honour CA Suvamay Halder, Member – Finance, DVC, CMA Arundhati Basu, RCM (EIRC), the Guest Speakers CMA J.K. Budhiraja, ex-CEO IPA-ICAI and former Sr. Director (Technical) of the Institute, CMA Sanjit Kumar Nayak, retired DGM (Finance) of Steel Authority of India ltd. and all the member delegates present in the audience who showed their utmost eagerness to listen to the expert speakers on the valuable topics of industries.

The Keynote address of the program was deliberated on by CMA Dr. P.V.S. Jagan Mohan Rao, Council Member of the Institute & President of SAFA. The inaugural session ended with the Vote of Thanks presented by CMA Arundhati Basu, Regional Council Member of EIRC.

The 1st Technical Session was covered on the topic 'Industry 4.0 and Role of CMAs' by the Chief Guest CMA Asim Kr. Mukhopadhyay, Vice President & Head – Business Finance, Tata Motors. Ltd. The members in the audience listened attentively to this eloquent speaker as he vividly deliberated on digital disruption, technological enhancement and collaborative industrial revolution of the present digital era.

The 2nd Technical Session was on 'New updates on IBC 2016 & Role of CMAs' presented by former CEO IPA-ICAI and Sr. Director (Technical) of the Institute of Cost Accountants of India, followed by the session on 'IBC 2016 and Role of CMAs' presented by CMA Sanjit Kr. Nayak, DGM – Finance (retd.) of SAIL and presently an Insolvency Professional. The program was followed by Question and Answer session, wherein many of the listeners discussed their doubts with the expert speakers.

The seminar ended with Vote of Thanks from the Chairman of the Committee, CMA Biswarup Basu and distribution of mementos to the dignitary speakers. A large congregation of members, both from industries as well as CMA practitioners attended this valuable program.





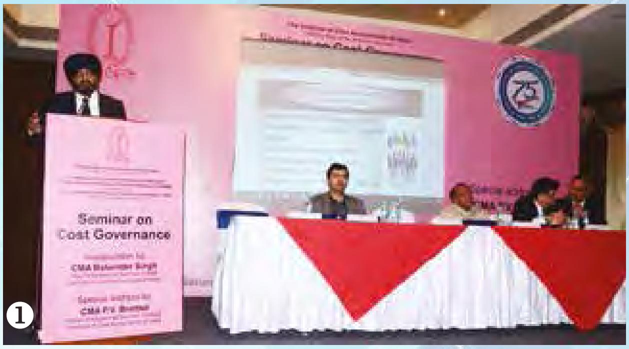



ICAI-CMA SNAPSHOTS

CMA P. Raju Iyer & CMA Niranjan Mishra, Council Members of the Institute met with DR. Mahesh Sharma, Hon'ble Minister of Culture and submitted the representation of Institute's participation in Agricultural Movement and Initiatives of Government of India.

CMA Amit Anand Apte, President of the Institute, CMA Balwinder Singh, Vice President of the Institute and CMA P. Raju Iyer, Council Member of the Institute met with the eminent dignitaries to greet them with Tax Research Department's Publication of the Institute.

CMA Balwinder Singh, Vice President, CMA P. Raju Iyer & CMA Niranjan Mishra, Council Members of the Institute with Tax Research Department's Publication of the Institute met with Chairman CBIC and greeted him on his elevation to highest office of CBIC



❶CMA Balwinder Singh, Vice President and Chairman, CASB addressing the participants in the Seminar on Cost Governance on 5th January 2019 at Jaipur in the presence of other eminent speakers CMA Sankalp Wadhwa, CMA D.C. Arya, CMA R.K. Joshi and CMA B.L. Jain.

❷CMA Balwinder Singh, Vice President and Chairman, CASB inaugurating the Seminar on Cost Governance on 5th January 2019 at Jaipur in the presence of CMA Sanjay Gupta, IPP and Council Member, CMA Vijender Sharma, Council Member, CMA Sunil Singh, Chairman, NIRC of ICAI, CMA Rakesh Yadav, Chairman, Jaipur Chapter and CMA Swapnil Bhandari, Secretary, Jaipur Chapter.

❸Seminar on GST- A boon or a bane for MSME Sector and its Consumers organised by the Institute on 28th January 2019 at Delhi. Shri Samanjasa Das, Principal ADG, Directorate General of Anti Profiteering, CBIC, graced the occasion as Guest of Honour of the Seminar.

❹Seminar on GST- A boon or a bane for MSME Sector and its Consumers organised by the Institute on 28th January 2019 at Delhi. Shri Upender Gupta, Principal Commissioner (GST), CBIC, graced the occasion as Guest of Honour of the Seminar.

❺Release of Handbook on Impact of GST on MSME Sector at the hands of Shri Pranab Kumar Das, Chairman, CBIC.

❻Seminar on GST- "A boon or a bane for MSME Sector and its Consumers organised by the Institute on 28th January 2019 at Delhi. Shri Pranab Kumar Das, Chairman, CBIC, graced the occasion as Chief Guest of the Seminar.

ICAI-CMA SNAPSHOTS

❼ ❽ ❾ Seminar on "Insight to the Assessment of Income Tax" organized by the Institute, Bhubaneswar Chapter & Tax Research Department on 27th January, 2019 at CMA Bhawan, Bhubaneswar, Odisha

❿ ⓫ 27th Meeting of Quality Review Board in progress in Delhi on January 14, 2019. Seen L-R: CMA Kunal Banerjee, Member QRB; Shri Shakti Sinha, Chairman QRB; Shri Alok Samantarai, Member QRB and CMA Arup S Bagchi, Secretary QRB.

CMA H Padmanabhan Council Member and Chairman Banking and Insurance Committee ICAI addressing in Study Circle MEET at Chennai, the Resource Person being CMA CA CS M P Vijayakumar, Member, ICAI Council

CMA H Padmanabhan Council Member ICAI and Chairman Banking and Insurance Committee hoisting Indian Flag with ERs, Members and Students of Thrissur Chapter of ICAI on 26th January Republic Day 2019

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SUCCESSION PLANNING IN INDIA:

THE PATH LESS TRAVERSED

Abstract

Being one of the important aspects of corporate governance, succession planning is required to ensure the continuity in leadership and effective performance of any company. The topic of succession and transition has been a burning issue for Corporate India, especially after some high level exits like Binny Bansal of Flipkart, Vinod Dasari of Ashok Leyland etc. With no immediate replacement to step into the critical positions, the vacuum created by these sudden exits can have a strong impact on the performance of the company.

It is felt very strongly among the regulators that the Boards should become more proactive towards succession planning and thereby, develop an external and internal slate of candidates, who are selected after arigorous evaluation process. This paper seeks to explore the state of succession planning in India.

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Historically, from a policy perspective, the topic of succession planning has received negligible attention in the corporate governance debates in India. With the recent events like Tata Sons and Infosys bringing focus on corporate governance in Indian companies, the importance of succession planning has been in the spotlight. Thoughtful about the adverse impact than an ill planned and poorly executed succession can have on the investors in listed companies, the regulators and policy makers are emphasizing on succession planning in Indian listed companies. The Kotak Committee Report (2017)[1] does mention about succession planning very briefly, recommending that the Board of listed companies in India should discuss about succession planning at least once in a year.

Under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, framing a succession planning policy was legally included as one of the main responsibilities of the Board of a listed company in India. This kind of a provision was nonexistent under earlier laws. The Regulations tasks the Board of Directors with the responsibility of managing the succession planning, as they are required to satisfy itself that "plans are in place for orderly succession for appointment to the board of directors and senior management" (regulations 4(2)(f)(ii)(3) and 17(4)).

In this background, a survey was conducted by the International Finance Corporation (IFC) and Institutional Investor Advisory Services (IiAS), the findings of which are published in a report titled "CEO Succession Planning in India" (2017). Highlighting the relevance and importance of succession planning in the Indian context,the report also charts the current trends and practices in succession planning among Indian companies. It identifies the following certain characteristics of CEO succession planning which are specific to the Indian context:

- **A large proportion of family-owned businesses**: Closely about two thirds of companies in the S&P BSE 500 Index are categorized as family owned businesses. Most of these companies are still family run and there is no separation of ownership from management. In these businesses, which have been managed by multiple generations of the family in the past and in the present, succession planning becomes a very sensitive, yet crucial issue.

- **Globalization and growth**: Globalization and rapid growth in technology has caused significant disruptions, thereby creating a necessity for a new breed of CEOs, who are equipped with necessary skills to navigate the companies through these disruptions.

- **Demographics:** The survey identifies that many CEOs in Indian companies are close to retirement age, thereby necessitating new CEOs to be identified for the replacement. A research identifies that the median tenures of the S&P BSE 100 index company CEOs is only about 3.5 years.

The report, through a survey of top Indian listed companies, notes that event though a large number of companies in India usually discuss about succession planning, many of them do not have a formal CEO succession plan. There is a strong preference towards internal candidates as potential CEOs over the external ones, which could be logicalsince internal candidates have close association with the companies and there would be minimal disruptions during CEO transition. Astonishingly, nearly 81% of the respondents indicated that the investors are not consulted on succession planning matters, neither have the investors discusses the issue with company managements.Interestingly, there is also substantialdisparityin disclosure about succession planning in Annual Reports, with some companies making extensive disclosures and several other companies making no disclosure whatsoever on the topic.

In India, the companies can be categorized into four types, each with their own sets of challenges especially concerned with succession planning:

There are **Family owned companies** where either an individual or a family hold the dominant or major shareholding. Traditionally in these companies, the succession happens from one generation to the next generation. The mainapprehensionhere is the capability of the next generation to efficiently steer the company. In numerousoccasions, the succession in these companies would bedecided by the bloodline rather than by leadership capability. This can be detrimental to the company's long-term interests. However, there is a noticeable change in this trend in the recent times. Many large family owned companies and groups – Birla, Godrej, Bajaj, Wipro – have spent several years mentoring the next generation to take over the business. This effort has led to a seamless transition.

One of the biggest risks faced by family owned companies during succession planning is the family discord. To mitigate this risk, many Indian groups – Dabur, Godrej, GMR- have resorted to creation of a family constitution to address the transition issues in a more structured manner. Some companies – Asian Paints and Marico Limited – have professionalized the management by handing over the operations of the company to experienced professionals in the industry.

There are **Multi-National Companies** in India, whose CEOs are pegged at middle or senior management cadres of the global parent. Hence, succession planning at the CEO level in these companies is an integral part of their leadership development and succession. The MNCs manage succession planning in a very structured way and the board has little or no control over the same. In most of the cases, the Boards are only responsible for implementing global guidelines.

The **Public Sector Enterprises,** where the dominant shareholder is the government, have recently divided the role of Managing Director and Chairman. Both these positions are selected by the Public Selection Board (PSEB). Despite the presence of large pool of efficient officers in the bureaucracy, the selection process is slow, resulting in leadership vacancies for long periods in some PSEs. The change in the government also has an impact of this process.

Then there are **Institutionally-owned companies** which do not have a leading shareholder or identifiable promoter. This places an increased onus on the Board to have a succession plan. While in most of the cases, the Board of these companies have been successful in smooth transition of new CEOs, the disclosure concerning the succession plan and efficiency remain the weak link. The study by IFC[2] has found that only one company forming part of the S&P BSE SENSEX,has made meaningful disclosures on succession planning in their 2017 annual report.

Succession Planning Process

Succession planning aims at ensuring sustainability of business and hence, should be a strategic and systematic initiative. It is an ongoing process.Having a consistent, well-structured approach towards CEO succession planning is a prerequisite to ensure a smooth transition within a company and its sustainable operations.

Presently, in several companies. only the top ten positions are monitored for succession planning by the Boards. The Boards need to play an active role for ensuring the development of a cohesive team at the top which can steer the company to success in the years to come. Some of the proactive steps that the Board of Directors can take to ensure CEO succession planning arrangements are:

- Develop the profile of the CEO with the specifications and requirements clearly defined

- Conductan annual performance review of the CEO, to determine his/her continuation

- Ensure an appropriate talent development process to identify, develop and retain high potential individuals who are capable of acting as CEO.

- Seek external expertise and advice in executive talent assessment and in the succession planning process, as and when required.

The culmination of succession planning requires cooperation between the Board and the CEO. Since the current CEO knows the company better than anyone else, consultation with him/her by Board members in succession planning becomes crucial. The best practice recommends that the ultimate authority to lead the process should be with the Board of Directors. The role of the CEO would be to:

- Support the Board in the formulation of the skills and experience profile of future CEO

- Keep the Board updated of his/her plans with regard to retirement/ tenure so as to guarantee a smooth transition process.

- Motivate the executive team to cooperatively manage executive talent across the entire organization.

- Support manage the transition so that the next CEO, and the company, are positioned for success.

Apart from the CEO, the other most important position which significantly influences the effectiveness of succession planning is the Human Resources Officer (HRO). The HRO contributes the strategic know-how and technical expertise for the succession process. Ideally, he/she should work in partnership with the CEO and the Board of Directors to design the best-fit practices and offer methods and resources for effective implementation.

The businesses which are run by founders generally tend to defer succession planning to the last hour, leading to a crisis, which may cause the failure of the organization. This accentuatesthe immediate attention that needs to be given to succession planning.

The CEO and the Board should ideally start the process along with the appointment of the new CEO.The conservative timeframe projection for the succession planning process could range between three to five years. Proper consideration should also be given to the tenure of the current CEO.

Good CEO succession planning involves some processes and procedures, which over a long term would create a talent pool of potential CEO candidates for both short-term and long-term. Best practice suggests that in case of short-term succession, the talent pool may need to consider those candidates in the management team, who can step in on an interim basis to manage the company.

The prime goal of nurturing internal candidates is to warrant a flow of executive talent for supporting the strategic and operational objectives of the company. Given their familiaritywith the existing culture and relations within the organization, understanding of the internal affairs, and challenges for development, these candidates by default, become the best choice. This can also enable faster metamorphosis after the departure of the former CEO. In fact, some of the best-managed companies forestall future leadership qualities and groom them, thereby reducing the necessity to scout for an outside successor. However, there must be a fine balance between the preference for internal candidates and the inclination to look beyond.

There could be some situations which may warrant only the need for an external candidate like:

- The potential internal candidates identified to take over as CEO may not yet be ready to take on that responsibility. In such situations, the Board may look for aexperiencedexternal CEO who would serve for a definite time period, in part to mentor and prepare internal candidates.

- It could be a small or medium sized organization which may not have the scale or resources needed for the internal development of candidates for CEO role.

- There is felt a strong need to bring in a significant change in strategy and direction of the company and the identified internal candidates may not be in a position to drive this change.

- Some companies may also retain external consultants who support with search and identification of external succession candidates. They aid in the development of remuneration packages, third-party input on serious issues like the leadership style of the candidate and overall cultural fit. The Board should schedule a series of meetings to review all the relevant information about the successor. The final evaluation of the candidate should be a multi-interview approach so as to explore the strength of the selected candidate in areas like strategic imperatives, basic behavioral requirements and the critical success factors for a CEO

The effective succession plan extends beyond just creating and selecting a new CEO. The Board should also deliberate on a transition, and mentoring program for the new CEO, which will comprise the following important components:

- The board should support the new CEO in establishing the right relationships with the stakeholders of the company, by briefing him/her with any insights it has about each stakeholder or stakeholder group.

- The board should mentor the new CEO providing guidance, based on specific background, skills, and familiarity with certain aspects of the company and the industry. The Board members should also share information on various committees and their mandate.

- The Board should also hand hold the new CEO for the first twelve months by having review meetings on regular basis. Apart from reviewing the performance of the CEO, the meetings should also seek inputs from the new CEO regarding ideal business competency for the Board.

Conclusion

In India, matters related to succession planning are lightly regulated, with board being responsible to develop a plan, and with some assuranceconcerning its disclosure to investors. Given the importance of the issue in the Indian context, the Boards of Indian companies would really benefit by establishing and implementing a detailed succession plan. This becomes moreimportant especially since the investors will have to bear the burden of succession catastrophes. MA

References

1. *Succession Planning in India, A report by IFC andIIAS, November 2017*
2. *Report of the Committee on Corporate Governance. SEBI, October 2017*
3. *https://indiacorplaw.in/2017/11/survey-succession-planning-indian-companies.html*

Footnotes

[1]*Report of the Committee on Corporate Governance. SEBI, October 2017*

[2]*CEO Succession Planning in India, IFC 2017*

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CORPORATE GOVERNANCE – AN INTERNATIONAL PERSPECTIVE

A STUDY OF DIFFERENT CORPORATE GOVERNANCE CODES

Abstract

Fundamental aspects of majority of corporate governance codes are common across the globe, but procedural requirement and processes are unique (means what is considered as best practice in one country may not be considered best practice in another) due to different influential factor of respective territories. Some of codes are principle based whereas some others are rule based. In this article, study of corporate governance codes of different countries such as India, United Kingdom & United States of America as well as code from bodies like OCED and ICGN; is performed with objective of assessing the possibility of uniform corporate governance code worldwide.

Corporate governance and effective regulations contribute to the attractiveness of a country in terms of inward investment and business development. It also ensures the efficiency of capital markets and their effectiveness in the service of the real economy.

Corporate Governance is the system by which business corporations are directed and controlled[1]. It is the relationship among various participants in determining the direction and performance of corporations[2].

Although the different definitions of corporate governance are compatible and purpose of developing corporate governance code is also more or less uniform, but the way in which corporate governance has developed,

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and is applied in different jurisdictions, varies considerably.

The following table 1 indicates the timeline for the development of codes around the world. Many codes have since been updated.

Table 1 - Time line for development of corporate governance codes around the world

Year	Countries
1992	UK (Cadbury Report leading to Combined Code 1998, renamed UK Corporate Governance Code in 2010)
1994	Canada, South Africa (King Report)
1995	Australia, France
1997	Japan, US
1998	Germany, India, Thailand
1999	Brazil, Hong Kong, South Korea, OECD, ICGN
2001	China, Singapore (Singapore Code)
2002	US (Sarbanes-Oxley Act)

Reasons of seeking uniform international corporate governance code

Corporate governance codes on a national basis is appropriate when investing and financing by companies are on a national basis. But a set of minimum global requirements should be applicable, to entities listing or obtaining finance across borders in order to provide greater protection to global investors. This approach was also considered when the development of International Financial Reporting Standards (IFRS erstwhile IAS i.e. International Accounting Standards) commenced in the mid-1970s.

Key reasons - why uniform international corporate governance code is not viable

Due to following probable limitations, a corporate governance codes is not optimal solution;

- To be acceptable to the majority of countries, the code will need to take the lowest common denominator. Thus it may be fairly tame and bland.

- Global differences in legal structures, financial systems, corporate ownership, culture and economies will make it hard to strengthen any of the principles.

- As the code will need to be based on best practice of a number of jurisdictions, development will always lag changes in the most advanced countries.

- The codes will have no legislative power and may not even be supported by national stock exchanges or governments.

Model corporate governance codes in absence of uniform international code

Organisation for Economic Co-operation and Development (OECD) and the International Corporate Governance Network (ICGN) have issued separate sets of corporate governance principles with the aim that they can be used to form the core elements of a good corporate governance regime, which can be adapted to the specific circumstances of individual countries and regions.

Some of recognised corporate governance codes are as follows

Table 2 - Corporate Governance Codes referred in this article

Corporate Governance Code in India	**UK Corporate Governance Code (A Principle – Base Code)**	**Sarbanes-Oxley Act (2002) of United States (A Rules-Based Regulation)**	**OECD (Organisation for Economic Co-operation and Development) Guidelines**
			ICGN (International Corporate Governance Network) Guidelines

A. Corporate Governance Code in India

In India, Companies Act provides the basic framework for regulation of the companies, it also contains provisions to highlight checks over powers of board and empower shareholders to appeal in case of oppression or mismanagement.

In light of globalisation and liberalisation reforms in India, initiative of good corporate governance came from Confederation of Indian Industry (CII) which drafted the country's first Code for Desirable Corporate Governance in 1998.[3] Large corporations of India responded positively and adopted the recommendations of the CII code. Later in 2000, capital market regulator, Securities and Exchange Board of India (SEBI) formulated the country's first code of best practices in corporate governance by inserting a new clause 'Clause 49'[4] in the listing agreement post recommendation from Kumar Mangalam Birla committee.[5]

The CII and SEBI codes have emphasized the independence of board, specified the structure of audit and remuneration committees, and outlined the accounting standards for financial reporting.

Following the corporate scandals of the US, the Department of Corporate Affairs (DCA), government of India set up the Naresh Chandra Committee[6] in 2002 to examine corporate governance issues focusing on role of auditors and audit committee.

Later in 2003, Narayan Murthy committee[7] was constituted by SEBI to review the performance of corporate governance in the country and control over price sensitive information circulating in the market in order to enhance the transparency and integrity of the market.

Based on the recommendations of these committees, the amendments were made in Clause 49 which came into effect in 2005. Major revision was defining independent director and requiring board independence. In addition, recommendations about the code of conduct and formation of audit committee were mandated through this Clause.

In conformance to the Companies Act 2013, the listing agreement is also replaced by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Resultantly clause 49 became erstwhile.

Table 3 below summarises the evolution of corporate governance regulations over two decades.

Table 3 - Chronology of Corporate Governance Regulations in India

Year	Authority	Outcome
1997	SEBI	Substantial Acquisitions of Shares and Takeovers (SAST)
1998	CII	Desirable Corporate Governance: A Code
2000	SEBI	Clause 49 of Listing Agreement - Mandatory disclosure along with Annual Report.
2002	Department of Company Affairs(DCA)	Naresh Chandra Committee Report - Recommendations about Audit Committee functions and responsibilities
2004	SEBI	Revision of Clause 49
2004	Ministry of Corporate Affairs(MCA)	New companies bill draft
2011	SEBI	Revised - Substantial Acquisitions of Shares and Takeovers
2013	MCA	Companies Act 2013
2014	SEBI	Revised Clause 49 conforming the New Companies Act 2013
2015	SEBI	Listing Obligations and Disclosure Requirements 2015 - Clause 49 becomes erstwhile

B. UK Corporate Governance Code (A principle base Code)

UK Corporate Governance Code is prime example of a principles-based code. Many other jurisdictions (e.g. South Africa, Singapore, Hong Kong) operate similar codes primarily because of their historical links to the UK.

Development of the UK code was driven by various financial scandals of the 1980s and early 1990s (e.g. Barlow Clowes, Polly Peck, BCCI and in particular, Maxwell).

The UK Corporate Governance Code is a combination of a number of original codes as shown in table 4 below:

Table 4 - Chronology of corporate governance related codes in UK

Cadbury Report (1992), Greenbury Report (1995) and Hampel Report (1998).

Combined Code (1998) comprising the above three reports.

Turnbull Report (1999) issued to assist companies in applying the Combined Code.

Higgs Report and Smith Review (2003)

Revised Combined Code (2004) incorporating Higgs and Smith recommendations.

Combined Code (2006, 2008)—minor working adjustments.

UK Corporate Governance Code (2010)—minor working adjustments and renamed.

UK Corporate Governance Code (2012)—small number of additional requirements.

1) Cadbury Report, 1992[8]

Following the many governance failures, Sir Adrian Cadbury was asked to investigate the British corporate governance system and to suggest improvements to restore investor confidence.

Rather than taking a statutory route, the report recommended a principles-based approach supported by "comply or explain". The main recommendations were:

- Appointment of Non-Executive Directors (NEDs)
- Audit committee - oversee greater control of financial reporting
- Separation of the role of chairperson and chief executive.

2) Greenbury Report, 1995[9]

Following public concern about executive remuneration, a working party was established under the chairmanship of Sir Richard Greenbury. The report recommended:

- Remuneration committee to determine directors' remuneration
- Nominations committee to oversee new appointments to the board
- Detailed reporting to shareholders on the workings of both committees

3) Hampel Report, 1998[10]

Established to review the performance of 'Cadbury' and 'Greenbury' report. Major recommendations were;

- Combination of both reports into combined code
- Communication with shareholders
- Balance between implementing controls and customised ways of applying corporate governance principles.

4) Turnbull Report, 1999[11]

A working party led by Nigel Turnbull was established to provide assistance for companies in reporting & how they had applied the Combined Code and its principles. Major recommendations were:

- Annual statement on the effectiveness of internal controls by board.
- Board is responsible for risk management (Not the executive/ mangers) and Internal controls (Not external auditor).

5) Higgs Report[12] and Smith Review, 2003

Following the Enron scandal in the US and the implementation of (Sarbanes Oxley) SOX, an extensive review of UK corporate governance was carried out to establish whether there were any lessons to be learnt for UK companies.

The review resulted in two reports, the Higgs Report and the Smith Review. The Higgs Report dealt mainly with the role of NEDs. The Smith Review concentrated on the role of the audit committee

Sarbanes-Oxley Act (2002)[13]

For historical reasons, a rules-based approach to regulation is firmly embedded in the US approach to dealing with most issues (e.g. corporate governance, US GAAP). Following the high-profile collapses of Enron and World-Com, the US Congress passed the Sarbanes–Oxley Act in 2002 ("SOX" – named after Senator Paul **S**arbanes and Representative Michael **Ox**ley, who were its main architects).

The establishment of a new regulator, the Public Company Accounting Oversight Board (PCAOB - with powers to set auditing, quality control, independence and ethical standards, plus inspection and disciplinary powers) & CEO/CFO certification to financial statements are major among the SOX compliances.[14]

One of the (many) major criticisms of SOX was that it assumes a "one size fits all" approach to corporate governance provisions (rules-based disadvantage).

D. OECD (Organisation for Economic Co-operation and Development)[15]

Since inception (September 1961), the OECD is most reliable source of comparable statistics of economic and social data. Apart from collecting data, the OECD provides a platform where governments compare policy experiences, seek answers to common problems, identify good practice and coordinate domestic and international policies.

OECDs' Corporate Governance Principles[16]

Originally published in May 1999 (updated in 2002 and revised in 2004), the OECD Principles of Corporate Governance responded to growing awareness of the importance of good corporate governance for investor confidence and national economic performance.

The principles are in form good practices and also consists guidance on implementation of such practices; these are non-binding in nature & can be adapted to the specific circumstances of individual countries and regions.The principles cover five areas

- Rights of shareholders
- Equitable treatment of shareholders
- Role of stakeholders
- Disclosure and transparency
- Responsibilities of the board

E. ICGN (International Corporate Governance Network)[17]

The International Corporate Governance Network was founded in 1995 at the instigation of major institutional investors. Purposes of establishing ICGN is to provide an investor-led platform for the exchange of views and information about corporate governance issues at international level.

ICGNs' Corporate Governance Principles

Originally issued in 1999, the principles were revised and reissued in 2005 following the update of the OECD Principles in 2004. A further extensive review and revision was carried out in 2009.[18]

The Principles are drafted to be compatible with other recognised codes of corporate governance, although in some circumstances, the ICGN Principles are more rigorous.

Conclusion

Different legal systems, institutional frameworks, traditions results in range of different approaches to corporate governance; developed around the world. However, common to all good corporate governance regimes is to safeguard the interests of shareholders. The best-run companies also recognise that business ethics and corporate awareness of the environmental and societal interest of the communities (triple bottom line – a complete stakeholder perspective) in which they operate can have an impact on the reputation and long-term performance of companies. MA

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CORPORATE GOVERNANCE - MAPPING AND IMAGING THE SWOT ON REAL TIME

A Bare Minimum in Assurance to Growth and Sustainability

Abstract

A Corporate entity comes into being after passing stringent processes enshrined by the statutes must have quality nucleus in its core by the name of Corporate Governance for carrying out its business faiths through the competing world assuring perpetual growth and sustainability as was primarily framed in its constituent charter of 'Memorandum of Association' and 'Articles of Association'. There are administrative and professional authorities who provide guidelines standards principles and practices for compliance from time to time obviously for safe and secure journey through the turbulent dynamics of economic and corporate environment.

Corporate Governance must act like veins and arteries and inculcate innovative efficient practices and accentuate the contemporary developments in and around the economy and its business sphere and ensure that superior creative brains get proper place in the organisation with adequate authority and accountability with a view to assuring sustainability and safe journey with growth.

Serious aberrations in corporate governance in the form of caprice and unfair practices and lacking in innovation soon bring downfall whose numbers are growing. The Administration has introduced smart process under The Insolvency Bankruptcy Code and National Company Law Tribunal to sort out complex legal issues in connection with the failed corporate entities.

Reliance Jio -

A GAME CHANGER DEMONSTRATING SHARP CORPORATE GOVERNANCE

Reliance Industries revolutionised the telecommunication industry by launching Reliance Jio giving quality internet services at much lower tariff and made the conventional communication avenues free a unique bundle that came out of creative and innovative brain frame causing much distress to its long standing competitors. The leader in the industry Airtel with wide spread wings over the different continents gradually adjusted to the disruptive environment falling in line with the similar tariff regime and other two entities Vodafone having foreign inheritance and Idea purely a domestic player got themselves merged into one unit and together became the new leader in the industry assuring growth and sustainability intact. Its a unique composition of brain power of the corporate governance nucleus of all the entities demonstrated to the commercial world off course in different flavours.

There is no denying the fact that some thorough mapping and imaging the inner strength and weakness and forth coming opportunities coupled with threats might had been done and

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cumulative risk factors were pulverised. Possible survival for at least ten years might had been simulated under various parameters and then only RJio were put to orbit. Against that the existing players made counter SWOT mapping and imaging to survive the fierce battle of commerce and trade what the country witnessed with awe and pleasures. It is classic case for further research and analysis.

Governance: Like Parenthood

Corporate Governance like parenthood is the nucleus of its corporate being and navigates with profound control over the whole entity from within and outside like centre of gravity of any material body regulates its convolutions and directions. Its consolidated power is devolved on a mass of comprehensive expertise and wisdom all framed in what is known as Board of Directors of a company which is constituted with the functional talents from within who are mainly from operational fronts and a few others sharp experts of reputes from outside to oversee the whole gamut of managing the super structure with a view to achieve the goal fixed as maximisation of wealth or higher return of capital and others all in explicable manner. Most of the successful corporate bodies had their origin in individuals, partnership and association of like minded people who laid the basic foundation on some solid principles that with the passage of time grew to mammoth dimension all round establishing a vivid image by its name that persist in the mind of the people. There are instances when basic superstructure is ignored and some easy means for quick flight adopted to reach gigantic target was objected to vehemently by great mentor vis-a-vis creator like Sri N R Narayana Murthy until the organisation was put into order so that basic chemistry of its divine journey was restored. The governance lay with a small group of people who set basic principles and practices and regulation thereof with the aim of achieving ultimate objective. It must reach highest level of integration as found in atomic nuclei such that the materiality remains intact irrespective of environmental onslaught, must be fine steady and dynamic to carry forward through the turbulent world of trade and commerce.

Research and Innovation : Philosophy of Survival of the Fittest

Governing a corporate entity through the fierce economic world has been seen to be growing more complex that tight legislative compliances have been laid out throughout the world. The Companies Act ruling the corporate world defined exhaustibly the power, responsibility and accountability of the directors and the board of directors as well to ensure a minimum standard practices to steer clear the organisation forward. There are other guiding authorities like Ministry of Corporate Affairs, Accounting, Auditing & Secretarial Professional institutions, SEBI, Stock Exchanges, RBI and others giving planetary services by defining wide spectrum of measures that being followed in right perspective would provide adequate visibility even to the remote corners of the organisation. It needs thorough review of the complex activities of the corporate body by a set of able experts and professionals to surmise the divergences those came to surface every now and then so that right remedies are construed and infused day in day out for nurturing growth and survival add infinitum. The corporate bodies of repute in existence since long are in the governance of dedicated experts and souls who never tolerate any kind of practices of caprice and unfair business tactics and managing by tricks the so complex affairs of the business otherwise premature extinction as happened in case of ***Satyam Computers*** must take shape sooner than later. The whole economic world got a huge jolt when the ***Lehman Brothers*** went bankrupt for so many reasons out of which massive accounting fraud was one and the auditors were not spared. A few cases of large companies of repute those became bankrupt were unbelievable and shocking to the business world had been found to be lacking with substantive and innovative corporate governance.

Kodak was a dominant business force in photographic market worldwide. It invented first the digital camera in 1975 but did not pursue it and failed to the growing digital technology and went bankrupt just because of pursuing the outdated technology.

Nokia being a global leader in mobile phones lost its huge market share and went into oblivion owing to its failure in understanding the growing demand of software and system applications in the great likings to the customers instead gave more emphasis to hardware and ignored the unique facilities of the smart phones and thus lost the leadership.

Xerox a pioneer in the business of copy making machines was first to invent Personal Computer but its management could not foresee the gigantic potentiality of the digital business and stayed with old technology of copying machines and finally relegated in the business world.

Motorola produced the first handheld cell phone in 1973 was well ahead with different versions but failed to realise the customers likes in software and in contrast it gave preference to hardware and failed in reading market intelligence and got lost in oblivion.

Corporate Insolvency Resolution Process: A Smart Judiciary now in place

India with surging economic activities and increasing GDP above 7% level found more corporate entities becoming frail owing to several factors and finally landing into the net of insolvency and bankruptcy. The Administration came just in time with smart mechanism to resolve these complex legal issues now get redressed in some quick decent and transparent manner through IBC and NCLT procedures.

The Insolvency and Bankruptcy Board of India publishes Quarterly Newsletter with all sorts of relevant information. The issues of Oct-Dec 2017 onwards give details of Corporate Insolvency Resolution Process yielding resolutions containing valuable data relating to admitted value of claims of creditors, liquidation values, values realised by the creditors. A set of processed information are given in the Table1.

Table1 : %Realisation Over Admitted Claims : A Summary : **Rs.Crore**

Nos Of Cases	Admitted Claims	Liquidation Value	Realisation Value	%Realisation OverClaims	Loss Of Fund	%Loss Of Fund
4	17098.9	755.2	789.7	4.6	16309.3	95.4
11	13171.2	2819.4	3444.4	26.2	9726.8	73.8
13	33285.8	9695.2	12640.3	38.0	20645.5	62.0
11	61274.5	15737.1	39529.9	64.5	21744.5	35.5
7	220.7	223.0	220.7	100.0	0.0	0.0
4	1521.6	955.7	1802.4	118.5	-280.8	-18.5
Total - 50	126572.7	30185.6	58427.5	46.16	68145.3	53.84

The Table1 gives a summary of 50 numbers of resolutions concluded with different quantum of admitted claims ranging from Rs.1 crore to as large as Rs.56022.06 crores. It further reveals cases of realisations of higher percentage against admitted claims in seriatim and consequent loss of funds to the creditors and percentage thereof which are most revealing. 4 nos. of cases realised together Rs.789.7 crores but suffered highest 95.4% loss of fund of Rs.16309.3 crores had been the worst of all. Highest fund of Rs.39529.9 crores was realised from 11 cases with aggregate loss of fund of Rs.21744.5 cores which was 35.5% of the admitted claims. There are 7 nos. of cases where full recovery were achieved and 4 nos. of cases where extra recovery of Rs.280.8 crores @ 18.5% higher over actual claims admitted shows emphatic exercise under CIRP. The most significant of all is the fact that a huge aggregate ***fund of Rs.58427.5 crores got freed*** and made available to the financiers for funding more credits which can help multiplying economic activities however ***at a huge cost Rs.68145.3 crores*** at the average rate of 53.84% over the admitted claims.

Two major CIRPs which were concluded are scanned further. Bhusan steel whose claims of financial creditors of Rs.56022 crores was admitted and Rs.35571 crores was realised giving 63.5% coverage. Monnet Ispat & Energy Ltd whose admitted claims amounted Rs.11015 crores against which only a paltry sum of Rs.2892 crores got realised covering a low 26.26% of the admitted claims showing huge loss to creditors.

Contributions Magnificent : Deserving Recognitions

Bhusan Steel came to business in 1983 and Monnet Ispat and Energy Ltd in 1990 had been serving the country and the society since then contributing to GDP producing steel products of numerous species. Some figures collected from its Annual Reports are given in the Table2.

Table2 **Rs.crores**

Outlays/FY	2010-11	2011-12	1012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
CorporateEntity		Bhusan Steel							
ExciseDuty	576	851	1056	925	1089	1321	1321	392	**7531**
EmployeeBenefits	123	144	173	189	258	432	491	593	**2403**
FinanceCost	446	1046	1287	1663	2494	4582	5427	6305	**23251**
NetRev	7070	9969	10762	9705	10659	11825	13778	17108	**90876**
PBT	1376	1365	1214	95	-1245	-3574	-4118	-5791	**-10678**
CorporateEntity		Monnet Ispat & Energy Ltd							

Outlays/FY	2010-11	2011-12	1012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
CorporateEntity		Bhusan Steel							
ExciseDuty	Could not be collected			251	250	198	137	36	871
EmployeeBenefits				133	194	142	102	94	665
FinanceCosts				239	653	966	1110	1182	4150
NetSaleaRevenue				2277	3186	1827	1238	1383	9911
PBT				**14**	**-809**	**-1693**	**-1552**	**-1473**	-5513

During the last eight years Bhusan Steel contributed Rs.7531 crores in excise duty and possibly a couple of hundred crores in GST during 2017-18. Total employee benefits outlay amounted to Rs.2403 crores. It paid a huge sum of Rs.23251 crores in the form of interest to its financial creditors. It gave decent service to the country and the society for a long period is without any doubt.

Monnet Ispat & Energy Ltd during the last five years gave Rs.871 crores to the exchequer as excise duty and Rs.665 crores paid in terms of employees benefits and Rs.4150 crores paid to the financial institutions in terms of interest all together a significant gift to the country and the society as well for a long period is undeniable.

Growing Weakness : Symptoms in Limine

These two corporate entities part of Iron and Steel Industry which is basically capital intensive and cyclical in nature for which survival during depressions and stressed economy ask for a profound strategy and mechanism that must be learnt and executed in stages to stay afloat till recovery accentuates both demand and sales price. Some relevant figures as percentage of net sales revenue(NSR) of these two corporate entities are given in the Table3 below. The basic figures are collected from the Annual Reports as available from their websites.

Table3: Total Expenses % of NSR : **Rs.crore**

FY	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Corporate Entity	Bhusan Steel							
Total Exp % Of NSR	81	86	89	99	112	130	130	134
PBT % NSR	19	14	11	1	-12	-30	-30	-34
Corporate Entity	Monnet Ispat & Energy Ltd							
Total Exp % Of NSR				99	125	193	225	206
PBT % of NSR				1	-25	-93	-125	-106

Total expenses of Bhusan Steel had been within 90% of net revenue in between 2010-11 and 2012-13 and profit before tax(PBT) ranged between 19% to 11% were fairly adequate to sustain the dynamics of its operations. Thereafter from 2013-14 total expenses raised to 99% and year by year reached to 134% by the year 2017-18 and finally PBT went down from 1% to -34% giving a devastating state of prolonged illness that shattered the operating dynamics and business faiths all together.

Total expenses of Monnet Ispat & Energy Ltd grew higher from 99% in 2013-14 and rose to 225 thereafter and PBT gradually declined to worst level of -125% in 2016-17 much below net revenue a symptom grievous in nature if not arrested simply ruins a business proposition.

Corporate governance of both the companies got enough facts and figures from its Annual Accounts divulging massive weakness year after year and by the year end 2013-14 onwards danger of losing all sorts of options for turnaround in near future grew bleak.

Some Deeper Diagnostics: For Real Time Remedies

Both the entities had been very consistent and economic in some basic cost elements but suffered huge spurt in some others causing much concerns of devastation. In Table4 percentage deviations from the base year for some cost elements are given that stated in clear terms the state of strength and weakness.

Table4: %Increase Over Base Year:

FY	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
CorporateEntity	Bhusan Steel				Base Year : 2010-2011			
NetSalesRevenue	100	141	152	137	151	167	195	242
TotalExpenses	100	151	168	169	209	270	314	402

FY	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
MaterialsConsumed	100	92	90	89	89	92	85	97
EmployeeBenefits	100	117	141	153	209	351	399	482
FinanceCosts	100	234	288	373	559	1026	1216	1412
Depreciatipon	100	223	299	347	338	396	607	643
Othererxpenses	100	125	137	147	210	259	346	400
CorporateEntity	Monnet Ispat & Energy Ltd				Base Year : 2013-2014			
NetSalesRevenue				100	140	80	54	61
TotalExpenses				100	176	156	123	126
MaterialsConsumed				100	136	86	54	66
EmployeeBenefits				100	146	107	76	71
FinanceCosts				100	273	403	464	494
Depreciatipon				100	203	259	257	253
Othererxpenses				100	180	129	51	37

Revenue of Bhusan Steel increased in a healthy pattern and became 242% in 2017-18 over the base year 2010-11 but three cost elements rose at some dreaded rates. These are finance cost that increased to 1412%, depreciation and amortisation increased to 643% and other expenses increased to 400% by the year 2017-18 within a span of eight years played havoc racking the whole business gamut.

Revenue of Monnet Ispat & Energy declined to 61% in 2017-18 from the base year of 2013-14 shows that it lost ground in the market. Finance cost increased to 494% and depreciation and amortisation increased to 253% within a span of five years together crippled it so much that recovery need some miracle propositions against falling revenue and rising cost.

Respective corporate governance might had these facts with them. Bhusan Steel should have taken steps for arresting spurt in cost elements and Monnet Ispat & Energy should have some strategic turnaround plans to restore market confidence and further improve upon the rising cost elements all on real time basis deferment of which only jeopardised health of the organisation.

Persistent State of ill Health: Staggering Basic Parameters

Both the corporate entities subscribed to huge debt funds whose inherent dynamics may bring windfall gains in good days but ruins the organisation if the situation behaves frustrating over a long period. The overload of total debt funds and total assets as % over the base year is given below in the Table5.

Table5: % Increase Over Base Year:

FY	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
CorporateEntity	Bhusan Steel				Base Year : 2010-2011			
TotalDebtFunds	100	133	177	216	233	255	319	340
%TotalAssetsOverBaseYear	**100**	**132**	**171**	**202**	**209**	**214**	**239**	**158**
Revenue	100	141	152	137	151	167	195	242
FinanceCosts	***100***	***234***	***288***	***373***	***559***	***1026***	***1216***	***1412***
CorporateEntity	Monnet Ispat & Energy Ltd				Base Year : 2013-2014			
TotalDebtFunds				100	117	121	130	144
%TotalAssetsOverBaseYear				100	103	94	85	77
Revenue				100	140	80	54	61
FinanceCosts				***100***	***273***	***403***	***464***	***494***

It is clear that total debt funds increased at galloping rates but was over taken by much higher rates in cost of financing suggests emergent crisis that made inroads deeper in the economic shell of the organisations further eroding its health.

Much incongruity is observed in total assets whose growth were much lower than debt funds in case of Bhusan Steel coupled with huge increase in finance costs. However, some relief from rising revenues averted most worse situation. In case of Monnet Ispat & Energy the situation was most worse that total asset growth decreased over the base year with growing finance costs associated with decreasing revenues confirming drainage of costly debt funds to sustain unremunerative propositions.

All the symptoms suggest presence of subversive business crisis and absence of strategic and innovative business frame work. These units were brought under CIRP and finally got acquired by strong companies like Tata Steel and JSW Steel jointly with its partner.

DuPont Matrix and Risk Profiling:

Some significant ratios which are part of DuPont family of ratios finely assess administrative and managerial efficiency and business risks evolved thereof are given in the Table6 for the last two years 2015-16 & 2016-17 prior to conclusion of CIRPs.

Table 6 : **In %**

Corporate Entity	Bhusan Steel		Monnet Ispat	
Profiling Ratio FY	**2015-16**	**2016-17**	**2015-16**	**2016-17**
PBT %	-30.00	-30.00	-93.00	-125.00
Finance Cost % Of NSR	39.00	39.00	53.00	90.00
Return On Capital Employed	-6.60	-6.81	-16.78	-17.10
Total Assets Turnover Ratio	0.22	0.23	0.18	0.14
Current Ratio	0.79	0.21	0.59	0.27
Solvency Ratios				
Share holders Equity To Assets	0.09	-0.02	0.06	-0.13
Total Debt Capital To Assets	0.91	1.02	0.94	1.13
Interest Coverage Ratio	-0.78	-0.76	-1.75	-1.40

The DuPont matrix display worst profitability and solvency parameters in case of both the companies. All parameters excepting current ratio reached worst level by 2015-16 and 2016-17. Total assets turnover ratio shows very low utilisation of resources. Shareholders' equity to assets ratio suggests total collapse of owners' authority. Total debt to assets ratio shows no hope to the financial creditors of recovering whole of the outstanding funds. Negative interest coverage ratio confirms all round disabilities of both the companies with only option for insolvency and bankruptcy. This analysis made for the previous years since the days of crossing zero towards negative PBT might give directions for proper remedies for survival on real time basis.

Submissions : Early Detection Better for Economy & Stakeholders

IBC and NCLT gave a prompt judicious redressal system to all the stakeholders. The creditors so long in anguish with huge locked funds in principal and interest got reliefs but at a huge cost injurious to the economic activities of the Nation. Sooner such situation is arrested better for the country for which corporate governance should take ***'Prompt Corrective Actions'*** with the help of a group of experts.

Services of the management accounting system had not been taken in due perspective in spite of having all kinds of managerial services and audited accounts in place. The parameters evaluated suggest that they ***did actually fund the wrong remedies*** instead of strengthening renovative superior technologies and cost efficient devices of plant and machineries that could surely help reducing operating cost. Enhancing capacities alone cannot bring higher profitability for which authoritative support from wide spread presence in domestic and international markets is required.

A time has come to arrest such departures which were very costly from view point of all the stakeholders. The corporate governance must report the imminent dangers when PBT falls below say 5% of net sales revenue(NSR) and solvency ratios go weary and no innovative means are on the offing to rescue from deadly distress.

The financing institutions losing heavily should take services of Management Accounting Technologists who are in a position of foreseeing deathly dangers by their superior techniques and defining risk quantum of losing funds in conceding more time in a series. MA

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MERGER, SHAREHOLDER VALUE AND CORPORATE GOVERNANCE

AN EMPIRICAL STUDY OF MERGERS & ACQUISITIONS IN INDIA

Abstract

Either for enjoying synergies resulting from enhanced scale of operation or for consolidating market control, mergers and acquisitions have become popular practice in corporate sector in India. However, there is no conclusive empirical evidence that M&As can really enhance return and shareholders' wealth. This paper presents the findings of a study of thirty six mergers consummated in India. The results obtained from statistical analysis support that M&As are effective in enhancing shareholders' wealth and value of the firm. However, the space of value addition appears much weaker in post-merger period compared to pre-merger period. It is also observed that the firms saddled with very low efficiency in pre-merger period turn value destroyers in the immediate first year after acquisition.

As per differential efficiency theory, while merger and acquisition are undertaken, the efficiency of less efficient target firm is brought up to the efficiency level of the acquiring firm. Hence, the average returns on assets after acquisition appear better than the pre-acquisition returns. Hence, the point of investigation is to see if mergers and acquisitions (M&As) really lead to increased value creation and better corporate governance, compared to their performance of pre-merger level.

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The post liberalized era in India witnessed a resurgence of merger waves; about ninety percent of blue chip companies constituting the BSE Sensex have the record of at least one acquisition, cross-border or domestic, in their corporate history.

Many corporate houses treat M&As as strategies to expand market share, fight competition and consolidate market power. It helps in avoiding gestation period through by-passing of several stages from incorporation to commercial production. Thus, M&As have the immediate effect of improving sales revenue within a very short time-span compared to a Greenfield investment. Economic Theories state that M&As offer synergies as level of operations is increased, provide scale of economy, cut costs, enhance profitability and so on. This paper uses Market Value Addition (MVA) as yardstick to examine the effect of M&As on shareholders' value creation.

When share market is perfect or strongly efficient, every piece of information about M&As gets reflected into the share price of the firm. To ascertain the success of an acquisition programme, researchers compare 'post-merger share prices, sales, profits, EPS, etc. with the corresponding figures of pre-merger period. The findings of various studies appear contradictory. For example, some researchers (i.e, Rau and Vermaelen, 1998; Andre et al., 2004; Kling, 2006) noticed no evidence of positive gain resulting from an acquisition, while other researchers (Tse and Soufani, 2001; Yoce and Ng, 2005) observed that M&As produced positive excess return. In order to resolve gap between two divergent categories of findings, this paper uses cross-section data and makes an effort to verify if mergers and acquisitions produce positive gains.

Literature Review

Studies on M&As are numerous, each focusing on one or another aspect of mergers. However, the most debated point is - does an acquisition add value to the shareholders' wealth? Many studies have been undertaken to find answer to this question. The studies reviewed have been noted below.

Early studies on M&As fail to provide any clear idea in respect of consequences of acquisition on performance of acquiring firms. Hogarty, Thomas F (1970) observes that active acquirers appear weaker than other firms in the industry. Contrary to this, Bradley, Desai and Kim (1988) present evidence that the acquiring firms earn significantly high positive average abnormal returns.

Kroll, Mark et al. (1995) observe that manager-controlled acquiring firms face negative returns, while firms controlled by owner-manager earn positive returns. They also observe that excess returns are positively associated with CEO rewards. Gallet (1996), based on study of acquisitions in U.S. steel industry from 1950 to 1988, observes that mergers have limited effect on enhancing market power of the acquiring firm.

Rau and Vermaelen (1998) observe that acquiring companies in mergers under-perform by a significant 4% over three years. Harford Jarrad (1999) observes that cash-rich firms are more likely to make excess payment to the target firm and eventually become financially weak. He notes that cash-rich bidders destroy seven percent of value for every excess dollar spent on M&A deals.

Datta, Sudip, et al. (2001) observe that the acquiring firms that give high equity-based compensation to the managers perform comparatively better, because the management of those firms focus on acquiring targets with higher growth opportunities. Tse and Soufani (2001) note that acquiring firms perform positively during High Merger Activity Era (HMAE), on the other hand, they turn losers in slack periods.

Choi and Russell (2004), observe no significant improvement in performance of 171 acquiring U. S. Firms. Andre et al. (2004), based on study on Canadian acquisition from 1980 to 2002, observe almost similar findings. However, Yuce and Ng (2005), based on a study 1361 Canadian acquisitions observed that shareholders of both the target and the acquiring firms earned positive abnormal returns.

Silva Rosa, Raymond, et al. (2005) observe that in the post-announcement returns appear lower than those earned in the pre-acquisition period. Kar Rabi Narayan (2006) notes that mergers do improve post merger performance of acquiring companies. On the other hand, on the basis of a comprehensive study of 56 big Indian mergers and acquisitions Kumar and Rajib (2007), Kumar, R. (2009) and Chauhan Pratapsinh (2011) fail to trace any conclusive evidence regarding gains resulting to the acquiring firm.

Some studies that examine the type of payment argue that cash-financed transactions outperform stock-financed acquisitions (Rau and Vermaelen, 1998; Andre et al., 2004; Megginson et al., 2004), while, other studies found no evidence that the method of payment has influence on the reported performance (Choi and Russell, 2004; Yook, 2004; Heron and Lie, 2002; King et al., 2004).

Only limited numbers of studies on mergers and acquisitions have been done in India. The scholars mostly used small samples and covered a very short time-span. Compared to them, this study covers a long time-span and uses cross-section data of M&As.

Objective of the Study

a) To Study the immediate effect of mergers and acquisitions (M&A) on share price of the acquiring firm.

b) To study the long-run effects of M&A on Market Value Addition and shareholders' wealth creation

c) To measure the average post-merger returns and compare the same with pre-merger returns.

Methodology

A large sample of strategic mergers of Indian companies occurring over the period of fourteen years, from 2004 to 2018 has been studied. Market value addition (MVA) has been used as the yardstick for assessing the success or failure of the mergers. Unrelated conglomerate mergers have been excluded from the study, because in such cases the diversification is the objective instead of reaping the benefits arising from economic synergies. Companies under study have been selected randomly. The share price of the acquiring company has been taken as the key variable for analysis of the study. Market price quotations of the equity share of the acquiring company have been recorded at four different important points. Those are one year before the merger, one month before and one month after the merger and one year after the merger.

Historical data regarding share prices of acquiring company have been downloaded from the home page of BSE and NSE. To save the inference of the study from share price volatility resulting from announcement of the deal, great importance has been placed on price quotations of the firms one year before the announcement and one year after the acquisition. These prices are expected to keep the results of the analysis free from biases resulting from volatility due to announcement speculation. Paired t-test and Z-test have been conducted to accept or reject the hypotheses. Average post-merger and pre-merger returns have also been computed and compared.

Limitations of the Study

Many factors influence post-merger performance of an acquiring firm. Those are nature of acquisition, size of the deal, modes of payment, managerial compensation, time of execution and macroeconomic condition. However, the priori assumption of this analysis is that synergies resulting from merger and acquisition make the prices of a stock move upward. In fact, even when there is no change in synergy, security prices may change. This could be due to wide variety of reasons such as change in input price, change in repo rate, 'increase in cross-border flow of capital of foreign international investors', macroeconomic conditions and fiscal policy. Because of the above mentioned limitations, the results obtained from this study cannot be freely generalized.

Hypotheses

Statistical analyses of data would be made to test the following hypotheses:

H_0: M&A do not cause any change in the aggregate wealth of shareholders

H_1: M&A cause substantial change in the aggregate wealth of shareholders

Data and Statistical Analysis

The sample consists of random selection of 36 mergers and acquisitions implemented over the period of 14 years, from 2004 to 2018. The details of the sample and share price movements of merged companies recorded at specified experimental intervals have been shown in the Appendix. Results of data analyses given in the following paragraphs are exclusively based on the data given in the Appendix. Hence, the results are verifiable and authentic.

To assess the extent of market value addition caused by M&As, post-merger prices of shares one year after the acquisition have been compared with pre-merger prices prior to one year of merger; it is presumed that prices of distant past would be free from announcement effect. Gathered data reveals that out of 36 acquirers, 27 registered appreciation in share prices during post-merger period, while nine companies suffered declines. It means that 75% of the merged companies stay competent to sustain the track-record of value addition.

Table 1: Post-Acquisition Stock Prices: Rise and Decline

Number of Merged Companies recording stock price appreciation:	27
Number of Merged Companies suffering decline of stock price:	9
Total =	36

Z test has been done to check whether the sample proportion 75% is significant to infer that M&As can enhance shareholder's value:

$$Z = \frac{p-P}{\sqrt{\frac{PQ}{n}}} = \frac{0.75-0.50}{\sqrt{\frac{0.5\times 0.5}{36}}} = 2.55$$

Where, p = sample proportion,
P = population Proportion
Q = 1 – P
n = sample size

Computed value of Z is 2.55. This is significant at 1% level. It amounts to accepting the alternative hypothesis, which supports the proposition that M&As can add value to shareholders' wealth. However, when same test is conducted on short period data of one month prior to acquisition and one month after the acquisition, value of Z is obtained as 1.73, which is not significant 1% level (one tail). This result amounts to accepting the null hypothesis, which states that M&As cannot add value to shareholders' wealth.

Given the data as shown in the Appendix, the most appropriate test for testing the hypothesis regarding increase or decline of shareholders' wealth is paired t-test. Paired t-test has been shown below:

$$t = \frac{\bar{d}}{\frac{s}{\sqrt{n-1}}}$$

Where,

$\bar{d}$ = average differences between the pairs

s = standard deviation of the differences of the pairs

n = sample size

When paired t-value is calculated using pairs of prices relating to one month before merger and one month after merger, value of t is found to be 1.14, which is neither significant at 5% level nor significant at 1% level. The result leads to accepting the null hypothesis, which means M&A are unable to cause any significant value addition to shareholders' wealth. SPSS output for paired t-test has been given in Table 2 shown below:

Table 2: Paired Samples t-Test : Short Period Assessment

Pair	Paired Differences of one month before and One month after prices					t	df	Sig.
	Mean	Standard. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
$1M+ - 1M^-$	18.50	98.89	16.258	–14.47	51.47	1.14	35	.263

However, when the period of study is enhanced, the results become surprisingly different. When paired t-statistic is calculated using pairs of prices relating to one year before merger and one year after merger, value of t is found to be 4.08, which is significant at 1% level. The result leads to accepting the alternative hypothesis, which means M&A are useful to cause a significant value addition to shareholders' wealth. The result of paired t-test obtained from pairs of values of one year before merger and one year after merger has been shown in Table 3 given below:

Table 3: Paired Samples Test: Long-term Assessment

Pair	Paired Differences of one Year before and One Year after prices					t	df	Sig.
	Mean	Standard. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
$1Y+ - 1Y^-$	149.6	222.82	36.6316	75.29	223.87	**4.08**	35	00

Results of the analyses are meaningful. The study unfolds that M&A are not magic, that each merger should emerge value maker overnight. In true sense, M&As are long-term strategies involving long-term investments. Value additions begin to get materialized only in the long-run. Hence, any research plan doing analysis of short-term data may be destined to accepting the null hypothesis and settle with the inference that M&As don't increase shareholders' wealth.

Pre-merger and Post-merger Returns: a Comparison

Mergers and Acquisitions are not unmixed blessings. Even though 75 percent companies were able to keep the share prices rising, but the rate at which share prices grew was drastically lower. Share prices of the sample of thirty six acquiring firms increased at the average rate of 24% per annum in the pre-merger one year, while during post-merger one year the average growth rate of those thirty six firms declined to 4% only. Average post-merger growth rate of the prices of shares of the twenty seven companies that could keep the share prices increasing was nine percent. However, remaining nine weak firms in fact caused depreciation in the shareholders' wealth by twenty three percent in the immediate first year of post-merger period. The details of the pre-merger and post-merger returns have been shown in Table 4 given below:

Table 4: Pre-merger One Year and Post-merger One Year Growth Rates

Pre-merger Average Growth Rates		Post-merger Average Growth Rates	
27 Value Creating Companies	29%	27 Value Creating Companies	9 %
9 Less efficient Companies	1.5%	9 less Efficient Companies	-23%
Average Growth 36 companies	24%	Average Growth of 36 Companies	4%

Average growth rate of the share prices of these less efficient nine firms during pre-merger one year was 1.5%. In the first year of post-merger period these companies encountered negative growth rate of 23%. The message that emerges from the analysis of this paragraph is that the companies, which are less efficient and performing at a very lower level of efficiency, should avoid the strategy of merger and acquisition. Attempts of mergers and acquisitions by them destroy the wealth of the shareholders.

Policy implication of this paper is that the fund managers, who promise to offer maximum returns to the investors, should withdraw fund from newly merged companies, because during immediate post merger period returns of the newly merged companies undergo a downward pressure. Secondly, it is recommended that the companies which are operating at a very low level of efficiency should abstain from the programmes of mergers and acquisitions. This is necessary to save the shareholders' wealth from the risk of depreciation.

Conclusion

Many corporate houses treat mergers and acquisitions as strategies to expand market share, fight competition and consolidate market power. In the light of economic theory M&As appear convincing. However, in real corporate world controlling and governance of newly acquired company poses a great challenge. It is observed that post-merger efficiency of the merged companies confronts a downward pressure. Many companies eventually destroy wealth of the shareholders. Management hubris for market power should not be entertained at the cost of shareholders' wealth. MA

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Appendix

List of Acquiring Companies and Records of Share price Movements

				Pre-merger price		Post-merger price	
No	Acquiring Firm	Target Firm	Year	Year	-Month	Month	Year
1	INDIAN OIL CORP.	IBP CO LTD.	2004	235.4	469.05	513.3	449.2
2	ICICI BANK	SANGLI BANK	2006	392.8	590.2	591.75	803.95
3	HCL TECH	GEOMETRIC LTD.	2016	940.8	854.8	**742.2**	866.2
4	BHARAT PETROLEUM	KOCHI REFINERY	2006	357.3	309.95	385.8	**310.4**
5	TECH MAHINDRA	BIO AGENCY	2016	551.4	476.4	504.9	**386.9**
6	TITAN	CARAT LANE	2016	350.7	366.8	401.9	533.7
7	DABOUR IND. LTD.	BALSARA	2005	88.9	85.75	115.7	116.1
8	SUN PHARMACTICAL	RANBAXY LABORATO	2015	579.3	890.7	947.4	**809.2**
9	STERLITE TECH.	ELITECORE TECHNOLO	2015	68.05	74	101.1	84.95
10	AXIS BANK	FREECHARGE	2017	548.85	492.8	506.8	553.2
11	HDFC BANK	CBOP	2008	987.3	1426.4	1414	**1291.7**
12	BP LTD.	KOCHI REFINERY	2006	357.3	309.95	385.8	310.4
13	EMAMI LTD.	FRAVIN PVT. LTD.	2015	453.1	770.8	970.5	1010.1
14	PIRAMAL LTD.	COLDSTREM LAB. INC.	2015	560.05	781.05	849.05	849.05
15	GODREJ CONSUMER	FRIKA HAIR	2015	783.2	1071.4	1078.9	1260.5
16	INFOSYS LTD.	LODESTONE HOLDING	2012	2477.1	2313.05	2504.1	3005.4
17	ICICI BANK	BANK OF RAJASTHAN	2010	757.2	899.45	1098	935.6
18	BHARTI AIRTEL LTD.	SEYNSE TECH.	2017	361	319.6	338.2	416.1
19	MARUTI SZK. IND.	SUZUKI POERTRAIN	2012	1224.9	1249	1195.6	1479.6
20	WIPRO TECH.	PROMAX APP GROUP	2012	476.5	443.1	406.7	352.2

				Pre-merger price		Post-merger price	
No	Acquiring Firm	Target Firm	Year	Year	-Month	Month	Year
21	DR. REDDY'S LAB.	BETA PHARM	2006	724.9	1160.7	1441.1	617.5
22	HINDALCO ALM. LTD.	NOVELIS INC.	2007	162.4	115.7	128.3	152.3
23	RIL. COM.	MTS INDIA	2016	80.35	75.7	50.7	31.6
24	SUNDARAM FIN. LTD.	LAKSHMI GEN. FIN.	2004	108.7	253.9	220.1	287
25	ULTRA TECH CEM.	JAIPRAKASH ASSOCIATE	2017	3411	4082.1	4024.2	3777.3
26	RELIANCE INFRA.	PIPA VAN DEFENCE SY	2017	803.4	928.8	836.05	1027
27	SUNDARAM FIN. LTD.	LAKSHMI GEN. FIN.	2004	108.7	253.9	220.1	287
28	DABOUR IND. LTD.	BALSARA	2006	157.1	136	140.5	139.3
29	SUNDARAM FIN. LTD.	LAKSHMI GEN. FIN.	2004	108.7	253.9	225.3	266
30	RIL. CAP. LTD.	RELIANCE CAP. VEN.	2006	140.9	454.2	506.85	629.5
31	INDIAN OIL LTD.	IBP LTD.	2007	367.8	487.3	337.05	374
32	VIP IND. LTD.	BLOW PLAST LTD.	2006	69.75	108.5	127.55	100.75
33	ZEE ENTERTAINMENT	MARGO NET. PVT. LTD	2017	387	521.2	521.2	566.45
34	ITC HOTELS LTD.	AUSAL HOTELS	2006	145	454.2	499.25	633.8
35	RIL. CAP. VENTURE	RELIANCE ENERGY VN	2006	145	454.2	499.25	633.8
36	HINDALCO LTD.	NOVELIS	2007	154.75	92.85	161	174.9

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CHAPTER NOTICE

Ref.No.: G/82(37)/01/2019 January 24, 2019

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute in its 316th (Adjourned) Meeting held on 6th January, 2019 by virtue of power conferred therein has decided to change the name of "The Institute of Cost Accountants of India, Mettur – Salem Chapter" to **"The Institute of Cost Accountants of India, Salem Chapter".**

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E-GOVERNANCE AND THE COMPANIES ACT 2013

Abstract

The application of ICT in corporate governance leads enhanced efficiency, greater transparency, greater speed, accuracy, reduced corruption, cost reduction and better protect the interests of all stakeholders. MCA 21, an electronic filing portal, was launched on 18th February, 2006 by introducing the process of e-filing at the ROC office at Coimbatore. It was the first step to e-governance in Indian corporate sector. The Satyam fiasco (2009) in India showed how a failure of IT governancecan ruin all the pillars of corporate governance. So the need was felt then to introduce electronic initiatives through changes in the provisions of the corporate laws in India. Not only to reap the benefits but also to save our environment, the Ministry of Corporate Affairs (MCA) has taken e-governance initiatives by allowing paperless compliances by companies via electronic mode. Though the Companies Act 1956 introduced use of ICT for limited activities in 2006, the need for a robust e-governance structure became crucial for better corporate governance.In addition to retaining MCA 21, the Companies Act 2013 heightens the significance of e-governance in India and the Ministry has taken a number of initiatives in the area of e-governance for better corporate governance. Though e-governance is very popular in western countries but in India it is still an emerging technology. The present paper will throw light on the concept of e-governance, important provisions of the Companies Act 2013 relating to e-governance and its impact, examine the corporate laws encompassing e-governance in other countries and give suggestions for improvement in the area of e-governance under the Companies Act 2013.

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The worldwidetransformation towards increased utilization of Information Technology (IT) by governments emerged in the 1990s with the advent of World Wide Web (WWW). From the early 1990s, ITs were supplemented by Information and Communication Technology (ICT) to spread its coverage to NGOs, private sector and, rural and remote areas. Consequently, IT/ICT Governance became one of the pillars of corporate governance. The application of ICT in corporate governance leads enhanced efficiency, greater transparency, greater speed, accuracy, reduced corruption, cost reduction and better protect the interests of all stakeholders. MCA 21, an electronic filing portal, was launched on 18th February, 2006 by introducing the process of e-filing at the ROC office at Coimbatore. It was the first step to e-governance in Indian corporate sector and provided an authentic information repository on the corporate sector which served as the registry for all filings or public records. The Satyam fiasco(2009) in India showed how a failure of IT governance, by deliberately leaving loopholes in the accounting software packages and password security, can ruin all the pillars of corporate governance. So the need was felt then to introduce electronic initiatives through changes in the provisions of the corporate laws in India. This initiative will ultimately build SMART (Simple, Moral, Accountable, Responsive and Transparent) organizations for the benefit of stakeholders. Not only to reap the above benefits but also to save our environment, the Ministry of Corporate Affairs (MCA) has taken e-governance initiatives by allowing paperless compliances by companies via electronic mode. This initiative is largely applauded by the public at large as the initiative is likely to help to save trees and environment which is used for the manufacturing of costly paper. Though the Companies Act 1956 introduced use of ICT for limited activities in 2006, the need for a robust e-governance structure became crucial for better corporate governance. In addition to retaining MCA 21, the Companies Act 2013 heightens the significance of e-governance in India and the Ministry has taken a number of initiatives in the area of e-governance for better corporate governance. So, this is our duty to know the important provisions relating to e-governance, compare these provisions with the provisions of other countries, how Indian companies react to these provisionsand give suggestions for improvement in the area of e-governance.

Objectives of the paper:

1. To understand the concept of e-governance

2. To have thorough understanding of the important provisions of the Companies Act 2013 relating to e-governance and its impact

3. To examine the corporate laws encompassing e-governance in other countries

4. To give suggestions for improvement in the area of e-governance under the Companies Act 2013.

Concept of E-Governance:

Electronic Governance or E-Governance is basically effective and efficient utilization of the information technology and telecommunications in effectively monitoring the performance and functioning of an organization. Such use of information and communication technologies can be at all levels of governance whether it is government, or business corporation. According to UNESCO, "E-governance is the public sector's use of information and communication technologies with the aim of improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective".E-governance, meaning 'electronic governance' is using information and communication technologies (ICTs) at various levels of the government and the public sector and beyond, for the purpose of enhancing governance (Bedi, Singh and Srivastava, 2001; Holmes, 2001; Okot-Uma, 2000). This definition suggests that e-governance need not be limited to the public sector. It implies managing and administering policies and procedures in the private sector as well.E-Governance implies technology driven governance which does not involve any paper workand is also known as 'green governance'. So, E-Governance in the corporate sector would mean the efficient, transparent and convenient services for the betterment of corporationand secure efficiencies in regulations and stakeholders participation in corporate decision making.

E-Governance Initiatives Under the Companies Act 2013:

Service of Documents Through Electronic Mode[Sec. 20]:[10]

The 2013 Act recognizes for the first time electronic mode for sending documents to the company and service of documents on Registrar of Companies (ROC). A document may be served on a company by sending it to the company at the registered office of the company through electronic transmissionas well asby the traditional method of sending, e.g.,registered post, speed post, courier service, etc. In case securities are held with a depository, the records of the beneficial ownership may be served by such depository on the company using electronic mode. A document may be served on ROC through electronic transmission in place of the conventional methods. Where "electronic transmission" means and includes facsimile telecommunication or electronic mail which the company/ROC has provided from time to time for sending communications to the company/ROCdepending on the circumstances. There may be other means of electronic communication, in respect of which the company/ROC has set up reasonable systems to verify the identity of the sender. However, in all forms of electronic communication mentioned here, the facility must be there for keeping, retrieving, reviewing and taking hard copy of records.

Notice of General and Board Meeting Electronically: [Sec. 101 &Sec. 173]:[13]

The 2013 Act permits giving notice of general and board meeting of a company through electronic mode. A company may send notice via e-mail with full script or as an attachment to email or as a notification mentioning link or URL so that the members can easily gain access tothe notice. The members must be given a scope to register their e-mail address and update changes in that address in advance, at least once in a financial year. The e-mail must be sent to all the members/directors whose name appear in the record providing list of members/directors of the company. The e-mail must state the details of the company anddetails ofthe meeting clearly mentioning venue and date of meeting. If notice is sent in PDF format, then a "link or instructions" should be provided for the recipients for the purpose of downloading the required software. The company should use a system which will keep record of confirmation of all the members e-mailed, record of each recipient and record of failed transactions, if any and following re-sending as "proof sending". The e-mailsmay be sent by the company on its own or hire any agency for providing such facility. A notice, if served on the electronic link or URL has to be readable, and the recipient should be able to obtain and retain copies.

Electronic Voting: [Sec 108]:[13/14]

All listed companies excluding a company referred to in Chapter XB (Issue of specified securities by small and medium enterprises under Indian Depository Receipts) and Chapter XC (Entities which seek listing on Institutional Trading Platform under Indian Depository Receipts) of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 or a company having at least one thousand members shall provide the facility to exercise their right to vote on the resolutions proposed to be considered at general meetings by electronic means. The electronic voting system is a secured system where electronic ballots have been displayed and votes have been polled accordingly. The polled votes have been properly recorded, counted in an electronic registry in a centralized server with adequate cyber security. "Voting by electronic means" includes "remote e-voting" which means the facility for casting e-votes from a place other than venue of the general meeting. The notice of meeting must mention that votes may be polled through electronic voting system, the manner of e-voting, time schedule of voting, login Id and facility for generating password for secured casting of votes. The company will provide all arrangements in this respect. The portal where votes were cast shall immediately be blocked at the end of voting period. The scrutinizer appointed by the board can scrutinize the e-voting process in a fair and transparent manner. The results declared along with scrutinizer's report shall be placed on the website of the company. The resolution shall be deemed to be passed on the date of the relevant general meeting of member subject to receipt of sufficient votes.

Conduct of Board Meeting Through Video Conferencing:[15]

Every company shall make necessary arrangements to conduct board meeting through video conferencing. The company shall inform the directors in the notice of meeting regarding the option available to them to participate through video conferencing or other audio visual means. The directors who are interested to participate through video conferencing shall intimate their intention at the beginning of the calendar year to the Chairperson or Company Secretary so that the authority can make necessary arrangements in this respect. Otherwise it shall be assumed that the director shall attend the meeting physically. The presence of directors through video conferencing shall be counted for the purpose of quorum. It is mandatory to disclose the details of the directors who attended the meeting through video conferencing. But the matters e.g. the approval of the annual financial statements, Board's report, prospectus, amalgamation etc., and the audit committee meeting for consideration of accounts shall not be dealt with in any meeting held through video conferencing. As per section 175 and read with Rule 5 a resolution of a meeting in draft form may be circulated to the directors together with the necessary papers for seeking their approval, by electronic means which may include e-mail or fax.

Books of Account to be Kept in Electronic Mode:[7]

The books of account and other relevant books and papers maintained in electronic mode must be accessible in India so as to be usable for future reference. These documents and the documents received from branch offices shall be retained completely in the format in which they were originally generated, sent or received, and the information contained in the electronic records shall remain complete, unaltered and can be exhibited in a legible form. There shall be a proper system of storage, recovery, display or printout of the electronic records as the Audit Committee or the Board may deem appropriate and such records shall not be sold or damaged, unless permitted by law. Provided that the back-up of the books of account and other books and papers of the company maintained in electronic mode, including at a place outside India, if any, shall be kept in servers physically placed in India on a periodic basis. While filing the financial statement the company must intimate the name, IP address, location, of the service provider to the Registrar annually. Where the books of account are maintained on cloud, the company must report such address as provided by the service provider to the Registrar.

Maintenance, Security and Inspection of Records Kept in Electronic Mode[Sec. 120]:[13]

Any document, record, register, index, agreement, memorandum, minutes, etc., required to be kept by a company may be kept in electronic form. Rule 27 stated that every listed company or a company having at least one thousand shareholders, debenture holders and other security holders, shall maintain its relevant records required under the Act in electronic form. In case of existing companies, the data shall be converted from physical mode to electronic mode within six months from the date of effect of section 120 of the Act. The manner of keeping records in electronic form is to be decided by the Board. The records should be properlydocumented for future use and be readable, retrievable and reproducible in hard copy. All such records should be exactly dated and digitally signed so that nobody can edit or alter. All records should be kept in such a way that it can be easily updated with proper record of date of updating. The responsibility for maintenance of records in electronic mode goes to the Managing Director, Company Secretary or any other director or officer of the company as decided by the Board. The responsible person should provide enoughsafeguardagainst illegalaccess, alteration, tampering and loss of records. He must ensure that the computer system includinghardware and software are sufficiently secured and at least one back up of the updated records kept in electronic form daily. Such records may also be inspected in electronic form by any other person and have a copy of the same against a maximum charge of INR 10 per page.

Payment of Dividend: [Sec. 123(5)]

The dividend payable in cash may be paid through electronic mode to the shareholder entitled to the payment of dividend. The bank details of each shareholder including name of shareholder, bank name, account number, IFSC, PAN number, etc. shall be obtained in advance. So the company may use National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) for transfer of dividend to shareholders in place of the usual methods of payment.

Creation and Maintenance of Data Bank of Independent Directors: [Sec. 150]:[8]

The agency, which has been authorized in this behalf by the Central Government shall create and maintain data bank of persons willing and eligible to be appointed as independent director and such data bank shall be placed on the website of the MCA or any other website as may be approved or notified by the central Government. Any person who desires to get his name included in the databank of independent directors shall make an application to the agency in Form DIR-1. The databank posted on the website shall be accessible at the specified website;substantially identical to the physical version of the databank; searchable on the parameters like DIN, Name, PAN, e-mail, etc.; presented in a format convenient for both printing and viewing online; and contain a link to obtain the software required to view or print the particulars free of charge.

Registration of Companies Under the Act Electronically: [Sec. 397 – 401]

At the time of registration of companies under the Act the company may file documents to the Registrar on paper or in electronic form. E-forms have been introduced to replace hard copy of forms. The prescribed E-forms need pre-certification by Chartered Accountant or Company Secretary or Cost Accountant in whole time practice as the case may be. The Registrar also can store and authenticate the documents submitted by the company on any electronic data storage device or computer readable media. These documents shall be admissible in any proceedings under the Act without production of the original as evidence. The application for registration, balance sheet, prospectus, return, declaration, memorandum, articles, etc. shall also be filed in electronic form. The requisite fees, charges, etc. payable under this Act shall be paid by electronic transfer. The Register shall register change of registered office, alteration of memorandum of association, prospectus, issue certificate of incorporation, etc., in the electronic form. Any person may inspect any document kept by the Registrar using electronic means. The electronic forms used in these sections shall be exclusive or alternative or in addition to the physical form. The Central Government shall set up and maintain a secured centralized electronic registry in which all the above documents shall be filed and stored electronically. Finally, these electronic forms may be used by the Central Government to provide value added services against requisite fees.

Application of the Provisions of Information Technology Act, 2000: [Sec. 402]

In India, Information Technology Act, 2000 has given recognition to the electronic records, digital signatures and carrying out transactions through electronic mode including the manner and format in which the electronic records shall be filed, in so far as they are not inconsistent with this Act, shall apply in relation to filing of applications, documents, inspection, etc. to the Registrar in the electronic form.

Introduction of Simplified Proforma for Incorporating Company Electronically(SPICe):[12]

Companies (Incorporation) Fifth Amendment Rules 2016 introduced SPICe applications. Wherein the application for incorporation of a company shall be in Form No. INC-32 (SPICe) along with e-Memorandum (e-MOA) and E-Articles of Association (e-AOA). SPICe shall also be used for filing application for DIN, reservation of a name, application for incorporation and, appointment of directors for the proposed OPC, private company, public company and section 8 company.

Introduction of Extensible Business Reporting Language (XBRL):[9]

The Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015 introduced a standardized language for communication in electronic form to express, report or file financial information by the companies under the Act. An electronic dictionary naming "Taxonomy" have been introduced too for reporting the business data as approved by the Central Government in respect of any documents and forms required under the Act.

Disclosure on Website:

- The 2013 Act has introduced new restrictions on alteration of objects clause of memorandum in case the company has any unutilized amount from proceeds of public issue through prospectus, it cannot change its objects of collecting money through prospectus until and unless a special resolution is passed by the company. The details of the special resolution shall also be uploaded on the website of the company, if any, indicating therein the justification of such change. [Sec 13(8)]

- The notice of the general meeting of the company must be uploaded on the website of the company and on the website notified by the Central Government. [Rule 18(3)(ix) of Companies (Management & Administration) Rules 2014]

- Within a period of ninety days of making any transfer of unclaimed dividend to Unpaid Dividend Account, the company shall prepare a statement containing the names, their last known address and the unpaid dividend to be paid to each person and upload it on the website of the company and also on any other website approved by the Central Government. [Sec. 124(2)]

- The Board of prescribed class of companies shall disclose the contents of Corporate Social Responsibility policy in its report and also upload it on the website, if any, in the prescribed manner. [Sec. 135(4)]

In order to facilitate its members to have copies of audited financial statement, every listed company shall also upload its financial statements including consolidated financial statements and all other documents required to be attached thereto, on its website, which is maintained by or on behalf of the company. Companies having a subsidiary or subsidiaries shall upload separate audited accounts in respect of each of its subsidiary on its website. [Sec. 136(1)]

- The details of establishment of vigil mechanism, for directors and employees to report genuine concern in the prescribed manner, shall be disclosed by the company on its website and in the Board's report. [Sec. 177(10)]

- The terms and conditions of appointment of independent directors shall be placed on the website of the company. [Schedule IV]

- If the company has a website for running online business, it will disclose its name, address of registered office, the CIN, telephone number, fax number, e-mail and person responsible to answer queries or grievances on the home page of the said website. [Rule 26 of the Companies (Incorporation) Third Amendment Rules 2016]

- Within seven days from passing special resolution for conversion of unlimited company into a limited liability company by shares or guarantee, the company must place a notice of such proposed conversion on the website of the companyin addition to publishing the same in a newspaper in which the registered office of the company is situated indicating the proposal for conversion and seeking objections. [Rule 37 of the Companies (Incorporation) Third Amendment Rules 2016]

Corporate Laws Encompassing E-Governance in Other Countries:

The e-governance initiatives that have been taken by MCA in India under the purview of electronic initiatives can be compared with the developments taking place in other parts of the world, e.g. US, Canada, UK and Germany, to know where we are now. The provisions in other countries are discussed below:

(i) US – The US has been very proactive with regard to electronic filing of all correspondence since last decades. Mandatory filing of correspondence using the electronic mode was advocated in the US since 1996. The electronic filing was to be made on EDGAR (Electronic Data Gathering, Analysis and Retrieval System) of Securities Exchange Commission (SEC). The filed documents can be searched, viewed and printed free of charge. The commission issues updates from time to time to make technical and other changes to the EDGAR filing requirements. The SEC of US has identified three criteria – notice, access and consent to evaluate whether the statutory delivery requirements have been fulfilled by electronic delivery. The shareholders must be given 'timely and adequate' notice. If the document is being placed on the issuer's website, a separate notice is required to keep evidence of delivery. Shareholders need to be informed when and where the notice or electronic materials will be available. For easy access, the documents posted on the website should be available for the relevant notice period and the shareholders should be able to retain the documents. The company must also retain the hard copy of the e-documents. The companies should use the technologies that are widely available and easy to use. Companies must provide hard copy of documents if requested by shareholders. Companies must seek consent from the investors with respect to receipt of information via electronic medium. In conducting meeting, adistinguished approach is adaptedwhere the investors are given the opportunity to hear the proceedings of the meeting through the company's website and also to interact with the management via e-mail. The queries put forward by the investors via e-mail are to be read aloud by the chairman of the meeting and answered during the meeting. The remote participants are given the opportunity to participate in the meeting through this approach but the meeting may take long time toconclude. Here the e-voting services are being provided by the third parties wherein Digital Signature Technology and PINs or Social Security Number are used to identify the members. Internet or touch tone telephone is used for the purpose of e-voting. As proxies are permitted to be returned electronically, PIN or digital signature are used to identify the members.

(ii) Canada – TheCanadian government is focusing extensively on the communication and information through virtual communication and participation. The investor receives notice electronically or the notice is electronically made available and has easy access to the document. The company has evidence that the document has been delivered. Canada has adopted the same approach like US so far as meeting through electronic mode is concerned. As per the Canada Business Corporation Act, 1985, any person entitled to attend a meeting of shareholders may participate in the meeting by means of a telephonic, electronic or other communication facility so that all participants can communicate adequately with each other during the meeting. A person participating in the meeting by such means is deemed to be present at the meeting. The System for Electronic Document Analysis and Retrieval (SEDAR) is a filing system developed by Canadian Securities Administrators (CSA). Documents filed on SEDAR are electronically communicated to securities commission and exchanges. The electronic filing of most of the disclosure documents of public companies and mutual funds are mandatory under SEDAR. Electronic filing of securities information and payment of CSA filing fees electronically are stipulated by the securities regulatory authorities in Canada. All documents filed in the system can be searched, viewed and downloaded from the website of SEDAR free of charge. It also keeps the profile of filers.

(iii) UK – Asper the UK Companies Act 2006 the notices of general meeting can be served to shareholders in hard copy, electronic means or by website. However, the use of electric means requires the consent from members and it can be revoked at any time. The Modern Company Law for a Competitive Economy – Company General Meetings and Shareholder Communication,1999 encompasses various possibilities of holding the meeting in geographically separated locations connected by real time two-way communication systems. It also highlights the possibility of interactive 'virtual meeting' held in no location, facilitating wider participation of shareholders in the meeting. The presentation of the directors, shareholders' interventions and the directors' responses in a meeting would be posted on the company bulletin board accessible to shareholders. This option should be adopted only with unanimous or majority decision. E-vote service conducts electronic voting instructions. It is an internet based service and uses PIN and passwords for the purposes of authorization. The digital certificates and electronic signatures are used to verify identity of voter signatories. It was initially established to provide electronic proxy notices to institutional shareholders, accept votes from them and submitting such electronic votes to registrars. The Companies House during 1998 launched an electronic filing services for companies in England and Wales that enables electronic submission of certain documents via email using telephone networks. An online search facility is provided in which basic company information can be searched for free. However, paid facilities are also available to view and download images of documents online.

(iv) Germany –TheNaStraG law introduced in Germany in 2001 gave due importance to the electronic documents which it had been waiting since long. It enabled companies to send messages and documents to shareholders via e-mail. TransPuG, a law related to transparency and publication introduced in 2002, stated that the vital information for shareholders can be published online and the announcements can be made in electronic form. The counter proposals of shareholders can be published on the website. This law successfully implemented online shareholders meeting in Germany. The law has made it possible for the companies to transmit the shareholder meetings online, after making necessary changes in company articles or statutes. However, holding only virtual meeting in Germany is not allowed. The companies are required to hold a hybrid meeting, i.e., a mix of physical and virtual meeting. The country has a similar voting system as of UK. It follows an indirect voting system wherein the votes are collected online by a third party and then they are exercised in physical meetings.

Conclusion and Suggestions

The above e-governance initiatives stipulated by the Companies Act 2013 systematically covers most of the activities of the company. These steps of the MCA towards e-governance is not only a move which will largely support green initiatives but will increase transparency and enhance organizational effectiveness. Understanding the importance of electronic initiatives and its significance, many companies have started reporting all necessary information, notices, etc., among its shareholders in their e-mail accounts. The results of comparison with the other countries including the US, Canada, UK and Germanysuggest that countries like India does not lag behind the developed world in terms of acceptance to the modern technology driven world. Though e-governance is very popular in western countries but in India it is still an emerging technology. It is a fact that the setting up of ICT infrastructure for compliance of e-governance initiatives as stipulated by the Companies Act 2013 becomes burdensome for private and small companies because it needs huge capital investment. To get rid of this problem, Government should help smaller companies at the initial stage to build up their ICT infrastructure. However, to keep pace with the international developments, Government should bring regulatory changes and think on the lines of introducing three other technologies e.g.,Open Source Software, Cloud Computing and Blockchain Technology to make e-governance more efficient and powerful. MA

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INDIAN COMPANY LAW ON CORPORATE GOVERNANCE – A CRITICAL ANALYSIS

Abstract

In the year 2013, the Govt. of India introduced a new and revised Companies Act, 2013 and the Rules, 2014. The Act is now sleek and thoroughly overhauled and revised. Many provisions of the erstwhile Act have been omitted, many existing provisions revised, merged, extended and rewritten, and many provisions have been newly introduced as per the requirement of current conditions and reality. However, the companies and other entities have been facing practical difficulties in many areas while implementing some of the provisions of the Act. Considering the genuine obstacles encountered by the corporates, the Govt. of India introduced the Companies (Amendment) Act, 2017 in January, 2018. The Amendment Act, 2017 has addressed difficulties in implementation and rectified various inconsistencies prevailing in the Act, 2013. In this article, the author enumerates important enactments of Indian Companies Act, 2013 concerning Corporate Governance, critically analyses new Company Law, discusses the changes taken place to the 2013 Act in regard to key topics of governance and makes new suggestions for further improvement in the standard of Corporate Governance.

India took up its economic reforms programme in 1990s. Again a need was felt for a comprehensive review of the Companies Act, 1956 which had become the bulkiest and archaic with 781 sections and 15 schedules by this time. Three unsuccessful attempts were made in 1993, 1997 and then in 2003 to rewrite the company law. As many as 24 amendments to this Act were made since 1956.

Thereafter, in the year 2013, the Govt. of India introduced a new and revised Companies Act, 2013 and the Rules, 2014. The Act is now sleek and thoroughly overhauled and revised with 29 chapters, 470 sections, 7 schedules and 95 definitions. The new Act has been enforced with effect from 1st April, 2014. Many provisions of the erstwhile Act have been omitted, many existing provisions revised, merged, extended and re-written, and many provisions have been newly introduced as per the requirement of current conditions and reality. It is the first time in the history of company law that the corporate directors have been recognised and classified as executive directors, non-executive directors and independent directors in the new Companies Act, 2013. The roles, powers, and responsibilities of these directors have been specified in much more clear detail in this Act.

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Important Enactments of Indian Companies Act, 2013 Concerning Corporate Governance

Some of the important sections of the Companies Act, 2013 concerning governance in corporate houses are enumerated below:

1. Directors' Responsibility Statement [Section 134 (5)]
2. Corporate Social Responsibility [Section 135]
3. Company to have Board of Directors [Section 2 (10) & Section 149]
4. Manner of selection of independent directors and maintenance of databank of independent directors [Section 150]
5. Appointment of director elected by small shareholders [Section 151]
6. Number of directorships [Section 165]
7. Duties of directors [Section 166]
8. Audit Committee [Section 177]
9. Nomination and Remuneration Committee and Stakeholders Relationship Committee [Section 178]
10. Disclosure of interest by director [Section 184]
11. Related party transactions [Section 188]
12. Prohibition of forward dealings in securities of company by director or key managerial personnel [Section 194]
13. Prohibition on insider trading of

securities [Section 195]

A Critical Analysis of New Company Law and a few suggestions for Improvement

We have mentioned in the previous Para the different sections of the Companies Act, 2013 relating to the corporate governance. At this stage, it will be prudent to highlight some of the important analyses.

1. It is the first time in the history of company law that the corporate directors have been recognised and classified as executive directors, non–executive directors, and independent directors.
2. It is the first time that the company law has defined clearly the criteria for designating a board member as independent director.
3. It is for the first time that the Companies Act has mandated inclusion of at least one woman director in the board of companies.
4. It is for the first time that the company law mandated the provision for introduction of corporate social responsibility committee in the corporate houses, along with CSR Policy rules and a separate Schedule specifying the activities to be included by companies in their CSR Policies.
5. It is the first time that the company law has provided guidelines/code of conduct to be followed by independent directors.
6. Out of 39 Sections concerning directors of companies, 4 Sections were newly added and enforced with effect from 1/4/2014. They are: Section 135 (Corporate Social Responsibility), Section 150 (Manner of selection of independent directors and maintenance of data bank of independent directors), Section 168 (Resignation of director), and Section 178 (Nomination and Remuneration Committee and Shareholders Relationship Committee).
7. There are 6 Sections out of 39, which have been enforced with effect from 12/9/2013. They are: Section 180 (Restrictions on powers of board), Section 185 (Loan to directors, etc.), Section 192 (Restrictions on non-cash transactions involving directors), Section 194 (Prohibition of forward dealings in securities of company by director or key managerial personnel), Section 195 (Prohibition on insider trading of securities), and Section 202 (Compensation for loss of office of managing, or whole time director or manager). The provisions of the rest 33 sections have been enforced with effect from 1/4/2014.
8. As many as 62 Sections (Sections 197A, 198, 201, 202, 215, 216, 217, 252, 253, 254, 255, 256, 260, 262, 264, 266A, 266B, 266C, 266D, 266E, 266F, 266G, 267, 274, 275, 276, 278, 279, 283, 284, 286, 287, 288, 289, 291, 292, 292A, 293, 294, 294A, 295, 296, 297, 299, 301, 303, 305, 307, 309, 310, 312, 313, 314, 317, 318, 319, 320, 321(4), 384, 385, 387, 388) have been condensed into 32 Sections of the new Companies Act, 2013.
9. The provisions of 13 Sections have been re-written and completely overhauled. These Sections are: Section 153 (Application for allotment of Director Identification Number), Section 154 (Allotment of Director Identification Number), Section 155 (Prohibition to obtain more than one Director Identification Number), Section 156 (Director to intimate Director Identification Number), Section 157 (Company to inform Director Identification Number to Registrar), Section 158 (Obligation to indicate Director Identification Number), Section 159 (Punishment for contravention), Section 166 (Duties of directors), Section 177 (Audit Committee), Section 184 (Disclosure of interest by director), Section 188 (Related party transactions), Section 189 (Register of contracts or arrangements in which directors are interested), and Section 191 (Payment to director for loss of office etc. in connection with transfer of undertaking, property or shares).
10. New provisions have been included and thereby 15 Sections have been extended. These Sections are: Section 134(5) (Directors' responsibility statement), Section 149 (Company to have board of directors), Section 151 (Appointment of director elected by small shareholders), Section 152 (Appointment of directors), Section 161 (Appointment of additional director, alternate director and nominee director), Section 164 (Disqualifications for appointment of director), Section 165 (Number of directorships), Section 173 (Meetings of board), Section 174 (Quorum for meetings of board), Section 175 (Passing of resolution by circulation), Section 179 (Powers of board), Section 180 (Restrictions on powers of board), Section 185 (Loan to directors), Section 196 (Appointment of managing director, whole time director or manager), and Section 197 (Overall maximum managerial remuneration and managerial remuneration in case of absence or inadequacy of profits).

All these initiatives have been taken by the Ministry of Corporate Affairs, Govt. of India, not only to make the new company law sleek, but also to make it more effective, up-to-date and unambiguous. There is no doubt that adherence to these provisions by corporate directors and fulfillment of their responsibilities in a professional and faithful manner will go a long way to promote confidence of the investment community, particularly minority shareholders, regulators and companies and ensure international standard of corporate governance.

However, on further analysis of the new regulations and enactments, we have observed certain gaps in the current enactments relating to corporate governance, some of which are highlighted below.

Minimum number of directors [Section 149]

Under this section, a public company shall have at least three directors, which appears to be insufficient for managing a company. The minimum number should be increased substantially in order to position them in various board committees required for corporate governance.

Small Shareholders' director [Section 151]

This section provides for election of one director by small shareholders. Implementation of this provision shall pose a problem. The questions will come up: How the small shareholders will elect their nominee–is it by show of hands or will there be a separate poll for this purpose? Will it serve any useful purpose when only a small number of small shareholders attend general meetings? What will be the role of such elected director? Is there any real necessity for appointment of such a director in the board when there are independent directors to take care of the interests of all shareholders including the small shareholders?

All these questions need to be addressed properly and the section should be modified accordingly.

Directors' Responsibility Statement (DRS) [Section 134(5)]

Directors' Responsibility Statement (DRS), enacted by the new Act, is not complete. It should include an additional statement to the effect that every director has made relevant disclosure of his interest or concern. Moreover, DRS should also include another clause that the related party transactions have been entered into at arm's length, and if not, the relationships of the directors in such transactions along with the amount involved have been disclosed as a part of the Directors Report along with justification.

Maximum Number of directorships in companies [Section 165]

Section 165 of the Companies Act, 2013 prescribes maximum number of directorships to 10 in public companies. But in the present era of stiff business competition–domestic and international, when the company directors are to concentrate heavily on the day to day management for its survival and growth, it is time that the maximum number of directorships should be reduced to 5 in public companies, of which as member in not more than 2 committees and as chairman in not more than 1 committee. This will ensure justice towards improved corporate governance on all these companies.

Audit Committee [Section 177]

This section leaves a huge gap in its enactment as it has not mentioned anything about (i) periodicity of the meeting, (ii) quorum for meeting, (iii) specific powers of the committee and (iv) secretary to the committee. It is no denying the fact that the intention of the law in regard to formation of the audit committee is not to induct any promoter-director or the executive director in the committee. But the current provision lays the foundation for such induction, which is likely to vitiate the very purpose of audit committee formation.

It is therefore, proposed that these gaps should be plugged expeditiously by way of further amendment. In this regard, the Sub-clauses III (A), (B), (C), (D) and (E) of the new Clause 49 of the Listing Agreement, 2014 may be considered for enactment. Besides, the Government should consider constitution of audit committee only with independent directors to serve its purpose and thereby change the current provision accordingly.

Protection to whistle blowers

The company law should recognise the 'whistle blower' concept by introducing a separate section to provide for protection to individuals who expose offences by companies, particularly those involving fraud. Such protection should be extended to normal terms and conditions of service and from harassment. The section should also explain in detail, as to how individual protection can be provided, what the responsibilities of the companies are and what the remedies available in the company law are for the whistle blowers if adequate protections are not provided.

It is no denying the fact that this Act brought significant changes in the company law especially in regard to disclosures, investor protection, accountability and corporate governance. However, the companies and other entities have been facing practical difficulties in many areas while implementing some of the provisions of the Act. The Govt. of India received several representations from different quarters requesting further review and simplification of the enactment. A Company Law Committee was formed by the Ministry of Corporate Affairs to address these issues. The Committee's report on the same was submitted to the Govt. of India which considered many suggestions and thereafter referred to the Standing Committee on Finance for further examination.

After considering the suggestions of the Standing Committee, the Companies (Amendment) Bill, 2017 was introduced in Lok Sabha and passed in July, 2017. The Bill was approved by the Rajya Sabha in December, 2017 and notified in the Official Gazette as Amendment to the 2013 Act after obtaining assent from the Hon'ble President of India in January, 2018.

The Amendment Act, 2017 has addressed difficulties in implementation and rectified various inconsistencies prevailing in the Act, 2013, especially in regard to (i) definitions, (ii) loans and investments, (iii) related party transactions (RPT), (iv) corporate social responsibility (CSR), (v) corporate governance (CG), (vi) declaration and payment of dividend, (vii) financial reporting, (viii) audit and auditors, (ix) board matters, (x) managerial remuneration, (xi) acceptances of deposits by companies, (xii) merger, amalgamation and reconstruction etc.

Conclusion

There is no doubt that adherence to these provisions by corporate directors and fulfillment of their responsibilities in a professional and faithful manner will go a long way to promote confidence of the investment community, particularly minority shareholders, regulators and companies and ensure international standard of corporate governance.

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Commerce Education & Beyond: Reinforcing Young Minds

The Institute has collaborated with Commerce Teachers Foundation (CTF) for "Commerce Education & Beyond: Reinforcing Young Minds" and has entered into a strategic partnership primarily for the International Commerce Olympiad. This initiative has been taken to help the school students of class XI & XII to evaluate their inner abilities, interests, talents and personality traits for developing and achieving their academic, professional and career goals. CTF's 10th International Commerce Olympiad was conducted in November 2018 in two phases on different dates i.e.16th November and 30th November 2018 wherein 458 schools from 108 cities participated, 28277 students appeared for the ICO. Result was declared in January 2019, wherein 17534 students qualified the test. The Institute and CTF will be felicitating the meritorious students and teachers after their forthcoming school examination. Other Career Counseling activities have also been planned for assisting the school students to make an informed choice while deciding upon the future choice of subjects / career and for those who want to discover their field of aptitude and interest.

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ROLE OF SEBI AS DIRECTOR OF CORPORATE GOVERNANCE IN INDIA

Abstract

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a companies many stakeholders. Presently illegal practices have become curse for corporate sector and for which it is responsible all over the world. These practices harm the investors interest and are not good for the civilized society. There is legal framework and revised norms for the corporate entities to curb illegal practices and for its survival and success. In this paper an effort has been made to discuss the role played by SEBI in corporate governance through clause 35B and 49. This article is divided into legal framework, elements of corporate governance, new norms. SEBI is giving framework for the listing agreement through its norms and it is instrumental in making corporate to comply with the standards of corporate governance and also indicates the intent of the regulators to align with the global standards.

In India the need for corporate governance arouse because of the alarming level of scams that occurred since the emergence of the concept of liberalization, such as Harshad Mehta scam, UTI scam, Bansali scam and so on. These unruly scams shook the very conscience of the Indian Economy and the trust of gullible investors. Therefore a need to induct global standards in to the Indian corporate scenario, so as to reduce the scope of scams to bare minimum. The various initiatives have been taken in the past decades by the Ministry of Corporate Affairs and SEBI to find out those entrusted with the responsibility of governing shareholder wealth are adequately regulated and made accountable. From the past 15 years, many reforms has been made on the corporate governance framework - starting from Kumar Mangalam Committee (1999), introduction of Clause 49 in the listing agreement (2000), revision in Clause 49 on recommendations of the Narayana Murthy Committee (2006), issue of voluntary guidelines on corporate governance (2009), issue of guiding principles on corporate governance (2012) based on recommendation of the Adi Godrej Committee, enactment of the revised Companies Act (2013) and finally the new corporate governance norms by SEBI (2014).

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Corporate Governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed.

Elements of Corporate Governance

The important elements of good Corporate Governance are:

- Transparency
- Responsiveness
- Consensus Oriented
- Equity and inclusiveness
- Effectiveness and Efficiency
- Rule of Law
- Participation.

Legal and Regulatory framework on corporate governance

The Indian statutory framework has been in consonance with the international best practices of corporate governance. In India following are the regulatory authorities which are providing guidelines and framework on corporate governance:

1. Companies Act, 1956 provides the basic outline for administering the companies. But due to some loopholes which could not control deceptive practices. Hence ministry of corporate affairs and regulatory authorities made several revisions and amendments on corporate governance practices of the concern. But after the Satyam scam need realised to reframe the Act, which resulted in Companies Act, 2013.

The Companies Act, 2013 inter alia contains provisions relating to board constitution, board meetings, board processes, independent directors, directors KYC, Corporate social responsibility, internal auditor, one person companies etc.

2. Securities and Exchange Board of India (SEBI) Guidelines: SEBI is the regulatory of the securities market and corporate governance standards, which provides, rules, regulations, rules and guidelines to companies to ensure protection of investors.

3. Standard Listing Agreement of Stock Exchanges: For companies whose shares are listed on the stock exchanges. To ensure that companies are following good corporate governance.

4. Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI): ICAI is an autonomous body, which issues accounting standards to ensure the better corporate performance and better relationship with stakeholders. ICAI give lot importance as it leads to effective disclosure of accounting standards and reduces the gap between Indian and International accounting standards.

5. Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI): ICSI is an autonomous body, which issues secretarial standards in terms of the provisions of the New Companies Act. It will be providing standards and revising as and when needed in order to maintain the good governance in corporate.

SEBI Role in Corporate governance

Since the setup of SEBI in 1992 it has taken up number of initiatives, brought amendments, appointed various committees to strengthen corporate governance. Here the SEBI's role in corporate governance is illustrated through norms and provisions as stated in the Clause 35B and the Clause 49 of listing agreement. SEBI norms and guidelines under Clause 35B and 49 of the listing agreement for effective Corporate Governance. By the way of its establishment, SEBI has taken initiatives to align Indian corporate governance practices with the global standards adopted in advanced economies. The recent amendments to Clause 35B and 49 of the listing agreement make Governance more effective and rigorous in protecting the interest of all stakeholders. The amended Clause 49 of listing agreement is in alignment with the new Companies Act, 2013. This clause is applicable to listed companies but as per SEBI clarification, in future this clause will be applicable to non-listing companies also.

Clause 35B

Under the revised clause 35B, the issuer has agreed to provide e-voting facility in respect of all shareholders' resolutions, to be passed at General Meetings or postal ballot facilities to share holders. The company has to send notices of meeting to all members, auditors of the company and directors by post or registered e-mail or Courier and the same be placed on the official website of the company. The notice of meeting should also be mention that the company is providing facility for voting by electronic means and postal ballot facilities to members. Through this provision large number of shareholders can participate in the selection of board members.

Clause 49 and sub-clauses

Corporate governance norms as stated in the proposed amendment to Clause 49 of listing agreement are in alignment with the corporate governance norms as required under the new companies Act, 2013. This clause will also provides the details about the compliance of norms by the listed companies. Further, the provisions of the proposed amended clause are also applicable to other listed entities which are not companies but are also body corporate and are subject to regulations under other statues (e.g. banks, financial institutions, insurance companies, etc.). The amended clause 49 has 11 sub clauses containing the provisions of compliances under Corporate Governance Norms. The necessities under Clause 49 of listing agreement state the role of SEBI in maintaining the standards of corporate governance are:

Clause 49 (i) Corporate governance principles

Under this Clause SEBI specify and explains the rights of shareholders and other stake holders, the responsibility of the corporate to protect stakeholders interest, duty and responsibilities of the board. This specifies that the disclosures must be made regarding proper compliance of prescribed standards of accounting, financial and non-financial disclosure and be transparent.

Clause 49 (ii) Board of Directors

This sub-clause specifies the composition of board, inclusion of restrictions on independent directors, the tenure of independent directors, corporate code of conduct and whistle blowing policy.

- **Board Composition:** This sub-clause specifies optimum composition of Board of directors where at least 50% of the board members should be non-executive directors and there must be one women director in the board. Again it states that if the Chairman is an executive director, half the Board must comprise of Independent directors. However if the Chairman is a nonexecutive director then 1/3rd board members be independent directors.

- **Restrictions on independent directorship:** Under the Revised Clause, no person can be an independent director of more than seven listed companies. If any person is serving as a whole time director in any listed company, then he/she shall not be the independent director of more than three listed companies. The tenure of independent director will be five years which is in accordance with provisions of new Companies Act, 2013. The proposed amendment to clause 49 of listing agreement also contains modifications regarding the non executive directors compensation and disclosures.

- **Code of conduct:** As per the proposed revision to the clause the Board of Directors are responsible to lay down a code of conduct for all the Board members and senior management of the company and the same should be displayed in the official website of the company.

- **Whistle blowing:** Whistle blowing policy will become mandatory under the revised clause49 of listing agreement and will be a radical step in maintaining the standards of corporate governance. This sub-clause gives protection to all stakeholders on all fraudulent activities in the company.

Clause (ii)(A) Women Director:

As per the revision the board of directors of the company shall least have one women director. The provisions regarding appointment of women director shall be applicable with effect from April 01,2015.

Clause 49 (iii) Audit committee As per the amended clause the audit committee should have atleast 3 members and out of which 2/3rd members be independent directors. All the members must be financially literate and one member must be an expert in accounting or related financial management. This committee has to conduct meeting atleast 4 times in a year with a gap of not more than four months in between two meetings. Through this amendment, SEBI specifies the roles, responsibilities and power of audit committee members.

Clause 49 (iv) Nomination and Remuneration committee

There should be minimum of 3 members in the nomination and remuneration committee and all members are nonexecutive directors and half of them are independent directors. This clause states the role of the Committee which includes formulation of criteria to evaluate Independent directors, policy devising on Board diversity, identifying prospective directors and senior management in accordance with the criteria laid down, recommendation to the Board policies relating to remuneration of directors and other employees including key managerial personnel.

Clause 49(v) Requirements W.R.T. subsidiary companies

This sub-clause specifies the responsibilities of listed and unlisted subsidiaries of listed holding companies. Provisions towards unlisted subsidiary company:

(a) Atleast one independent director of the holding company should be director on the board of Director of materially un-listed Indian subsidiary company,

(b) The audit committee of the listed holding has to review the financial statements materially un-listed Indian subsidiary company.

Clause 49 (vi) Risk management

Under this clause SEBI makes an obligation of Board of directors of the top 100 companies by capitalization of market to constitute the risk management committee and has to determine its role, functions and delegate powers as it may judge vigorous. As per SEBI regulations this committee should consists of Board members, Senior Executives may become the member of the Committee but the Chairman of this Committee shall be a member of Board of Directors.

Clause 49 (vii) Related party transactions

In this clause related party transactions information should be disclosed periodically in the form of summery before the audit committee in the ordinary course of business

Clause 49 (viii) Disclosure Norms

Disclosure norms have been made more rigorous than ever before under the proposed revision to clause 49 of the listing agreement. Under the revised clause, details of quarterly report should be disclosed on all material facts, related party transactions along with compliance report on Corporate Governance must be disclosed on its website and a web link stated in its annual reports. Further details of any change in the accounting treatment made in financial statements, information on the remuneration of Directors, directors' relationship with the company has to be disclosed along with the annual report. Material facts on proceeds from public issue, rights issue, and preferential issues must be disclosed.

Clause 49 (ix) Certification from Chief Executive Officer (CEO) and Chief Finance Officer (CFO) under this sub-clauses Board of Directors and Chief Executive Officer and Chief Finance Officer has been made more responsible and answerable. They must certify that they have reviewed the financial statements and the cash flow statements to the best of their knowledge. Along with this they have to certify that Company hasn't entered into any operation which leads to violation of Company's Code of Conduct, illegal or fraudulent to the best of their knowledge. Again it will be their obligation to inform the Auditors and Audit committee on any noteworthy changes made in internal control over financial reporting, changes in accounting policies, cases of significant fraud that they have come across.

Clause 49 (x) and (xi) Compliance Certificate on Corporate Governance

As per the Clause SEBI requires corporate to obtain the Certificate of Compliance on Corporate Governance from the Auditor of the Company or from a Practicing Company Secretary. Such certificate should be attached separately in the annual report. Such obtained certificate should also be submitted to Stock Exchange along with the Annual Report.

Conclusion

The regulatory authority of every country formulates its own guidelines and principles of corporate governance depending upon the nature of business, economic condition and so on. There are various codes of corporate governance which has been formulated from time to time, to make its violation difficult. Improving corporate governance is a long term process and requires a collective effort by all market participants including regulators, creditors, institutional investors, directors, shareholders and so on The study is focused on the compliance of Clause 35B and Clause 49 of the listing agreement guidelines of Corporate governance issued by SEBI. Good corporate governance is imperative for organizational survival. MA

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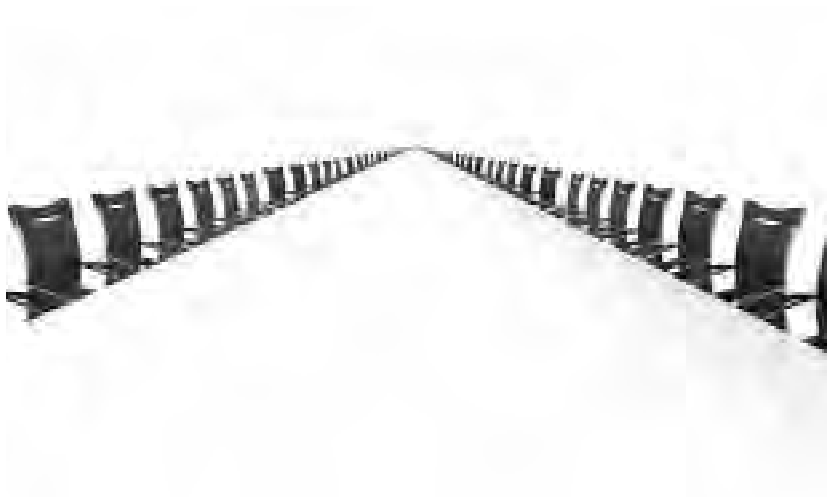
CORPORATE GOVERNANCE OF 2018, 2019 AND BEYOND



Abstract

Board of directors is the principal agent for corporate governance: The board is given a mission by shareholders, translates that mission into specific elements of strategy, and then provides direction for management, which makes it all happen.

It is easier said than done. Business world in India is in infancy stage of implementing tools of corporate governance. A number of reforms are on the way . It is an ongoing process. It will take atleast 2 to 3 years to fructify. For good corporate governance change of mindset is must. This aspect may need some time. However,good news is that part of implementation are in process. From the corporate mis-governance cases worldwidein 2018 in the article,will provideideas as to how to go about in improving corporate governance in the near future.

Recently, shares of Fortis Infosys,Tata Axis Bank, ICICI Bank,Yes Bank, P C Jewellers got beating repeatedly in the bourse. The reasons are common. Poor Corporate Governance.In Axis Bank case, RBI had declined to extend the term of CEOs. In Tata Sons, Chairman was ousted unceremonially. Even in case of Infosys, founder-promoters were worried that the board

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supporting the remuneration package of CEO and ex-CFO rather than looking interests of shareholders. Smaller companies like PC Jewellers and Infibeam had made suspicious deals and group transactions with hardly any openness. In one word, we can say that these were not transparent Corporate Governance.

What exactly is Corporate Governance?

Corporate governance broadly refers to the mechanisms, relations, and processes by which a*corporation* is controlled and is directed; involves balancing the many interests of the stakeholders of a *corporation*. The performance of the board in respect of authorities and accountabilitycenter round corporate governance.

Why does India have a corporate

governance problem?

Firstly, independent directors are people with directorship in different companies. They have got good relationship with promoter directors. They deliberately do not raise any red flag in case of unpleasant agenda.Sometimes, they quit if they feel that things are not as per benchmark. Secondly, FFIs delegate the corporate governance issues to proxy firms. Domestic institutions prefer not to disrupt the existing management to protect their investment value.

Thirdly, proxy firms are yet to take off in India and the handful of proxy firms, at best, play the role of a sounding board for shareholders. Lastly, promotersare not bothered about corporate governance unless some wrongdoing/ deviations are exposed to outside world. The share price is not disturbed till then..Most of these listed companies are family run and controlled in their own style.

Why corporate governance is very important today?

From investors standpoint, apart from equity,there is a massive inflow of fund in MF via SIP. This make the investors virtual shareholders of the respective companies. If poor governance spoilsthe value of equity and debt funds, obviously, Net Asset Value will come down. The mutual fund investment consists of lakhs of crores of rupees both in equity and bond. IfValue of NAV comes down heavily,the virtual shareholders will be sensitive to the corporate governance issues of concerned companies. Recently, the mutual fund investors reacted the collapse of IL&FS Ltd. debt for the same reason.

Corporate governance is about enabling organisations to achieve their goals. Controlling risk and assuring compliance are also important benefits. Corporate governance incorporates a set of rules that define the relationship between stakeholders, management and the board of directors of a company and influence how that company is operating.

Cases of Corporate governance problems in 2018

1. Conflicting Interest - ICICI CMD Chandra Kochhar:

The allegations of wrongdoing pertain to loans of Rs.3,250 crores extended by ICICI Bank to the Videocon group, which had business relations with NuPower Renewables, owned by CMD Chanda Kochhar's husband Deepak Kochhar.

2. Mis-governance - Exit of CMD of YES Bank:

In June this year, shareholders had approved Kapoor's re-appointment for three-year term and was subject to RBI approval. RBI extended its term only till Jan. 31, 2019.

In 2015, the RBI decided to conduct an asset quality review (AQR). There was difference of Rs.4176 Crores between the RBI's assessment of bad loans and the one reported by the bank, in their quarterly results for the year ended March 2016. In the next financial year, as well after RBI's audit, the bank reported an even larger loan divergence of Rs6,355 crore, which was three times the reported amount.

In 2016, the bank received another blow when YES Bank's plan to raise $1 billion via qualified institutional placement failed.

A few years after his tragic death in the 2008 terrorist attack in Mumbai, co-promoter Ashok Kapur's wife and daughter dragged the boardroom battle to the court. They had accused Kapoor of exercising full control over the bank's board, saying they were unable to jointly nominate one director to the board, which has 10 members.

In 2015, the Bombay high court ruled in Kapur's favor and directed that any new whole-time director on the board of the bank can only be appointed with the consent of all the promoters. Considering the promoters have been at loggerheads and unable to agree on any major issue, this may be challenging.Since then the problem was not resolved.

3.Corporate governance overhang haunts Sun Pharma:

a. Third-party loans and advances

In FY18, loans given by Sun Pharma rose to Rs 2,242 crore. But it did not share crucial details like the eventual beneficiary of the loan, citing business sensitivity.But the company said the loan is for pharma business and can take 2-2.5 years to come back depending on certain outcomes.

b. Related party transactions

Sun Pharma's domestic formulation business is entirely routed through a promoter-owned entity called Aditya Medisales, a super stockiest that became a related party of the company during FY18 after a consolidation of several other investment companies.

Aditya Medisales does not enjoy any significant profitability, and on revenues of Rs 8,000 crore, it had an EBITDA margin of 1.7 percent and net margin of 0.4 percent in FY18.

4.Siphoning of Fund - Fortis Healthcare Limited (FHL)

Malvinder and Shivinder Singh, former executive chairman and vice-chairman respectively of healthcare major Fortis Healthcare Limited (they resigned just before the current matter was made public), have been found to have siphoned out Rs 473 crore of company funds for personal use. The matter came to light when the auditors of the company, Deloitte Haskins and Sells LLP refused to sign the second quarter results of the company till the money was accounted for and/or returned. The amount was shown as cash and cash equivalents in the books of the company.

5.IL&FS Crisis: Corporate Governance Issues

IL&FS's major shareholders include state-backed Life Insurance Corp of India holding 25.3 percent stake, State Bank of India with 6.42 percent, Japan's Orix Corp holding 23 percent and the Abu Dhabi Investment Authority with 12 percent, HDFC 9% according to the company's website up to the end of the financial year to March 2018.

This has helped IL&FS to secure funding from investors. It has won several projects, either through direct bidding or joint ventures.

The company piled up too much debt to be paid back in the short term while revenues from its assets are skewed towards the longer term.IL&FS first shocked markets when it postponed a $350 million bonds issuance in March due to demand for a higher yield from investors. By the middle of September, IL&FS and IL&FS Financial Services had a combined 270 billion rupees of debt rated as junk by CARE Ratings and a further six group companies had suffered downgrades with a negative outlook on another 120 billion rupees of borrowings.

6.Role of global proxy advisory firms in India in voting out issues in case of Poor Corporate Governance

In India recently, when Deepak Parekh, who built the HDFC Group, barely managed to get a majority vote in a resolution seeking his continuation as director in the HDFC Ltd. Ultimately,HDFC's Parekh got 77.3 per cent voting as against the minimum 75 per cent. Such crisis of support in favour of the proposal happenedbecause these proxy firms voted against Parekh since they feel since Parekh holds post of Director in 9 companies and he cannot give sufficient time to the cause of shareholders of so many companies(hence poor governance) and he should not seek for reappointment in so many companies as Director.

These global proxy advisory firms are representing Institutional investors who have big equity holdings in several corporates in India. In case, they feel that in any company,corporate governance is lacking in any issue,they vote against the concerned resolution which isCausing poor corporate governance.

Advisory and Its Effect

Company Name	Date	Type of Agenda Item	Vote Against
Mangalore Chem	27 Sep '16	RPT	99.56
Kolte Patil Dev	28 Sep '17	RPT	98.30
Raymond	5 Jun '17	RPT	97.68
J& K Bank	7 Jul '18	Appoinment of NED	86.84
Hinduja Global	11 Jul '17	ESOPs	85.00
Finolex Cables	28 Sep '17	Office of profit	77.89
Gammon India	21 Mar '18	Waiver of excess remuneration	75.51
DB Realty	29 Sep '17	RPT	51.82
Suzlon Energy	27 Jul '18	Issue of securities	42.49
KPIT Tech	23 Aug '17	ID - R A Mashlekar	35.23
Sintex Inds	14 Sep '17	ID - Indira J Parikh	25.22
Finolex Cables	28 Sep '17	ID - Sumit N Shah	63.78
PTC India	25 Sep '17	NED-Mathew Cyriac	70.61

Source: SES Advisory All resolutions were rejected at the AGM

RPT: Related party transaction; **ID:** independent director; **NED:** Non executive director

7. Independent Directors and Auditors in NIFTY 500 Companies who have resigned (before tenure) likely for Poor Corporate Governance

AUDITORS' CESSATION FROM NIFTY 500 COMPANIES

2016	2017	2018 ^
70	139	125

Note: Doesn't include retirement or term expired

INDEPENDENT DIRECTORS' CESSATION FROM NIFTY 500 COS

2016	2017	2018 ^
132	141	141

Note: Doesn't include retirement or term expired or demise

^ Till December

Source: Prime Data

8.Nissan emissions scandal - Carmaker admits fiddling emissions at its plants in Japan

NISSAN declared that data on exhaust emissions and fuel economy had been deliberately "altered" at a number of its factories in Japan, raising the spectra of a Volkswagen-Scale scandal. Nissan discovered the falsified data after internal inspections were undertaken earlier this year.

9.Facebook and Cambridge Analytica and data breaches

Probably the biggest black eye for Facebook was its Cambridge Analytica scandal, This resulted in CEO Mark Zuckerberg testifying not only in U.S. congressional hearings, but also answering questions from the EU Parliament. Further, in September, personal information for 50 million people was compromised.

10.More money laundering for Deutsche Bank

Deutsche Bank is no stranger to controversy, from the Libor scandal.Once again, in 2018, the Frankfurt-based bank finds itself in the news hit by more money-laundering allegations.Deutsche Bank processed around $150 billion in questionable payments for Danske Bank in Estonia.

11.Facebook and Myanmar

Facebook's platform, meant for "bringing people closer together", appeared to exacerbate a horrible genocide through murder and rape in Myanmar in 2018. The Myanmar military used the platform to incite violence against the Rohingya Muslim community. A United Nations report called Facebook "slow and ineffective" at combating the false information.

12.WhatsApp propaganda

WhatsApp got pulled into the spread of technology-aided fake news this year, which led to the deaths of dozens of people in July in India. False rumors and altered videos that showed "child abductions" spread throughout WhatsApp via forwarded messages, often with local-identifying details. This led to bursts of mobs attacking people, culminating in the murder by lynching of over 40 people.While old scores and other factors were at play, the role of WhatsApp – which is owned by Facebook – was criticized as a catalyst for the violence.

13.Uber and Waymo (part of Google) go to court over stolen trade secrets regarding self-driving car technology.

The case centered around Anthony Levandowski, a high-profile engineer who was accused of taking information with him when leaving Google and bringing that information to Uber when he joined the company.

The trial was hugely anticipated among those in tech, as it included two of Silicon Valley's largest companies. Uber agreed to pay Waymo $245 million in equity.

14.WhatsApp's popularity in Brazil is used for widespread sharing of false propaganda, spam messages, and hoaxes ahead of the country's contentious presidential election.

Ahead of the election, the messaging platform was flooded with forwarded spam messages that spewed misleading information, conspiracy theories, and hoaxes, as well as an illegal fake news campaign.

In the end, the presidency was won by Jair Bolsonaro, far-right candidate who has pushed extremist views on torture, marriage equality, and violent police tactics.

The India Disclosure Index 2018(Corporate Governance)

FTI Consulting in the India Disclosure Index focus on non-financial voluntary disclosure, which is in keeping with the direction of disclosure regulations in other jurisdictions, including the 2014 EU Non-Financial Reporting Directive on non-financial disclosure, and is also in line with global institutional investor expectations.

The top 100 listed Indian companies together score an average of 6.3/10 on Voluntary Disclosure. Split by its constituents, the same group of companies score 2.1/4 for Board Quality and 3.3/5 for Risk Disclosure.

Global & Regional Corporate Governance Trends of 2019 & 2020

6 key global governance trends will affect directors and executives in 2019/2020.

Toward the end of each year, Russell Reynolds Associates interviews a global mix of institutional and activist investors, pension fund managers, proxy advisors, and other corporate governance professionals regarding the trends and challenges that public company boards may face in the coming year. The outcome is summarized below -

1. Diversity: This will be the year for gender diversity aiming towards 30 percent plus of public company board members being female. Starting in 2020, Institutional Shareholder Services (ISS) will vote "No" on re-election of Nominating and Governance chairman if their company does not have at least one woman on their board.

2. Environmental, social and governance (ESG): This is a macro trend with 22 trillion of investment capital, which is one in four dollars under management. Boards should proactively embrace ESG instead of being reactive.

3. Tech innovation: Look at technologies like RPA (robotic process automation), data analytics, machine learning, trends which will impact the business.

4. Securities and Exchange Commission proxy roundtable: Keep an eye on the SEC and whether or not it makes changes to the rules surrounding proxy advisors and how shareholders can introduce proposals.

5. Tech experience: Digital directors with significant tech knowledge and experience are a must which is leading to younger board members. Seventeen percent of new S&P 500 directors were 50 or younger in 2018, SSBI found.

6. Retirement policies: Retirement ages are rising as people live and work longer. Companies should review their retirement ages before it becomes an issue and an exception must be made for certain C-level executives as it did at Merck.

Corporate Governance in India 2019 & 2020

a. Regulatory reform- Motivated by a desire to attract global investments, curb corruption, and strengthen corporate governance, India is continuing to push for regulatory reform. In the spring of 2018, SEBI adopted many of the 81 provisions put forward by the Kotak Committee. This implementation has triggered a significant wave of governance implications centered around improving transparency and financial reporting. The adoption of these governance reforms is staggered, with most companies striving to reach compliance between April 2019 and April 2020.

b. Board composition, leadership, and independence. - Directors will also be limited in the number of boards they can serve on simultaneously: eight in 2019; seven in 2020. The top 1,000 listed companies in India will need to ensure they have a minimum of six directors on their boards by April 2019. Additionally, the CEO or managing director role and the chair role must be separated and cannot be held by the same person for the top 500 listed companies by market capitalization. Further, the definition of independence was strengthened, and board interlocks will receive greater scrutiny.

c. Board diversity - Institutional investors and proxy advisors are calling for more progress. Starting in 2019, boards of the top 500 listed companies will need to ensure they have at least one independent woman director; by 2020, the top 1,000 listed companies will need to comply.

d. Board effectiveness. The reforms also include a requirement for the implementation of an oversight process for succession planning and updating the board evaluation and director review process.

Conclusion

Governance stakeholders are eager to see how much progress Indian companies will make during the next 18 months, but many are not overly optimistic given the magnitude of change required in such a short period of time. Investors are setting their expectations accordingly and understand that regional governance norms will not transform overnight. MA

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CORPORATE GOVERNANCE –

LOOKING BEYOND STATUTORY COMPLIANCES

Abstract

Corporate Governance is not restricted to merely ticking all the right check boxes in the list of compliances with various laws applicable to the company. The concept of corporate governance goes much deeper.

Recently, the failure to adhere to good corporate practices in governance of many large corporations destroyed humungous amount of stakeholders' value frittering away precious resources.

Giving back to the society through fair, transparent and proper conduct of those at the helm of affairs and effective discharge of social obligations by the corporates is entrenched in the true purpose of corporate governance.

Corporate Governance in India is evolving and given the circumstances prevalent in our country, it would take a major overhaul of the mindset of all concerned to achieve its true purpose.

Looking beyond the obvious, the key to consistent practicing of good corporate governance in letter and spirit is having the right attitude!

Corporate Entity

A corporate entity is owned by shareholders and managed by directors who may also be the shareholders, albeit not all of them may have a sizeable stake. Growth is the natural mission for any organized form of business and as it expands, management has to become more effective,bringing in the concept of agency wherein the corporate entity is run by the directors as separate from the owners i.e. shareholders. It has been established that the powers delegated by shareholders to the directors are inherently exposed to the risk of serving the director's own interest at the expense of shareholders'.

Ergo a corporate entity to start with, is required to follow a culture that imbibes such business ethics as will ensure that the interest of shareholders is of utmost concern to directors in having a team that manages the day to day operations/ affairs of the corporate as well as their own conduct is of highest standard and thus exemplary before the society. This brings us to the concept and importance of Corporate Governance.

Corporate Governance

There is no universal definition of corporate governance. Some definitions are noteworthy as follows:-

- "Corporate Governance is concerned with the way corporate entities are governed, as distinct from the way business within those companies is managed. Corporate governance addresses the issues facing Board of Directors, such as the interaction with top management and relationships with the owners and others interested in the affairs of the company" [1]

- **Cadbury Committee, U.K** "(It is) the system by which companies are directed and controlled".

CMA Dinesh Arya
Company Secretary
Titagarh Wagons Limited
Kolkata

CMA Sumit Jaiswal
Company Secretary
Titagarh Industries Limited
Kolkata

Corporate Governance is a system of structuring, operating and controlling a company with the following specific aims:

(i) Fulfilling long-term strategic goals of owners; (ii) Taking care of the interests of employees; (iii) A consideration for the environment and local community; (iv) Maintaining excellent relations with customers and suppliers; (v) Proper compliance with all the applicable legal and regulatory requirements.

➢ **Confederation of Indian Industry (CII) – Desirable Corporate Governance Code (1998)**

"Corporate governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions vis-à-vis its claimants - in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of 'good' corporate governance: maximising long-term shareholder value."

➢ **Report of Kumar Mangalam Birla Committee on Corporate Governance constituted by SEBI (1999)**

"Strong corporate governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high quality accounting practices. It is the muscle that moves a viable and accessible financial reporting structure."

➢ **Report of N.R. Narayana Murthy Committee on Corporate Governance constituted by SEBI (2003)**

"Corporate Governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company."

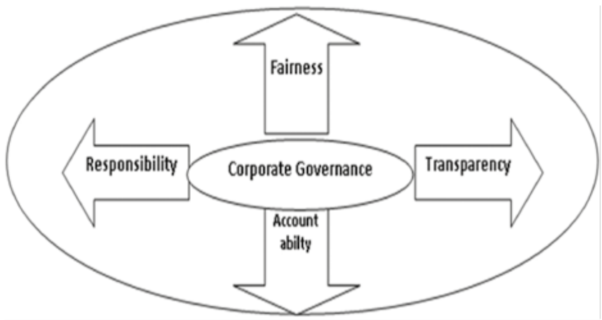
Corporate Governance may be considered as the barometer of business ethics adopted by a corporate entity for sustainable existence as a responsible corporate citizen.

Origin of Corporate Governance

The origin of (Corporate) Governance can be traced to ancient literature: The Arthashastra

Kautilya's Arthashastra maintains that for good governance, all administrators, including the king were consideredservants of the people. Good governance and stability were well linked. If rulers are responsive,accountable, removable, recallable, there is stability. If not, there is instability.These tenets hold good even today.

Corporate Governance is managing, monitoring and overseeing various corporate systems in such a mannerthat corporate reliability, reputation are not allowed to be at stake. Pillars of Corporate Governance are transparency andfairness in action satisfying accountability and responsibility towards the stakeholders.



The long term performance of a corporate is judged by a wide constituency of stakeholders. Various stakeholders directly affected by the governance practices of the company are:

Developments in India

The initiatives taken by Government in 1991, aimed at economic liberalization and globalisation of thedomestic economy, led India to initiate reform process in order to suitably respond to the developmentstaking place world over. On account of the interest generated by Cadbury Committee Report, theConfederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry (ASSOCHAM)and, the Securities and Exchange Board of India (SEBI) constituted Committees to recommend initiativesin Corporate Governance.

Corporate failures in the recent past such as Satyam, Sahara, Kingfisher brought out the fact that the Companies Act, 1956 which existed over a period of 50 years was ineffective at handling some of the present day challenges of a growing industry and interests of increasing classes of sophisticated stakeholders. The Companies Act, 2013 (the Act) has been enacted with a view to meeting the present day challenges of corporate governance arising from stakeholders' expectations. The Act has ushered in a new era of corporate governance, by increasing the roles and responsibilities of the board, protecting shareholders' interests, bringing in a disclosure based regime and built-in deterrence through self-regulation.

Legal and regulatory framework of corporate governance in India is mainly covered under the Act,SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015["SEBI (LODR)" or "LODR"] and SEBI guidelines. Further, a gamut of legislations like The Competition Act, 2002, the Consumer Protection Act, 1986 and laws on the subject, the labour laws, the environment laws, the Prevention of Money Laundering Act etc. seeks to ensure goodgovernance practices among the corporates. However, the Securities and Exchange Board of India (SEBI) isthe prime regulatory authority which regulates all aspects of securities market and enforces the SecuritiesContracts (Regulation) Act, 1956 including the stock exchanges. Companies that are listed on the stockexchanges are required to comply with the SEBI (LODR).

Board of Directors

The term "director" has been defined under Section 2(34) of the Act to mean a director appointed to theboard of a company.

Section 2 (10) of the Act defines "Board of Directors" or "Board" in relation to a company to mean the collective body of the directors of the company.

Minimum number of Directors:

The Act stipulates the minimum number of directors in various categories of companies as follows:

Sl.	Category	Number of Minimum Directors
1	One Person Company	One
2	Private Limited Company	Two
3	Public Limited Company	Three

Listed entities have to comply with a wide variety of regulations laid down in the SEBI (LODR) including corporate governance norms in addition to the provisions of the Act on the principle of "more stringent of the two" compliance.

Notwithstanding the relaxation given by the SEBI (LODR) to some of the companies, with the introduction of the Act as amended by the Companies Amendment Act, 2017, a large number of the provisions dealing with corporate governance has been brought in sync with the SEBI (LODR) with the objective of improving corporate governance standards.

Constitution of an Exemplary Board:

The importance of an exemplary board in discharge of corporate governance cannot be overemphasized. The aspects to be kept in mind for constitution of an exemplary board are broadly listed below:

Well diversified - in terms of knowledge, experience, ethnicity, gender etc.

- Balanced – right proportion of executive directors and independent directors
- Right size – neither too large nor too small
- Right people – leaders

Well informed:

- Regular flow of information – internal and external
- Management to respond to information needs of directors –as and when needed
- Detailed agenda – available well in time with full information

Optimal utilization of resources

- Well constituted Board Committees
- Prioritisation of agenda items
- Allocation of sufficient time to Board responsibilities

Board process

- Transparency within the Board
- Open culture
- Encourage dissenting voice – satisfactorily resolve all reservations, to the extent possible
- Disciplined deliberations – everyone is allowed to speak

Build the team

- Informal meetings
- Visits to large customers, vendors and facilities
- Opportunity to meet managers
- Separate meeting of independent directors

- Relationship of trust – CEO and Board; Executive directors and independent directors
- Lead independent director
- Develop Corporate Governance Policy – items reserved for Board; Set objectives and priorities in consultation with CEO
- Create virtuous cycle

Effective corporate governance is more complex and challenging than ever. The most effective boards are those that easily tickall the check-boxes in the corporate governance factsheet, while also delivering solid strategic counsel and direction. Recruiting and developing directors who go well beyond basic needs is the secret to building a high-performing, fully actualized board.

All entities including corporates draw on the resources made available by the society. Such resources of Mother Naturealthough in abundance, if not consumed responsibly, will not last forever and scarcity of even one of them will pose serious challenge to survival of all living beings in normal manner.

In as much as humans continuously strive to gain materialistically for living life comfortably, the corporate bodies normally tend to pursue the singular objective of profit maximization, often losing the sight of the need to give back to the society.

The society provides the desired climate for successful operation and growth of a company's business and rightly expects that a business should follow good corporate governance which should lead to maximum output of economic well-being. Industrial development by itself is not sufficient to address the needs of the society unless ofcourse such development is pursued with sound ethical and efficacious governance standards. With introduction of mandatory Corporate Social Responsibility (CSR) by the Act, another dimension has been added to measurement of corporate governance standards practiced by the companies.

Conclusion

Power corrupts and absolute power corrupts absolutely. Entrepreneur takes risks when setting up a corporate entity and deserves to be rewarded. In this process, the entrepreneur appoints executive and non-executive directors to achieve the vision and mission of the corporate entity. Human beings are by nature ambitious and in their zeal to race to the goalpost they may find regulations governing their actions to be an obstacle in their path to success. Thus it is possible that executive management wielding enormous power, would knowingly or inadvertently attempt to marginalize the independent directors who are trustees of corporate governance in order to break free and gain speed,and thereby end up frittering away or destroying resources of the corporate entity.

There are instances of corporate value destruction where the entire board could not prevent massive failure of corporate governance. In the case of Infosys, a company seen by many as a benchmark for good corporate governance practices in India, its board came under regulatory scanner when SEBI Chairman raised his concerns and stated *"Audit Committee is not working, independent directors are not independent and there is no stewardship code"*.

Corporate Governance is evolving and given the circumstances and mindset of people of our country, it will take a major overhaul of attitude of all concerned to achieve its true purpose.

Should the laws be made more stringent? Is it possible to really achieve ideal corporate governance standards through the use of force of law like it has been done in the case of CSR?

These are some of the questions every person involved with corporate world must keep in mind. Whatever be the answer, one thing remains the key to compliance with corporate governance in letter and spirit- right attitude! MA

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"FIT AND PROPER" –

A STUDY OF IL&FS GOVERNANCE PRACTICES

Abstract

IL&FS is a premier institution focused on Infrastructure in India. Recently IL&FS has received a lot of negative press coverage after there were default in repayment of its obligations. This paper looks at what were the governance norms at IL&FS and what the annual reports show us. On one side all annual reports show everything that was positive from governance perspective on the other side there was clearly an outcome which would not have happened if governance was strong enough. This paper looks at all the recent coverage in the media. It also looks at how the changes in rating happened from the rating agencies and how good governance is not only necessary for the holding companies but for all group companies including subsidiaries and associate companies. The paper argues that it is important to have the right level of governance in spirit and not in words and also that the multi layered structure and cross holdings can create a big risk to the overall governance of a group of companies.

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Infrastructure Leasing and Financial Services Limited (IL&FS) is an infrastructure development and finance company.Three large financial institutions –HDFC, Central Bank of India and UTI had come together to form IL&FS in 1987.Later other large investors like Abu Dhabi Investment Authority, LICand Orix became stakeholders. Having been in operation for so many years with focus on one of the most important segments – namely infrastructure – IL&FS has done quite a lot for the segment. The company has grown significantly over the years. The table below sourced from annual report of IL&FS shows how it has grown over the years.

Figure 1 - 25 Years of Growth

Good governance is a must for an organization of this size and importance. IL&FS had adopted all the good governance practices (at least that is visible form the annual reports). However, the recent coverage in press has raised serious issues on this matter.

What is Corporate Governance -The Institute of Company Secretaries of India defines Corporate Governance as "Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders"

It is important to note that governance is important for all organizations which have public investment be it by way of listed stocks or other listed securities like debentures. IL&FS the majority holding is with large investors like LIC etc. however the debt instruments were issued to public at large and listed. IL&FS has listed securities and so there is a need to comply with the governance norms applicable under the companies and under SEBI guidelines (LODR).

Background and Press Coverage

IL&FS was in press recently for all the wrong reasons. This included comments from analyst and journalists – below is a gist of the coverage which also therefore lays out what is opined by these articles and how the situation unfolded.

Per Recent article in Bloomberg –The Ministry of Corporate Affairs has moved the NCLT to reopen the books for last 5 years for IL&FS group. The court will hear the matter when the court reopens on 1st Jan 2019. (PTI, 2018)The government plea also wants NCLT to appoint independent chartered accountant to restate the accounts.

Another article (Online, 2018) on Economic Times highlights the chronology of events and the fact that IL&FSdefaulted commercial paper redemption due on September 14th. The credit rating agencies also downgraded the ratings for IL&FS. The article highlights that the group has a debt of more than 91,000 crores and more than 60,000 crores of which is related to projects.

An Article in Business Today(BusinessToday, n.d.) described that the government has appointed a new board under leadership of Uday Kotak. The new board has taken full control of the affairs of IL&FS. Many cost control measures like removing 69 consultants and 10 percent reduction in salaries for certain employees.

In striking words of P Gopalakrishnan(Thomas, 2018) Independent directors must act like Vibhishana, not Kumbhakarna. He further states that there is hard part of corporate governance and then there is soft part. The failure happens when only the hard part which are the laws are followed but the soft part is not followed.

When an event like this happens for an organization as large as IL&FS there is also immediate focus on the work done by the credit rating agencies. (Mint, 2018) An article in live mint described how the rating agencies downgraded IL&FS drastically.

A report form ICRA which is also hosted on the IL&FS website shows the change in the ratings over period.(IL&FS, 2018).The rating came down from AAA to A+ after more than two years of stable ratings for the debentures.

Figure 2 Rating Evolution by ICRA

Rating history for last three years:

Sr. No.	Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Aug 2018	FY2018			FY2017	FY2016	
						Mar-18	Jan-18	Nov-17	Mar-17	Apr-16	Feb-16
1.	Commercial Paper Programme	Short Term	2,500	-	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2.	Non-Convertible Debenture Programme	Long Term	4,475	3343.58	[ICRA]AA+&	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)
3.	Long Term - Term Loans	Long Term	350	350	[ICRA]AA+&	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	[ICRA]AAA (stable)	-	-

& - under rating watch with developing implications

There was a lot more press coverage and links for the links to some material on the web is given in the Bibliography section.

Scope for Research Identified

Given the iconic nature of IL&FS and the impact of the recent press coverage it was interesting to do a study of governance practices that can be quickly gleaned form the published annual reports and company documents. It was felt that this will also help identify avenues for more detailed research in the area of such companies which have large public interest but are not widely held in terms of stock ownership.

Data Collection

Data collection for the was done by way of analysis of the annual reports published by IL&FS. This included details like the financials both on standalone and consolidated basis. There was also analysis of the directors' report and related documents to see if the governance norms were adhered to.They key data elements picked up where view of total non-current liabilities and Equity. There was a listing done from the annual report to check if dividend was consistently paid out while there were financial troubles. Finally, also analysis was done of continuance of Auditors and Executive Chairman over the years.

Data Analysis

The financial details gleaned from the annual reports for consolidated financial statements are as per table below:

Figure 3 Data from last 5 annual reports

AR Year	Equity	Minority	Non Curr Liability	Curr Liability	LT Assets	Curr Asset	PAT	NonCurr Liability/Equity	Curr Ratio
2018	54,279	39,032	693,939	370,894	825,560	332,584	-23,948	7.44	0.90
2017	75,248	43,883	629,163	296,402	786,679	258,017	2,926	5.28	0.87
2016	72,426	42,167	576,985	235,558	712,577	214,559	489	5.04	0.91
2015	66,677	34,029	516,239	201,054	633,531	184,468	3,674	5.13	0.92
2014	63,120	27,236	407,214	159,593	515,702	141,461	3,982	4.51	0.89

The financials are in M INR for the under consideration. There were two ratios computed, first the non-current liability to total equity and second the current asset to current liability ratio.

It is evident that while the current ratio has been largely flat it has constantly been lower than one and on the more important non-current liability to total equity ratio there is a sudden drastic increase in the year under annual report for 2018. The chart below gives a more visual view of this change. Clearly the financials were not giving already showing the high leverage. That may be associated with claims being made that the way transactions were recorded and reported was not appropriate.

Figure 4 Evolution of ratio of non-current liability to equity

Additionally,this case also shows the importance of consolidated financials. While at the standalone parent company level the key indicators may be looking healthy there is always a risk of polluting at subsidiary level. In case of IL&FS there are more than 250 group companies which includes subsidiaries, joint venture companies and associate entities.(Team, 2018) In another article it was revealed that SFIO of MCA has stated in a report that "The modus operandi of IL&FS group during FY2015-2018, was to keep the holding company and its immediate subsidiaries financially viable and healthy, through an unsustainable, pyramidal funding, routing short-term funds borrowed at the holding company or the subsidiary company level to its various step-down or project subsidiaries, as the holding companies' contribution or to avoid default on these companies' borrowing."

Figure 5 Dividend Trend and Chairman and Auditors

AR Year	Dividend Y/N	Chairman	Auditor
2018	Yes	Hemant Bhargava	SRBC & CO
2017	Yes	Ravi Parthasarathy	Deloitte
2016	Yes	Ravi Parthasarathy	Deloitte
2015	Yes	Ravi Parthasarathy	Deloitte
2014	Yes	Ravi Parthasarathy	Deloitte
2013	Yes	Ravi Parthasarathy	Deloitte
2012	Yes	Ravi Parthasarathy	Deloitte

As is evident from the table above that while IL&FS had issues with being able to pay back debt the dividends were recommended by the board every year. Also, interesting to note that Ravi Parthasarathy who was one of the founders of IL&FS stayed on board as Chairman for the longest time even for an organization in the Infrastructure financing business it may be advisable to have right level of rotation in key personnel. Deloitte also were constantly the auditors of IL&FS for the longest period where the issues came up. The change in auditors and chairman happened around the same time that is in 2018 when the issues about inability to pay debts came to light.

Conclusions(Fit and Proper)

IL&FS has all the right policies and procedures documented and available on the website. There is a Whistle Blower Policy in Place, there are clear mandatory disclosures laid out in the annual report. IL&FS also has separate board committees for Risk Management and Audit Committee. There is also a policy abut related party transaction and a documented selection criterion for selection of directors at IL&FS. The criterion for section of directors is in two parts first part is related to Experience and Know how where as the second part is about Behavioral Competencies. The Behavioral Competencies lists out seven competencies and the last the last of these is –Integrity ("Fit and Proper"). Very interesting that Integrity is the last of the competencies being required. Fit and Proper is how it is further explained.The directors all of whom had arguably the best possible credentials for their roles were picked on this basis. The issue however remains that how much of pyramid and holding is too much. There must be a limit to what level of structuring absolves the directors of acts or omissions by related companies. At the same time the ideal of governance comes about not just about sticking to the letter of the law but more so to the spirit of the rules. The sudden change in reported financial position can only mean that the reported financials for prior years did not give a clear view of the reality. Having same auditors for long time and not having any change in key management personnel for years together also means that there was no attention to the required need of managing risks.

Indeed, the very clearly mentioned need of "Fit and Proper" as a competency is must for a large organization like IL&FS and in fact even more so because it has majority of hold from government backed institutions. Hopefully the current press coverage will make a shift for the better with a more focus on how the auditors review and disclose on the financials and finally also on the board members about what their duties are. This will hopefully stop other such instances happening in India.

Scope for Further Studies

The present study is restricted to only one company. A more detailed future study can be done for the similar firms with more in-depth view of the governance practices. A survey or market participant and investors may also be useful in this regard to gauge their view on the matter of corporate governance. MA

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CHAPTER NOTICE

Ref.No.: G/82(56)/01/2019 January 24, 2019

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute in its 316th (Adjourned) Meeting held on 6th January, 2019 by virtue of power conferred therein has decided the extension of the jurisdiction of Kota Chapter of the Institute of Cost Accountants of India to include the districts of Bundi, Baran, Jhalawar and Sawai Madhopur also.

(L. Gurumurthy)
Secretary (Acting)

ROLE OF CORPORATE GOVERNANCE ON CORPORATE FRAUD IN INDIA-

A CASE STUDY OF SATYAM COMPUTER SERVICES LTD.

Abstract

Corporate Governance is about promoting corporate fairness, transparency and accountability. This paper highlights the role of Corporate Governance on Satyam Corporate scam. It also tries to highlight the efforts made by Govt. of India for proper implementation of Corporate Governance in Corporate Sector. Moreover, in this paper, we have discussed poor Corporate Governance issues that were responsible for Satyam scam, which took place on 7th January, 2009 with Rs. 14,000 crore. Two of the Auditors from renowned auditing firm PWC were responsible for the scam. So, ethics of Auditor was in question. Satyam Company actually violated all rules of Corporate Governance like failure of concept of independent auditor, role of Audit committee and role of CEO/CFO. In a conclusion, we can say that Indian Company's Act needs to incorporate some amendments regarding the Corporate Governance issues against wrong financial reporting with the assistance of SEBI and ROC.

Corporate Governance is about promoting corporate fairness, transparency and accountability. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company.

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The Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the organization such as board, managers, shareholders and other stakeholders and lays down the rules and procedure for decision making.

Evolution of Corporate Governance in India

There are various reforms which were channeled through a number of different paths with both SEBI and MCA playing important roles.

Various committees on Corporate Governance:

- Confederation of Indian Industries (CII) set up a committee under the supervision of Mr. Rahul Bajaj which looked various aspects of Corporate Governance and suggested dilution of Government stake in Companies.

- SEBI had set up a commission which looked the issues relating to protection of investor's interest, transparency under the supervision of Kumarmanglam Birla.

- The Department of Corporate Affairs constituted Naresh Chandra Committee which targeted the role of Auditors like relationship between the company and the statutory auditor, rotation of Audit firm's true and fair financial state

- SEBI appointed Narayan Murti committee which focused on the role of audit committee, quality of financial disclosure etc under clause 49 of listing requirement.

Corporate Fraud

According to the Association of Certified Fraud Examiners (ACFE), Fraud is "a deception or misrepresentation that an individual or entity makes knowing that misrepresentation could result in some unauthorized benefit to the individual or to the entity or some other party. On the other hand Corporate Fraud is dealt with the internal part of any organization. It means an Activity undertaken by an individual or company that are done in a dishonest or illegal manner and are designed to give an advantage to the perpetrating individual or company.

Objectives of the study

- To highlight the emergence of Satyam Computer Services Ltd before occurring the fraud.

- To highlight the role of Mr. B. Ramalinga Raju, Chairman, Satyam Computer Services Ltd on Satyam Scam.

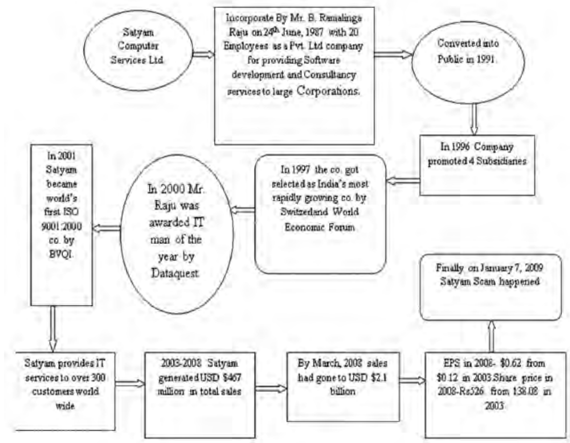
- To highlight the issues relating to failure of Corporate Governance in Satyam Computer Services Ltd.

- To highlight the role of Auditors and factors contributing to fraud.

- To highlight the investigation procedure to be imposed on Satyam scam.

Methodology

The nature of the study is qualitative, descriptive and analytical. So we have collected all the information regarding the Satyam Computer Services Ltd scandal from various press releases in Newspaper and media. So all the data collected is in secondary in nature collected from



various articles published in the journal, books, statements and reports.

Data analysis, Presentation and Findings:

i) To highlight the emergence of Satyam Computer Services Ltd. before the Scam

ii) To highlight the role of B. Ramalinga Raju, Chairman of Satyam on Satyam Scam

- On January 7, 2009 Mr. B. Ramalinga Raju claimed in a letter to the Board of Directors of Satyam Computer Services Ltd that "he had been manipulating the Company's accounting number for years".

- Mr. Raju claimed that he overstated assets by $1.47 billion. Nearly $1.04 billion in Bank loans and Cash that the Company claimed to own was in non- existent.

- He inflated the income statements by claiming interest income from fake bank accounts. Mr. Raju also revealed that he created 6000 fake salary accounts over the past few years and appropriated the money after the company deposited it.

- Satyam's revenue exceeded $1 billion in 2006.

Sources: [Bombay Stock Exchange (BSE), Security and Exchange Board of India (SEBI).]

iii) To show the fabricated Balance sheet and Income

statement of Satyam Computer Services Ltd before the scam

Table 1: Fabricated Balance Sheet and Income Statement of Satyam as on 30th September, 2008.

Items (Rs. In Crore)	Actual	Reported	Difference
Cash and Bank balances	321	5361	5040
Accrued Interest on bank Fixed Deposit	NIL	376.5	376.5
Under stated Liability	1230	NONE	120
Overstated Debtors	2161	2651	490
Total	NIL	NIL	7136
Revenues (Q2 FY 2009)	2112	2700	588
Operating Profits	61	649	588

Source: The Business Today, February 8, 2009.

Raju confessed that Satyam Balance sheet of September 30, 2008 contained the following irregularities: He faked figure to the extent of Rs. 5040 crore of non- existent cash and bank balances as against 5361 crore in the books, accrued interest of Rs. 376.5 crore (non- existent), understated liability of Rs. 1230 crore on account of funds raised by Raju and an overstated Debtor's position of Rs. 490 crore. He accepted that Satyam had reported revenue of Rs.2700 crore and an operating margin of Rs. 649 crore, while the actual revenue was 2112 crore and the margin was 61 crore.

iii) To check the Promoter's Shareholding pattern of Satyam Computer Services Ltd before occurring the fraud

Table 2: Promoter's Shareholding pattern in Satyam from 2001 to 2008

Year As on	Promoter's Shareholding pattern (%)
March, 2001	25.6
2002	22.26
2003	20.74
2004	17.35
2005	15.67
2006	14.02
2007	8.79
2008	8.74
December, 2008	2.18

Source: The Business Today, February 8, 2009

As a part of secret strategy, the Satyam promoters had substantially reduced their holding in Company from 25.6% in March, 2001 to 8.74% in March, 2008. Moreover as the promoters held a very small percentage of equity (mere 2.18%) on December, 2008 as shown in Table 2, the concern was that poor performance would result in a takeover bid, thereby exposing the gap.

iv) To highlight the Role of Corporate Governance Issue on Satyam Scam

The case Study of Satyam Computer Services Ltd is a sheer case of Poor Corporate Governance in India. It is unfortunate that within 5 months after winning the Golden Peacock Award, Satyam became one of the massive frauds in India. It has failed on every issues of Corporate Governance and deceived every Government regulators like SEBI, ROC and MCA. The following issues relating to the failure of Corporate Governance are discussed below;

Failure of Concept of Independent Director:

SEBI has highlighted that Independent Directors will present the true and fair of financial statements and take the active part in the audit process of a company than Traditional Directors, but here in this case this concept was total failure.

Failure of the Role of Audit Committee:

Audit Committee of Satyam played hardly any role for the misrepresentation of financial statements. So, another important pillar of Corporate Governance failed.

Failure of the Role of CEO/CFO:

It is presented in the concept of Corporate Governance that CEO/CFO will certify the truthfulness and fairness of financial statements of the Company but in this case the CEO/CFO of the Company Mr. Ramalinga Raju or Srinivas Vadlamani certifies wrong financial statements.

v) To highlight the Role of Auditors and factors contributing to fraud

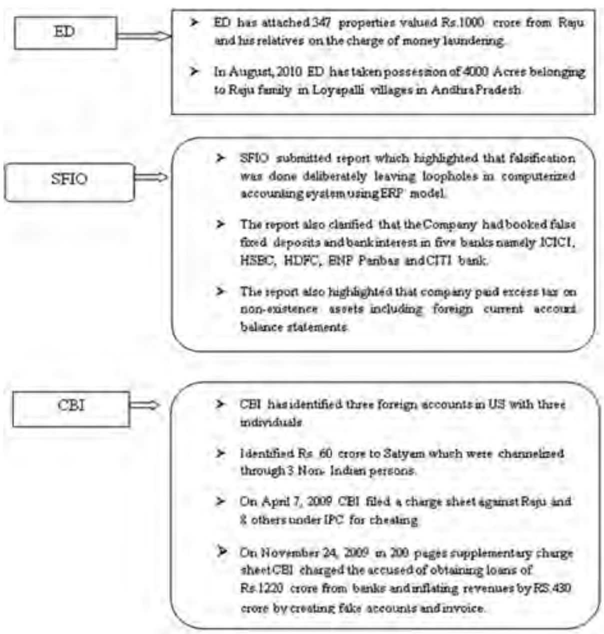
- Global Auditing firm PriceWaterHouseCoopers (PWC), audited Satyam's book from June, 2001 until the discovery of the fraud in 2009. Several critics stated PWC harshly for failing to detect the fraud. Indeed PWC signed Satyam's financial statements and was responsible for the numbers under the Indian Law.

- Satyam also paid PWC twice than other firms for the audit which raises questions about PWC was complicit in the fraud. Moreover PWC audited the company for nearly 9 years and did not uncover the fraud.

- S. Gopalakrishnan and S. Talluri, partners of PWC according to SFIO findings had admitted that they did not come across any case or instance of fraud by the company.

- The auditing firm would not verify the cash and bank balances, fixed deposits and current deposits.

- Later PWC suspended the two partners who signed the Satyam's books of accounts. The independent directors, SEBI, retail investors and the external auditors- none of them detected the fraud.



Source: The Economic Times Report.

vi) To highlight the Investigation Procedure to be imposed on Satyam Scam
Sources: Economic Times and India Today (New Delhi)]

Conclusions & Recommendations

- The failure of the corporate communication structure has made the financial community realize that there is a great need for skilled professionals that can identify the weaknesses in three key areas: Poor Corporate Governance, flawed internal controls and fraudulent financial statements.

- The Satyam scandal brought to light once again the importance of ethics and its importance to corporate culture.

- The Indian Government in Satyam case had taken quick steps to protect the interest of the investors, safeguard the credibility of India and the nation's image across the world.

- Satyam's fraud has forced the government to rewrite Corporate Governance rules and tightened the norms for auditors and accountants by the provisions of Companies Act 2013. MA

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SERVICE QUALITY AND ITS EFFECT ON CUSTOMER SATISFACTION IN DIGITAL BANKING SERVICES

Abstract

The effects and shifting trends in availing Digital Banking Services (DBS) and change in perception on Banking Services of the customer, have been studied in this work. This is supported by a survey based on 1000 respondents. AmodifiedSERVQUAL model has been developed and the main attributes of service quality in which customers are more satisfied or dissatisfied in DBS have also been identified.

'Digital' is the new buzz word in the banking sector and banks all around the globe are hopping onto this bandwagon. Digital banking includes services like ATM, Tele-Banking, Electronic Clearing Cards, Smart Cards, ECS, Mobile Banking, Door Step Banking etc.

Various researchers [1-8] have analyzed customer satisfaction on internet banking by using different attributes namely, quality of service, their comfort/ discomfort, after service facilities, securities etc.

Some researchers [9-12] have focused on different aspects of service quality and all agree that the emphasis should be on customers. Almost all the authorshave used the SERVQUAL model developed by Parsuramanet al. (1988) to find the service quality gaps. Many other researchers, [13-20] have examined the SERVQUAL model on the basis of customer expectation and perception.

Objectives

The main objective of our study is to examine the impact of different digital banking service quality dimensions on customer satisfaction by the bank and to evaluate their performance on the basis of customer satisfaction.Beside this, other objectives are:

1) To find out the change of adoption level of digital banking services after demonetization.

2) To developa modifiedSERVQUAL model basedon different dimensions.

Methodology

Depending on the respondents' adoption, digital banking sector can be categorized into three parts namely, internet banking, mobile banking,and card banking. As India's economic policy has gone through a drastic change after demonetization, the collected data has been analyzedby the growth rate of change in the adoption level of digital banking services after demonetization.

Here, a digital banking user's expectation, perceptions,and satisfaction have been measured with a self-administered questionnaire. The original items of SERVQUAL model are slightly modified to suit the DBS setting, where we have identified 39 attributes and 7 dimensions (Reliability, Transaction efficiency, Customer support or responsiveness, Service security, Ease of use, Performance and service content). Expectation and perceptions of the respondents for availing DBS on the basis of selected dimensions have been measured on a seven-point Likert-type scale ranging from 1-'strongly disagree' to 7-'strongly agree.'Cronbach's Alpha coefficient has been used in order to determine the reliability of the instrument used.

Next, a gap score on the basis of respondent perception and expectation has been identified. Average Gap Score (un-weighted) has been calculated from each of the statements under each dimension.

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For finding out weighted score, we have calculated the importance weights for each of the seven dimensions of service quality constituting the SERVQUAL scale. The sum of the weights of the dimensions is 100. Calculating the weighted average SERVQUAL score for each of the seven dimensions of service quality multiplying the un-weighted score with the weighted scores and we have observed the average Weighted SERVQUAL score.

Data Analysis and Interpretation

Table-1 represents the adoption level of different categories of DBS before and after 2017. Among them,the adoption level of card banking (0.4), followed by internet and card banking (0.16), is much higher than all other categories of DBS. It indicates a positive effect of demonetization on availing card banking facilities.

Table 1: Adoption level of DBS

Types of DBS	Total number of users before 2017	Total numbers of users after 2017	Growth rate
Card Banking	390	546	0.4
Internet Banking +Card Banking	264	306	0.16
Card Banking +Mobile Banking	16	18	0.12
All types ofBanking	116	130	0.12

Source: Survey evidence, 2017

Table -2 indicates the change in perception of the respondents (rural and urban) on their banking habits before and after demonetization. A tremendous growth rate (0.50) for opening a banking account has been observed for rural respondents. Among 480 respondents of rural peoples, only 123 respondents have a smartphone, though this figure is quite high for urban people (464 out of 520 respondents). The total increase in growth rate for availing internet banking account facilities is 0.46, whereas growth rate for availing internet banking account of urban respondents (0.47) is higher than the rural respondents (0.42). The growth rate of monthly withdrawal of cash through ATM for rural people (0.26) is higher than the urban respondents (0.13). An averagenumber of monthly usage of a debit/credit card at a POS after 2017 for the urban sector's respondent is 3.21 whereas for rural respondents it is only 0.31.Similar results have also been observed for an average number of monthly usage of mobile banking, the average number of monthly usage of mobile wallet and the average number of the monthly transaction through UPI. A noticeable growth rate on a percentageof cashless payment in total payment has been observed for rural sectors (0.89) after demonetization.

Table 2: Change in perception of Banking habits before and after demonetization

No. of the household have a banking account			
	Before 2017	**After 2017**	**Growth Rate**
Rural	320	480	0.50
Urban	466	520	0.12
Number of a person having a smartphone			
Rural	94	123	0.31
Urban	392	464	0.18
Total	486	587	0.21
Number of a household having an internet banking account			
Rural	57	81	0.42
Urban	221	325	0.47
Total	278	406	0.46
Average number of monthly withdraw of cash through ATM			
Rural	1.67	2.1	0.26
Urban	4	4.5	0.13
Average number of monthly usage of debit or credit card at a point of sale			

Rural	0.23	0.31	0.34
Urban	2.36	3.21	0.36
Average number of monthly usage of mobile banking			
Rural	0.07	0.09	0.28
Urban	0.12	0.14	0.17
Average number of monthly usage of mobile wallet			
Rural	0.012	0.015	0.25
Urban	0.08	0.11	0.38
Average number of the monthly transaction through UPI			
Rural	0.000	0.003	
Urban	0.000	0.008	
Approximate percentage of cashless payment in total payment			
Rural	3	5	0.67
Urban	9	17	0.89

Source: Survey evidence, 2017

To test the reliability of each dimension Cronbach's alpha (α) test has been considered. Table 3 represents values of Cronbach's alpha (α) which indicates statement and dimension wise reliability of different instruments or dimensions and the overall composite reliability. The value of Cronbach's alpha (α) with respect to expectation and perception is more than 0.7, so we can consider all the selected items for our study.

Table: 3 Cronbach's alpha values.

Dimension	Statements	Cronbach's Alpha (α) {Expectation}	Cronbach's Alpha (α) {Perception}
Reliability	1. Information in web pages and tabs are accurate and easy to understand.	0.908	0.782
	2. Links and tabs are problem-free, accurate and the pages are downloaded quickly.	0.871	0.798
	3. The e-mail response from Internet banking is accurate.	0.863	0.816
	4.The bank's website does not use cookies to collect information.	0.880	0.791
	5.Customers can rely on the information given are not being misused.	0.866	0.808
	6. It delivers the service exactly as promised	0.888	0.814
	7. Information in web-pages is up to date.	0.912	0.809
	Overall reliability	0.900	0.827
Transaction efficiency	8. The speed of login to account is fast.	0.794	0.826
	9. The bank's site is easy to navigate and is simple to use.	0.787	0.896
	10.It is easy to find policy and notice statement on the bank's web site.	0.803	0.828
	11. Overall transaction process is fast.	0.802	0.814
	12. Online transaction is growing at a much faster speed rate than paper-based instruments	0.777	0.829
	Overall transaction efficiency	0.827	0.869
Customer support/ Responsiveness	13.The bank is willing to help customers and provide prompt responses to the requests by e-mail or other means.	0.826	0.739
	14.The bank provides appropriate information to customers when a problem occurs.	0.815	0.703
	15.The response from e-banking and mobile banking to their customer are faster.	0.824	0.701
	16. Bank's website has online customer service representatives and knowledgeable staff to solve the problem.	0.809	0.726
	17.It contains comprehensive FAQs section for guidance to common problem.	0.803	0.774
	Overall Customer Support	0.847	0.763

Service security	18. Multistep authentication is required during login	0.739	0.782
	19. The bank's website is secure for giving personal information	0.731	0.792
	20. It keeps an accurate record and gives security of banking transaction and privacy	0.723	0.810
	21. After specific time limits application automatically logged out	0.776	0.786
	22. The bank send OTP for every transaction in the registered mobile number	0.769	0.813
	23. The bank informs every transaction details via SMS service.	0.721	0.782
	Overall Service Security	0.830	0.777
Ease of use	24. Easy to navigate and Easy to find information on the bank's website	0.749	0.788
	25. Bank's website is easy to use.	0.722	0.745
	26. The language onthe website is easy to understand.	0.724	0.765
	27. It provides clear instruction.	0.715	0.758
	28. It displays output or transaction fast	0.743	0.749
	29. The output format is easy to read.	0.712	0.737
	Overall ease of use	0.762	0.789
Performance	30. Digital banking provides 24 × 7 hours service.	0.733	0.726
	31. DBS provides in multi-language.	0.829	0.826
	32. Allow transferring between banks.	0.711	0.702
	33. Provide online registration.	0.716	0.709
	34. I can check the validity and detail of past transaction every time.	0.731	0.726
	35. Personalization of bank's site for customer's personal requirement.	0.826	0.817
	Overall Performance	0.794	0.788
Service content	36. Bank website provides information that exactly fits needs.	0.886	0.872
	37. DBS website provides information that is trustworthy.	0.885	0.862
	38. The website has adequate security features	0.926	0.938
	39.The bank's site provides a confirmation of the service ordered.	0.958	0.926
	Overall Service content	0.934	0.925
Overall composite reliability	**Total Item = 39**	0.823	0.743

Source: Survey evidence, 2017

Kaiser-Meyer-Olkin (KMO) measure and Bartlett's test of Sphericity have also been indicated the validity of data in our study (not reported). Table 4 indicates the Perception and expectation score of the respondents with regards to 39 items grouped into 7 dimensions. For each of 39 items (service attributes), a service quality gap has been computed. Highest SERVQUAL gap has been observed in customer support or responsiveness, which is followed by the reliability gap. Besides, a negative gap has also been observed in other dimensions such as transaction efficiency, ease of use and service content. Noticeably, the expectation scores are lowest for responsiveness, followed by transaction efficiency.A positive SERVQUAL gap has been observed for service Security and performance dimensions. In these two dimensions, the expectation of customers meets quite well with the service quality.

Table 4: SERVQUAL gap score for 39 attributes

Dimension	Variables	Expectation	Perception	Gap (Perception- expectation) score
Reliability	Q1	5.634	5.397	-0.237
	Q2	6.135	5.235	-0.9
	Q3	6.134	6.21	0.076
	Q4	6.362	5.313	-1.049
	Q5	6.089	6.652	0.563
	Q6	6.181	5.731	-0.45
	Q7	6.228	6.548	0.32
Mean reliability Servqual Score		6.109	5.869429	-0.23957
Transaction efficiency	Q8	5.622	5.721	0.099
Q9	5.914	5.449	-0.465	
Q10	6.014	6.041	0.027	
Q11	6.053	6.064	0.011	
Q12	6.2	6.329	0.129	
Mean transaction efficiency Servqual Score		5.9606	5.9208	-0.0398
Customer support/ Responsiveness	Q13	6.136	5.384	-0.752
Q14	5.954	5.365	-0.589	
Q15	5.957	5.577	-0.38	
Q16	5.774	5.521	-0.253	
Q17	5.863	5.845	-0.018	
Mean responsiveness Servqual Score		5.9368	5.5384	-0.3984
Service security	Q18	5.714	5.726	0.012
Q19	6.201	6.45	0.249	
Q20	6.2	6.55	0.35	
Q21	5.95	6.15	0.2	
Q22	6	6.05	0.05	
Q23	6.156	6.15	-0.006	
Mean Service security Servqual Score		6.036833	6.179333	0.1425
Ease of use	Q24	5.735	5.542	-0.193
Q25	6.085	5.913	-0.172	
Q26	6.027	5.794	-0.233	
Q27	5.938	6.038	0.1	
Q28	6.177	6.155	-0.022	
Q29	6.173	6.193	0.02	
Mean Ease of use Servqual Score		6.0225	5.939167	-0.08333
Performance	Q30	6.638	6.684	0.046
Q31	5.073	5.021	-0.052	
Q32	6.593	6.619	0.026	
Q33	6.597	6.62	0.023	
Q34	6.528	6.562	0.034	
Q35	5.086	5.013	-0.073	

Mean performance Servqual Score		6.085833	6.0865	0.000667
Service Content	Q36	6.827	6.845	-0.018
Q37	6.835	6.852	-0.017	
Q38	6.892	6.889	0.003	
Q39	6.702	6.712	-0.01	
Mean service content Servqual Score		6.814	6.8245	-0.0105

Source: Survey evidence, 2017

The mean of un-weighted gap score and weighted gap score has been presented in table5 average gap score for 7 dimensions as calculated in table 5 is averaged to compute the un-weighted gap score. SERVQUAL importance weights (as given by respondents by allocating 100 points among the seven dimensions according to the degree of importance perceived by the respondents) has been depicted in column 4 in table 5.

Table 5: AVERAGE GAP SCORE (Un-Weighted and Weighted)

Sl. No.	Dimensions	Gap Score (unweighted score)	Mean out of 100 (SERVQUAL weighted score)	Weighted. Score (unweighted score × weighted score)
1	**Reliability**	-0.23957	16.31	-3.90741
2	**Transaction efficiency**	-0.0398	13.73	-0.54645
3	**Customer support**	-0.3984	12.04	-4.79674
4	**Service security**	0.1425	19.47	2.774475
5	**Ease of use**	-0.08333	13.29	-1.1075
6	**Performance**	0.000667	13.64	0.009093
7	**Service content**	-0.0105	11.52	-0.12096
	Average	-0.08978	Total=100	-1.09936

Source: Survey evidence, 2017

Conclusion

The present study reflects that the level of using of DBS and growth rate of adoption level of DBS after demonetizationis very low among the respondents. Though after demonetization a noticeable increase of availing card banking has been observed for rural respondentbutthey are not habituated to use other forms of DBS.

The dimension reliability which represents the trustworthiness of digital banking services cannot provide the services as promised according to the expectation of the respondents. Customer apprehends that sometimes links are not problem free and for downloading it needs much more time than expected. According to the respondents, it is not always easy to navigate and to use the bank's site through DBS. All the statements under customer service dimension indicate a negative gap score between expectation and perception. Therefore, the banks should give more attention on customer services or responsiveness by making necessary arrangementsin different ways to satisfy their customer in a digital transaction like waiving or keeping minimal charges for SMS service,making the websitemore user-friendly by using the website in different major regional languages etc.

Therefore, it may be for recommended that, bankers and service designers should give more concernon the demographic profile, reliability, customer support,service security, ease of use etc.Organizing campaign and hands-on training for using DBS in the rural areas may inspire people toadopt DBS.

Acknowledgment:One of the authors Dr. Mahasweta Roy (Dutta) thankfully acknowledges the financial support from Indian Council for Social Science Research (ICSSR), New Delhi to carry out this work through ICSSR-Post-Doctoral Fellowship (Grant no: 3-29/2016-17/PDF).

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Congratulations!!!

Our heartiest congratulations to CMA Manubhai K. Desai, Past Chairman, WIRC and Past Chairman of Surat-South Gujarat Chapter for being awarded 'Triveni Sangam of Awards'.

He has been felicitated with 27th Annual 'UJAS' Media Award -2019 of Gujarat on January 5, 2019, 'National Award For Education Excellence-2018 -Lifetime Achievement Award As Cost Accountancy Mentor' by famous Superwill Group and Public Sanmaan & Felicitation by Amrakunj Society of Surat on its Golden Jubilee Celebration on January 6, 2019.

We wish CMA Manubhai K. Desai the very best for all his future endeavours.

SPECTRUM FOR WIRELESS TELECOM SERVICE - MODELS / VALUATION APPROACHES

Abstract

The proliferation of wireless telecom services (mobile and broadband) act as catalyst for the economic development of a country. The exponential growth in wireless telecom services has resulted in excessive demand for the spectrum which has direct bearing on the price of spectrum as input. The spectrum price plays very critical role in proliferation of wireless telecom services and thereby accelerates the development and growth of the national economy. The valuation of spectrum is significant matter for different stakeholders.

The purpose of this reference paper is to apprise with various spectrum valuation approaches in vogue and has been divided into four parts: I- Introduction, II- Need for Valuation of Spectrum, III- Various Valuation Approaches- Opportunity Cost Models (i) Producer Surplus Approach (ii) Production Function Approach, Econometric Approaches (a) Single Variable Correlation Model (b) Multiple Variables Regression Model, Revenue Surplus Model, Economic Efficiency Approach, Technical Efficiency Approach, Achieved Price In Last Auction, Indexation Of Previous Auction Determined Price, International Benchmarking of Spectrum Price and Secondary Market Trading / Resale Price Of Spectrum, and IV- Conclusion

Radio Frequency Spectrum is a unique, ubiquitous but finite natural resource shared by a wide variety of services. Unlike many other natural resources, it can be repeatedly reused and hence cannot be depleted however, if not put to use, cannot be stored for future use as it is perishable. It has been considered as a limited even scarce natural resource because, given present technologies, there is only a finite portion available for being put to valuable use at any point of time. Besides its use for wireless telecom service, Radio Frequency Spectrum is also used for other services of national importance such as Broadcasting, Defence Services, Aerospace, Medical etc.

The Radio Frequency Spectrum is both rivalrous and excludable as it has the potential to be reused and reallocated. Its use by one telecom service provider (TSP) entails a smaller amount of spectrum available for another to employ as its availability is limited; hence, it is rivalrous. To ensure interference-free operations by the users under the present state of technology, spectrum has perforce to be excludable. Further the supply of the spectrum is inelastic as the Government is its sole custodian that attributes its overall scarcity.

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Need for Valuation of Spectrum

The valuation of spectrum is very crucial and critical issue but at the same time the valuation of spectrum is required from time to time in order to maximize both economic and social benefits from its varied uses to the sector as well as to the economy as a whole. Valuation of the spectrum is a function of business potential and value addition to the business.

There are numerous exogenous factors that apply differently in each country because of physical or demographic characteristics, state of economy historical, cultural or legal heritage or more pertinently, national government policies and regulations that are crucial to valuation of spectrum.

The valuation of spectrum is a multivariate exercise incorporating whole range of factors on demand, supply side including technical developments and features of specific spectrum bands. It also depends on the assessment of demand for telecom services in all its variants, revenue potential, operating expenses, Investment in Networks, development of Ecosystem and special features of a particular band. It is also determined to a large extent by its demand which depends on the willingness, requirement and ability to pay of the spectrum users who use it as an input in the provision of wireless telecom services.

The demand for spectrum being a scarce natural resource is derived from the demand for final goods and services that require spectrum as an input. The economic valuation of spectrum depends on number of variables and can be indicated in the functional form as under:

V= f (I, T, E)

Where: V = Value of the spectrum is function of:

I= available Market Information;

T=Technological Factors; and

E= Macro and Micro Economic factors.

The valuation varies over a period of time, from market to market, different spectrum bands and from transaction to transaction.

The spectrum bands with less regulatory restrictions in use would typically have greater value. The liberalisation of spectrum enhances the value of spectrum by removing technology barriers whereby the user of the spectrum has the option of deploying alternative technologies. Further the different spectrum bands have different propagation characteristics which also have influence on its value.

The determination of valuation of different spectrum bands which represents their fair market value is very tedious and crucial exercise. The valuation of spectrum is dependent upon the availability of relevant information however, the pieces of information would necessarily not result in identical value for different stakeholders. The valuation of spectrum also differs and depends upon the entity that valuing it. The Policy Maker or the Regulator can arrive at a particular value. By using the same information, the user of Spectrum i.e., the Telecom Service Provider can arrive at yet another value based on their respective business plan, business potential and financial capability. Similarly analysts or academics can arrive at different value and even the value arrived at by two analysts or academics cannot be the same. The determination of fair value of spectrum has been always a challenge across the jurisdictions.

There is a need to achieve a fine balance among the three main considerations of spectrum valuation, namely (a) efficient assignment, (b) maximisation of consumer welfare and (c) optimal value for the public natural resource. The valuation of Spectrum depends upon number of factors and is also highly situational. Moreover there is no single valuation is relevant for all situations as the valuation of spectrum is influenced by number of factors.

Valuation Approaches

Since spectrum is scarce and essential as input for the provision of telecom services, its valuation is a very significant activity, various approaches used to arrive at spectrum valuation are as under:

1. Opportunity Cost Models

Opportunity cost model with respect to spectrum valuation captures the saving in operating cost or earning of additional surplus when the additional spectrum is put to use in place of investment in Network Equipments. Following two opportunity cost models can be used to determine the value of spectrum.

(i) Producer Surplus Approach:

This approach is based on an engineering model for determining the value of spectrum. As per the law of physics, there is an inverse relationship between the quantum of spectrum allocated and the expenditure on Radio Access Network (RAN) required for serving a particular level of demand and consists of Base Transceiver Stations (BTSs), Base Station Controllers (BSCs) and transmission media to connect them. Therefore use of additional spectrum by a TSP will create a producer surplus (i.e. the opportunity of cost savings (both OPEX & CAPEX) on the RAN due to use of additional Spectrum by the TSP.

The key inputs are projected subscribers, projected traffic (i.e. Voice minutes, Data Usage and other value added services), estimated network demand, estimated number of RAN, existing spectrum holding of the TSP, Licence period as well service region (Licence service area) etc.

The following steps are taken for estimation of producer surplus:

(i) Estimation of Network Demand of the TSP

(ii) Estimation of No. of RANs in the two scenarios

(a) With existing spectrum holding

(b) With existing spectrum holding + 'a' MHz spectrum (i.e. additional spectrum)

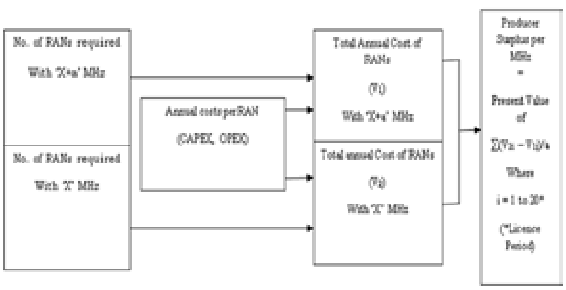
(iii) Estimation of Annual Cost (OPEX and CAPEX) of RANs in the two scenarios

(iv) Producer Surplus with an additional spectrum of 'a' MHz in a LSA is estimated as below:

Producer Surplus = Present Value of expenditure on RANs with additional spectrum of 'a' MHz Minus expenditure on RANs during the licence period (say next 20 years) without additional spectrum of 'a' MHz.

The Producer Surplus Model is described in the following schematic diagram:

Schematic Diagram of Producer Surplus Model



The amount of producer surplus (saving in cost) can be used to determine the value of spectrum which a TSP would like to acquire.

(ii) Production Function Approach:

Spectrum and Radio Access Network (RAN) are the two essential inputs for the provision of mobile / wireless telecom services and are independent variables in the estimation of a production function to 'produce' mobile traffic (i.e. Voice minutes, Data Usage and other value added services). This model works on the principle that the two inputs i.e. Spectrum and Radio Access Network (RAN) can be substituted for each other over a given range of output.

Valuation under this approach is equal to the savings generated in the form of reduced CAPEX and OPEX on Radio Access Network (RAN) of the TSP when additional spectrum is put to use.

The production function has been specified as a Cobb-Douglas functional form which is widely used to estimate the statistical relationship between inputs & output. The can be denoted by:

$X = Ay^{\alpha}z^{\beta}$

In this equation, X (dependent variable) is the Minutes of Usage. The independent or explanatory variables are:

Y is allocated amount of spectrum and;

Z is Number of BTSs deployed by a service provider.

The parameters α and β reflect the change in minutes of usage for a unit change in Spectrum Holding and BTS respectively.

The key inputs used are existing & projected subscribers, Minutes of Usage, Data Usage, Number of BTS, Useful Life of BTS, Network demand, existing Spectrum Holding of TSPs of particular spectrum bands, Licence period as well service region (Licence service area) etc. Using a panel data set of Minutes of Usage, spectrum allocated and BTSs set up in various LSAs for different TSPs over the given period (Say 5/7years), the coefficients are calculated using statistical technique and then used in the above equation to get the value of per MHz spectrum across LSAs.

Valuation under this approach is equal to the savings generated in the form of reduced CAPEX and OPEX on BTSs to the TSP when additional spectrum is acquired.

Econometric Approaches

Econometric Approaches can also be other alternatives for spectrum valuation based on information revealed from the available market data for a particular spectrum band

(a) Single Variable - Correlation Model

This model is used to correlate the past Market Determined Price (MDP) / Auction Determined Price (ADP) using any one relevant variable such as Adjusted Gross Revenue (AGR), Average Revenue Per User (ARPU), Minutes of Usage (MoU), Data Usage, Gross State Domestic Product, Tele-density, Residual Tele-density, Population etc.

Under this approach, the current value of particular spectrum band in the Licensed services areas (LSAs) where spectrum has sold through the auction held in previous year(s) can be estimated by correlating past auction determined price with any one relevant independent variable mentioned above.

For example the current value of spectrum in the LSAs, say in 15 LSAs out of 22 LSAs, where a particular spectrum band was sold in the previous auction, the current value of the spectrum can be estimated by establishing a correlation between the price realised in such 15 LSAs using any one of above-mentioned relevant variables.

(b) Multiple Variables - Regression Model

Linear Regression establishes a relationship between a scalar dependent variable denoted as Y and one or more explanatory variables denoted as X. If only one explanatory variable is used, it is called simple linear regression; for more than one explanatory variable, it is called multiple linear regressions.

Multiple Variables Regression is used to predict the price of Spectrum which has been auctioned in the previous year(s) by establishing relationship between a scalar dependent variable denoted as Y (previous auction price) and one or more above mentioned explanatory variables denoted as X.

The linear regression can be used to fit a predictive model to an observed data set of Y and X values. This model can be used to make the forecasting of the value of Y, if an additional value of X is then given without its accompanying value of Y. Multiple regression can therefore be adopted to estimate the value of particular spectrum band for the those LSAs where spectrum has been sold in the previous auction.

The underlying model is used as follows:

$Yi = \alpha + \beta 1\ X1i + \beta 2\ X2i + \ldots\ldots + \beta 3\ Xki + \varepsilon i$

Where,

Yi = Value of spectrum band per MHz for LSAs i = 1, 2,....15;

X1, X2,.........,Xk = the possible combination of independent variables (Adjusted Gross Revenue (AGR), Average Revenue Per User (ARPU), Minutes of Usage (MoU), Data Usage, Gross State Domestic Product (GSDP), Tele-density, Residual Tele-density, Population etc);

α= the intercept term;

$\beta 1$, $\beta 2$............ βk= partial regression coefficients for the explanatory variables X1, X2,........,Xk respectively; and

εi is the error term.

The goodness of fit of estimation is given by 'R squared' which is the variation in the value of spectrum that is explained by the variation in the above specified combination of variables e.g. AGR, Residual Tele-density and Population. The R-squared in the estimations should be over 0.75 in each combination of variables. In addition, the coefficient estimates in the regression should be statistically significant (at 15% level of significance) and show that the explanatory variables used have a significant relationship with the value of spectrum.

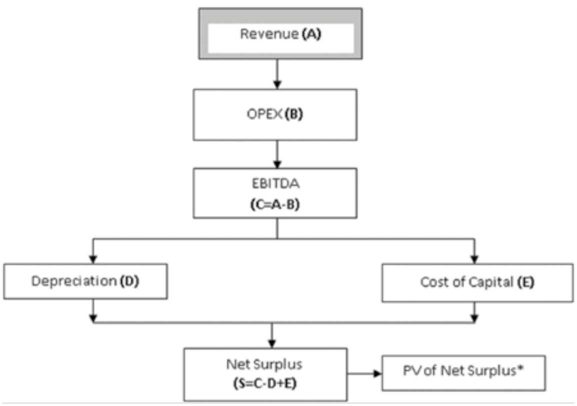
A multiple regression model can be fitted using the observed data set of Y [the achieved prices of spectrum across LSAs where spectrum was sold in the previous auction] and values of X (explanatory variables) and thus the current value of spectrum in the LSAs where spectrum was sold can be determined through the estimated values by the use of coefficients value of the X for those LSAs.

Revenue Surplus Model

Under this model, the value of spectrum can be estimated from the perspective of a TSP willing to invest in certain spectrum band to realize revenue surplus from the wireless telecom service over the licence period horizon. Revenue Surplus Model can be used to determine the value of a particular spectrum band where financial information and other relevant data are available. This model is based on the hypothesis that the net present value (NPV) of the projected revenue surplus over the licence period (net of all expenses/costs) will potentially represent the maximum amount which a TSP would be willing to pay for acquiring a particular spectrum band.

The key inputs required for this model are projected revenue, operating expenditure, EBITDA margin, rate of depreciation, subscribers, traffic (minutes of usage, data usage and SMSs), projected investment, weighted average cost of capital (WACC) spectrum holding, period of project (licence period) and discounting factor (for NPV) etc. The Revenue Surplus Model can be described through the following schematic diagram:

Schematic Diagram of Revenue Surplus Model

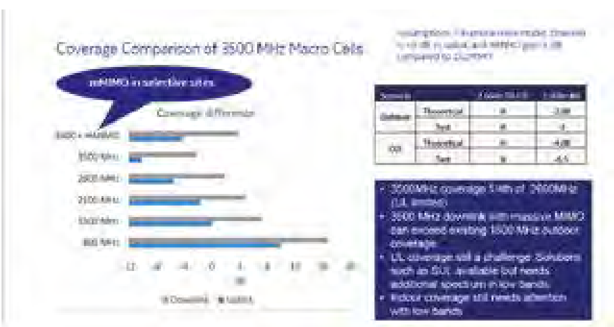


* For the licence period in India i.e. 20 years

Value of spectrum using this approach will be is equal to the net surplus generated by the TSP.

Economic Efficiency Approach

As per an ITU report[1] in general, spectrum ranging from about 400 MHz upto 6 GHz will have higher value than spectrum bands at higher frequencies, because it enables greater throughput per megahertz (MHz) at lower investment in infrastructure. This is because the service area covered by a Base Transceiver Station (BTS) is proportionate to the square of the frequency. For example the minimum provision of service over a low population density region will require twice the number of base stations at 1 GHz than at 700 MHz, eight times more at 2 GHz and 14 times more at 2.6 GHz, and the cost of deploying a mobile network in such a region will go up in that proportion. Coverage Comparison can be understood from the following spectrum band-wise analysis:



Since the spectrum with low frequency bands are more efficient and are therefore more valuable than the spectrum with high frequency bands. The intrinsic value of the 900 MHz band as compared to the 1800 MHz band lies in its better propagation characteristics and lower requirement of BTSs for coverage, its economic benefits are most evident in areas where coverage requirements are paramount i.e. where the density of population is lower and the spread of population to be covered is relatively wider.

Based on the theory of above report, if we compare the capacity and coverage with the use of 900 MHz and 1800 MHz spectrum bands, 900 MHz band is technically more efficient than 1800 MHz band and thus using Economic Efficiency Approach captures the reduction in capital expenditure (CAPEX) and operating expenditure (OPEX) requirements in 900 MHz band being a lower frequency band when equated with 1800 MHz spectrum band. This savings in costs plus value of 1800 MHz valuation is the estimated value of 900 MHz spectrum band. Other things being same, the price that a TSP would be willing to pay for a unit of 900 MHz spectrum which shall be less than or equal to the price of a unit of 1800 MHz spectrum plus the additional CAPEX and OPEX costs that the TSP saves by using 900 MHz spectrum instead of 1800 MHz spectrum, which can be denoted as under:

$$V900MHz \leq V1800\ MHz + \Delta\ CAPEX + \Delta\ OPEX$$

Therefore, the way of deriving a relative valuation for the 900 MHz band from the valuation worked out for the 1800 MHz band is by analyzing the trade-off in costs (CAPEX as well as OPEX) when spectrum in the technically more efficient 900 MHz band is substituted for spectrum in the technically less efficient 1800 MHz band. The additional cost per MHz to the TSP operating in the 1800 MHz band in a way represents the savings to TSP if it switches operations to the 900 MHz band. These savings can be looked on as the premium that the TSP would be willing to pay for acquiring spectrum in the 900 MHz band.

Technical Efficiency Approach:

The Radio Frequency Spectrum in different spectrum bands differs in respect of technical efficiency and propagation characteristics. Based on the law of physics, the low-frequency spectrum holds the advantage of wireless signal travelling relatively longer distances and is more efficient as compared to higher frequency spectrum, because former provides enhanced indoor coverage compared to higher frequencies for which additional cell sites / towers would be required to be deployed to gain equivalent levels of coverage and penetration. As a general principle (with other things remaining constant), a network built around a higher frequency spectrum costs more than a network built around a lower frequency spectrum. This is because the strength of the signal of higher spectrum band requires more number of cell sites. Therefore the lower spectrum band provides better coverage and penetration resulting in cost saving and offers better quality of service. The size / width of spectrum band and contiguity are other factors which affect the efficiency of telecom services. In the absence of relevant data for determining the value of such spectrum band, the value of particular spectrum band could be derived based on propagation characteristics / technical efficiency of some other similarly placed spectrum band (ZTE Report[2]). Under this approach, the technical efficiency relationship and value of one spectrum band are used to determine the value of other similarly placed spectrum band.

For Example: Both 900 MHz and 1800 MHz bands are similarly placed spectrum bands are suitable for GSM but with different technical efficiency. However, the 900 MHz spectrum band intrinsically possesses a greater technical efficiency than 1800 MHz band in terms of cell range and coverage. Therefore the technical efficiency factor of 900 MHz band could lie somewhere between 1.5 times to 2 times of the higher spectrum band i.e. 1800 MHz band. By using this technical efficiency relationship between 900 MHz band and 1800 MHz band, the value of 900 MHz band can be estimated equal to1.5 times to 2 times of the value of 1800 MHz spectrum.

Achieved price in last Auction

The market price revealed in last auction is taken as one of the possible value of that spectrum band because such price is achieved through the interplay of market forces through demand and supply of spectrum. Since the auction determined price, being representative of market value of spectrum and best available market price, is most recent indicators of the value placed on spectrum by the TSPs. There is a general perception, the spectrum is acquired by those who value it most.

Under this valuation approach, available last auction determined price, being representative of market value of spectrum, is taken as one of probable valuation of a particular spectrum if the valuation is done within one year of auction of Spectrum of that band.

Indexation of Previous Auction Determined Price

Indexation is done to add the time value of money in the auction determined price that is more than one year old. This approach is used where the previous auction determined price is more than a year old, the same is indexed by using SBI PLR/MCLR for indexing the last auction determined prices and can be one of the possible valuation methodology to determine the value of spectrum band.

However, indexing the value of spectrum for the time gap may not be a correct approach as indexing assumes that the price of spectrum will keep going up, whereas this may not happen in real transactions. Further indexing historic price to estimate current price will give wrong results as the value of spectrum is based on number of other factors.

International Benchmarking of Spectrum Price

While carrying out the valuation of certain spectrum band, in the absence of empirical data from previous auctions, one option can be to estimate the value of spectrum in India could be based on the international prices realized in auctions of similar frequency bands held in other countries in the recent times.

Benchmarking with the price in other countries can provide a basis for comparison with price fixed or to be fixed in our country. There are two commonly accepted benchmarking approaches:

1. Absolute approach i.e. use of the actual achieved market price,

2. Relative approach i.e. use of the achieved market price after adjusting with country specific parameters

Although this could be a good practice to analyse spectrum prices based on international benchmarking using above two approaches for comparison of prices but both the approaches do not take into account country diffence. Further each country has its own process of determining spectrum prices depending upon the market conditions and other factors discussed in detail in forgoing paras. The advantage of using international benchmarking approach is that real market determined prices entail fewer assumptions and is restricted to a minimal set of standard parameters. However, the risks involved in such comparisons are that it is difficult to account for inter-country differences and variations over time. The data for international spectrum prices can be adjusted for ARPU and PPP differences between the sample country and India to arrive at a per MHz rate for India.

Sometimes 'International Price Benchmarking' can be taken as an approach to check the value of spectrum determined in the country using other approaches of valuation. The international comparison is premised on the underlying principle that two goods or services of the same quality sold in a similar time-frame should inherently be valued at a similar price, given broad similarity in market and economic conditions. Inspite of large number of variables impacting the value of spectrum still the comparison of International spectrum prices are being done across different spectrum band and different markets. The most common comparison base is - Price Per MHz PoP which is derived as under:

Price Per MHz Per PoP = Total Auction price / (No. of MHZ* Population Covered* Licence Period).

For example, Total Auction price is Rs. 340,00,00,000 for licence period of 10 years, Quantum of spectrum is 20 MHz and Population Covered is 1,00,00,000 people.

Price Per MHz Per PoP (per year) = 340,00,00,000/ (20*1,00,00,000*10) i.e. Rs. 17

The comparison of the international prices, realised in various countries, in spite of the risks involved, can be used as a "sense check" for the valuation arrived at, rather than a benchmark for its value.

The main challenge in comparing the international prices is to identify the factors that influence spectrum value in each country and account for inter-country differences in value of spectrum as it may not be feasible to capture each and every factor. These may range from measurable, quantitative factors such as income levels, size of population, age group or subscriber base etc. to highly qualitative, intangible features such as the state of governance, policy framework etc. Some major variables that may impact the value and for which data is available, are population, Gross Domestic Product (GDP), GDP per capita, tele-density, subscriber base, data & voice usage and ARPU. Further apart from glaring disparities in the values of the key variables as in Indian context such as GDP, GDP per capita, and ARPU, market conditions are really not comparable with those in the sample countries for which data is available. India is a low-ARPU high-subscriber market; the size of the market is large, yielding higher revenues in spite of lowest ARPU in the world.

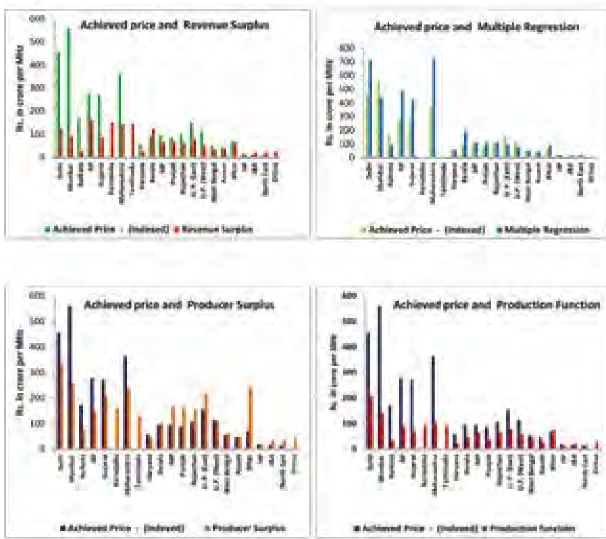
Secondary Market Trading / Resale Price Of Spectrum

Licensed spectrum is not available for trade in the open market and even if in certain spectrum bands in certain LSA, the spectrum traded price are available, the same cannot be used for pricing of other spectrum bands in the same band but in different LSAs.

Wireless spectrum licenses can be acquired through either in primary market or in secondary market. The transactions in the primary market occur by means of periodic auctions. However, the transactions in the secondary market occur between private parties. Secondary market transactions are allowed only if the parties involved conform to certain restrictions on the spectrum licenses in terms of swapping or reselling. The price for spectrum can fluctuate significantly, because of the limited availability, competition in the sector, area of allocation of spectrum licence, type of spectrum band, band placing and regulatory restrictions on the use of spectrum besides related price volatility in transactions—regardless of whether they take place in the primary or secondary market—may not provide meaningful evidence of current market value.

To illustrate the spectrum valuation using some of above valuation methodologies arrived at and TRAI has used in its "Recommendations on Auction of Spectrum[3] in 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz, 3300-3400 MHz, 3400-3600 MHz bands dated 1st August 2018. A comparative Analysis of various values arrived at using different valuation approached has been depicted below:

Comparison of Achieved Price with Values Determined Using Various Approaches



Note: Data used in the graphs is from 'Recommendations on Auction of Spectrum 01_08_2018'

Conclusion

The value of various spectrum bands vary substantially due to the propagation characteristics of different spectrum bands, geographical areas, existing spectrum holdings by different entities, business environment, device ecosystem and numerous other factors. A reasonable valuation obtained from an appraisal of the results of different models, which has a high probability of realisation in the actual world.

It would be appropriate that various approaches / models can be adopted to arrive at the proper value of spectrum rather than depending upon any one particular methodology of valuation, as it cannot be deterministically said that any one valuation is the 'right' valuation approach. The valuation arrived at by using each approach is not identical and there is wide variation in the value arrived at by various approaches. However, it is evident that each approach methodology has certain strengths as well as limitation and some of the valuation methodologies better capture intrinsic technical features while others are more strongly grounded in economic and market realities. However, it is quite clear that no one model completely captures every variable- technical, economic, sectoral, geographic and regulatory- that influences the valuation of spectrum. However again it depends upon the stakeholder's mandate and the purpose of valuation. The valuation varies from market to market, across different spectrum bands, with time span and affected by economical and political aspiration of the Government. MA

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2. *http://dot.gov.in*
3. *https://www.gsma.com*
4. *https://www.itu.int/ITU-D*
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6. *5G Mobile Networks – booster of digitalization*

Footnotes

[1]*'Exploring the value and economic valuation of spectrum' – ITU 2012*

[2]*ZTE-LTE-APT-700MHz-Best Choice for Nationwide Coverage*

[3]*'Recommendations on Auction of Spectrum 01_08_2018'*

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CHAPTER NOTICE

Ref.No.: G/82(119)/01/2019 January 24, 2019

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute in its 316th (Adjourned) Meeting held on 6th January, 2019 by virtue of power conferred therein has constituted the following Chapter of The Institute of Cost Accountants of India covering the area of Krishnagiri District in the State of Tamil Nadu.

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(L. Gurumurthy)
Secretary (Acting)

SENSITIVITY ANALYSIS USING PRODUCT COSTING

Abstract

Sensitivity Analysis in Product Costing as a concept is explained in this research article with help of an example case study setting. The research article explains the Concept and Practical Approach to the Sensitivity Analysis. Sensitivity Analysis involves the key task of identifying the Cost Elements / Cost Components to be tested for Sensitivity. This has to be gauged on the basis of Materiality & Controllability. Sensitivity Analysis in Product Costing is a result of Cost & Operational information and hence offers a more comprehensive guideline for Cost Control & Profit Maximisation. The example case of a Base Metal Industry in this research article gives the flow and method of carrying out Sensitivity Analysis. The case presents the interpretation of the results and use of Sensitivity Analysis in Decision Making Process for Cost Control and Profit Maximisation. In the illustrated case clearly indicates how the Sensitivity Analysis has helped the Management to concentrate their efforts of Cost Control and Profit Maximisation by concentrated efforts on Process Scrap Reduction, Labour Deployment Analysis and Introduction of Specific Incentive Schemes for Production Team.

Sensitivity Analysis is a technique used to measure impact of Independent variables on Dependent Variable. This technique is more popular in Technical or Medical Applications. But using the core concept of Sensitivity Analysis and modulating it in the Product Costing scenario a useful Tool can be developed for Management Decision Making for better Cost Control & Improvement in Profit. The concept of Sensitivity Analysis in Product Costing is explained in this research article with help of an Example Case.

Concept of Sensitivity Analysis in Product Costing

Product Costing refers to the exercise of Calculating Cost of Manufacturing Product. It depicts the overall cost or Total Cost of bringing the goods to its current state, condition & location. Product Costing also implies calculating the Cost for every item manufactured by the organisation. Thus as a process of Product Costing exercise the Item Level Cost of all the manufactured items is accumulated to derive the Total Cost of Production for the organisation as a whole.

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The exercise of Product Costing involves colleting the Financial & Operational Information of the Organisation to determine Product Cost. It also requires identifying the Financial Information in terms of Cost Elements / Cost Components of the Product Cost Structure.

In this article, Cost Elements / Cost Components are contemplated as cost classifications carried out based on the Nature of Cost e.g. Direct Material Cost, Direct Labour Cost, Direct Expenses, Overheads, etc. (Ref. Cost Accounting Standard 1 – Classification of Costs)

In this article, Product Cost Structure is implied as the Product Cost Sheet given under the Part B- 2 of The Companies (Cost Records & Audit) Rules 2014.

The Cost Elements / Cost Components gives a detailed understanding and insight into the Composition of the Total Production Cost. They also offer a great deal of analysing capacity to the reader of the Product Cost Structure. The analysis of the Product Cost Structure is a multifaceted exercise and can be utilised by the management for better and informed decision making and also to implement measures of Cost Control & Cost Reduction. The Product Costing Exercise enables various types of analysis viz. Breakeven Point

Analysis, Sensitivity Analysis, Profit Volume Analysis, ABC Analysis, etc. Each of these techniques of cost analysis has its unique usage and advantage. In this paper we will be going into the in-depth understanding of Sensitivity Analysis and will try to explain working methodology for the same using a Case Study Example.

Sensitivity Analysis is a technique of investigating the impact of changes in one variable over the base case (Ref. MirelaIloiu, Diana Csiminga (2009), "Project Risk Evaluation Methods – Sensitivity Analysis).

Sensitivity is "the capacity of an organism or sense organ to respond to stimulation" (Ref. Merriam-Webster Dictionary). Sensitivity can also be defined as "Having a strong physical reaction to something" (Ref. Cambridge Dictionary). Thus Sensitivity can be defined as 'the impact of an Independent Variable on a Dependent Variable'.

Sensitivity Analysis thus can be explained as a Technique used to calculate and explain the magnitude or degree of Impact of an Independent Variable on Dependent Variable. Sensitivity Analysis as a technique tries to ascertain the impact along with measuring the magnitude of the impact thus giving an indication of the relevance of the said independent variable in the overall analysis of the dependent variable.

In terms of Product Costing scenario, Sensitivity denotes impact of major Cost Elements / Cost Components on Profit considering Relevant Revenue (Ref. "Relevant Revenues & Costs" by Michael Nguyễn). Sensitivity Analysis in Product Costing is the Technique to calculate the impact of change in the Value of the Cost Element / Cost Components on Profit considering Relevant Revenue of the Organisation. The Sensitivity Analysis can be carried out at Item Level Cost &Profit Calculations or Total Cost &Total Profit Calculations.

Practical Approach to Sensitivity Analysis in Product Costing

The Product Cost Structure is a complex and exhaustive breakup of Total Product Cost in to various Cost Elements / Cost Components. The system and method for computing the values of Cost Elements / Cost Components is an elaborate process. Guidance can be derived from CAS, GACAP & CRAR, 2014 in this direction. It may not always be practical to carry out Sensitivity Analysis on each of the Cost Elements / Cost Components. Thus the main challenge is to identify the Key Cost Elements / Cost Components for carrying out Sensitivity Analysis. The Key Cost Elements / Cost Components can be identified using the concept of Materiality in Total Cost or Materiality in the overall Operational Process. Thus for Sensitivity Analysis in the Product Cost setting we traverse from pure Financial and Cost Data to Operational Information. Many a times a non-significant Cost Item can also be material from the view point of Sensitivity Analysis as it has big operational significance. It is also likely that the Sensitivity Analysis has to rely upon Non Cost data such as Quantitative Information, Input / Output Norms, Rejection Analysis, etc. All these are part of the Operational Reporting and thus the Sensitivity Analysis in Product Costing setup is a more holistic exercise and can give real insights in identifying the key independent variables affecting the dependent costs in other words in identifying key Cost Elements / Cost Components having impact on the Profit considering Relevant Revenue. In the Product Cost Setting Relevant Revenue will only be the Revenue from Operation and will not include the Other Income (non-operational revenue) as it is not a Function of Product Cost. Since the Other Income is not generated by selling Product, it is not relevant from the view point of Sensitivity Analysis in Product Costing.

It should be noted that most "Sensitive" Cost Element / Cost Component with respect to Profit needs to be selected after testing it for the Controllability. Thus Non-Controllable Costs however may be Sensitive are not correct measure for decision making based on Sensitivity Analysis as they can not be controlled to get positive impact on the Profit. This gives a Qualitative Dimension to the Sensitivity Analysis.

The materially significant Cost Element / Cost Component can be selected be identifying the weightage of the Cost Element / Cost Component in Total Cost or Total Relevant Revenue. They also can be identified by identifying the key processes or process bottlenecks and then quantifying them in terms of value. E.g. Routing Time, Idle Time, Normal Scrap, Rejection Percentage, etc. can be relevant for Sensitivity Analysis, but for practical purpose they have to be quantified in terms of Cost Elements / Cost Components. Thus E.g. Routing Time can be measured in terms of Conversion Cost, Idle Time can be measured in terms of Opportunity Cost, Scrap can be valued in terms of Weighted Average Raw Material Price, etc. to attribute Cost to these factors for Sensitivity Analysis.

Finally the Sensitivity of these Cost Elements / Cost Components needs to be established in terms of Percentage Impact on Profit due to the Percentage Impact in these elements. In other Terms, keeping all other factors constant, percentage impact on Total Cost will give us the expected impact on Profit.

Understanding Sensitivity Analysis in Product Costing using an Illustration

We have presented below an Example Case Study to present the working methodology of Sensitivity Analysis in simple and understandable manner.

A. Case Setting

Perfect Metal Forms Ltd. is a company engaged in the base metal industry. The major process involves a combination of Manual & Machine Driven Operations. The company faces a stiff competition and has to embark on the Cost Saving Drive. With this objective in mind Sensitivity Analysis in Product Costing is carried out.

The Company Classifies its Products in 3 Product Groups namely A, B & C for which the Product Costing is carried out presenting the Product Cost in designated Product Cost Structure.

Being a Metal Industry, there are critical issues pertaining to Recharge of Material and controlling Process Scrap & Input – Output Ratios.

The Raw Material Cost is based on the International Price Index. Also the Administration Costs & Sales & Distribution Costs are considered as uncontrollable considering the overall structure of the company and its billing pattern to the customers.

The company has a Standard Input – Output Ratio of 2.5% which is considered as Process Loss.

From the operational records it is observed that the Base Metal Input for the period was 1,95,000 MT whereas the company produced 1,85,000 MT items and sold 1,81,000 MT items.

B. Abridged Financials

Sr	Particulars	Amount (Rs.)
1	SALES VALUE	896,095,466
2	Other Income	9,926,795
3	Other Income - Dividend	11,206,506
	Total Income	**917,228,767**
4	Material Cost	745,874,477
5	Freight Cost	23,198,343
6	Commission	3,484,355
7	Insurance	818,208
8	Depreciation	12,907,649
9	Other Production Expenses	39,592,087
10	Quality Control & Assurance Expence	2,998,279
11	Research & Development Expense	28,401
12	Administration Expense	34,816,705
13	Selling & Distribution Expense	3,288,439
14	Distribution Network Expense	1,596,615
15	Interest & Finance Expenses	4,076,846
16	Foreign Exchange Gain / Loss	92,736
17	Impairment Gain / Loss	1,316,288
	Total Expenses	**874,089,428**
	Profit / (Loss)	**43,139,338**

C. Product Cost Structure for the 3 Products

Particulars	A	B	C	Total
UOM	MT	MT	MT	
Net Production	144,836	3,612	33,012	181,461
Net Sales	123,116	4,109	32,400	159,625
	A	**B**	**C**	**Total**
Particulars	**Amount (Rs)**	**Amount (Rs)**	**Amount (Rs)**	**Amount (Rs)**
RMC	892,691,495	170,425,526	187,308,826	1,250,425,847
Consumables	2,584,674	205,911	41,609	2,832,193
Manpower Cost	2,469,077	1,551,978	2,157,770	6,178,825
Contract Labour	1,013,258	986,968	334,241	2,334,467
Utility - Power	5,063,816	1,643,501	318,497	7,025,814
Utility - Gas	2,298,180	51,101	47	2,349,328
Depn - Machinery	5,718,425	3,076,122	1,798,101	10,592,648
Depn - Building	211,242	176,063	241,560	628,864
R&M - Machinery	3,093,147	495,379	983,942	4,572,469
Material + Conversion	**915,143,313**	**178,612,549**	**193,184,593**	**1,286,940,455**
Quality Control	1,832,004	373,489	292,657	2,498,150
Research & Development	20,825	4,246	3,327	28,398
Production Over Heads	11,722,409	2,389,833	1,872,620	15,984,863
Primary Packing Cost	3,947,161	510,929	2,498,453	6,956,543
Conversion Cost Previous Process	-	13,249,791	22,353,556	35,603,346
Cost of Production (COP)	**932,665,713**	**195,140,837**	**220,205,206**	**1,348,011,755**
O/P Stock	83,025,858	12,121,614	29,673,198	124,820,670
C/L Stock	176,646,173	9,066,048	32,592,126	218,304,347
Cost of Goods Dispatched (COGD)	**39,045,398**	**198,196,403**	**217,286,278**	**1,254,528,079**
COGD For Issue	308,117,530	179,354,920	8,765,482	496,237,931
COGD For Sales	530,927,868	18,841,484	208,520,796	758,290,148
Administration Overheads	13,445,087	547,189	5,397,352	19,389,629
S&D OH	19,519,082	939,647	10,303,439	30,762,167
Secondary Packing Cost	193,901	7,891	77,839	279,631
Int & Finance Overheads	3,065,526	124,761	1,230,615	4,420,902
CSR Expenses	4,520,404	183,972	1,814,656	6,519,032
Cost of Goods Sold (COGS)	**571,671,868**	**20,644,944**	**227,344,696**	**819,661,508**
Sale	591,278,821	24,063,918	237,361,036	**852,703,775**
Profit / (Loss)	**19,606,953**	**3,418,975**	**10,016,340**	**33,042,268**

** The Difference between the Profits as per Abridged Financials & Product Cost Structure are the Financial & Costing Profit Reconciliation Items.*

** COGD Issue in the above Product Cost Structure denotes the Cost of Recharge of Metal which is Reused in the Process or for manufacturing of the subsequent products.*

D. Calculation of Net Raw Material Cost

For the purpose of Sensitivity Analysis the Material Consumption needs to expressed in terms of Net Material Consumption which is net-off the impact of Change in Inventory & Recharge of the Material.

Particulars	A	B	C	Total
RMC	92,691,495	70,425,526	87,308,826	,250,425,847
Change in Inventory	93,620,315	,055,566	-2,918,928	-93,483,676
RMC for COGD Issue	294,867,739	157,001,364	7,530,792	459,399,895
Net RMC	**504,203,441**	**16,479,729**	**176,859,106**	**697,542,275**

E. Identification of Key Cost Elements / Cost Components for Sensitivity Analysis

From the Product Cost Structure, it is observed that the Net RMC is around 85% of COGS and hence it has to be taken as part of the Sensitivity Analysis. Since the Total Remaining Cost is only 15%, other Key Cost Elements / Cost Components are identified by calculating their weightage in the (COGS – Net RCM).

Since the Administration & Sales & Distribution Costs are non-controllable, the same may not be relevant from the Sensitivity Point of View as the same can not be acted upon to get the desired impact on the Relevant Revenue. Thus even if they form a major % in the (COGS 0 Net RMC) they are ignored for the Sensitivity Analysis.

Thus the other significant Cost Elements / Cost Components viz. Utility (Power + Gas), Depreciation (Machinery + Building) & Manpower (Manpower + Contract Labour) are considered for the Sensitivity Analysis.

F. Sensitivity Analysis – Product Costing based on Cost Elements / Cost Components

Sr	Particulars	Amount (Rs)	RMC	Utility	Depreciation	Manpower
1	Net RMC	697,542,275	690,566,852.54	697,542,275	697,542,275	697,542,275
2	Utility	9,375,143	9,375,143	9,281,391	9,375,143	9,375,143
3	Depreciation	11,221,512	11,221,512	11,221,512	11,109,297.06	11,221,512
4	Manower	8,513,291	8,513,291	8,513,291	8,513,291	8,428,158.53
5	Other	93,009,286	93,009,286	93,009,286	93,009,286	93,009,286
6	**Total Cost**	**819,661,508**	**812,686,085**	**819,567,756**	**819,549,293**	**819,576,375**
7	**Sales**	**852,703,775**	852,703,775	852,703,775	852,703,775	852,703,775
8	**Profit / (Loss)**	**33,042,268**	**40,017,690**	**33,136,019**	**33,154,483**	**33,127,401**
9	**Change in Profit**		**21.11%**	**0.28%**	**0.34%**	**0.26%**

Thus it shows that the Net RMC is the most Sensitive Cost Element / Cost Component which has maximum degree of impact on Profit.

Utility, Depreciation & Manpower all have very low degree of impact on Profit, but considering the stiff competition and pressure on profit in the given case, the company has to take a note of these Cost Elements / Cost Components and their Sensitivity and choose in priority the Cost Elements / Cost Components the company would like to exercise Cost Control on considering practicality and sustainability.

G. Sensitivity Analysis – Product Costing based on Operational Information

Sr	Particulars	Amount	Decrease of Process Loss by 1%
1	Input (MT)	195,000	195,000
2	Production (MT)	185,000	186,950
3	Process Loss (MT)	10,000	8,050
4	**% of Process Loss to RMC**	**5.13%**	**4.13%**
5	Variation in production (MT)		1,950
6	Average sales Rate (RsMT)		4,711.07
7	Increase in Sales/Profit		9,186,588
8	**Profit**	**3,042,268**	**42,228,855**
9	**Change in Profit**		**27.80%**

Analysing the Operational Data of Input – Output Ratio and effective Process Loss, gives us a much detailed insight into the Sensitivity Analysis and avenues for Cost Reduction. In the given case setting it can be observed that the current Process Loss is around 5.13%. If the Process Loss can be reduced just by 1%, it will result into increased Production available for Sales which will give effect of increase of 27.80% in Revenue.

H. Result of Sensitivity Analysis

- Net RMC is the most Sensitive Cost Element / Cost Component.
- Process Loss is also one of the most Sensitive Operational Parameter in the Product Cost setting.
- Other Costs are less sensitive.
- Considering the fact that RMC Price is driven by International Market it may not be a controllable factor and thus though Sensitive may be irrelevant from cost control point of view.
- Process Loss reduction appears to be the most effective way to reduce cost or increase profit making it the most sensitive non-operational factors.

I. Impact on Decision Making

- The Sensitivity Analysis has helped the management to focus their efforts of Cost Control on specific areas and have also helped them in prioritising key controllable areas. Based on the information generated by Sensitivity Analysis and the practical considerations, the Management decided to concentrate on the Material Cost & Employee Cost as Cost Control / Reducing Factors.
- The most critical area for Cost Reduction brought out by the Sensitivity Analysis is Material Cost. But since the Material Prices are linked to International Price Index, they are considered Uncontrollable. But the Sensitivity Analysis of Operational Area has brought out a very interesting fact, that the Process Loss is Top Most Sensitive area and thus the management received a clear direction for cost control.
- The focus on reducing the Process Loss also brought out the disparity in the Standard Process Loss and Actual Process Loss. Since the Standard Process Loss I used to develop Standard Cost of Sales, which is then used by Marketing Department, the indication that there are huge variances in Standard and Actual Process Loss, has clearly indicated a change in the Quotation Preparation Mechanism for the management. It also brought the focus on the issue of Revalidating Standards and Revisiting them on periodic interval basis.
- The Sensitivity Analysis indicates that there is a gap of (5.13% – 2.5%) 2.63% in Standard and Actual Process Loss. The Sensitivity Analysis also indicated that the Sensitivity of the Process Loss is 27.80%. This has helped the management, and in particular the Production Team to focus their efforts in controlling the Process Loss. The management has taken a target of reducing the Process Loss by 0.25% to begin with which will give them a benefit of 6.95% in Profit. The Production Team has also taken up activity of identifying the Reasons for Process Loss and the whole Supply Chain Management.
- The fact brought out by Sensitivity Analysis that a little saving in the Process Loss can result into substantial increase in Profitability or from Marketing Point of View more leverage in Price Negotiations, has motivated the Top Management and Line Management to concentrate their efforts in Process Improvements. It also has given management a considerable information base to consider Capital Investments in Process Improvements, which though will lead to cash outflow, in ultimate analysis, may prove to generate higher profits.
- The focus on Manpower Cost Sensitivity, has indicated a need for streamlining the Labour Deployment. The management relooked into the Standard and Actual Labour Deployment, which has indicated under utilisation of Labour. The management has decided to evaluate the option of going for more Contract Labour to tackle this problem.
- On further analysis of Labour Cost, the management identified that there are substantial Overtime Payments to the Labours, which are contributing to the cost. Considering the nature of the Metal Industry, it is not possible to stop the continuous process of Casting, but the Machining Operations can be streamlined. The

management is working out a strategy to streamline the machining operations and reduce overtime costs so that it can reap the benefit of reduced Employee Cost thereby getting direct impact on Profit.

- The production management has also come up with innovative idea of introducing Incentive Scheme for Process Scrap Reduction. The Sensitivity Analysis has clearly indicated that 1% reduction in Process Scrap will result in 27.80% of increased Profit, where as 1% reduction in Employee Cost will result in 0.26% increase in Profit or in other terms 1% increase in Employee Cost will result in 0.26% reduction in Profit. The production team has proposed a substantial incentive for Process Scrap Reduction which they can conclusive justify (with help of Sensitivity Analysis) will even after increasing Manpower Cost, will result in increase in Profit.

Conclusion

Sensitivity Analysis using Product Costing gives us a detailed insight into the cost composition of an item / company Total Product Costing. Sensitivity Analysis measures quantum of impact of independent variables on dependent variable (Costs on Profit). Choosing of the Key Cost Elements / Cost Components for the Sensitivity Analysis requires fair amount of study and understanding of the overall business scenario, financials, Product Cost Structure and industry specific expertise. While carrying out Sensitivity Analysis based on Product Cost calculated using Nature of Cost as Classification Basis, further reference to cost classification based on Controllability has to be made. Sensitivity Analysis will give correct results only if the Controllable Costs Elements / Cost Components are considered for Sensitivity Analysis. Sensitivity Analysis in the Product Costing also makes a critical and crucial reference to the Operational Details which is lacking in pure financial analysis. This makes the Sensitivity Analysis in Product Costing a more comprehensive and effective and efficient Tool for Management Decision Making from the perspective of Cost Reduction and Profit Maximization. MA

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OBITUARY

The Institute and its members deeply mourn the demise of CMA Vilas Pandharinath Wadkar, M. No. F-12008 member of the Institute who left for heavenly abode on 19 Jan, 2019. He was a Practicing Cost Accountant, an active member and Vice-Chairman of Kolhapur-Sangli Chapter of the Institute. May his family have the courage and strength to overcome the loss.

INSTITUTE NEWS

Eastern India Regional Council

The Region celebrated Corporate Laws Day on 4th January 2019 on NCLT & Role of CMAs, Competition Laws & CMAs, Capital Markets, SEBI & CMAs, Independent Directors & Women Directors. CMA Dr. Umar Farooque, RCM-EIRC, CMA Bibekananda Mukhapadhyay, RCM-EIRC, CMA Ashis Banerjee, RCM-EIRC, CMA Biswarup Basu, CCM, CMA Arundhati Basu, RCM-EIRC & CMA Shyamal Kumar Bhattacharjee, Chairman-EIRC were among eminent dignitaries who were present during the programme. A whole day CEP was celebrated on 16th January 2019 and 18th January 2019 on Companies Act 2013 with latest amendments, Ind AS 115 &116, Cost Auditing Standards with special focus on CAS 4 & the recent changes. CMA Pranab Kr. Chakraborty, Secretary-EIRC, CMA Biswarup Basu, CCM, CMA Shyamal Kumar Bhattacharjee, Chairman-EIRC, CMA Ashis Banerjee-RCM, CMA Arundhati Basu, RCM-EIRC , CMA Dr. Jagan Mohan Rao, CCM & President-SAFA and CMA Dinesh Sha were among eminent dignitaries who were present during the CEP programme.

The Institute of Cost Accountants of India - Cuttack Bhubaneswar Chapter

The Chapter organized four Career Awareness Programmes at different colleges in Bhubaneswar on November 2018 to mark the month as Career counselling month as per notification of the Institute. On the occasion CMA Tapas Ranjan Swain, Secretary of the Chapter also highlighted about career prospects in CMA Course and facilities provided by the chapter and extended formal vote of thanks. To get clarity on various critical issues on GST, the Chapter conducted an interaction session amongst its practicing members on December 4, 2018. CA Tarun Kumar Agarwalla, Practicing Chartered Accountant and CMA Shiba Prasad Padhi, Practicing Cost Accountant interacted with the participants and clarified their queries on various critical issues on GST. The Chapter organized on Health Awarness Programme "Life Style Management" at its conference hall on December 9, 2018 as part of the Corporate Social Responsibility. Dignitaries Dr. Milind Parasar, Medical Officer, J K Yoga and Naturopathy Hospital and Research Center, Odisha, Dr. Pratap Kumar Singh, HOD, Medicine, Sum Hospital, Bhubaneswar and CMA Nilamani Mohapatra, Past Chairman and one of the founder members of the Chapter guided and given tips to the participants how to maintain healthy life and how to manage their life style in their busy schedule which will keep them fit and healthy. CMA Damodar Mishra, Chairman of the Chapter delivered welcome address and CMA Saktidhar Singh, Vice Chairman of the Chapter extended formal vote of thanks. CMA Mukesh Chaubey, Chairman, PD Committee. On the occasion one publication of Sidhha Science namely "Atma Vikas" released by the dignitaries. The Chapter organized a meeting amongst the Faculties & Members of the Managing Committee to interact with faculties for imparting further better coaching and other facilities to the students on December 30, 2018.

Chairman of the Chapter, CMA Damodar Mishra welcomed all the faculties to the meeting and assured to provide support from the management to the extent possible for betterment of the students. On the occasion all the Members of the Managing Committee and Coaching Committee interacted with the Faculties. With reference to notification of the Institute, the Chapter celebrated in a grand way "Corporate Laws Day" on January 4, 2019 at its conference hall at CMA Bhawan. To mark this auspicious day and Golden Jubilee Year of the Chapter, one evening talk has also been organized on the theme "NCLT & Role of CMAs". CS CMA Arabinda Acharya, Company Secretary & Executive Director, Industrial Development Corporation of Odisha Ltd., Bhubaneswar deliberated in details on "Provisions related to NCLT" and CMA CS Laxmidhar Sahoo, Advocate, Odisha High Court, Cuttack, Odisha and Consultant (Corporate Law & Tax) deliberated on "Practical Aspects related to NCLT and Role of CMAs". CMA Mukesh Chaubey, Chairman, PD Committee of the Chapter felicitated the programme , CMA Damodar Mishra, Chairman of the Chapter delivered welcome address and key note address and CMA Tapas Ranjan Swain, Secretary of the Chapter extended vote of thanks.

The Institute of Cost Accountants of India-Ranchi Chapter

On 6th January 2019, CMA Rajesh Kumar Sinha conducted a session on "Health Insurance in India: An Overview" organized by the chapter. He presented a detailed analysis of global and Indian experiences of health care finance using evidences. He talked about underlying principles and values of health insurance, elements of health insurance, different types of health insurance models which are currently being implemented both globally and in India, characteristics of these health insurance models and pros and cons of different health insurance models. Detailed presentation was also made on health insurance market in India, market failures in health insurance sector, regulation and promotion of health insurance market in India including agencies involved in regulating the market taking both historic and current perspectives. The presentation was followed by detailed discussion on the subject. CMA members from the chapter including chairman of the chapter, CMA Bidyadhar Prasad, vice chairman of the chapter, CMA Arunjay Singh, secretary of the chapter CMA Meera Prasad and treasurer EIRC of the Institute CMA Umar Farooque and some senior members of the chapter participated in the event.

Northern India Regional Council

The Institute of Cost Accountants of India- Jaipur Chapter

In order to make the students aware about CMA professional course in commerce, a unique initiative has been taken by the Chapter by organising programme named "Dialogue with Gurujans". The programme was organised at its premises on 23rd December 2018. The programme was inaugurated by Shri Ashok Keshot, Secretary, Pareek Group of Colleges and Schools. Professor Sanjay Biyani, Director, Biyani Group of Colleges and Shri Mukesh Kumawat, Chairman, Gandhi Bal Niketan School were Guests of Honour. In the beginning of the

programme, CMA Rakesh Yadav, Chairman of the chapter welcomed all the Guests and participating Faculties. He urged the faculties to guide the students about the scope and opportunities available after passing CMA Course. Key Speaker of the programme was CMA Harendra Kumar Pareek. He explained in detail about CMA Course eligibility, syllabus, duration, fees, campus placement etc. Another Speaker CMA Purnima Goyal explained in detail about the scope and opportunities available in practice as well as in employment. CMA Career Counselling Yatra was organized on 5th January 2019 from the Chapter premises by Chairman, NIRC CMA Sunil Singh and Chairman of the chapter, CMA Rakesh Yadav, Vice- Chairman S.L. Swami, Secretary Swapnil Bhandari and Treasurer Sudarshan Nahar. On this occasion Chairman Kota Chapter, Chairman and Vice- Chairman of Lucknow Chapter were also present. Towards achieving excellence in the field of Cost Management, a seminar on Cost Governance has been organised by the Institute in association with the Chapter at Jaipur on 5th January 2019. Vice-President of the Institute, CMA Balwinder Singh, Past President CMA Sanjay Gupta, Central Council Member, CMA Vijender Sharma, NIRC Chairman, CMA Sunil Singh, Regional Council Members and Chairman of different Chapters graced the occasion.

Southern India Regional Council

The Institute of Cost Accountants of India-Coimbatore Chapter

After successful completion of 86 batch of oral coaching, the inaugural of the new 87th Session Oral Coaching was held at Chapter on 19th December, 2018. The Chairman of the Chapter addressed the newly enrolled students. He emphasised the need for preparation from day one for achieving success in the examination. Faculties also spoke on importance of regular attendance in the classes. Chairman of the chapter and Admin Officer conducted a Career Counselling Program at KG College of Arts & Science, Coimbatore. As per HQ Circular, Corporate Laws Day was celebrated on 4th January, 2019 by conducting Career Counselling program at Sri Ramakrishna College of



Arts & Science, Coimbatore. MC Member CMA Meena Ramji first explained the significance of Corporate Laws Day and then about CMA course.

The Institute of Cost Accountants of India - Cochin Chapter

On November 21, 2018 the chapter celebrated GST Annual Audit and CMA Raja Padmanabhan, Sr. Manager Finance, Popular Vehicles & Services Ltd , Ernakulam was the speaker of the programme. On November 30, 2018 the chapter organized a programme on Recent Developments In Housing Finance Sector and CMA Ravindranadhan C, Asst General Manager, HDFC Limited was the speaker of the programme. On October 12, 2018 the chapter organized a programme on GST Annual Return & Audit and CMA Suresh Kumar K. P., Practicing Cost Accountant & Secretary of the chapter was the speaker of the programme. On November 12, 2018 the chapter organized a seminar on Engaging with The Changing Global Economy And Role Of CMAs and Shri. Asim Kumar Mukhopadhyay, Vice President, TATA Motors, CMA Anilkumar Dhingra, Joint Advisor (F & EA), TRAI, Dr. D. Dhanuraj, Chairman, CPPR and CMA M. Gopalakrishnan, Past President of the Institute were the speakers of the seminar. A SEBI-LODR programme was held on January 4, 2019 and CMA Anil Xavier, Practicing Member was the speaker of the programme. Various career counselling programmes were organized on November and December 2018 and January 2019 in various schools and colleges. The Chapter celebrated Constitution Day on November 26, 2018 at Silver Jubilee Hall of the chapter.

The Institute of Cost Accountants of India-Trivandrum Chapter



The Chapter conducted a PD program on “THE RECENT CHANGES IN GST FOR THE FACULTY AND STUDENTS” on 2nd September, 2018. Dr. N. Ramalingam, Associate Professor of Gulathi Institute of Finance & Taxation and fellowship holder of UGC was the guest speaker of the programme. The Chapter conducted the closing ceremony for felicitating the first GST batch of passed out students and the faculty members on 2nd September, 2018. Dr Ramalingam and CMA Raman Pushpakumar, chairman of the chapter addressed the students and faculty members of the closing ceremony. The Director of Higher School Education Department had organised DISHA II Program at Alappuzha from 6th to 9th December 2018 for individual Career Guidance and Counselling. Trivandrum Chapter was invited to participate in the programme. CMA Raman Pushpakumar, Chairman of the Chapter in association with the representative of Thrissur Chapter participated in the Program with Banners , Brochures , prospectus ,

hand outs etc and carried out extensive Career Guidance and Counselling explaining about CMA Course , duration, syllubus, exam structure, course fees, scope and opportunities, campus recruitment etc. Representatives from Kottayam and Cochin Chapters had attended the program. Chairman of the Chapter also had opportunity to deliver his career counselling speech and presentation in front of the huge gathering of the students at the seminar.

The Institute of Cost Accountants of India Bangalore Chapter

A Professional Development Meet was organized by the chapter on December 6, 2018 on CMA H.R. Subramanaya Memorial Lecture on the topic 'How to Beat Stress while you learn to Unlearn & Relearn" by Dr. Asha Sidd, Psychiatrist at chapter premises. A Faculty meeting was held on the same day and CMA N.R.Kaushik, Chairman of the chapter, CMA Manjula B.S, Secretary of the chapter, CMA Vijayalakshmi Chairperson Coaching , CMA Satish R, Student Guidance Bureau were the speakers of the meeting. A one day seminar on "GST RETURNS, AUDIT AND CERTIFICATION" was held at its premises on Dec 29, 2018 and Sri G. Narayanaswamy , IRS - Commissioner of Central Taxes, Bengaluru South, CA Sandesh, CA Venugopal G, CMA Vishwanath Bhat were the speakers of the seminar. A career counselling programme at Abhyudaya NGO was organized on December 7, 2018 and Dr. CMA Gurudath was the speaker of the programme. On December 8, 2018 the chapter organized a Certificate course on GST 2nd Batch valedictory and 3rd batch inauguration programme. D B Prasanna Kumar, Joint Comissioner Commercial Tax, GOK was the speaker of the programme.

The Institute of Cost Accountants of India -Visakhapatnam Chapter

The Chapter organized a Professional Development Programme on 16th December 2018 at its premises on "How The Role of Finance Function is Transforming" by CA Sri Piyush Khandelwal from KPMG Director – Accounting Advisory Services. Secretary of the Chapter CMA S. Ramprasad welcomed the gathering for the Meeting and Chairman CMA P.V.N. Madhav chaired the session. Speaker explained about key constraints for role change - Lack of Autonomy, Maintaining Existing function, Procuring efficient system for better decision making , Improving fiscal planning and Skill development, Finances and skill capability. He also emphasized the advanced Data Analytics and forecasting benefits and challenges.

Western India Regional Council

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

The Chapter conducted a seminar on "GST Audit and Annual Return" on 7th December 2018 at CMA Bhawan, Pune. CMA Mahendra Bhombe, Chairman of the Chapter welcomed and introduced speaker CMA Ashok Nawal, Practicing Cost Accountant. CMA R B Laddha felicitated CMA Ashok Nawal by offering a bouquet & memento. CMA Ashok Nawal in his speech focused on the topic GST Audit and Annual Return. Further, he focused on Reconciliation and Annual Return. He highlighted on the important things while doing GST Audit. The Chapter conducted Career Counseling program on 14th December 2018 at Sanghavi Kesari College of Commerce, Chinchwad, Pune for guiding students about CMA Profession. Prof. Amol Shinde, faculty from Sanghavi Kesari College introduced the speaker CMA Mandar Jadhav and representatives from the Chapter Mr. Vikas Adawade, Mrs. Shubhangi Kulkarni. Dr. Gajanan Aher felicitated CMA Mandar Jadhav, Practicing Cost Accountant and Managing Committee Member of the Chapter. CMA Mandar Jadhav guided the student about CMA Profession. He informed all students about Foundation, Intermediate and final course. He motivated all the students and gave some live examples about the career. The Chapter conducted career counselling seminar on December 18, 2018 at Shri. Vasantrao Pharate Patil College, Mandavgan Pharata, Tal-Shirur, Dist-Ahmednagar for guiding the students about CMA Profession. Prof. S V Kokare, Vice-Principal of Shri. V. P. College introduced and felicitated the speaker CMA Mandar Jadhav, Managing Committee Member and Practicing Cost Accountant and representatives from the Chapter Mr. Vikas Adawade, Mrs. Shubhangi Kulkarni. CMA Mandar Jadhav has guided the student about CMA Profession. He informed all students about Foundation, Intermediate and final course.

The Institute of Cost Accountants of India- Ahmedabad Chapter

The Chapter's Ladies Wing had organized program on "Energy Healing and Meditation" on December 2, 2018. CMA Ilaben Patel, Chair person of Ladies Wing welcomed the Chief Guest Shri Alok Vasavada & participants. Shri Alok Vasavada explained about "How to create energy" and benefits of meditation in our stressful life. The lecture was followed by a lively and questions-answers session. CMA Aparna Bhonde proposed the vote of thanks. A CEP on "Raise a Question-Google can't answer" was organized on 14th December 2018 at Chapter premises. CMA Malhar Dalwadi, Treasurer of Chapter felicitated the speaker by offering bouquet and memento. CMA Atul Bhatt gave presentation on the subject in very lucid manner. The session was very interactive. CMA Malhar Dalwadi, Treasurer of Chapter proposed the vote of thanks. The Chapter had organized Inaugural function of 3rd batch of GST Certificate course and concluding the 2nd batch by distributing certificate to the qualified candidates on 21st December 2018 at its premises. CMA Ashish Bhavsar, Chairman of Chapter introduced the Chief Guest CMA P H Desai, Vice Chairman of WIRC and welcomed by offering bouquet. He explained about the GST Certificate course & activities carried out by chapter for members and students. CMA P H Desai, Vice Chairman highlighted concept for conducting GST Certificate course by the institute. CMA Haren P Bhatt, Secretary of the chapter proposed vote of thanks.

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

www.icmai.in

Advisory for Renewal of Certificate of Practice For 2019-20

The members of the Institute holding Certificate of Practice (CoP) having validity up to 31st March, 2019 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. The following changes consequent to amendment of the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India may be noted:

    a. The validity of a Certificate of Practice (CoP) is for the period 1st April to 31st March every year unless it is cancelled under the provisions of the Cost and Works Accountants Act and Regulations, 1959 as amended.

    b. The Certificate of Practice issued shall automatically be renewed subject to submission of prescribed Form M-3 and payment of renewal fee* and annual membership fee*.

    c. From the year 2011-12 onwards, letter for renewal Certificate of Practice is not being issued. However, the members concerned may download the renewal status from the Institute's website www.icmai.in.

2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, **both the Annual Membership Fee* and Fee for Renewal of Certificate of Practice*** falls due on 1st April each year.

3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on **31st March** each year unless it is renewed on or before the date of expiry in terms of the amended Regulation 10 of the Cost and Works Accountants Regulations, 1959. Hence, a member shall be required to renew his certificate within **31st March** every year.

4. **If the Certificate of Practice of a member is not renewed within 31st March, 2019, his/her status of CoP from 1st April 2019 till the date of renewal would be "Not Active".**

5. Subject to what has been mentioned in Sl. No. 4 above, a member can get his/her Certificate of Practice for 2019-20 renewed within **30th June, 2019**. If application for renewal of Certificate of Practice is made after 30th June, 2019, the member's Certificate of Practice for 2019-20 will not be renewed but will be considered as a case of fresh issuance with effective date being the date of the application or receipt of the prescribed fee* for Certificate of Practice, whichever is later.

6. It may please be noted that mere payment of fees* alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form M-3 is to be used for Renewal of Certificate of Practice duly filled in and signed is **mandatory**. The soft copy of prescribed Form M-3 for Renewal of Certificate of Practice can be downloaded from Institute's website www.icmai.in.

7. The Institute has introduced a scheme of Continuing Education Programme (CEP) and the same is mandatory in accordance with proviso to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959, as amended, whereby no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum number of hours of such training. The detailed guidelines in this connection are available on Institute's website www.icmai.in.

*GST is applicable against payment

8. **Other relevant issues for Renewal of Certificate of Practice are as follows:**

   a. Application for renewal of Certificate of Practice upto 31st March, 2020 has to be made in prescribed Form M-3 which may be filed online or through hard Copy of form duly filled in and signed on both sides together with Renewal Certificate of Practice fee* of Rs.2,000/- and all other dues to the Institute on account of annual membership fees* and entrance fees*.

   b. The annual membership fee* for Associate and Fellow members are Rs.1,000/- and Rs.1,500/- respectively. The entrance fee* for Associate and Fellow members is Rs. 1,000/- each payable at a time at the time of application for admission to Associateship or advancement to Fellowship, as the case may be.

   c. The fees* may be paid online or by Demand Draft/at par cheque payable at Kolkata if remitted by post to the Headquarters of the Institute.

   d. Members should note that the **renewal of Certificate of Practice can be effected only after receipt of the prescribed fees* along with duly filled in form at the Headquarters of the Institute and on meeting the stipulated CEP credit hours**. Mere submission of the same at the Regional Councils or Chapters will not be sufficient. Members are advised to make payment directly to the Headquarters or use the online facility of submission of application and payment to avoid any delay.

All practicing members are advised to send their application for renewal of Certificate of Practice for the year 2019-20 along with other requirements as indicated above immediately so as to reach the Institute's Office at Kolkata well in advance to enable the Institute to issue the renewal of Certificate by 31st March, 2019.

Renewal of Part-time Certificate of Practice

1. For renewal of part-time Certificate of Practice, it is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practising member has undertaken any employment or there has been a change in employment:

   "Shri/Smt ……………………………………………………………………………………. is employed as (designation)………………………………………….. and (name of Organisation)……………………. ………………… he/she is permitted, notwithstanding anything contained in the terms of his/her employment, to engage himself/herself in the practice of profession of Cost Accountancy in his/her spare time in addition to his/her regular salaried employment with us.

   Signature of Employers with seal of Organisation"

2. It may be noted that members holding Part-time Certificate of Practice (CoP) are not eligible to undertake statutory assignments like Cost Audit, Central Excise Audit, etc.

*GST is applicable against payment

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

CMA BHAWAN 12, SUDDER STREET, KOLKATA – 700 016.

Dated the 24th January, 2019

NOTICE

In pursuance of Clause (3) of Schedule 2 of the Cost and Works Accountants (Election to the Council) Rules, 2006, as amended, the addresses of different polling booths at a place where there are more than one polling booth for the ensuing Election to the Council and four Regional Councils for the term 2019 – 2023 are notified as follows :-

WESTERN REGION	
MUMBAI	SATISH PRADHAN DNYANASADHANA COLLEGE (ARTS, SCIENCE & COMMERCE), OFF EASTERN EXPRESS HIGHWAY, DNYANASADHANA MARG, THANE WEST - 400604
MUMBAI	SGSJK'S ARUNA MANHARLAL SHAH INSTITUTE OF MANAGEMENT & RESEARCH, MANEKLAL AMULAKHARI MEHTA MARG, NEAR MTNL TELEPHONE EXCHANGE, OFF L.B.S. MARG, GHATKOPAR WEST, MUMBAI - 400086
MUMBAI	THE INSTITUTE OF COST ACCOUNTANTS OF INDIA, WESTERN INDIA REGIONAL COUNCIL, CMA BHAWAN, ROHIT CHAMBERS, JANMABHOOMI MARG, FORT, MUMBAI – 400 001.
PUNE	YASHWANTRAO CHAVAN LAW COLLEGE, PARVATI RAMANA, PARVATI, PUNE - 411009
PUNE	MAHARASHTRA COLLEGE OF SCIENCE & COMMERCE, BABURAO SUTAR PATH, RAMBAUG COLONY, PAUD ROAD, OPP. KRISHNA HOSPITAL, KOTHRUD, PUNE - 411038
SOUTHERN REGION	
BANGALORE	THE NATIONAL COLLEGE (AUTONOMOUS), 7TH BLOCK, 36-B CROSS, JAYANAGAR, BANGALORE - 560070
BANGALORE	VIJAYA COLLEGE, 11TH MAIN, IV BLOCK, JAYANAGAR, BANGALORE - 560011
CHENNAI	VELS UNIVERSITY, VELAN NAGAR, P. V. VAITHIYALINGAM ROAD, PALLAVARAM, CHENNAI - 600117
CHENNAI	DR. MGR JANAKI COLLEGE OF ARTS & SCIENCE FOR WOMEN, SATHYABAMA MGR MALIGAI, NO. 11 & 13, DURGABAI DESHMUK ROAD, RAJA ANNAMALAI PURAM, CHENNAI - 600028
CHENNAI	THE INSTITUTE OF COST ACCOUNTANTS OF INDIA, SOUTHERN INDIA REGIONAL COUNCIL, CMA BHAWAN, 4, MONTIETH LANE, EGMORE, CHENNAI – 600 008.

HYDERABAD	A. V. COLLEGE OF ARTS, SCIENCE & COMMERCE, GAGANMAHAL DOMALGUDA ROAD, HYDERABAD - 500029
HYDERABAD	ST. JOSEPH'S DEGREE & P.G. COLLEGE, MAIN CAMPUS, 5-9-1106, KING KOTI MAIN ROAD, ADJ. BHARATIYA VIDYA BHAVANS AUDITORIUM, HYDERABAD – 500029
EASTERN REGION	
KOLKATA	ANGLO ARABIC SECONDARY SCHOOL, 46/7, MAHATMA GANDHI ROAD, KOLKATA - 700009
KOLKATA	JOGAMAYA DEVI COLLEGE, 5A, RAJESHWAR DASGUPTA ROAD, KOLKATA - 700026
KOLKATA	INSTITUTE OF MANAGEMENT STUDY, EASTERN METROPOLITAN ROAD, BYPASS, 93, MUKUNDAPUR MAIN ROAD, KOLKATA - 700099
KOLKATA	THE INSTITUTE OF COST ACCOUNTANTS OF INDIA, CMA BHAWAN, 12, SUDDER STREET, KOLKATA – 700 016.
KOLKATA	THE INSTITUTE OF COST ACCOUNTANTS OF INDIA, EASTERN INDIA REGIONAL COUNCIL, CMA BHAWAN, 84, HARISH MUKHERJEE ROAD, KOLKATA – 700 025.
NORTHERN REGION	
DELHI	BHARTI PUBLIC SCHOOL, MAYUR VIHAR, PHASE-III, DELHI - 110096
DELHI	SATYAWATI SOOD ARYA GIRLS SR. SEC. SCHOOL, NIZAMUDDIN EAST, NEW DELHI - 110013
DELHI	S.D. EDUCATION SOCIETY (REGD.), C/O. J.V.S.D. GIRLS SR. SEC. SCHOOL, D-2, LINK ROAD, OPP. HANUMANJI STATUE, KAROL BAGH, NEAR JHANDEWALAN METRO STATION, NEW DELHI - 110005
DELHI	THE INSTITUTE OF COST ACCOUNTANTS OF INDIA, NORTHERN INDIA REGIONAL COUNCIL, CMA BHAWAN, 3, INSTITUTIONAL AREA, LODI ROAD, NEW DELHI – 110 003

Any voter in such a place wishing to vote may send a request in writing giving his name, membership number and the address of the polling booth in which he would like to be attached. Such request should reach the Institute's Headquarters at CMA Bhawan, 12, Sudder Street, Kolkata – 700 016 within one month.

(L Gurumurthy)
Secretary (Acting)

RNI NO. 12032/1966

Postal Registration No. : KOL RMS /139 /2019 – 2021
'D' Number MH/MR/TECH/47/10/2019
License to post without prepayment, WPP License No. : MR/TECH/WPP/KOL RMS/354/2019
Posted at Mumbai Patrika Channel Sorting Office, Mumbai 400 001
Posting Dates : 10th, 11th & 12th day of each English month only.
Date of Publication : 10th of every month.