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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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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**

Editorial Office
CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata -700 025
Tel: +91 33 2454-0086/0087/0184
Fax: +91 33 2454-0063

Headquarters
CMA Bhawan, 12, Sudder Street, Kolkata 700016
Tel: +91 33 2252-1031/34/35
Fax: +91 33 2252-7993/1026

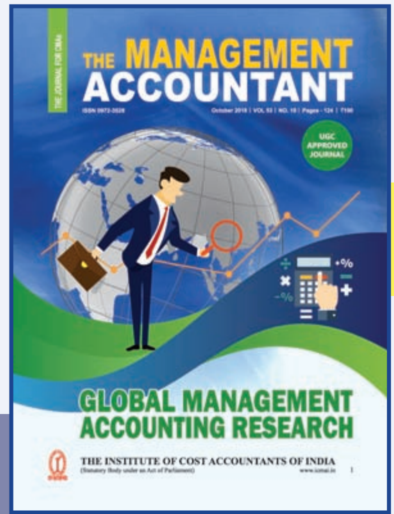
Delhi Office
CMA Bhawan, 3 Institutional Area
Lodhi Road, New Delhi -110003
Tel: +91 11 24622156, 24618645
Fax: +91 11 4358-3642

Contents

SEPTEMBER 2018

INSIDE

COVER STORY



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We have expanded our Readership from 1 to 92 Countries

Afghanistan, Algeria, Argentina, Australia, Azerbaijan, Bahrain, Bangladesh, Belgium, Benin, Botswana, Brazil, British Indian Ocean Territory, 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, 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, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States, Vietnam, Zaire, Zimbabwe.

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EDITOR - CMA Dr. Debaprosanna Nandy
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016, P. S. New Market, West Bengal
e-mail: editor@icmai.in

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EDITORIAL OFFICE - CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road Kolkata - 700 025 ; Tel: +91 33 2454-0086/0087/0184/0063

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EDITORIAL

Greetings!!!

Management Accounting Research can provide companies with insight in using management accounting systems to better achieve strategic and operating objectives. It explains or predicts how the design of managerial accounting systems will affect management actions and an organization's success, or how internal and external organizational forces will affect the design of management accounting systems.

The Global Management Accounting Principles were created for this era of business. Management accounting is at the heart of quality decision-making, because it brings to the foremost relevant information and analysis to generate and preserve value.

In the contemporary business scenario, Managerial accounting is backbone for any types and forms of organizations irrespective of its size or members. Modern accounting management has innovated the managerial accounting that plays an important role in planning and controlling the cost objectives in order to make decision making more effective.

The field of management accounting research is dynamic and constantly evolving. Therefore it is beneficial to step back at times and observe the key themes and patterns that are emerging. *Management Accounting Research* aims to serve as a vehicle for publishing original scholarly work in the field of management accounting.

The global management accounting research is applying the accounting and financial management principles in order to create value, protect and increase for the shareholders of the institutions for profit or non-profit in the public body and private sector. In a short statement, it is interested in the intra-business information and measuring this information for the sake of organizational control and development. In this sense, the management accounting research has been important from past until now for both the production facilities and the service facilities. Especially in recent years, within the context of accounting applications, the management accounting practices have developed considerably. Modern management accounting techniques have also made great changes in process management.

The changing roles of Management Accountants have redefined them as corporate decision makers, business consultants, business partners and analysts. Management accounting has always been an area dedicated to support decision making processes, thus taking into account dynamic changes in the business environment.

This issue presents a good number of articles on the cover story theme 'Global Management Accounting Research' 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 — November 2018
Skill Development and Employability

Subtopics
- Innovation in Skills Development and Skills Management that reach SMEs
- Strategies for Job Creation, Skills Development and Social Protection
- Skill Gaps and Employability: Higher Education in India
- Empowering women through skill development: Challenges and Opportunities
- Skill development as a sustainable growth strategy
- Towards a Reskilling Revolution: A Future of Jobs for All
- Role of CMAs

Theme — December 2018
Corporate Social Responsibility & Beyond

Subtopics
- CSR & Social Entrepreneurship
- Companies Amendment Act & CSR
- CSR initiatives in SMEs
- Comparative analysis of CSR initiatives in public v/s private sector
- Corporate - NGO partnership for successful CSR programs
- CSR Accounting & Audit
- Impact Analysis of CSR activities
- Business Ethics and CSR

Theme — January 2019
Indian Banking Scenario: Dynamism and Optimism

Subtopics
- India Post Payments Bank (IPPB): A revolutionary step towards financial inclusion
- Digital banking: The Road Ahead
- Financial Reforms & Innovation in Indian Banking Sector
- Demonetization effect
- Indian banks' NPA woes
- Scams: recurring scar on Indian banking sector
- RBI's new measures towards restructuring of the domestic banking industry
- Insolvency code: the biggest reform in banking

Theme — February 2019
Contemporary Issues in Corporate Governance

Subtopics
- Corporate Governance Global Framework
- Corporate Governance in India & SEBI Regulations
- E-governance
- Governance and Sustainability
- Corporate Governance and its Impact on Audit Practice
- Corporate Law and Corporate Governance
- Mergers and Takeovers
- The Role of Institutional Investors in Corporate Governance

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

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

Directorate of Journal & Publications
The Institute of Cost Accountants of India (Statutory body under an Act of Parliament)
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700 025, India
Board: +91-33- 2454 0086 / 87 / 0184, Tel-Fax: +91-33- 2454 0063
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PRESIDENT'S COMMUNIQUÉ

"Only those who will risk going too far can possibly find out how far one can go."
- T.S. Elliot

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

My Dear Professional Colleagues,

Namaskaar!!!

On behalf of the Institute and also on my personal behalf, I congratulate CMA Anil Kumar Chaudhary on being appointed as Chairman of Steel Authority of India Limited (SAIL) and CMA Rakesh Kumar on being appointed as Chairman cum Managing Director of NLC India Limited. It is a matter of pride for the entire Cost and Management Accountants fraternity.

Amendments in SEZ Rules, 2016 notified by Ministry of Commerce

The Ministry of Commerce on 19th September 2018 notified the Special Economic Zones (Amendment) Rules, 2018. The proposed amendments are aimed at fulfilling the objective of trade facilitation, ease of doing business and dispute redressal of the Government. Alignment of the regulations with GST, FTP and instructions issued periodically will hopefully provide procedural and compliance ease to SEZs. In an amendment to rule 12 sub-rule 7, words "goods from an Independent Chartered Engineer" are being substituted with the words "goods and services from an Independent Chartered Engineer or Independent Chartered Accountant or Cost Accountant as the case may be". This will open up new avenues to the practicing Cost Accountants.

Activities at Regional Councils & Chapters

Campaign on Swachhta Hi Sewa 2018 (SHS)

I feel happy to share with you that on receipt of letter from Shri Injeti Srinivas, IAS, Secretary to the Government of India, Ministry of Corporate Affairs, requesting us to undertake a campaign 'Swachhta Hi Sewa', from 15th September to Gandhi Jayanti on 2nd October 2018, our Headquarter at Kolkata, Delhi Office, all regional offices and chapters of our Institute participated wholeheartedly for making this campaign a success.

Observance of November 2018 as Career Counselling Month

Friends, as we all know that our Institute thrives on the student strength and they are the brand ambassadors of the Institute after passing out from the Institute. I propose to observe the month of November 2018 as Career Counselling Month all over the country involving all the Regional Councils and Chapters of the Institute. The idea is to give students a clear understanding about the CMA Profession and its role towards the socio-economic growth of the country. A well planned career counselling program will boost the morale & confidence of prospective students and give them right direction which could be beneficial for the whole society and the nation. Details about the scheme will be announced shortly. I urge the members to give constructive suggestions on President© Portal to make this endeavour a grand success.

Two Days Annual Seminar – 2018 by Ranchi Chapter

I am pleased to share that I along with CMA Balwinder Singh, Vice President attended the two days Annual Seminar on the theme 'Changing Economic Structure of India – Role of CMAs in Implementing Reforms©rganised by Ranchi Chapter of the Institute during 8th & 9th September, 2018 at Ranchi, Jharkhand.

Members Meet at Kolkata

Our Institute organized a "Members Meet with President" on September 10, 2018 at CMA Bhawan, 12-Sudder Street, Kolkata. During the meet, I had the opportunity to deliberate on the various issues & matters of their concern related to the profession.

Northern Regional Students Convention - 2018

The Northern India Regional Council (NIRC) of the Institute organised a Northern Regional Students Convention - 2018 on the theme: "Prism of Possibilities" on 17th September 2018 at New Delhi. Recently qualified CMAs and Students from Northern Region participated in this Convention. I was happy to interact with the students and motivate them.

CAT Department

I wish to inform that the CAT Committee of the Institute has decided to expand the CAT Course in other States and to take concrete steps to inspire the existing 347 Recognised Oral Coaching Centers (ROCC) in order to improve admission in CAT Course. I am happy to inform that 3279 students have been registered for CAT Course for December 2018 Term. I am pleased to share that "GUIDELINES FOR APPOINTMENT OF CAT COURSE COUNSELLORS" has been hosted on the Institute website. I request the members to come forward and take up the assignment. They may nominate other interested candidates, who are fitting in the eligibility criteria, prescribed in the guidelines.

Campus Placement

I am glad to share with you that Campus Placement Drive is being organised by the Institute in the month of September and October 2018, for absorbing our final qualified students. I am confident that the June 2018 final qualified students would find professional career through this programme. We have already placed 62 qualified CMAs in various organizations in Mumbai during the campus in September. On behalf of all the members of our fraternity, I wish them all success in their campus placement. The campus placement initiative would be a continuous one and your Institute will make all efforts to find professional career for all the CMAs.

International Affairs Department

CIPFA International Conference at Abu Dhabi

CMA P Raju Iyer, Chairman, PD & CPD Committee of the Institute attended the International Conference organized by the Chartered Institute of Public Finance & Accountancy (CIPFA) on September 23 & 24, 2018 at Abu Dhabi.

SAFA meeting and events at Karachi, Pakistan

ICAP FRED III 2018: The 3rd Financial Reform for Economic Development Forum in Asia (FRED III) was held in Karachi, Pakistan on 24th of September 2018 on the theme 'Maximizing Private Sector Finance and Solutions for Development - Role of the Accountancy Profession'. FRED III was led by SAFA and hosted by the Institute of Chartered Accountants Pakistan and the Institute of Cost & Management Accountant, Pakistan. CMA Dr. P.V.S. Jagan Mohan Rao, CCM and Vice President, SAFA was one of the speaker at the session on "Gearing for the future: New Skills for the profession".

The South Asian Federation of Accountants (SAFA) held its 54th Board, 88th Assembly and Committee meeting on 25th September 2018 hosted by the Institute of Chartered Accountants of Pakistan (ICAP) at Karachi, Pakistan. It was attended by my council colleague CMA Dr. P.V.S. Jagan Mohan Rao, Vice President of SAFA.

IFAC PAIB Committee meeting

The Institute of Singapore Chartered Accountants (ISCA) hosted the International Federation of Accountants (IFAC) Professional Accountants in Business Committee (PAIB) meeting and events at Singapore during 26-28 September, 2018. My council colleague CMA Dr. P.V.S. Jagan Mohan Rao, member of the PAIB Committee attended the meeting and I participated in the meeting as Technical Adviser.

Training Program on Cost Audit and International Conference by ICMA Bangladesh

Technical support from the Institute of Cost Accountants of India was provided in organizing a training program on Cost Audit to The Institute of Cost and Management Accountants of Bangladesh which was held on 21st & 22nd September, 2018 at Dhaka. Experts on the subject from the Institute made presentations on the scope, methodology, benefits and practical aspects of cost audit. The Institute of Cost and Management Accountants of Bangladesh was extremely happy about our gesture.

I am happy to share that I was invited by the Institute of Cost and Management Accountants of Bangladesh (ICMAB) to its International Conference on the "Role of Professional Accountants towards Achieving SDGs" held on September 23, 2018 at Dhaka, Bangladesh. Being one of the key resource person of the Conference, I spoke on Financial Accountability and Transparency in Attaining SDGs- India©perspective and on Role of Professional; Accountants towards Achieving SDGs.

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

For continuous professional development and training of Insolvency professionals, the Insolvency Professional Agency of the Institute organized various Round table Interactions and workshops during the month on: Use of Forensic Audit in conducting Insolvency cases, IBC – Bankers Perspective, Recent judgements on IBC, Role of Information Utility under IBC.

Also, to spread awareness about Insolvency and Bankruptcy Code amongst Members webinars were organized on: Latest amendments in IBC Rules and Regulations, Valuation approaches and Methods, working mechanism of Information Utility and Practical issues in CIRP.

Insolvency Professional Agency of the Institute is organizing jointly with IPAs of the ICSI and the Institute of Chartered Accountants of India pre registration training for IPs at Kolkata from 1st October to 7th October, 2018.

Professional Development and CPD Committee

Representation with Government, PSUs, Banks and Other Organizations:

PD Directorate is sending representation letters to various organizations for inclusion of cost accountants for providing various professional services. I am pleased to inform you that, on the request made by the Institute, Madhya Pradesh Van Vikas Nigam Ltd., Bharat Sanchar Nigam Limited, Urban Development and Housing Department, Municipal Council, Jhumri Taliya, National Capital Region Transport Corporation Limited, Andrew Yule & Company Limited, Airport Authority of India, National Textile Corporation Limited, Himachal Pradesh Power Corporation Limited, Infrastructure Development Authority, Bihar included CMA in their Tenders/EOIs issued during September, 2018.

I sincerely appreciate our Regional Councils and Chapters for organizing 41 programs, seminars and discussions during the month on the topics of professional relevance and importance for the members such as, Indian Debt Market, Audit under GST Acts, Registered Valuer-New Opportunity for CMAs, Increasing trend of NPA causes and Remedies and Role of Cost Accountants, IT Tools & Technologies for Business, Recent Amendments and Developments in Company Law and so on. I hope our members will be immensely benefited with these programmes.

I am happy to share that I was invited by the Institute of Company Secretaries of India (ICSI) to address at the session on 'Connecting from Grass roots to Global –360 degree transformation of CS Professional' of its 46th National Convention of CS and 6th International Conference held during August 30-31 and September 1, 2018 at Bhubaneswar.

Governance Now 3rd India Banking Reforms Conclave 2018

I am pleased to inform that I was invited to address during the inaugural session of the India Banking Reforms Conclave 2018 on the theme "Rebooting Banking with Reforms and Digital Innovations" organised by 'Governance Now' on 7th September 2018 at Mumbai. The Institute was the Institutional Partner for this event. I was able to stress upon the role of Cost Audit in identifying stressed assets of banks.

Technical Department

Technical Cell of the Institute

I am pleased to inform that Technical Cell of the Institute has started responding to the general queries of the members relating to the Cost Accounting Standards, Standards on Cost Auditing and Companies (Cost Records and Audit) Rules etc., in a very structured and time bound manner. I hope that the members are finding the opinion of the Technical Cell useful. I take this opportunity to congratulate the Chairman and Members of the Technical Cell of the Institute for carrying out this important task effectively. I hereby urge the members to send their queries in large numbers to the Technical Cell at technicalcell@icmai.in in order to get their doubts cleared on the above mentioned topics.

Cost Accounting Standards Board

Friends, I wish to assure you that the Council of the Institute is committed to the capacity building of the members in order to enable them grabbing all the opportunities coming their way. With a view to forward this agenda, the Cost Accounting Standards Board CASB in association with the PD&CPD Committee of the Institute is organising a National Seminar on Cost Governance on October 7, 2018 in Chandigarh. The Seminar will have focused discussions by the eminent experts on Cost Accounting Standards, Standards on Cost Auditing, Companies (Cost Records and Audit) Rules & related areas and Changes due to Ind AS & GST Implementation. Further details of the seminar are available at https://icmai.in/upload/Institute/Events/National-Seminar-CG-07102018.pdf. I urge the members of the Institute to get themselves registered for the National Seminar at the earliest and get their professional knowledge enriched by attending the same.

Taxation Committee

Third Batch of Certificate Course on GST has been launched successfully and admissions are going on. Another breakthrough has been achieved by successfully including the name of Cost Accountants in certifying the refund of IGST claimed by Exporters and it has been made official by the CBIC with Circular No. 33/2018-Customs, dated: 19th September, 2018. Four seminars have been conducted in the month on the topics - Tax Audit, Specified Financial Transaction Reporting, Tax Audit under Income Tax Act - Recent Amendments & Issues, Analysis of GST Audit Proforma & Rules with Inspection, Search and Seizure.

I wish prosperity and happiness to members, students and their family on the occasion of Mahatma Gandhi Jayanti, Durga Puja, Vijayadashami & Maharishi Valmiki Jayanti and wish them success in all of their endeavours.

Thanking you and Namaskaar!!!

Warm Regards,

CMA Amit Anand Apte
1st October, 2018

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

FOR ATTENTION OF THE MEMBERS

The Institute is maintaining Benevolent Fund for the Members (MBF) of the Institute to provide assistance to the members of the Fund in case of financial help to the beneficiary or to the dependants in case of death of beneficiary. Members whose names continue to exist in the Register of Members of the Institute can apply for Life Membership of the Fund.

DETAILS OF BENEFITS AVAILABLE

- Outright grant not exceeding Rs. 3,00,000/- in each case to the beneficiary in the event of death of the member.

- Outright grant not exceeding Rs. 1,50,000/- in each case to the member and beneficiary for critical illness like cancer, heart/cerebral attack or any other disease having risk of life of the beneficiary to be duly certified by the doctor under whom the treatment is continuing.

- ***Illness or Temporary loss of employment of member:***

i) Expenses incurred in connection with temporary loss of employment or for marriage of daughter of a member during temporary loss of employment till the date of application should not be less than Rs. 5,000/- and not exceeding Rs. 15,000/- and further expenses are required to be incurred for the above mentioned purposes.

ii) Assistance for the above purpose shall be limited to actual amount claimed or Rs. 10,000/- whichever is lower, in the event of the member is not providing surety and where surety is provided maximum assistance shall not exceed Rs. 15,000/-. Surety should be a member of the Institute having his upto date membership and other dues paid to the Institute and belonging to the Region in which the member resides and should provide valid and authentic documents required in support as a surety. Financial assistance not exceeding Rs. 7,500/- will be granted for education of a dependent son/daughter of a deceased member. This financial assistance shall be provided once for a member.

- ***Illness of Spouse / Dependent Children of a member:***

i) Expenses incurred till the date of application should not be less than Rs. 10,000/- and further expenses are required to be incurred.

ii) The member should not be receiving medical reimbursement from his employer or reimbursement disallowed by the employer should exceed Rs. 10,000/-.

iii) Application for assistance should be supported by a surety who should be a member of the Institute having his up-to-date membership and other dues paid to the Institute and belonging to the Region in which the member resides and should provide valid and authentic documents required in support as a surety.

iv) The financial assistance is limited to actual amount claimed or Rs. 1,50,000/-, whichever is lower.

Income Tax Benefit

Contributions to MBF qualify for section

80G Exemption

Procedure to become member of MBF

→ The prescribed fee for life membership is Rs. 7,500/-. The form can be downloaded from this link ***https://eicmai.in/external/PublicPages/WebsiteDisplay/forms/mbf-form.pdf*** which you may fill up and return to the Secretary along with a **Demand Draft/Cheque** for Rs. 7,500/- in favour of **"ICWAI Members' Benevolent Fund"**. You may apply online also by visiting this link ***https://eicmai.in/MMS/Login.aspx?mode=EU***

For more information please visit the link given in *https://eicmai.in/external/Home.aspx#*

ICAI-CMA SNAPSHOTS

The Institute of Singapore Chartered Accountants (ISCA) hosted the International Federation of Accountants (IFAC) Professional Accountants in Business Committee (PAIB) meeting and events at Singapore during 26-28 September, 2018.

CMA Dr. P.V.S. Jagan Mohan Rao, member of the PAIB Committee attended the meeting and CMA Amit Anand Apte, President has participated in the meeting as Technical Adviser from the Institute

CMA Niranjan Mishra, Chairman, Regional Council & Chapters Co ordination Committee and Council Member addressing the group of representatives from Eastern India Regional Council and Chapters under EIRC at the "Regional Council and Chapters Co ordination Meet" organised at Ranchi on 29th September 2018.

From Left: CMA Niranjan Mishra, Chairman, Regional Council & Chapters Co ordination Committee and Council Member, CMA Cheruvu Venkata Ramana, Vice Chairman, EIRC, CMA Pranab Kumar Chakrabarty, Secretary, EIRC, CMA Bidyadhar Prasad, Chairman, Ranchi Chapter.

CMA Cheruvu Venkata Ramana, Vice Chairman, EIRC, CMA Niranjan Mishra, Chairman, Regional Council & Chapters Co ordination Committee and Council Member, CMA Pranab Kumar Chakrabarty, Secretary, EIRC, CMA Bidyadhar Prasad, Chairman, Ranchi Chapter at the "Regional Council and Chapters Co ordination Meet" organised at Ranchi on 29th September 2018.

DEVELOPMENTS IN GLOBAL MANAGEMENT ACCOUNTING:

RESEARCH PRACTICE GAP

AND

DIRECTIONS FOR FUTURE RESEARCH

CMA (Dr) Amarendra Kumar
Global Financial Analyst (FAM)
DXC Technologies
Bangalore

The accounting environment has changed dramatically over the past decade. Chief financial officers (CFOs) are suggesting that the management accountant should aspire to move from "counter of wealth" to "creator of wealth and influencer of strategy." We have become less transaction focused and more directed toward decision support and performance management activities.

With CFOs continually looking for greater efficiencies and ways to add value to the business, it is important that Management Accountant embrace digitisation and look for ways to further develop their own skill set to accommodate the change. According to a 2017 survey by Robert Half Australia, technology is the single biggest factor impacting the finance function today and in the future. Globalisation and technological progress are making this more complicated.Successful organisations have effective management accounting functions. It is the combination of competent people, clear Principles, well managed performance and robust practices that make a management accounting function effective.

The changing roles of Management Accountants have redefined them as corporate decision makers, business consultants, business partners and analysts. Management accounting has always been an area dedicated to support decision making processes, thus taking into account dynamic changes in the business environment as well as technological advances there is a strive to change the practice of management accounting and the role played by the managerial accounting professionals

Management accounting change and the changing roles of management accountants have dominated both the professional and academic research literature in recent years.The field of management accounting research is dynamic and constantly evolving. Therefore it is beneficial to step back at times and observe the key themes and patterns that are emerging.

Management Accounting Development

Modern management accounting practices are constantly changing, which establishes a need to update our collective understanding every now and then.

Since Johnson and Kaplan (1987) first alerted the accounting community to management accounting's apparent loss of relevance to management and other information users, there has been a plethora of (particularly) prescriptive research suggesting changes to management accounting systems, techniques and practices. In other words, there has not been sufficient change in management accounting techniques to match the changes in the organisational environment, and to support the growing demand for information. Recommended 'solutions' to the relevance problem have included innovative costing and information frameworks such as Activity Based Costing, life cycle costing; target costing; quality costing; functional cost analysis; throughput accounting, strategic management accounting; shareholder value techniques; Balanced Scorecard, Key Performance Indicators, Economic Value Added, and Benchmarking.

More recently, Scapens et al. (2003) carried out an investigation regarding the changing nature of management accounting. This study presents four changes in the broader business environment that have had impact on management accounting in recent years: (i) globalisation and customer focus; (ii) technological change; (iii) changing organisational structures; and (iv) fashion and other internal factors, such as 'a feeling at top-level management that change is necessary' and 'changing management information needs'.

In 2012 M. Fraser refers to five basic areas that should be of interest to specialists in management accounting in the future [Fraser 2012].

1. Good accounting goes beyond compliance and is about providing useful information to management and

strengthening accountability processes.

2. Managerial accounting specialists should improve investment appraisal techniques, because managers may be missing opportunities if accounting specialists do not use the full range of available investment assessment tools.

3. Performance management system should be revised, because various economic conditions and different organizational strategies require different thinking and behavioral patterns.

4. Management accounting tolls should be developed to better understand cost drivers in the organization. Management accountant should perform the role of financial advisor to support manager in decision making.

5. The emphasis should be placed on planning, budgeting and forecasting. There are important aspects in forecasting – sharing it and having those who own it simultaneously accountable for it. Moreover, good communication is also required.

Much more extended look at the development trends in the field of management accounting as proposed by Gary. Cokins. He described seven major trends that would characterize the development of management accounting in the next decade [Cokins 2013; 2014].

1) Expansion from product to channel and customer profitability analysis,

2) Management accounting's expanding role with enterprise performance management,

3) The shift to predictive accounting,

4) Business analytics embedded in EPM methods,

5) Coexisting and improved management accounting methods

6) Managing information technology and shared services as a business, and

7) The need for better skills and competency with behavioral cost management

An essential turning point is the ongoing digitalization. Big data, data analytics and business analytics (Cokins 2013; Krishnan 2015; Schneider et al. 2015) combined with the intensely networked world are rapidly changing the business environment, business models as well as organizational structures that also affect the accounting practices& Future area of research.

Because Management Accountants are normally deeply involved in PBF (planning, budgeting, and forecasts), it is important to be aware of how big data, risk measurement and different techniques can be used to improve performance. CFOs must deploy techniques such as rolling forecasting with moving targets (that reflect real-time changes in external factors) in combination with tools within predictive and prescriptive analytics if they should make empowered decisions. New skills and new ways of using data are important. Only this can retain their influence. They also need to know about statistical modelling, data mining, advanced predictive analytics, and risk forecasting techniques.

The Research-Practice Gap

Although management accounting tools and techniques are developed to solve practical problems in organizations, there is a lot of criticism of management accounting research for not having an impact on practice. A range of management accounting techniques emerged, for example: Activity Based Costing (ABC), Balanced scorecard, economic value added, costs of quality reporting, strategic management accounting (Adler et al., 2000; Tan et al., 2004) , yet allegations persist that a gap exists between management accounting education and practice in contemporary management accounting.

A big frustration has been – and is still of big concern - that few research findings and results have never been used in the practical world (Kaplan, 1998; Kasanen et al., 1993; Merchant, 2012; Otley, 2001; Rautiainen et al., 2017). The basic problem for management accounting has been that – in spite of a huge number of researcher, paper, articles, conferences, and journals - not much impact on society and on practice have been documented. Much discussion in the management accounting literature has centered on the need to direct greater attention to the practical relevance of academic research.

In recent times a number of commentators have indicated that accounting research has become insufficiently innovative and increasingly detached from practice. Differing views about the engagement of academic research with practice also emerged in discussions. For example:

"Practitioners are simply not interested in academic research and how academic research can help them.

"Academics do not seem to be interested in engaging with practice and practitioners."

"I think practitioners question the relevance of academic research; if it were relevant, academics would make themselves understood."

"Some academics choose practically relevant topics suggested by practitioners, but these academics are in the minority."

"Academics are considered elitists as they speak with their own jargon; they use complex mathematical formula; they shut out potential practitioner readers by doing this; the aim of the game is to publish at all ends, not to disseminate knowledge or improve practice "

Many suggestions have been advanced to bridge the gap between research and practice :

Both academics and practitioners would benefit from a closer relationship – academics might gain access to data and more logical explanations, enhance their reputation, and incorporate actual data into their research and teaching, while practitioners might receive ideas contributing to the efficiency and effectiveness of their organizations

Academics should attend practitioner conferences and events to interact with practitioners, and practitioners should interact with the academic community to learn about their research agenda and why they research certain topics

Academics could develop research questions in line with the need of practitioners. They might include the implications for practice in each paper and conduct research with practitioners.

Practitioners should be educated on how to read, interpret and use accounting research.

Several related motivations or objectives for practice-oriented research include desires to (1) gain increased understanding of why organizations use certain techniques and practices, (2) gain increased understanding of how and which techniques used in practice impact organizational performance, (3) inform practitioners, (4) increase the applicability of accounting textbooks, coursework, and programs.

Role of Professional Accounting Bodies

This is occasionally evident, for example, through collaboration between professional accounting bodies and academics to produce sponsored research, sponsored specialised conferences and public policy contributions. Professional accounting bodies perceive the gap between academic research and practice in management accounting to be of limited concern to practitioners. The two most significant barriers to research utilisation by practitioners are identified as: difficulties in understanding academic research papers; and limited access to research findings. In acting as a conduit between the worlds of academia and practice, professional bodies have an important role to play by demonstrating the mutual value to both academics and practitioners resulting from a closer engagement between management accounting research and practice. Nevertheless, management accounting is an applied field that could be expected to provide tools and techniques for practitioners.

Arguably there are signs that times are changing. Internationally there are sporadic signs of improving interactions between the accounting profession, higher education providers and academics. This is witnessed by the inclusion of academic work inprofessional publications; research funding provided by the accounting profession; andthe commissioning and publishing of research on contemporary issues facingaccounting academics by the accounting profession. Academics and practitioners need to work together to create new academic discoursesand practice in emerging area of management accounting.

Directions for Future Research

In any discipline research ideas can grow from a variety of sources. Management accounting research over the last decade has made tremendous head way in the form of relevance of topics and strictness of methods. However, one of the challenges facing researchers today is continuation of this momentum and the selection of innovative and relevant topics.

In the present economic scenario , to appreciate the depth of application of management accounting in managerial decision making and governance, it is necessary to carry out an IMA style sample surveys [Raef Lawson (2012) , Douglas & Larry (2012)] to identify the business interest and research gap.

The direction of development of management accounting research is line with the shift of paradigm of management accounting in practice supported by development of technology. The direction will lead to the new strategy that moves to contemporary management accounting. From a research agenda Management Accounting Research has seen improvement in incorporatingissues of importance to practice, however, basic research and theorydevelopment are still needed. Of necessity is still the building of theories andframeworks that explain and predict which firms will adopt specific methods.Academics are key players in developing innovative accounting systems anddocumenting the benefits and costs from those systems. Within the area of Management Accounting Research topics can be found in the following sources: the existing literature, existing literature in related and other fields, and topics and challenges important to management. For researchers, the difficulty arises in choosing areas that are of high priority to practicing managers etc.

Evolving Smart and digital TechnologyInnovations involving big data, blockchain, AI and robotics applied or applicable to a wide set of Management accounting, as well as the changing social, cultural, economic and political contexts in which we live and work, can be expand in future Management Accounting Research.

To sum up, in the field of management accounting the literature has focused particular attention on what seems to have contributed to generating a gap between theory and practice, namely on those factors which have affected the impact of management accounting research by limiting it. This research has been pivotal in offering strategies aimed to eliminate those barriers which would prevent management accounting research from becoming more impactful. Despite this, some new avenues of research can be identified in light of what management accounting research has already highlighted and of what has been accomplished by researchers in other disciplines. MA

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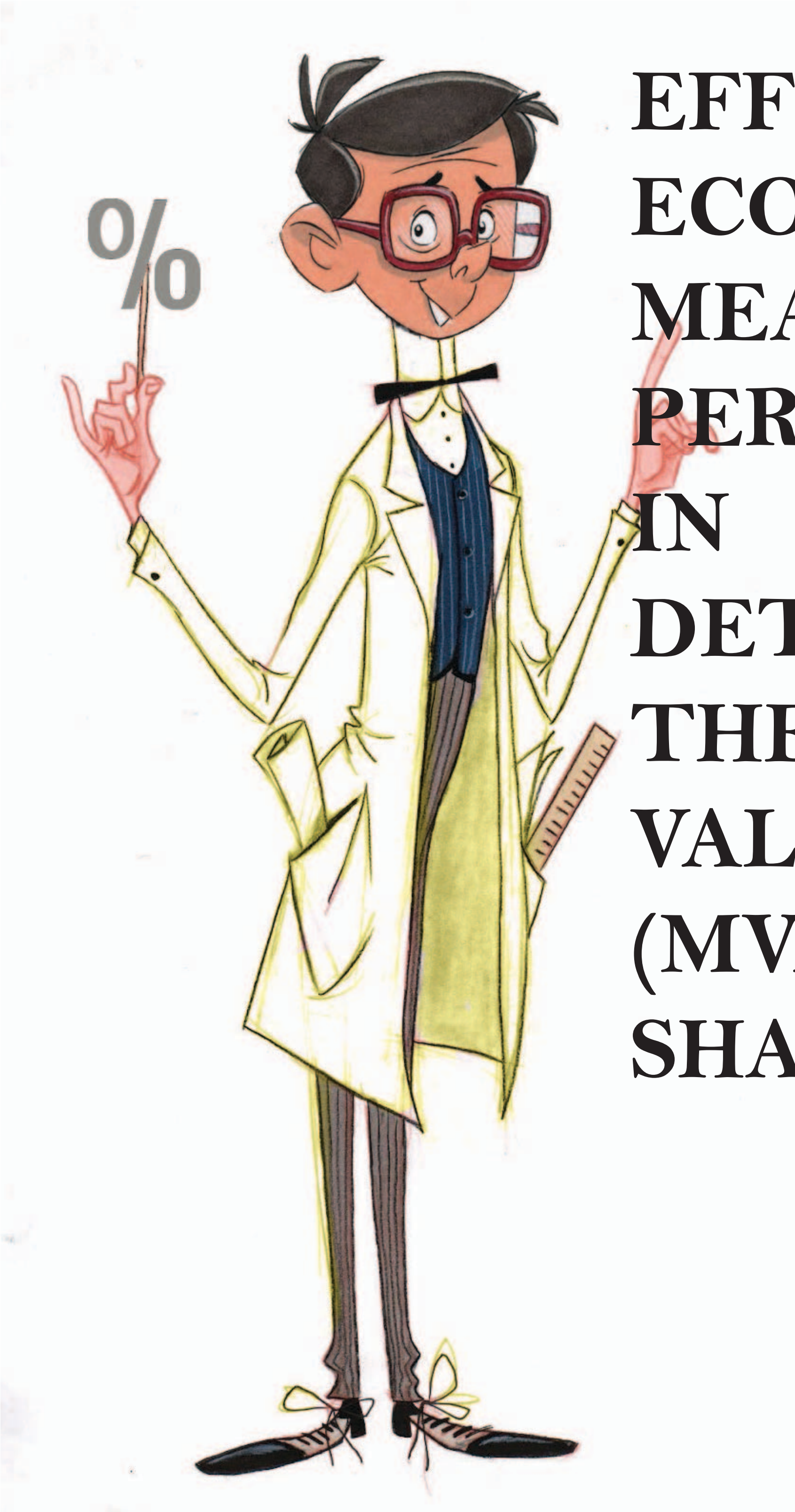
dr_amarendra@rediffmail.com



EFFICACY OF ECONOMIC MEASURES OF PERFORMANCE IN DETERMINING THE MARKET VALUE ADDED (MVA) OF SHARES

CMA. Dr. P. Srikanth
Assistant Professor
ICFAI Business School (IBS)
Hyderabad

Management accounting is witnessing landmark changes in the recent past. One of the areas of management accounting which is always in the spotlight is 'performance measurement'. The conventional accounting measures of performance are losing their importance due to their inherent limitations. They do not take into account the opportunity cost of capital contributors' in deriving the profitability measures. The everlasting research in this area has been producing well-reflected measures of performance whose efficacy is tested by empirical research by the academia and professional bodies of accounting. One type of such innovative and well-reasoned measures of performance are economic measures of performance. Economic Measures of Performance are gaining their importance by virtue of their robustness to creative accounting. Economic measures of financial performance overcome the inherent limitation of conventional accounting measures by taking into account the opportunity cost of capital while calculating the profits of a company. Despite having many advantages in using economic measures of performance, they are not used widely. It is due to the fact that their estimation is not easy and requires many assumptions.

Economic Measures of Financial Performance

Two economic measures of performance which can used to measure the financial performance of a company are 'Residual ROCE' and Economic Value Added(EVA)'.

The concept of EVA is analogous to the concept of 'residual income' in economics. The concept of EVA stems from the economic concept of 'residual income' which takes into account the opportunity cost of owner's capital. EVA measures the residual income of a firm more precisely and practically. Besides, while estimating EVA, NOPAT is considered as a proxy of accounting profit. NOPAT measures operating performance of a firm more accurately by excluding the tax saving in computation of net operating profit, as tax saving is not the results of operating performance of the company rather it signifies financial performance of a company.

The 'Residual ROCE' is the excess of ROCE over the 'cost of capital'. The fundamental difference between EVA and 'Residual ROCE' is EVA takes into account operating profits while 'Residual ROCE' considers net profit. Besides, 'Residual ROCE' is expressed in percentage terms while EVA is in absolute terms.

Importance of the Study

Economic measures of performance are theoretically assumed to be superior measures of performance. Establishing the superiority of the economic measures of performance can be done only through rigorous empirical research backed by scientific methodology of research. Moreover, there is a need for developing more number of economic measures and testing their relative importance in the performance measurement, because, no single measure can exhaustively embrace all the ideal features of performance measurement tool. Hence, the present study considers economic measures which are based on both operating profit and net profit. The present study focuses on the analysis of importance of the economic measures of performance and how they are reflected through market value addition for the share.

Findings of the study provide useful insights into the informational efficiency of the market in terms of reflecting the economic measures of profit on the market value of shares.

Literature Review

Sakthivel N. (2011) found that the companies with high level of EVA are very highly valued and differ from valuation of companies with low and moderate EVA groups. Based on this finding, it can be concluded that there was significant association between MVA and EVA for companies in pharmaceutical industry. It was observed that there was significant difference in mean value creation across low, moderate and high total productivity for pharmaceutical companies. Regression analysis reveals that total productivity does not have explanatory power on value creation in short-term, but it has some influence on value creation in the long-run in respect of pharmaceutical companies. **Madhavi Eswara at. el., (2015)** examined whether the select seven Indian companies from FMCG sector listed on NSE have created shareholder value in terms of EVA and MVA during the five years from 2010 to 2014. MVA is considered as a proxy for determining the market value of the firms. The study supports Stern Stewart's claim that EVA is a superior predictor of market value of the firms compared to EPS and it has stronger relationship and relevance to capital markets than other traditional measures. **Merugu Venugopal et. al., (2016)** examined the shareholder's value creation in Indian pharmaceutical companies by employing EVA during the study period 2007-15. The study reveals that 39 firms out of 77 were wealth creators. The study concludes that the companies with positive EVA will be able to attract investors in future. **Anna Kijewska (2016)** explained the impact of various factors on the change in EVA. The assumption was that every company is in a different financial condition, so the impact of various factors on the EVA change is different. In case of sample companies, difference in influence of various factors has been observed for three consecutive periods, the study concludes that for each company and for each year, managers should consider the factors that influence the EVA change.

Research Gap

The existing literature on this of area of research has documented the empirical research covering the analysis of relationship between market value of a share and EVA vis-à-vis conventional financial performance measurement metrics. One insightful research gaps has been identified from the literature review viz., the existing studies have considered EVA only as a measure of performance. In the present study, apart from EVA, 'residual ROCE' is also considered as an economic measure of performance and the importance of the two measures is analyzed.

Objective of the Study

The objective of the study is to analyze the informational efficiency of the stock market in terms of reflecting economic measures of performance on the Market Value Added (MVA) of shares.

Hypothesis of the Study

Null Hypothesis: Economic measures of performance do not have significant information content about the Market Value Added (MVA) of the shares.

Alternative Hypothesis: Economic measures of performance have significant information content about the Market Value Added (MVA) of the shares.

Period of the Study

For the purpose of the present study, cross-sectional data of select companies for the year ending 31st march, 2017 was considered.

Data and Methodology of the Study

Data Sources: The data relating to the required variables has been collected from CMIE Prowess Database.

Sample Design of the Study

The CMIE Prowess database has provided the data relating to the required variables for the year ending 31st march, 2017 for only 408 companies. Out of 408 companies, 75 companies with positive EVA were selected randomly. After selecting the 75 companies, some companies have been eliminated due to presence of outliers in the required variables. Finally, 59 companies are leftover for the analysis.

Estimation of Market Measure and Economic Measures of Performance

- **Market Value Added(MVA):** Market Value Added is computed as the excess of market value of capital over the book value of Capital. It is indicates the performance of the company from shareholders viewpoint. Higher value of MVA implies effective management and strong operational capabilities of the company. The following equation outlines the computations of MVA.

  MAV=(Market Capitalization+Debt)-(Book Value of Equity+Debt)

- **Economic Value Added (EVA):** EVA is computed as the excess of Net Operating Profit After Tax(NOPAT) over the cost of capital (in amount) of the company. The following equation outlines the computations of EVA.

  EVA=NOPAT-[COC*CE]

  In the above equation, COC refers to percentage of cost of capital and CE refers to capital employed.

- **Net Operating Profit after Tax (NOPAT):** Net Operating Profit after Tax is computed by multiplying the Earnings before Interest and Tax (EBIT) with 1 minus tax rate. NOPAT is a more accurate measure of operational efficiency of a company, as it does not consider tax savings which arise from interest expenses. Because, tax saving arising from interest expenses do not indicate the operational efficiency of the company.

Performance measurement is one of the core areas of management accounting and it is also the main thrust of research in Management Accounting. The invention of modern tools and techniques in performance measurement is the results of consistent research efforts made by the eminent management accounting professionals and academia. The conventional accounting metrics of financial performance do not take into account the opportunity cost of capital contributors. Hence, they may not indicate the economic substance of the financial performance of a company in a well-reflected manner. Economic measures of financial performance overcome this limitation by taking into account the opportunity cost of capital while calculating the profits of a company. In the present study, two economic measures of performance are employed to predict the 'Market Value Added (MVA)' of the shares. They are 'Residual ROCE' and 'Economic Value Added(EVA)'. The fundamental difference between EVA and 'Residual ROCE' is EVA takes into operating profits while 'Residual ROCE' considers net profit. The present study unveils an intriguing finding that 'Residual ROCE' was effectively predicting the MVA of the shares compared to EVA. The superior predictability of the 'Residual ROCE' may be attributable to the fact that investor assign more importance to bottom line of the income statement i.e., net profit, rather than to the operating profit.

Symbolically, NOPAT can be presented as follows.

NOPAT=EBIT*(1-t)

In the above equation, 't' refers to tax rate.

- **Cost of Capital (COC):** In order to calculate the cost of capital, weights have been assigned based on the market value of equity and debt. The cost of debt is computed by dividing the interest expenses by current year outstanding debt and cost of equity is derived from CAPM. Symbolically, %COC can be presented as follows.

  %COC=[Kd*Wd]+[Ke*We]

  In the above equation, Kd is cost of debt, Wd is weight assigned to debt, Ke is cost of equity, We is weight assigned to equity. Weights are assigned based on market value of debt and equity.

- **Cost of Equity:** Cost of Equity has been computed by employing Capital Asset Pricing Model (CAPM). Under this model, cost of equity is equal to the sum of 'risk free rate of interest' and 'market risk premium' multiplied by the beta of the concerned security. As the market risk premium and risk free rate of return are common for all the securities in the market, it is the beta of the concerned security which decides the cost of equity. Higher the value of beta, greater the cost of equity and vice versa. CAPM can be expressed in equation form as follows

  $K_e=R_f+\beta(R_m-R_f)$

In the above Equation, K_e is cost of equity, R_f is risk free rate of return, β is the beta value of the concerned security, R_m is market return. The weighted average call money rate is considered as proxy for risk free rate of return.

Functional Relationship between Market Value Added(MVA) and Economic Measures of Performance

The functional relationship between MVA and economic measures of performance has been analyzed in two different approaches. The MVA and EVA (Economic Value Added) are considered in their relative form in the regression analysis by dividing them with book value of the capital. In other words, size factor is controlled while analyzing the data.

First Approach: In the first approach, the accounting measure of profitability i.e., ROCE is adjusted with the overall cost of capital of the company and it is called 'residual ROCE'. It indicates the excess return earned on capital employed over the cost of capital. Higher the 'residual ROCE', more the profitability of the company in economic terms, as it is taking into account the opportunity cost of capital in computation of profitability. Symbolically, 'residual ROCE' can be expressed as follows.

$$\text{Residual ROCE}=\text{ROCE}-\text{COC}$$

The following regression model is constructed to test the functional relationship between 'MVA/Capital Ratio' and 'residual ROCE'.

$$\text{MVA/Capital}_i = \alpha_o+\beta_1(\text{ROCE-COC0})_i+\varepsilon_i$$

.....................(1)

In the above equation, α_o is constant; β_1 is coefficient of 'Residual ROCE' of company 'i'; and ε_i is error term.

Null Hypothesis: The 'Residual ROCE' has no impact on MVA/Capital Ratio

Alternative Hypothesis: The 'Residual ROCE' has its impact on MVA/Capital Ratio

Second Approach: In the second approach, the impact of EVA on MVA has been analyzed by applying OLS regression. In regression model, both the variables i.e., MVA and EVA are taken in their relative form by dividing them with capital. The following regression model outlines the functional relationship between the two variables.

$$\text{MVA/Capital}_i = \alpha_o+\beta_1 EVA/Capital+\varepsilon_i \quad ....(2)$$

In the above equation, α_o is constant; β_1 is the coefficient of *EVA/Capital* ratio of company 'i'; and ε_i is error term.

Scope of the Study

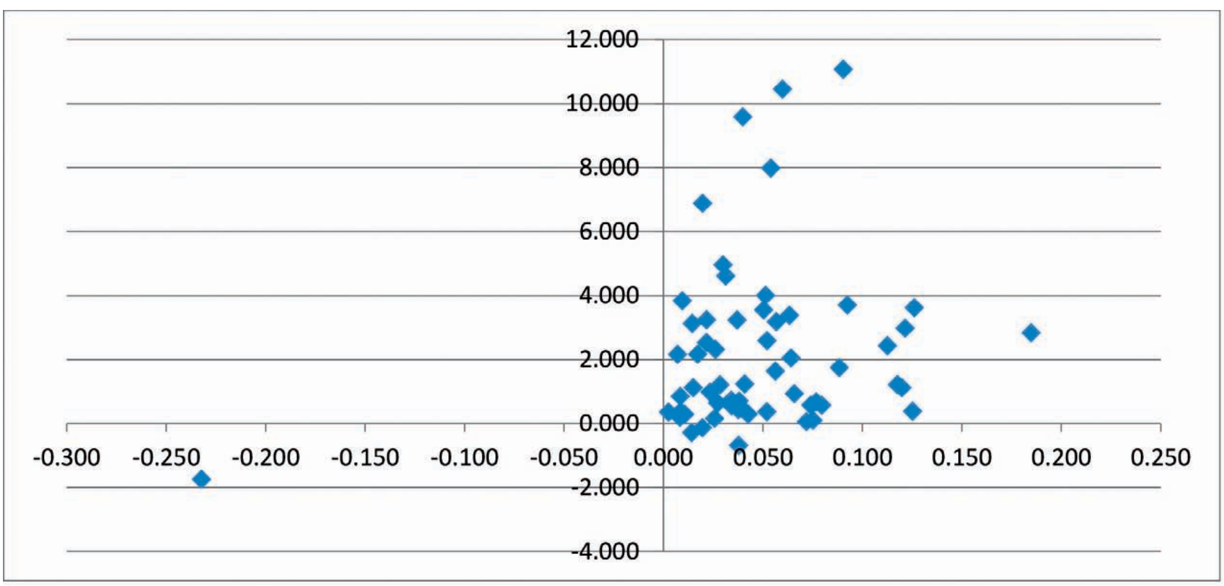
The present study centers around analysis of the informational efficiency of the market in terms of reflecting the economic measures of financial performance on the security prices. The sampling is confined to only positive EVA companies and cross-sectional data is only used but not the time series data and panel data.

Limitations of the Study

From the universe of the companies with positive EVA, 75 companies have been selected randomly. But, due to the presence of outliers in the values of the variables, 16 companies have been excluded. Exclusion of outliers will produce more precise statistical results, but the validity of the results may be undermined due to the loss of information content belonging to the outlier companies. However, as the sample size is still sufficient after excluding outlier values, the results of the study can be effectively validated to the companies which are not having abnormal values of the EVA, MVA, ROCE and 'cost of capital'. Moreover, if panel data is used, the results of analysis may be different.

Results of the Analysis

Chart 1: Scatter Diagram of MVA/ Capital Ratio and EVA/Capital Ratio of Select Companies



The chart 1 shows the pattern of relationship between MVA/Capital Ratio and EVA/Capital Ratio of select companies.

The X axis shows EVA/Capital Ratio and Y axis shows MVA/Capital Ratio. The negative ratio for only one company was due to having negative capital(i.e, due to accumulated losses). The scatter diagram manifests the positive association between EVA and MVA. There are a few extreme values in the group for which MVA/Capital Ratio was remarkably high with relatively smaller EVA/ capital ratio. It indicates strong investors expectations about the better future prospects of the company and/or it may be attributed to the presence of intangible asset which were not accounted for by the conventional accounting system. The MVA/ Capital ratio ranges between 0 to 4 for most of the companies while EVA/ capital ratio ranges between 0 to 0.125.

Chart 2: Cost of Capital (COC) and Return on Capital Employed (ROCE) of the Select Companies

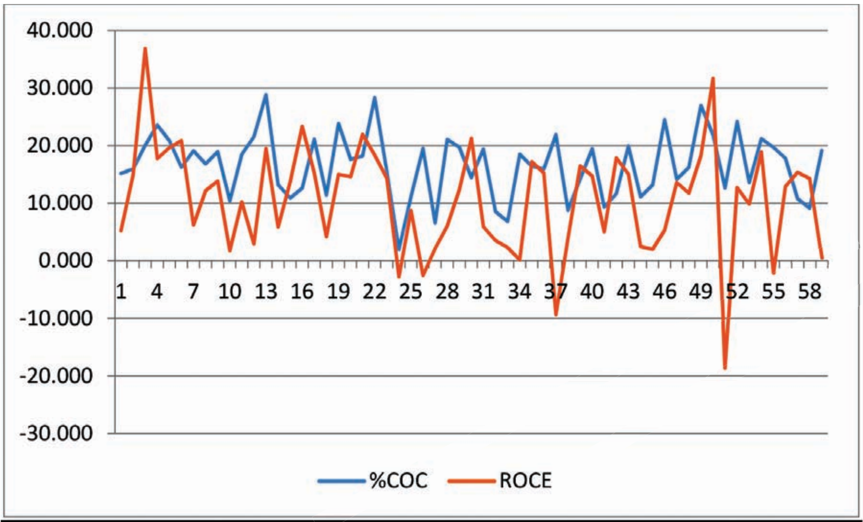


Chart 2 shows the COC and ROCE of the select companies. The difference between COC and ROCE is not similar for all the select companies. For some companies, the difference is larger and for some companies the difference is smaller. The companies like Aksharchem (India) Ltd., Patel Engineering Ltd. ITD,. Zuari Agro Chemicals Ltd. etc., experienced larger deviations between COC and ROCE and the companies liked Balrampur Chini Mills Ltd. Glaxosmithkline Pharmaceuticals Ltd. and Khaitan (India) Ltd. experienced smaller deviation between COC and ROCE.

Table 1: Regression Analysis Model – I [D.V.=MVA/Capital]

Variable	Coefficient	Std. Error	t-Statistic	Prob.
(ROCE-COC)	0.109634	0.034537	3.174362	0.0024
Constant	2.851920	0.376923	7.566325	0.0000
Model Summary				
R-squared	0.150225	F-statistic		10.07658
Adjusted R-squared	0.135317	Prob(F-statistic)		0.002422
S.E. of regression	2.430105			
Model Diagnosis				
Heteroscedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	6.599482	Prob. F(5,53)		0.0128
Obs*R-squared	6.122211	Prob. Chi-Square(5)		0.0133

Scaled explained SS	9.917737	Prob. Chi-Square(5)	0.0016
Ramsey RESET Test			
	Value	**df**	**Probability**
t-statistic	1.453916	56	0.1516
F-statistic	2.113873	(1, 56)	0.1516
Likelihood ratio	2.186111	1	0.1393

Interpretation of Regression Results: Table 1 presents the results of regression analysis done for model-I as discussed in the methodology of the study. The results of the analysis reveal that the 'Residual ROCE' has significant positive impact on MVA/Capital ratio. So, it can be inferred that shares of the companies with positive 'residual ROCE' are traded at relatively more premium in the market. R-squared value discloses that 15% of the cross-sectional variations in MVA/Capital ratio have been explained by the contemporaneous changes in 'Residual ROCE' while F-statistic discloses significant predictability of the model.

Interpretation of Model Diagnosis Results: The individual companies in the cross-sectional sample of the data may be divergent in terms of their size and other criteria. It may cause non-constant variance of the error term. It gives rise to heteroscedasticity in the residuals derived from the regression analysis. If heteroscedasticity is present in residuals of the regression, the estimators of the regression do not produce minimum variance. Hence, in order to ensure that residuals derived from the regression are not heteroscedastic, 'Breusch-Pagan-Godfrey' test has been applied. The test had a null hypothesis of "residuals are homoscedastic". The results of the test ensure that the residuals are homoscedastic ($p>0.01$)

When regression model is constructed, the model should be an ideally fit model. The under-fitting or over-fitting of the model will not produce reliable results. One widely used test to ensure the ideal fit of the model is Ramsey's RESET Test. It is based on the premise that if the predicted values of the dependent variable are introduced into the regression model in its squared form, it should not resulted in increased R-squared and/or increase in significance of F-statistic. If it is so, then we can infer that the model is free from specification error. The results of Ramsey RESET test ensure that the model is not having specification error ($p>010$).

Table 2: Regression Analysis Model – II [D.V.=MVA/Capital]

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EVA/Capital	11.03220	3.938893	2.800837	0.0069
Constant	1.692883	0.329337	5.140269	0.0000
Model Summary				
R-squared	0.049690	F-statistic		2.980439
Adjusted R-squared	0.033018	Prob(Wald F-statistic)		0.006948
S.E. of regression	2.569837			
Heteroscedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	0.387552	Prob. F(5,53)		0.5361
Obs*R-squared	0.398442	Prob. Chi-Square(5)		0.5279
Scaled explained SS	0.941256	Prob. Chi-Square(5)		0.3320

Ramsey RESET Test			
	Value	df	Probability
t-statistic	0.673464	56	0.5034
F-statistic	0.453554	(1, 56)	0.5034
Likelihood ratio	0.475927	1	0.4903

Interpretation of Regression Results: In the regression model, in order to derive minimum variance by the estimators of the regression, Huber-White covariance method is used for estimating covariance of the coefficients. The results of the regression analysis reveal that EVA/Capital Ratio has significant positive impact on MVA/Capital Ratio indicating the informational efficiency of the market in terms of reflecting the economic measures of profit on the share prices. However, the R-squared value is very low implying the explanatory power of the model only upto 5 percent.

Interpretation of Model Diagnosis Results: Though, the value of R-squared is very low, heteroscedasticity test results disclose that the residuals are free from heteroscedasticity ensuring that estimators of the model will produce minimum variance. Moreover, Ramsey RESET Test confirms that there is no specification error in the model.

Final Findings and Conclusions

Economic measures of financial performance are assumed to be superior measures of financial performance, because they reflect the economic substance of the activities of the business. On the flip side, estimating the economic measures is complicated and involves many assumptions and subjective judgments. Against this backdrop, the present study aims to analyze the informational efficiency of the stock market in terms of reflecting the economic measures of financial performance on the share prices. Apart from EVA, 'residual ROCE' is also considered as an economic measure of performance.

The present study unveils an intriguing finding that 'residual ROCE' can effectively predict the MVA of the shares compared to EVA, as the adjusted R-squared value of the regression is comparatively more for the regression with 'residual ROCE' as a predictor. It may be due to the fact that 'residual ROCE' is a more intuitive and simple economic measure compared to EVA. The superior predictability of the 'residual ROCE' may also be attributed to the fact that investors assign more importance to bottom line of the income statement i.e., Net profit, but not the operating profits. As EVA is derived as excess of net operating profit over cost of capital, it does not take into account the other incomes. MA

Scope for Further Research

The results of the present study are posing a challenge to the conventional EVA as a measure of economic profits and hence, more empirical research has to be done in this direction to test the efficacy of EVA vis-à-vis other modern economic measures of profit. Sector-specific study may also be helpful in drawing more insightful conclusions.

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33144potharla@icmaim.in

GLOBAL MANAGEMENT ACCOUNTING RESEARCH – INDIA VISION

CMA Ashok Agarwal
Practicing Cost Accountant
Delhi

An effective management accounting function improves decision-making in organisations. This is because people in such organisations following an effective management accounting function and system, are able to communicate decision-relevant insight and analysis to every decision-maker in the organisation, while being alert to the organisation's social and environmental duties. This is the foundation of the four Principles which set out the fundamental values, qualities, norms and features that represent management accounting. Quality decision-making has never been more important – or more difficult. Competition is relentless, as new innovations and innovators daily disrupt the status quo. The volume and velocity of unstructured data is increasing in complexity. Impulse is taking over insight, as organisations struggle to keep pace.

The Global Management Accounting Principles were created for this era of business. Management accounting is at the heart of quality decision-making, because it brings to the fore the most relevant information and analysis to generate and preserve value. The Principles guide best practice. They were prepared by the American Institute of CPAs (AICPA) and Chartered Institute of Management Accountants (CIMA), who in 2017 formed the Association of International Certified Professional Accountants, which represents more than 650,000 members and students in 179 countries.

Management Accounting is in reality nothing but a bundle of something appearing out of magic and practices by organizations voluntarily to inform their internal decision making, as opposed to financial accounting practices which are seen as mandatory for external reporting purposes. In actual, considering management accounting practices as voluntary vs. mandatory or internal vs. external may remain at the core of management vs. financial accounting categorizations, the distinction is easily breached. To achieve success, particularly when uncertainty is high, organisations need to develop an effective management accounting function that complements their financial accounting system to provide such analysis. Financial accounting information, though essential, does not provide a sufficient knowledge base for making decisions about the future. This is because its focus is on past activity. Management accounting facilitates integrated thinking so that the full range of decision-relevant information is considered. Good management accounting improves decision-making because it extracts value from information. It places the best available evidence and forecasted information at the centre of the decision-making process, providing more objective insight on which to reach conclusions or base judgements. Being forward and outward-looking, management accounting brings structured solutions to unstructured problems. It provides people with decision-relevant data, rigorous analysis and informed judgement to make better decisions and to communicate them with impact. Where uncertainty is high, management accounting provides forecasts, which can be based on an extensive range of information. This might include prior experience and institutional memory that provide opportunities for continuous improvement.

However, the practice of management accounting varies across different organisations. The Institute of Cost Accountants of India has developed and published various Guidelines to help organisations build effective management accounting functions, the most important being publications by the Cost Accounting Standards Board and other publicatons related to Cost Accounting Records and Cost Audit. A central role for management accounting is to make relevant information available to decision-makers on a timely basis. This Principle therefore involves the identification, collection, validation, preparation and storage of information. It requires achieving an appropriate balance between: (a) past, present and future-related information; (b) internal and external information; (c) financial and non-financial information.

Maintenance of cost records and identification of the cost for each product/ activities is not a new thing in any company or industry. These are required for formulating effective pricing policies, long term strategies, retain competitiveness in the market and avoid unfair play. The Cost Accounting Records generates a system so that such records are maintained in systematic and uniform basis among various companies of an industry. The cost calculated by different organizations, otherwise may not be comparable due to usage of difference methods, procedures and practices adopted by various accountants. Cost records are helpful in pricing products and services, performance appraisal, segmental reporting etc.

Earlier, Govt of India introduced Sections 209(1) (d) on Cost Accounting Records and Section 233 B on Cost Audit in the Companies Act 1956. Presently, it is included as Section 148 in the Companies Act 2013. Section 209(1) (d) of the Companies Act, 1956, incorporated in 1965, is the backbone of cost accounting in the Indian corporate sector. This framework put to practice, through promulgation of Cost Accounting Records Rules by the Government, has inculcated a sense of cost consciousness in large number of industries/companies. Presently, the prescription of cost accounting records rules has been extended to companies engaged in production, processing manufacturing and mining activities. Further, the Central Government has also prescribed uniform cost accounting records rules in place of product-wise records rules prescribed earlier. The mechanism of maintenance of cost records, to a very large extent, has helped industry to face the fierce competitive forces arising out of post-1991 liberalization and globalization. It served well the legal and non-legal requirements of various regulatory authorities, government agencies, tariff/price fixation bodies, research organisations, etc. But the fast changing business and economic scenario, both internal and external challenges, and the need for convergence/synchronization of global accounting practices require a change in the performance management systems including the cost management and reporting framework.

Cost accounting, through the determination and allocation of costs to various products, provides a valuable service to the managements of companies in cost analysis and control. This way, it can help improve efficiency in the use of materials, labour and plant, maximize production and increase profitability. At the same time, cost analysis furnishes useful information in respect of important matters such as gross margin, differential costs, replacement costs, etc. Cost analyses are useful to the Regulators of public utilities and provide a basis for comparing claims and assessing the validity of issues arising out of international trade.

Cost accounting is an integral part of the management process. It serves as an aid or a tool to the management in respect of its functions relating to cost control and cost analysis. The growing pressures of global competition, technological innovations, and volatility in exchange rate and input prices and change in business processes have made cost management much more critical and dynamic than ever before. Cost is a strategic issue. Often, the very business model itself may need to change to ensure that the organisation remains competitive both for sustenance and growth. Because strategic issues are increasing in importance to management, cost management has moved from a traditional role of product costing and operational control to a broader, strategic focus: strategic cost management.

By going through the debate on inclusion of provision relating to Cost Accounting Records and Cost Audit, it is confirmed that the Lok Sabha advocated Cost Accounting Records and Cost Audit, way back in 1965 particularly on following grounds:

1. "There is so much waste.. We must know the break-up of the cost. There is so much that we can save" (Page 1045 Lok-Sabha debates dated August 19, 1965);

2. "Only if there is cost audit, cost accounting will be in a correct position" (Page 1045 Lok-Sabha debates dated August 19, 1965);

3. "There is real fear that the trade secrets will leak out..but.. that should not be given as a reason for not having cost accounting and cost audit" (Page 1047, Lok-Sabha debates, August 19, 1965);

In 1965, a lot more was advocated in favour of section 233B. Perhaps the real advantage of Cost Audit could not be seen as the growth in Section 233B has been extremely slow. In a span of nearly 50 years of its existance. In today's era, when "violation of law" is common, commitments to investors are not cared, corporate sickness is in alarming stage, it becomes more necessary to see that an external tool like Cost Audit (which better be described as corporate efficiency audit) is available to measure the corporate success.

Following are excerpts of

debate on Companies (Second Amendment) Bill debated in the Lok Sabha on August 18, 19 and 26, 1965

Lok Sabha debate - Pages 820 to 840 of August 18, 1965; Pages 1003 to 1055 of August 19, 1965; and Pages 2071 to 2162 of August 26, 1965.

1: "Next is clause 23 which deals with cost accounting and cost audit. As everybody knows, it is a new thing. But it is a necessary thing. My first suggestion is that the Government itself should take more seriously about cost accounting and cost audit in their own establishments. There is so much waste. Even the reports of the Public Accounts Committee have drawn our attention to that. We must know the break-up of the cost. There is so much that we can save. All these things are necessary to be known. The Government must first of all find ways and means to have cost audit and not only cost accounting. Only if there is cost audit, cost accounting will be in a correct position." Page 1045 Lok-Sabha debates dated August 19, 1965.

2: "If cost audit is introduced, I am quite sure that a large number of young men who are now going for chartered accountancy will turn their mind to cost accountancy and they will come up as Cost Accountants." Page 1046, Lok-Sabha debates, August 19, 1965.

3: "Cost Accounting is the crux of the matter as far as trade secret is concerned. So perturbation of the management and those who are engaged in production is quite natural." Page 1046, Lok-Sabha debates, August 19, 1965.

4: "Although this does not cover the entire field of production, but only specified things, after some time Government may find it necessary to enlarge the scope of this." Page 1046, Lok-Sabha debates, August 19, 1965.

5: "There is real fear that the trade secrets will leak out, and Shri Dandekar has given expression to them. Government must see to it that it does not happen. In the set up which we now have there is so much of competition in production and if the details of costing is known to the rival parties, it will put the party in a very difficult position. So, some protection is necessary. But, I will again repeat, that that should not be given as a reason for not having cost accounting and cost audit. They are necessary in order to scoteh the malpractices in audit and accounting. Shri Dandeker has unwittingly remarked that it will create more confusion in figures that will come to light. It will give a true picture of the entire business, instead of the one-sided picture of the financial position presented by the company." Page 1047, Lok-Sabha debates, August 19, 1965.

6: "Shri Saraf has very clearly pointed out that cost accountants are very, very necessary, not only from the point of view of increasing the efficiency of an organisation, but also, I think, from our point of view, to really find out what is the cost structure, and what exactly is the pricing policy. In a situation where many of our organisations are going in for modernisation and rationalisation, it is necessary to find out whether it is really necessary and whether it will be really paying. From these points of view, it is quite obvious that cost accountants are very necessary.

I remember also the occasion when we were debating about one of the public sector organisations. At that time, one of the Ministers was very insistent and said that he found constantly that the difference between the project cost in plan as it was originally envisaged and the actual financial position which was later on revealed, had increased to such an extent was so big that it has become very necessary for us to have a proper cost accountancy." Page 2130, Lok-Sabha debates, August 26, 1965.

7: "Now, if we allow sufficient scope, and create opportunities for cost accountants, they will also after a short period of time, increase in numbers and we will have a number of practicing cost accountants and their volume of work and their numbers will grow appreciably in no time." Pages 2130-2131, Lok-Sabha debates, August 26, 1965.

The present competitive economic environment has made all the organizations more conscious about the need to bring efficiency and economy in their operations. "Cost Leadership" and "Total Cost Management" is the present day mantra. Cost control and cost reduction is an on-going exercise for the management to gain competitive edge over others and for survival. The existing provisions of cost accounting under the Companies Act, 2013 should make it more beneficial to various regulators, government departments/bodies to protect the interest of consumers and investors and to protect the industry from unfair trade practices (like anti-dumping, subsidies & counter-veiling measure, cartels, etc.) under WTO agreements. In addition, in the present economy all businesses would like to be competitive, reduce cost and strive for growth and improve their share in the market. The objectives will have to synchronize with the cost base strategies.

Cost accounting has not remained static to be a mere system of "cost measurement" or "cost determination" – it has turned more and more towards "cost management". Cost management is the use of cost information to improve efficiency, performance and profitability of an organization; to meet the requirements of the present global competitive environment; and to improve sustainability. Cost management requires both material cost and cycle time costs to be benchmarked, with close online monitoring; business process re-engineering; fixing targets and not budgets; management by objectives; control by self-assessment and fixing accountability. MA

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ashokagarwal@vsnl.com

VALUE INNOVATION – A NEW DIMENSION TO MANAGEMENT ACCOUNTING

The meaning of Value, according to a dictionary is "….the regard that something is held to deserve, the importance, worth, or usefulness of something.." Similarly, Innovation means "A new method, idea, product etc. Therefore, going by the dictionary, we can say that value innovation is an idea, a new method or a product / service that is of immense importance and usefulness to the buyer. But merely going by the lexicon can never give us a complete purport of the term 'Value Innovation.' It can only further the long-held belief that value is all important but comes at a cost. To dispel this notion, we need to look at value not just from buyer's point of view, but also from the organization's viewpoint.

CMA Udandrao Lakshmana Rao
Cost Accountant and Management Consultant
Visakhapatnam

Rettiganti Ramachandra Prasad
Founder & CEO,
RR Learning Solutions
Chennai

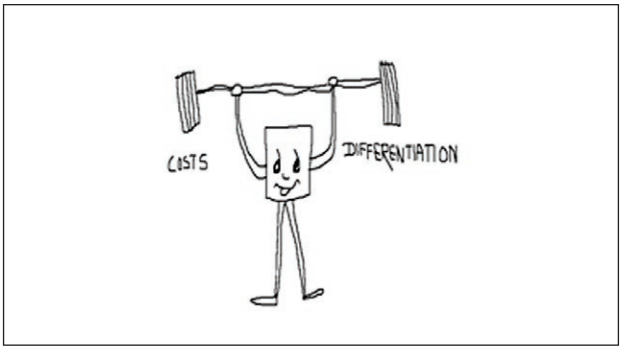
Value Innovation is often confused with value improvement. A little above or below the normal is considered as innovation, while at best, it is just improvement. "New Improved Rin" is still a detergent bar but probably with an added fragrance, or increased weight or a new advertising claim. It is generally understood that anything different is an innovation. However, it is not.

W.Chan Kim and Renee Maugorgne in their recent pat breaking book "Blue Ocean Strategy" have defined Value Innovation as the goal towards creating a Blue Ocean Strategy. It aims to create a 'giant leap in buyer value'

This article borrows tools from Blue Ocean Strategy that the authors have described in their iconic book. It juxtaposes these tools that the book introduces with the general working of Cost and Management Accountant (CMA) and finance professionals. It also suggests how these strategic tools that help to create new markets can also be used by individual professional to reinvent and reorient themselves.

What is Value Innovation?

It is believed that companies can either create greater value to the customer at a higher price point or cerate reasonable or lower value by offering at a lower price. Which means it is either low price or differentiation, a trade-off. However, Value Innovation is a simultaneous pursuit of low price (Value) and Differentiation (Innovation).



Value Innovation means achieving differentiation in product / service at a lower cost that ensures sustainable profits to the organization and creates an enduring value to the buyer. The buyer gets a value if he feels that he is getting more than what he pays for and the organization gets a value if it can get more than what it costs them to produce. Besides, this dynamic process gives an organization a sustainable competitive advantage.

Management Accounting and Value Innovation

It is often said, ***"Cost is a fact and price is a policy"***. While cost is one of the key factors in pricing, at the same time, in the given competitive scenario, pricing policy should be within the framework of consumer acceptance vis a vis competition and alternative products / services that is under buyer's consideration. Price must therefore, contribute to value, instead of merely reflecting perceived value.

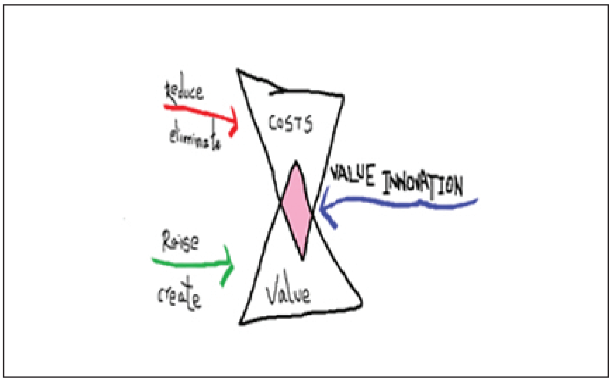
Of late, a gap is widening between what is management accountant's report and stakeholders' expectations. This is essentially because of change in information needs. Employees need more details about how they can contribute to better financials. As employees are the most important resource for any organization, their sense of ownership and responsibility is vital to the health of an organization.

Therefore, reporting trends have shifted towards analytics that support decision that helps in creating a leap in buyer value. This is the emerging trend in Management Accounting.

Strategy Tool to Create Value Innovation

The one tool that Blue Ocean Strategy uses to drive home that concept of Value Innovation is the '4-Action Framework'. This tool helps to pay close attention to both costs and differentiation simultaneously. Application of these 4 actions creates a whole new value curve. We will be using this tool to create a value innovation in the working of Management Accountants that impacts the most important stakeholder (the employee). In the past people were an item of Profit & Loss Account as 'labour' and were driver of costs. It is time that labour is seen as 'people' and seen as driver of profit. Therefore, it is only in fitness of things the we look value innovation with people.

How to Bring Value Innovation with People?



The first two factors, Eliminate and Reduce focusses on the cost structure (Value) and the other two, Raise and Create focus on differentiation (Innovation). All that the industry or an organization does which does not create value to the buyer should be eliminate or reduced. This will reduce costs without altering the existing value to the buyer. All that can add value to the buyer should be raised or created. This refocuses the cost structure towards value creation. *(Illustration adapted from "Blue Ocean Strategy" by W.Chan Kim & Renee Mauborge)*

Another way of looking at Value Innovation through this 4-action framework is the lens of 'efficiency vs effectiveness' While efficiency is important, it is not useful without being effective. However, if efficiency is embedded in effectiveness then Value Innovation can be achieved. In other words, it is focussing simultaneously on both the denominator (Cost) and numerator (the revenue or the differentiation).

Value Innovation – A New Dimension to Management Accounting

So, how can Management Accounting Professional leverage this tool? Let us look at each of the elements of 4-action framework in this context.

Raise: Factors that should be raised well above the industry standard

Management Accounting professionals can raise the financial awareness right across the organization. While this is simple statement, it carries a lot of depth. Most people in any organization do not understand the financial information (even if available) and ts impact on decisions.

The authors of this article distinctly remember a incident from their experience. A Senior Vie President of a large confectionary company was planning an annual sales conference and had decided to make a big noise at the event to impress the management. At the event, he had decided to present a cheque for Rs. One Crore (a big amount in the year 1993) to the management. This was the receivables over the period. The Vice President presented the cheque amidst loud music flash bulbs and applause. He believed that he had made the desired impression. The Vice President was sacked soon after the sales conference. He had no idea that the deliberate delay in collecting the receivables has huge opportunity cost to the company besides setting a bad habit. Those were the days when interest rates were significantly high. Raising financial awareness appears to be a simple and done thing but if done with purpose it leads ownership.

Create: Factors that should be created that the industry has never offered thus far.

Creating a sense of ownership in the organization is not just about ESOPS, ownership is about responsibility, commitment and accountability. It s important to create and implement these business literacy programs across the organization. This is not just sharing the quarterly results on the company notice board. It is about making people understand how revenues are costs translate into profits. This makes people financially literate. This has a huge impact on the organizations pursuit towards Value Innovation. Ownership given people a completely different view point and helps see things completely different. They just don't do their job they define their role!

Southwest Airlines had a program. Once a flight attendant was cleaning the trash from the airline and two things struck her when she noticed company log on the used cups and trash bag. One, the passengers knew exactly which airline they were flying and second, used cups were going to be trashed finally. She wrote to the President of the airline asking how much it costs to print the logo on cups. Collen Barett, President, wrote back saying that the flight attendant just saved the company $3000,000 annually. The logos were removed from the cups and trash bags. No value was lost, and the money saved adds to the bottom line. If employees know where money can be saved, it can be done without sacrificing value. This is financial literacy that counts!

Most financial statements are generally couched in jargons. Much of these may not make sense to the last man in the organization. To create the sense of ownership, it is important to get creative and use only a high school language that makes sense to the least educated in the organization. It should also be illustrative and if it does not make sence, the information will not be acted upon.

Imagine your truck driver who knows how much he can save by driving with a keen eye on logistics / fuel costs and these costs saved does directly to the bottom line. Or think of a salesman who understands the cost structure he can optimize his travel plan in such a way that the company can save costs. Financial literacy does create ownership and ownership is a winning attitude.

Let us look at another example in Value Innovation. Granite Rock, a 100 years company in the United States sells crushed granite, asphalt and gravel to construction industry. Even though the product is a commodity, the company decided to benchmark itself in terms of performance with an upscale branded departmental store called Nordstrom, absolutely no comparison but Granite Rock decided to do it.

In a daring move, the company decided to let the customer decide the price of the product. In the invoice that the company raises, it clearly mentions that if the customer is not satisfied with any of the items of the invoice, he simply scratch it off and write a note on why they struck it off and pay the for rest of the items of the invoice. By doing so Granite Rock has put the power in the hands of the customer. It is not refund or discount, what the company did was to get real on customer feedback. It is a feedback that is at once real and actionable. There is no denial and defence to get the feedback. Granite Rock created moments of truth that they must face squarely.

The result, customers loved it and continued to be loyal to Granite Rock. The company charges a 6% premium and has a revenue before taxes of roughly 10% which is comparable to technology giants in those days, a true Value Innovation.

Eliminate: The factors that industry takes for granted that can be eliminated

The one main obstacle to sharing financial information could be security factor. This feeling of security has to be eliminated, if one goes to the financial press, one can get all the information on the industry and of any organization. Social media like LinkedIn often sees employees and competitors giving out information. Much information flows from vendors and bankers.

If there are one set of people who need to have financial information in real time, it is the employees. But if secrecy is an overwhelming concern, technology such as blockchain (a sort of trusted network that improves transparency and reduces costs and yet retains security) gives a great opportunity to share information only with designated people without allowing anyone to tamper with the information. It is great tool to share information and create a great value.

Reduce: All the factors that can be reduced well below the industry standards has to be reduced.

Creation of business literacy reduces hoarding of financial information while it is important to have professional to deal the critical positions to generate and disseminate information. It is also equally important to reduce the centralization of such functions. It is often said that marketing is far too important to be left to marketing professionals. Similar sentiments can be expressed with regards to other functions too. Reducing concentration of information leads to unprecedented empowerment leading to strong feeling of ownership. Democratizing financial information adds a completely new dimension to Management Accounting!

Epilogue:

The 4-action framework can be used in almost any sphere with a bit of creativity and understanding of the concept eliminating or reducing concentration of information and raising and creating various ways to democratize information sharing has huge potential to create unprecedented value. It is important to align the whole organization towards this Value Innovation which gives an organization a sustainable competitive advantage. As Management Accountants are warehouse of information they can facilitate 'supply and apply' of this information for engaging and empowering employees towards Value Innovation and profitability. In this digital age, information is no longer just knowledge, it now become way to generate and sustain economic value. Value Innovation contains within itself focus on profitability. It also helps leverage the most important resource any business can have. Real time information can enhance employee behaviour and create great value to people and organization. It breeds accountability and responsibility, the foundation on which effective ownership rests.

It is the time to reorient and add a new dimension to the profession of Management Accounting! MA

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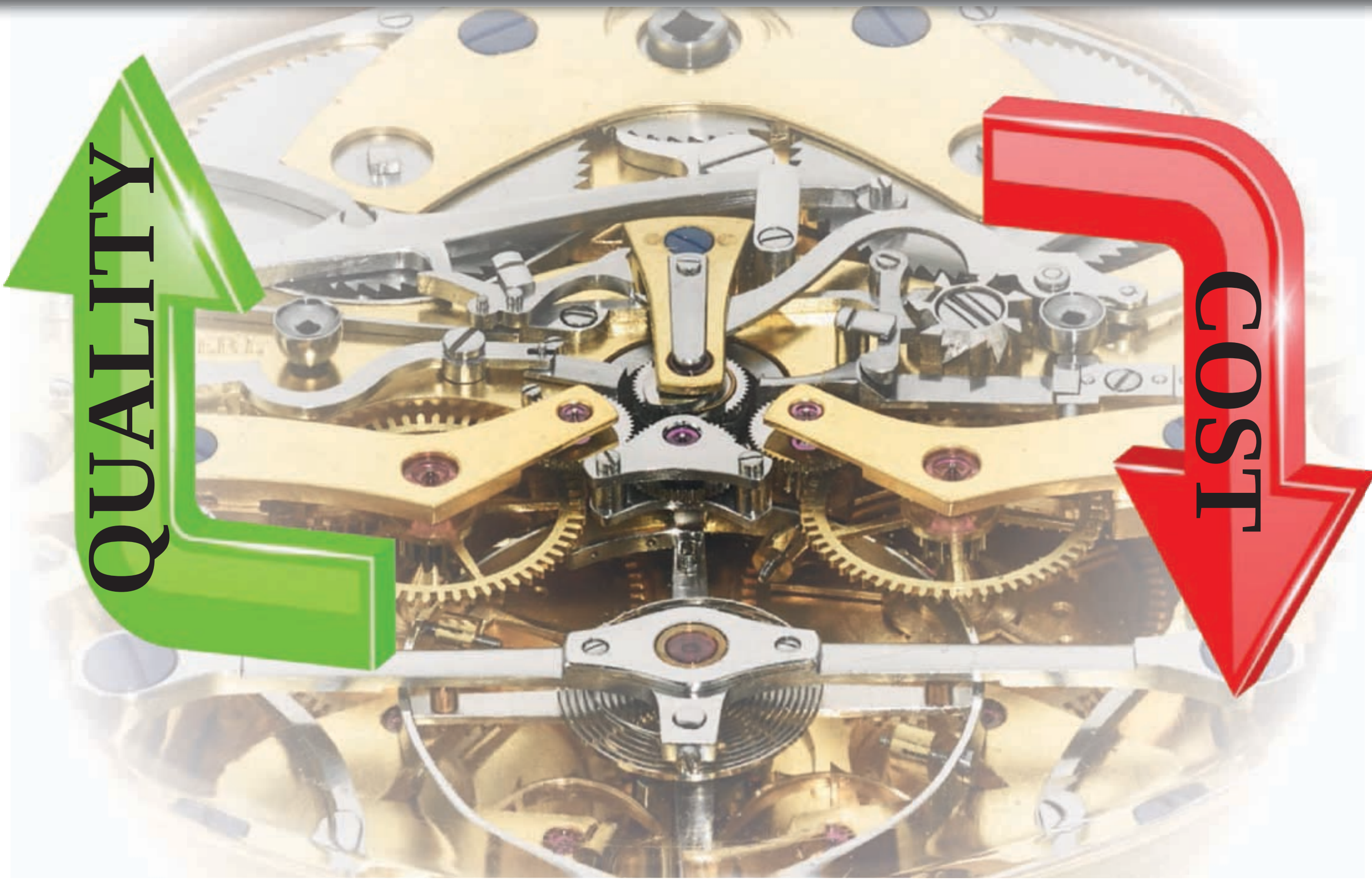
rrp@rrprasad.com
ulrao@yahoo.com

Obituary

With profound grief, this is to inform about the sad demise of CMA V.R. Iyer, Former President of the Institute (1994-95) on Sunday, 16th September, 2018 at Bengaluru. The Council of the Institute in its meeting held on 20/09/2018 expressed deepest condolences to the bereaved family.



STRATEGIC DIMENSION OF COST OF QUALITY

Vitin Kumar
Dy. Engineer
Bharat Heavy Electricals Limited
Noida

You might have heardabout instances where some ofthe renowned Car manufactures, laptop manufacturers, mobile manufacturers etc. recalled their products of specified model, manufactured in specified period for removal deficiencies. Product recalls come with a cost and sometimes the impact of one such recall reflects on the stock exchanges that erode shareholder's wealth.Service providers incur huge expenditure on account of paying claims to aggrieved parties for poor services rendered or breach of contracts. Sometimes judicial institutions imposes penalties on the service providers for poor services rendered.In fact, poor quality have a Cost. This is not only the cost of replacing / improving the defective parts, but potentially erode the prospective sale revenues anddilute the brand image. Poor quality cost,can be avoided by placing a robust quality systems, which itself a cost. Indeed, cost is key of success of any economic activity and quality is soul of product. Studies reveals that, cost of poor quality is much higher than the cost of good quality.This is because of associated cost of non-quality increases exponentially as products move from manufacturing to distribution channel and then ultimately to the end customer.Therefore, every organization must consider the costs associated with achieving quality, since their objective is not only to meet customer needs and statutory requirements, but also to do so at the lowest possible cost. This means understanding, measuring and reporting on Cost of Quality, which accounts for a considerableportion(ranging 10% - 45% of sales revenues depending upon industry type) of acompany's total costs. Cost of quality essentially to be managed to improve the bottom lineof performance in highly competitive market. Cost of quality is also termed as tool of performance measurement. Thus, the effect is to be given to establish a functional relationship among strategy, productivity, performance, efficacy and the cost of quality. Wording differently, cost of quality is integral to strategy.

Cost of quality:

Cost of Quality is the sum of expenses incurred by an entity in achievement and in maintenance of good quality as well as in managing poor quality in its entire operational dynamics with an aim of attaining the highest level of customer satisfaction.

The cost of poor quality is the value wasted when work fails to meet customer requirements, usually calculated by quantifying the cost of correcting, reworking, scrapping, warranties etc. i.e. Failure costs.

Components of Quality Costs:

Major heads	Minor heads	Description	Timing	Areas
COST OF GOOD QUALITY	Prevention cost	• Design and implementation of quality systems • Monitoring and controlling activities of systems.	It is an investment in organisation as preventive cost. Cost incur before real operation	• Product design • Process design/ improvement • Risk assessment • Audits • Supply chain data management • Documentation
	Appraisal cost	• Measuring and inspection of quality activities for ensuring conformance of quality	During operation	• Process control • Sampling • Product testing • Clearance / release
COST OF POOR QUALITY	Internal failure cost	• Defect discovered in quality systems • Remedy or rectification cost	Before delivery to customers	• Rework • Repairs • Scarps • Defect investigation efforts • Process time lost • storage
	External failure cost	• Defects discovered by customer causes to dissatisfaction to him • Discover by company itself at later stage	After customer received the products or services	• Complaints • Repairing services • Contractual penalties • Statutory penalties • Logistics

How to attempt to embrace cost of quality into strategy?

Notably, appraisal cost and internal failures costs are avoidable. Investments in preventive activities offer the best return. A general rule of thumb to remember is, 1/10/100, meaning that;

When compared to prevention activities costing= 1,

Poor quality cost is:

- 10 times when identified during appraisal activities and internal failure

And;

- 100 (and more) times costlier when identified after the product has shipped.

Therefore, Investment in prevention activities will reduce appraisal costs and finally reduce failure costs. This gives insight into the type of cost to incur to create the value.

Establishment of cost of quality model:

The real challenge and opportunity before professionals responsible for right costing is to establish a framework to achieve the quality at lowest possible cost. To be successful modelling, themanagement Accountant while attempting for, first convertthese quality related activities into cost related activities, so as they got dressed withbeauty of monitory form for attracting the top management attention and involvement. Establishing a quality costing model makes it possible to express quality-related activities as cost-related activities. Second aim is talking in the common language of the facility management or department to promote quality as an objective business parameter to influence strategic and business decisions.Another aim is to raise awareness among people focused on quality (e.g. industrial, sales and service departments) about these economic aspects. Engagement and awareness of quality costing shall be big deal for success of model.

A sample quality model essentially embraces the following;

- Identify management and business needs
- Define the Cost of Quality strategy
- Prime objective: Balance prevention and appraisal costs
- Secondary objective: Monitor impact of prevention costs on the total cost of quality to avoid falling into Over-quality.
- Use bench mark
- Use cross industry data
- Define Key performance indicators
- Identify the Cost of Quality data (use industry 4.0 environment as enabler, discussed in subsequent part of this paper)
- Select Cost of Quality tools
- Design a robust organization
- Define a task force

Industry 4.0 environment as enabler:

Industry 4.0 is commonly referred to as the fourth industrial revolution, a name given to the current trend of automation and data exchange in manufacturing technologies. It includes cyber-physical systems, internet, cloud computing and cognitive computing. The technologies have the potential to bring unprecedented clarity around an entity true *total cost of quality*—a concept that goes beyond the cost of poor quality and incorporates the costs associated with good quality as well. Further, technologies can help companies transition into a world where high-quality products are delivered in first try, product and service failures become virtually non-existent. Key to optimizing total Cost of Quality is in driving a shift to prevention; i.e., changing the ratio of prevention over appraisal, and delivering a far more proactive quality culture and system.

Industry 4.0 promises to completely digitize and integrate processes vertically across and beyond organization and place customer at the centre in value chain and utilize data from the field to create a continuous feedback and improvement loop. Data from smart sensors, mobile devices, and wearables will be channelled through cloud and IT platforms directly into quality management system. This allow to see the previously known or unknown cost of quality for elimination of hidden costs.Thrust of model is to shift costs to prevention activities and avoid producing defective products in the first place and a reduction in the cost of appraisal activities as well as the costs of internal and external failures. To take advantage of this technology, quality leaders should start with a thorough and earnest assessment of their current state and desired future state. By identifying greatest challenges and opportunities, quality leaders and management accountants can carefully plan industry 4.0 investments and forge a path toward sustainability. The cost information viz. cost records and cost audit reports gives the clear deep insight in cost of quality and areas of process improvement. Thus quality models may fetch seamless flow of this information in journey of value creation.

Avenues for CMA's:

As a value creator, management accountants have to first attempt for understanding and analyse entity business environment to convert attributes of quality into monitory term. Having insights of finance, statutory, strategy, operation, processes, management etc., place him in a better position to initiate improvement process. For successful improvement process, following points to be addressed:

As strategyview point:

- Persuade top management to initiate improvement projects (top management is more influenced by data expressed in monetary terms rather than technical data such as defect rates)
- Incorporate all the separate quality activities into an overarching quality system and monitor performance across the organization
- Provide a communicating bridge between line and top management
- Identify the need for action to decrease costs of poor quality
- Improve managerial planning, control and decision-making

As operational/ process improvement view point:

- Have insight
- Monitor activities
- Identify, prioritize ad select projects
- Provide financial benefits of process improvement

Summing up:

Pursuit of quality goes beyond simply eliminating defects. Value for money is a key component of quality in any industry and is a "legitimate" quality measure. Quality has different definitions and dimensions. To adopt a strategy for value creation,the Cost of quality is to be embedded in the Business policies and strategies emanating from the core business purpose of the organization. For this to happen, these must align with each businesses internal values and must provide clear business benefits. MA

Vitinktyagi@gmail.com

MANAGEMENT ACCOUNTANTS' UNDERSTANDING OF CULTURAL DIFFERENCES

CMA Wooseok Suh
Plant Controller
Gates Corporation
Nara, Japan

In the era of globalization, many management accountants,employed by multinational companies, have to manage worldwide operations spanning different countries. Accounting information prepared and applied in such circumstances thus involves diverse stakeholders who have different cultural backgrounds. Some managers assume, based on their recognition of cultural differences, that accounting information prepared under the influence of a certain culture might be less accurate, ordelivered with a lesser commitment to deadline,thancorresponding information prepared in more advanced countries. This is a typical example of cultural bias that should be eliminated through the promotion and inculcation of a proper understanding of cultural differences.

The effect of culture on management accounting becomes noticeable in the process of the handling of management accounting information. For example, the same information can convey different meanings to individuals in different cultural contexts, which meanings, in turn, would tend to elicit distinctive responses. Then, how should management accountants understand cultural differences in performing their duties?

Understanding cultural differences is complex and challenging. Unfortunately, culturelacks a consensus definition, and in fact, it is still a contested subject. Therefore, rather than look to management accounting itself for a working definition of culture, it might be more advantageous to consult the research findings of anthropologists, sociologists and psychologists. Drawing on four well-known taxonomies of culture in these disciplines, let's consider what they imply to management accountants.

High-context and low-context cultures

Anthropologist Edward T. Hall's context-based concept helps us to understand the effect of culture on communication. It demonstrates the significant extent to which communicators rely on factors extraneous to specifically verbal means to deliver their messages. Management accounting information communication between employees from two contrasting cultures encounters the same issues.

Table 1: Hall's high-context and low-context cultures

High-context cultures	Low-context cultures
Indirect messages with covert and implicit meanings	Overt, simple and direct messages
High use of non-verbal communication	Low use of non-verbal communication
Strong distinction between in-group and out-group	Flexible and open grouping patterns
Strong interpersonal bonds	Weak interpersonal bonds
High-commitment to relationships	Low-commitment to relationships
Open and flexible time	Highly organized time

Source: Hall, E. (1976).Beyond culture.New York: Doubleday

High-context cultures

In high-context cultures, people develop close connections with others based on long-term relationships and a myriad of unwritten rules. Much is implicit and taken for granted. And ascomprehension is more internalized, non-verbal communication,with less written information, prevails.A good example of a high-context culture is a family. Family members know, for example, where nail clippers are without asking each other, but non-family members probably would not locate them on their first try. Most Asian countries are categorized as high-context cultures.

Low-context cultures

Some people value explicit information such as rules that are direct and logical. Such communication also is fact- and action-oriented. Detailed instructions and contracts prevail, allowing for the transferability of knowledge. Therefore, the likelihood of miscommunication is low in these cultures, even without contextual understanding.Most Western countries are low-context cultures.

Implications for management accountants

Quantitative reports prepared in high-context cultures might not effectively reflect prevailing indirectly conveyed and intuitive information. For example, improved financial results in a certain area could be the consequences of other unreported activities such as individual's sacrifices or internal resource transfers. If such reports are made the basis of decision-making, unexpected results could occur. Therefore, the situations and backgroundsin which reports have been prepared should be understood in order to grasp the implicit meanings.Quantitative reports prepared in low-context cultures, contrastingly, might better reflect whole situations, including non-financial information, due to the non-reliance onnon-explicit high-context information. Direct and open communication in organizations even will help to create a transparent environment in which all members can share the same understanding of quantified objectives prepared by management accountants. Thus,in those cultures, both report preparers and users can better control relevant situations through deliberate detection of causal relationships and specific accounting measures.

Hofstede's cultural dimensions

A theoretical taxonomy of national culture was conceptualized by social psychologist Geert Hofstede. Through a survey of IBM employees worldwide, he developed four dimensions of culture, thereby revealing substantial similarities/dissimilarities in work-related values across countries: power distance, individualism versus collectivism, uncertainty avoidance, and masculinity versus femininity. A fifth dimension, long-term versus short-term orientation, was developed from a subsequent survey on Chinesevalues with Michael H. Bond. Hofstede's cultural dimensions, importantly, help us to predict how cultural differences can affect the usefulness of management accounting across countries.

Table 2: Hofstede's cultural dimensions

Dimension	Definition
Power distance	The extent to which members expect and accept that power in organizations is distributed unequally
Individualism/ Collectivism	The extent to which individuals are integrated into groups
Uncertainty avoidance	The degree of tolerance for uncertainty and ambiguity in a society
Masculinity/ Femininity	The extent to which a degree of differentiation between gender roles exists in a society
Long-term orientation/	The fostering of virtues oriented towards future rewards, perseverance and thrift
Short-term orientation	The fostering of virtues related to the past and present, based on respect for tradition, preservation of 'face' and fulfilling social obligations

Source: Hofstede, G. (1980). Culture's Consequences, Sage Publications Hofstede, G. & Bond, M. H. (1988). "The Confucius Connection: From Cultural Roots to Economic Growth", Organizational Dynamics, 16,4; 5-21

Power distance (PD)

In large-PD countries such as South American, Asian and Arab nations, people more easily accept power inequalities and centralized power. By contrast, small-PD countries such as Anglo-American and Scandinavian nations tend not to welcome centralized power in organizations.

Individualism versus collectivism (IDV)

In individualistic countries, individuals maintain loose relationships with each other and tend to act independently to their own best interest. In collectivistic countries, people regard themselves as part of a group,correspondingly emphasizing group interest over the personal. Anglo-American and Scandinavian countries are relatively high-IDV nations (more individualistic), while Asian countries show relatively low scores in IDV (more collectivistic).

Uncertainty avoidance (UA)

People in strong-UA societies show little tolerance for uncertainty. They seek to minimize the discomfort arising from uncertainty and ambiguity by instituting laws, rules and regulations. In weak-UA societies, people more easily accept uncertainty,showing little concern about it. Latin countries including South European and certain Asian nations are cultures with strong UA, whereas Anglo-American countries show weak UA.

Masculinity versus femininity (MAS)

Countries with strong masculine elements have distinct gender roles, valuing assertiveness, competitiveness, and material success, among other like things. In feminine societies, supportiveness and quality of life are stressed,along with less-differentiated roles between genders. Japan ranks as the most masculine society, while Scandinavian countries show weak MAS.

Long-term versus short-term orientation (LTO)

In high-LTO countries, people place more value on future-oriented thought and behavior.Accordingly, values such as persistence and thrift are highly appreciated. Low-LTO countries relatively prefer immediate results and gratification. Chinese-culture-based countries have high LTO scores, whereas Anglo-American countries show low LTO.

Implications for management accountants

Power distance (PD)

A large PD is more likely to conform to top-down budget-setting and performance-review processes. It does not necessarily mean that employees do not have their own views and ideas;they simply prefer to accept top-down decisions rather than to express conflicting opinions about centralized authority. Therefore, employees' performance evaluation needs to focus on the business processes rather than on the financial results of top-down decisions. A small PD, meanwhile, favors a bottom-up budgetary process where employees can participate in the setting of goals instead of having them imposed from above. As such, enhanced goal-orientationcan be effectively promoted and achieved in small-PD countries. In addition, employees who participate in decision-making processes that affect themselves and their organizations can be evaluated by the outcomes of the decisions. Management accountants should recognize the organization's PD propensity to play an influential role in budgetary and performance-review processes.

Individualism versus collectivism (IDV)

Employees in high-IDV cultures tend to have a strong desire to showcase personal performance, being relatively indifferent to team or group performance. Therefore, the individual key performance indicators (KPIs) should be well aligned with organizational goals so as not to deteriorate the organizational atmosphere. Low-IDV cultures, on the other hand, tend to prefer group goals and assignments instead of being praised or punished individually.Thus, presenting opportunities to serve the group rather than focus on individual KPIs would be a more appropriate personnel-management approach in collectivistic cultures. Management accountants will be able, through a proper understanding of IDV tendencies, to design and implement effective KPIs aiming for goal congruence between individuals and the organization.

Uncertainty avoidance (UA)

In strong-UA cultures, the forecast time frame in which to secure the anticipated results is relatively short. Additionally, there might be large numbers of spreadsheet-based internal reports, and new reporting templates would be continuously created and implemented to measure all aspects of a company's operations. Reports in weak-UA cultures tend to be concise so as to highlight key points, relying predominantly on graphic illustrations and verbal comments. Armed with a thorough understanding of the different UA influences, management accountants can identify and develop appropriate and specific skills required for their organizations.

Masculinity versus femininity (MAS)

Accounting information in strong-MAS cultures is not likely to be valued by non-accounting employees such as self-assertive people on the shop floor. They believe that they are best in their respective fields and that white-collar accountants who do not work on the shop floor could hardly understand what they are doing. Therefore, when management accountants request production information or explanation on manufacturing variances, they often receive a cold response. In strong-MAS cultures, management accountants had better be located physically near the production site to close the psychological distance between accounting and production. On the other hand, in weak-MAS cultures, open communication and cooperation prevail across departments, allowing accounting information to be shared to serve various needs.

Long-term versus short-term orientation (LTO)

Management accountants can detect differences in LTO by calculation of accrued vacation pay at year-end closing. Although company policy can always have an influence, many employees in high-LTO countries have a tendency to maintain significant unused vacation time to be carried forward into the next year. Contrastingly, employees in low-LTO countries are inclined to use up earned paid vacation when available rather than save it for future use. The same mind-set is applicable to job performance. For example, high-LTO employees should not be evaluated by short-term-oriented measures (e.g., immediate financial targets for profit, cost and growth), as they tend not to be motivated by short-term-oriented rewards (e.g., immediate financial incentives). High-LTO employees might value sustainability such as can be achieved via customer satisfaction and continuous improvement, in the expectation of future growth and promotions. Management accountants should consider the LTO inclination of employees in determiningthe types of measures and reward systems.

Individualism and collectivism

Cross-cultural psychologist Harry C. Triandis explored and summarized the dichotomous cultural aspects of individualism and collectivism, combining the findings of several social scientists. He explained how the differences between individualism and collectivism influence the thought and behavior of group members, notably challenging the assertion that individualism is simply the opposite of collectivism. Rather, he categorized individualism and collectivism each into horizontal and vertical dimensions based on social relationships(emphasizing either equality or hierarchy). These four cultural measures might well facilitate understanding of the social behaviors relevant to management accounting.

Table 3: Triandis' cultural individualism and collectivism

Individualism	Collectivism
People act like individualists to maximize their personal benefits, showing less concern for other people or their collectives	Individuals view themselves as part of the social group
Relationships therein are constantly changing based on individual interests and the surrounding environment	Members are willing to behave according to group norms and obligations,and try to maintain good and close relationships

Source: Triandis, H. C. (1995). Individualism and Collectivism, Westview Press

Horizontal and vertical individualism

In horizontal individualism (e.g. Australia, Sweden, Demark, Norway), the individual is almost equal in status with others, and personal identity and uniqueness are considered important. On the other hand, vertical individualism (e.g. the United States, Great Britain, France) is more concerned with individual status in society:as such, winning in competition with othersand achieving greater personal power are emphasized, and the resultant inequality is accepted.

Horizontal and vertical collectivism

Whereas in horizontal collectivism (e.g. the Kibbutz in Israel), interdependence and a sense of community are stressed,in vertical collectivism (e.g. Japan, Korea, India), the cohesion and status of in-groups, and individual sacrifice to those in-groups, are given more emphasis.

Implications for management accountants

With respect tothe implications for management accountants'relationships with their business partners, some might be more likely to monopolize accounting information to maximize their own benefits;or,theymight prepare or adjust accounting reports in furtherance of personal purposes. Individualism can explain these behavior patterns. Using information specifically to disadvantage others might be a further clear sign of the influence of vertical individualism. Otherwise, management accountants sometimes are surprised to find that, contrary to their intention, their confidential management accounting information has been shared within groups through the contact person.Confidential information sharing of this or another type might indicate either horizontal or vertical collectivism. Specifically, if the information is shared only within the in-group, it could be a case of vertical collectivism. Certainly, management accountants often face situations wherein they need to understand colleagues' social-behavior patterns –which are aspects of culture – in handling accounting information before jumping to conclusions as to motivations, blame,or punishment. If so circumspect, management accountants can achieve forecasted results without incurring unintended consequences.

Holistic versus analytic perception

Social psychologist Richard E. Nisbett and his collaborators contended that the perceptual processes are influenced by culture. They presented a large body of research and evidence to demonstrate that different cultures perceive the world in unique ways. They even tracedsuchcultural differences to ancient Greece and China, respectively. They argued that Greek economic activities such as hunting and trading tended to focus attention on objects and their attributes in contexts where there was little cooperation with others. They also posited that Chinese rice-cultivating society, contrastingly, developed interdependent relations among neighbors, with the concomitant emphasis on social relations.Indeed, these differing patterns of attention in the process of perception might color employees' perceptions of management accounting information.

Table 4: Nisbett's holistic and analytic perception

Holistic perception	Analytic perception
Context or field dependent	Context or field independent
Attention to relationships between a focal objectand the field	Focus on attributes of the object, detaching the object from its context

Source: Nisbett, R. E. (2003). The Geography of Thought: How Asians and Westerners think differently... and why, Free Press

Holistic perception process

East Asians tend to perceive the world more holistically, attending to the entire context and the object-context nexus. This is to say that their very ability to perceive objects is influenced by the context and object-context relationships. Accordingly, they show enhanced performance capabilities in cases where the proportion (relationship) is considered more important than the original value or target (focal object).

Analytic perception process

Westerners show a general tendency to attend to the focal and salient objects,largely irrespective of contextual information. They even tend to organize and analyze objects by means of categories and rules, respectively. In this process of perception, they demonstrate improved concentration and accuracy in the performance of predetermined tasks where the original value (focal object) is to be achieved or maintained. Their capabilities in this regard are seldom affected by external environments or conditions (relationships).

Implications for management accountants

The different culture-based perception processesmanifest themselvesin the forms of employees' responses to the budgets allocated and monitored by management accountants. Employees with the holistic perception tend to be curious about others' budgets and responses before analyzing their own resources. Comparing their efforts with others',they seek to confirm their allocated budgets' rationality. Therefore, open and holistic budgetary control to show the relationships between departmental budgets and organizational goals will tend to be more effective in East Asian countries. Analytically perceiving employees,by contrast, based on detailed analysis of their own resources, might take issuewith allocated budgets,showing less interest in those of other people. In Western cultures, a logical and analytic approach based on the relevant area's historical and current data would be more appropriate as a means of persuading budget owners. Management accountants, in coping with the two, culturally different processes of perception, should consider correspondingly different approaches to budgetary control.

Management accounting beyond borders

Cross-cultural studies have presented several ways that management accountants can recognize differences between cultures. Management accounting across borders cannot be free from the effect of cultural differences. Most management accountants probably do not consider culture to beparticularlyrelevant to their work. In fact, culture per se is not directly related to any of the concepts or techniques of management accounting. When management accountants think about culture at all,probably it isin terms oftangible, observable things such as language, food, dress, lifestyle,and others. However, studies in a number of external disciplines show clearly how cultural differences can impact on human thought and behavior—things that management accounting has to account forif it is to achieve organizational goals. These differencesin thought and behavior emerge, as if in clear relief, when and where management accountants work across cultures. It is important to keep in mind that management accounting, though itself not universal, is universally applicable with a good understanding of cultural differences. MA

moococr.sah@gmail.com

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EXPRESSION OF INTEREST IS THE PART OF THE RESOLUTION PLAN

CMA Dr. M. Govindarajan
Retired Accounts Officer
BSNL
Madurai

Expression of Interest

The phrase 'expression of interest' ('EOI' for short) is having various meaning according to the requirement of the situation. In commercial parlance expression of interest is an informal offer made by a strategic or financial buyer for the purchase of a business. The main purpose of EOI is to suggest a valuation range that a buyer is willing to pay for a company. Investment bankers usually request an EOI in their bidding process to separate all potential buyers into a smaller, more realistic list of qualified buyers that may be a good fit for the seller.

EOI may also be treated as a call to potential providers of goods and/or services to register interest in supplying them. It is commonly a document describing requirements or specifications and seeking information from potential providers that demonstrate their ability to meet those requirements.

The role of Insolvency Professional is the central part of the corporate insolvency resolution process. Approving the resolution plan by the Adjudicating Authority is the vital in this process in which the Insolvency Professional is to take much careful in selection of the resolution plan. Inviting expression of interest is not one of the methods to be adopted by the Insolvency Resolution Professional. In one case law, discussed in this article, the Insolvency Professional invited Expression of Interest from the eligible resolution applicants. In the meanwhile a new section 29A was inserted by the Insolvency Bankruptcy (Amendment) Ordinance, 2017 which prescribes the disqualifications of the resolution applicant. Further the IBBI (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2018 substituted a new Regulation for Regulation 36A which prescribes the procedure for invitation of Expression of Interest. This article discusses the issue whether the Invitation of Expression of Interest in the earlier period amounts to part of the resolution plan with reference to decided case law.

Inviting EOI is not in the Corporate Insolvency Resolution Process. However the provisions for inviting EOI is incorporated in the IBBI (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2018, with effect from 03.07.2018.

Steps for resolution plan before 03.07.2018

Before 03.07.2018 the process for approval of resolution plan by an Insolvency Profession is as follows-

- Preparation of Information Memorandum under section 29 of Insolvency and Bankruptcy Code, 2016 ('Code' for short);
- Submission of resolution plan by resolution applicant under section 30 of the code read with Regulation 36A of IBBI (Insolvency Resolution Process For Corporate Persons) Regulations, 2016 and examination of the resolution plans by the Insolvency Professional;
- Approval of resolution plan by the Committee of Creditors under section 30 (4) of the Code;
- Approval of resolution plan by the Adjudicating Authority under section 31.

Amendment in the Act and the Regulations

The Central Government made an ordinance called 'The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 which came into effect from 23.11.2017. The said ordinance became an act by means of the Insolvency and Bankruptcy Code (Amendment) Act, 2018. The said Act inserted a new section 29A which prescribes the disqualifications of the resolution applicants. The IBBI also amended the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 vide Notification No. IBBI/2018-19/GN/REG031, dated 03.07.2018 called as the IBBI (Insolvency Resolution Process) (Third Amendment) Regulations, 2018, in which-

- a new regulation has been substituted for Regulation 36A;
- a new regulation 36B has been inserted;
- a new regulation has been substituted for Regulation 37 which deals with the resolution plan;
- a new sub clause has been substituted for Regulation 38(4)

Expression of interest under Regulation 36A

The newly substituted Regulation provides for invitation of expression of interest. This procedure is applicable to the insolvency resolution process on or after 03.07.2018. Before that the procedure of inviting expression of interest is not applicable.

Regulation 36A provides that-

- The resolution professional shall publish brief particulars of the invitation for expression of interest in Form G of the Schedule.
- The said particulars shall be published not later than seventy-fifth day from the insolvency commencement date, from interested and eligible prospective resolution applicants to submit resolution plans.
- The resolution professional shall publish Form G-
  - in one English and one regional language newspaper with wide circulation at the location of the registered office and principal office, if any, of the corporate debtor and any other location where in the opinion of the resolution professional, the corporate debtor conducts material business operations;
  - on the website, if any, of the corporate debtor;
  - on the website, if any, designated by the Board for the purpose; and
  - in any other manner as may be decided by the committee.
- The Form G in the Schedule shall –
  - state where the detailed invitation for expression of interest can be downloaded or obtained from, as the case may be; and
  - provide the last date for submission of expression of interest which shall not be less than fifteen days from the date of issue of detailed invitation.
- The detailed invitation shall-
  - specify the criteria for prospective resolution applicants, as approved by the committee in accordance with section 25(2)(h);
  - state the ineligibility norms under section 29A to the extent applicable for prospective resolution applicants;
  - provide such basic information about the corporate debtor as may be required by a prospective resolution applicant for expression of interest; and
  - not require payment of any fee or any non-refundable deposit for submission of expression of interest.
- A prospective resolution applicant, who meets the requirements of the invitation for expression of interest, may submit expression of interest within the time specified in the invitation.
- The expression of interest received after the time specified in the invitation shall be rejected.
- An expression of interest shall be unconditional and be accompanied by-
  - an undertaking by the prospective resolution applicant that it meets the criteria specified by the committee under section 25(2)(h);
  - relevant records in evidence of meeting the criteria as in the previous point;
  - an undertaking by the prospective resolution applicant that it does not suffer from any ineligibility under section 29A to the extent applicable;
  - relevant information and records to enable an assessment of ineligibility ;
  - an undertaking by the prospective resolution applicant that it shall intimate the resolution professional forthwith if it becomes ineligible at any time during the corporate insolvency resolution process;
  - an undertaking by the prospective resolution applicant that every information and records provided in expression of interest is true and correct and discovery of any false information or record at any time will render the applicant ineligible to submit resolution plan, forfeit any refundable deposit, and attract penal action under the Code; and

- an undertaking by the prospective resolution applicant to the effect that it shall maintain confidentiality of the information and shall not use such information to cause an undue gain or undue loss to itself or any other person and comply with the requirements under section 29(2).

- The resolution professional shall conduct due diligence based on the material on record in order to satisfy that the prospective resolution applicant complies with-

  - the provisions of section 25(2)(h);

  - the applicable provisions of section 29A, and

  - other requirements, as specified in the invitation for expression of interest.

- The resolution professional may seek any clarification or additional information or document from the prospective resolution applicant for conducting due diligence.

- The resolution professional shall issue a provisional list of eligible prospective resolution applicants within ten days of the last date for submission of expression of interest to the committee and to all prospective resolution applicants who submitted the expression of interest.

- Any objection to inclusion or exclusion of a prospective resolution applicant in the provisional list may be made with supporting documents within five days from the date of issue of the provisional list.

- On considering the objections received, the resolution professional shall issue the final list of prospective resolution applicants within ten days of the last date for receipt of objections, to the committee.

Steps for resolution plan after 03.07.2018

Thus after 03.07.2018 the process for obtaining resolution plan is undergoing the following methods-

- Information Memorandum by Insolvency Professional;

- Invitation for expression of interest;

- Request for resolution plan;

- Approval of resolution plan by Committee of Creditors;

- Filing for approval of resolution by Adjudicating Authority.

Issue

As per the above discussion it can be inferred that expression of interest is part of the resolution plan process on or after 03.07.2018. But before 03.07.2018 there is no mention about expression of interest either in the Code or in the Regulations. The issue to be discussed in this article is whether expression of interest is invited before 03.07.2018 by the Insolvency Professional, whether the same would be considered as part of the resolution plan process. The said issue is solved by the Appellate Tribunal in **'Numetal Limited v. Sathish Kumar Gupta R.P. and another' – Company Appeal (AT) (Insolvency) No. 169/2018 – NCLAT, decided on 07.09.2018.**

Facts of the case

Pursuant to applications under Section 7 of the Code filed by the 'Standard Chartered Bank' and the 'State Bank of India', the 'Corporate Insolvency Resolution Process' was initiated against 'Essar Steel India Limited'- ('Corporate Debtor').

- The 'Resolution Professional' issued an advertisement on 6th October, 2017 under Section 25(2)(h) of the Code invitation seeking 'Expression of Interest' to submit 'Resolution Plan' for 'Essar Steel India Ltd.' from potential 'Resolution Applicants' which were to be submitted along with relevant document on or before 5 P.M. on 23rd October, 2017.

- 'Arecellor Mittal India Private Ltd.' submitted its 'Expression of Interest' to submit 'Resolution Plan' along with all relevant documents on 11th October, 2017.

- The 'Numetal Ltd.' submitted 'Expression of Interest' of 'Resolution Plan' along with all relevant documents on 20th October, 2017, which was accepted and confirmed by the 'Resolution Professional' on 31st October, 2017.

- After submission of the 'Expression of Interest' of 'Resolution Plan(s)', Section 29A was inserted by the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017, which describes the disqualifications of resolution applicants.

- In view of introduction of section 29A the resolution professional, by an addendum of 08.02.2018 asked the appellants to submit resolutions plans and accordingly the appellants submitted resolution plans on 12.02.2018.

- The Insolvency Professional examined the applications of both the applicants and obtained legal opinion as to the eligibility of the applicants.

- Since the resolution plans submitted by the applicants are not eligible, the Committee of Creditors decided to extend the due date for submission of resolution plans and permit all the potential resolution applicants to submit their new resolution plans.

- Three resolution plans were submitted including the two applicants before the stipulated date i.e., 02.04.2018.

Ineligibility of New metal

New Metal is considered ineligible under Section 29A of the code, specifically sub-section (c) and (h) and accordingly, as on the Plan Submission Date (i.e. 12 February, 2018), Numetal (which is nothing but an incorporated joint venture investment vehicle through which its shareholders are submitting the Resolution Plan) was not eligible under Section 29A of the Code.

Section 29A© of the Code provides that a person shall not be eligible to submit a resolution plan, if such person, or any other person acting jointly or in concert with such person at the time of submission of the resolution plan has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, classified as non-performing asset in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949 or the guidelines of a financial sector regulator issued under any other law for the time being in force, and at least a period of one year has lapsed from the date of such classification till the date of commencement of the corporate insolvency resolution process of the corporate debtor.

The first proviso to section 29A© provides that the person shall be eligible to submit a resolution plan if such person makes payment of all overdue amounts with interest thereon and charges relating to non-performing asset accounts before submission of resolution plan. The second proviso provides that nothing in this clause shall apply to a resolution applicant where such applicant is a financial entity and is not a related party to the corporate debtor.

Section 29A (h) of the Code provides that a person shall not be eligible to submit a resolution plan, if such person, or any other person acting jointly or in concert with such person has executed a guarantee in favor of a creditor in respect of a corporate debtor against which an application for insolvency resolution made by such creditor has been admitted under this Code and such guarantee has been invoked by the creditor and remains unpaid in full or part.

Ineligibility of AM India

The Resolution Professional stated that as on the Plan Submission Data, AM Netherlands (a connected person of AM India), continued to be classified as a promoter of Uttam Galva and had not completed the regulatory compliances relating to declassification as a promoter of Uttam Galva and accordingly, the resolution plan was ineligible.

Order of Adjudicating Authority

The Adjudicating Authority, in the impugned order, held that both the applicants are ineligible under section 29A of the Code. The Adjudicating Authority, however, partly allowed the applications, taking into consideration that the 'Committee of Creditors' has not followed the procedures under Section 30(4), directing the 'Resolution Professional' and the 'Committee of Creditors' to revisit and reconsider their decision in the light of proviso to Section 29A (c) read with proviso to Section 30(4) of the Code and to act in accordance with law and/or to make good of the disability. The Adjudicating Authority also gave liberties to the applicants to challenge the reconsidered decision of 'Committee of Creditors' in the appropriate forum.

Appeal

Against this order the appellants filed the present appeal before the Appellate Tribunal.

The Appellate Tribunal analyzed the provisions of section 29A of the Act and section 30 of the Code. The Appellate Tribunal observed that-

- The substantive provision of Section 29A of the Code suggests that not only a person is ineligible to submit a 'Resolution Plan', but also a person with any other person acting jointly or in concert with such person, if attracts any one or other ineligibility clause mentioned in clauses (a) to (i) is also ineligible.

- In terms of clause (j) of Section 29A, if the 'connected person' is not eligible under clauses (a) to (i), then also the person who submits the 'Resolution Plan' is not eligible.

As per section 30(1), a 'Resolution Applicant' may submit a 'Resolution Plan' to the 'Resolution Professional' prepared on the basis of the 'Information Memorandum', which the 'Resolution Professional' is to examine in terms of section 30(2) 30.

Proviso to section 30(4) stipulates that the 'Committee of Creditors' shall not approve a 'Resolution Plan', submitted before the commencement of the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 where the 'Resolution Applicant' is ineligible under Section 29A and may require the 'Resolution Professional' to invite a fresh 'Resolution Plan' where no other 'Resolution Plan' is available with it.

Second proviso further stipulates that where the 'Resolution Applicant' referred to in the first proviso is ineligible under clause (c) of Section 29A, the 'Resolution Applicant' shall be allowed by the 'Committee of Creditors' such period, not exceeding thirty days, to make payment of overdue amounts in accordance with the proviso to section 29A (c).

The Appellate Tribunal held that the 'Resolution Professional' and the Adjudicating Authority rightly relied on Regulation 2(1)(q) of 'SEBI (Substantial Acquisition of Share and Takeover) Regulations, 2011' for the purpose of expression of 'person acting in concert'at the time of submission of 1st Resolution Plan by 'Numetal Ltd.', one of the shareholders being 'AEL', 'Numetal Ltd.' was not eligible to submit Resolution Plan' in terms of Section 29A. The 'Resolution Plan' submitted by 'Numetal Ltd.' on 29th March, 2018 is required to be considered by the 'Committee of Creditors' to find out its viability, feasibility and financial matrix.

The Appellate Tribunal also held that 'AM India Ltd.' is also entitled to the benefit of second proviso to section 30(4). The Appellate Tribunal gave one opportunity to the 'Resolution Applicant'- 'AM India Ltd.' to make payment of all overdue amount with interest thereon and charges relating to Non Accounts of both the 'Uttam Galva' and the 'KSS Petron' in their respective accounts within three days i.e. by 11th September, 2018. If such amount is deposited in the accounts of both Non-Performing Accounts of 'Uttam Galva' and 'KSS Petron' within time aforesaid and is informed, the 'Committee of Creditors' will consider the 'Resolution Plan' submitted by 'AM India Ltd.' along with other 'Resolution Plans', including the 'Resolution Plan' submitted by the 'Numetal Ltd.' on 29th March, 2018. If necessary, negotiations may be made with the 'Resolution Applicant(s)'. An early decision should be taken by the 'Committee of Creditors' and on approval of the 'Resolution Plan', the 'Resolution Professional' would place the same immediately before the Adjudicating Authority who in its turn will pass order under Section 31 in accordance with law. The 'Successful Resolution Applicant' will take steps for execution of its 'Resolution Plan' and deposit the upfront money if proposed, in terms of the 'Resolution Plan'.

The Appellate Tribunal observed that the provisions of Code, including Sections 25, 29A, 30, talk of 'Resolution Plan' but do not provide submission of any 'Expression of Interest' as was called for by 'Resolution Professional'.

In the present case, the 'Expression of Interest' was submitted by 'AM India Ltd.' on 11th October, 2017 and by 'Numetal Ltd.' on 20 October, 2017, both prior to 23rd November, 2017 i.e. the date Section 29A was inserted by the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 but the 'Resolution Plans' were submitted by both 'AM India Ltd.' and 'Numetal Ltd.' on 12th February, 2018.

What the Appellate Tribunal found from the invitation seeking 'Expression of Interest' to submit a 'Resolution Plan' for 'Essar Steel Limited' published on 6th October, 2017 is the first stage of 'Resolution Plan'. Therefore, the Appellate Tribunal held that 'Expression of Interest' is part of the 'Resolution Plan', which follows the 'Resolution Plan'. In such case, the date of submission of the 'Expression of Interest' should be treated to be the date of submission of the 'Resolution Plan'. In this background, the Appellate Tribunal held that the date of submissions of the 1st 'Resolution Plan(s)' of 'AM India Ltd.' and 'Numetal Ltd.' will be deemed to be 11th October, 2017/12th February, 2018 and 20th October, 2017/12th February, 2018 respectively.

The Appellate Tribunal further held that if the aforesaid proposition is not accepted, the Appellate Tribunal held that it will deprive the 'Resolution Applicants' from deriving advantage of second proviso to sub-section (4) of Section 30 inserted on 23rd November, 2017, even though they acted to submit the 'Resolution Plan' by submitting the 'Expression of Interest' of 'Resolution Plan'.

The Appellate Tribunal held that the Adjudicating Authority rightly held that the Appellant- 'AM India Ltd.' should have been given the opportunity by the 'Committee of Creditors' in terms of second proviso to sub-section (4) of Section 30. MA

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govind.ayyan@gmail.com

COMPANIES (AMENDMENT) ACT, 2017

ON EASE OF DOING BUSINESS

CMA (Dr.) Subhash Chandra Das
Former Director (Finance)
HPC Ltd.
Kolkata

The Companies (Amendment) Bill, 2016 was passed in both Houses Parliament in 2017 and subsequently got the assent of Hon'ble President of India on 3rd January, 2018 and notified in the Official Gazette. One of the objectives for amendments under the Companies (Amendment) Act, 2017, has been to facilitate 'Ease of Doing Business' for promotion of growth and employment.

In this Article some of the provisions of the Companies (Amendment) Act, 2017 facilitating 'Ease of Doing Business' are discussed.

On 1st February, 2016 the Company Law Committee submitted its recommendation to the GoI regarding changes to be made to the Companies Act, 2013. On 16th March, 2016, the GoI proposed the Companies (Amendment) Bill, 2016 on the basis of the Committee's recommendation in order to amend the 2013 Act. The same Bill was presented in the year 2017 as the Companies (Amendment) Bill 2017. Both Lok Sabha and Rajya Sabha passed the Bill on 27th July, 2017 and 19th December, 2017 respectively. On 3rd January, 2018 the Companies (Amendment) Act, 2017 got the assent of the Hon'ble President of India.

The Amendments under the Companies (Amendment) Act, 2017 are broadly aimed at

(a) Addressing difficulties in implementation due to stringent compliance requirements;

(b) Facilitating ease of doing business in order to promote growth and employment;

(c) Harmonising the Accounting Standards, the SEBI Act, 1992 and the RBI Act, 1934 and the regulations made thereunder;

(d) Rectifying omissions and inconsistencies in the Act

Out of various provisions of the Companies (Amendment) Act, 2017, we discuss here some of the provisions that have facilitated ease of doing business in order to promote faster growth of the companies.

Incorporation of company

Section 7(1)(c) of the Companies Act, 2013 provides that there shall be filed with the Registrar within whose jurisdiction the registered office of a company is proposed to be situated "an affidavit" from each of the subscribers to the memorandum and from persons named as the first directors, if any, in the articles that he is not convicted of any offence in connection with the promotion, formation or management of any company, or that he has not been found guilty of any fraud or misfeasance or of any breach of duty to any company under this Act or any previous company law during the preceding five years and that all the documents filed with the Registrar for registration of the company contain information that is correct and complete and true to the best of his knowledge and belief.

The 2017 Act, has now provided that the words "an affidavit" shall be replaced by the words "a declaration" from the first subscribers to the memorandum and first directors which will ease the burden of submitting additional document i.e. an affidavit. This will also avoid delay in the process of incorporation of a company.

Annual return

Section 92(1) of the 2013 Act provides that every company shall prepare a return (hereinafter referred to as the annual return) in the prescribed form containing the particulars as they stood on the close of the financial year regarding –

(a) its registered office, principal business activities, particulars of its holding, subsidiary and associate companies;

(b) its shares, debentures and other securities and shareholding pattern;

(c) its indebtedness;

(d) its members and debenture-holders along with changes therein since the close of the previo0us financial year;

(e) its promoters, directors, key managerial personnel along with changes therein since the close of the previous financial year;

(f) meetings of members or a class thereof, Board and its various committees along with attendance details;

(g) remuneration of directors and key managerial personnel;

(h) penalty or punishment imposed on the company, its directors or officers and details of compounding of offences and appeals made against such penalty or punishment;

(i) matters relating to certification of compliances, disclosures as may be prescribed;

(j) details, as may be prescribed, in respect of shared held by or on behalf of the Foreign Institutional Investors indicating their names, addresses countries of incorporation, registration and percentage of shareholding held by them; and

(k) such other matters as may be prescribed

and signed by a director and the company secretary, or where there is no company secretary, by a company secretary in practice:

Provided that in relation to One Person Company and small company, the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company.

In order to facilitate ease of doing business the following amendments have been made by the 2017 Act in Section 92(1):

(1) the words "its indebtedness" mentioned in clause (c) has been omitted;

(2) The Central Government has been empowered to prescribe an abridged from of annual return for One Person Company and Small Company whereby a clause has been included as follows

"Provided further that the Central Government may prescribe abridged form of annual return for One Person Company, small company and such other class or classes of companies as may be prescribed."

Section 92(3) of the 2013 Act provides that "an extract of the annual return in such form as may be prescribed shall form part of the Board's report."

The above Section 92(3) has been substituted by the 2017 Act as follows:

"Every company shall place a copy of the annual return on the website of the company, if any, and the web-link of such annual return shall be disclosed in the Board's report."

Return to be filed with Registrar in case promoters' stake changes

Section 93 of the 2013 Act provides that "Every listed company shall file a return in the prescribed form with the Registrar with respect to change in the number of shares held by promoters and top ten shareholders of such company, within fifteen days of such change".

The above provision of Section 93 of the 2013 Act has been omitted, the reason being that the same information is also required to be filed with the Stock Exchanges/SEBI. Therefore, in order to avoid unnecessary duplication of reporting, the Companies (Amendment) Act, 2017 decided to delete this section from the Act.

Place of keeping and inspection of registers, returns etc.

Section 94(1) of the 2013 Act has a proviso which states that "Provided that such registers or copies of return may also be kept at any other place in India in which more than one-tenth of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company and the Registrar has been given a copy of the proposed special resolution in advance".

The 2017 Act has amended the above proviso which states that "Provided that such registers or copies of return may also be kept at any other place in India in which more than one-tenth of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company".

Filing of advance copy of proposed special resolution to the Registrar has not served any purpose because the special resolution to this effect has to be filed as the requirements of Section 117(3) (a) of the Act. Therefore, deletion of the relevant portion of the proviso is justified.

Annual general meeting

Section 96(2) of the 2013 Act provides that every annual general meeting shall be called during business hours, that is, between 9 a.m. and 6 p.m. on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate:

Provided that the Central Government may exempt any company from the provisions of this sub-section subject to such conditions as it may impose.

Explanation–for the purposes of this sub-section, "National Holiday" means and includes a day declared as National Holiday by the Central Government.

The 2017 Act has provided an option to the unlisted company to hold its AGM anywhere in India provided it is consented by all members in writing or in electronic mode obtained in advance. That is why a column has been added as follows:

"Provided that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance".

Thereafter, the original clause "Provided that" has been substituted as:

"Provided further that". The rest of the clause and Explanation has remained unchanged.

Calling of extraordinary general meeting

Section 100(1) of the 2013 Act provides that "The Board may, whenever it deems fit, call an extraordinary general meeting of the company".

A proviso to Section 100(1) has been included with the above provision, by 2017 Act, as follows:

"Provided that an extraordinary general meeting of the company, other than of the wholly owned subsidiary of a company incorporated outside India, shall be held at a place within India."

It is quite apparent that in order to save the time and efforts of many companies, the wholly owned subsidiary of a company incorporated outside India has been allowed to hold its EGM outside India. In other words such wholly owned subsidiary can hold EGM at any place of the world.

Postal ballot

Section 110(1) of the 2013 Act provides that "Notwithstanding anything contained in this Act, a company–

(a) shall, in respect of such items of business as the Central Government may, by notification, declare to be transacted only by means of postal ballot; and

(b) may, in respect of any item of business, other than ordinary business and any business in respect of which directors or auditors have a right to be heard at any meeting, transact by means of postal ballot,

in such manner as may be prescribed, instead of transacting such business at a general meeting."

The following proviso has been added along with the above provision, by 2017 Act, as follows:

"Provided that any item of business required to be transacted by means of postal ballot under clause (a), may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under section 108, in the manner provided in that section."

It is quite clear from insertion of the above proviso that the items required to be passed compulsorily by postal ballot may now be transacted at a general meeting if the company is compulsorily required to provide the facility of electronic voting. In fact, the requirement of postal ballot has no longer been relevant and important for the companies that are required to conduct voting by way of using electronic mode which provides same facility (as the postal ballot) to the shareholders to vote on resolutions in case the shareholder is not in a position to attend general meetings. Besides this amendment has been made with a view to (i) facilitating maximum number of shareholders to participate in the proceedings of the meeting and vote electronically; and (ii) saving the cost of conducting general meetings and postal ballot.

Right of persons other than retiring directors to stand for directorship

Section 160(1) of the 2013 Act provides that "A person who is not a retiring director in terms of section 152 shall, subject to the provisions of this Act, be eligible for appointment to the office of a director at any general meeting, if he, or some member intending to propose him as a director, has, not less than fourteen days before the meeting left at the registered office of the company, a notice in writing under his hand signifying his candidature as a director or, as the case may be, the intention of such member to propose him as a candidate for that office, along with the deposit of one lakh rupees or such higher amount as may be prescribed which shall be refunded to such person or, as the case may be, to the member, if the person proposed gets elected as a director or gets more than twenty–five percent of total valid votes case either on show of hands or on poll on such resolution."

The following proviso has been added along with the above provision, by 2017 Act, as follows:

"Provided that requirements of deposit of amount shall not apply in case of appointment of an independent director or a director recommended by the Nomination and Remuneration Committee, if any, constituted under sub-section (1) of Section 178 or a director recommended by the Board of Directors of the company, in the case of a company not required to constitute Nomination and Remuneration Committee".

It is quite clear from insertion of the above proviso that the requirement of deposit in case of directors nominated by the NRC/appointment of independent directors shall not be applicable.

Meeting of Board

Section 173(2) of the 2013 Act provides that "The participation of directors in a meeting of the Board may be either in person or through video conferencing or other audio visual means, as may be prescribed, which are capable of recording and recognising the participation of the directors and of recording and storing the proceedings of such meetings along with date and time:

Provided that the Central Government may, by notification, specify such matters which shall not be dealt with in a meeting through video conferencing or other audio visual means."

The 2017 Act has inserted another 'Proviso' after the above Proviso, which is as follows:

Provided further that where there is quorum in a meeting through physical presence of directors, any other director may participate through video conferencing or other audio visual means in such meeting on any matter specified under the first proviso.

Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 prescribes certain matters which shall not be dealt with in any board meeting through video conferencing or other audio visual means. This rule unnecessarily restricted wider participation of directors even when the required quorum was physically present. Now this new proviso will give relief to the directors, especially non-resident directors to participate in the discussion and voting on important matters such as, approval of financial accounts etc. without travelling to the place of meeting. This will also result in saving of money and energy of the companies and the directors.

Conclusion

There is no doubt all these provisions of the Companies (Amendment) Act, 2017 have facilitated ease of doing business in order to promote faster growth of the companies. MA

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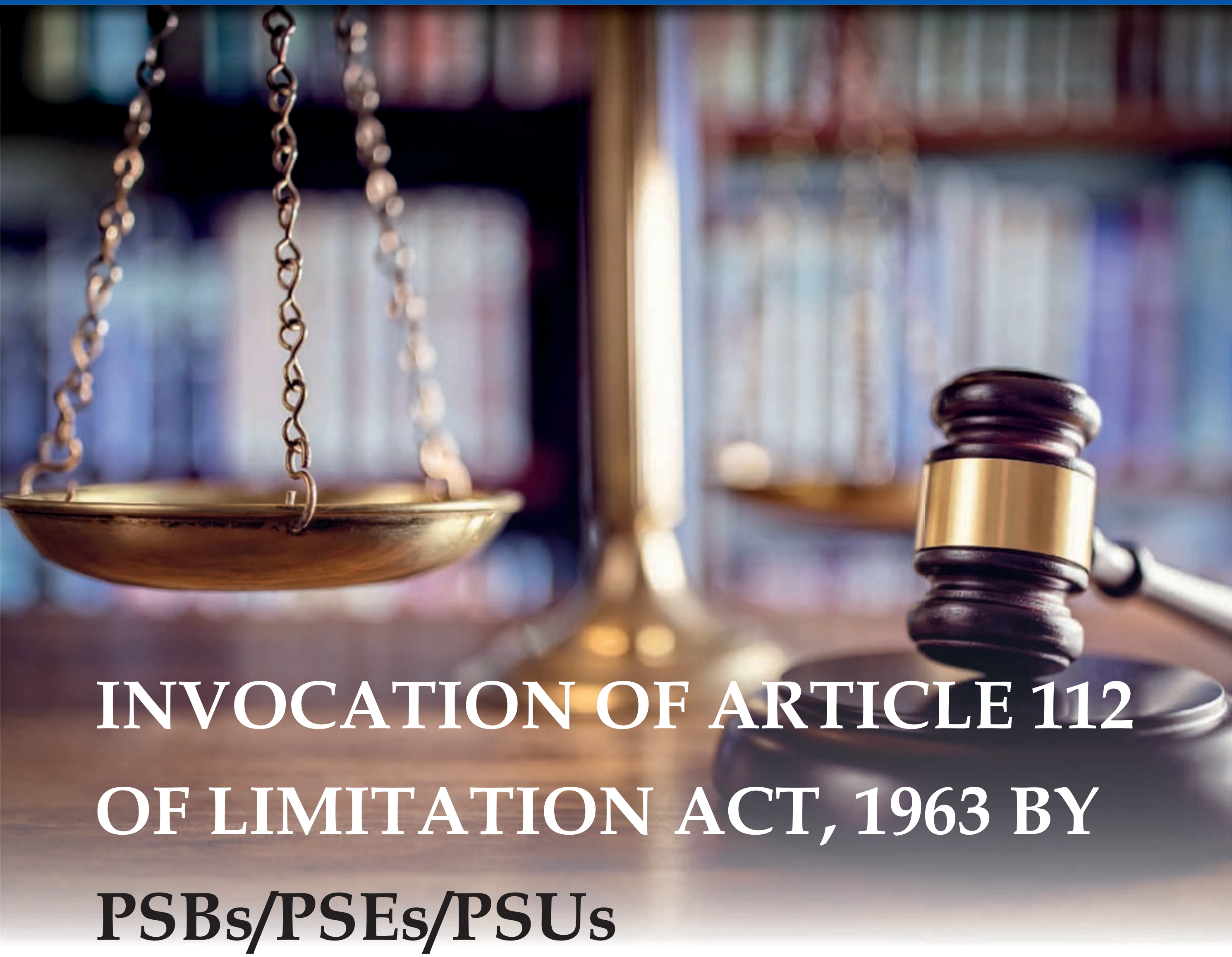
scdas2002@gmail.com



INVOCATION OF ARTICLE 112 OF LIMITATION ACT, 1963 BY PSBs/PSEs/PSUs

Hareesh Kolichala
Chief Manager (Law)
Union Bank of India
Kolkata

Lord Kenyon described statutes of limitation as "Statutes of repose" (vide per Dallas, C. J. in Tolson v. Kaye (1)) and Bramwell, B. as "Statutes of peace" (Hunter v. Oibbons (2)). In the case of Baker (1890)44 Ch.D.262, Cotton, L. J. observed that pleas of limitation would never be looked upon with any favour since they are used to defeat the debts clearly due. The purpose and effect of statutes of Limitation is to protect defendants.

There are three reasons that support the enactment of statutes of limitation, (1) that a Plaintiff with good causes of action should pursue them with reasonable diligence, (2) that a defendant might have lost evidence to disprove a stale claim and (3) that long dormant claims have more cruelty than justice in them (Halsbury's laws of England, 4th Edition).

The general rule is that the limitation begins when the Plaintiff's cause of action accrues or is made to be aware of the injury that might have happened a long time ago (eg. Asbestos injury).

In classical Athens, statute of limitation established five years as a bar for all cases other than homicide and for prosecution against non-constitutional laws, which had no limitation. Demosthenes, who was a prominent Greek statesman, wrote that these statutes of limitation were adopted specifically to control sycophants.

In India, the first attempt to introduce Law of Limitation was made by the Limitation Act, 1859 (XIV of 1859) which came into operation in 1862 and subsequently the present Limitation Act, 1963 came to be enacted after the Acts of 1871, 1877 and 1908.

It is held by the Supreme Court Vs. The Spl.Land Acquisition Officer [MAN/SC/0850/2013] that the Statute of Limitation is founded on public policy, its aim being to secure peace in the community, to suppress fraud and perjury, to quicken diligence and to prevent oppression. It seeks to bury all acts of the past which have not been agitated unexplainably and have, from lapse of time, become stale.

Section 3 of the Limitation Act, 1963 provides that the bar of limitation is required to be examined by the Court in relation to every suit, appeal or application even if limitation as such has not been set up as a defence.

Under the Scheme of the present enactment, limitation prescribed for claims on behalf of private persons and Governments including Central, State and Local authorities is different. Generally, suits by private persons for various claims under the Act is three years whereas the time limit prescribed for any suit on behalf of the Government is thirty years as per Article 112 of Schedule to the Limitation Act, 1963.

Article 112 provides as under :

SL. NO.	DESCRIPTION OF SUIT	PERIOD OF LIMITATION	TIME FROM WHICH PERIOD BEGINS TO RUN
112.	Any suit (except a suit before the Supreme Court in the exercise of its original jurisdiction) by or on behalf of the Central Government, or any State Government including the Government of the State of Jammu and Kashmir.	Thirty years	When the period of limitation would begin to run under this Act against a like suit by a private person.

In India, Public Sector Undertakings(PSUs), Public Sector Banks (PSBs), Public Sector Enterprises (PSEs) and Government Companies have been formed under and by various statutes of Parliament/State legislatures which are wholly or substantially funded from the public exchequer and they are here to stay. However, the moot question is whether these PSUs/PSBs can invoke Article 112 or not.

In the case of Bharat Sanchar Nigam Ltd.,Vs.Pawan Kumar Gupta [(2007)4PLR414], the Punjab & Haryana High Court had an occasion to deal with the said issue. In the said case, BSNL, a Government of India Undertaking, had filed a suit for recovery of Rs.25,296/- for the use of telephone provided to the Defendant therein. Since the expression, "Central Government and State Government" have not been defined in the Limitation Act, 1963, the Court had taken the aid of General Clauses Act, 1897 and dismissed the appeal filed by BSNL. Section 3(8) of the General Clauses Act,1897 defined "Central Government" as under :

"3(8). "Central Government" shall-

(a) in relation to anything done before the commencement of the Constitution, mean the Governor-General or the Governor-General in Council, as the case may be, and shall include,

(i) in relation to functions entrusted under Sub-section (1) of Section 124 of the Government of India Act, 1935, to the Government of a Province, Provincial Government acting within the scope of the authority given to it under that sub-section, and

(ii) in relation to the administration of a Chief Commissioner's Province, the Chief Commissioner acting within the scope of the authority given to him under Sub-section (3) of Section 94 of the said Act; and

(b) in relation to anything done or to be done after the commencement of the Constitution, mean the President; and shall include,

(i) in relation to functions entrusted under Clause (1) of Article 258 of the Constitution to the Government of a State, the State Government acting within the scope of the authority given to it under that clause;

(ii) in relation to the administration of a Part C State [before the commencement of the Constitution (Seventh Amendment) Act, 1956], the Chief Commissioner or the Lieutenant-Governor or the Government of a neighbouring State or other authority acting within the scope of the authority given to him or it under Article 239 or Article 243 of the Constitution, as the case may be] [and]

(iii) in relation to the administration of a Union Territory, the administrator thereof acting within the scope of the authority given to him under Article 239 of the Constitution:]]"

The High Court had accordingly upheld the decision of the trial court that the BSNL could not invoke Article 112 of the Act and hence the claim of the BSNL was barred by time.

Similarly, the Madras High Court had also referred to the General Clauses Act in the case of **BSNL Vs.Wipro Net Ltd.**, [2011(5)CTC854] and rejected the claim of BSNL to invoke Article 112 of the Limitation Act, 1963, by its decision dated 6.6.2011.

The judgment of Punjab & Haryana High Court was unsuccessfully carried in appeal (Bharat Sanchar Nigam Ltd. Vs. Pawan Kumar Gupta (2016)1 SCC 63) by the BSNL before the Supreme Court. The Supreme Court held as under :

By a careful reading of the aforesaid Article, it makes abundantly clear, that a suit can be instituted by or on behalf of the Central Government. It is not the case of the Appellant herein that it has filed the suit on behalf of the Central Government. This is for the reason that the Appellant-company has instituted the suit on the basis of the instrument of Office Memorandum wherein the DoT has transferred its assets and actionable claims. It cannot be said that it has filed the suit on behalf of the Central Government because the Appellant/Plaintiff is a company, a distinctly independent and separate entity. Therefore, the reliance placed upon the aforesaid Article 112 of the Limitation Act to claim that there would be thirty years of limitation period as the asset transferred is an actionable claim due to the DoT is wholly misconceived in law. The other argument advanced by the learned senior Counsel on behalf of the Appellant-company that it is an agency or instrumentality under the Central Government which falls within the inclusive definition as defined Under Section 3(8) of the General Clauses Act is wholly misconceived for the reason that Article 112 of the Limitation Act speaks of the Central Government or the State Government. Its agencies or instrumentalities are not incorporated Under Article 112 of the Limitation Act. Such an argument is contrary to the Constitution Bench judgment of this Court in the case of Padma Sundara Rao (Dead) and Ors. v. State of T.N. and Ors. reported in (2002) 3 SCC 533. In paragraph 14 of the said judgment it is categorically stated that the legislative casus omissus cannot be supplied by judicial interpretative process and the Court cannot do the legislative functions.

The Law Commission of India had, in its 60th Report on General Clauses Act, 1897, observed as under :

"1.19. Since the passing of the Act, however, far--reaching changes have taken place in this country. The constitutional set-up has altered completely after the attainment of independence, and the volume of legislation has increased considerably. The range and variety of the new legislation has given rise to substantial changes in legislative practice. The quantity of sub-ordinate legislation has also assumed large proportions. Some provisions of the Act of 1897 have come up for judicial consideration. A few of them have given rise to conflict of views.

No large--scale revision of the General Clauses Act has so far been undertaken. Certain minor amendments were made by the amending Acts of 1903 and 1936. In addition, by various Adaptation Orders, the Act was, from time to time, amended to bring it in conformity with Government of India Act, 1935 and with the Constitution. But the scope of such amendments was necessarily limited. Time has come when the Act should be completely reviewed, so as to bring it in line with the fundamental constitutional changes and the new trends in legislative practice."

Therefore, with due respect, it may not be appropriate for the courts to refer to the General Clauses Act for deriving and arriving at the definition of **"Central Government/ State Government"** since the concept of Public Sector Undertakings/Government Companies was barely conceived at the time of enactment of General Clauses Act in the year 1897. The court should have instead referred to the Constitution of India which came into force in the year 1950 and various decisions of the Supreme Court on the expression “State” as defined under Article 12 of the Constitution. In a catena of decisions, the Supreme Court of India held that Public Sector Undertakings/Public Sector Banks/Government Companies were to be the “State” which is well settled law and no more res integra.

Further, in a pre-independence era case of Bengal North Western Rly.Co.Ltd.,Janki Prasad &Anr. [AIR1936Pat362, Dated 17.4.1935], the High Court of Patna referred to the relationship between the Secretary of State and the Railway Company and allowed the Railway Company to invoke Article 149 of the Limitation Act, 1908 (the equivalent of Article 112 of the present Act. Under Article 149, the limitation available to the Government was 60 Years).

In another case, Kerala Financial Corporation was allowed to invoke Article 112 for recovery of its dues : [Godan Namboorthripad Vs. Kerala Financial Corporation & ors [AIR 1998 Kerala 31]]. The excerpts of the decision are as under :

“4. The Board of Revenue in its Ext. P2 order relied on the decision of this Court in Nanu’s case (1987) 2 Ker LT 92 land came to the finding that the proceedings under Kerala Revenue Recovery Act is barred by limitation. But a Full Bench of this Court in Kerala Fisheries Corporation Ltd. v. P.S. John, (1996) 1 Ker LJ 540, overruled the decision in Nanu v. State 1987 2 Ker LT 921 and held that the provisions of Limitation Act, 1963 cannot be made applicable to the proceedings for recovery of dues under the K.R.R. Act. Even if it is assumed that the Limitation Act is applicable, the amount due to the institution notified under Section 71 of the K.R.R. Act is treated on a par with the amounts due to the Government in terms of Section 68 and as such Article 112 of the Limitation Act shall govern the case. It provides a period of 30 years as the period of limitation for filing suits to recover the amount due to Government. In view of this Full Bench decision, the finding of the Board of Revenue and the State Government on this issue in Exts. P2 and P4 therefore, cannot be sustained.”

The Madhya Pradesh High Court had also allowed Madhya Pradesh Rajya Pashudhan Evam Kukkut Vikas Nigam to invoke Article 112 in the case of Central Bank of India Vs.Madhya Pradesh Rajya Pashudhan Evam Kukkut Vikas Nigam [AIR 2006 MP 176] on the following grounds :

“Plaintiff in Paragraph-1 of the Plaint has clearly stated that the Madhya Pradesh Rajya Pashudhan Evam Kukkut Vikas Nigam is a corporate commercial unit of the Government of Madhya Pradesh. Moreover, the net profit of the Plaintiff is liable to go to the State Government in accordance with Section 28 of the Act. Similarly, by virtue of Section 28 of the Act, the loss incurred by the Plaintiff directly in consequence of carrying out the directions of the State Government under sub-section(1) of the Act, shall be made good by the State Government. Thus, the liability to bear the loss is on the State Government. Similarly, object of the the Plaintiff Nigam is to implement the policy of the State. While pursuing the directions of the State Government, if any loss has occasioned, the State Government of Madhya Pradesh is required to bear the same by virtue of Section 28 of the Act. Thus, if the claim agitated by the Plaintiff is treated as barred by limitation, the loss will fall on the State Government, i.e,.on the public. The cumulative effect of the pleadings read in the context of the provisions of the Madhya Pradesh Rajya Pashudhan Evam Kukkut Vikas Nigam Adhiniyam, 1982 is that the suit of the Plaintiff/ Respondent may be said to be on behalf of the Government of Madhya Pradesh and learned lower appellate court is not found to have committed any error in applying Article 112 to the suit of the Plaintiff”.

Interestingly, the State of West Bengal had amended Article 112 of the Limitation Act (as applicable to the State of West Bengal) by the Limitation (West Bengal Amendment) Act, 1977 (West Bengal Act XXVII of 1977) and brought Government Companies owned wholly either by the Central Government or State Government or jointly by the Central and State Governments within the purview of the said Article 112.

The case of West Bengal Small Industries Corp. Ltd. Vs. M/s. Mall Plas Industries & Anr. [(2015)1WBLR(Cal)250] decided on 23.4.2014 can be referred to wherein the Calcutta High Court held that the said Plaintiff company, being a Government Company could invoke Article 112 in view of the law applicable in the State of West Bengal.

Therefore, there is an anomalous position as to the invocation of Article 112 by PSE/PSUs/PSBs as some courts allowed such invocation and some courts did not and that a State Government has amended the law to bring such PSUs within the purview of Article 112.

However, all PSUs/PSEs/PSBs whether of State or Central Government, can invoke Article 112 as per the decisions of Patna High Court and Madhya Pradesh High Court as referred above and also, inter alia, for the following grounds

1) The PSUs/PSBs/PSEs are controlled, managed and funded by the Central and State Governments.

2) PSUs/PSBs/PSEs are amenable to writ jurisdiction of the High Court and Supreme Court like Central and State Governments.

3) The employees of the PSU/PSBs/PSEs are "Public Servants" within the meaning of Section 21 of the Indian Penal Code, 1860 and also under the provisions of the Prevention of Corruption Act, 1988 like Central and State Governments.

4) PSUs/PSBs/PSEs are "Public Authorities" under the Right to Information Act, 2005 and they are required to implement the Act like Central and State Governments.

In the case of **Nav Rattanmal Vs.State of Rajasthan [AIR 1961 SC 1704],** the State Government filed a suit on the basis of a security bond executed by a Government Treasurer and certain sureties who joined in the execution of the bond which was challenged, on the grounds, inter alia, that art.149 Of the Indian Limitation Act,1908 prescribing a 60 years period of limitation for suits by the Government was unconstitutional as violation of Art.14 of the Constitution and as such the suit was barred under art.83. It is urged that there is no rational basis for treating claims by Government differently from those of private individuals in the matter of the time within which they could be enforced by suit.

It was contended that statutes of limitation were statutes of repose and enacted to ensure that stale claims were not agitated, so that after a reasonable length of time people might proceed on the footing that they would not be held liable for possible claims against them and argued that for the purpose of agitating claims no distinction could be drawn between Government and private ' individuals and that on no rational basis could a legislation which permitted a longer period of limitation for claims by the State be sustained.

In answering the above plea, Supreme Court had framed two issues to be decided on this Point : (1) whether a distinction could be drawn or a classification supported between the provision of any variation in the time that should be available for enforcing claims by private individuals and claims by the State and (2) whether, if such a classification were good, the period of 60 years provided by Art. 149 of the Indian Limitation Act is such a long period of time as to be unreasonable and hence arbitrary and violate Article 14 of the constitution?

While upholding the validity of Section 149 of the Limitation Act, 1908, Supreme Court observed as under :

"If learned Counsel is right in his submission that there is no rational basis for placing private individuals and the Government in different classes while framing a legislation providing for limitation for actions he might succeed; but if he is wrong there and the correct view is that there is a rational basis of classification, then the period that should be allowed to the Government to file a suit would be a matter of legislative policy and could not be brought within the scope or purview of a challenge under Art. 14 or indeed of any other article in the Constitution. It is sufficient therefore if we confine ourselves to the first point, viz., whether there is a rational basis for treating the Government differently as regards the period within which claims might be put in suit between the Government on the one hand and private individuals on the other."

"First, we have the fact that, in the case of the Government, if a claim becomes barred by limitation, the loss falls on the public, i.e., the community in general and to the benefit of the private individual who derives advantage by lapse of time. This itself would appea3 r to indicate a sufficient ground for differentiating between the claims of an individual and the claims of the community at large. Next, it may be mentioned that, in the case of Government machinery, it is a known fact that, it does not move as quickly as in the case of individuals. Apart from the delay occurring in the proper officers ascertaining that, a cause of action has accrued, Government being an impersonal body, before a claim is launched there has to be inter-departmental correspondence, consultations, sanctions obtained according to the rules. These necessarily take time and it is because of these features which are sometimes characterized as red-tape that there is delay in functioning of Government offices".

The reasons for which the State Government was allowed to invoke Article 112 of the Limitation Act, 1963 are equally applicable to all Public Sector Enterprises, especially Public Sector Banks, as large number of recovery cases are filed by them and sometimes, suits for recovery in some account are left out owing to transfer/retirement of employees or due to issues peculiar to public bodies as stated by the Hon'ble Supreme Court and hence there is a case for revisiting the position of law on the subject. MA

kshk.hareesh@gmail.com

HOW TO MAKE INDIA A FINANCIALLY LITERATE COUNTRY – STRATEGIES

L.Srinivasan
Senior Manager (retired)
Indian Overseas Bank
Chennai

Financial literacy in India- challenges as opportunities

India is unique among nations. People speaking different languages, practising different religious faiths, consuming different kinds of foods and experiencing different climatic conditions share this vast land. Similarly, thousands of the richest in the world live beside millions of poor people, who live below poverty line-wherever we draw the line!It is always difficult for us to answer, if someone were to ask us a simple question-Is India a rich country or poor country? There is no doubt that India's GDP growth is good and that India is blessed with abundant natural resources and human capital. But the prosperity of the country is not equitably distributed among the people.

All stakeholders to the economic growth of the country-the Government of India, the banks, the regulators and the Non-Government Organizations are concerned with the financial literacy of the people. Financial exclusion and financial illiteracy will result in serious implications for the whole country.

With India becoming more vibrant and visible now, the nation has become the hub of many financial and economic activities. Huge FDI and FII investments, liberalization, privatization, globalization and consolidation processes have taken the centre-stage. India is at its financial and economic cross-roads.

Therefore it has become more important and more urgent now than ever, to make India a financially literate country.

Mere literacy does not necessarily generate financial literacy. By financial literacy we mean broadly basic money management by individuals. It means that people must be able to obtain, understand and evaluate information required to make decisions to secure their financial future as best as possible. Financial literacy involves a gamut of activities including Money management, Credit management, Debt management, risk management, investment and retirement planning Management.

We will address, in this paper, the strategies to make the different segments of our population financially literate.

Broadly we will discuss empowering the following segments with financial knowledge:

a. The poor and the downtrodden

b. The rural agricultural community

c. The youth – especially the Gen-next and children

d. The unorganized sector

e. Workers of the organized sector-Government and private sector

f. MSME sector

g. Women

h. The investors

i. The rich

j. Senior citizens

How to make the poor and the downtrodden financially literate

According to an RBI Survey, 21.67 crore people in rural India live below the poverty line.5.31 crore people in urban India live below poverty line. Poverty in India is more due to financial illiteracy than any other factor. The poor do not know how to save their hard-earned money and how to come above the poverty level. They are caught in the vicious cycle of usurious money lenders and become virtual bonded laborers. All stakeholders involved in the process of removal of financial illiteracy should take proactive measures for imparting financial literacy to this segment of population.

My suggestions:

- Opening bank account for each individual is the first and the most crucial step, in financial literacy initiatives for the poor.Banks should get themselves fully involved in making this big dream realized. They should view such opening of accounts of the poor, not just as a Social responsibility but as a viable business model. Of course, banks need to be assisted by other stakeholders-Government agencies such as the Panchayat, Block Development Offices, NGOs, people's representatives, ward/municipal members etc, in ensuring that every individual opens his account.

- All social benefits to these segments such as scholarship, pension, and subsidy should be routed only through these accounts. This will eliminate leakage of the monetary benefit.

- I strongly believe that these twin actions- opening of bank accounts of the poor and transferring of government money electronically to these accounts-are the beginning of financial literacy for such people.

- Beneficiaries of government sponsored schemes should be systematically identified and given financial counseling when banks give loans. There should be financial counseling sessions, wherein they should be taught basic financial accounting (at least single entry accounts-keeping) and financial discipline.

- Savings must be encouraged. Gram panchayats and Gram sabhas should conduct informal sessions to villagers and beneficiaries of government schemes on the importance of savings through formal financial systems.

- Financial literacy for the poor and vulnerable sections of the society includes micro life insurance, accident insurance and bank deposits such as small –value recurring deposits. Insurance companies-both life and non –life- should penetrate to the villages and enable the poor to insure their lives and their assets.

- The stakeholders such as Government departments/ NGOs can organize awareness programmes, skits, road-shows on the importance of savings and optimizing wealth, in rural areas and in agricultural belt.

- Among all the stakeholders, banks can play a great role in providing financial literacy. They must help in converting the physical assets of the rural household such as land, jewels, cash into financial assets and trigger economic activities among this sector.

	Strategy to be adopted	What it will achieve	Who will implement the strategy
1	All individuals and households to be given bank accounts	The beginning of financial literacy. People become part of the formal financial sector	Banks/NGOs and Government bodies/Business correspondents
2	All social benefits to be electronically credited to the accounts	Prevention of leakage of money	Government and banks
3	Government schemes to be implemented on mission-mode	BPL families will overcome poverty in stages	Government/banks/implementing agencies
4	Financial literacy awareness programmes	Overall financial knowledge will improve among the poor	All stakeholders, NGOs,
5	Teaching life insurance and health insurance	These two financial needs can be taught	Life insurance and non life insurance companies assisted by banks, through bancassurance model
6	Savings, investment ,money management etc.,	Basic financial knowledge	Business correspondents and Business facilitators appointed by banks

How to make the agricultural community financially literate

Agriculture is India's strength. Agriculture contributes 18% to the country's GDP. 60% of the total work-force is engaged in the agricultural activities. In allied agricultural activities also, India ranks high in the world. For example, India is the largest producer of fresh fruits, oil seeds, dry chillies, ginger, bajra, ragi etc.;it is the 6th largest coffee-producer and the second largest producer of cardamom, cashew and silk. Our nation is the 6th largest producer of marine and freshwater capture fisheries.

My suggestions:

Financial literacy for our agriculturists encompasses the following:

a) Water conservation methods – drip and sprinkler irrigation

b) Harnessing the solar power-reducing power costs

C) Innovative farm and non-farm practices

d) Money management, including credit management

Financial Literacy and Credit Counseling Centres: (FLCCC)

Many banks have taken pro-active steps to educate and empower the rural population, by giving them financial literacy and credit counseling, through their FLCCCs. Reserve bank of India has given broad guidelines on the running of such centres. We require a large number of such centres to cater to the entire rural population of the country. Ignorance and financial illiteracy lead the poor peopleinto the trap of vicious usurious money lenders.

Agricultural scientists are engaged in continuous R & D efforts on farming and non-farming methods. But these research findings do not reach the agriculturists. There should be ***"Lab to Land"*** transfer of farming and non farming innovative measures. This transfer will increase productivity and revenue for the farmer. Banks shall play the role of the facilitator bringing all stakeholders for agricultural and allied activities together- NABARD, KVIB, DIC, DRDA, Life insurers, National Horticulture Board

The ultimate financial literacy for the agriculturists is to empower the agriculturists and to make agricultural and allied agricultural activities commercially viable.

	Strategy	What it will result in	Who will implement the strategy
1	Innovative farm/non farm practices	Increased output and revenue for the farmer	NABARD, NHB, banks, Extension offices of the Government
2	Lab to Land transfer of new technology in agriculture	Optimum output with latest technology	Agri universities/scientists/Banks
3	Imparting financial literacy through FLCCC	Financial literacy will improve	Banks
4	Spreading financial literacy through school teachers and extension officers	Knowledge at the grassroots level will improve. Penetration of financial literacy	Governments –offices of Block development officers, Village panchayat

How to make the youth-the new generation- financially literate.

It is true that our youth have high educational qualifications and skills. Most of them earn good income. But they too lack financial literacy. In our schools and colleges we do not teach money management or the habit of savings. The present day youth would rather spend than save. They do not understand the implications of inflation. They follow the epicurean principle of Carpe diem (enjoy the day or seize the day). They need to be imparted financial literacy.

My suggestions:

	Strategy	**Who will implement**
1	In our schools and colleges, students should be given sessions on money management, the power of savings, the need to beat inflation, the power of compounding of the rupee and wealth creation through systematic investments.	Schools and colleges
2	When the youngsters join companies, they should be oriented towards savings and investment options and explained how these help them as individuals to enjoy the life in the present and how it will help them as they grow old.	Companies where youngsters join. These companies will draw help from investment consultants and wealth managers.
3	The Gen-next should be sensitized on the need for adequate life insurance, adequate health insurance, liquid cash to meet any exigencies, the need to invest a part of their surplus in debt instruments and a part in equity instruments	Life insurance companies, Non-life insurance companies and mutual fund houses, as part of their Corporate Social Responsibility (CSR)
4	Financial literacy of the Gen-next population is necessary as otherwise, there will be dissipation of their hard-earned money; and over the years they will regret the missed opportunities.	All stakeholders to the financial literacy campaign
5	"Start early, invest systematically and stay invested"- these three mantras should be inculcated among the youth.	All stakeholders to the financial literacy campaign
6	Subtle differences between simple interest and compound interest, the nuances of floating interest rates and fixed rates, the concept of Equated Monthly Instalments should be taught to the youngsters from the very young age	Schools and colleges. Banks should teach these simple accounting entries to their newly recruited staff members

Catch them young

I suggest that financial literacy should be a part of the curricular at the high school level, with a well-defined syllabus, text books, trained teaching staff and allocated sessions. The following subjects can be the broad framework of the curriculum:

a. Savings concept Vis-à-vis inflation
b. Investment
c. Simple interest and compound interest
d. Interest rate as a concept- Fixed rate and floating interest
e. Debt instruments and equity instruments
f. Different kinds of avenues for an individual to save and invest
g. What is risk in investment and how to mitigate it
h. Credit management
i. Wealth creation through systematic investment plan
j. Balancing spending and savings

Financial literacy for the unorganized sector

The unorganized sector constitutes a very big segment of the Indian population. A large number of people work as construction workers, contract labourers, migrant workers, household workers, a large number of service providers such as vegetable vendors, cobblers, flower sellers, road-side vendors etc.,

Financial literacy for such people is a challenging task. However, **all stakeholders to financial literacy propagation** need to address this segment of people.These segments of people need to be given literacy on micro life insurance, health insurance, accident insurance and savings instruments.

Financial literacy for the workers in the organized sector

The salaried people in all segments-low income group (LIG), middle income group (MIG) and high income group (HIG) require financial counseling and literacy. Most of these people get good salary but lack in financial planning. They should know how to manage the cash flow and how to create wealth for the long time. The benefits of systematic investment plan should be inculcated to them. They need to know the importance of adequate life insurance, adequate health insurance, and liquid funds for exigencies and long term plan for wealth creation.

Financial counseling to the MSME sector

MSME sector:

The Micro, Small and Medium Enterprises (MSME) sector is becoming the buzz-word in India. A strong GDP needs the robust growth of the manufacturing sector. MSME sector contributes to 45% of the total o9utput of the country. There are more than 26 million SME units in India. More than 50% of the labour force is employed in this sector. 40% of the total output of the country is contributed by SMEs.Today's small entrepreneur becomes tomorrow's industry leader.

They complement the large manufacturing companies. But these entrepreneurs lack financial discipline.

My suggestions:

Strategy for financial literacy	Who will implement
MSMEs need to be taught basic accounting- at least single entry book keeping (cash book concept)...	Banks, as part of their soft intervention
They should know there Government of India is taking many initiatives to help them, such as the MSMED Act and the formation of MSME Ministry at the Centre.	Ministry of MSMED and Government of India
Banks need to take proactive role in educating this sector. Soft interventions are required for this sector. Credit counseling, training, interface with the large corporate and formation of clusters of Manufacturing units are some of the soft interventions that banks can make to this sector.	Banks through soft intervention and hard intervention

Financial literacy will empower this sector and MSME sector will become more vibrant.

Financial literacy for women:

Women have always been the Great Spirit behind the renaissance of India. They are emotionally attached to their families, especially their children. They are more aware than the men, about the importance of savings. However, mere "savings" are not sufficient. They need to know how to create wealth for their children and for their own. Women can absorb and imbibe financial literacy faster than men. Therefore, products such as Public Provident Fund (PPF), National Savings Certificate (NSC), Recurring deposits (RD) of post offices and the banks should reach them.

Converting physical assets into financial assets

Indian women have a great attachment for gold jewels. They keep thisjewellery either at their homes or in bank lockers. But gold jewellery is a non performing asset. It does not generate any income. Women need to be given the financial literacy that they should convert these physical assets into financial assets. They can pledge their jewels with banks, avail themselves a loan, construct a house, set up a shop, set up a small manufacturing unit or engage themselves in some skilled activities to enhance their income.

Financial literacy for investors, specially those investing in share markets

Ironically, the group of people who are supposed to have sufficient financial literacy, but possess actually the least financial knowledge, are the investors. The world of investment is full of glittering shades; but investors fail to understand that all that glitters is not gold.

Investment, especially in stock markets, especially, requires knowledge, patience, time and considerable investible surplus. Most investors go by stray opinions and take emotional decisions. They also want to make quick money in a short time. They fail to understand that investing in stock markets is not gambling. These investors have to be given financial literacy on the basic tenets of stock market investing: They are:

1. We cannot time the market

2. Wealth is created over a long time

3. Fundamental strengths and correct valuations should decide stock0purchase

4. Markets, which have the power to give, have the power to take also.

5. Portfolio diversification and periodic review are vital

6. Markets will satisfy the need of the investor, but not his greed

Investment option – stock market or debt market - depends upon three basic questions which investors have to answer: a) what is your investible surplus? b) how long can you stay invested? and c) What are your financial goals?

Similarly, investors need to be given financial education on the skills required for going in for derivative products and commodity trading. The Stock exchanges, the wealth managers and financial consultants should take the responsibility of providing the much-needed financial literacy to this segment of society.

Investing in share markets and debt markets through the concept of mutual funds, invoking the mechanism of Systematic Investment Plan (SIP)- to invest in a disciplined way, Systematic Transfer Plan (STP) – to move money from less risky liquid funds to more risky Equity fund and Systematic Withdrawal Plan (SWP)- to book profits periodically, should be inculcated to all investors, who seek wealth creation over mid-term to long-term.

Financial literacy for the Rich and the HNI

Accumulating wealth is good and important but more important is the protection of the hard-earned wealth and maximize the wealth. In India, there are no sufficient number of and qualified wealth consultants. Hence, these rich people and HNIs invest recklessly and lose their wealth. Financial literacy for this segment should include sessions on giving back to society a part of their wealth. They can also invest in nurturing the fine arts and cultural activities. Such investment will enhance their social value.

Financial counseling for the Senior citizens

It is a fact is that senior citizens become victims of false companies and entities and lose life-time savings in chit companies and other mala-fide investment companies. Financial literacy needs to be imparted to the senior citizens too. These investors should invest in instruments that will take care of their retired life. Financial literacy of the senior citizens is a social obligation of all stakeholders towards the elderly.

Conclusion

India, as we discussed earlier, is at its financial and economic cross-roads. The nation is becoming the hub of financial activities. It is necessary for the country to become literate not only in the conventional senseof the ability to read and write but all segments of society should become fully financially literate. Financial literacy will empower the citizens and it will ensure that individuals create wealth both for themselves and for the country. MA

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sri_bob@yahoo.com

GLOBAL TRADE WARS:

A CASE OF INDIA AND USA

Professor Badar Alam Iqbal
Adjunct Professor
Faculty of Economics and Finance
Monarch University
Zug (Switzerland)
and
Emeritus Professor
Frederic Bastiat Institute
Republic of Ghana

In the present 21st century, trade has been recognised the most significant vehicle for accelerating the pace of growth and development for a country irrespective developed or developing in particular and global economy in general. Accordingly, trade has come out the biggest issue for the global community as a matter of great concern. This is because the very purpose of creating World Trade Organization (WTO) is being defeated i.e. "promotion of multilateral trading system".

Trade wars are being combined with the "build up in leverage and higher asset unit values" **[Rajan 2018]** may emerged out as deterrent to world growth and the same in turn may affect global trade in to a greater extent. It has become sin-quo-non to have minimum trade wars among the major trading economies across the world.

In the past decade, we have already seen that two contributory factors namely- leverage and asset prices were responsible for 2008 crisis. The same situation is started coming up. Hence, the global leaders must pay attention on both the issues on war footing. Otherwise the situation may become worse and out of control.

It is an undisputed fact that, world growth has been strong and sound during the last few years. But the matter of concern for global players is how long it will remain strong and sound on the one hand and on the other side the persisting elevated asset price could be justified on the basis of strong and sound economic growth of the world.

Trade frictions between China and the US:

The biggest threat to global trading system (Multilateral Trading System) is the increased conflict of interest between US and China. Recently, US Government has launched auto probe against China. According to the US Government, the national security investigation is underway against car and trucks imported from China in the light of Section 232 of Trade Expansion Act (TEA) of 1962. The very purpose of the investigation to find out whether vehicles and parts importing from China are threatening the domestic industry's health and ability to research and develop new and advanced technologies. The Commerce Sectary has observed that there is enough proof which is suggesting that for the last so many decades' imports from trading partners especially China and India, have eroded the country's auto industry. China, India and other countries have asked the US Government that investigation must be through, fair and transparent.

It is rightly opined that higher tariffs imposed by the US Government are painfully affecting Asian auto makers namely Toyota; Nissan, Honda and Hyundai that are the major exporters to US in greater extent. Accordingly, there is broad sell off in auto makers' shares across Asian continent. The Government from Japan, China and South Korea have started taken steps in monitoring the trends and situation. Chinese Government has come out with the words that it would defend its interests.

Chinese Government has been opposing the ongoing abuse of national security clause which is going to seriously damaging the existing multilateral trading system in particular and the WTO in general. This may increasingly affect and disturb the existing International Trade Order (ITO). Mr. Gao has observed that there is an immediate need for focussing whether the Beijing and Washington are making any progress in their respective trade frictions which has put ITO under heavy odds.

US Political agenda:

Many political analysts across the world are of the firm opinion that the issue of trade frictions between US and China and US and India is more political rather than economic. This is because of the Trump's courts voters in the US industrial heartland ahead of mid-term election to be held in November 2018. Accordingly, Mr. Trump has raised a slogan "America First" **[HT Business 2018]**. Hence, the US Government has come out with a political trade agenda aiming at clawing back manufacturing job opportunities which had been lost to foreign auto players.

The recent move of Trump's administration in regard to imposing tariffs may result into higher cost to foreign auto makers to ship out vehicles and parts to the second largest market of the globe. Added to this, increasing degree of trade frictions over cars and car parts, especially in case of China, may create more risks for US auto firms expanding their presence in the US soil.

The major chunk of vehicles sold in the US market by major global auto makers namely- Japan and South Korea are manufacturing over there, but most of the auto firms also export to the US market from plants in Asia, Mexico, Canada and other nations. It is estimated roughly that one-third of the US vehicle imports in 2017 was from the Asian continents.

The trade frictions has not only increased the degree of uncertainty over China's economic growth and development, the same also unsettled the lives of common Chinese people who are seeking advice on critical issues such as (a) where to invest; (b) how to run their business; and (c) whether or not should peruse plans to emigrate to the US.

Trade war and growth of Euro zone:

The development economists across the world are of the opinion that growth in Euro zone may muddle in 2018 and 2019 as compared to modest growth witnessed in the year 2017. According to Reuter's poll, the majority of the economists are expecting a brewing US led trade to hold back growth in the region **[Times Business 2018]**. The most note worthy feature of the Reuters's Survey is that 33 percent of the 53 economists are of the firm opinion that US trade war has direct damaging impact on the growth of Euro zone. The remaining 20 per cent of the economists are of the view that the trade war may not be beneficial for the Euro zone.

The modest growth forecast for early next year i.e. 2019, were reduced during July poll. Quarter-on-quarter growth was estimated between 0.4 and 0.5 per cent during every quarter for 2018. For 2019 the expected growth may range between 0.3 and 0.6 per cent. The Euro zone economy should expand by a margin of 2.1 per cent in 2018 as compared to growth rate of 2.7 per cent witnessed in 2017. In 2019 the Euro zone growth may be at 1.8 per cent.

Trade frictions and Asian factories:

With the rising global trade frictions, the factory growth across Asia which is a manufacturing hub is witnessing the signs of cooling. Accordingly, Asia's major emerging markets grappled with rising trend of inflation and a strong US dollar.

Countries in export-reliant Asia continued to get benefit from a synchronized uptick in global growth, though the US Government comes out with a policy of imposing tariffs on its major trading partners have resulted into an increasing degree of uncertainty in the outlook and rattled financial markets **[Times Nation 2018]**..

Escalation in the trade frictions among global trade players may put more pressure on trade and other related supply chain operations. This may result into the delay in investment decisions in the potentially affected industrial units. World trade tensions have put Asia's export dependent countries in a spot as the present growth cycle is witnessing the sign of fatigue. Markit/Nikkei Japan Manufacturing Purchasing Managers Index (PMI) has recorded a decline of 1.0 per cent from 53.8 in April 2018 to 52.8 per cent in May 2018.

Trade War: A Case of India and US:

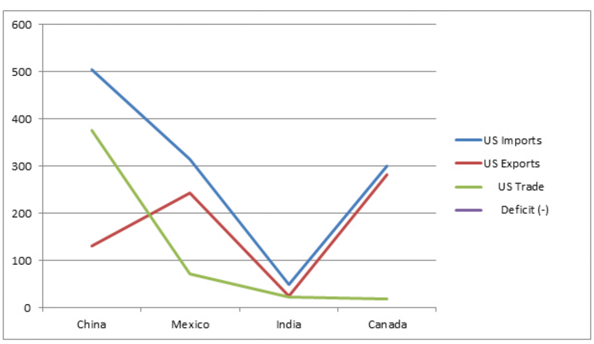
The major trading partners of the USA are China, India, Canada and Mexico. These days, the USA has huge trade deficit with its major trading partners. The largest trade deficit has been with China as high as US $ 375.2 billion in 2017 **[Table 1]**. The lowest trade deficit has been in case of Canada as low as US $ 17.6 billon.

Table 1
US Trade Deficit with Major Trading Partners in 2017 (US $ Billion)

Item	China	Mexico	India	Canada
US Imports	505.6	314.1	48.6	300.0
US Exports	130.4	243.0	25.7	282.4
US Trade Deficit (-)	375.2	71.1	22.9	17.6

Source: Times Business; (TOI); New Delhi; March 17, 2018.

Chart 1
US Trade Imbalances with Major Trading Countries (US $ Billions)



Source: Prepared by the author from Table 1.

India and the USA are traditional trade partners. The US has come out as the largest trading partner of India during April-May 2018. India has exported to USA worth of US $ 47.9 billion between April and May 2018. In 2016-17, India's total shipment to the USA was stood at US $ 42.2 billion. The trade experts have opined that the US would always be top destination for Indian goods. The relative share of US in India's total shipments stood at 16 per cent. This is because the US economy is the largest economy in the world. In 2017-18, India's exports to US registered 10 per cent growth amounting US $ 303 billion. On the other side of it India's imports from the US to India stood at US $ 460 billion, resulting into a considerable trade deficit of US $ 157 billion.

The United States of America (USA) has been sharing very strong and sound trade relations with India. The US always gave emphasis on free, fair and reciprocal trade with India. According to US trade officials the bilateral trade remained

one component of the existing relationship between two largest democracies in the world. However, the trade deficit doesn't favour the USA; with imports from India are nearly two times more than exports to India. USA has trade deficit with India **[Chart 1]** and as a result, USA trade war with India.

Keeping in mind the trade friction which US has with India, the President of the US publicly raised the issue of trade friction in regard to high import duty imposed by Indian on the imports of motorcycles from the USA. The bone of contention is three times announcement of import duty on the single item. This step may result into reciprocal duty the US may impose on Indian exports to USA.

The commitment to the relationship between India and USA is very strong. If a country had to point to a segment of the relationship among both nations, where both countries has friction, it is certainly a area of trade. Accordingly there is a concern in respect of considerable trade imbalance which in these days of 2018 is on the rise.

The US officials have pin pointed that Indian subsidy schemes are harming the interest of US workers and resulting into an uneven playing field. These include Merchandise Exports from India Scheme (MEIS); Export Oriented Units Program (EOUP); Sector Specific Schemes (SSS) such as Electronics Hardware Technology Parks Scheme (EHTPS); Special Economic Zones (EEZ); Export Promotion Capital Goods Scheme (EPCGS) and Duty Free Imports for Exporters Program (DFES).

Recently, the US has challenged India's export subsidy programs especially (MEIS) in the World Trade Organization (WTO). The US trade officials have come forward and seeking consultations with Indian trade officials under the umbrella of the WTO. Now India engaged itself in the process of consultation with US trade officials to make India's position known to US. Indian trade officials are of the view that US trade officials may adopt a positive approach to resolve the trade friction with India.

The major argument which the US trade officials have put forward is that India has crossed the target of the US $ 1000 Per Capita Gross National Income (GNI) during the last three consecutive years; hence is not eligible to extend export subsidies. While India's trade officials are of the view that there is a clause in WTO's Agreement in regard to Subsidies and Countervailing measures which authorise a country (India) for a period of 8 years for graduating countries (crossing the US $ 1000 mark) to phase out export subsidies. This is what India is going to place before US trade officials. Added to this, India is very much hopeful that US trade officials will take 8 years time frame clause and accordingly, India would ensure the phasing out export subsidies in given 8 years? However, there is confusion in respect of which year the 8 years time frame will be calculated. India is of the view that the reference year should be 2017 (rpt). Indian Government has pointed out that India has not violated any WTO rules and procedures and hence, would respond to the USA's application to the WTO.

WTO's Dispute Settlement Process:

The very first step available for resolving the trade dispute is the seeking consultation. India is taking this step and has started the process of consultations between the trade officials of both the countries. If trade officials between India and the USA failed in reaching out to a amicable solution based on mutually agreement through consultation, then the US trade officials may request the WTO for appointing a dispute settlement panel to examine the trade friction between both the countries. It is pertinent to mention here that Indian Government has lost two cases of disputes in regard to poultry and solar sector. Therefore, India has to be more careful and cautious this time.

India's Disappointment:

India has expressed its disappointment on the US decision to imposed high import duties on certain steel and aluminium goods. India should have been exempted from the duties as India is the strategic partner of the USA. Accordingly, India has conveyed its concerns. Presently, India is not a big exporter of these items to the USA. But in future India could emerge as an exporter of these items to the USA.

Despite increased concern over the earlier announced additional duties of 25 per cent and 10 per cent on steel and aluminium respectively, under the critical Section 232 provisions, the US Government has decided to investigate whether strategic industries namely automobiles and automotive parts are critical to US strength as a country are being undermined by Indian's imports.

Recently, Washington Trade Daily (May 24, 2018) has observed that US investigation will determine whether imports from India such as automobiles, including SUVs, vans and light trucks and automotive parts are becoming threatening to impair US national security as defined in Section 232.

India is of the view that like other nations with whom the USA has a strategic partner, India should have been exempted such measures taken by the US government. It is believed that such duties are imposed on security grounds and some of the major trading partners have been excluded from these duties. India should have been included in the list of exempted economies as India is not a security threat to the US [Teaotia 2017].

In 2017, US exports to India witnessed an increase of 18 per cent this reflects that market access in India is very open and there are enormous opportunities for US exporters to enhance the volume of trade with India. This all shows that India is no more security threat to USA. Hence it is inappropriate to apply these tariffs on India.

Silver lining:

It is being said that comprehensive negotiations that India and the US may take place and they have agreed upon to work together to expand trade. This has become necessitated due to 100 per cent tariffs charged by the Indian Government on US goods. In order to facilitate the comprehensive trade negations; Indian Government would send an official team to work out the details and initiate discussion on all persisting issues in respect of trade and economic relations. MA

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dr.iqbal@monarch-university.ch

DEMYSTIFYING SUCCESS AND HAPPINESS IN PROFESSIONAL LIFE

Debopam Chell
Assistant Vice President
Reliance Industries Limited
Mumbai

In professional career, sense of achievement (Satisfaction) and worldly accomplishments (Possession) are two most fundamental elements that drive people across the globe. Though everyone wishes to remain thrilled and committed for attaining one's life goals, 'Happiness' and 'Success' have different connotation to different people, based on their perception. JRD Tata once said, "No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people and is achieved by fair and honest means." So it is vital for today's professionals to demystify these terms, comprehend their significance and make the right choice. In common parlance happiness is an inner feeling that evokes positive emotions and brightens up one's mood. It lifts one's spirit and makes him energetic and motivated. On the other hand, success can be both, an internal or an external experience. A person who is down with prolonged illness does everything possible and finally comes out of his miseries. A student seeking to crack IIT or IIM ultimately manages to get through the examination by his determined efforts. These are some examples of success evaluated internally. But people around us might quantify success externally. For example, a person's bank balance, number of houses or cars he owns or his societal status can be construed as success from outside. To me, if success lies in accomplishment of goals, happiness can be experienced in the journey, i.e. while we become busy chasing these goals.

A few days back, I had an opportunity to visit one of my friend's factory premises and speaking to some of his employees. During my informal chat with them, I sensed that though the employees had everything that my friend could have asked for, the enthusiasm among team members seemed to have been missing. When I countered them with my apparent observation, there was a tall, bright guy who came forward and asked, "Sir, can you please articulate, how does an employee excel in today's outwardly challenging and competitive environment? In addition to domain knowledge, what are the key areas that he needs to focus for guaranteeing high intensity performance year-on-year? In midst of aggressive behaviour both from within and outside the organisation, how does he remain cool? What should he do to cope with occasional failure?" I thanked him for being truthful. I am convinced that these are legitimate questions which haunt today's professionals. However to appreciate the intricacies surrounding such bewilderedness, employees require an in-depth understanding of reality and thoughtful application of mind. They need to discover their uniqueness and respond sensibly in ever changing surroundings. Let me elaborate.

Today most of the individuals get into an organization through a stringent screening procedure, where amongst so many eligible aspirants, only the best find a place. Besides subject knowledge, applicants are tested in a wide range of parameters, including professional aptitude, emotional intelligence, clarity of thought, ethical orientation and many other psychological factors. Any candidate worthy of selection is expected not only to score highest marks in aggregate but also secure threshold grade in each of the chosen attributes. However, it is really baffling to observe that employees become disillusioned even after such superior staffing procedure. What really transforms technically brilliant individuals into average achievers? Let us go to the genesis of this weird coincidence.

Close scrutiny of workplaces reveal that there are three central aspects that remain on top of every employee's mind. Firstly, how to perform well on a consistent basis? Second, how to constantly remain focused and motivated towards goal? And third, how to get recognised for superior performance and be rewarded? This contracted vision gets manifested in their actions, e.g. regularly stretching in office beyond stipulated working hours; bringing office work back home; not spending sufficient time with family members and friends; and doing anything and everything possible to impress superiors for higher reward etc. At times this inner craving for recognition becomes so very intense that employees end up doing something absolutely crazy. Result being, they not only earn a bad name for their desperate actions, but also end up antagonizing many stakeholders. And once this damage is done, his actions thereafter become expressions of struggle, causing immense pain and anxiety. Eventually, employees become directionless, confused and depressed. They turn into mediocre performers. Now, is there anything that employees could do differently? Let's find out.

Imagine an employee carrying out all the instructions of his manager diligently without even asking a single question. By doing so, he earns the tag of being the most trustworthy and obedient follower but as his managerial skills are not manifested, every now and then this timid approach sends out wrong signal. People start doubting both, his subject knowledge and courage to express views independently. Moreover, this hesitant conduct slowly suppresses the creative side of the brain and limits his performance further. Finally he gets branded as an insignificant contributor. On the contrary, if he speaks out very often in every meetings and discussions, he gets labelled of being an exhibitionist - a domineering individual. His outspokenness and impromptu ideas make others uncomfortable. Candid views start getting viewed as arrogance and irritate his immediate supervisor, who construes such behaviour as direct threat to his authority. Another important aspect that we notice in today's vibrant organisations is that employees who regularly seize new initiatives are appreciated by supervisors. And when such initiatives go beyond one's area of expertise, this enthusiasm and positivity, create an enduring impression on higher management. They start perceiving the individual as a budding leader. But there is a pitfall in this system as well. Sometimes, peers view such enterprising efforts as unwarranted interference. They start disliking the individual silently. Really, an agonizing situation for any employee. Therefore while dealing with any situation or person, one needs to be extremely cautious. He can ill afford to create cracks within the team and spoil the cohesiveness. He should neither give an impression of being a dumb or an over smart individual. In fact, office dynamics is completely different from the environment seen in educational institutions. To succeed here, employees have to strike a three way balance i.e.

a) Constantly attempt at improving his worth. To meet growing challenges within the organisation, master new skills, enhance competency and stay future ready;

b) Maintain a harmonious relationship with all stakeholders. To build a superior connect within the organisation, invest time and efforts in meaningful discussions, engage in productive networking; and

c) Remain ambitious in actualizing his potential without compromising on individuality. To execute different ideas and not be cocooned by the fear of failure.

I agree it is exceedingly difficult to walk on such a tight rope; trying to balance between frying pan and fire. But to remain as a significant contributor and yet be happy, one has to pursue a superior behavioural blueprint which includes:

1. Discovering one's USP (Unique Selling Proposition). Remember, every one of us is blessed with some distinct quality which differentiates us from others. Look out for this uniqueness in you. What do you do better than your peers and how can you use this to help others? Silently observe, are you counted for out of box thinking? Are you the go to man when your team faces challenging targets or timelines? During crisis management, do others bank on your active involvement? In nutshell, prerequisite is, basis your interactions with various groups, figure out that uniqueness and build on it. Use your distinctiveness to create positive experience among people. Always bear in mind, when you harness your exceptionality in achieving team goals, chances are you will be more successful.

2. Do a SWOT (Strength, Weakness, Opportunities and Threats) analysis. It is bound to help you set your priorities. Focus improving on weak areas; dedicate time to build additional skill sets. This conscious effort will improve both, your efficiency and effectiveness at work. You will experience appreciation pouring in for your appetite aimed at value addition. However, it is equally important to be aware of one's limitations. Surely, there would be something which is beyond your reach. Do not try too hard and get disheartened. Researches on superior employee performance reveal that one needs to work more often using his strengths and spend relatively lesser time in fixing weak areas. Thus, if you devote, say about 75% of your time working with the tide (using your strengths) and spend 15% of your time for self-improvement (overcome weaknesses), you will have a better chance to succeed. Similarly, awareness of various opportunities and threats that lie ahead of you shall provide critical inputs in shaping the direction of your voyage. Acknowledge

them and plan your moves.

3. Discover your AI (Adaptability Index). How quickly you adapt to changing situations, shall help you walk the road to success. Flexibility in navigating through unexpected terrain adds character to one's armour. Remember, victory does not necessarily come from following one's original track. Time and again, it has been proven that success is directly associated to one's ability to learn from mistakes and improvise. It depends on one's attitude to rise after every fall and if need be, choose a completely different path from the one set out earlier. What went well in past will not guarantee similar success. It is simply an indicator to chalk out future course of action. So step out of your comfort zone, try adapting to changes. Mature through life's experiences and evolve continuously.

4. Acceptability among peers go a long way in making our journey interesting and rewarding. Instead of being recognized as fierce competitor, one needs to collaborate. I agree that individual aspirations will be playing at the back of your mind but sometimes you ought to set aside your personal ambition and help others genuinely (especially, when they need the most), without feeling the need of instant reciprocation. You ought to be prepared to sacrifice personal milestones for achieving collective good. After all what does a TEAM stand for? It means - Together Everyone Achieves More. Believe me, it is worth the efforts to build superior relationship - be trusted and counted by stakeholders.

5. Dependability as viewed by seniors, determines our progress at workplace. Make them believe in your abilities. For continuance of their trust, rise above past unpleasant encounters and support them wholeheartedly. No, that does not mean surrendering meagrely to their narrative. As professional, you must express your viewpoint objectively; discuss and deliberate on available options, evaluate pros & cons and finally arrive at a collective decision. This exercise is not to score brownie points over others when some of your suggestions are accepted. Rather, it is an opportunity of enriching yourself with alternate viewpoints and implementing what is best for the organization. Always keep in mind that, even if your proposal is rejected, you ought to remain cent percentage committed during implementation of the chosen alternative.

In contrast, senior executives who are already at the top of the pyramid, my recommendation will be a tad different. When you choose to remain level headed and make yourself available to subordinates' needs, you will benefit immensely. As you have that invaluable experience of various accomplishments and setbacks, you have that much more insight to share with junior colleagues. Words of wisdom and compassion that you display shall help them to be on a sound footing. It would be worthwhile, if you choose to:

1. Be a mentor. In one's hectic work schedule - be it to increase plant's productivity or creating a superior brand value for merchandise or deciding on a new investment plan or increasing market capitalization of your company or be it in any other fields within the organization, one very important aspect that often gets ignored is creating the second line of leadership. Just like an 'organization', which is a 'going concern', there has to be continuity in vision and direction of leadership. Thus mentoring subordinates become that much more important. Have regular feedback conversation with your subordinates. Don't just tell them what to do or how it is to be done, instead, prepare them to face tomorrow's challenges with grit and conviction. Ask probing questions. Let them explore solutions. This will empower and bring out the best in them. Yes, at times they will falter but you can remind yourself of the leadership lesson from a mother - helping her child to learn walking. Though initially the child tumbles and gets few bruises here and there, she does not stop. She persuades him to get up and try once more. Same applies at workplace. Make sure your subordinates benefit from your guided way and not just the easy or the hard way.

2. Surround yourself with people who are more skilful and adept. Although you might be principal architects behind organisation's stellar performances and growth so far, you can raise the bar of company's success further by surrounding yourself with people having different talents, skills and experiences. Stop being threatened by their virtues or level of proficiency. With your maturity, more you channelize your energy to bring synergy among varying intellectual thoughts, better would be the result for the team in particular and the organisation in general. Make no mistake, when everyone performs well your aspirations of going further up the ladder automatically materializes. But if you are sceptic and enjoy being surrounded by lesser mortals who hardly engage in free and candid professional discussions, you will lose out on your effectiveness. Sooner or later that cutting edge will disappear. True, some of the subordinates shall not have the courage to contradict your views but you ought to encourage them for making constructive criticism. Insipid behaviour of the yes men

surrounding you shall definitely hamper your growth; deter you from attaining higher feats.

3. Let go the complex. Today it is fairly common that managers and subordinates work in different time zones, different offices or projects or in different geographical locations and hence seldom meet. Communications with team are mostly through e-mail, telephone or video conferencing. However, there can be no better bonding than to have face to face periodical interactions with the team. When you sit down with them you can experience their ways of handling issues. You must agree that basis your past learning and belief you have developed your personal style of trouble shooting. But today's problems can be more complex. Any cut and paste solutions in fixing them might not work. In the era of Internet of Things (IOT), Artificial Intelligence (AI), Robotic Process Automations (RPA), Chatbot Programmes (BOT), Augmented Reality vs. Virtual Reality (AR/VR) etc., your method of mitigating problems, might be less effective. You should not think of your limitations and get scared. It is better to open up. Remember, accepting inadequacies in front of your subordinates shall not make you look less competent. On the contrary, when you offer yourself to learn today's stuff; it will help you garner greater respect. You can exert that extra push to become more techno savvy and feel confident. You will be better equipped to respond to future challenges at workplace. In the whole process you will reinvent yourself.

To put it differently, you must practise a virtuous style of leadership. Comprehend the work environment well. Act sometimes like 'Ram' and sometimes like 'Krishna'. If you are the Ram of your team, you have to fight the battle with full vigour. Being the most skilful fighter in the team, entire responsibility rests on you to direct and lead from the front with lesser skilled warriors. At each and every step you need to strategize. Regularly narrate the bigger picture, remind teammates of their goal, articulate dos and don'ts and prepare their Standard Operating Procedures (SOPs). Clearly communicate them on individual roles and responsibilities and seek their understanding. What's more important, empathize with less significant contributors and make them feel important. Bind the team together. On the other hand, if you are the Krishna of your team, you already have the star performers in your side. Reminding them of the roadmap or their day to day schedules are not necessary. In fact, your continuous and explicit directives might de-motivate them. This action can suffocate and drive them away from you. Remain conscious that you won't engage in day to day counselling. This resource pool does not warrant that kind of micromanagement. Your engagement will be to remove their illusions, cluttered belief and needless worries. You need to support them in discovering the truth and reach the cherished goal. At occasional failures and grief stand by them; display that optimistic smile. Be the symbol of reassurance. Ensure well-being of everyone around you. Be a real life 'Sarathi'.

To sum up whether you are the leader or the junior most employees in the organization, chose your action in following order:

a) do what is good for the organization;

b) do what is good for your team; and the

c) do what is good for you.

Once you internalize the above sequence and demonstrate them in your actions and behaviour, you can rest assure that success and happiness shall be your lifelong companion. I wish to summarize with my mantra. Work with 'PEACE' i.e. Prepare well, Execute meticulously, Achieve collectively, Create congenial atmosphere and Emerge as a successful person with inner happiness. MA

debopamchell@yahoo.com

CORRIGENDUM

In the Article / Case Study "Jet Airways: A Voyage of Stress & Strain" published in The Management Accountant, September 2018 issue written by CMA Dr. Sreehari Chava read as under on page 94, second para under the subhead 'Passenger Load Factor'

PLF can be calculated by dividing the Passenger Seat Kilo Meters (PSKM) with the Available Seat Kilo Meters (ASKM).

Passenger Load Factor	=	(Passenger Seat Kilo Meters) / (Available Seat Kilo Meters)

FORMULATING BUSINESS STRATEGY AND DRIVING BUSINESS PERFORMANCES SUCCESSFULLY:

NEED TO LEARN A LOT FROM FORMULA 1 SPORT

CMA Mrutyunjaya Mohanty
Managing Partner
MSQUARE Management Consulting Services LLP
Bangalore

I started following Formula1 (popularly called F1) after the first F1 racing driver from India Narain Karthikeyan made his debut in year 2005 with the team Jordan. Since than I have been following the sport and have been to F1 circuit few times to watch the race live. Within no time I became a fan to this novice sport and thoroughly enjoying it till now. Some times when some of my other choice sports plays concurrently same time like cricket, tennis grand slam andbadminton super series, I prefer not to miss out F1 race.

You may be wondering how come I afford to miss out our most popular game of cricket to F1. Its' not because of seer passion for the F1 sport but because of the things I have learned over the years from this sport which I have effectively used in running the business & profession for various corporates. What are thosetraits than;

*# **Strategy formulation:*** No team can win a F1 race unless they develop a robust and right strategy for the race. Each F1 teams' principal along with crew and race drivers do lot of brain storming and drawing board scratch before the race. They formulate strategy relating selectionof tyresout of permissible 8 to 9 types based on track temperature and climatic condition. They develop strategy relating to re-fueling,fuel load, number of pit stop, investment in car design, engineering upgradeand so on. The correct strategy can win the race for the team.

In business environment, firm needs to develop a robust business strategy for success. Strategy reflects the firm's strength, vulnerability, resources and opportunities. Formulating strategy forcorporate vision, growth, competitive market positioning, resource allocation& operational efficiencyis paramount importantto drive a business successfully like winning a F1 race.

*# **Strategy execution:*** Mere formulating a great strategy and lacking in successful execution has no value. The hardest part is executing those strategies whether it is F1 sport or in business environment. On F1 race day team principal with crew are on high concentration in executing those strategies whether it is a pit stop decision, overtaking area, refueling timing (though this has been debarred since 2010), replacing tyres and so on. The timing of calling these shots are very critical. One or two right callswill land the team into a winner.

In business environment, strategy execution is a complex process. Each company large or small, needs to master crucial strategy execution skills. We need to break down each strategy into action plan, operational activities, KPIs and goals. Need to assign each activities to a Key Management Person (KMP) with target time line. Periodical monitoring of progress with drive from the top and taking C-suite executives together in this process are important. Balance Score Card is a good tool in helping organization in translating high level strategy to something actionable and measurable and achievable targets.

*# **Team work:*** Pitstopsare one of the most tense and exciting features of a F1 auto race. In fact, races are frequently won or lost because of pit stops and pit crews. In just a few seconds (typically 4-6 seconds) a huge number of actions are carried out by a pit crew concurrently as well as sequentially.F1 pit stop activities are one of the best example of team work.

In business environment, team work fosters creativity and learning. Creativity inspires employees to thrive together and work together in a team to provide solution to business problems. Novel ideas are generated by individuals while working in a team which is than brainstormed and result into effective solutions.Teamwork also allows helping and sharing workload with another team member for the common goal. Risk taking decisions are pretty easy when employees are working in a team. Working in a team is inspiring, fun and bring pleasure. It boosts productivity. Teamwork establishes and develops strong relationship among co-workers. It teaches conflict resolution skills.

*# **Accuracy & speed:*** The most challenging task for F1 drivers and crews are maintaining accuracy and speed at all the time. Little error during starting stage of the race or while overtaking or any time during the race session in track or in pit lane entry and exit can throw the driver out of race competition. The margin of error is very low. Any error in formulating a strategy or error in executing a right strategy can blow the team out of proportion.

Business simply can't afford loss in quality or mistakes. Improving accuracy in workplace is best achieved with a careful and eagle-eyed companywide system of checks and balances. Implementation of Total Quality Management (TQM) can improve the accuracy. Continual training of employees and empowering them with emphasis on their strength can give them a feel good effect and can create high quality product and service. Focus on execution of task and speedy deliverables is what is expected from business leaders like F1 drivers in race track. MA

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m.mohanty@msquaremanagement.com.

THE EMERGING DIVERSITIES IN FINANCIAL PERFORMANCE OF BSNL

Prof.M.Yadagiri
Dean
Faculty of Commerce and Business Management
Telangana University
Nizamabad

B.Rajaram
Ph.D. Scholar
Department of Commerce
Telangana University
Nizamabad

It is proposed to examine the emerging diversities in financial performance of Bharat Sanchar Nigam Limited. Generally, the financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analysis attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring returns to the shareholders to maintain at least its market value.

Review of Literature

Eljelly (2004)[1] in his study empirically examined the relationship between profitability and liquidity, as measured by current ratio and cash gap (cash conversion cycle) on a sample of 929 joint stock companies in Saudi Arabia. Using correlation and regression analysis, Eljelly found significant negative relationship between the firm's profitability and liquidity level as measured by current ratio. This relationship is more pronounced for firms with high current ratios and long cash conservation cycles. At the industry level, however, he found that the cash conversation cycle or the cash gap is of more importance as a measure of liquidity than current ratio that affects profitability. The firm size variable was also found to have significant effect on profitability at the industry level.

R.Ananthi&R.Sriram(2012)[2] in their Research Article on "Performance Evaluation of Selected Telecom Companies in India – A taxonomy Approach" In their study they have selected the Bharti Airtel, BSNL, Idea Cellular, MTNL, Reliance Communications and Tata communications for Evaluation of Performance and concluded that the Liquidity Ratio of BSNL stands top with 0.65 points when compare to other service providers, in case of Turnover Ratio the Reliance Communications occupied the first position with 0.94 points, in case of Profitability position of the companies, the Airtel takes top position with 0.92 points, Reliance ranked second with 0.85 points and BSNL ranked third with 0.63 points followed by Tata, Idea and MTNL.

Dr.M.Dhanabhakyam&Swapna Kurian (2012)[3] in their Research Article "Profitability Analysis of Bharath Sanchar Nigam Limited (Bsnl)" calculated the Net Profit Ratio, Return On Assets Ratio, Return On Equity, Earning Per Share and Cash Profit Ratio from the year 2001-02 to 2010-11 and concluded that the profitability ratios shows fluctuating trends except last two years and the last two years ratios shows negative values except cash profit ratios.

N.Swapna (2012)[4] in her Research Article "Telecommunication Sector in India – An Analysis" concluded that the telecom industry in India has witnessed a phenomenal and manifold growth over the recent years. In the country, personalized telecom access has become an essential necessity of life for a growing number of people. The telecom sector in India holds unlimited potential talking of future growth. In the nation, both Public as well as private firms are vigorously enhancing their technologies in a venture to take the telecom industry in the country to a much higher development.

Dr.PaporiBaruah&RashmiBaruah (2014)[5] concluded in their Research Article "Telecom Sector in India: Past, Present and Future" that the growth and development of Telecom sector of India has made it a key contributor in India's economic and social up gradation. Every functional division and service provider of Telecom Sector of the country is trying to provide world class telecom infrastructure in its area of operation to give services to its customers and so, helping the country to progress in the global scenario.

Anshu Gupta (2015)[6] in his Research Article "Financial

The present studyaims to examine the emerging diversities in financial performance of BSNL for the period from 2007-08 to 2016-17. Generally, the financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analysis isan attempt to measure the firm's liquidity, leverage, activity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring returns to the shareholders to maintain at least its market value. The average liquidity and solvency position of the BSNL is satisfactory. The Debtors turnover and working capital turnover ratios also satisfactory whereas the profitability position in terms of return on assets, return on capital employed and earning per share is not satisfactory. The study will help the stakeholders of the BSNL to take the necessary steps to improve the profitability position of the firm

Performance Evaluation of Telecommunication with special reference to BSNL" concluded that the BSNL follows aggressive policy of managing liquidity & company has sufficient liquidity assets to satisfy its short term liabilities. After overhauling the five years balance sheets of BSNL and all conditions, the author concluded that BSNL is facing the capital problem because of which financial position of BSNL are affected. Financial position of BSNL was good in 2004 comparative to present year. The profits of the company are decreasing year by year due to maintaining high liquidity.

Ms.Pritish, Dr.TarunaSaxena (2015)[7] in their Research Article on "An Analysis of the Indian Telecom Industry" concluded that the Indian Telecom Industry contributes significantly to the overall socioeconomic development of India. It is an essential tool for the growth of the nation and the various telecom service providers offer voice and data services to the customers across different regions of the country including both urban and rural areas thereby facilitating the growth of this industry.

Objectives of the Study

The following are the important objectives of the study;

1. To identify the liquidity position of the company.
2. To examine the solvency position of the BSNL.
3. To study the profitability position of the company.
4. To assess the earning capacity of the BSNL.

Methodology

The emerging dimensions of financial performance has made an attempt to assess the overall financial performance of the BSNL on the basis of liquidity ratios,solvency ratios,activity ratios and profitability ratios for the period of ten years commenced from 2007-08 to 2016-17. The relevant data collected from various issues of BSNL annual reports.

Scope of the study

This study is an attempt to focus on an assessment of the financial performance of the BSNL from the perspective of the liquidity ratios, solvency ratios, activity ratios and profitability ratios. The study period is ten years starting from the year 2007-08 to 2016-17.

Limitations of the study

The study is carried out with the help of secondary data. The reliability of the results will be based on authenticity of the collected data. Secondary data is mainly accessed due to lack of access to primary data related to financials of the company.The study is based on the data of BSNL; therefore the generalisations drawn from the study may not be uniformly applicable to the entire telecom sector in India. In the analysis of data while calculating the percentages, averages and other statistical measures the figures are to be approximated. In spite of enough care taken in approximation, sometimes the totals may not exactly agree.

I. Liquidity Ratios

Liquidity is a prerequisite for the very survival of a firm. The short term creditors of the firm are interested in the short term solvency or liquidity of a firm. The liquidity ratios measure the ability of a firm to meet its short-term obligations and reflect the short term financial strength/ solvency of a firm. There are three important liquidity ratios namely current ratio, quick ratio and cash ratios. The liquidity ratios of BSNL for the period from 2007-08 to 2016-17 are presented in the Table – 1

Table – 1: Liquidity Ratios of BSNL

Year	Current Ratio	Quick Ratio	Cash Ratio
2007-08	2.50	2.37	1.73
2008-09	2.29	2.12	1.49
2009-10	1.17	1.06	0.63
2010-11	0.98	0.84	0.09
2011-12	1.24	1.05	0.10
2012-13	0.90	0.71	0.06
2013-14	1.11	0.93	0.05
2014-15	0.78	0.62	0.05
2015-16	1.09	0.85	0.06
2016-17	0.82	0.81	0.19
Average	1.29	1.14	0.44

Source: Various issues of BSNL Annual Reports.

Findings and Discussion

Current Ratio: The current ratio of the BSNL in the year 2007-08 is2.5, it implies that for every one rupee of current liabilities, current assets of two-and- half rupees are available to meet them. In other words, the current assets are two-and –half times the current liabilities. The liquidity position of the BSNL is good since there is margin of safety of 150 percent to the creditors. The current ratio in the year 2008-09 is 2.29 it indicates that the firm is easily able to meet its current liabilities as it is above the ideal current ratio though there was slight decrease in the current assets from the previous year. The current ratio is 1.17 in the year 2009-10 and there was a decrease of 1.12 compare to its previous year due to increase in the current liabilities and decrease in the current assets. The current ratio was further declined to 0.98 in the year 2010-11. Then after, the current ratio has increased to 1.24 from 0.98 in the year 2011-12. The current ratio in the year 2012-13 was 0.90 with 0.34 decrease due to increase in the short term borrowings compare to its previous year. There was a slight increase in the current ratio in the year 2013-14 and stood at 1.11 and again it was decreased to 0.78 in the year 2014-15. The current ratio was increased to 1.09 in the year 2015-16 and further declined to 0.82 in the year 2016-17.

The current ratios of the BSNL for the entire period of the study were not consistent, there was ups and downs noticed. The average current ratio for the period under review is 1.29. It shows that the company is able to meet its current liabilities with the available current assets. Since, telecommunication is capital intensive industry, more funds are required to be invested in capital assets, in the same way BSNL as a leading public sector telecom service provider was invested more funds in the capital assets. Due to these reasons, there was volatility in the current ratios of the BSNL from year to year. The overall current ratio of the BSNL for the period under review is satisfactory but it need to take measures to improve the current assets and decrease the current liabilities.

Quick Ratio: The quick ratio of the BSNL in the year 2007-08 is 2.37 and it shows that the acid-test ratio of the BSNL is more than the ideal quick ratio and also it is the more than the industry average. The quick ratio of the BSNL in the year 2008-09 is 2.12, though it showed slight decline from the previous year, the company has more liquid assets to meet its current liabilities which is in satisfactory level. In the year 2009-10, the quick ratio of the BSNL is 1.06, it is in satisfactory level and the company can meet its current liabilities. The quick ratio in the year 2010-11 is 0.84 which shows the decline in the liquid assets when compare to the previous year and it is below the standard quick ratio. In the year 2011-12, the quick ratio of the BSNL is 1.05 the quick assets are enough to meet the current liabilities which are in satisfactory level. The quick ratios of the BSNL from the year 2012-13 to 2016-17 are below the standard level that shows the liquid assets are decreasing and not sufficient to meet its current liabilities. However, the average quick ratio of the BSNL for the entire period under review is 1.14 which is considered satisfactory. Over the years the company has built up a strong ethics of liquidity and its highly liquid components of current assets have been more than the illiquid items. This gives the confidence to both the insiders who deal with the company on day-to-day basis and the vendors and the suppliers.

Cash Ratio: The cash ratiosof the BSNL in the year 2007-08and 2008-09 are1.73 and 1.49. In these two years it shows that the company is maintaining more cash and equivalent of cash balances to meet its current liabilities. From the year 2009-10 onwards there is a continuous decline of cash ratios having less than 1 in the remaining the period of the study. It indicate that the company is not having sufficient liquid cash and cash equivalent to meet its current liabilities.The average cash ratio of the BSNL for the entire period under review is 0.44 which shows that the company's liquid cash is not sufficient to pay off its short term creditors, this leads the company to go for short term borrowings.

II.Leverage /Solvency Ratios

The second category of financial ratios is leverage or solvency or capital structure ratios. The long-term solvency of a firm can be examined by using leverage or capital structure ratios. The leverage or capital structure ratios may be defined as financial ratios which throw light on the long-term solvency of a firm as reflected in its ability to assure the long-term creditors with regard to periodic payment of interest during the period of the loan, repayment of principal amount on maturity or predetermined instalments at due dates. Thedata related to the important leverage ratios of the firm such as debt ratio, debt-equity ratio, interest coverage ratio and proprietary ratio are presented in the Table – 2.

Table – 2: Leverage Ratios of BSNL

Year	Debt Ratio	Debt Equity Ratio	Proprietary Ratio	Interest Coverage Ratio
2007-08	0.30	0.053	0.95	6.16
2008-09	0.32	0.046	0.96	3.87
2009-10	0.57	0.019	0.98	-5.25
2010-11	0.37	0.023	0.98	-15.87
2011-12	0.37	0.162	0.86	-46.91
2012-13	0.42	0.198	0.83	-21.63
2013-14	0.46	0.206	0.83	-31.44
2014-15	0.51	0.079	0.93	-16.62
2015-16	0.51	0.189	0.84	-6.67
2016-17	0.30	0.143	0.87	-31.65
Average	0.41	0.112	0.90	-16.60

Source: Various issues of BSNL Annual Reports.

Debt Ratio: It is observed that the debt ratios of the BSNL are moved from 0.30 to 0.57 in the entire period of the study with an average of 0.41. It shows that almost in all years the debt ratio is below 0.50 except the years 2009-10, 2014-15 and 2015-16. Even theses three years also it is much near 0.50. Therefore it can be concluded that the firm is less risky and has twice as many assets as liabilities. It means the BSNL liabilities are less than 50 percent of its total assets. The average debt ratio of the BSNL during the study period is 0.41 or 41 percent which is below the ideal debt ratio. Thus the solvency position of the BSNL is very good. The telecommunications is capital intensive industry and most of the telecom service providers have more debt burden. But the debt burden of BSNL is very low when compare to other telecom operators in the country and also it is very low when compared with the total industry average[8].

Debt - Equity Ratio: It is noticed that, in the entire period of the study the debt equity ratios are moved from 0.02 to 0.21. It shows a trend of much low debt equity ratios. It means that the BSNL has been much friendly in financing its growth with debt and more aggressive in financing its growth with equity. The average debt equity ratio is low at 0.11. This is an indication of improper debt equity management. As the BSNL is cent percent Government owned company, the government waiving the loan amount taken from the government. Thus the debt liability of BSNL abnormally declining and the proportionately equity has been increasing. During financial year 2013-14, the loan from the Government of India amounting to Rs.98, 318 lakh was waived off and adjusted against capital reserve under previous GAAP. Under Indian AS, since the shareholder has forgiven the debt, it is likely that the Government has acted in the capacity of a shareholder and therefore the forgiveness of debt should be treated as a capital transaction. Accordingly, the debt forgiven has been reclassified to other equity as on transition date amounting to Rs. 98,318 lakh. This has resulted in decrease in capital reserve amounting to Rs. 98,318 lakh and corresponding increase in other equity amounting to Rs.98,318 lakh as on transition date.

Interest Coverage Ratio: The interest coverage ratios of the BSNL for the year 2007-08 and 2008-09 are 6.16 and 3.87 respectively. It means that the BSNL having better financial health as the company is more capable of meeting its interest obligations from operating earnings in 2007-08 and 2008-09. From the year 2009-10 onwards the interest coverage ratios are negative moving from -5.25 in the year 2009-10 to -31.65 in the year 2016-17. The average interest coverage ratio is also negative with 16.60. This situation indicates that the ability to meet interest expenses may be questionable and it can be concluded that the BSNL is not generating sufficient revenues to satisfy interest expenses.

Proprietary Ratio: During the period of the study from the year 2007-08 to 2016-17, it is observed that the proprietary ratios are moved from 0.83 to 0.98 with an average of 0.90. It shows that the entire period of the study the BSNL having the proprietary ratio between 0.75 and less than 1. Therefore, it can be concluded that there are no outside liabilities to the BSNL and all the funds employed are those of BSNL shareholders. Thus this is the main cause for lower rate of dividend payable to the shareholders of BSNL in every year.

III. Activity Ratios

Activity ratios are concerned with measuring the efficiency in asset management. These ratios are also called efficiency ratios or asset utilization ratios. The efficiency with which the assets are used would be reflected in the speed and rapidly with which assets are converted in to sales. Turnover is the primary mode for measuring the extent of efficient employment of assets by relating the assets to sales. An activity ratio may, therefore be defined as a test of the relationship between sales (more appropriately with cost of sales) and the various assets of a firm. Depending upon the various types of assets, there are various types of activity ratios. The data related to importantactivity ratiosof debtors' turnover, creditors turnover, net assets turnover and working capital turnover areshown in the Table – 3.

Table – 3: Activity Ratios of BSNL

Year	Debtors turnover ratio	Creditors Turnover ratio	Net Asset Turnover Ratio	Working capital turnover
2007-08	6.96	3.94	0.41	1.08
2008-09	7.59	3.36	0.39	1.12
2009-10	6.75	2.53	0.37	4.84
2010-11	4.69	2.53	0.37	-14.17
2011-12	7.05	2.73	0.34	8.26
2012-13	9.19	2.78	0.36	-9.39
2013-14	10.13	3.27	0.41	21.87
2014-15	12.31	3.39	0.56	-5.16
2015-16	12.59	4.37	0.64	28.24
2016-17	10.18	4.32	0.28	-9.06
Average	8.74	3.32	0.41	2.76

Source: Various issues of BSNL Annual Reports

Debtors Turnover Ratio: It is noticed that the debtors' turnover ratios are moved from the lowest of 4.69 in the year 2010-11 to the highest 12.59 in the year 2015-16 with an average of 8.74. In the year 2007-08, the debtor turnover ratio is 6.96 and it was increased to 7.59 in the year 2008-09. Whereas the ratio was decreased by 10.97 percent and 30.54 percent in the year 2009-10 and 2010-11 respectively. There was an abnormal increase in the year 2011-12 by 50.27 percent. The upward trend was continued year after year up to 2015-16. But in the year 2016-17 the debtors turnover ratio is stood at 10.18 by decreasing 19.16 percent when compared with the its previous year 2015-16. As the average debtors turnover ratio is 8.74 which is considered good for the BSNL during the period under review. Therefore, it can be concluded that the BSNL collecting their receivables more frequently throughout the year.

Creditors Turnover Ratio: It is observed from the creditors' turnover ratios of the above table that, the creditors' turnover ratios are ranged from 2.53 in the year 2010-11 to 4.37 in the year 2015-16 during the period under review. It is also noticed that the ten years average of creditors turnover ratio is 3.32, which indicates that the BSNL enjoy the credit period in paying creditors. This situation enhance the credit worthiness of the organization. The creditors' turnover ratio is 3.94 in the year 2007-08 but it was declined by 14.59 percent and 24.81 percent in the year 2008-09 and 2009-10 respectively. It is noticed that there was no change in the creditors' turnover ratio in the year 2010-11. However this ratio was increased by 7.75 percent and stood at 2.73 in the year 2011-12. The same increasing trend was continued up to 2015-16 and the ratios ranged from 2.78 to 4.37. But there was a slight decline by 1.07 percent in the year 2016-17 and the ratio stood at 4.32.

Net Assets Turnover Ratio: The net assets turnover ratio of the BSNL is ranged from 0.28 to 0.64 with an average of 0.41. It means the BSNL is financing its net assets out of its own funds has the average ratio is 0.41. And the balance of own funds to the tune of 0.59 are used from working capital also. Hence, the stakeholders in this regard not favourable to the composition of financing the assets. In the year 2015-16, the net assets turnover ratio is much favourable at 0.64 when compared with the remaining all other years of the study period. It shows that 64 percent of the own funds of the BSNL financing its net assets and the remaining 36 percent are used for working capital. Similarly in the year 2014-15, 56 percent of own funds used for financing its fixed assets and remaining 44 percent used for working capital purpose. In all remaining years the funds were used less than 50 percent for financing its fixed assets and more than 50 percent funds used for its working capital purpose. Therefore it can be said that this is not a happy situation because the real assets created by the company purely out of internal accruals and surpluses will bring in considerable appreciation in the market value of these assets. Thereby the company will be in a not good position to tide over any extreme though unlikely, situation a future date.

Working Capital Turnover Ratio: It is noticed from the working capital turnover ratios of the table that the ratios are more volatile during the period of the ten years study. The highest working capital turnover ratio is 28.24 in the year 2015-16 which is increased by 647.19 percent when compared with its previous year 2014-15. As against this the lowest working capital turnover is -14.17 with the decrease of 392.73 percent in the year 2010-11. Therefore it can be concluded that the working capital turnover ratios are moved from the lowest of -14.17 to the highest of 28.24 during the period under review. Though there was a significant fluctuations the average working capital turnover is 2.76, which indicates a good sign for the effective utilization of working capital in the BSNL and it also indicates that the BSNL is actively generating sales from its working capital, which is a positive indicator of future prospects of the orgnisation.

IV.Profitability Ratios

The profitability reflects the final result of the business operations. Profit earning is considered essential for the survival of the business. There are two types of profitability ratios profit margin ratio and the rate of return ratios. Profit margin ratios shows the relationship between profit and sales. Popular profit margin ratios are gross profit margin and net profit margin ratio. Rate of return ratio reflects between profit and investment. The relevant data concern to return on assets and return on capital employed along with earnings per share is presented in the Table – 4.

Table – 4: Profitability Ratios of BSNL

Year	Return on Assets	Return on Capital Employed	Earnings Per Share (In Rs.)
2007-08	3.23	5.72	4.43
2008-09	0.62	1.85	1.15
2009-10	-2.04	-2.09	-3.65
2010-11	-7.64	-7.56	-12.77
2011-12	-10.94	-10.44	-17.7
2012-13	-10.06	-9.97	-15.77
2013-14	-9.77	-9.95	-14.04
2014-15	-13.77	-16.15	-16.47
2015-16	-7.56	-6.94	-7.76
2016-17	-5.87	-4.15	-9.59
Average	-6.38	-5.97	-9.22

Source: Various issues of BSNL Annual Reports.

Return on Assets: The return of assets ratios of the BSNL indicates that only in the year 2007-08, it was 3.23 percent, then after it was declined to 0.62 percent in the year 2008-09. Then after from the year 2009-10 onwards the return on assets ratios of the BSNL are negative moved from -2.04 to -13.77 with an average of -6.38. Therefore it can be concluded that almost in every year the BSNL incurring heavy losses due to over capitalization and underutilization of the existing assets.

Return of Capital Employed:The return on capital employed of the BSNL is good at 5.72 in the year 2007-08. Immediately in the year 2008-09 it was drastically declined by -67.68 percent. From the year 2009-10 onwards there was a continuous decline up to 2016-17. The average return on capital employed of BSNL registered at -5.97 during the period of the study. The return on capital employed ratios are moved from -2.09 percent in the year 2009-10 to -16.15 percent in the year 2014-15. Then after in the year 2015-16 there was an increase of 57.02 percent, however the ratio is -6.94 only. Similarly there was a growth of 40.16 in the year 2016-17 even though the return on capital employed in that year was -4.15. Therefore it is observed that from the year 2015-16 onwards the company trying to improve the return on capital employed slowly. There is urgent need for turning for return on capital employed from negative to positive and increase the return on capital employed ratio year after year otherwise the company would not survive successfully.

Earnings per Share: It is noticed that in the year 2007-08, the earning per share of the BSNL is 4.43. Then after in the year 2008-09 it was declined by 74.04 percent and stood at 1.15. From the year 2009-10 onwards the earning per share of BSNL has continuously declined year after year with -3.65 to -16.47 percent in the year 2014-15 with the increased growth rate. The average earning per share during the period of the study registered at -9.22 percent. It indicates that the poor profitability of the company. Thus, it is suggested that the BSNL has introduced the necessary measures for increasing its profit making capacity in the near future, otherwise it may not survive for a long run with this declined trend of EPS.

Conclusions:

The overall liquidity position of the BSNL is satisfactory during the entire period of the study.The solvency position of the BSNL is very good since its debt burden is low. The debt liability of BSNL abnormally declining and the proportionately equity has been increasing.It can be concluded that the BSNL is not generating sufficient revenues to satisfy interest expenses.It is also observed that the BSNL collecting their receivables more frequently throughout the year.The ten years average of creditors turnover ratio is 3.32, which indicates that the BSNL enjoy the credit period in paying creditors. This situation enhance the credit worthiness of the organization.The real assets created by the company purely out of internal accruals and surpluses will bring in considerable appreciation in the market value of these assets.BSNL is actively generating sales from its working capital, which is a positive indicator of future prospects of the orgnisation.Almost in every year the BSNL incurring heavy losses due to over capitalization and underutilization of the existing assets.It is noticed that from the year 2015-16 onwards the company trying to improve the return on capital employed slowly.There is a urgent need to turn for return on capital employed from negative to positive and increase the return on capital employed ratio year after year otherwise the company would not survive successfully.The average earning per share during the period of the study is negative. It indicates that the poor profitability of the company. Thus, it is suggested that the BSNL has to introduce the necessary measures for increasing its profit making capacity in the near future, otherwise it may not survive for a long run with this declined trend of EPS. MA

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Foot Note

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[9] *As per the reply dated 21-07-2017 submitted to the question of honorable Member of Parliament, RajyaSabha, there is a total Debt of Rs.6,10,475 crores owed to different financial institutions and banks by the various telecom operators out of which BSNL has Rs.19,630 crores only having 3.22 percent of total debt of the industry.*

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prof.yadagirimadarapu@gmail.com.
rajarambokka@gmail.com.

CCI APPROVES: WALMART–FLIPKART DEAL

Richa Jain
Research Associate
Competition Commission of India
Delhi

On 8th of August, 2018, the Competition Commission of India (The Commission/ CCI) vide it order (C.R. No. C-2018/05/571) approved the acquisition of Flipkart Private Limited (Flipkart), (an investment holding company incorporated in Singapore, engaged in e-commerce marketplaces facilitating trade between customers and sellers)by Wal-Mart International Holdings, Inc. (Walmart), (an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores, a subsidiary of Walmart Inc.) for acquisition between 51% and 77% of the outstanding shares of Flipkart.

In the present matter, CCI received a notice under sub-section (2) of Section 6[1] of the Competition Act, 2002 (the Act) by Walmart and was posed with the issue to examine if the proposed Walmart-Flipkart combination was altering the competition both in the horizontal and vertical markets.

The Commission under its legal mandate is empowered to assess and regulate combinations (i.e. mergers, amalgamations and acquisitions) as per the provisions of the Act as opposed anti-competitive agreements and abuse of dominance conduct which are prohibited by the Act. The commission is empowered to analyseif, the proposed combination alters the competition in both the horizontal and vertical markets based on the parameters given section 20(4) of the Act (including market share, barriers to entry, extent of vertical integration, extent of competition likely to remain after the combination, etc.), if it does not, then it is said to pose no harm in the competitive market.

In competition law language, a horizontal overlap is a merger between two competitors in similar line of business, while a vertical overlap is a merger between a manufacturer and distributor, who are at different stages of production chain in different markets. Needless to say, the Walmart-Flipkart deal has a horizontal overlap as both the companies are in the wholesale cash and carry wholesale trading of goods (B2B market).

The Commission in the present matter observed that the proposed combination is not likely to have an appreciable adverse effect on competition in India and therefore, the same was approved in terms of Section 31(1) of the Act. The Commission observed that the parties are neither close competitors in the B2B sales nor have acombined market share that raises competition concern. Also the market share of Walmart in B2B sales in India is less than half a percent and thus, the incremental changes on account of the proposed combination are insignificant.

Furthermore, the Commission noted that the proposed combination is not resulting in elimination of any major player in the relevant market as it will not only preserve a successful e-commerce platform but also enhance the financial strength of the platform enablingit to compete effectively with competitors in a dynamic e-commerce market. It was also noted that 100% FDI under automatic route is permitted in marketplace model of e-commerce and B2B segment, which is an encouraging factor for entry of new players.

In this case Commission also received representations from trade associations, traders/retailers, etc., who expressed concerns on compliance of FDI norms byFlipkart, and the impact of theproposed combination on employment, entrepreneurship, small and mediumscale enterprises, retailing, etc.

The Commission noted that majority of the concerns expressed in therepresentations had no nexus to the competition dimension ofthe proposed combination and that the issues falling beyond the scope of the Act, cannot bea subject matter of examination by the Commission. MA

Foot Note

[1]*(Disclaimer: The facts/opinions expressed in the paper are solely of the author and do not necessarily reflect the views of the Competition Commission. The detailed order can be accessed at https://www.cci.gov.in/sites/default/files/Notice_order_document/Walmart%20PDF.pdf.)*

[2] *Section 6 (2) Subject to the provisions contained in sub-section (1), any person or enterprise, who or which proposes to enter into a combination, shall give notice to the Commission, in the form as may be specified, and the fee which may be determined, by regulations, disclosing the details of the proposed combination, within thirty days of– (a) approval of the proposal relating to merger or amalgamation.... (b) execution of any agreement or other document for acquisition referred to in clause (a) of section 5.*

adv.jainricha@gmail.com

CORPORATE GOVERNANCE DISCLOSURE PRACTICES IN PHARMA AND FMCG SECTOR COMPANIES

CMA Dr.Meenu Maheshwari
Assistant Professor
and
Principal Investigator UGC-MRP
Department of Commerce and Management
University of Kota, Kota

Present Corporate Governance norms for all listed companiesin India are regulated by the Companies Act 2103 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. This study presents Corporate Governance Disclosure Practices oftwo Pharma sector companies and two FMCG sectorcompanies included in BSE SENSEX (CIPLA Ltd., SPIL, HUL and ITC LTD.). The main objectives of the study is to construct Corporate Governance Disclosure index andto make comparative analysis of Corporate Governance Disclosure Practices by using index score among the sampled companies. The study reveals that degree of Corporate Governance Disclosure Practices is excellent in all sampled companies. All Pharmaand FMCG Sector companies included in BSE SENSEX fulfilled almost mandatory requirements in all sub-indices prepared as per SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.Findings also showthat FMCG sector companies secure more score incomparison to Pharma sector. The ITC Ltd. scored the highest score 96in Corporate Governance Index. The study suggests thatcompanies should have post board meeting follow up system and compliances of the board procedure. The companies while formulating their policies and strategies must consider social values along with their economic goals.

orporate Governance has become an important policy issue in both developed and developing countries. Corporate Governance is a system by which business corporations are directed and controlled. It aims at attaining accountability, transparency, independence and fairness in the business.

Maheshwari, Meenu (2018) in her research paper writes that "It ensures commitment to values and ethical conduct of business, transparency in business transactions, statutory and legal compliances, adequate disclosures and effective decision making to achieve corporate objectives."

According to SEBI,2003, Corporate Governance is about ethical conduct in business.Corporate Governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and that its actions benefit the greatest number of stakeholders. It is about openness, integrity and accountability. Present Corporate Governance norms for all listed companies are regulated by the Companies Act 2013. In India SEBI is the regulatory body of the security market, therefore a listed company is also bound to comply with the requirements of the listing agreement.

Maheshwari, Meenu (2018) in her article states that, "Corporate Governance helps in establishing a system where a director is showered with duties and responsibilities of the affairs of the company because Responsibility, Transparency, Fairness and Accountability are the four vital pillars for strong Corporate Governance."

Now, SEBI notified on 2/9/2015 in the extraordinary Gazette of India the Listing Obligation and Disclosure Requirements Regulations, 2015 (LODR). So, all the listed companies are now governed by the said (LODR) Regulations,2015. Further, it is also necessary to mention here that every listed company should comply with the stricter provisions of Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015.

Review of Literature:

Rajyalakshmi and Memdani (2014) made a comparative analysis of disclosure across companies listed in India in manufacturing and software sector. The study revealed that software companies are performing better. According to the study the reason for the low score of manufacturing sector to a certain could be high percentage of shareholding held by promoters of the companies. Roles and responsibilities of the audit committee are not well defined and in most cases chairman of the audit committee is not an independent director.

Muhammad et al. (2016) showed the effect of Corporate Governance practices on firms' performance in Pakistan. For this purpose they studied three variable of Corporate Governance such as board size, board composition, CEO duality and Audit Committee of 80 non- financial firms listed on Karachi Stock Exchange Pakistan during 2010-2014 and found that board size and audit committee are positively related to the firms performance and CEO duality and Board Composition are negatively related to the firm performance.

Gurarda et al. (2016) estimate the determinants of Corporate Governance rating for 22 publicly traded Turkish companies with a focus on ownership structure. Their results show that company earnings, financial risk and firm size positively influence the Corporate Governance Rating. They also found that family ownership has a negative and foreign ownership has a positive impact on Corporate Governance Rating score.

Thapar and Sharma (2017) intended to examine the concept of Corporate Governance in India with regard to the provisions of Corporate Governance under the companies Act 2013. Their paper highlighted the importance and need of Corporate Governance in India and discussed the important case laws which contributed immensely in the emergence of Corporate Governance in India. Authors revealed that the corporate practices in India emphasize the functions of audit and finances that have legal, moral and ethical implications for the business and it has impact on the shareholders.

Research Methodology:

Objectives of the study:

The main objectives of the study are:

1) To lay down the Corporate Governance Disclosure Practices in Indian Corporate Pharma and FMCG sector companies (Two Pharma Sector Companies and two FMCG Sector Companies included in BSE SENSEX viz. CIPLA Ltd., SPIL, HUL and ITC LTD.).

2) To construct Corporate Governance Disclosure Index on the basis of Mandatory and non- Mandatory requirement issued by SEBI in SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Companies Act 2013.

3) To make comparative analysis of Corporate Governance Disclosure Practices by using index score among the sampled companies.

Sample size and collection of data:

The sample comprises two Pharma sector companies and two FMCG sector companies included in BSE SENSEX. The year 2016-17 has been taken as the study period. This study is based on the secondary data only. All data and information have been collected from annual reports of company's website, journals and magazines etc.

Hypotheses:

Following hypotheses have been formulated to test whether these four companies show compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 practices.

$H1_0$: CIPLA Ltd., SPIL, HUL and ITC LTD do not show compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 practices in year 2016-17.

$H1_1$: CIPLA Ltd., SPIL, HUL and ITC LTD comply with SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 practices in year 2016-17.

Interpretation and Analysis:

The research focuses on comparative analysis of Corporate Governance Disclosure Practices between two Pharma Sector and two FMCG Sector Companies listed in BSE SENSEX for the financial year 2016-17. For this purpose company's performance has been measured against certain governance parameter. The research has been undertaken to assess the level of compliance to key governance parameter in these companies in tune with mandatory and non- mandatory requirements under the Companies Act 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. To evaluate how much these companies are following governance standards, a 100 point Index consisting of 18 parameter with their sub parameters has been framed, whereby an appropriate weightage in terms of points has been awarded for governance parameters according to their importance. These key governance parameters and the criterion for evaluation of governance are based on various researches, Companies Act 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and model suggested by S.C. Das . After determining total scores of the companies given in table 2 companies will be graded on a five-point scale as given below in Table 1.

Table 1: Score Result

Marks	Remarks
90-100	Excellent
75-89	Very Good
60-74	Good
50-59	Satisfactory
0-49	Bad

Table -2
Criterion for Evaluation of Governance Standard of Pharmacy and FMCG Companies For The Financial Year 2016-17

S. No.	Governance Parameters	Points	Total score	Cipla Ltd.	SPIL	HUL	ITC Ltd.
1)	**Statement of Company's Philosophy on Code of Governance**	1	1	1	1	1	1
2)	Composition of the board and BOD meetings held.		5				
i)	Not less than 50% of the Board of Directors comprising of non-executive directors.	1		1	1	1	1
ii)	At least one woman director.	1		1	1	1	1
iii)	Where Chairman is Non-Executive Director-At least 1/3 of the board comprise Independent Director where Chairman is Executive- At least ½ of the board comprise Independent Director.	1		1	1	1	1
iv)	At least four BOD meetings in a year.	1		1	1	1	1
v)	Attendance record of BOD meetings.	1		1	1	1	1
3)	**Chairman and CEO Duality**		5				
i)	Promoter Executive Chairman- cum-MD/CEO	1		-	-	-	-
ii)	Non-Promoter Executive Chairman-cum-MD/CEO	2		-	-	-	-
iii)	Promoter Non-Executive Chairman	3		3	-	-	-
iv)	Non-Promoter Non-Executive Chairman	4		-	4	4	4
v)	Non-Executive Independent Chairman	5		-	-	-	-
4)	**Disclosure of tenure & age limit of directors**	2	2	2	2	2	2
5)	**Disclosures regarding to Independent Director (ID)**		6				
i)	Definition of ID.	1		1	1	1	1
ii)	Familiarization program to ID & Details of such training imparted to be disclosed in the annual report.	1		1	1	1	1
iii)	Separate meeting of the ID.	1		1	1	1	1
iv)	Selection criteria the terms and condition of appointment shall be disclosed on the website of the company.	1		1	1	1	1
v)	Formal letter of appointment of ID.	1		1	1	1	1
vi)	Limit of No. of Directorship for ID (If whole time director then three or If not whole time director then seven)	1		1	1	1	1

6)	**Disclosure of :**		2				
i)	Remuneration policy	1		1	1	1	1
ii)	Remuneration of directors	1		1	1	1	1
7)	**Directorship and Committees' Membership/Chairmanship of directors across all companies**	2	2	2	2	2	2
8)	**Code of Conduct**		2				
i)	Information on Code of Conduct	1		1	1	1	1
ii)	Affirmation of compliance	1		1	1	1	1
9)	**Post board meeting follow up system and compliances of the Board procedure.**	2	2	-	-	-	2
10)	**Board Committees :**						
A)	**AUDIT COMMITTEE :**		8				
i)	Transparency in composition of the committee.(Qualified and Independent)	1		1	1	1	1
ii)	Compliance of minimum requirement of No. of Independent Directors in the committee. (Minimum three director and 2/3of the member should be ID)	1		1	1	1	1
iii)	Compliance of minimum requirement of the number of committee meetings. (At least four times).	1		1	1	1	1
iv)	Information about literacy & financial expertise of the committee.	1		1	1	1	1
v)	Information about participation of Head of Finance, Statutory Auditors, Chief Internal Auditors, and other invitees in the committee meetings.	1		1	1	1	1
vi)	Disclosure of audit committee charter & terms of reference.	2		2	2	2	2
vii)	Disclosure of Committee report	1		1	1	1	1
B)	**NOMINATION AND REMUNERATION COMMITTEE :**		6				
i)	Formation of the committee	1		1	1	1	1
ii)	Information about number of committee meetings.	1		1	1	1	1
iii)	Compliance of minimum requirement of No. of Non-Executive Directors in the committee. (At least 3 members)	1		1	1	1	1
vi)	Compliance of the provisions of independent director as chairman of the committee	1		1	1	1	1
v)	Information about participation of meetings.	1		1	1	1	1
vi)	Disclosure of Committee report.	1		1	1	1	1

C)	**SHAREHOLDERS'/STAKEHOLDERS' RELATIONSHIP COMMITTEE :**		5				
i)	Transparency in composition of the committee	1		1	1	1	1
ii)	Information about nature of complaint & queries received and disposed-item wise.	1		1	1	1	1
iii)	Information about number of committee meetings	1		1	1	1	1
iv)	Information about action taken and investors/shareholder survey	1		1	1	1	1
v)	Disclosure of Committee report	1		1	1	1	1
D)	**Risk Management Committee**		2				
i)	Formation of committee	1		1	1	1	1
ii)	Disclosure of committee charter report	1		1	1	1	1
E)	**Additional committee**		4				
i)	Health and Safety & Environment Committee	1		-	-	-	-
ii)	CSR and Sustainable Development Committee	1		1	1	1	1
iii)	Investment Committee	1		1	-	1	1
iv)	Other Committee	1		-	-	1	1
11)	**Disclosure and Transparency :**		24				
i)	Significant related party transaction having potential conflict with the interest of the company	2		2	2	2	2
ii)	Non-compliance related to capital market matters during the last 3 years.	2					
iii)	Board disclosure-Risk Management	2		2	2	2	2
iv)	Information to the board on Risk Management	2		2	2	2	2
v)	Publishing of Risk Management Report	1		2	2	2	2
vi)	Management Discuss And Analysis	2		1	1	1	1
vii)	Information to Shareholders-	1		2	2	2	2
	• Appointment of new director/re-appointmentof retiring directors	1		1	1	1	1
	• Quarterly results & presentation	1		1	1	1	1
	• Share-Transfers	1		1	1	1	1
	• Directors' responsibility statement	2		1	1	1	1
viii)	Shareholder right	2		2	2	2	2
ix)	Audit Qualification	2		2	2	2	2
x)	Training of board members	2		2	2	2	2
xi)	Evaluation of non-executive directors	1		2	2	2	2
xii)	Resignation of Director with reason			1	1	1	1

12)	**General Body Meetings :**		3				
i)	Location and time of General Meetings held in last 3 years	1		1	1	1	1
ii)	Details of Special Resolution passed in the last 3 AGM	1		1	1	1	1
iii)	Details of resolution passed last year through Postal Ballot including the name of conducting official and voting procedure	1		1	1	1	1
13)	**Means of Communication and General Shareholder Information**	2	2	2	2	2	2
14)	**Whistle-Blower Policy & Vigil Mechanism**	2	2	2	2	2	2
15)	**CEO/CFO certification**	2	2	2	2	2	2
16)	**Compliance of Corporate Governance and Auditors' Certificate :**		5				
i)	Clean certificate from auditors	5		5	5	5	5
17)	**Code for prevention of insider trading practices**	5	5	5	5	5	5
18)	**Disclosure of stakeholders' interest :**		5				
i)	Environment, Health & Safety measures (EHS)	1		1	-	1	1
ii)	Human Resource Development initiative (HRD)	1		1	-	1	1
iii)	Corporate Social Responsibility (CSR)	1		1	1	1	1
iv)	Industrial Relation (IR)	1		-	-	-	-
v)	Disclosures of policies on EHS, HRD, CSR, & IR	1		1	-	-	-
	TOTAL	**100**	**100**	**93**	**90**	**94**	**96**

Observation: Following observations have been extracted from the Table 2:

- All companies have their own philosophy on code of governance.
- All the four companies have separate post of Chairman and MD/CEO. In Cipla Ltd. the Chairman is NED Promoter. While in SPIL,HUL and ITC Ltd. the Chairman is Non Promoter NED.
- The Board of Director of all sampled companies is duly constituted with proper balance of Executive Director, Non-Executive Director and Independent Director as per SEBI's Regulation 2015.
- According to SEBI's Regulations Company's BOD should be meet minimum four times with maximum gap of 120 days. All four companies also comply it.
- Companies disclose tenure and age limit of Board member according to SEBI's Regulations in their respective annual report.
- All sampled companies gave detail of the training program for ID in their respective annual reports.
- Only ITC Ltd. have post board meeting follow up system and compliances of the board procedure.
- Companies disclose their director's remunerations as per SEBI's Regulation. All companiesalso have Remuneration policy towards the Director's remuneration.
- All companies comply mandatory requirements of statuary committee like Audit Committee, Stakeholders' Relationship Committee, Remuneration Committee, Risk Management Committee and Corporate Social

Responsibility Committee.

- All companies framed policy towards the related party transactions and insider trading.
- Companies inform their shareholders regarding the appointment of new director, quarterly result of the company and directors, responsibility statement.
- Companies provides detail about AGM and detail of special resolution passed in the 3 AGM. They also inform their stakeholders with venue.
- All companies have an auditor's certificate to comply with corporate governance.
- All Companies have adopted an insider trading policy to regulate, monitor and report trading by insiders.

Suggestions:

According to Index table Cipla got 93,SPIL got 90, HUL got 94 score and ITC got 96.It shows that, all the company's scores are excellent, but to bring full marks, the company should adopt the following suggestions-

- Company should appoint Non-Executive Director as well as ID Chairman.
- Cipla Ltd., SPIL and HUL should have post board meeting follow up system and compliances of the board procedure.
- All companies should constitute Health and Safety & Environment Committee as well as Investment Committee to get more Score.
- All Companies should disclose the policy for stakeholders' interest like Environment, Health and Safety measures, Human Resources Development initiative, Corporate Social Responsibility and Industrial Relation.

Comparison of Pharma and FMCG Sector Companies with SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015for 2016-17

For the eighteen parameterswith their sub –parts of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 practices scores have been obtained for all the four companies CIPLA Ltd., SPIL, HUL and ITC Ltd., on the basis of their fulfillment of requirements.

Using IBM SPSS22Wilcoxon signed rank-test has been applied to test whether these four companies show compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 practices.

Table 3

Pair	SEBI (Listing Obligation and Disclosure Require-ments) Regulations 2015 practices v/s Score of	Z	p-value
1	CIPLA Ltd.	-0.749	0.454
2	SPIL	-0.061	0.952
3	HUL	-0.749	0.454
4	ITC Ltd.	-0.513	0.608

Wilcoxon signed rank-test results for year 2016-17of Pharma and FMCG sector companies

From the above table 3, it is concluded, that p-value for all the Pharma and FMCG sector companies is greater than 0.05. This implies that at 5% level of significance, all the four Pharmacy companies' shows compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 practices in year 2016-17.

Conclusion:

It is concluded, that p-value for all the Pharma and FMCG sector companies is greater than 0.05. This implies that at 5% level of significance, all the four Pharmacy companies' show compliance with SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 practices in year 2016-17.All Pharmaand FMCG Sector companies included in BSE SENSEX fulfilled almost mandatory requirements in all sub-indices of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.Findings also show that FMCG sector secure more score in comparison to Pharma sector. The ITC Ltd. scored the highest score i.e.96in Corporate Governance Index.The suggestions reveal that companies should have post board meeting follow up system and compliances of the board procedure. The companies while formulating their policies and strategies must consider social values along with their economic goals. The annual report of the company must include a copy of ethical code of the company. It should be made available to all stakeholders. MA

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drmeenumaheshwari@gmail.com

RESTRUCTURING COMPONENTS OF SALARY FOR TAX PLANNING -A CASE STUDY

CMA Dr. Ferojuddin M A Khan
Professor (Accounting and Finance),
S&F Commerce Academy,
Greater Noida

Substantive Issues Raised

In this case study, taxation aspect in our country is considered, particularity the Income Tax on salary. As per the verdict of Supreme Court in a case, "An assessee can so arrange his or her taxable income in such a manner to minimize the tax burden. Effort to minimize the tax burden is not an offense. [C.I.T.[1]Versus Calcutta Discount Co. Ltd. (1973) (S.C)[2]]. This verdict becomes the genesis for the entire subject case study.

Remember if you do not plan your income from tax angle, may be you will find that a major chunk of your hard earned income is gone to govt.'s kitty and at the same time, your counterpart has designed his/her income tactfully, legally and pays lesser amount of tax than you, even with the same total income. Even many a times, the employer has not updated the salary format or its components, leading to which proves to be a nightmare for the employees, finding a major amount of hard earning has gone to Govt.'s kitty.

Yes, it is complicated also. Every budget what you see comes with new Finance Act, which carries different rates of tax and lots of modifications/amendments, which confuse the ordinary citizens. Every time when our finance minister declares restructuring of tax formalities, filing of return etc., in return what we find more complicated and lengthy forms.

So this case study focuses on the existing format of salary, evaluates the same and does bring tangible saving in tax obligation by restructuring of components. So this case study will benefit students, employees and even the professionals like CAs who must come out of their silos to provide real value addition to their clients.

Review of literature

It has been checked from a number of literatures and books, including book "Students Guide to Income Tax" (Singhania 2018), "Problems and Solutions in Income Tax" (Meherotra&Goyal 2017) and "Income Tax – I" (Kumar &Shreekantha 2018), wherein there are provisions of the act relating to various components of salary and sample examples on how to calculate tax under salary when different components of salary are given in the questions, but not the questions on restructuring of components and examples on comparison of tax computation under before and after restructuring of various components. On the role of accounts and HR department and further on the issue of documentation, in support of restructuring of components, there is absolutely no journal or any literature noticed to be carrying any input on same.

Pedagogical Objectives

The case is designed to help the students:

- To get an inside view of fixation of components of salary vis-à-vis Income tax friendly regulations.
- To understand the multiple perspectives connected to fixation of salary with regard to role of accounts department and requirement of Income Tax Act.
- To evaluate a particular case of an employee's salary format and to restructure the same with the objective of reducing the tax obligation legally.

Ground work before restructuring the components of salary

Basic pay of the salary should not be disturbed as changing the same would distort the scale of a prescribed grade, which will be complex for HR department to manage.

For the tax planning, generally a major portion of salary should be in terms of exempted perquisites and allowances. The amount of Basic plus Dearness Allowances (DA), should be lowest possible and rest should come in terms of more of exempted perquisites and allowances than partly exempted, wherein the components are not fully exempted and also there are requirement of submission of actual bills.

The amount of components of salary which requires bills to be submitted such as Academic and Research Allowance, Leave Travel Assistance (LTA), Helper Allowance, Uniform Allowance, Telephone Allowance, Conveyance Allowance etc., need to be reasonable looking at the scale or position of the employee, as otherwise the same may raise eyebrows of Income Tax officials and which can be subject to scrutiny by them.

It is necessary that HR department along with Accounts department while fixing the tax friendly components of salary should go for all possible tax exempted perquisites or allowances irrespective of whether the amount involved is small or big.

In the present case of Mr. Agrawal[3], the salary format has been designed from the perspective of faculty in a business school campus while the format for employees of manufacturing set up or any corporate houses can be different depending upon the prescribed perquisites and allowances given in the Income Tax Act.

Selection and structuring of exempted or tax friendly perquisites and allowances

Now let us know what are the various other heads of income under Income Tax Act, which is either exempted or may be taxed minimum while there may be some requirements as to complying certain conditions. Few of them are already given in Exhibit-1 and the same are used as follows:

- Transport Allowance granted up to Rs.1600 P.M., can be given to him, which is exempted as per Income Tax Act for a maximum of Rs.19,200 P.A..

- Conveyance Allowance is exempted provided the expenditure is incurred by the employee for official duties. Prof. Agrawal is a senior employee and he conducts MDP and even meets corporate officials for training employees in corporates or for student activities. He spends expenditure on petrol or other miscellaneous heads on an average for Rs.3,000 P.M., and can claim it as exemption for a total sum of Rs.36,000 in a year.

Uniform Allowance is exempted up to the amount utilised for same. ABC School of Management does have the practice of having uniform for the faculties and staff, so Prof. Agrawal does incur expenditure for Rs. 15,000 in a year on purchase and maintaining the same and is exempted.

- Telephone Allowance is exempted up to the amount utilised for official purpose. As it is said that Prof. Agrawal is an old employee of the institute and he spends Rs.3,000 P.M., on Telephone and Internet expenditure while related to office, so he can get total sum of Rs.36000 P.A. exempted under this head. Prof. Agrawal however needs to keep the supporting of such expenditure and submit the undertaking to Accounts Dept..

- Academic and Research Allowance is exempted, provided spent for encouraging the academic, research and other professional pursuits. Prof. Agrawal is a vivid writer, who conducts lot of research, visits to clients, Govt. officials, visits many places, write case studies etc. So a total amount of Rs.60,000 in a year, can be claimed as exempted as against Rs.48,000 (Rs.4,000 X12) given by Institute to him.

- Leave Travel Assistance (LTA) is spent to the extent of Rs. 50,000 in every year by Prof. Agrawalinstead of Rs. 39,984 which is exempted once in two years. So claimed Rs. 50,000.

- Helper Allowance is exempted provided the helper is engaged for the performance of official duties. Prof. Agrawal pays every month Rs.13,500 to his wife, who is highly educated but house-wife and helps her husband in discharging official duties, like writing to students on behalf of him on their projects after taking feedback from Prof. Agrawal, preparing his materials in power point presentation for class room, even guides students in organizing events in the institute on behalf of the Prof. Agrawal etc.. So surely Rs. 1,62,000 P.A., can be claimed but balance remaining after deducting amounts under above points comes out to be Rs. 1,61,200/-, which can be claimed as exempted

So as we see, full amount of Rs.2,89,416/- is covered under the various aforesaid heads besides existing Rs. 39,984/- against LTA and Rs. 48,000/- against Academic allowance also shown and as such Prof. Agrawal is not supposed to pay any tax on the same.

One possible solution after the tax calculation by Accounts Dept.

Though there can be number of possible solutions as it can come out with different amounts under a number of different tax friendly perquisites and allowances, a possible solution has been designed based on few details as extracted from in-depth exercise shown in the Exhibit-1.

Based on the above restructuring of the components, the calculation of taxable income and tax obligation is as follows:

(Rs.)

1)Basic 4,80,000/-
2)Taxable HRA: (Rs.30,000 – Rs.30,000(*)) NIL
(*)Lowest of three is exempted:
a) HRA received : Rs.30,000
b) 50% of salary (Basic) :Rs. 2,40,000
c) Excess of rent over 10% of salary:
(Rs.78,000 – Rs. 48,000): Rs.30,000
So lowest among the three is Rs.30,000/-
3) Academic & Research Allowance NIL
(Received Rs. 60,000 P. A)
4) Transport Allowance NIL
(Received Rs.19,200/- Exempted)
5) Medical Reimbursement: NIL
(Received Rs.15,000/-P.A. - Exempted)
6) Leave Travel Assistance: NIL
- Rs. 50,000/- exempted u/s 10(5): complying to conditions required
7) Conveyance Allowance NIL
(Received Rs.36,000 P.A.)
8) Uniform Allowance NIL
(Received Rs.15, 000 P.A.)
9) Telephone Allowance NIL
(Received Rs. 36,000 P.A.)
10) Helper Allowance
(Received Rs. 1,61,200 P. A.) NIL

Gross Total Income 4,80,000/-
Less: Deductions:
a) u/s 80C : Rs.1,50,000 (maximum)
b) u/s 80D : Rs. 7,236

1,57,236/-

Net Taxable Income 3,22,764/-
(Rounded to Rs. 3,22,760)
=========

Computation of TAX:

Income(Rs.)		Rate(%)	Tax amount (Rs.)
First	2,50,000	----	NIL
Balance	72,760	5%	3,638

Total Tax			3,638
Education & Higher Education cess (3%)			109

Total Tax			3,747
			=========

So earlier tax obligation of Rs. 45,872as per Accounts depart. hasbeen reduced to Rs. 3,747/-, almost reduction by 92%. A comprehensive table showing calculation as per Accounts department and tax computation after components are restructured along with role of Accounts department, is prepared and given in Exhibit-1.

Other Challenges

But there are also some other issues, need to be addressed:

a) Lot of support is required from the Accounts Dept., and if they are not educated or if they do not accept the supporting of the employee, then employee has to allow them to deduct tax and claim refund while filing his or her return.

b) What is more essential that the management must at least allow the restructuring of components so that if there is no support from Accounts dept., the same can be managed by the employee at the time of return filing and he or she can claim the refund.

c) The employee has to maintain all records relating to any allowable expenditure as per Income Tax Act, incurred by him.

d) This case of Prof. Agrawal can be taken as a model for restructuring the components of salary of employees of manufacturing or other concerns. It is quite natural that few components of salary of employees working in manufacturing or other corporates etc., may not match with the components given in this case.

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3. V. Rajesh Kumar and R. K. Shreekantha, Income Tax – I, 1st ed. (New Delhi: McGraw Hill Publication, 2018)

Exhibit-1 (Comparison of Tax computed by Accounts Dept. with Tax obligation resulted due to restructuring of components)

Particulars	**Income Tax calculation as assessed by Accounts Dept. (Rs.)**	**Income Tax calculation if as per tax planning (Rs.)**	**Role of Accounts and HR department and other Comments**
Basic @ 40000 P.M	480000	480000	Basic is kept unaffected.
HRA @ 20000 P. M.	240000	30000	HRA is kept that much as it necessary to get exemption.
Special Allowance @ 4536 P. M.	54432	-----	Special allowance is fully taxable, so it should be paid in other heads which are exempted or tax friendly.
Academic Research Allowance@ 4000 P. M.	48000	60000	It should be allowed to be exempted by the Accounts dept.
Medical Reimbursement @3332 P.M.	39984	15000	Medical reimbursement should be restricted to Rs. 15000 P.A. only
LTA @ 3332 P. M.	39984	50000	LTA is exempted once in a period of two years.
(new heads of income which can be introduced)			
Telephone		36000	Telephone expenses reimbursement are exempted provided employee gives certificate that the expenses incurred for official purpose.
Uniform Allowance		15000	The employee will give certificate that he has utilized the expenses for purchase and maintenance of the uniform throughout the year
Transport Allowance		19200	This is exempted up to Rs. 19200 P.A. based on certificate.
Conveyance Allowance		36000	The employee will give certificate that he has utilized the expenses on conveyance in performance of official duties. Petrol bills need to be kept by the employee.
Helper Allowance		161200	Helper engaged for the performance of official duties is exempted.
Gift (in kind) or Gift voucher		----	Though not claimed but up to Rs. 5000 in a year is exempt.
Free food and beverages			Though not claimed but meals in office hours is not taxable if cost to the employer is Rs. 50 or less per meal. Tea, coffee or non-alcoholic beverages and snacks in working hours are tax free perquisite.
Interest-free / concessional loan		----	Loan up to Rs. 20000 PA is not taxable. Loan for medical treatment is not taxable subject to few conditions.

Providing the use of computer /laptop in any case		------	Not taxable.
Total (A)	902400	902400	
Less: Allowances to the extent exempt under section 10			
HRA	30000	30000	Since the employee stays in rented house in Greater Noida and pays only Rs. 6500 rent P.M. and as per the tax rules, Rs.30000 is received and same is exempted as follows: <u>As per Accounts:</u> 1)50% of salary: Rs. 2,40,000 2)Actual HRA received: Rs. 30,000 3)Excess of rent over 10% of salary: Rs.78000-Rs.48000=Rs. Rs.30000
LTA	39984	50000	LTA is exempted once in two years.
Medical reimbursement	15000	15000	Medical bills should be submitted to Accounts department
Conveyance Allowance		36000	The employee will give certificate that he has utilized the expenses for official duties.
Transport Allowance		19200	------ do ------
Academic Allowance		60000	Bills need to be produced by faculty of spending money on Academic research or certificate need to be given to Accounts. This was there but accounts department did not allow the same as deduction. Since the actual expenditure being spent by employee was more, so more amount should be allocated to employee.
Uniform Allowance		15000	A certificate from employee will suffice.
Telephone expenses		36000	Bills need to be produced or certificate from employee.
Helper Allowance		161200	------ do ------
Total (B)	84984	422400	
Gross Total Income (X=A-B)	817416	480000	
Deduction u/S 80C (C)	150000	150000	
---- do-- u/s 80D (D)	7236	7236	
Total Taxable Income (X-C-D)	660180	322764	
Tax on income (including education cess)	45872	3747	A saving of Rs.42,125/- (92%)

drferojuddinkhan@gmail.com

Eastern India Regional Council

The Institute of Cost Accountants of India- Rourkela Chapter

The Chapter organised "Felicitation Program" on 9th September, 2018 at its office.

The Institute of Cost Accountants of India- Ranchi Chapter

The Chapter organized two-day annual seminar at CMPDI Ltd. The seminar was inaugurated by Hon©ble Governor of Jharkhand, the Chief Guest. He said that the general consciousness of cost and the price of commodities is important for sustainable development of the economy. President of the Institute, CMA Amit Anand Apte said that the chapter will be developed as a center of excellence with its newly proposed building. On the first day of the technical session, CMA VS Datey, from Pune, a famous writer of GST books discussed all the modifications in the GST and its latest development so far. CMA Balwinder Singh, Vice President of the Institute discussed about the present scenario of Cost Accounting and Auditing Standard. In the technical session on the second day, CMA SS Sonthalia from Bhubaneshwar discussed Insolvency and bankruptcy code. He stressed that for any business organization, free admission, free competition and free exit, whether it is a company, firm or individual, for ease of doing business in India. From Kolkata, CA Samiran Dutta discussed IFRS and said that international financial reporting standards are commonly referred to as IFRs, IFRS Foundation and International Accounting Standards Board (IASB). CMA Meera Prasad, CMA AK Gupta, CMA Rajesh Vishwakarma, CMA Navin Kumar and CMA Umar Farooq coordinated the proceedings of the session while CMA Arunay Kumar Singh, Vice President of the chapter proposed the vote of thanks. Guest of Honours were CMD CMPDIL Shri Shekhar Saran and MECON Director Finance CMA R H Juneja.

Northern India Regional Council

The Region organized Northern Regional Students Convention for recently qualified CMAs of June-2018 term examination on 17th Sep, 2018 at New Delhi.

The Institute of Cost Accountants of India -Jaipur Chapter

The Chapter organized a seminar on "Recent Changes in Income Tax Return & Tax Audit" and "Useful Tips for Smart Professional Life" on 11th August 2018 at its premises. In the first technical session, CA Anoop Bhatia, leading tax consultant gave presentation on "Recent Changes in Income Tax Return & Cost Audit Report". In the second technical session CMA Swapnil Bhandari, secretary of the chapter gave useful tips for smart professional life. Both the sessions were very interactive. The Chapter celebrated 72nd Independence Day on 15th August 2018 at its premises.

Chairman of the chapter, CMA Rakesh Yadav hoisted the National Flag along with senior members. He also apprised the members about various activities, achievements and latest development at the chapter. A charity program was also organised before flag hoisting ceremony.

Southern India Regional Council

The Institute of Cost Accountants of India - Mysore Chapter

The Chapter conducted closing ceremony of first batch of certificate course on GST at its premises on September 1, 2018. Mr. S Gundu Rao, Joint Commissioner of Commercial taxes (Admn) Mysuru was the chief guest. He informed that in the present perspective it is very essential for professionals & students to update on GST.

The Institute of Cost Accountants of India - Thrissur Chapter

The Chapter celebrated the 72nd Independence day and CMA P.T. Jose, Managing Committee, member of the chapter hoisted the flag.

The Institute of Cost Accountants of India -Coimbatore Chapter

The Chapter conducted an inter collegiate students' event titled "COSMA Fest 2018" on 11th August, 2018 which purports to exhibit the inner talents of students. The function was inaugurated by Sri. V. Krishna Kumar, President of SIEMA, Coimbatore. The Prizes were distributed by Dr. T.G. Vijaya, Director I/C, PSG Institute of Management, the Chief Guest for the e Valedictory function. A PD program on 'Mixed Supply & Composite Supply under GST' was conducted at the Chapter on 28th August, 2018. On 21st

August, 2018, career counselling Program was conducted at Dr. SNS Rajalakshmi College of Arts & Science, Coimbatore. As per circular of the President, as a part of celebration of Platinum Jubilee, the Chapter organised "Blood Donation Camp" on 19th August, 2018 at Indian Medical Association Blood Bank, Coimbatore.

Western India Regional Council

The Institute of Cost Accountants of India -Ahmedabad Chapter

The Chapter organized interaction of members for the discussion on the Draft Companies (Cost Records & Audit) Amendment Rule, 2018 on August 6, 2018. The Chapter organized Industry visit (Factory visit) at M/s. Somany Ceramics Ltd, Kadi on August 11, 2018 for final students as a part of IOP. Flag hoisting ceremony and Blood Donation Camp at the chapter was organized on August 15, 2018. Press & Electronics media meet was organized in connection with June'18 exam result of Foundation, Intermediate and Final at the chapter on August 24, 2018. Leading reporters of print media and electronics media attended the press meet. On the same day, the chapter organized felicitation

of faculties of GST certificate course and distribution of certificates to qualified candidates. Guest of program was Smt. Rajshri Pandya, Dy. Commissioner of SGST, Ahmedabad

and Shri RO Jetly, Asstt. Commissioner of CGST & Customs, Ujjain. The Chapter organized felicitation of faculties and pass out students of foundation, intermediate and final of June'18 exam of Institute on August 30, 2018. A CEP on New IT Tools & Technologies for business was organized on 8th Sept'2018 at chapter's premises. CMA Malay Vakil submitted the presentation and explained about operation of new IT Tools & Technologies. A CEP on Annual Return GSTR1 was organized on 15th Sept'2018 at the chapter premises. The Chapter organized 12 days orientation program for qualified CMAs under the guideline of Director Training & Placement, Delhi at its premises from September 5, 2018. Inauguration function of orientation program was presided by CA Sanjay Patni, CFO of Havmor Icecream Ltd., Ahmedabad. In valedictory session chief guest was CMA A R Patel, Ex-Executive Director-Finance of ONGC. CMA A R Patel, Chief Guest explained about preparation of Interview to the CMAs. The Chapter organized Industry visit at M/s. Tata Motors , Sanand Plant on September 21, 2018 for final students as a part of IOP. Mr. Saurabh Chaudhary-Financial Head, CMA Jay Chokshi, Sr.Manager-Plant Finance and Mr. Piyush Mishra-Manager HR of Tata Motors guided and explained in details the manufacturing process of Nano Motors from raw materials to finished product. The Chapter organized mock interview session for qualified CMAs on September 22, 2018.

The Institute of Cost Accountants of India- Kolhapur Sangli Chapter

The Chapter organized a CEP on "Understanding IBC (Insolvency Bankruptcy Code) & Role & opportunities for CMA in IBC" and "How to prepare for IBC exam & Recent development in IBC & Road ahead" on 5th August, 2018. The faculty for the workshop was CMA Raghvendra Chilveri. He explained the topic in detail and the basics of preparing the IBC exam.

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

The Chapter celebrated Flag Hoisting Ceremony on the occasion of 72nd Independence Day on 15th August 2018 at CMA Bhawan. The Chapter in association with Pimpri Serological Institute Blood Bank organised Blood Donation Camp for members and students on 12th August 2018 at CMA Bhawan.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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NEW COURSES LAUNCHED

BY THE

TAX RESEARCH DEPARTMENT

ON 2nd OCTOBER, 2018

Advanced Certificate Course on GST

Course Fee: ₹14000+GST

Course Content:

- Act, rules -basics
- Analysis and interpretation of notifications/ circulars
- Return filing
- Refund/ITC
- Audit
- Advance Ruling
- Replying of Notices
- Preparation for Appeals
- Practical Issues (Industry specific)

Eligibility of the Course:

- Qualified Cost & Management Accountants
- Other Professionals (Tax Professionals, CS, CA, MBA, M.Com, Engineers, Lawyer etc).
- Executives from Industries
- GST Practitioners
- Students who are either CMA qualified or CMA pursuing

For more details, visit:
http://icmai.in/upload/Taxation/ACC_GST.pdf

Certificate Course on Return Filing

Course Fee: ₹10000+GST

Course Content:

- Provisions of Income Tax Act for filing of Income Tax Return
- Detailed discussion on Respective Forms and Rules
- Understanding IT Platform and infrastructure for filing Income tax return
- On line and off line return filing utilities
- Practical application Demo of filling and Filing of Income Tax Return – for Individual
- Partnership business, School, Colleges, HUF, Company, Cooperative societies, etc
- Revised return, Belated return, Filing of return as per Order
- Case study on Filing ITR 1
- Case study on Filing ITR 2
- Case study on Filing ITR 3
- Case study on Filing ITR 4
- Case study on Filing ITR 5
- Case study on Filing ITR 6
- Guide to Income tax return filing
- Recent Updates in respect of Income tax Return filling and Filing

Eligibility of the Course:

- Qualified Cost & Management Accountants
- B.Com, M.Com
- Tax Practitioners
- Students who are either CMA qualified or CMA pursuing

For more details, visit:
http://icmai.in/upload/Taxation/CC_Filing_Return.pdf

Certificate Course on Tax Deducted at Source

Course Fee: ₹10000+GST

Course Content:

- Overview of TDS: covering rationale for TDS, TDS on different types of payments, the person making payment - agent of Government, practice followed in other countries, etc.
- TDS provisions as per Income Tax Act: TDS on payment to residents:- salary, payments to contractors, rent, commission, professional fees, etc
- Obligations of Payer & Rights of Recipients. Duties and responsibilities of the person
- Provisions relating to Payment and Deposit of TDS, Issuance of certificate
- Filing of quarterly return, Correction return, Revised Return, Electronic uploading of return and downloading of consol files, etc.
- Tax on Perquisites and TDS on Acquisitions.194LA
- Payment to Non Resident & Domestic Transfer Pricing Practical Issues.
- TDS - Assessment and Appeal procedure
- TCS Provisions – Applicability of procurement of Real Estate
- Recent changes in TDS procedures and Relevant case studies

Eligibility of the Course:

- Qualified Cost & Management Accountants
- B.Com, M.Com
- Tax Practitioners
- Students who are either CMA qualified or CMA pursuing

For more details, visit:
http://icmai.in/upload/Taxation/CC_TDS.pdf

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

Directorate of Advanced Studies, Examination Time Table & Programme - December - 2018

Day, Date & Time	Diploma in Internal Audit 2.00 PM to 5.00 PM	Diploma in IS Audit and Control 02.00 PM to 06.00 PM	Diploma in Business Valuation 2.00 PM to 05.00 PM
Monday 10th December, 2018	Paper-I: Nature of Internal Audit	***************************	***************************
Tuesday 11th December, 2018	Paper-II: Internal Audit Practice	***************************	***************************
Wednesday 12th December, 2018	Paper-III: Internal Audit Report Preparation	***************************	***************************
Thursday 13th Decmber, 2018	***************************	**IS Audit and Control**	***************************
Friday 14th December, 2018	***************************	***************************	Paper-I : Principles of Valuations and Valuation Techniques (Principles of Business Valuation)
Saturday 15th December, 2018	***************************	***************************	Paper:- II: Application of Valuation Techniques (Application of Valuation Principles)
Sunday 16th December, 2018	***************************	***************************	* Paper:-III: Valuation:- Corporate Laws and Direct and Indirect Tax Implications
Monday 17th December, 2018	***************************	***************************	**Paper:-IV: Business Valuation Standards and Preparations of Business Valuations Reports (Business Valuation Standards and Preparation of Business Valuation Reports)

1. Students can also download the Examination Form from ICAI Website at www.icmai.in
2. Examination fees to be paid through Demand Draft of requisite amount drawn in favour of "The Institute of Cost Accountants of India" Payble at Kolkata
3. Examination Fees: Rs. 1200/- per course or per paper
4. The last date for the receipt of the Examination Application Form without late fees is 15th October, 2018 and with late fees of Rs. 300/- is 22nd October, 2018
5. The filled in application along with DD to be sent to the following address:

CMA (Dr.) Debaprosanna Nandy
Sr. Director - Advanced Studies
The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
CMA Bhawan, 12 Sudder Street, Kolkata - 700 016
Email: advstudies.exam@icmai.in

Note:
1. * Paper- III of the Diploma in Business Valuation is applicable only for 2nd batch
2. ** Paper IV of Diploma in Business Valuation is applicable for batch 1st and 2nd. This paper IV will be treated as Paper-III for 1st batch.
3. Last Term for appearing Examination in old course for Diploma in Internal Audit, Diploma in IS Audit & Control and Diploma in Business Valuation (1st Batch & 2nd Batch) will be in December 2018

CMA Dr. Debaprosanna Nandy
Sr. Director (Advanced Studies)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

MANAGEMENT ACCOUNTANCY

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2018

Group - I		Group - II		
Monday 10th December, 2018 2.00 P.M to 5.00 P.M	**Tuesday** 11th December, 2018 02.00 P.M to 05.00 P.M	**Wednesday** 12th December, 2018 02.00 P.M to 05.00 P.M	**Thursday** 13th December, 2018 02.00 P.M to 05.00 P.M	**Friday** 14th December, 2018 02.00 P.M to 05.00 P.M
Management Accountancy	**Advanced Management Techniques**	**Industrial Relations & Personnel Management**	**Marketing Organisation & Methods**	**Economic Planning & Development**

EXAMINATION FEES

Per Group	Rs 2500/-

1. Students can also download the Examination Form from ICAI Website at www.icmai.in
2. **Last date for receipt of Examination Application Form without late fees is 15th October, 2018 and with late fees of Rs. 300/- is 22nd October, 2018.**
3. Examination fees to be paid through **Demand Draft** of requisite amount drawn in favour of **"The Institute of Cost Accountants of India"** and payable at Kolkata.
4. Examination Centres: Adipur-Kachchh (Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur (Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.
5. **A candidate who is fulfilling all the conditions only will be allowed to appear for the examination.**
6. **The filled in application along with DD to be sent to the following address:**

CMA (Dr.) Debaprosanna Nandy
Sr. Director - Advanced Studies
The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
CMA Bhawan, 12 Sudder Street, Kolkata - 700 016
Email: advstudies.exam@icmai.in

For any enquiries please mail us at advstudies.exam@icmai.in

CMA Dr. Debaprosanna Nandy
Sr. Director (Advanced Studies)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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EXAMINATION TIME TABLE & PROGRAMME – DECEMBER – 2018

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
Monday, 10th December, 2018	Fundamentals of Economics & Management
Tuesday, 11th December, 2018	Fundamentals of Accounting
Wednesday, 12th December, 2018	Fundamentals of Laws & Ethics
Thursday, 13th December, 2018	Fundamentals of Business Mathematics & Statistics

Examination Fees

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

1. **The Foundation Examination will be conducted in Offline, descriptive (Pen & Paper) mode only. Each paper will be of 100 marks and for 3 hours duration.**

2. Application Forms for Foundation Examination has to be filled up through online and fees will be accepted through online mode (including Payfee Module of IDBI Bank).

3. STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.

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

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

5. **Last date for receipt of Examination Application Forms is 10th October, 2018.**

6. Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

7. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
8. **Probable date of publication of result: 21st February, 2019.**

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

L. Gurumurthy
Secretary (Acting)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2018

PROGRAMME FOR SYLLABUS 2016

ATTENTION: INTERMEDIATE & FINAL EXAMINATION (DECEMBER – 2018 TERM) WILL BE HELD ON ALTERNATE DATES FOR EACH GROUP.

Day & Date	INTERMEDIATE (Time: 2.00 P.M. to 5.00 P.M.)		FINAL (Time: 2.00 P.M. to 5.00 P.M.)	
	(Group – I)	(Group – II)	(Group – III)	(Group – IV)
Monday, 10th December, 2018	Financial Accounting **(P-05)**	-------------------	Corporate Laws & Compliance **(P-13)**	-------------------
Tuesday, 11th December, 2018	-------------------	Operations Management & Strategic Management **(P-09)**	-------------------	Corporate Financial Reporting **(P-17)**
Wednesday, 12th December, 2018	Laws & Ethics **(P-06)**	-------------------	Strategic Financial Management **(P-14)**	-------------------
Thursday, 13th December, 2018	-------------------	Cost & Management Accounting and Financial Management **(P-10)**	-------------------	Indirect Tax Laws & Practice **(P-18)**
Friday, 14th December, 2018	Direct Taxation **(P-07)**	-------------------	Strategic Cost Management – Decision Making **(P-15)**	-------------------
Saturday, 15th December, 2018	-------------------	Indirect Taxation **(P-11)**	-------------------	Cost & Management Audit **(P-19)**
Sunday, 16th December, 2018	Cost Accounting **(P-08)**	-------------------	Direct Tax Laws and International Taxation **(P-16)**	-------------------
Monday, 17th December, 2018	-------------------	Company Accounts & Audit **(P-12)**	-------------------	Strategic Performance Management and Business Valuation **(P-20)**

EXAMINATION FEES

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

1. **Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.**
   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
4. **Last date for receipt of Examination Application Forms is 10th October, 2018.**
5. The provisions of direct tax laws and indirect tax laws, as amended by the Finance Act, 2017, including notifications and circulars issued up to 31st May , 2018, are applicable for December 2018 term of examination for the Subjects Direct Taxation, Indirect Taxation (Intermediate) , Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016. The relevant assessment year is 2018-19. **For statutory updates and amendments please refer to http://icmai.in/studentswebsite/Syl-2016.php**
6. Companies (Cost Records and Audit) Rules, 2014 as amended till 20th Dec 2017 is applicable for December 2018 examination for Paper 12- Company Accounts and Audit (Intermediate) and Paper 19-Cost and Management Audit (Final) under Syllabus 2016 for December 2018 term examination. **Please also refer to http://icmai.in/upload/Students/Circulars/Relevant-Info-December 2018.pdf**
7. The provisions of the Companies Act 2013 are applicable for Paper 6- Laws and Ethics (Intermediate) and Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government up to 31st May, 2018 for December 2018 term of examination.
8. For Applicability of IND_AS and amended AS for paper 5 –Financial Accounting and Paper 12-Company Accounts and Audit (Intermediate) and Paper 17-Corporate Financial Reporting (Final) refer to relevant circular in website for December 2018 term examination. Please refer to http://icmai.in/studentswebsite/Syl-2016.php
9. Pension Fund Regulatory and Development Authority Act, 2013 is being included in Paper 6- Laws and Ethics (Intermediate) and Insolvency and Bankruptcy Code 2016 is being included in Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 for December 2018 term of examination. For further clarification visit our website www.icmai.in
10. **Examination Centres: Adipur-Kachchh (Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur (Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.**
11. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
12. **Probable date of publication of result: Inter & Final – 21st February, 2019.**

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

L. Gurumurthy
Secretary (Acting)


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