June 2013 ● Vol. 48 No. 6 ● ₹ 60.00

The Management Accountant

The Journal for CMAs

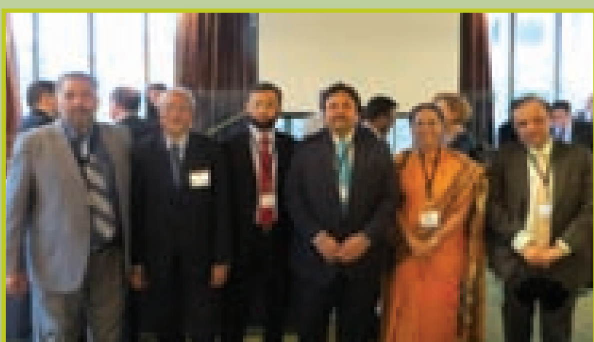
The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)

Corporate Social Responsibility

www.icmai.in

CMA Rakesh Singh, the President addressing the gathering on 19th May, 2013, the Annual Day celebration of the Institute in New Delhi. Also present are CMA S.C. Mohanty, Vice President and Chief Guest Shri K. Rehman Khan, Honourable Union Minister of Minority Affairs.


CMA S.C. Mohanty, Vice President lighting the lamp during the inauguration session at the GCC-Certified Management Accountant Summit in Bahrain on 2nd and 3rd May, 2013, organized by Bahrain Overseas Center of the Institute.


CMA TCA Srinivasa Prasad and CMA Aruna V Soman, Council Members with other dignitaries at EFAA Conference in Amsterdam on 17th – 18th April, 2013


The President, Vice President, immediate Past President, Council Members and staffs celebrating the Annual Day of the Institute at the Delhi office on 19th May, 2013.

CMA Sanjay Gupta, Council Member, Mr. Hameed Rahma, Industry & Commerce Ministry, Bahrain. CMA Mahendra Mehra, CMA S. C. Mohanty, Vice President, Mr. Abbas Al Radhi, Chairman, Bahrain Accountants Association and Mr. Abdulla Al Hawaj, President, Ahlia University, at the GCC-Certified Management Accountant Summit in Bahrain on 2nd and 3rd May, 2013.


Meeting of the Institute with its sister concerns at the Co-ordination Committee held on 8th May, 2013.


CMA TCA Srinivasa Prasad, Council Member deliberating at the EFAA Amsterdam Conference on 17th – 18th April, 2013


CMA Manas Kumar Thakur, Council Member with CMA S.N. Banerjee, Chairman of Agartala Chapter presenting a memento to Shri Ratan Bhowmik, Minister for Welfare of Scheduled Cast, Public Works and Tourism, Tripura.

Inside *This Issue*

The Management Accountant

Official Organ of the Institute of Cost Accountants of India established in year 1944 (Founder member of IFAC, SAFA and CAPA)

Volume 48 ◘ No. 6 ◘ June 2013

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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.

MISSION STATEMENT

" The Institute of Cost Accountants of India 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."

DISCLAIMER

The views expressed by the authors are personal and do not necessarily represent the views and should not be attributed to the Institute.

The Management Accountant Technical Data

Periodicity : Monthly — Overall Size - 26.5cm x 19.5cm
Language : English — Printed Area - 24cm x 17cm
Screens - Up to 130

Subscription
₹ 600/- (Inland) p.a.
Single Copy: ₹ 60/-

Overseas
US $150 for Airmail
US $ 100 for Surface Mail
Concessional Subscription Rates for Registered Students of the Institute
₹ 300/- p.a.
Single Copy: ₹ 30/- (for Students)

Rates for Advertisement
The Management Accountant

	₹	(US $)
Back Cover	50,000	2,500
Inside Cover	35,000	2,000
Ordy. Full page	20,000	1,500
Ordy. Half page	12,000	1,250
Ordy. Qrtr. Page	7,500	750

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Behind Every Successful Business Decision, There is always a CMA

Editorial

Greetings!

While there is no universal definition of corporate social responsibility, it generally refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet. "People" constitute the company's stakeholders: its employees, customers, business partners, investors, suppliers and vendors, the government, and the community. Increasingly, stakeholders expect that companies should be more environmentally and socially responsible in conducting their business. In the business community, CSR is alternatively referred to as "corporate citizenship," which essentially means that a company should be a "good neighbour" within its host community. CSR is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. In some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law."

Corporate Social Responsibility (CSR) is the responsibility of the corporate entity towards the society in consideration of the support given and sacrifices made by the society. The corporations exploit the natural resources of the country, cause incidental damage to environment and inconvenience to the people of the project area. Therefore, they have a responsibility towards the society to share a part of their profit.

Inspite of having few life size successful examples, CSR in India is in a very nascent stage. It is still one of the least understood initiatives in the Indian development sector. It is followed by a handful of public companies as dictated by the very basis of their existence, and by a few private companies, with international shareholding as this is the practice followed by them in their respective foreign country. Thus the situation is far from perfect as the emphasis is not on social good but rather on a policy that needs to be implemented.

Many factors and influences have led to increasing attention being devoted to the role of companies and CSR. These include: Sustainable development, Globalization, Corporate sector impact, Communications, Finance, Ethics, Leadership, Business Tool etc. In order to attain the social objectives, there is a need for framing a CSR Policy in every company. CSR is more than a PR exercise. It has a bottom-line relevance, and the way it is communicated and reported is important. The need of better corporate governance is set to drive companies towards more ethical behaviour from one direction while stakeholders and customers drive more ethical behaviour from another.

We record our heartiest gratitude to the contributors of this issue. Hope you will enjoy reading the articles of this issue.

Happy reading!

> *You may never know what results come of your action, but if you do nothing, there will be no result.*
>
> —Mahatma Gandhi

CMA Rakesh Singh, President

Dear Professional Colleagues,

In today's competitive environment, every Organisation is concerned about developing the potential of its people than ever before. It is healthy business practice that helps in enhancing the performance and bottom-line results of the organization. Organizations are designing HR policies to achieve their overall objective. These polices include recruitment, training, performance appraisals, motivating employees as well as workplace communication, workplace safety. Organizations value their human capital to remain competitive and gain advantage over their competitors.

We CMAs can play an important role in formulating this strategy for the business world. The new format of form-III of Cost Audit report requires cost auditor to report his observations on manpower analysis so that the performance of the Organisation can be further improved.

For reporting on these points, proper knowledge about human resource management is required. The Institute has taken many measures to improve the quality of services of our members in this area. A guidance note on performance appraisal report has been issued for the guidance of the members. Similarly we have also included this topic in the syllabus to develop competence of future CMAs also in this area. We are required to develop our competencies in this area for the benefit of the business world and economy.

Meeting of ICAI (CMA)-ICAI- ICSI Coordination Committee

I attended the meeting of ICAI (CMA)-ICAI- ICSI Coordination Committee, which was held on 8th May 2013 at ICAI Bhawan, New Delhi. The Presidents, Vice-Presidents of all the three professional institutes attended this meeting and issues relating to thrust areas of mutual interest were discussed, particularly relating to professional ethics and quality of services provided by the members.

Annual Day Celebrations

The Institute celebrated its Annual Day on 19th May 2013 at Hotel Oberoi, New Delhi, in which Mr. K. Rahman Khan, Hon'ble Minister of Minority Affairs was the Chief Guest and Mr. M. J. Joseph, Additional Secretary, Ministry of Corporate Affairs was the Guest of Honor.

In his anaugural speech, Mr. K.Rahaman said that three Institutes, namely, the Institute of Cost Accountants of India, the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India have done a commendable job in continuously upgrading its body of knowledge and responding quickly to the needs of stakeholders, particularly that of governments, companies and other stakeholders. Therefore, each one of them occupies a prominent position in the economy.

I was given the opportunity to give the welcome address in which I urged upon the members to gear up themselves for the future as economy has opened up the skills and standards are on a substantial rise and catering to this demand is a challenging task. So, from 1st of January 2013, the complete curriculum has been changed and now it is sync with the international standard.

I also informed the gathering that CMA support centres have been opened across India. The Institute has already opened about 400 centres, up from the 100 when started last year. In Kerala and Rajasthan another 500–550 centers will be opened up very shortly. The first experiment started with the state of Kerala whereby with the support of state government the Institute got into employable skill development and accordingly a modified certificate course in Accounting Technicians was launched. The students after passing 10th standard can enroll in the course. The course has been retuned into one year course with a cost of just 8,600 rupees. This has been taken as a professional social responsibility by the Institute.

CMA SC Mohanty, Vice President presented the vote of thanks.

To commemorate this day, all the Chapters, Regional Councils and other Offices of the Institute planted saplings across the country.

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

Technical Directorate

The Directorate is working full time to develop new cost accounting standards and guidance notes. The following are the latest development of the directorate:

- Cost Accounting Standard on Depreciation & Amortization as approved by the Council has been hosted on the website.
- Cost Accounting Standard on Interest & Financing Charges as approved by the council has been hosted on the website.
- Exposure draft of Guidance note on Cost Accounting Standard on Repairs and Maintenance as approved by CASB has been released for public comments. I request all the members to go through it and give their comments on the draft.

Directorate of Studies

To give students updated information about the developments, Directorate of Studies has started a NEWSLETTER for the students from 15th May 2013. The same has been uploaded on the website of the Institute. The directorate is making arrangements to send this to all valid students by e-mail.

CAT Directorate

I am happy to inform that the first ever campus placement for CAT qualified is being scheduled on 1st June 2013 at Delhi and in order to prepare the CAT students for this campus placement, an Orientation Programme is being organised on 31st May 2013. I am sure it is just a beginning and will be able to bring the employers and CAT qualified together.

ICWAI – MARF Programs

I am pleased to inform you that the Calendar of Management Development Programs for the year 2013–14 has been prepared and circulated to all the organizations by the department.

The department has got an opportunity to organize an International Program for IRAS officers of Ministry of Railways during 10th – 23rd June, 2013 at Delhi, London and Paris. Efforts are being made to get good response for the international program on `Advanced Financial Management (in association with

ESCP Europe Business School at London and Paris) to be held during 28th July – 9th August, 2013 at Delhi, London & Paris.

The program on Cost and Contract Management for Indian Navy has been confirmed and scheduled to be held during June, 2013. An exclusive program on Contract Management for Indian Air Force has also been confirmed to be held during July, 2013.

A program on Accounting Standards and Revised Schedule VI was organized for NBCC during 14–15 May, 2013 at New Delhi.

International Affairs

I am pleased to inform you that I represented the Institute at CAPA Events (Board meeting and other committee meetings) held at Vancouver, Canada during 23–25 May 2013 along with some of my council colleagues. Toronto Overseas Center of the Institute organized a meeting at Toronto on 26th May 2013, which was attended by me and some of my council colleagues.

Hyderabad Center of Excellence

The center has organized the meeting of the Infrastructure & IT Committee and the education and training facilities committee 11th May 2013. The meeting of the tender opening committee for fire-fighting equipment was held on May 14th while the meeting of the Tender Opening committee for the False Ceiling was held on 18th May 2013 at the Hyderabad Center of Excellence.

The Instructions for Paper-I of the Business Valuation and Corporate restructuring were completed at Kolkata and Hyderabad.

As already mentioned, as part of the Annual Day celebrations, the Hyderabad Center of Excellence also celebrated the event on 19th May 2013 at HCE. Chairman and few office bearers of the Hyderabad Chapter of Cost Accountants planted Saplings at the premises of HCE.

I wish all the members and their family success, good health and enjoyable summer season.

With warm regards,

(CMA Rakesh Singh)
President
The Institute of Cost Accountants of India
1st June 2013

Corporate Social Responsibility

J D Sharma
M.Com, CAIIB, LLB, MIMA
President Indian Overseas Bank Association, Chennai
jaideosharma@yahoo.com

The Corporate is a business enterprise which undertakes business to earn profit. The corporate is expected to earn profit to meet its obligations to different categories of stake-holders. The stake-holders can be described as such of those individuals and associates on whom the organisational activities would have an impact in some form or the other. This is an orthodox and conventional description of a corporate entity. But in the context of social responsibility of a corporate, it would be appropriate to encompass even the organisation not having profit as a motive. Thus in a broader sense, even the educational institutions including the universities, trade unions, non-governmental organisations, the government CPSEs etc., can also be considered as Corporates for the purpose of undertaking Social Responsibility.

The Corporate Social Responsibility (CSR) can be defined as "Pragmatic responsiveness of business to stake-holders, consumers and civil society".

The CSR can be described as a continuing commitment of an organisation towards the societal good by conducting its operations ethically in a transparent manner. Transparency and Accountability are important keys for conducting business in a responsible manner. It enhances the focus on good Corporate Governance. It has been seen that CSR came to be practiced by large business houses sometime around late 1960's and early 1970's in United States of America. A few Multi-national Blue-chip companies were the pioneers in the field of CSR. With the passage of time, the concept of CSR spread to European Countries too. In India, the business houses like TATA's and Birla's had been undertaking CSR without using the label of CSR.

Now the business community has also realised the strategic value of being more responsive to the social & community development issues by aligning its activities accordingly. It can be explained with the help of an example. At the time of disastrous earthquake in Gujarat, a small company called M/s. Bhaskar Power Projects aligned itself to an International Allied Agency by volunteering to lend power generators to help ensure restoration of electricity in the affected areas. The Agency not only accepted the gesture readily but also patronized the company by placing purchase order for generators worth several crores of rupees. It also shows that the CSR supports and does not undermine the interests of Micro, Small and Medium Enterprises (MSMEs). The CSR has got different dimensions which are broadly classified as internal and external. The internal dimensions pertain to the Management, Employees, Share-holders, Corporate Governance, Business Ethics, Work-place issues like funding of statutory dues of employees/ pensioners etc. The external dimensions pertain to human rights, environmental issues, community development, customers & consumers, vendors & suppliers, cheap & child labour etc. These dimensions can be illustrated with the help of the following diagram (see next page).

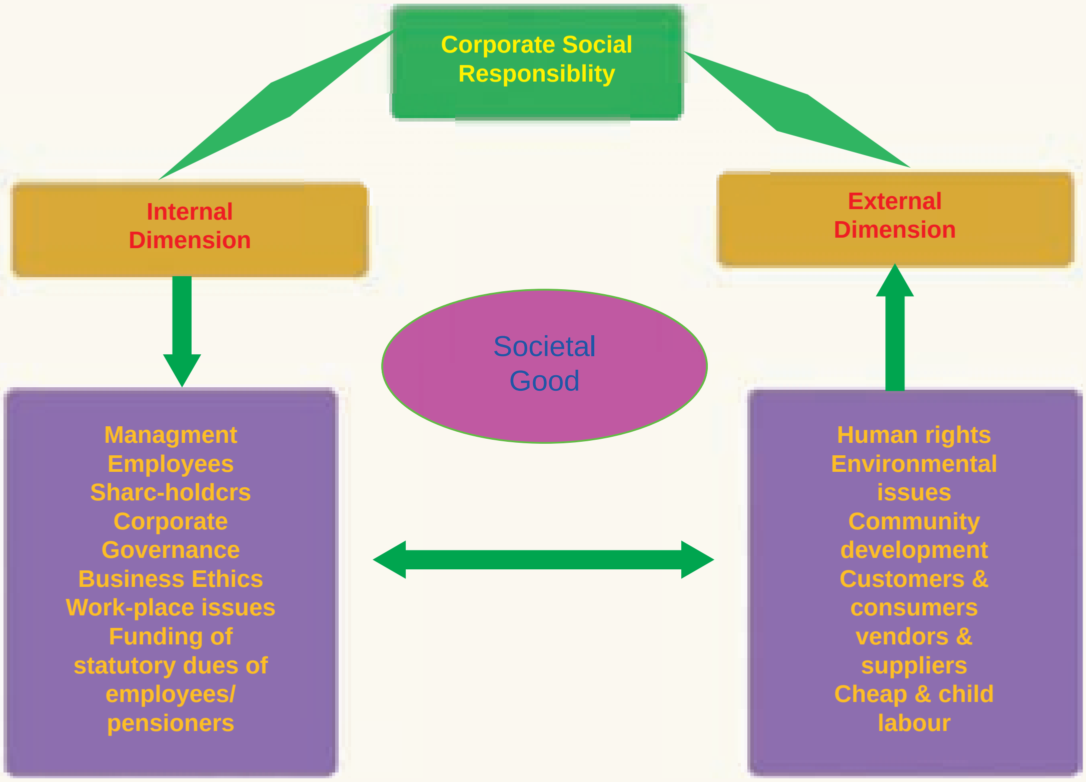
The above diagram shows that the concept of CSR revolves around the 'Societal Good'. The next question which comes to mind at this stage is as to why the Corporates should have the Societal Good as a part of their agenda. To look for the answer to this question, it would be appropriate to examine various dimensions of CSR more elaborately.

Internal Dimensions

Management

Management is of paramount importance in any organisation. The success or failure of the organisation would largely depend on the capabilities of the management to manage

CSR : Dimensions and Outcome



conflicting situations to the advantage of the organisation. The management needs to be competitive, progressive, effective and visionary without prejudice. The management should command respect of different stake holders and enjoy their confidence. The management should be accountable to its stake holders. Why should a good management practice CSR? The answer lies in a maxim that **the society has given us many things and we should return a part of it to the society.** It is therefore important for those who are better placed in the society to contribute for the societal good as a mark of gratitude towards the society. When it comes to CSR it becomes imperative for the management of the corporate to make sincere and concerted efforts towards its responsibility to the society in which it operates. Hence the CSR.

Employees

The employees are the backbone of any organisation. In last 2–3 decades, there have been attempt to replace the employees by automated machines, robots, computers etc. But it still remains a fact that all these attempted substitutes are programmed and guided by the human beings who are the employees. It is therefore pertinent that even in highly mechanised organisations, the employee welfare cannot be undermined. Taking good care of its employees is the responsibility of the organisation and its management. It is important to ensure the welfare of the employees. The employees are not only the employees but are also an integral part of the society and environment in which the organisation operates. A corporate which cares for the welfare of its employees, fulfils its responsibilities not only towards its internal class but also towards the external community. It therefore assumes greater significance that the corporate should aim at ensuring utmost welfare of its employees. The corporate will therefore be able to not only keep its work force satisfied and motivated but also fulfil its social responsibility without incurring further additional cost. From economic point of view, it becomes quite cost-effective to undertake CSR through employee welfare. It is also relevant to understand that the employees are having long term interest in an organisation as their life revolves around the said organisation. Corporates volunteering is an important component of CSR as it allows the employees of the organisation to give back to the society on a personal level too. The CSR should not be treated merely as a donation to a chosen charity. It should rather be considered as an opportunity given by the organisation to its employees to make invaluable contributions to help those who are living in poverty. The concepts like employees pension schemes play an important role in creating an eternal bond between the employees and the organisation. The employees also act as brand ambassadors of the organisation. It therefore makes good sense to wisely invest in the employees.

Share Holders

Share holders are important stake-holders in any business organisation. They invest funds in the business with twin objectives of getting annual returns on their investments and also the gradual appreciation in the value of their investments. It is therefore the responsibility of the management to enhance the value of the investments so as to benefit the share holders. While focussing on enhancement of value by adopting cost-effective methods of operations, the organisation should also use green technology as a socially responsible organisation. The share holders should also in turn contribute towards the attainment of objectives of CSR. In the Annual General Meetings (AGMs) of share holders, they should be encouraged to raise the issues of CSR and demand allocation of budget for CSR activities. Like employees, share holders can also be the beneficiaries and also the benefactors of CSR agenda of the organisation.

Corporate Governance

Corporate Governance, as a concept, has emerged on Indian corporate scene in recent years. It plays a vital role in creation of healthy and transparent organisation. It is the duty of the management to conduct the business of the organisation honestly, legally and with a high degree of integrity. It calls for observance of rules and procedures in an honest manner. The mandatory disclosure and reporting must be done without manipulation. The emphasis should be on enhancing the organisational integrity by adopting ethical business practices and carrying out the transactions in a transparent manner. The public disclosures are considered as one of the important obligations of the organisation. There has been surging demand from various stake-holders and civil society groups for enhanced level of disclosures. The corporate response to this demand has not been up to the mark and there is still much to be done. It is imperative to observe transparency in conducting business as a part of Corporate Governance and also to determine accountability in a responsible manner. The concept of Corporate Governance has largely been responsible for creating corporate conscience, corporate citizenship and achieve a sustainable responsible business which can also be called social performance or CSR.

Business Ethics

It is difficult to prescribe standard 'ethics' for each organisation as the nature of business would warrant different kinds of ethical practices. Nonetheless it is important to understand that ethical behaviour is a corner stone to long term business success of any organisation. There are companies like Cognizant Technology Services (CTS) which devoted one lakh hours on imparting ethics training to its employees. The objective of business should not be to maximize profit either way but it should be ensured that organisations do great things the right way. The winning strategy should have its root in fair labour practices, responsible sourcing, creating consumer awareness, up-holding workers' rights etc. Business ethics play a vital role in creating a work culture of mutual trust and help enhance the brand value of the organisation. It therefore becomes vital for success of the organisation.

Work-Place Issues

It is the responsibility of the organisation to provide safety, security and healthy working conditions apart from professional enrichment at work place. These are considered essential for creating a healthy work atmosphere in the organisation. There is also a growing need to re-invent the work place to make it a desired destination for the new recruits to create attraction for their retention while nurturing the talents to shape them into skilled professionals. Such initiatives should be supplemented by creating awareness about the rights of the workers and the policies in existence to protect the workers from abuse or unjust treatment at work place. It is the common experience that the workers are seldom found aware of their rights and hence many work place injustices pass off undetected. It should be the responsibility of the organisation to make its employees aware of the laws, rules, policies which are in place to protect the rights of the workers as a part of CSR. The workers should also take equal interest in learning about their rights at work place so as to protect themselves and also their co-workers. It will help create a safe and productive work place. The organisation can also respond to rapidly changing business environment and introduce a system of shifting tracks for its employees not only to ensure their rounded growth but also to avoid their employees being **'pigeon-holed'** in a single discipline. Such a work place shall provide a strong platform for the organisation and its employees to undertake socially responsible projects.

Funding of Statutory Dues of Employees/ Pensioners

The post-retiral benefits can be described as statutory obligations of an organisation towards its employees who had been part of the journey in the life cycle of the business and have superannuated. Apart from being a statutory obligation, it can also be considered as social responsibility of the employer to ensure welfare of elderly persons. The organisations need to make adequate provisions towards the statutory dues in the form of terminal benefits and post-retiral pension. There are many organisations in our country which default from making adequate provision towards the dues of the employees. The auditors have also not been able to help improving the situation. This is a serious violation of ethical Corporate Governance and hence runs against the concept of CSR. It is therefore imperative on the part of all the stake-holders to ensure that sufficient provision is made towards these dues. In the era of liberalization and growing transparency, it is important that the Trade Unions being an important stake-holder in the organisations, take it upon themselves to ensure that the management does not resort to under-provisioning. It mandates that the Trade Unions must build capabilities to understand and analyze the accounting and financial statements of the organisation to detect such unethical practices followed by many organisations. The Trade Unions must act as watch dogs in the area of CSR to ensure proper monitoring and accountability. It would be desirable that the CSR initiatives of an organisation appear to further some social good beyond the interest of the organisation and also that which is required by the Law. In such a scenario, the socially oriented organisations must observe compliance in the fear of providing for employees' and pensioners' dues.

External Dimensions

Human rights

Human rights are very important from the point of view of societal cause. The business organisations need to invest their resources to ensure that there is no violation of human rights on account of the business activity pursued by them. We are an emerging economy and till few years ago, the policies of the Nation were largely tilted towards earning foreign exchange to meet the cost of imports and other payment obligations in foreign exchange. It looks strange that the export of human bones, skulls and skeletons was a permissible business till little over two decades ago. It is not difficult to guess as to how the human bones, skulls and skeletons were sourced by such exporters. I had the occasion to handle such customer as a young officer in foreign exchange department of a bank's branch. I was baffled that sometimes the procurement agents even killed the people to source the raw material for the business. Thanks to the pressure groups who lobbied for prohibition of export of human bones, skulls and skeletons. Ministry of Commerce took lot of time to bring out its Trade Policy prohibiting such exports. This was an atrocious way to inflict injuries on human beings and violate human rights. The country has witnessed in recent years that the government in the name of industrial development of backward areas, has seen causing violation of human rights by forcibly dispossessing them of their land which has led to large number of litigation and protest by several human rights groups. Similar violation of human rights has been done even by the private business houses. The government must come out with specific and unambiguous policies to guard against violation of such human rights for commercial gains. The private business houses shall also do well to desist from such violations.

Environmental Issues

The growing commercialization has been a cause of several environmental issues globally. The issues like global warming, carbon emission etc., have been engaging the attention of global leaders in recent years. The developed nations have even shifted the hazardous businesses to less developed countries in guise of creating employment opportunities and promoting industrialization in such countries. The huge cost in the form of deterioration in the environment is incurred by the poor people of the host country. The tragedies like Bhopal gas leak at Union Carbide Plant is a glaring example of long term sufferings inflicted on the people of Bhopal. Such sufferings are not restricted to one generation but were inherited by even their next generation. Responding to environmental issues must be considered as a business imperative by every commercial organisation. Many NGOs like M/s. EXNORA International are engaged in addressing the issues of pollution, cleanliness, ecological balance, aforestation, paper-less office, waste reduction & recycling etc. Information Technology giants like

Cognizant Technology Solutions have achieved remarkable results by reducing per employee energy consumption, paper consumption, carbon emission etc. In today's context of globalization, it assumes greater significance for the corporates to strike a fine balance between Corporate Economic Responsibility and Corporate Social Responsibility.

Community Development

Our country continues to be a developing economy with more than one-thirds of the population remaining below poverty line. While the major economies have shifted their focus of CSR to issues like climate change, global warming, e-waste, carbon credit etc., the less developed countries still need to focus on basic health issues, primary & secondary education, women empowerment, poverty alleviation, drinking water etc., as a part of CSR. The community development would encompass all these issues. In a country like India having large parts of its land as backward areas, despite having valuable natural resources, the CSR assumes greater significance from the view point of community development. There are innumerable cases of setting up of large & high value industrial projects in many of the under-developed areas. The Corporate Houses are allotted land for setting up an industry invariably at highly concessional rates. Even the tax concessions are offered. As a part of CSR, it should be mandated by the government that such Corporate Houses invest a minimum percentage of their revenue for the development of community in the surrounding areas. Such development must include setting up of primary health centres, schools, vocational training institutes, adult education centres, employability programmes, drinking water facilities etc., to ensure holistic community development and capability building. All endeavours should be made to involve the local communities not only in the community development projects but also in the industrial development projects by giving them suitable employment in the industrial projects being set up.

Customers & Consumers

Another important aspect of CSR is creating awareness amongst the customers and consumers about the manufacturing processes followed by the corporate. There are many sectors including apparel, footwear, carpets, beedi manufacturing, fireworks (crackers), hotels & restaurants etc., where there is large scale employment of minor children. The consumers should be made aware of such practices and persuaded to boycott the products which are manufactured by children. It will discourage and reduce the abuse of child labour. The provisions of Minimum Wages Act are being flouted by many corporates – small & big. The consumers must be made aware of such violations by the social groups and NGOs through media advertisements & publicity to enable them to take informed decisions with regard to purchase of the products manufactured by such corporates. It should also be made mandatory that the Corporate Houses print on the packages that they do not violate such provisions in their manufacturing process. The organisations like FICCI, ASSOCHAM etc., must come forward to play a pro-active role in ensuring that such abuse of child labour and exploitation of labour without paying minimum wages is put an end to.

Vendors & Suppliers

Vendors & suppliers play a vital role in the supply chain management. It is therefore important for the corporates to communicate basic principles and policies, business ethics and legal requirements to the vendors & suppliers as a part of CSR so that exploitative practices are not followed by them. They should also be encouraged to undertake social responsibility projects depending on the volume of business, profitability etc. Such projects may be some times conceived by the corporates and given to the vendors & suppliers for implementation. If need be, even the part-funding could be provided by the large corporates. It would also be appropriate for the large corporates to instil trust and confidence in the minds of vendors & suppliers about the desirability and success of such socially-oriented projects. The large corporates may also explore the possibilities of evolving code of conducts for their vendors & suppliers. It will also help the large corporates to spread the wings of CSR to different parts of the country where their products have marketability.

Cheap & Child Labour

In terms of population, India is the second largest country in the world having 121 crore people. The fact that we are still an emerging economy with large scale unemployment and even larger disguised unemployment, especially in agricultural sector and cottage industry, there is a greater need for creation of employment opportunities for workable human resources normally in the age group of 18 to 60. The protracted unemployment creates an urge in the minds of unemployed to accept the employment offer even for the minimum wages which are mandatory. This has helped the corporates to exploit the abundance of labour available in the country. Even the trans-national and multi-national companies have been attracted by availability of cheap labour and other resources in our country and have therefore set up their manufacturing facilities in India to take advantage of the same. Apart from payment of minimum wages, there is a need for the TNCs & MNCs to follow fair labour practices. The Trade Unions have an important role to play in prevention of exploitation of labour by such Corporate Houses. But the irony of the situation is that formation of Trade Unions in such companies has not been made mandatory by the government. Hence the violation and exploitation continues unabated. Similarly the IT & ITeS companies have been exploiting the employees by having longer working hours than mandated by the Law of the Land. These are inhuman practices and work against the principles of CSR. There is need to insist with such companies to follow fair & ethical labour practices as a part of CSR. Merely indulging in charity and bringing about societal development cannot be called CSR unless there is internal process of responsible management towards the rights of the employees working within the organisation. It calls for urgent need to form Trade Unions in such sectors so that they can act as watch dogs against the internal exploitative practices by the large corporates. Similarly, there should be concerted efforts on the part of government to ensure due implementation of the provisions of Protection of Child Rights Act. Right to Education is a welcome move by the government as it provides for free compensatory education upto the age of 14 years. It would be more appropriate if a free compensatory education is standard upto the age of 18 years.

The global corporates which have set up their establishments in India with an objective of sustainability through profit maximization have been resorting to hire & fire practices when it comes to their employees. Inasmuch as there is hardly an infrastructure in the country to support the unemployed, the practice of hire & fire has been causing great hardships to the people on the wrong side of their age. There is need to create appropriate infrastructure to deal with such malice. It can be done by creating fund for the purpose of extending financial support while also setting up the infrastructure for incubation to enable such fired people to get rehabilitated.

A Way Forward.............

The government has been quite conscious about its role both directly and through its enterprises in the area of CSR. The Department of Public Enterprises has formulated guidelines on CSR and sustainability for Central Public Sector Enterprises. These guidelines provide for resource allocation towards CSR projects in relation to their declared profits as follows:

Profit Allocation for CSR

Upto Rs.100 crores	3 to 5 %
From Rs.100 crores to Rs.500 crores	2 to 3 %
Above Rs.500 crores	1 to 2 %

It is further prescribed that 80% of the amount allocated for CSR activities should be used for community projects, 5% should be used for emergency measures including natural calamities, disasters, PM Relief Fund, Chief Minister's Fund, Humanitarian Assistance etc., and the balance 15% can be utilised for creating/ assisting educational infrastructure. The government has expressed its intentions that CPSEs should create social value through adoption of shared value. The CSR and sustainability should ingrained in the DNA of the organisation and get reflected in the organisational culture while involving its employees in assisting the implementation of CSR projects. The CPSEs should not only have good intentions in formulation of the CSR plans but also should lay down the road map for formulation of actionable plans. Timely implementation of the plans is the key to success of CSR agenda of CPSEs. The suggested areas for CSR include the following:

- Capacity building
- Empowerment of communities
- Environment protection
- Inclusive socio-economic growth
- Promotion of green & energy efficient technologies
- Development of backward regions
- Upliftment of marginalised and under privileged
- Adoption of villages and making them self-reliant
- Providing medical & sanitation facilities

The government should also enlarge the scope of its social responsibility by launching CSR projects under *'Public-Private Partnership'* Model. There is also a need to have a focussed approach for developing environment leadership amongst the corporates. It should be the endeavour of the government to make CSR an intrinsic proposition where all the stake-holders come together in taking up a distinct route for an equitable and just order in the society, which has been one of the least understood initiatives in Indian Development Sector. The government will do well by pro-actively providing demographic data and other specific information to the corporate sector to help them formulate area-specific CSR projects. This will act as a catalyst in the successful implementation of CSR agenda by the corporates. The corporates should realize that what is good for the community shall eventually be good for them, their employees and other stake-holders. Empowerment of community is to be considered as a process of strengthening the future today so that the risks are minimised, value is created and certainty is experienced in coming days.

Yet another area of CSR would be to ensure a healthy practice of ethics and governance in educational institutions. The educational institutions have a vital role to play in community development by imparting value based education. Improving the education level of the communities will go a long way in skill building and creating opportunities of personal and professional growth. But there are few issues which need to be addressed before we expect creation of an ethical and just social order through the educational institutions in years to come. One such issue is that many educational institutions indulge in under payment to their teachers and workers while getting their acknowledgement for a higher amount towards payment of salary/wages. It is a very common exploitation even educated class of people. The people who are subjected to this kind of treatment on a regular basis shall lose their self esteem, ethical values, morality and principles. To expect them to impart value based education to bring about improvement in the communities and future generation would be unrealistic approach. There is an urgent need for an objective audit, monitoring and accountability in such educational institutions. Transparency and accountability should be made important pre-conditions for licensing of educational institutions and further renewal of their licenses. This will enhance the internal CSR of educational institutions. It is common knowledge that there is lot more wanting in the educational institutions on ethics and governance issues.

As regards the external dimensions of CSR by the educational institutions, it would be appropriate to illustrate a live example of Kalinga Institute of Information Technology (KIIT University, Bhubaneshwar) and its Associate Institution viz., Kalinga Institute of Social Sciences (KISS), Bhubaneshwar. These institutions are founded by Mr.Achyut Samanth who is also the Vice Chancellor of KIIT University. Starting as a Founder of three-roomed Polytechnic institute, it is a world renowned university today. It is live example of an educational institution undertaking social responsibility of a larger magnitude. Under the umbrella of KISS, they impart free education to tribal children from KG to PG. Currently there are about 15,000 to 17,000 students undergoing their education in KISS in different non-engineering and non-medical streams which are taught under KIIT. The KISS provides free education, lodging, boarding, uniform, books, notebooks etc., to their students. The entire expenditure is met out of the surplus generated from the revenues earned by KIIT University. The students are mobilized and brought from remote tribal areas. This is a unique model of an educational institution undertaking such huge CSR. This model can be replicated by other educational institutions and if that happens, there will an accelerated transformation of the society through the process of skill-building.

Our country with its large demographics and limited resource based, offers huge potential in the field of Corporate Social Responsibility. What we need is a greater will to invest a small portion of our resources towards promotion of community development, skill building and social good. Every well meaning individual and organisation need to join hands to achieve the goal of an equitable and just social order.

Impact of CSR Initiatives on Brand Value: An Overview

Rahul Nath
Asst. Prof. of Commerce
T.H.K Jain College, Kolkata
srinath_commerce@rediffmail.com

Prologue

In recent years there has been growing concern about the increasing complexity of the concept and outlook governing the recognition and reporting of CSR. The reputation is one of the main causes of the current attention of companies to CSR. The attention for CSR results from the need to get a license to operate from the society. In accordance with firms have to meet the "triple P" bottom line expressing the expectations to stakeholders with respect to the company's contribution to *profit, planet and people* (Graafland). Firms that do not meet these expectations may see their market shares and profitability go down. Companies only succeed in convincing the stakeholders by investing enough in CSR. Indeed, CSR is very much a way of building up a good reputation. This is seen by many cases in various parts of world, in which companies started to pay attention to CSR after an incident that damaged their reputation. CSR comprises all kinds of measures that guarantee that the company will not exploit the stakeholders and misuse information advantages. CSR protects not only the interest of stakeholders (quality of life) but also to foster the common good for the society at large (environment). A very important aspect of CSR concerns the transparency offered by the company itself (supply of information about safety, health and environment aspects of the production process). The greatest asset of any retail and consumer product company is its reputation and its perceived value among consumers. Corporate and brand reputations have more than symbolic value. Today, consumers around the world are concerned how a company manufactures its product and whether it is managing for continued sustainability through attention to economic, environmental and social performance. If not, a brand's reputation can decline, and with it, an attendant decrease in future sales and profits. Therefore, CSR is affecting the brand value and market share price positively.

The article tries to make ensure that whether corporate social responsibility (CSR) initiatives act as a medium for brand reputation or committed for social obligations. Any kind of social development on the part of the company has been well recognized by the society at large. The purpose of taking this article is to draw out the readers' attention about significance of brand identity and corporate survival with the sample being a select group of leading global brands. People products and popular products have been attached in this connection that is interesting and amazing. A very powerful component, branding at present, is an important marketing strategy which enhances competitive power. As the competition in the global arena is full of complex and far more challenging right now, therefore products with highly reputed brands can be tackled properly in such environment where firms operate and take decisions. More importantly CSR and brand value jointly serve a significant role in merger and acquisition and exploring new market. CSR is "return to the community" activity that pays dividends over the very long run. Hence the study bears enormous potentiality at marketing strategy.

Objectives

The purpose of introducing this article is to measure the effectiveness of CSR initiatives and brand reputation over long term performance and survival of a company. The basic objective is to create awareness among those who are neglecting this segment though benefits accrue from it throughout the life of the organization indirectly. However, the article bears the following objectives:

> (i) To give emphasis on various aspects of corporate governance and business moves with these. (ii) To understand how important branding is and to search the means of more brand popularity and value. (iii) To find out the factors those have stronger influences over brand identity and CSR initiatives. (iv) To measure the effectiveness of CSR and brand reputation over the survival and success of the firm.(v) To short out others valuable marketing strategies in the line with brand reputation and value.(vi) To investigate the role of branding in the area of market expansion and penetration, merger and acquisition and product pricing.

Significance of the Study

The study has two sides, unavoidable social obligations (*CSR initiatives*) and the most valuable intangible asset (*Brand*). Two parameters are equally important but their nature and impact are different. The social obligations have indirectly influences over the mind of consumers who are induced to buy the products as per their likes and dislikes. Brand on the other hand, has directly affected to the buyers to buy the well known products. Only brands can transform to actual customers from prospective ones. *So brand acts as a main factor while CSR acts as a supporting factor in a business* but difficult to measure their relative strengths. John Stuart, Chairman of Quaker, once said "If this business would split up, I would give you the land and bricks, mortar and machines, and I would take the brands, and trade marks, and I would fare better than you." This statement reflects the significance of brand. Kirby Adams, CEO, Tata Steel, Europe has rightly observed that "We are committed to conducting our business in a way that prevents the wasteful use of natural resources, improves our energy efficiency and reduces our emission of carbon dioxide." Tata Steel believes that the primary purpose of the business is to improve the quality of people's life of the area in which it operates. Lastly brand is always at the heart of corporate success whereas CSR occurs when firms spend money for a social cause, sacrificing profits.

Brand Reputation and Competition

Undoubtedly true that there is a close relationship between brand reputation and competition. Brand image do arrest the level of competition comes from rival competitors. It helps to grow sales and profits. Consumers are ready to pay an extra price for branded goods. The reason is simple for the branded customers as it has ability to satisfy various needs properly. Generally, almost all customers want to wear out branded garment products but can't fulfill their expectations due to high price tag. So price fear and factor is only limitation of these products. But this is not true in all times and in case of all products. BIG BAZAR for example, common people get fear to enter into the shop. They thought that it is a matter of prestige if not to buy any commodity from there. The change in buying behavior and attitudes are difficult to adjust in accordance with customer needs and preferences. Brand reputation can enhance the competitive power and enjoying the independent pricing. In general, price is a biggest part of competition. Though, competition depends on several factors like nature of competition and market, class of customers to whom product is to be sold in addition to price and quality. Customers buy goods on the basis of quality attachment at competitive price. People in today's world are very much quality conscious. Therefore, price and quality are the key criterions of competition and at the same time these affect on brand value positively. Mobile service operator BSNL, a public sector undertaking of India, having largest network is far behind in competition as compared to AIRTEL and VODAFONE in domestic market because of poor quality of services, lack of innovative products with attractive offers. As a result of this its market share has been decreasing accompany with its brand value. Meanwhile, rivals service providers have been seized by that share. To exist in the market quality goods and services at highly competitive price is the key to arrest competition.

Responsible Factors for Brand Reputation

Brand is usually a name of the company. Brand reputation on the other hand, it represents people acceptability, easy marketability, high saleable value and a symbol of status. Brand popularity has not come over night. It is an outcome of series of good performances made over the years. Product features, quality testing, international standard, price and its satisfying power are valuable criterions for brand reputation. Some of the factors which have had the following effects over brand image:

> (i) Commitment and achievement (ii) Quality of products at competitive prices (iii) Availability of products (iv) Goods produce as per testes and preferences of customers in changing world (v) long term financial performances and non financial metrics (vi) Tract record of corporate governance including social sustainability, environment protection, employment generation

and community involvement programs (vii) Level of customer satisfaction (viii) Constant publicity and advertisement (ix) Product features like Apple's 3G iPod (x) Acquisition and merger by parent company (xi) National and international rewards and recognition.

Branding and Marketing Strateg y

For differentiating one product from rest of the products and for selecting particular one branding is must. It is indispensable now for satisfying consumers' taste and preferences and mass selling of the product. In order to make a trusted brand mere fulfillment of basic business obligations are not enough, we have to concentrate equally with social accountabilities. Several studies have been revealed that there is close relationship between CSR and a trusted brand and it is also established that social contribution has been stronger influenced on brand as well as its equity value positively. As popular brand signifies the standard quality, therefore, conscious customers are likely to buy branded goods without any hesitation in mind. Therefore, branding has greater importance in marketing strategy which should have a sound touch with the social activities of a firm in order to bring more financial value and social value. The role of branding has identified by Prof. B.K.Biswas that has mentioned below:

(i) Product differentiation (ii) Product image (iii) Advertisement and sales promotion (iv) Exploring new market (v) Brand loyalty (vi) Buying style and fashion (vii) Enjoying independent pricing

Others Valuable Marketing Strateg y

Besides branding, there are also several key marketing strategies which have important role in a business. Without of these business cannot be reached its ultimate objectives. These are market research, product planning, packing, packaging, grading, standardization, pricing, advertising, salesmanship; financing etc. Market research signifies methodical investigation in respect of the market demand, needs, tastes, fashions and buying habits and behaviour of the customers etc. Planning is necessary in respect of the product. The product must be capable of satisfying not only the present but also the potential customers. Commodities are to be packed adequately so that these are not destroyed or mutilated. Packaging not only protects goods but also advertises for the product. Grading means classification or assortment of goods into lots, groups or classes in accordance with the pre-determined standard or measure. Standardization is the way of describing the nature and quality of the product. Price of the product is determined by taking into consideration the nature of the product, its production cost, the class of customers to whom product is to be sold, market form etc. Advertisement makes practicable mass selling of the product and conveys the product message to customers. Salesmanship is the art of inculcating by repeated approaches and appeals about product. Financing means accumulation of funds and its proper application in order to need.

People Product Vs Popular Product

Most of the people use both the terms synonymous. But these are not so. There exists a significant difference between the people product and popular product. The former is one that has a wide degree of popularity and more acceptability everywhere. Meanwhile, the latter reflects standard quality and acceptability for a specific well to do customer groups. That means all people products are popular products but all popular products may not be people products. Microsoft and Apple, for example, that Microsoft (Windows XP) is a brand name of people product whereas Apple (3G iphone) is a brand name of popular product. In equation it may be said that

People Product = Popular product+
= Popularity + Wide acceptability,
and
Popular Product = popularity + Specific acceptability

Acceptability has two interpretations which are accepted in its application and acceptability in its mind. First point of difference is based on usability either limited or wide range of usability and second point of difference is based on psychological aspects and maximum self satisfaction. As popularity is common between the two, therefore, the above distinction is standing on the range of acceptability. Product identification and preferences are the integrated parts of product features, product versatility and product cost. Again, product acceptability depends upon respective brand strength. This state of mind is affected by company's committed social obligations, overall performances and contribution towards society at large including environment protection.

Two Sides of CG and Consequences

Corporate governance performs orderly functions of activities in order to meet an overall quality of life of all its stakeholders and society at large. It conducts businesses with responsibility, integrity and respect. This includes ensuring a safe, healthy and fair work place, protecting the environment, caring for communities and maintaining high ethical standards wherever firms operate. It is fact that CSR is must in today's world without which business future and its progress is uncertain. While, brand represents a symbol of trust and an important marketing strategy. CG affects brand reputation positively and selling costs negatively. Again brand is indispensable for mass selling and profitability that directly relates to financial health and progress of a corporate house. Therefore, both CSR and brand mutually affect equity value of the company and its long survival. In present age, a product can't continue for the longer period in the market unless there is a strong brand value. Only branded products can satisfy the buying needs of the consumers. Fairly competitive price, quality testing products, timely delivery, constant publicity, after sale services etc. should be the best means for customer satisfaction, survival and growth.

Table 1: Positive Aspects of CG

SL. NO	Area of CG	Beneficiaries
1.	To protect the interest of shareholders	Common investors
2.	To protect the evasion of taxes	Government
3.	To charge minimum/ fair price to consumers	Consumers
4.	Fair wages/ compensation to staffs	Wage earners/ employees
5.	To measure social cost and benefit	Society at large and company
6.	Disclose true pictures and positions	Investing public and creditors and research scholars
7.	Environmental protection	Ecology and all living entity-biotic and organism
8.	Creating employment	Unemployed personnel
9.	Timely payment to trade creditors and loan providers	Credit sellers in ordinary course of business and lenders
10.	Social programs including health, sanitation and education	Society at large

Table 2: Negative Aspects of CG

SL. NO	Area of corporate wrong doings	Consequences
1.	Corporate failures	Stakeholders suffered
2.	Creative reporting practices	Manipulation of facts and tax evasion
3.	Vulnerability to hostile takeovers	Arrest competition and free play in the market
4.	Expropriation of shareholder funds by unscrupulous directors	Deviate objective and reduce shareholder value
5.	Limited role of auditors	The concept of true and fair view has lost their significance
6.	Alleged disparities between company performance and executive compensation	Fewer benefited and EPS fall
7.	Market for corporate control	Malpractices

How CG Affects on Brand Value Positively?

Price, quality and responsible services (PQR) towards society are three key parameters for corporate governance of a company upon which brand value is based. PQR method is a source of success of any business where branding plays an important role for wide people acceptability and recognition. In present age, brand is central point of customers' attraction. Branding bears a wide range of marketing strategy. The important objectives that a good brand will achieve include (i) Delivers the message clearly (ii) confirms your credibility (iii) Connects your target prospects emotionally (iv) Motivates buyer and (v) Concretes user loyalty.

Brand is not only satisfied the customer needs and fashion but also enjoyed the self glorification. It should have a unique prestigious value otherwise it fails to achieve an overall organizational goal. Brand is a symbol of trust and customers' confidence. Business should be maintained a high level of product faith or brand faith at any cost. This is the most crucial factor of ultimate performance and survival. Any deviation would certainly affect the bottom line result. Again CG affects positively to brand value. Therefore, success and survival of world larger conglomerates depends on CG and strongest brand value to great extent. The study presents 10 most valuable global brands 2010 as per absolute figures and relative change as against 2009 and followed by 12 leading global brands 2012 as against 2011 has been shown below:

Table 3: Best10 valuable global brands 2010

Brands	Brand Value 2010 ($M)	% Brand Value Change
Google	114260	14
IBM	86383	30
Apple	83153	32
Microsoft	76344	0
Coca Cola	67983	1
McDonalds	66005	-1
Marlboro	57047	15
China Mobile	52616	-14
GE	45054	-25
Vodafone	44404	-17

Table 4: Best 12 valuable global brands 2012

2012 Rank	2011 Rank	Brand	Sector	2012 Brand Value $m	% Change Brand Value
1	1	Coca-Cola	Beverages	77,839	8%
2	8	Apple	Technology	76,568	129%
3	2	IBM	Business Services	75,532	8%
4	4	Google	Technology	69,726	26%
5	3	Microsoft	Technology	57,853	-2%
6	5	GE	Diversified	43,682	2%
7	6	McDonald's	Restaurants	40,062	13%
8	7	Intel	Technology	39,385	12%
9	17	Samsung	Technology	32,893	40%
10	11	Toyota	Automotive	30,280	9%
11	12	Mercedes-Benz	Automotive	30,097	10%
12	15	BMW	Automotive	29,052	18%

(*Source:* blog.gsmarena.com)

According to Interbrand's 13th annual best global brands report, Intel, Samsung and Toyota find their places in the Top 10 of the prestigious ranking in 2012. Out of them, Samsung, for the first time comes into this list. In contrast to brands such as Marlboro, China Mobile and Vodafone slip their ranks in the same period. This is phenomenon in the context of highly competitive global environment. But more important concern is that most of these brands lost their market capitalization continuously due to several factors including global recession. As a result stakeholders have been suffered badly as well as capital market as a whole. It requires integrated and combined efforts from the side of world bodies in order to overcome the present crisis that is beyond the control of global managers. But they can and add some social values across the world. By this action, demand is to improve and to recover market share, profitability and brand value in the years to come.

Brand valuation measures mainly two criterions, the potential profitability of the brand and non-financial factors like brand recall as compared with competitors. In India, such exercises have been undertaken mostly by large conglomerates such as TATA, RIL for measuring their strength of respective businesses. However, of late, companies across sectors, especially fast moving consumer goods and telecommunications have been valuing their individual brands. It is considered the business most valuable asset, yet its value is generally not reflected in the financial statements. As with other intellectual properties, their valuations are accounted for on the balance sheet only when acquired from another business or as a result of a business combination, but not when generated internally. There are several approaches for valuing brands but income approach (IA) is most important among all. The IA is based on the net present value methodology, which seeks to measure the economic benefit of the brand to be generated from a stream of future earnings or cash flows. One possible application of income approach is incremental income method based on the premise that a branded item can command a premium selling price compared to similar less well-known products. But this method of valuation is full of complex and subjectivity.

A company has been sacrificed a part of financial value towards society in the context of popularizing its brand value. Price is indeed a factor from view point of customers' attraction but this principle can't ensure a long product life cycle rather competitive price along with standardization and customers' satisfaction are the key issues for its sure success and long survival. These are inter-connected with the customer care and expectation that have been effected to a small part of entire market. That means only users of the goods are satisfied. When a business concern decides to contribute some surplus for the society at regular intervals, then it touches to overall business environment. That means both users and non users of the goods produced by the firm are benefited. This step is stronger to make actual customers from prospective customers.

Sometimes businesses are confused and can't differentiate what is a business obligation and what is a CSR initiative. Some of them want to prove that business obligations are made for the society and there is no need to spend money in the name of CSRs. This perception is absolutely wrong and baseless. Business obligations deal with stakeholders' related (basic obligations) as well as society including environment (secondary obligations). The former is gross accountabilities of a firm towards various stakeholders and these are must and later reflect an additional obligation towards society. Otherwise firms have been cheated to its stakeholders and the society simultaneously. Primary obligations include supply quality goods and services at competitive prices, timely delivery, pay right amount of corporate tax, employment generation, customer protection, after sale services and the like. Secondary obligations on the other hand are a group of such activities which is over and above its basic obligations like CSR initiatives. It has long drawn effect on financial performances of the firms who take it as must. Though, in fact recognition of corporate social responsibilities from all corners is a critical issue in industries. The set of following observations will remove all irregularities and misconceptions about CSRs irrespective of firms particularly for those who have been involved in wrong doing in this regard. These observations are stated below:

Table 5: Overall Business Obligations

Stakeholders related Obligations	Corporate Social Responsibilities
Basic obligations	Secondary obligations
Mandatory activities in all times	Voluntary activities in earlier, now it is also must
Concerned stakeholders associated with its business are benefited	Entire society is benefited including associated stakeholders
Relatively lower effect on brand popularity and market capitalization	Relatively stronger effect on brand popularity and market capitalization
Integrated business approach	Separate business approach
Helps in business expansion in local or even in national level	Helps in business expansion in local, national or even in international level
Activities related cost affecting revenue accounting generally	Activities related cost are made through use of surplus though benefit accrues indirectly
Short term effect, normally covers a year	Long term effect on reputation and brand value
These activities are expected and claimed by the society	But these activities are widely recognized and rewarded by the society

Epilogue

Companies in almost every sector embrace CSR not only because it's the right thing to do, but because it strengthens their brands. They also recognize that a stronger brand is a more valuable one. Another interesting finding reveals that the relationship between brand and CSR is stronger for familiarity not for favorability. That is, if a company is well-known in its community, its CSR activities will strengthen its brand more than they would if the company were less well-known. The implication is that CSR's impact is strongest with customers who are already familiar with the company, enhancing relationships with existing customers. Brands, technological approach, performance of employees and managerial qualities are considered the key to corporate survival and success, but rarely explicitly valued. Their value was subsumed in the overall asset value. Investors in the stock market have been claimed frequently that as brand is not separately maintained, valued and shown in the balance sheet therefore they are exploited financially. Moreover a strong brand arrests the competition and makes free play into the market. It helps a lot to create a new opportunity for the existing companies. Thus, it is the most challenging and hardest phase for new companies of similar kinds of products and services are likely to produce and to enter though it has difficult to compete existing rivals successfully. It's not ideal news for marketing environment. Finally, this paper exhibits the true social value of CSR and financial value of branding with their strong impacts on long run success.

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CSR, Practices of Select Indian Companies—A Descriptive Study of the Quantitative & Qualitative Aspects of Disclosures

Anandaraj Saha
M.Com, MPhil, CA
Lecturer Shivnath Shastri College, Kolkata
anandarajsaha@yahoo.com

> "*Our biggest challenge of this century is to take an idea that seems abstract-sustainable development-and turn it into a reality for the entire world's peoples*".—Kofi Annan, former UN Secretary General

Introduction

The world's business environment has witnessed a revolutionary change in the last 50–60 years. It necessitated the business to realign its objectives and goals from the historical objective of profit/wealth maximisation to social objectives. In recent times, following Lord Darwin's "*Survival of the Fittest*" theory, corporate entities around the world have probably well understood that unless they care for the society, it will be difficult for them to grow and exist in future. Mammoth corporate entities are considered not only economic value creation engines but also social development vehicles. Gradually social responsibility has become an integral part of wealth creation process. Corporate Social Responsibility (CSR) is also known as corporate responsibility or citizenship or sustainability or corporate social performance etc. A society is a group of individuals with different cultural background. Culture is the environment in which people live. Society and culture remain backbone of each other. Society becomes the community consisting of members. Business is created by the society and its success depends on good and positive interaction with the society, as the goods and services provided are ultimately consumed by society. Business and society are closely knit and have dependency on each other. In a Darwinian sense if it comes to a choice, it is not surprising that *Homo Sapiens* would rate society above some elements of the environment (Moody, 2006). CSR is a broad umbrella concept, as no one can imagine economy without society and society without our planet. Our economy (which we always consider) is within the society, society is within the planet and the planet is within the Universe. Therefore, CSR of a business takes care of all these three aspects of corporate sustainability.

Background Corporate Social Responsibility (CSR)

✜ CSR- What does it mean?

Corporate social responsibility is a goal oriented concept to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of a triple bottom line (3BL): People, Planet & Profit (3Ps). CSR has widely been regarded as a positive phenomenon helping bridge the gap of social inequality and thus contributing to sustainable development (Hediger, 2008). It is "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large" [World Business Council of Sustainable Development (WBCSD), 2006]. It is a concept "whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of European Communities, 2001).

✜ Global Trends of CSR:

CSR is not mandatory. There are absence of mandatory global standards to be followed by the companies and others. Therefore consensus is yet to achieve relating to the name, form and contents of the reports. In a report of 2005, the following is the trend of CSR in major countries of the world (Table 1):

Table 1: CSR Compliant Companies around the World

Year	(Percentage of Companies which are CSR Compliant)								
	USA	Japan	UK	Korea (South)	China	Russia	India	Brazil	Canada
2002	30	64	83	40	–	–	–	–	–
2005	35	83	100	60	18	8	6	5	1

Source: Financial Express, Page- III, 6th August, 2005.

There has been a clear increase in percentage of the large 100 companies in a number of countries publishing CSR reports. KPMG International Corporate Responsibility Reporting Surveys have clearly shown that number of companies reporting on CSR/ sustainability issues has continued to rise. It is evident from the following table 2:

Table 2: International Survey of Corporate Social Responsibility Reporting of G 250& N 100 Companies by KPMG

	% of Companies						
	1993	1996	1999	2002	2005	2008	2011
G 250	–	–	36	45	64	83	95
N 100	12	18	24	28	41	53	64

Note: G 250-Top250 largest companies of Fortune Global 500 and N 100- Top 100 companies from different countries [16 countries (2002, 2005), 22 countries (2008), 34 countries (2011)]

According to CSR Trends 3 Survey (2009) of Price Waterhouse & Coopers (PWC), 75% of the companies surveyed have CSR information on the website. Many companies do not produce a CSR/ sustainability report every year. Only 22% of Canadian companies have a CSR report from any year versus 74% of Euro 350 companies. 50% of the Canadian companies use accounting firms as assurance providers whereas 74% of European, Japanese and Australian companies that seek assurance use accounting firms.

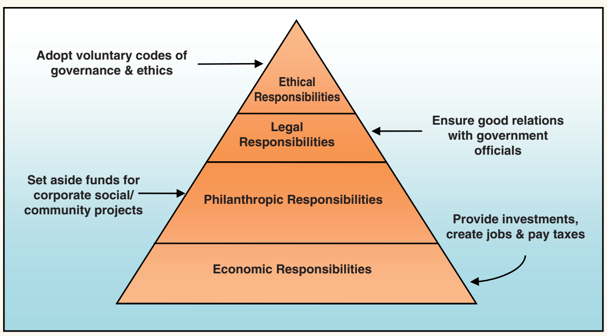
Bombay Chamber of Commerce's CSR study **"Status of CSR- Philanthropy to Business Sustainability"** (consisting of 75 companies with turnover INR 1,000–20,000 or more) revealed the following:

- Of the companies surveyed, 75% and 35% have CSR policies and CSR Dept. respectively.
- In environmental perspectives, 55% sample companies have targets and key Performance Indicators (KPIs) and 44% have ISO 14001 certificate.
- A recent survey conducted by KPMG India in 2011 revealed the following regarding Indian organisations:
- Of the selected companies, 31% report on social performance, 23% report the business risk of climate change, 13% report business risks in supply chain and 21% disclose green house gases emissions.
- 71% companies use GRI as reporting standards.
- 16% companies have corporate social responsibility strategies in place.
- 52% reports were externally assured and 62% of the reports were assured by accountancy firms.

✤ CSR Practice in Developing Countries:

Carroll's has provided us a model of CSR Pyramid in the context of a developing country. In this pyramid Carroll has assigned relative emphasis to various responsibilities. According to him, in developing countries, economic responsibilities still get the most emphasis. However, philanthropy is given second highest priority, followed by legal and then ethical responsibilities. The pyramid is shown in Figure 1 below:

Figure 1 Csr Pyramid for Developing Countries



Source: Visser, wayne (2007) -"Corporate Social Responsibility in Developing Countries" Chapter-21 in a book on CSR in global context P: 489.

Literature Review

The literatures on explorative study of CSR are very few. **Spassova, Georgiev, Marinov & Panayotova (2007)** conducted the inaugural country survey on reporting of CSR by 40 listed companies in Bulgaria. They analysed the annual reports and websites of the 40 largest companies by market capitalization listed on Bulgarian Stock Exchange (BSE) during the period March to June 2007 on three specific areas such as, corporate governance, environmental policy and social policy. They observed that the companies surveyed disclosed more information on corporate governance than on environmental and social policy. This could be partially explained by companies familiarity with the corporate governance principles espoused by the Organization for Economic Cooperation and Development (OECD) and many other initiatives in the field conducted during the past decade. As a result of all of these, Bulgarian business understood the necessity of corporate governance disclosures. Survey findings revealed that 75% of the sample companies disclosed information in Bulgarian/ English in at least one component of all 3 categories and 72.5% disclosed at least one of the five different components of corporate governance section. Of these, 96.6% reported on corporate governance structure, 68.9% disclosed audit related information. 27.5% of sample companies reported at least one of the five questions on environmental policy section and 42.5% disclosed at least one component of the social policy section. **CSR Asia & Oxfam**, Hong Kong **(2008)** conducted a survey on Hang Seng index constituent companies. They formed questionnaire and on the basis of that they scanned the sample companies. They considered both annual reports and in some few separate cases CSR reports of 2007 published in English and Chinese. Their survey revealed that leader companies got a score of 60% or higher, whereas mainstream companies got score between 40%–60%. Laggard companies scored lower than 40%. Their study also included other various aspects relating to CSR. **Welford, Chan & Man (2008)** made another study in May 2007 and collected data from businesses and seven stakeholder groups relating to the importance they attributed to 15 factors associated with CSR. Out of the 491 completed questionnaire, the business sector had the highest 182 responses, followed by responses of 93 NGOs and 56 environmental NGOs. To analyse the data, they applied t test and ANOVA (F Test). The findings revealed that businesses were not generally out of step with the expectations of their stakeholders when one considered rankings of 15 factors associated with CSR. However consistency in ranking did tend to hide some significant statistical differences in the priorities attached to different CSR factors. In a number of cases it was found that businesses had stronger priorities than their stakeholders. **Saha (2008)** concentrated on the disclosure analysis of 24 sample companies selected on random basis from around the world. The study revealed that many companies included CSR related information only to green wash their stakeholders and to comply with their minimum statutory requirements. However many company like ITC, Tata Motors performed well in CSR reporting. It also revealed the quality aspects of the reported information. **Jaggi & Freedman (2008)** have tried to disclose the global warming and corporate disclosure practices in India. In addition to this, their paper disclosed a comparative empirical study of environmental disclosures adopted by companies of India, France, Germany, UK, Japan and Canada. **Sharma (2011)** conducted a research study on the initiatives taken by the Indian companies to determine their responsibilities towards different stakeholders and found that most companies spent little towards social responsibility. **Sheham & Jahfer (2011)** made a study between financial performance & CSR. They took 235 companies registered in Colombo Stock Exchange (CSE) as the data sources and conducted regression and correlation analysis to find out relationship between CSR and financial performance. **Kadrolkar (2011)** discussed in detail about CSR and how it is linked with sustainable development. In addition to these he illustrated the CSR practices in developing countries. He conducted an analysis of performance of several Indian companies in CSR front and concluded that CSR is becoming a leading principle of top management and of entrepreneurs. Organisations can re-examine their pattern of behaviours in the TBL framework and begin their journey toward a sustainable approach that is integrated into their business strategy. **Oza (2012)** discussed how the sustainability reporting framework helps the top management to report strategic management for sustainable development of business enterprise, taking sample of four Indian companies.

Research Objectives

The main objectives of the research are to find out:

1. The current practices of CSR in various Indian companies.
2. To analyse the extent of CSR practices followed by different companies on the basis of quantitative and qualitative disclosures.

3. To comment on the future aspect of CSR in India.

Research Methodolog y

The study is based on the analysis of the contents of Corporate Social Responsibility/ Sustainability/ Citizenship/ Business Responsibility Reports of the selected sample companies (shown in Appendix) and therefore it deals with the secondary data. For this study, 18 companies were selected on random basis from the depository of the Global Reporting Initiative (GRI). The information considered for analysis purposes in respect of the selected companies is available as on 31st March, 2013 in GRI website. All the reports considered under study are available in PDF formats in internet. At the primary stage, numerous literatures published both in academic and professional journals; books and information available in different web sites have extensively been used and gone through. This is done in order to have an understanding of the works already done on the issue of CSR. In the next section, all the reports are scanned under the scanner of predefined set of disclosure parameters relating to CSR. A Disclosure Index (DI) of CSR is formed for each sample company and for each CSR parameter. For example a company may obtain 26 points Disclosure Index out of 28 points (normalised score is 0.928 i.e. 0.93) in the total CSR reporting parameters selected. Therefore the said company has reported 92.8% of the disclosure criterions set for CSR reporting purposes. In addition to such disclosure analysis, a detailed study has also been conducted on some of the qualititative aspects of the disclosures.

Research Design

For the purpose of analysis of the extent of disclosure about CSR performance of each company under study a set of predefined disclosure parameters are formed. All total 28 social responsibility parameters are being used for content analysis (Table 3). In Table 4, an attempt has been made to show the scores obtained by the selected companies, row wise individual score of the predefined parameter is calculated and column wise individual score of a particular company is calculated. Both the scores are given in actual and normalised figures.

Table 3: Disclosure Parameter Criterions for the Selected Companies

Index No.	Disclosure Parameters
1.	Speech from the CEO/Chairman/ President/ Managing Director (MD) on CSR policies and performance of the company.
2.	Information of the organisation profile.
3.	Disclosure of economic value generation and distribution through Value Added Statement or charts or by other means.
4.	Disclosure of financial implication and other risks arising from climate change.
5.	Reporting of significant financial assistance received from the Government.
6.	Disclosure on direct energy consumption.
7.	Renewable energy usage reporting.
8.	Disclosure of water withdrawal by sources for consumption purposes.
9.	Information on the quantity of recycling or reusing of water.
10.	Reporting of impact of the products or services on biodiversity.
11.	Disclosure of Green House Gases (GHG) emissions.
12.	Disclosure of emissions of Ozone Depleting Substance (ODS).
13.	Disclosure of other harmful gases.
14.	Waste types (in quantity) and method of disposal.
15.	Compliance of rules and regulations whose non compliances entail fines and penalties.
16.	Amount of environmental expenditure made.
17.	Continuing programmes and practices to assess and manage the community impact.
18.	Community development initiatives adopted.

19.	Reporting of detailed work force and employee training.
20.	Information on employee turnover or attrition.
21.	Disclosure of occupational health and safety (OHS) measures for the employees and information relating to injuries, occupational diseases and fatalities.
22.	Information on customers' health and safety measures adopted.
23.	Adoption of pollution control measures and Environment Management System as envisaged in ISO 14001: 2004 certification.
24.	Environment audit.
25.	Assurance of CSR Reports.
26.	Disclosure of CSR information as per International criterions.
27.	Reporting of level of assurance obtained.
28.	Compliance with International Assurance Standards on CSR Report assurance.

Analysis & Interpretation

Table 4: Disclosure Scores Obtained by the Selected Companies

Disc. Parameters Index No.	Selected Companies																		Score of individual Disc. Parameters	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
	ACC Ltd.	Ambuja Cement Ltd.	Aegis Ltd.	Bharat Petroleum	Chambal Fertilizer	GAIL	HCC	HCL Technologies	Infosys	Indian Oil Cor. (IOC)	ITC Ltd.	JSW Steel Ltd.	Jubilant Industries	Mahindra	ONGC	Reliance Industries	Tata Motors Ltd.	Tata Steel	No.	Norm.
1.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	–	17	0.94
2.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	–	17	0.94
3.	√	√	–	√	√	√	√	√	–	–	√	√	√	√	√	√	√	–	14	0.78
4.	√	–	–	√	√	–	–	√	–	√	√	√	√	√	√	√	√	√	13	0.72
5.	–	√	√	–	√	√	√	–	–	√	√	–	√	√	√	√	√	–	12	0.67
6.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18	1.00
7.	√	√	–	√	–	√	√	–	√	√	√	–	–	√	√	√	√	–	12	0.67
8.	√	√	–	√	√	√	√	–	–	√	√	√	√	√	√	√	√	–	14	0.78
9.	√	√	–	√	√	√	√	–	–	–	–	√	–	–	–	–	√	–	8	0.44
10.	–	√	–	–	√	–	√	√	√	–	√	–	√	√	√	√	√	√	12	0.67
11.	√	√	–	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	17	0.94
12.	√	√	–	√	√	√	√	–	–	–	√	√	√	√	√	√	√	–	13	0.72
13.	√	√	–	√	√	√	–	–	–	√	√	√	√	√	–	√	√	–	12	0.67
14.	√	√	–	√	√	√	√	√	–	√	√	√	√	√	–	√	√	√	15	0.83

15.	√	√	√	√	√	√	√	√	√	–	√	√	√	√	√	√	√	–	16	0.89
16.	√	√	–	√	√	√	√	–	–	–	–	√	√	–	√	√	√	–	11	0.61
17.	√	√	–	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	17	0.94
18.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18	1.00
19.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18	1.00
20.	√	√	√	√	√	√	√	–	–	–	–	√	√	√	√	√	√	–	13	0.72
21.	√	√	–	√	√	√	√	√	–	–	√	√	–	√	√	√	√	√	14	0.78
22.	√	√	√	√	√	–	√	√	√	√	√	√	√	√	√	√	√	√	17	0.94
23.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18	1.00
24.	√	√	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2	0.11
25.	–	√	√	√	√	√	√	√	√	–	√	√	√	√	√	√	√	√	16	0.89
26.	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18	1.00
27.	–	√	√	√	√	√	√	√	√	–	√	√	√	√	√	√	√	√	16	0.89
28.	–	√	√	√	√	√	√	√	–	–	√	√	√	√	√	√	–	√	14	0.78
Com. Score	23	27	14	26	26	24	25	19	15	16	24	24	24	25	24	26	26	15		
Norm.	0.82	0.96	0.50	0.93	0.93	0.86	0.89	0.68	0.54	0.57	0.86	0.86	0.86	0.89	0.86	0.93	0.93	0.54		

Note: Norm. – Normalised Disclosure Index Score.

Analysis

- Most of the companies included the chairman/ MD/ CEO/ President's message on CSR policies and climate change and detailed description of their organisation profile. The both criterions got equal score 17 i.e. 0.94. That means 94% companies reported these aspects. It is good disclosure practice.
- 78% companies used Value Added Statements to show the value generation and distribution during the period. However many companies didn't report value added as they had reported it in their Annual Reports.
- 13 companies reported that their operations would be influenced significantly in future due to climate change.
- All the companies reported direct energy consumption with quantity. In India there is a statutory requirement to disclose direct energy usage. For this reason probably 100% companies reported on this aspect.
- Only 8 (44%) companies stated that they were either reusing or recycling of water. As water is a valuable natural resource, so its conservation by way of recycling is very important. The study showed us that the discloser in this area is not worth mentioning. Many have not yet taken any initiative on this issue.
- All most all the companies (94%) reported information on GHG emissions. This is due to some statutory requirements in India to disclose GHG emission. Therefore the extent of disclosure is remarkable.
- All the companies took many community development initiatives under the reporting period. These include establishment of hospitals, schools, colleges, medical centers, computer learning initiatives and many other programmes. Actually all the companies performed well in community development and therefore they are complying with the social norms of doing responsible business.
- All most all the companies also disclosed the number of employees in their pay rolls. Certain companies disclosed male and female catagorisation. Some companies also reported age and designation wise detailed distribution of employees.
- Only 78% companies reported occupational health and safety measures for their

employees. Many companies also certified under Occupational Health & Safety Assurance Standard (OHSAS) 18001. It shows that they were complying with the safety norms for the employees. Almost 17 companies (94%) disclosed customers' health and safety policies. Many reported in details how they are taking cares of this aspect for the future sustainability of the business. It is also a good scenario for the customers' side.

- Assurance or audit of CSR/ Sustainability reports has become a really significant issue in the present day. Assurance improves the quality of the report in the eyes of the stakeholders. Independent assurance report also signifies that the entity has followed certain social norms of responsibility which is checked by external verifiers. It also improves transparency and reduces the scope of including biased or whimsical information in the name of social responsibilities. 16 companies (89%) got their reports verified from external international assurance providers. It is a budding professional opportunities for CMAs where they can provide their professional services.
- It is also stated that 100% of the companies under study made written statement that they took stringent policy for not appointing any child labour.
- The specific one category wise disclosure parameter is scanned under various aspects relating to the quality of disclosure of CSR information. The following Table 5 shows the quality of disclosure on CSR.

Table 5: Disclosure on the Quality of CSR Information

Specific CSR Criteria	No.	%	Specific CSR Criteria	No.	%
Disclosure of financial assistance					
received from Govt. in the form of			*6. Monetary value of significant fines*		
grants & tax incentives/ reliefs etc:			*and penalties for non-compliance:*		
Disclosed the amount received	7	38.9	No such cases		
Reported as no amount received	5	27.8	Not reported/ not available	16	88.9
Not reported	6	33.3		2	11.1
Disclosure of renewable energy usage			***7. Disclosure about amount***		
in the reporting period:			***spent for environment***		
Disclosed with quantity used	10	55.5	***protection/ CSR:***		
Disclosed without quantity/ not yet			Reported with amount of expenses		
started using	3	16.7	Not reported	11	61.1
Not reported	5	27.8		7	38.9
Water recycled or reused:			8. Employees turnover:		
Reported quantitatively	8	44.4	Disclosed as number of employees		
Stated without quantity	7	38.9	Shown as % to total employees	5	27.8
Not reported	3	16.7	Not reported		
				8	44.4
				5	27.8
Impact of products/ services on					
biodiversity:			*9. Disclosure about customers health*		
Impact assessed	7	38.9	*& safety policies:*		
Assessment not yet done/ under			Reported in details	13	72.2
consideration	6	33.3	Not reported/ mentioned	1	05.5
Not qualify for such criteria	5	27.8	Reported as not applicable	4	22.3
Emission of Ozone Depleting Substance			10. CSR criterions/ application		
(ODS) by weight:			level checked GRI with score:		
Reported with quantity	11	61.1	A+ (with assurance)		
Not reported	5	27.8	A (without assurance)	13	72.2
No generation of ODS reported	2	11.1	B+	1	05.5
			Not checked	1	05.5
				3	16.8

Table 6: Statement of Information on Assurance/ Audit of CSR Reports

Company	CSR Report Assurer/ Auditor	GRI Reporting Criteria	Level of Assurance Obtained	Assurance Standards Followed
ACC Ltd.	Not assured	G3	NA.	NA.
Ambuja Cement Ltd.	KPMG	G3	Moderate	ISAE 3000 & AA 1000: 2008
Aegis Ltd.	E &Y	G3	Limited	ISAE 3000
Bharat Petroleum	Delloitte	G3	Moderate	ISAE 3000 & AA 1000: 2008
Chambal Fertilizer	E &Y	G3	Limited	ISAE 3000
GAIL	EVI	G3	Moderate T 2	AA 1000: 2008
HCC	E & Y	G3	Limited	ISAE 3000
HCL Technologies	DNV	G3.1	Moderate T 2	AA 1000: 2008
Infosys	DNV	G3	Limited	Not Reported
Indian Oil Corporation	Not assured	G3	NA.	NA.
ITC Ltd.	E & Y	G3	Limited	ISAE 3000
JSW Steel Ltd.	KPMG	G3	Limited	ISAE 3000
Jubilant Industries	E & Y	G3.1	Limited	ISAE 3000
Mahindra	E & Y	G3	Limited	ISAE 3000
ONGC	E & Y	G3	Moderate T 1	AA 1000: 2008
Reliance Industries	KPMG	G3.1	Limited	ISAE 3000
Tata Motors Ltd.	DNV	G3.1	Limited	Not Reported
Tata Steel	ERML	G3	Limited	ISAE 3000

Note:

[1] E & Y- Earnest & Young, DNV- Det Norske Veritas, EVI- Emergent Ventures India Ltd., ERML- Environmental Resource Management Ltd.

[2] T 1- Type 1, T 2- Type 2, [3] ISAE 3000- International Standards on Assurance Engagement 3000, AA 1000:2008- AccountAbility 1000: 2008 Standard.

Conclusion

Based on the study result it can be concluded that the performances of the selected companies on CSR are good. Many companies however over performed whereas many couldn't perform well to that extent. Of the selected companies, Ambuja Cement got the maximum score 27 points (96 %) which is followed by Bharat Petroleum, Chambal Fertilisers, Reliance Industries and Tata Motors with 26 Points on disclosure index of 28. Therefore they have also performed well. Aegis Ltd. obtained the lowest score (14 points) followed by Infosys and Tata Steel (15). Since Infosys is an IT sector companies, it has not reported all the information relating to environmental aspects. However Tata Steel performed well in community development and social improvement initiatives and it is pioneer in India in conducting Social Audit. Overall the study has tried to show the quantity and quality of social responsibility disclosures adopted by selected popular companies of Indian origin. It is also a fact that in absence of any mandatory reporting and assurance standard, companies often have to follow self developed standards. Recently the Accounting Research Foundation (ARF) of the Institute of Chartered Accountants of India (ICAI) has taken up a project to formulate a comprehensive standard on CSR reporting. In India, Ministry of Corporate Affairs (MCA), Govt. of India, published guidelines on voluntary disclosures of CSR information in 2009 and it had undergone revision in August 2011 and released under the title "National Voluntary Guidelines on Social, Environmental, & Economic Responsibilities of Business". Such guidelines were prepared keeping in mind GRI and other international frameworks. Any Indian company may follow such MCA's guidelines to prepare and disclose information on CSR. In near future, it is an expectation, more and more companies will be disclosing their CSR performances fairly and without any hesitations with some standard reporting framework.

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Appendix: Name of the Sample Companies

Company	Sector/ Industry	Title of CSR/ Sustainability Reports Studied	Period Covered
1. ACC Ltd.	Cement	Sustainable Development Report 2010	01.1.2010–31.12.2010
2. Ambuja Cement Ltd.	Cement	Sustainability Report 2010	01.04.2008–31.03.2010
3. Aegis Ltd.	BPO, Financial Services	Sustainability Report 2011	01.04.2010–31.03.2011
4. Bharat Petroleum	Oil, Gas & Energy	Sustainable Development Report 2010–11	01.04.2010–31.03.2011
5. Chambal Fertilizer	Fertilisers	Sustainability Report 2010–11	01.04.2010–31.03.2011
6. GAIL	Gas	Sustainability Report 2010–11	01.04.2010–31.03.2011
7. HCC	Construction & Real Estate	Sustainability Report 2010–11	01.04.2010–31.03.2011
8. HCL Technologies	IT & Software	Sustainability Report 2011	01.07.2010–30.06.2011
9. Infosys	IT	Business Responsibility Report 2011–12	01.04.2010–31.03.2011
10. Indian Oil Corporation	Power & Energy	Sustainability Report 2010–11	01.04.2010–31.03.2011
11. ITC Ltd.	Conglomerate	Sustainability Report 2011	01.04.2010–31.03.2011
12. JSW Steel Ltd.	Steel	Sustainability Report 2009–11	01.04.2009–31.03.2011
13. Jubilant Industries	Agri Products & Polymers	Corporate Sustainability Report 2010–11	01.04.2010–31.03.2011
14. Mahindra	Automobiles	Sustainability Review 2010–11	01.04.2010–31.03.2011
15. ONGC	Oil & Gas	Corporate Sustainability Report 2010–11	01.04.2010–31.03.2011
16. Reliance Industries	Oil & Power	Sustainability Report 2010–11	01.04.2010–31.03.2011
17. Tata Motors Ltd.	Automobiles	Corporate Sustainability Report 2010–11	01.04.2010–31.03.2011
18. Tata Steel	Steel	Corporate Citizenship Report 2010–11	01.04.2010–31.03.2011

Corporate Social Responsibility: A Business Imperative

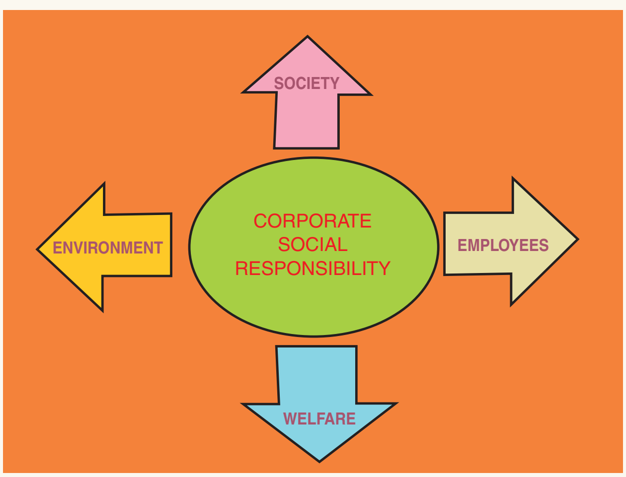
Dr. S K Gupta
FCMA, FCS, PhD
Director (Technical) ICAI, New Delhi
dirtechnical.delhi@icmai.in

Amit Kumar Arora
ACMA, MBA(Fin)
Assistant Professor,
Krishna Institute of Engineering & Technology, Ghaziabad

> *"Earn your crores but understand that your wealth is not yours; it belongs to society. Take what you require for your legitimate needs and use the remainder for society".*—Mohandas Karamchand Ghandhi

Corporate Social Responsibility (CSR) refers to the operations of a company in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has from business. CSR is interchangeably used with several terms like business ethics, corporate citizenship, social and environmental responsibility, corporate sustainability, corporate conscience, social performance.

World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."



According to CSR Asia, "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders."

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach.)

All the stakeholders have some expectations from the business. The following table reflects the expectation of different stakeholders from the company:

Employees	Fair wages along with proper and safe working conditions and job-security, empowerment, social security, fair policies relating to recruitment, termination, career development and performance appraisal
Shareholders	Fair and regular dividend along with increase in the market capitalization of their investments.
Customers	Quality and socially desirable products or services at fair prices and on fair terms along with prompt delivery and satisfactory after-sale services. Consumer protection and prompt redressal of grievances

Government	Company to be a law-abiding citizen who is paying its taxes fully and honestly and in an ethical manner
Competitors	Company shall not engage itself in unfair or unrestricted trade practices so as to oust competitors from the market.
Creditors	To make timely payments of interest and pay off the principal as per the contract.
Community	To engage in social welfare programs like development of township, up-liftment of rural and backward areas, provision of clean drinking water, health, education for all,etc. and associate with social causes and invest in sustainable development programs for the community

Difference between Corporate Philanthropy and CSR

When a business decides to donate a portion of their profits to a charity, this action qualifies as philanthropy. It can be a one-time or ongoing commitment to give money to a nonprofit organization, and that organization uses the money to further its mission. Corporate Social Responsibility encompasses any practice that improves the lives of your work force, community and the environment. Usually top management decides when and how to donate and to whom to award grants. On the other hand for corporate social responsibility to succeed, every employee and every department must play a role. So Corporate Philanthropy has a narrower and more limited scope whereas CSR has a much broader scope as it addresses the overall attitude of an organization toward its employees, customers, the environment, local community, and the society at large.

The concept of socially responsible organizations is not new to India. It just needs to be adapted to the present scenario. CSR is no longer philanthropy, though still largely voluntary, it is seen as imperative for sustainable business. It acknowledges the debt that the corporation owes to community within which it operates. It defines the corporation's partnership with social action groups in providing financial and other resources to support development plans, especially among disadvantaged communities. Socio –economic inequalities provide compelling reasons for corporates to make a business case for CSR.

The benefits of CSR are enormous for companies which adapt it into their business strategy. It creates goodwill with customers, government agencies, investors, media and public at large. Socially responsible investment by ethical companies brings in higher returns on a long term basis. Market valuation of the companies today are largely determined by public perception of the business measured by its business ethics and social acceptance.

CSR spending in India

CSRidentity.com, together with Forbes India has collected the data of India's top companies and ranked them 1-100 based on Net Sales for the Financial Year 2012 and their amount spend for CSR activities (Annexure 1). It is noted that there are many companies, even among the top 100 firms by revenue, who don't report their CSR spends or even declare the social causes they support.

Note

- All figures are in Rs Crore and have been rounded off to the nearest decimal point.
- Average PAT refers to the average of profit after tax recorded by a company in the last three financial years (FY10, FY11 and FY12).
- NA stands for data 'not available' for companies which do not disclose their CSR spends in their annual reports.
- Revenue figures are indicative of the company's financial performance in financial year 2011-12 (FY12) only.
- 2% of PAT refers to the amount that a company needs to spend on CSR activities as per the government mandate/ provisions of the Companies Bill 2012
- N/A implies not applicable; according to government policy, loss-making firms don't need to invest in CSR.
- Data Sources Ace Equity; CSRidentity.com; company annual reports; company responses via email.

CSR provisions in the Companies Bill, 2012

Corporate Social Responsibility (CSR) has for the first time been legally recognized in India. Clause 135 (under Chapter IX – Accounts of Companies)

SR NO.	COMPANY	REVENUE	AVG PAT	ACTUAL SPEND	2% OF PAT
1	INDIAN OIL CORPORATION	442,459	7,783	83	156
2	RELIANCE INDUSTRIES	368,571	21,138	288	423
3	BHARAT PETROLEUM CORPORATION	223,315	1,430	8	29
4	HINDUSTAN PETRO-LEUM CORPORATION	195,891	1,118	27	22
5	TATA MOTORS	170,678	8,437	15	169
6	OIL & NATURAL GAS CORPORATION	151,121	23,660	121	473
7	STATE BANK OF INDIA	147,197	13,056	71	261
8	TATA STEEL	135,976	3,805	146	78
9	PNB GILTS	104,628	29	NA	1
10	HINDALCO INDUSTRIES	82,549	3,597	28	72
11	COAL INDIA	78,410	11,759	119	235
12	BHARTI AIRTEL	71,506	6,511	93	130
13	MMTC	67,023	129	3	3
14	NTPC	66,366	9,334	49	187
15	LARSEN & TOUBRO	64,960	4,818	70	96
16	ESSAR OIL	63,429	-201	NA	N/A
17	MAHINDRA & MAHINDRA	63,030	2,949	22	59
18	MANGALORE REFINERY & PETROCHEMICALS	57,214	1,066	NA	21
19	TATA CONSULTANCY SERVICES	48,894	8,935	51	179
20	BHARAT HEAVY ELECTRICALS	50,654	5,823	37	116
21	STEEL AUTHORITY OF INDIA	51,428	5,153	61	103
22	GAIL (INDIA)	44,861	3,891	54	78
23	STERLITE INDUSTRIES (INDIA)	43,116	6,831	7	137
24	CHENNAI PETROLEUM CORPORATION	45,387	382	3	8
25	ADANI ENTERPRISES	39,416	1,940	14	39
26	ICICI BANK	37,995	6,366	24	127
27	PUNJAB NATIONAL BANK	37,447	4,490	NA	89
28	WIPRO	37,308	5,152	NA	103
29	MARUTI SUZUKI INDIA	40,050	2,162	12	43
30	JSW STEEL	36,864	1,569	32	31
31	INFOSYS	33,734	7,128	26	143
32	STATE TRADING CORPORATION OF INDIA	30,805	60	NA	1
33	CANARA BANK	30,816	3,313	NA	66
34	BANK OF BARODA	30,488	4,282	NA	85
35	RUCHI SOYA INDUSTRIES	30,332	167	0	3

SR NO.	COMPANY	REVENUE	AVG PAT	ACTUAL SPEND	2% OF PAT
36	HOUSING DEVELOPMENT FINANCE CORPORATION	29,930	3,608	3	72
37	BANK OF INDIA	28,611	2,301	NA	46
38	HDFC BANK	27,606	4,108	NA	82
39	ITC	30,990	5,201	NA	104
40	TATA POWER COMPANY	26,020	1,117	9	22
41	RAJESH EXPORTS	25,654	295	NA	6
42	GRASIM INDUSTRIES	27,899	3,395	18	68
43	RELIANCE INFRASTRUCTURE	24,181	1,229	4	25
44	HERO MOTOCORP	25,235	2,179	33	44
45	HINDUSTAN UNILEVER	24,506	2,404	NA	48
46	IDBI BANK	23,389	1,532	NA	31
47	PETRONET LNG	22,696	694	0	14
48	RELIANCE COMMUNICATIONS	22,139	2,423	NA	48
49	AXIS BANK	21,895	3,347	19	67
50	ADITYA BIRLA NUVO	22,262	654	NA	13
51	SUZLON ENERGY	21,359	-926	6	N/A
52	REDINGTON (INDIA)	21,193	272	NA	5
53	UNION BANK OF INDIA	21,152	1,981	6	40
54	HCL TECHNOLOGIES	20,831	1,778	4	36
55	BAJAJ AUTO	20,541	2,709	10	54
56	IDEA CELLULAR	19,409	859	NA	17
57	ULTRATECH CEMENT	21,502	1,618	NA	32
58	CENTRAL BANK OF INDIA	19,169	960	NA	19
59	JINDAL STEEL & POWER	22,473	3,914	89	78
60	INDIAN OVERSEAS BANK	17,897	943	5	19
61	OIL INDIA	17,215	2,988	50	60
62	JET AIRWAYS (INDIA)	17,190	-642	NA	N/A
63	ORIENTAL BANK OF COMMERCE	15,815	1,260	NA	25
64	ALLAHABAD BANK	15,528	1,486	NA	30
65	SYNDICATE BANK	15,260	1,059	NA	21
66	JAIPRAKASH ASSOCIATES	15,651	1,396	47	28
67	MOTHERSON SUMI SYSTEMS	15,138	291	1	6
68	UCO BANK	14,632	1,009	NA	20
69	TATA COMMUNICATIONS	14,190	-674	1	N/A
70	TATA CHEMICALS	14,045	870	2	17
71	VIDEOCON INDUSTRIES	13,685	-409	NA	N/A
72	ASHOK LEYLAND	14,134	540	NA	11
73	POWER FINANCE CORPORATION	13.075	2.695	13	54

SR NO.	COMPANY	REVENUE	AVG PAT	ACTUAL SPEND	2% OF PAT
74	CORPORATION BANK	13,018	1,373	NA	27
75	SIEMENS	13,296	672	1	13
76	GITANJALI GEMS	12,498	349	3	7
77	EID-PARRY (INDIA)	12,646	550	NA	11
78	SHREE RENUKA SUGARS	13,178	299	NA	6
79	INDIAN BANK	12,228	1,678	NA	34
80	PANTALOON RETAIL (INDIA)	12,212	72	NA	1
81	APOLLO TYRES	12,902	473	NA	9
82	MRF	13,187	519	NA	10
83	CAIRN INDIA	11,861	5,108	NA	102
84	HINDUSTAN ZINC	12,061	4,823	8	96
85	ANDHRA BANK	11,362	1,207	NA	24
86	NMDC	11,269	5,737	0	115
87	CROMPTON GREAVES	11,615	681	NA	14
88	JSW ISPAT STEEL	12,124	-820	NA	N/A
89	HCL INFOSYSTEMS	10,858	181	NA	3
90	RURAL ELECTRIFICA-TION CORPORATION	10,338	2,482	NA	50
91	PUNJ LLOYD	10,313	-18	1	N/A
92	POWER GRID CORPORATION OF INDIA	10,312	2,664	25	53
93	LANCO INFRATECH	10,169	474	4	9
94	RANBAXY LABORATORIES	10,180	-353	NA	N/A
95	SHREE GANESH JEWELLERY HOUSE	10,121	308	NA	6
96	ACC	11,049	1,308	NA	26
97	BHUSHAN STEEL	10,812	954	NA	19
98	ALOK INDUSTRIES	10,018	181	1	4
99	ASIAN PAINTS	10,872	929	1	19
100	UNITED SPIRITS	18,234	244	NA	5
			TOTAL	1,765	5,611

of the Companies Bill 2012 deals with Corporate Social Responsibility.

CLAUSE 135: Corporate Social Responsibility

Who must comply?

Every Company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

What will the CSR Committee do?

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII.
- Recommend the amount of expenditure to be incurred on the activities.
- Monitor the Corporate Social Responsibility Policy of the company from time to time.

What will be the role of the Board of Directors?

- Review the recommendations made by the CSR Committee.

- Approve the CSR Policy for the company.
- Disclose contents of the Policy in the company's report/website.
- Shall ensure that the company spends in every financial year, at least two percent of the average net profits.

How much will a company be required to spend on CSR?

- At least 2% of its average net profit made during the three immediately preceding financial years.

What are the activities which may be included by companies in their CSR policies ?

According to Schedule VII, the following activities may be included by companies in their Corporate Social Responsibility Policies

- Eradicating hunger and poverty
- Promotion of education
- Promoting gender equality and empowering women
- Health - reducing child mortality, improving maternal health, combating HIV, AIDS, malaria
- Employment enhancing vocational skills
- Contribution to PM's fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women
- Ensuring environmental sustainability
- Social business projects
- Such other matters as may be prescribed

What does a company need to disclose in the Annual Report?

The Board's report under clause (o) of sub-section (3) of section 134, shall disclose the composition of CSR committee, CSR policy and initiatives , Amount of expenditure incurred on Corporate Social Responsibility activities, reasons in case of failure to spend the prescribed amount.

The Obstacles to CSR in India are:

- Lack of awareness and conviction amongst the managers
- Lack of impact analysis
- Absence of a clear linkage between CSR and financial success
- Lack of enough trained managers to support the CSR process

Measuring Corporate Social Responsibility

Measuring CSR initiative is important to ensure effective implementation of planned strategy and to determine future action plans. Each company can design measuring strategies based on their selected CSR focus areas. There are several ways to measure impact of CSR initiatives- community initiatives, workplace initiatives, environmental initiatives and marketplace initiatives

- **Measurement of Community initiatives**

1. Cash value of community support as a percentage of profit.
2. Impact of evaluations carried out on community programs
3. Project progress.
4. Perception measures
5. Positive and Negative media comments

- **Measurement of Workplace initiatives**

1. Staff absenteeism
2. Legal non compliance
3. Staff grievances
4. Staff turnover

- **Measurement of Environmental initiatives**

1. Overall energy consumption
2. Water usage
3. Quantity of solid waste produced
4. Use of recycled material
5. Environment impact of business

- **Measurement of Market place initiatives**

1. Number of product / service complaints
2. Advertising complaints upheld
3. Complaints about late payment of bills
4. Upheld cases of anti corruptive behaviour
5. Customer satisfaction levels
6. Customer retention

Ope-rationalizing Corporate Social Responsibility

In order to operationalize Corporate Social Responsibility initiatives, the company management should formulate CSR policy and describe its linkage with the Vision and Mission Statement of the company. Written CSR policy will ensure a common understanding amongst Board members and will prescribe how much and what a company wants to achieve. To implement CSR policy, management should form a core group or a Committee. The Core group would be responsible to plan, execute, monitor, evaluate, report and communicate the progress and impact of CSR programs. The core group will also be responsible to identify the resources needed, execute planned activities and sustain the commitment and motivation for responsible business practices. The core group will design the CSR action plan of the company, integrating company values, focus area and available resources. Networking with local NGOs, Government bodies and like minded corporates will facilitate effective and impactful implementation of the CSR action plan. The core group must develop an appropriate monitoring and impact measurement mechanism, and communicate CSR actions to all stakeholders.

CSR—a business imperative

The message is loud and clear: Societal wellbeing is a pre-requisite for business prosperity

Companies should look upon business not merely as a source of income or profit, but as a way of life, as a medium for putting talents to good use, while at the same time affording an opportunity to be of service to the community. Profits will follow. Let us remember that profit is not just a set of figures – but of values.

Companies which put social responsibility before profits shall be the ones who will survive the competitive pressure. CSR needs to permeate all across the value chain. It has to be realized that the future of business depends upon its ability and willingness to respond to the changing genuine aspirations of the society.

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Tax Titbits

S. Rajaratnam
MA, LLM, FCMA
Advocate & Tax Consultant, Chennai
s.rajaratnam@vsnl.com

Amendments to the Finance Bill, 2013

The Finance Bill, 2013 has been passed by both the Houses with as many as 18 amendments to the Bill. Some of them are substantive enough to have merited some reaction. It has been passed with voluntary non-participation of the Opposition with scarce attention to representations.

Wealth Tax on Agricultural Land

A substantive amendment to the Bill on the eve of the passage of the Bill is the relaxation of wealth tax. Constitutional validity of wealth tax on agricultural lands has been upheld by the Supreme Court as a tax on net wealth and not a tax on agricultural land in UOI v. Harbhajan Singh Dhillon (1972) 83 ITR 582 (SC), holding that constitutional provision leaving jurisdiction over agricultural lands was inapplicable. However, when item-wise wealth tax on what were treated as unproductive assets, was introduced by insertion of section 2(ea) in the Wealth Tax Act with effect from 1.4.1993, such levy would have no longer been valid, as had been observed in the decision of the Madras High Court in *CIT v. M.N. Rajam* (1982) 133 ITR 75 (Mad). But this aspect of law has been ignored, but now given effect by the amendment to the Bill.

Notwithstanding this position of law, a deeming provision in defining urban land including agricultural lands within the towns with a population of 10,000 or more according to last census and within the prescribed distance notified for named cities and towns has brought in an Explanation for purposes of inferring non-agricultural income under section 2(1A) and capital asset under section 2(14) of the Income Tax Act and net wealth under section 2(ea) of the Wealth Tax Act, 1957. These deeming provisions were proposed to be extended to the periphery within the prescribed distance to all towns and villages with the population of 10000 or more by amendment to all these sections in the Finance Bill, 2013.

The surprise by way of a bonanza is the amendment to the Finance Bill, 2013, excluding all agricultural lands, which are classified as agricultural lands in the State records and actually used for agricultural purposes from the purview of wealth tax alone and not for income or capital gains. A further surprise is that this concessional amendment has been made unusually retrospective to spare tax from 1.4.1993, the date on which deemed liability was foisted by insertion of section 2(ea) of the Wealth Tax Act, 1957.

There have been many assessments completed for the years from A.Y.1993–1994 according to then prevailing law. Would refund of tax with interest be granted on revision petition with a request for condonation of delay by the Commissioner under section 264, where assessments has been made and by relaxing the limit for filing the return on application to the Board, where assessments had not been made under section 119(2)(a) of the Act?

Tax Residency Certificate

Another substantive amendment in the Bill was the requirement of Tax Residency Certificate under section 90 in the prescribed format "as necessary, but not sufficient". It is now modified by an amendment to the Bill in pursuance of a promise to reconsider the same by dispensing with prescribed format, but all the same introducing a new clause to provide for "such other documents and information as may be prescribed". This amendment, dependent on what is going to be prescribed, does not allay the apprehension of possible abuse of the provision for wrong inference of residential status.

Commodity Derivative Transaction

Another substantive amendment in section 43 would provide that forward transactions in commodity derivatives traded through a recognised stock exchange could not be treated as s speculative transaction, so that the loss, if any, from such transactions can be set off against business or other income.

Foreign Direct Investments

The path for foreign direct investments is made easier by extending the 5% rate of tax for any interest from Government securities and rupee denominated bonds of an Indian company on par with infrastructure bonds, where such interest is paid to a "foreign institutional investor" or to "a qualified foreign investor" by a new provision for tax deduction at source under section 194LD along with amendments to sections 115A, 115AD, 195 and 196D consequent to introduction of new section 194LD. Is there any reason, why same rate of tax should not be made applicable to resident investors? If this concessional rate is uniformly extended to all, it will be a factor to motivate savings and help to mobilise capital for infrastructure and other needs.

Another amendment to section 206AA would spare the need for Permanent Account Number, so that the penal rate of 20% would not be applicable for income from infrastructure bonds under section 194LC. The omission of section 194LD for this purpose is obviously a slip bound to be rectified later.

Relaxation of Section 194-Ia

Relaxation of 194-IA proposing deduction of tax at 1% from the payment made to the transferor of property (other than agricultural lands), where the consideration is Rs.50 lakhs or more now spares the need for getting Tax Deduction and Collection Account Number (TAN) by insertion of sub-section (3) to section 194-IA by an amendment to the Finance Bill. Duty to deduct tax will, however, continue.

Power of Notification for Exemption

Power taken to notify exemption for non-resident suppliers hitherto available in respect of any payment for import of crude oil or any other goods or rendering of services under sub-section (48) of section 10 inserted by the Finance Act, 2012 with effect from 1st April, 2012 is now curtailed by an amendment to the Bill before it become law by ommition of the words "to any other goods or rendering of services" with effect from 01-04-2014.

Tax Collection at Source

Tax Collection at Source under section 206C(1D), which was inserted by the Finance Act, 2012 with effect from 1.7.2012 on sale of bullion and jewellery excepted coin or any other article weighing ten grams or less. This exception is now removed by an amendment to the Finance Bill, 2013 with effect from 1st June, 2013, so that the purchasers of small value items, who were earlier exempted on representation of the jewellery trade will now be liable for this tax to be collected by the sellers from the buyers. Such burden imposed on small purchasers by amendment to the Finance Bill is inexplicable. Burden is also on compliance requirement for jewellers.

Payments to railways will be exempted from service tax.

Other Procedural Amendments

There are many other amendments as for extension of time limit under various provisions for passing an assessment or other orders where transfer pricing rules have application by amendments to sections 153, 153A, 153B, 153C, 254 and 264.

An amendment to section 252 is to upgrade the post of the President of Income Tax Appellate Tribunal by prescribing an added qualification of a sitting or retired judge with seven years experience as a judge for the post.

Clarificatory amendments substitute Foreign Exchange Regulation Act, 1973 by Foreign Exchange Management Act, 1999, while the person through whom the remittance is made hitherto described as "authorised dealer" will henceforth be known as "authorised person".

Conclusion

The amendments in the Finance Bill, except for sparing wealth tax on agricultural lands classified as agricultural lands used for agricultural purposes, even if located in urban or suburban areas, are disappointing. Many suggestions for softening the mischief created by retrospective amendments by the Finance Act, 2012 have not received the attention, they deserved. So are the other suggestions made including those by all party Parliamentary Committee earlier made or the innumerable suggestions presented by trade bodies and Chambers of Commerce. There is no solution for uncertainties created by the amendments by the Finance Act, 2012. The poser placed by the decision of the AP High Court in Sanofi Pasteur Holding S.A. v. Department of Revenue (2013) 30 taxmann.com 222 (AP) deciding, that retrospective amendments to section 9 cannot override Double Taxation Avoidance Agreements, is unanswered.

One is inclined to recall the comment of Mr. N.A. Palkhivala on one of the budgets that "our Finance Ministry is filled with bureaucrats who eternally mistake amendment for improvement and change for progress".

Where do Billionaires keep their wealth?

T.C.A. Ramanujam
Chief Commissioner of Income Tax (Retd) & Former Member, Income Tax Appellate Tribunal
ramanuja@vsnl.com

T.C.A. Sangeetha
B. Sc, M.L.

Professor Prabhat Patnaik, our leading Economist, refers to the first decade of the present century as the period of positive growth as far as the GDP is concerned. Our growth rate was a respectable 9%, comparable to China's own growth rate of 10%. Wealth grew and the rich became richer. It is a different matter that in the same period the poor also became poorer and poverty has increased. After all, it has been well said, India is a poor country with rich people. Wealth Insight Research, an International organization, has brought out data about the growth of High Net Worth Individuals across the globe. This refers to individuals with net assets of $one million or more. According to the data furnished in this report, India has the third highest number of HNWIs in the Asia Pacific Region after China and Australia. Mumbai is home to about 40% HNWI. Almost one in three multimillionaires in India, 577, live in Mumbai followed by Delhi 147, Calcutta 126, Hyderabad 114, Bangalore 97, and Chennai, 88, Pune 55 and Ahamadabad 51. At the end of 2011, India had 1576 multimillionaires.

Mumbai has been found to be among the top 10 cities with the highest number of billionaires in the world. It has 26 billionaires. New York tops the list with 70 billionaires, Moscow 64, London 54, Hong Kong 40, Beijing 29, Istanbull 24, Shanghai 23, Paris 22 and Los Angles 90. Tokyo has 4.6 lakhs millionairs and USA 5231. Over all, 20 cities across the globe have more than 100, 000 millionaires.

Impressive, you may think. The truth however is that the numbers reveal only the apparent and ostensible and not the real wealth. The real wealth is never brought to light.

Moneys in Tax Havens

Moneys stashed away in tax havens are unknowable and daunting, even according to the IMF. The Boston Consulting Group reckons that on paper about $8 trillion of private financial wealth out of a global total of $123 trillion sits offshore, but this excludes property, yachts and other fixed assets. The amount invested virtually tax-free offshore, tops $21 trillion, according to James Hendre, an Economist with Mckinsey advising the Tax Justice Network. Over 30% of global Foreign Direct Investment is booked through tax havens. Economists at Global, Financial, Integrity, a Research Group founded by Raymond Baker, an International Authority on financial crime, reckon that developing countries alone suffered illicit financial outflows of at least $5.9 trillion over the past 10 years. 'Tax gap', representing the difference between taxes owed and collected, is estimated to be around 7% of the collections in 2010-11 even in the U.K. In countries like India, the tax gap must be much higher. The Number of Billionaires and Millionaires must be much higher if the funds located offshore are taken into account. Tax avoidance may be one of the reasons for the growth of offshore centers of Finance, but there are other equally powerful reasons. These include multi-currency services not available on domestic account and global portability. Secrecy is the most attractive feature. See the following chart:

A rough guide to offshore

Selected financial centres

Bermuda	Reinsurance giant; has lost ground in funds
Britain	Shell companies/ partnerships; funds from British dependencies routed through City of London
British Islands	Virgin Incorporation hub; strong links to China
Cayman Islands	One of the more diversified; strongest in hedge funds

Channel Islands	Jersey big in. trusts/ banking; Guernsey ahead in insurance/private-equity funds
Cyprus	Under EU pressure to explain heavy use by Russians
Dubai	Wannabe Switzerland of the Middle East
Isle of Man	Banking companies and life assurance; more transparent than Jersey
Liechtenstein	Know for trust-like Anstalts and ties to Switzerland
Luxembourg	Hub for corporate.tax avoidance and offshore fund
Marshall Islands	Strong corporate secrecy; shipping hub; links to US
Mauritius	Used for investment in India; targeting Africa
Monaco	long-stand ing tax ha\i€n. popular with Europe's elites
Panama	Specialist in foundations/ shells; its leading law firms are giant incorporation factories
Samoa	Up and coming thanks to regulatory flexibility; holdilig cornpanies used.by Asian investors
Seychelles	At the shadier end; used by Russians. Africans
Singapore	Rising star ii wealth management trusts
Switzerland	Still the leader in offshore private banking. but under intense pressure to reduce secrecy
United States	Offshore banking in Miami; corp0rate anonymity in Delaware. Nevada. etc

Source: The Economist

The ease with which accounts can be opened, the secrecy associated with such accounts and quick facility of wire transfers of funds from anywhere to anywhere account for the popularity of what has come to be known as tax havens. A tax haven can be simply defined as the place that tries to attract non-resident funds by offering light regulation, low or zero taxation and secrecy. About 50 such tax havens, according to the Economist, serve as domicile for more than 2 million companies and thousands of Banks, Funds and Insurers. Estimates of funds stashed away can be anything above $20 trillions. President Obama cited the case of Ugland House, a building in the Cayman Island that is officially home to 18000 companies, as the epitome of a rigged system. Delaware with a population of 9,17,000/- is home to 9,45,000 companies. Miami is a massive offshore banking centre, offering depositors from emerging markets the sort of protection from prying eyes that their home countries can no longer get away with. The city of London still specializes in helping non-residents get around the rules. London, said the Economist, is no better than the Cayman Islands when it comes to controls against money laundering.

Tax Outgo is one of the main considerations for the flight of capital and income from developing countries to tax havens. Secrecy is the hallmark of these tax havens. Jeffrey Archer narrates the story of a Finance Minister from one of the developing countries. He had a reputation for integrity and had vowed to bring back secret moneys stashed away abroad. He flies to meet the Manager of such a secret Bank in Europe and seeks information which the Bank refuses. He takes out a pistol and threatens to shoot the manager if he does not reveal information about secret funds of individuals from the developing country. The Bank Manager will not budge. Out comes the Finance Minister and unloads huge bundles of currency notes from his suitcase representing his own ill-gotten gains and requests the bank to keep it safely for him from the prying eyes of his own compatriots who never doubted his integrity.

G28 meeting in June 2013 will focus attention on bringing out laws and Rules to tighten the code to be followed by European offshore centers. There had been a major improvement when several countries chose to enter into Tax Exchange Information Agreements. Much remains to be done to track secret funds stashed abroad by High Net Worth Individuals.

In an effort to attack tax-dodging individuals and the Banks that help them, the American Congress has passed the Foreign Account Tax Compliance Act which forces foreign financial firms to disclose their American clients. In the aftermath of the furor created by the campaign against black money and the Supreme's Court judgment in Jethmalani's case, it is high time that India remodels its financial and taxation regime incorporating the best practices from USA and Europe.

All our double taxation treaties, especially with those with countries like Mauritius should be revisited.

Job-Work and Chit Funds: Recent Interesting Cases in Union Indirect Taxation

Ravindran Pranatharthy
B.Sc, PGDM (Germany), M.L.
Advocate – Indirect taxes & IPRs
ravinpranaa@gmail.com

The Indian sub-continent awaits the arrival of the monsoon rains that will make or mar many a fortune of this great country. The better the monsoon spread and lesser the flood havoc, the economy will brighten up and tax revenues could soar once more. The year 2013 has already witnessed several significant statutory changes in the Union Indirect taxation, particularly in the Service tax. The volume of change as well as its quality has been quite remarkable since last year. The Curtains on the Service tax Amnesty scheme are now lifted and the show is now open presently. A dampener to the potential entrants is the rule that the suppressed taxes should be paid by cash, that is, by not using any cenvat credit. The success of the scheme is crucial to the Tax department's ambitious target collection in the current financial year. We can wait and watch how things unfold. Simultaneous with the increase in statutory changes in the tax arena, the flow of caselaw continues unabated and new and novel decisions come off the Benches. We can only marvel at the human ingenuity or the often morbid human propensity for litigation, depending on which side of the dividing line one is ensconced in. In this article we will discuss some of the recent landmark judgments that have given immense relief to the taxpayers as well as the tax administration or provided brilliant clarity where it was most needed.

Should Excisable Goods be Affixed Physically With Brand Name/Trademark to be Categorised as Branded Goods for the Purpose of Liability Under Central Excise SSI Exemption Notification?

The Central Excise SSI exemption provides for duty-free treatment for clearances of the specified goods up to a turnover of Rs.1.5 crores in a year. The exemption contains a safeguard against big manufacturing companies taking advantage of this exemption by sourcing their production from eligible SSI units. According to this bar, the duty-free exemption will not be available if the manufacturer affixes his manufactured goods with the brand name of another person instead of his own brand. If you thought that this prohibition is fairly straight forward and easy to understand, think again. In the case of **Commissioner of CENTRAL EXCISE, Chennai-II vs Australian Foods India (P) Ltd. – 2013 (287) E.L.T. 385 (S.C.),** the dispute was whether the excisable branded goods should manifest a physical brand and whether this is a compulsory requirement. In other words, whether the goods to attract the tag of branded goods are required to be marked or stamped physically and whether goods such as liquids, cookies and beverages which may by their nature served unbranded could be said to be coming under the bar of the Central Excise SSI Exemption notification against branded goods. The Supreme Court held that it is not necessary for the goods to possess a physical brand manifestation on them to be denoted as branded goods and went on to hold as follows:

> "...... In case of goods sold from exclusive single brand retail outlets or restaurants or stores, the fact that a goods is sold from such a store ought to be a relevant fact in construing if the goods is its branded goods or not. In the case of such goods, perhaps a rebuttable presumption arises in favour of such goods being branded goods of the specified store. Such a presumption can be rebutted if it is shown that the specified goods being sold is in fact a branded goods of another manufacturer. Thus, branded potato chips, soft drinks,

chocolates etc. though sold from such outlets, will not be considered to be goods of such outlets. However, all other goods, sold without any appearance of a brand or trade name on them, would not be deemed unbranded goods; to the contrary, they may be deemed to be branded goods of that outlet unless a different brand or trade name appears.

Hence, we hold that it is not necessary for goods to be stamped with a trade or brand name to be considered as branded goods under the SSI notification, discussed above. A scrutiny of the surrounding circumstances is not only permissible, but necessary to decipher the same; the most important of these factors being the specific outlet from which the goods is sold. However, such factors would carry different hues in different scenarios. There can be no single formula to determine if a goods is branded or not; such determination would vary from case to case. Also, our observations must be limited to this notification and not supplanted to other laws with similar subject matter pertaining to trade names and brand names".

In this context, it is pertinent to remember another related landmark judgment of the Apex Court in the case of ***CCE, TRICHY Vs Grasim Industries - 2005 (183) E.L.T. 123 (S.C.)*** in which the top court held that the definition of brand name / trade name should be taken from the SSI exemption itself since it has been defined therein and the Trademarks Act will not be relevant for the excise SSI exemption purpose. The definition of brand name in Central Excise SSI exemption is far-reaching and goes well beyond the marks and symbols covered by the Trademarks Act, 1999. The Central Excise definition includes even any writing on the package of the product as amounting to a brand or trade name if such writing indicates a connection between the goods and the manufacturer in the market.

The impact of this caselaw may also be felt in other Indirect tax systems such VAT and Service tax which have conditions regarding branded products and branded services respectively.

Reiterating Fundamental Principles for Taking Cenvat Credit

The CENVAT Credit Rules ensconced in the Indirect Tax Law as a subordinate legislature in the form of CENVAT Credit Rules, 2004. The Central Excise Act and the Finance Act, 1994 dealing with service tax are devoid of guiding principles for establishment of such a tax credit system. This has resulted in the judiciary having to resort to establishing the fundamental principles of tax credit system in Central Excise and Service Tax. Among the principles laid down in the case are the following:-

- Inputs need not be physically present in the final products.
- Material on which credit is claimed by the assessee though not physically used in the manufacture but used for related activities would be covered within the scope of the expression 'in or in relation to the manufacture of final products'.

These principles have been re-emphasized by the Hon'ble Supreme Court in the case of **M/s. Flex Engineering Ltd vs. Commissioner of Central Excise, U.P. – 2012– TIOL – 01 – SC – CX**. In this case, the Hon'ble Court upheld availment of MODVAT Credit (now CENVAT Credit) on goods used in testing customized machines.

Payment of Duty on Exempted Goods Does Not Make the Goods Excisable

In the case of **M/s. Bonanza Engineering & Chemical Pvt Ltd vs. Commissioner of Central Excise – 2012-TIOL-25-SC-CX**, the Apex Court held that merely because the assessee by mistake perhaps pays duty on exempted goods it does not mean that the goods would become liable for duty under the Act. The court favoured the exposition of exemption as *freedom from liability, tax or duty*.

Estoppel and Precedent—A Double Bind for the Department

In Commissioner of Central Excise, Meerut vs. Convertech Equipment Pvt. Ltd., - 2011 (272) E.L.T. 342 (S.C.), a Three-Judge Bench of the Hon'ble Supreme Court has laid down a proposition that the Revenue cannot be permitted to re-agitate a point which stands concluded by a Judgment of a High Court which has not been challenged by the Revenue. This case must come as sweet music to the ears of many beleaguered industries hemmed in by the tax demands raised even in the face of High Court cases which would disfavor such demands.

Curbing Recovery Mania in Collection of Service Tax "Arrears"

It is well known that the Service Tax Department has been cracking its whip at tax defaulters and has made liberal use of the draconian power under

Section 87 of the Finance Act as well as an equally far-reaching CBEC Circular No.967/01/2013 dated 1.1.2013. In the case of Section 87, the department is known to have asked Banks to freeze the bank accounts of tax defaulters as well as the bank accounts belonging to third parties from whom any money is due to the tax defaulters. **In the case of GST Infratech Development Ltd. vs UOI – 2013-TIOL-399-HC-KAR-ST**, the Karnataka High Court has dealt a blow to the recovery ambitions of the department by applying some brake on action feasible in terms of section 87 (b)(ii) of the Finance Act, 1994. According to the court, freezing of bank account can be invoked only after the show cause notice proceedings under Section 73 of the Act are over and a tax-determining order has been passed.

The CBEC Circular No.967/01/2013 dated 1.1.2013 aiming at smart and fast recovery of taxes even at the appellate stages has raised the hackles of the industry and commerce across the country. The Bombay High Court in the landmark case of ***Larsen & Toubro Ltd. vs. Union of India – 2013-TIOL-99-HC-MUM-CX*** lucidly held that mandating the initiation of recovery proceedings thirty days after the filing of an appeal, if no stay is granted, cannot be applied to an assessee who has filed an application for stay, which has remained pending for reasons beyond the control of the assessee. Where however, an application for stay has remained pending for more than a reasonable period, for reasons having a bearing on the default or the improper conduct of an assessee, recovery proceedings can well be initiated.

Chit Funds Get a Tax Boost

The Chit fund companies of India have long been resisting getting caught in the service tax net. Earlier, the government agreeing with the Reserve Bank of India classified their services as cash management and exempted them from service tax. Later, cash management service was brought to service tax. However, things turned different after the introduction of negative list based service tax with effect from 1st July, 2012. The new law inter alia keeps away ***transactions in money*** from the purview of service tax. The Chit funds were quick to claim that their services are in the nature of transaction in money and hence cannot be brought to service tax. The Delhi High Court found merit in the above submission in the case of **Delhi Chit Fund Association vs. UOI – 2013-TIOL-331-HC-DEL-ST,** and held that entry against Sl.No.8 in Service Tax Notification No.26/2012-ST dated 20.06.2012 bringing the services rendered by the foreman in a business chit fund to service tax is inadmissible and quashed it. Amid all the bad press that the chit funds are getting, this will be a welcome breather for them.

The Job-Work Empire Strikes Back at Revenue

For long decades starting around the 1980s, the valuation of goods manufactured by job-worker for principal parties had been prised away from Central Excise provisions relating to determination of value and was based on the formula determined by the Hon'ble Supreme Court in landmark judgments such as **Ujjagar Prints, Empire Industries, Food Specialties Ltd, Pawan Biscuits** et al. According to the principles laid down in these case laws, the job-work valuation comprised the cost of raw materials supplied by the principal manufacturer plus the job charges (including profit, if any) awarded to the job worker, irrespective of whether the principal manufacturer consumed the goods for further production or resold them at a higher price. This unique, extra-statutory valuation formula forced on the Revenue by the Apex Court was never to the liking of the Revenue since it felt that the higher margins realised by the Principal manufacturers escaped central excise levy. Therefore, an attempt was made in the year 2007 when a new Rule 10A was inserted in the Central Excise Valuation Rules to ensure that where the goods manufactured by the job worker for and on behalf of principal manufacturers were sold by such parties after such job-work, the job work valuation would be based on the resale price of such principal manufacturers. This new provision also stipulated that in any other situation of non-sale by the principal manufacturer which would obviously mean self consumption or use by such manufacturer, the recourse to valuation rules would have to apply. This was a clever attempt to undo the existing line of consistent Apex Court holdings on the Job-work valuation in Central excise arena. This rule was smartly sought to be extended by the department in cases where the principal parties did not further sell the products obtained from the job workers but only consumed them for their own production or use. In the case of **Commissioner of Central Excise vs. Advance Surfactants India Ltd – 2013-TIOL-07-SC-CX**, the Supreme Court put paid to such fancy enlargement of the scope of the law by the Department and ruled that Rule 10A will not apply in such cases and that the valuation of the job work in such cases will comprise only the cost of raw materials plus processing charges and profit (if profit is not inbuilt in the processing charge).

Mere Non-Payment of Duties is Not the Same as Collusion or Wilful Mis-Statement or Suppression of Facts

In the case of ***M/s. Uniworth Textiles Ltd v. Commissioner of Central Excise, Raipur – 2013-TIOL-13-SC-CUS***, the Supreme Court had occasion to re-emphasize the cardinal principles to be applied in invoking *fraud and suppression of facts* which are made against the tax-payers by the tax administration. Despite the fact that in a plethora of cases starting from ***Padmini Products*** the Apex Court and so many other High Courts have consistently held that mere non-payment of duty is not per se a ground for simply assuming mala fide motives on the part of the alleged defaulter and that a deliberate positive act involving an intent to commit fraud or suppress facts is required to be established by the tax administration in show case notice proceedings, it is common knowledge that such proceedings are taken still in large numbers without meeting the standards and norms set by a catena of decisions by the judiciary. The latest admonition by the top Court in the ***Uniworth Textiles Ltd*** case is a welcome reminder to the tax administration. In this case, the Hon'ble court has emphasized the following principles:

> The conclusion that mere non-payment of duties is equivalent to collusion or willful misstatement or suppression of facts is untenable. If that were to be true, the court failed to understand which form of non-payment would amount to ordinary default. Construing mere non-payment as any of the three categories contemplated by the proviso would leave no situation for which, a limitation period of six months may apply. The main body of the Section, in fact, contemplates ordinary default in payment of duties and leaves cases of collusion or willful misstatement or suppression of facts, a smaller, specific and more serious niche, to the proviso. Therefore, something more must be shown to construe the acts of the appellant as fit for the applicability of the proviso.
>
> *It is a cardinal postulate of law that the burden of proving any form of mala fide lies on the shoulders of the one alleging it. The Court observed in Union of India v. Ashok Kumar and Ors that "it cannot be overlooked that burden of establishing male fides is very heavy on the person who alleges it. The allegations of mala fides are often more easily made than proved, and the very seriousness of such allegations demand proof of a high order of credibility".*

Conclusion

The above narratives are symbolic of the tax litigation scenario of the country. New disputes arise and ever newer, complex laws are created. The vicious cycle continues. Nothing worthwhile has been accomplished in making the tax laws simple, clear and easy to understand. The litigation and its unconscionable pendency are wasting the resources of all the stake-holders. We need a holistic solution to the problem of reducing case pendency and stemming the tide of litigation. There are no quick fixes, of course. But this is not an excuse for sitting pretty virtually. The recent litigation policy in the customs & excise department with its numerical approach to revenue will not improve the matters. What is needed is a hard look at the issues in litigation and take an informed decision on whether to continue litigation on such issues. We require both a quantitative and qualitative approach to the docket explosion in the country's courts and adjudicatory bodies. A practical step could be to cut down the mounting litigation in Cenvat credit arena by a two-fold process of liberalizing and clarifying tax credit procedures and gazetting a particular statutory change that has remained in limbo for long years (**pending since 1998**) – terminating cenvat credit disputes with Appellate Commissioners and providing for Revision petition to the central government for any aggrieved tax payer. This will free up the Tribunal's time to go ahead and finish off the pending cases in other areas. The National Tax Tribunal project has been too long in the making and needs to see the light of the day soon.

The Integrated Approach to Management of NPAS in ICICI Bank

Dr. D.N. Sharma
Lecturer, S.S.Jain Subodh P.G. College, Jaipur
fdp-durgas@alumni.iimidr.ac.in

The Reserve Bank of India (RBI) has issued prudential norms regarding identification of non-performing assets (NPAs), asset classification, provisioning and income recognition on April 1, 1992. With these norms, RBI introduced the concept of non-performing assets (NPAs). The financial committees (1991, 1998) chaired by M.Narasimham, former Governor, RBI, Specially the second committee (1998) emphasized management of NPAs in the banks to improve asset quality and to make the Indian banks capable to compete successfully in changing global environment. To Bharati V. Pathak (2008), "Non-performing assets (NPAs) are loans given by a bank or a financial institution wherein the borrower defaults or delays interest or principal payment".

As per prudential norms revised by the RBI with effect from March 31, 2004, any interest or loan repayment delayed beyond 90 days has to be identified as a non-performing asset.

According to RBI report (2010–11), despite the challenging global environment, performance of the Indian banks remained robust during the year 2010–11. A series of stress tests conducted by the RBI in respect of credit, liquidity and interest rate risks showed that banks remained reasonably resilient. The data regarding assets and liabilities and interest margin of scheduled commercial banks support these statements.

The assets and liabilities of scheduled commercial banks have increased from Rs 12,95,405.34 crore as on March 31, 2001 to Rs 71,83,522 crore as on March 31, 2011, registering growth of 454.54 percent. Inspite of global recession caused by failure of the largest American Investment Bank-Lehman Brothers in the year 2008, assets and liabilities of Indian Scheduled commercial banks have increased from Rs 34,63, 406 crore as on March 31, 2007 to Rs 71, 83, 522 crore as on March 31, 2011, recording growth of 107.41 percent. Even the interest margin of scheduled commercial banks have increased by 421.72 percent over the year 2000–01 and increased by 106.60 percent over the year 2006–07, respectively. R.K.Uppal (2009) in his research paper analysed tolerance power or efficiency of scheduled commercial banks during the years 1998 to 2008 and concluded that, "All the SCBs hav e shown a remarkable improvement in their efficiency so these banks should not fear about NPAs. But the efficiency of public sector banks is merely low than the other bank groups. Foreign bank group is more productive and efficient followed by the new private sector bank group".

Inspite of the satisfactory performance of scheduled commercial banks during the decade period i.e. years 2001–02 to 2010–11, these banks are facing manifold challenges viz., global competition, customercentric management, attraction of low cost deposits, conformity with international banking and accounting standards, human resource development, reaching to the unbanked areas of the country etc .To adopt Basel III standards the banks require strong capital base and effective management of non-performing assets. Effective management of non-performing assets requires an integrated approach supported by the top management. In the present paper an attempt has been made to discuss the role of the integrated approach to management of NPAs in ICICI Bank.

Integrated Approach to Management of NPAs

The performing assets of the banks turn into non-performing assets on account of various internal and external reasons. The internal reasons or factors include poor credit appraisal system, lack of proper supervision and monitoring of loan portfolio, slow recovery, aggressive strategy adopted for selling various loan products, lack of managerial competence and professional skills, tolerance for loss making branches etc. The external reasons or forces include expanding credit culture, recessionary trends and market failure, high interest rates, directed credit system, investment in sensitive sectors, industrial sickness, diversion of funds, willful default, natural calamities etc. The integrated approach to management of NPAs is based on the assumption that bank management should take care of all the probable internal and external reasons or forces causing non-performing assets. Though prediction and control of external forces is difficult as well as requires support of the RBI and the central government to minimize adverse impact of these forces on the banking and financial sector, but managerial efforts made to improve tolerance power facilitate banks to deal with the problem of the present and potential NPAs. The integrated approach to management of NPAs involves the following three steps:

1. Precautionary steps- The precautionary steps are like the vaccination system, which enable banks to see that performing assets do not turn into non-performing assets. These steps include sound credit appraisal system, skills and commitment of bank officers and employees, effective supervision and monitoring of borrowal accounts etc.
2. Application of Prudential Norms, RBI guidelines and Recovery Strategy- If the performing assets have turned into non-performing assets, banks are required to implement prudential norms and RBI guidelines regarding income recognition, asset classification, provisioning and capital adequacy. To manage NPAs, RBI issues guidelines from time-to-time to the banks. In case of industrial sickness detailed guidelines have been issued to the banks to take steps for avoiding sickness, nursing back the sick units etc. In case of large NPA accounts banks are required to give information in their financial statements, under the heading concentration of NPAs. And these large NPA accounts must be monitored by the senior officials of the banks. Banks are required to take prompt steps to recover NPAs. In this context staff's accountability should be evaluated from time-to-time.

   As per RBI guidelines the board of directors of the banks should lay down policies regarding management of NPAs particularly their prompt recovery. The banks should take steps to reduce NPAs, through upgradation, restructuring and compromise or settlements. The banks have also been advised to take decisions regarding filing of suits expeditiously. And there should be effective follow-up of suits filed and decreed accounts. The tools available to banks to recover and manage their NPAs include One Time Settlement or Compromise Schemes, Lok Adalats, Debt Rcovery Tribunals, Corporate Debt Restructuring (CDR), declaration of willful defaulters and facilities available under SARFAESI Act 2002 and Asset Reconstruction Companies (ARCs).
3. Improving Tolerance Power of Banks- The third step in the process of management of NPAs is the improving tolerance power of banks. According to the systems approach to management, banking companies also operate in the wide socio-economic environment, therefore the changes taking place in the macro environment affect the banking companies and the operational efficiency and financial health of banking companies also affect the social segments and economic sector of a country. Hence, in spite of best efforts of the management of banks, the non-performing assets may occur. For example recessionary trends affect the banks as well as various sectors of the economy, consequently the industries may find it difficult to repay bank loans. Most of the borrowers except willful defaulters do not want to fall in the category of defaulters, but they may become helpless in the context of adverse impact of global forces. Thus the problem of NPAs may originate and continue.

To deal with the problem of NPAs, the banks should improve and maintain their tolerance power. To improve tolerance power banks should concentrate on improving efficiency parameters like deposits, advances, business, interest income, non-interest income, spread capital adequacy etc. to bear the burden of NPAs both present and potential.

In brief the banks take some precautionary steps to manage loan portfolio, implement prudential norms and the RBI guidelines to manage NPAs and make efforts to improve the tolerance power or efficiency to boost business and financial strength. In aggregate all these steps give rise to the integrated approach to management of non-performing assets.

Research Objectives

The main objectives of the present study are:

i. To analyse trend of non-performing assets of ICICI Bank (Micro Trend Analysis) and private sector banks (Macro Trend Analysis)
ii. To examine the impact of the application of the integrated approach to management of non-performing assets in the ICICI Bank.

Research Hypothesis

To analyse the problem of NPAs of the ICICI Bank and the impact of the integrated approach to management of NPAs the following null hypothesis is being formulated.

"The management of non-performing assets has not been effective in the ICICI Bank during the research period i.e. years 2001–02 to 2010–11.

Study Period

The study period has been selected from the year 2001–02 to 2010–11 i.e. a span of 10 years.

To analyse and interpret data the study period (2001–02 to 2010–11) has been sub-divided into two segments:

i. First five years of the decade i.e. years 2001–02 to 2005–06 and
ii. Recent five years of the decade i.e. years 2006–07 to 2010–11

Sources of Data

To carry out the present study the data have been compiled and collected from the following sources:

i. Published Annual Reports of the ICICI Bank
ii. RBI's Reports on Trend and Progress of Banking In India
iii. Websites of RBI and ICICI Bank

Hypothesis Testing

To test hypothesis collected data were rearranged, classified, tabulated and computed as per requirements of the study. To analyse trend of non-performing assets in the ICICI Bank and private sector banks averages, standard deviation and co-efficient of variation were calculated. Further to test hypothesis management strategies and efforts done to manage NPAs implementing integrated approach to management of NPAs were analysed in three phases or steps. Firstly, the precautionary steps, which enable the bank management to see that performing assets do not turn into non-performing assets, secondly the administrative and legal steps, which enable banks to implement prudential norms regarding income recognition, assets classification, provisioning, capital adequacy and use of managerial and legal tools to recover and reduce non-performing assets. Thirdly, improving tolerance power or efficiency of the bank to manage present and potential NPAs effectively. To test the tolerance power or efficiency of the bank the following parameters measuring business and financial performance were used.

1. Deposits/ Advances/ Business Per Employee
2. Deposits/Advances/Business Per Branch
3. Total Income/Interest Income/Non-Interest Income/ Spread Per Employee
4. Total Income/Interest Income/Non-Interest Income/Spread Per Branch
5. Total Expenditure/Operating Expenses/Per Employee
6. Total Expenditure/Operating Expenses/Per Branch
7. Gross and Net Profit per Employee
8. Gross and Net Profit per Branch

Some Features of ICICI Bank

The ICICI Bank is the largest private sector bank in India. It was incorporated on 5th January, 1994.It was promoted by the Industrial Credit and Investment Corporation of India Limited (ICICI Ltd.) in the name of The ICICI Banking Corporation Limited. In the business community it was popularly known as ICICI Bank, therefore it's name was changed from ICICI Banking Corporation Ltd. to the ICICI Bank with effect from September 10, 1999. The organization is structured into the following principal groups:

- Retail Banking Group
- Wholesale Banking Group
- Corporate Centre
- International Banking Group
- Global Markets Group
- Human Resource Management Group
- Global Operations and Middle Office Groups
- Customer service Group
- Information Technology Group
- Global Infrastructure and Administration Group

The Managing Director and Chief Executive Officer of the bank with her team of managerial personnel and more than 56 thousand employees working in various groups, offices and branches of the bank put in their expected efforts to achieve the targets of the bank. The bank emphasizes human resources development and provides challenging roles and assignments, opportunities for personal growth, relevant and timely performance support, training and motivating environment to its employees. On the Foundation Day of the bank i.e. 5th January, the bank launched a special campaign for its employees known as "Saath Apka". Through this campaign, the bank has clearly and in a transparent manner articulated, what employees can expect from the organization. At the same time the bank has defined the desired competencies at various levels in the organization as " DNA Anchors", which communicate to employees, what the organization expects from them.

The corporate governance framework in ICICI Bank is based on an effective independent board, high level of business ethics and enhancement of value for stakeholders. It incorporates a significant portion of the recommendations contained in the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of corporate affairs. The Whistle Blower Policy formulated by the bank provides freedom to its employees and group companies to raise issues in the various areas of operations. The Board of Directors has approved a Group Code of Business Conduct and Ethics for directors and employees of the ICICI Group. The code aims at ensuring consistent standards of conduct and ethical business practices across the constituents of the ICICI Group. The bank has instituted a comprehensive code of conduct for prevention of insider trading.

The Successful Player of Mergers/Amalgamations

The ICICI Bank has been experiencing successful mergers. The Bank of Madura (BOM) was merged with the ICICI Bank with effect from March 10, 2001. The share exchange ratio was fixed at two shares of ICICI Bank for one share of Bank of Madura. The ICICI Limited, ICICI Personal Financial Services and ICICI- Capital Services Ltd. were amalgamated with the ICICI Bank with effect from 30th March, 2002. The share exchange ratio approved for this merger was one fully-paid up equity share of ICICI Bank for two fully paid-up shares of ICICI Limited. With this merger India's the second largest bank with assets about rupees one trillion and the first universal bank came into existence. Both wholesale and retail financing and banking integrated into a single entity- ICIC Bank Ltd.

The Sangli Bank Limited was merged with the ICICI Bank with effect from 19th April, 2007. The Bank of Rajasthan Limited was merged with the ICICI Bank with effect from 13th August, 2010. The swap ratio was fixed at 25 shares of ICICI Bank for 118 shares of the Bank of Rajasthan Limited. It translates into 1:4.72 ratio i.e. for 4.72 equity shares of the Bank of Rajasthan Limited one fully paid-up equity share of the ICICI Bank. The Managing Director and Chief Executive officer of ICICI Bank Madam Chanda Kochhar perceived with this merger 463 branches of the Bank of Rajasthan Ltd. increased the branch network of ICICI Bank strengthening its presence in north and west India. The branch network of the ICICI Bank has grown to 2529 as on March 31, 2011.

Business and Financial Performance of ICICI Bank

The ICICI Bank has been continuously expanding its business in India and abroad. As on March 31, 2011, there were 17 subsidiaries consisting 11 domestic and 06 international subsidiaries of the bank. The competitive strategies designed by the management of the bank enabled the ICICI Bank to resume growth by capitalizing on the emerging opportunities in the Indian economy. Table 1 depicts select parameters of business and financial performance of the ICICI Bank during the decade period i.e. years 2001–02 to 2010–11. Analysis of the table reveals that five years average deposits, advances and total business have registered growth of 171.23 percent, 259.35 percent and 265.39 percent respectively as on March 31, 2011. The share of CASA deposits in total deposits has increased from 16.31 percent as on March 31, 2002 to 45.05 percent as on March 31, 2011.

The five years average total assets and net profit of the bank have recorded growth of 250.71 percent and 164.22 percent as on March 31, 2011. The variation in the growth of five years average net profit and total assets reflects marginal decline in the five years average return on assets (ROA) from 1.28 percent as on March 31, 2006 to 1.12 percent as on March 31, 2011.

Table-1 Select Parameters of Business and Financial Performance of ICICI Bank During the years 2001–02 to 2010–11

Amount Rupees in crore

Parameters	Years (Period)			
	2001–02	Average[1] (2001–02 to 2005–06)	2010–11	Average[2] (2006–07 to 2010–11)
Deposits	32,085.11	82,652.99	2,25,602.11	2,24,181.55
Advances	47,034.87	79,995.61	2,16,365.90	2,07,472.81
Total Business	79,119.98	1,62,648.60	4,41,968.01	4,31,654.36
Low cost deposits[3] (Amount)	5,233	18,017	1,01,647	72,505
In percentage	16.31	20.36	45.05	32.66
Credit-Deposit Ratio (In percentage)	146.59	92.30	95.91	92.55

Total assets	1,04,109.92	1,51,039.82	4,06,233.67	3,78,677.51
Interest Income	2151.93	8721.68	25974.05	27111.49
Non-Interest Income	575	2437.40	6648	4853.40
Operating Profit	545	2388.60	9048	8308
Net Profit	258.30	1529.37	5151.38	4040.49
Return on Assets (In Percentage)	1.10	1.28	1.30	1.12
Earnings Per Share (In Rupees)	11.61	23.61	45.27	37.88

Source: Annual Reports of ICICI Bank

Key Notes

1. Average of the first five years of the decade period i.e. years 2001–02 to 2005–06
2. Average of the recent five years of the decade period i.e. years 2006–07 to 2010–11
3. Low cost deposits include Savings Accounts and Current Accounts (CASA) deposits

Research Findings

NPAs of ICICI Bank: Micro Trend Analysis

Analysis of Table 2 depicts that gross NPAs as percentage of gross advances/ total assets have shown declining trend during the first five years of the decade i.e. 2001–02 to 2005–06 and touched the lowest level of 1.50 percent and 0.88 percent as on March 31, 2006. During the subsequent four years these assets have again increased and stood at 5.23 percent and 2.61 percent as on March 31, 2010. These ratios have further declined and stood at 4.64 percent and 2.47 percent as on March 31, 2011. Net NPAs as percentage of net advances/ total assets have also shown declining trend during the first five years of the decade and touched the lowest level of 0.72 percent and 0.42 percent as on March 31, 2006. After increasing during the subsequent three to four years these assets have further declined and stood at 1.11 percent and 0.59 percent as on March 31, 2011.

Table-2 Gross and Net Non-Performing Assets of ICICI Bank

(As on 31st March of Respective Financial Year)

Year	Gross NPAs			Net NPAs		
	Amount Rs in crore	As Percentage of Gross Advances	As Percentage of Total Assets	Amount Rs in crore	As Percentage of Net Advances	As Percentage of Total Assets
2001–2002	5018.1	10.23	4.82	2581.93	5.48	2.6
2002–2003	5030.84	8.72	4.71	2777.11	5.21	2.6
2003–2004	3043.06	4.7	2.43	1377.52	2.21	1.1
2004–2005	2770.43	4.27	1.65	1505.27	1.65	0.9
2005–2006	2222.59	1.5	0.88	1052.68	0.72	0.42
Average	3617.0	5.88	2.89	1858.90	3.05	1.52
2006–2007	4126.06	2.08	1.2	1992.04	1.02	0.58
2007–2008	7579.54	3.3	1.9	3490.55	1.55	0.87
2008–2009	9649.31	4.3	2.5	4553.94	2.1	1.2
2009–2010	9480.65	5.23	2.61	3841.11	2.12	1.06
2010–2011	10034.26	4.64	2.47	2407.36	1.11	0.59
Average	8173.96	3.91	2.13	3257	1.58	0.86
Mean	5895.48	4.89	2.51	2557.95	2.31	1.19
S.D.	3035.91	2.70	1.31	1138.18	1.67	0.78
C.V. (%)	51.49	55.31	52.43	44.49	72.21	65.65

Source: Annual Reports of ICICI Bank

In absolute terms five years average gross and net NPAs have increased from Rs 3617 crore and Rs 1858.90 crore as on March 31, 2006 to Rs 8173.96 crore and Rs 3257 crore as on March 31, 2011, recording increase of 126 percent and 95.20 percent respectively. And more variations were observed in net NPAs as percentage of net advances with 72.21 percent co-efficient of variation (C.V.).

NPAs of Private Sector Banks: Macro Trend Analysis

Analysis of Table-3 reveals that gross NPAs as percentage of gross advances of old, new and all the private sector banks have declined from 11.01 percent, 8.87 percent and 9.65 percent as on March 31, 2002 to 1.97 percent, 2.33 percent and 2.25 percent respectively as on March 31, 2011. Five years average gross NPAs to gross advances ratios of old, new and private sector banks have declined from 7.57 percent, 5.38 percent and 5.97 percent as on March 31, 2006 to 2.38 percent, 2.46 percent and 2.52 percent respectively as on March 31, 2011. Net NPAs as percentage of net advances of old, new and private sector banks have declined from 7.11 percent, 4.94 percent and 5.72 percent as on March 31, 2002 to 0.53 percent, 0.56 percent and 0.56 percent respectively as on March 31, 2011. Five years average net NPAs to net advances ratios of old, new and private sector banks have declined from 4.18 percent, 2.94 percent and 3.28 percent as on March 31, 2006 to 0.76 percent 1.00 percent and 1.05 percent respectively as on March 31, 2011.

Table-3 Non-Performing Assets of Private Sector Banks

Year	Gross NPAs as % of Gross Advances			Net NPAs as % of Net Advances		
	Old Private Sector Banks	New Private Sector Banks	Private Sector Banks	Old Private Sector Banks	New Private Sector Banks	Private Sector Banks
2001–02	11.01	8.87	9.65	7.11	4.94	5.72
First five years (2001–02 to 2005–06) Average	7.57	5.38	5.97	4.18	2.94	3.28
2010–11	1.97	2.33	2.25	0.53	0.56	0.56
Recent five years (2006–07 to 2010–11) Average	2.38	2.46	2.52	0.76	1.00	1.05
Mean	4.97	3.92	4.24	2.47	1.97	2.16
S.D.	3.22	2.49	2.68	2.31	1.57	1.79
C.V. (%)	64.95	63.63	63.26	93.65	79.98	82.68

Source: RBI's Reports on Trend and Progress of Banking In India

As regards overall average of these ratios, gross NPAs as percentage of gross advances and net NPAs as percentage of net advances were lowest of new private sector banks with mean values of 3.92 percent and 1.97 percent, respectively. And maximum variations were observed in the old private sector banks with 64.95 percent and 93.65 percent co-efficient of variation (C.V.).

Management of NPAs In ICICI Bank: Implementation of Integrated Approach

The management of ICICI Bank has clear vision and path to improve asset quality and effectively manage non-performing assets. Implementation of Integrated approach to manage NPAs, highlights this path.

(A) Precautionary Steps

To manage NPAs effectively, under precautionary steps, the management of ICICI Bank has designed credit and recovery policy, there is a well structured, standardized and comprehensive credit appraisal system, the credit rating system developed by the bank serves as a key input in the approval of the credit proposals. The bank updates knowledge about the industrial customers through field visits, interactions with clients, regulatory bodies and the industrial experts. The credit committee chaired by the chairman of the bank reviews developments in key industrial sectors before the approval of credit proposals.

To implement the credit policy approved by the Board of Directors to supervise and monitor loan portfolio and to deal with other aspects of management of NPAs, the bank has constituted various committees such as credit committee, committee of executive directors, assets liability management committee, committee for identification of willful defaulters, grievance redressal committee for borrowers, risk management committee etc.

The executive committee under the Chairmanship of the Chief Executive Officer (CEO) of the bank approves detailed credit norms about individual business group, programme lending within each business segment and asset or liability category including permissible deviations, approves and reviews from time to time limits on exposure to individual company. The Credit Committee also reviews the non-performing loans, accounts under watch, over dues and incremental sanctions.

The bank identifies the project risks, mitigating factors and residual risks associated with the project. To ensure due diligence, the bank appoints consultants including technical advisors, business analysists, legal counsellors, wherever considered necessary to advise the bank. The bank's project finance loans are generally fully secured. In some cases the bank also takes additional credit comforts such as corporate or personal guarantees from one or more sponsors of the project or a pledge of the sponsor's equity holding in the project company. The bank goes for disbursement of funds, only after the entire project funding is committed.

The credit officers evaluate retail credit proposals on the basis of product policy approval and the risk assessment criteria. The risk assessment criteria are defined by the risk management group and include such as borrowers income, the loan-to-value ratio and demographic parameters.

Sometimes fraud controlling agencies operating in the country are also consulted for conducting complete checking of borrowers applications before disbursement of funds.

The risk management committee reviews the key risk indicators and stress test limits for various risks. The bank has constituted independent groups and sub-groups across the bank to facilitate independent evaluation, monitoring and reporting of various risks, such as credit, market, liquidity operational, out sourcing risks etc. To control and manage operational risk the bank has constituted Operational Risk Management Committee (ORMC). The operational risk is monitored through a comprehensive system of internal controls of all the functions of the bank conducted into the front office, mid-office and the back office. To monitor interest rate risk of the overall balance sheet items, re-pricing gap analysis, duration analysis, interest rate gap, sensitivity gap limits have been set-up. The committee also reviews the risk profile of its overseas branches and subsidiaries. The Inter Capital Adequacy Assessment Process (ICAAP) covers the domestic and overseas operations. The foreign exchange risk is monitored through the net overnight open foreign exchange limit. Interest rate risk of the overall balance sheet is measured through the use of repricing gap analysis and duration analysis. The ALM committee meets regularly to review the trading positions, monitor interest rate and liquidity gap positions. It also sets benchmark lending and base rates. Under Pillar I of the RBI guidelines on Basel-II, the bank follows Standardized Approach for measurement of operational risk. As per RBI guidelines, the bank has shifted to the Base Rate System with effect from 1st July, 2010.

(B) Implementation of Prudential Norms and RBI guidelines:

To manage non-performing assets effectively, the ICICI Bank follows prudential norms regarding income recognition, asset classification, provisioning capital adequacy and other guidelines issued by the RBI from time to time. From the year 2001–02, the bank has adopted an accelerated provisioning policy, whereby provisions aggregating 50 percent of the secured portion of the NPAs are made over a three years period instead of a five-and-a-half year period prescribed by the RBI. The loss assets and the unsecured portion of the doubtful assets were fully provided for or written off. From the year 2001–02, the bank has adopted policy of making general provisions of 2 percent against credit card outstandings, personal loans, consumer durable loans and dealer funding and 0.50 percent against home loans. The bank also makes additional provisions against specific non-performing assets, whenever considered necessary by the management.

Even for restructured or rescheduled assets provision is made in accordance with the guidelines issued by the RBI, which require that the difference between the present value of the future interest as per the original loan agreement and the present values of future interest on the basis of the rescheduled terms be provided at the time of restructuring. The amount of sacrifice if any, in the element of interest, measured in the present value terms is either written-off or provision is made to the extent of the sacrifice involved.

The provisioning coverage ratio has increased from 63.6 percent as on March 31, 2002 to 76.0 percent as on March 31, 2011. The five years average provision made and charged to the profit and loss account has increased from Rs 575.15 crore as on March 31, 2006 to Rs 2831.40 crore as on March 31, 2011. As regards movement of provision for NPAs, the opening balance for provision was Rs 205.90 crore as on April 1, 2001, which has increased and stood at Rs 7626.90 crore as on March 31, 2011, after making necessary additions and write off/ written back of excess provision in the respective financial years (Table-4).

Table-4 Movement of Provision for Non-Performing Assets of ICICI Bank

(As on 31st March of Respective Financial Year)
(Rs in crore)

Year	Opening Balance	Provision made during the year	Written off/ Written Back of Excess Provision	Closing Balance
2001–02	205.90	2312.03	(134.12)	2383.81
2002–03	2383.81	670.48	(850.68)	2203.61
2003–04	2203.61	731.81	(1310.41)	1625.01
2004–05	1625.01	1800.21	(2188.37)	1236.85
2005–06	1236.85	560.12	(654.22)	1142.75
2006–07	1142.75	1117.95	(177.11)	2083.59
2007–08	2083.59	1951.07	(91.39)	3943.27
2008–09	3943.27	3561.54	(2409.44)	5095.37
2009–10	5095.37	4318.14	(3773.97)	5639.54
2010–11	5639.54	2778.26	(790.90)	7626.90

Source: Annual Reports of ICICI Bank

The overall capital adequacy ratio of the ICICI Bank has lied within the range of 10.36 percent to 13.35 percent during the years 2001–02 to 2006–07. The bank has implemented Basel- II capital adequacy norms with effect from March 31, 2008. The overall capital adequacy ratio has lied within the range of 13.97 percent to 19.54 percent during the recent four years i.e. 2007–08 to 2010–11. Thus the overall capital adequacy ratio has been much more than the RBI's benchmark of 9 percent during the years 2001–02 to 2010–11. For Tier-I capital CRAR has varied within the range of 6.09 percent to 9.20 percent during the years 2001–02 to 2006–07. It has varied within the range of 11.77 percent to 13.48 percent as per Basel- I framework and within the range of 11.76 percent to 13.96 percent as per Basel-II framework during the recent four years i.e. 2007–08 to 2010–11. Thus the Tier-I Capital CRAR has been much more than the RBI's benchmark of 6 percent (Table-5).

Table-5 Capital Adequacy Ratio of ICICI Bank

(As on 31st March of Respective Financial Year)
(Percent)

Year	Tier-I Capital	Tier-II Capital	Overall
2001–02	7.47	3.97	11.44
2002–03	7.05	4.05	11.10
2003–04	6.09	4.27	10.36
2004–05	7.59	4.19	11.78
2005–06	9.20	4.15	13.35
2006–07	7.42	4.27	11.69
2007–08			
Basel-I	11.32	3.60	14.92
Basel-II	11.76	2.20	13.97
2008–09			
Basel-I	12.16	3.76	15.92
Basel-II	11.84	3.69	15.53

2009–10			
Basel-I	13.48	5.66	19.14
Basel-II	13.96	5.45	19.41
2010–11			
Basel-I	11.77	5.86	17.63
Basel-II	13.17	6.37	19.54

Source: Annual Reports of ICICI Bank

In addition to implementing the NPAs recovery policy approved by the board of directors, management sale NPA accounts to the securitization companies. The bank has sold 86,355 NPA accounts with aggregate value (net of provisions) of Rs 5622.68 crore for aggregate consideration of Rs 5316.71 crore to the Assets Reconstruction Company of India Ltd. (ARCIL) and other reconstruction companies during the years 2004–05 to 2009–10. And the bank booked aggregate loss of Rs 305.97 crore on these transactions of transfer of assets.

(C) Improving Tolerance Power of the ICICI Bank

Inspite of best efforts done by the management of ICICI bank to reduce and recover NPAs, the problem of non-performing assets may continue to exist on account of several internal and uncontrollable external reasons. The global as well as Indian financial and economic environment affect the bank operations in India and abroad. ICICI bank has its branches in USA, Singapore, Bahrain, Hongkong, Srilanka, Dubai International Finance Centre and Qatar Financial Centre, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. The bank has opened its first retail branch in Singapore during the year 2010–11, after being granted qualified full banking (QFB) privileges. After global recession of the year 2008, the recovery in the global economy has been slow. But during the year 2010–11, the pace of recovery in international trade and capital flows strengthened significantly. Exports from India crossed US $ 200 billion and have reached an all-time high.

In this changing environment, the bank continued to maintain adequate capital and focused on risk containment and liquidity management in its international operations. ICICI Bank became the first Indian Bank to issue 10-year senior bonds in the international markets. The bank also focused on establishing and growing relationships with global multinationals, which are increasingly entering and expanding in the Indian markets. The bank also has strengthened its market position to meet the requirements of the Non Resident Indian (NRIs) community.

As mentioned in research methodology to measure and analyse tolerance power or efficiency of ICICI Bank the following parameters are being used:

Deposits/Advances/Business per Employee and per Branch

Table-6 reveals that five years average deposits, advances and business per employee have increased from Rs 4.91 crore, Rs 5.09 crore and Rs 10 crore as on March 31, 2006 to Rs 5.74 crore, Rs 5.29 crore and Rs 11.03 crore as on March 31, 2011, registering growth of 16.90 percent, 3.93 percent and 10.30 percent, respectively. The five years average deposits, advances and business per branch have increased from Rs 152.60 crore, Rs 143.77 crore and Rs 299.80 crore as on March 31, 2006 to Rs 172.09 crore, Rs 156.75 crore and Rs 328.84 crore as on March 31, 2011, recording growth of 12.71 percent, 9.03 percent and 9.69 percent, respectively.

Table-6 Business and Financial Performance of ICICI Bank

(During the Years 2001–02 to 2010–11)
(Rupees in Crore)

Business /Financial Performance Parameters	First Five Years (2001–02 to 2005–06) Average	Recent Five Years (2006–07 to 2010–11) Average	Growth over first five years average %
Business Performance Parameters			
Deposits Per Employee	4.91	5.74	16.90
Deposits Per Branch	152.6	172.09	12.77
Advances Per Employee	5.09	5.29	3.93

Advances Per Branch	143.77	156.75	9.03
Business Per Employee	10	11.03	10.30
Business Per Branch	299.8	328.84	9.69
Financial Performance Parameters			
Total Income Per Employee	0.74	0.89	20.27
Total Income Per Branch	22.33	25.86	15.81
Interest Income Per Employee	0.55	0.70	27.27
Interest Income Per Branch	16.58	20.15	21.53
Non Interest Income per Employee	0.15	0.19	26.67
Non Interest Income per Branch	4.73	5.44	15.01
Spread Per Employee	0.13	0.19	46.15
Spread Per Branch	4.04	5.50	36.14
Total Expenditure Per Employee	0.65	0.79	21.54
Total Expenditure Per Branch	19.44	22.97	18.16
Operating Expenses Per Employee	0.16	0.18	12.50
Operating Expenses Per Branch	4.88	5.27	7.99
Operating Profit Per Employee	0.14	0.21	50.00
Operating Profit Per Branch	4.44	5.93	33.56
Net Profit Per Employee	0.09	0.10	11.11
Net Profit Per Branch	2.89	2.89	0.00

Source: Annual Reports of ICICI Bank

Total Income, Interest Income, Non Interest Income and Spread per Employee and per Branch

The five years average total income, interest income, non interest income and spread per employee of the bank have increased from Rs 0.74 crore, Rs 0.55 crore, Rs 0.15 crore and Rs 0.13 crore as on March 31, 2006 to Rs 0.89 crore, Rs 0.70 crore, Rs 0.19 crore and Rs 0.19 crore as on March 31, 2011, registering growth of 20.27 percent, 27.27 percent, 26.67 percent and 46.15 percent, respectively. The five years total income, interest income, non interest income and spread per branch have increased from Rs 22.33 crore, Rs 16.58 crore, Rs 4.73 crore and Rs 4.04 crore as on March 31, 2006 to Rs 25.86 crore, Rs 20.15 crore, Rs 5.44 crore and Rs 5.50 crore as on March 31, 2011 registering growth of 15.81 percent, 21.53 percent, 15.01 percent and 36.14 percent, respectively (Table-6)

Total Expenditure and Operating Expenses per Employee and per Branch

The five years average total expenditure per employee and per branch have increased from Rs 0.65 crore and Rs 19.44 crore as on March 31, 2006 to Rs 0.79 crore and Rs 22.97 crore as on March 31, 2011, registering growth of 21.54 percent and 18.16 percent respectively. The five years average operating expenses per employee and per branch have increased from Rs 0.16 crore and Rs 4.88 crore as on March 31, 2006 to Rs 0.18 crore and Rs 5.27 crore as on March 31, 2011, recording growth of 12.50 percent and 7.99 percent respectively. Total expenditure and operating expenses of the bank have increased over the years on account of increase in volume of business, number of employees and also the number of branches. (Table-6)

Operating Profit and Net Profit per Employee and per Branch

The five years average operating and net profit per employee have increased from Rs 0.14 crore and 0.09 crore as on March 31, 2006 to Rs 0.21 crore and Rs 0.10 crore as on March 31, 2011, registering growth of 50 percent and 11.11 percent respectively. Five years average operating profit per branch has increased from Rs 4.44 crore as on March 31, 2006 to Rs 5.93 crore as on March 31, 2011, recording growth of 33.56 percent. But the five years average net profit per branch has remained constant i.e. Rs 2.89 crore as on March 31, 2006 as well as on March 31, 2011 (Table-6)

Testing of Hypothesis: Impact of Integrated Approach on Management of NPAs

As shown in Table-7 all the parameters measuring impact of the integrated approach to management of NPAs present declining trend. Five years average ratios of gross NPAs to gross advances and net NPAs to net advances have declined from 5.87 percent and 3.05 percent as on March 31, 2006 to 3.91 percent and 1.58 percent as on March 31, 2011, recording reduction of 33.39 percent and 48.20 percent respectively. Five years average ratios of gross NPAs to total assets and net NPAs to total assets have declined from 2.90 precent and 1.50 percent as on March 31, 2006 to 2.14 percent and 0.86 percent as on March 31, 2011, registering reduction of 26.21 percent and 42.67 percent respectively. Even the five years average gross and net NPAs per employee have declined from Rs 0.31 crore and Rs 0.16 crore as on March 31, 2006 to Rs 0.21 crore and Rs 0.09 crore as on March 31, 2011, recording reduction of 32.26 percent and 43.75 percent respectively. And the five years average gross and net NPAs per branch have declined from Rs 7.04 crore and Rs 3.60 crore as on March 31, 2006 to Rs 5.56 crore and Rs 2.36 crore as on March 31, 2011, registering reduction of 21.02 percent and 34.44 percent, respectively.

As mentioned earlier the bank's provisioning coverage ratio has increased significantly. The overall capital adequacy as well as capital adequacy for Tier-I capital have been much more than the RBI's benchmarks. The bank has followed effective recovery policy and has exploited facilities available under Securitisation Act. The bank has restructured total advances with outstanding amount of Rs 40,398.55 crore during the years 2001–02 to 2010–11. All the parameters measuring business and financial performance have grown during the research period. To conclude implementation of the integrated approach enabled the bank to manage NPAs effectively during the research period i.e. years 2001–02 to 2010–11, therefore the null hypothesis "Management of NPAs has not been effective in the ICICI Bank during the research period" stands rejected.

Table-7 Position of Non-Performing Assets (NPAs) of ICICI Bank

(During the Years 2001–02 to 2010–11)
(Rs in crore)

Non-Performing Assets (NPAs)	First Five Years (2001–02 to 2005–06) Average	Recent Five Years (2006–07 to 2010–11) Average	Increase/ Decrease(%)
Gross NPAs as Percentage of Gross Advances	5.87	3.91	(33.39)
Net NPAs as Percentage of Net Advances	3.05	1.58	(48.20)
Gross NPAs as Percentage of Total Assets	2.90	2.14	(26.21)
Net NPAs as Percentage of Total Assets	1.50	0.86	(42.67)
Gross NPAs Per Employee	0.31	0.21	(32.26)
Gross NPAs Per Branch	7.04	5.56	(21.02)
Net NPAs Per Employee	0.16	0.09	(43.75)
Net NPAs Per Branch	3.60	2.36	(34.44)

Source: Based on Annual Reports of ICICI Bank.

In May, 2012, RBI has issued final guidelines to the Indian banks for implementing the Basel III capital regulations. As per these regulations banks would have to maintain a minimum common equity Tier I capital of 5.5 percent, a minimum Tier I capital ratio of 7 percent of risk weighted assets, a capital conservation buffer of 2.5 percent comprising only common equity capital. Basel III regulations would be implemented in phases beginning from January, 2013 and would be fully implemented by March31, 2018. To implement these Basel III regulation, the Indian banks are required to maintain and improve capital base and financial health. The integrated approach to management of NPAs will facilitate the banks to achieve these targets.

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The Corporate Sector in India: Some Issues and Contentions

Dr. P. Chattopadhyay
FCMA. PhD
Kolkata
chattopadhyay.p@lycos.com

Introduction

The Indian corporate sector has had a chequered history, finding its feet in the enactments in Britain where the main planks of the Indian Companies Acts were in fact rooted. A thoughtful, well-reasoned set of provisions workable in the Indian conditions was wanting for a long time as evidenced by the good number of amendments to the Acts that had to be effected to make the provisions in the Act more responsive to the prevailing conditions in the country. The rather long history of working of the joint stock companies in this country during the British Rule offers an interesting, intriguing and rather curious story of the building up of a half-way house between companies as companies, and companies as the *de facto* personal properties of the majority shareholders during the British Rule, that created and respected the cult of family rule that went straight against the concept of the company and that in fact created a mess not all of which could be cleared even after independence of the country and a good many number of amendments to the Companies Act that made the law both voluminous and verily inconsistent to the very core. This paper seeks to underline some of the major issues that directly went in the past, and even since independence virtually go against the very concept of the corporate form of enterprise and advertently throw spanners at what could have been veritable growth engines. It is not that all the companies had fallen short of expectations but that a majority of them did indeed fail to deliver. Specifically, this paper seeks to underscore some of the important factual and operational issues that seemingly have come in the way of realizing the potential that the corporate sector promised but yet not sincerely pursued and fully realized. Right at the outset it is necessary to point out that the prevailing inconsistencies have become more and more complex over time. The right issues are yet to be addressed definitively. But this unconcern has somehow stalled the taking of logical, appropriate and effective directions that the corporate sector could take to put the economy on an even keel. It is underscored in this context that even at the present juncture, the corporate sector can effectively deliver provided some essential steps are taken and ardently pursued. Apparently, interest in this respect has remained only half-hearted.

Reviving the Directorate of Research and Statistics

It may be of interest to note that since the enactment of the Companies Act, 1956, the Directorate of Research and Statistics established for overseeing the functioning of the corporate sector in the country under the able leadership of Mr D.L.Mazumdar, ICS., Secretary to the Government in the Department of Company Affairs and Dr R. K. Nigam, Director of the Research and Statistics Division, performed, as expected, efficiently to know and judge the major issues of concern to which the corporate sector was subject. But over time, the Directorate was abolished and a large number of amendments to the Act practically diluted the objectives behind the 1956 enactment. The process of sliding down continued unabated over time till the liberalization regime took over the reins to practically undo some of the major landmarks that the Act sought to achieve. The prevailing state of affairs thus holds some interest in assessing the directions that the corporate sector in this country is set to take. The quality of administration of the Companies Act, 1956 and the examination of the state of progress and operations of the corporate sector in this country since the enactment of Companies Act, 1956 were subject to searching, scholarly scrutiny. The analytical studies emanating from the Directorate were both factual and scholarly, throwing light on different issues embracing both policy and practice. The Director of the research team, Dr R.K. Nigam, and Research Officers, Dr. G. Balakrishnan, Dr. N.D.

Joshi and Shri N.C. Choudhury, penned a number of studies bearing on different issues related to the functioning of the Indian corporate sector pinpointing the slips and the ways in which the functioning of the corporate sector in the country could be improved, especially whether the law was lax in reining in the centrifugal trends and where the gaps in the law remained unnoticed, that affected performance. This paper therefore seeks to highlight some of the major, burning issues besetting the Indian corporate sector at present, the specifics thereof being dealt with in the following paragraphs in light of the *55th Annual Report on the Working & Administration of the Companies Act,1956 for the year ended March 31, 2011*, Ministry of Corporate Affairs, Government of India, New Delhi[1]. **Particularly , there is an urgent need for reviving the Directorate for proper analysis of data pertaining to the corporate sector and throwing up issues of concern for appropriate action.**

Major Issues of Concern

The main issues of concern of the paper are few in number but for the purpose of the present discussion some issues of law are kept outside focus. As the issues referred unfold themselves, supporting facts and figures are presented to underline the typicality that is the Corporate Sector, as it has evolved over time, especially since independence. The Indian corporate sector has seemingly grown in a hurry without the essential supportive planks of secondary institutions and effective watch dogs during the early 1950s. The growth of companies concentred in some states and even now, the spread is uneven, accentuated by the Licence Regime that witnessed a scramble for enticing would-be investors in some areas rather than others with all kinds of promises. The distribution of companies is heavily skewed in favour of some states and activities while others have figured more as mere dots and dashes. Before dealing with the distribution it is necessary to point out that a new category of companies has surfaced – dormant companies numbering 21, 909 public limited companies, 1,48,404 private limited companies and 1,70,313 total number of such companies. This is, it may be stressed, peculiar and points to the existence of some overt disorder in the sense that no clear explanation has been given in the aforesaid Annual Report of the Union Ministry of Corporate Affairs. A variety of reasons can indeed be adduced for the dormant state of which one may be that the last day of the financial year was the date of reference and that this state would evaporate as the financial year 2011–12 progresses. But this state could have been covered by some other more appropriate terms than dormancy if something contrary was really in the picture. Apparently, this could not have been the case. The Annual Report is, however, silent on this issue . The second reason could have been Court Cases on different issues not disclosed in the prospectus. The third could have been like what happened in the case of M./S. M. S. Shoes, i.e. after collection of subscription money, the entrepreneur just vanished. This was almost as if the days of the South Sea Bubble were coming back. Unfortunately, the problem remained as such occurrences could not be stopped altogether. The best that could be done in this respect was only to chase the miscreants, not so much to stall the misdeeds. But to this aspect, reference is made later in the right context.

Distribution of Companies: The First Fly in the Ointment

The distribution of companies limited by shares over the states, over different industries and activities and over the government and non-government sector shows an uneven spread over the states As on 31st March, 2011, there were 7,14,555, companies limited by shares operating in this country of which 59,646 were public limited companies. This number is at once too much and too little – too much from the point of view of their controllability, and too little, because the public limited companies comprised only 8.35% of the total number of companies in operation at the end of 31st March, 2011. These figures are excluding the dormant companies but inclusive of the government companies of both the varieties. Maharashtra, West Bengal and Delhi together comprised 55.65% of the total number of companies at work as on 31st March, 2011. It has to be seriously considered if such a skewed distribution is at al appropriate for the country's economic development especially from the point of view of inclusive growth and judicious deployment of the country's resources. One point has, however, to be underlined here, namely that the locational forces of the registered offices and the gravitational pulls of the places of work, like plants or main centres of business, have had a cognisable hiatus between them, from the point of view of working as power centres. The managing agency system played a vital role in negating the roles of companies as companies, until Government of India intervened for the purpose of restoring order by way of enacting the Companies Act, 1956 and later, abolishing the managing agency system, as an off-shoot of I. G. Patel Committee's recommendations. Remnants of the system are still there in the form of holding companies with virtual concentration of decision-making power in the holding companies rather than in the subsidiaries, giving rise to the highly problematic issues of transfer

[1]*I owe a debt of gratitude to my friend Dr. Sujit Kumar Roy of Goenka College of Commerce, Kolkata for helping me to download the Annual Report from the internet.*

pricing. There are, curiously, several government companies in this category. Real power centres are not really the addresses of either the holding company or its subsidiaries. They could be either of the two, or even a third, when the majority shareholders are somewhere away from them, the clinching point being the status of shareholding, majority or otherwise. Places of incorporation of companies are not quite as important as those of actual creation of utilities and accrual of benefits. Centres of value addition and the actual sharing of the cake would have to be taken into serious view in this context, especially with regard to the decision and wealth transfer system prevailing in this country for a long time, without regard to the much-vaunted reform that government sought to initiate. The liberalization regime since the early 1990s was in fact oriented to the American practices, centring on the stock exchanges *sans* the powerful secondary institutions like the SEC.

The Second Weakness in the System

The second weakness in the corporate world relates to the overt preponderance of the private limited companies with scant paid-up capital and excessive dependence on the bank loans. Till the abolition of the Licence Raj, perhaps bank loans rather than share capital carried some weight but now the inner strength of companies has necessarily to be linked to share capital rather than bank loans, especially in the cases where the gestation period is high profitability in a competitive market remains contingent on different factors. Though the data related to the number of public and private limited companies as presented in Statement XII of the Annual Report with regard to both the number of Government and Non-Government Companies and the Paid-up Capital in each category are incomplete as also rather inconsistent, it is true that in the non-government companies the per unit paid up capital is rather paltry in the cases of both public and private limited companies. Thus, while the per unit paid-up capital is higher in the former category than in the latter, the considerations of economics of capitalization have remained undermined. The growth in the number of private limited companies in the Non-Government corporate sector has not apparently respected the dictates of professionalism; the result of the absence of a sound rationale in the capitalization process is quite visible. As on 31st March, 2010, as per figures presented in Statement XII, the average paid up capital of the 48955 public limited companies was Rs 15.03 crore only, while that of 472106 private companies was Rs 0.87 crore only. The total average paid up capital covering both categories of companies was Rs 2.20 crore only. Overpopulation in the corporate sector has practically left out the private limited companies from required focus as to their compliance with provisions of the Companies Act, especially timely preparation of Annual Accounts and Audit on one hand and submission of Annual Reports to the Regional Directorates of Companies. As per Statement XVIII, as on 31st March, 2011, 49473 public limited companies had a total paid up capital of Rs 8,10,189.57 crore for 49473 companies, or per company paid up capital of Rs 16.38 crore. For the private limited companies, 533343 companies had a total paid up capital of Rs 4,47,050.66 crore or a per company paid up capital of Rs 0.84 crore. The total of both categories works out as Rs 12,57,240 for 582816 companies or Rs 2.18 crore per company. Globalization required that for enhancing competitiveness in the open market, the capital base of every company should be sensitive and professional on counts of adequacy, especially considering the volume of their activities but all this remained a far cry. It should be mentioned in the aforesaid context that data related to both Government and Non-Government companies have been presented according to their industrial activity, covering ten categories inconclusive of trade, transport and finance and social services; there are 1088 and 42,071 companies in the two said categories of companies respectively which have remained unclassified. The paid-up capital has been stated in the Report, by way of a footnote, as '*worked out on the basis of data available in the MCA Portal*'. Incidentally, there have been lingering inconsistencies in the figures presented in different tables both in the body of the Report and in the appendices.

The Third Area: Complaints—Received and Disposed

Rarely do the shareholders seriously complain of misdemeanour against corporate management till they are pinned to the wall. Table 3.6 presented in the body of the Annual Report underscores sixteen different types of complaints of which some relate to non-compliance with this provision of the Act or that. Some of the complaints, however, do appear more real than meet the eye and are indicative of the state of things in the corporate sector in the country. The non-payment of public deposits has been the experience of many a depositor and the companies concerned have been well-known and their executives draw high salaries and other benefits. The Report does not give the impression of the depth of deception exercised by the management. Only a few cases of non-payment of dividend i.e. 352, have been mentioned in the Report apparently meaning disbursement of such dividend. However, many a time, dividend is not declared even in the face of substantial annual gains by the company but the shareholders have hardly any recourse to take to other than unloading such shares in the stock exchanges at considerable loss. The law even allows companies not to declare dividend and shareholders cannot claim dividend as a matter of right, even in the face of high profits. In many cases, falling share prices help concerned people to enhance their acquest. Here, the catch is provided by ESOP, which makes executives interested in stock market proceedings though this is not logically and legally tenable, in fact such leaning is considered irregular in law. More than a couple of hundred complaints of mismanagement were received by the MCA during 2010–11 but their nature and impact were not disclosed. The charge of mismanagement is difficult to prove; more often than not, the bellicose externalities, growing competition, the falling markets responding to official policy and/or worldwide recession are mentioned as reasons. Some of these factors are indeed behind the falling sales, profit but in many a case, the downslide must have been due to a laid back attitude of management, branded *sleepers* by the PEP Survey on the British Managers[2] **not initiating innovation and pursuing rather insensitive production and marketing policies. It may also be stressed in this context that a majority of the public limited companies functioning in this country had suffered from this malady as may be inferred from the general shunning of a large proportion of the companies away from listing under the SEBI, which is not compulsory at present. The listed companies incidentally come under the SEBI scanner on various counts. It is but logical to expect that all public limited companies should be listed; at present many companies deliberately avoid the implied glare caused by the searching scrutiny done by SEBI. Misappropriation of corporate funds, fraud and embezzlement as also misapplication of corporate funds have been highlighted though the amounts involved are not available. When it is conceded that corporate funds are public funds, not private, it becomes imperative that such incidences cannot be taken lightly. Some of these cases, considered serious and beyond their remits by the MCA and regional directorates, have been logically referred to SEBI. It is hoped that appropriate steps would be taken. However, that such acts could and did take place, should ring the alarm bell and in appropriate cases change of management should be initiated even without reference to the BIFR. The MCA, unlike the practices during the time of D. L. Majumdar, has been rather soft – shall we say l*****ax*?** - in straightening the corporate sector for greater responsiveness to the changing requirements even within the perimeters of the vogue legislation. After all, corporate property does not belong to the shareholders as long as the company is a going concern.

The Fourth Aspect: Serious Fraud Investigation

The serious fraud investigation cases under sections 235/237 of the Companies Act relate to a) cases in which the alleged fraud is estimated to be Rs 50 crore or more; b) paid-up capital of the company is more than Rs 5 crore, and 20% or more capital is subscribed by the public; c) the alleged fraud involves widespread public concern touching the fortunes of at least 5000 persons; and d) where the investigation requires specialized skills and multi-disciplinary assessment. It is not widely known how equipped the Serious Fraud Investigation Office is and what happens during and after the investigations had taken place. While the Report faithfully records the incidence of fraud, institution of inquiry and reference of serious matters to Courts for final decision, there are published reports that in many a case these investigation reports are taken lightly, are not pursued in right earnest in courts and even dealing officers in the concerned departments taking serious notice of such fraudulent transactions face reprimand and transfer, as happened in the context of *Satyam Computers* and the company's associates – the series of Maytas companies, in fact Satyam read backwards. Unfortunately, such crookish practices do not come under CAG's audit which is methodical and probing and investigation is also not complete and in many a case actually found perfunctory. It is widely believed that Indian corporate sector needed urgently not one but several *Eliot Spitzers*, the famous New York Attorney General, on counts of both number and amounts involved. Administration of the Companies Act, 1956, as it has figured in practice, does not warrant, down the line, taking any radical steps aimed at preventing frauds rather than merely chasing miscreants. Time, the unacceptable practices were foreclosed. Forensic accounting and forensic auditing could have better served the purpose remaining more focussed on investigational elements and preparation of relevant papers for arguments in courts. Empowerment of Chartered and Cost and Management Accountants as also Company Secretaries – all statutory bodies - for preparation of papers in this behalf would be a step in the right direction. Collaboration of these Institutes with the Government in the MCA in serving the common purpose of making the Corporate Sector in the country more aligned to becoming a growth engine suggests itself. It is not that steps in this direction are all absent but that there is need for a new emphasis and orientation for putting corporate activities back on the rail.

The Fifth Joint: Cost Audit

A distinguishing feature of the Indian Companies Act is the introduction of cost audit as an additional surveillance mechanism for ensuring that in the notified industries, corporate cost records would come under professional scrutiny. The purposes behind the introduction of cost have been succinctly put forward in the *Annual Report*. The Report asserts that 'all companies engaged in production, processing, manufacturing or mining

[2] Cf. *Thrusters and Sleepers*, George Allen & Unwin, London, 1965

activities, in respect of industries or products specified in the Cost Accounting Record Rules, as applicable, are required to keep at its registered office proper books of account relating to utilisation of material or labour or to other items of cost as prescribed under the said Rules. Every company covered under these Rules shall maintain cost accounting records from the financial year on or after the publication of these Rules'[3]. **The purposes behind the prescription of the Rules have been clearly stated as providing for a cost data base for utilization by the industries/companies themselves leading to improving their performance and facing competition and by various Government agencies like price-fixation authorities, regulatory bodies, WTO implementation and monitoring agencies, Competition Commission of India, revenue authorities and other institutions for meeting their respective objectives. Cost Accounting Record Rules have so far been notified for 44 industries[4]. The number of cost audit reports received during April 2010 to March 2011 were 2830, a rather small number.**

The Sixth Slippage: Vanishing Companies

Reference was made earlier to the large number of vanishing companies in the countrywide IPO scam, mentioning the name of M.S.Shoes. The Annual Report does refer to this under the heading Vanishing Companies[5]**. Alerted by the breadth and variety of the issue of vanishing companies, Government set up a Central Coordination and Monitoring Committee co-chaired by Secretary, Ministry of Corporate Affairs and Chairman, SEBI on 27.2.1999 for looking into issues relating to companies that had come out with public issue and disappeared by way of a) non-maintenance of their registered office; b) non-filing of statutory returns/ listing requirements with concerned ROCS/ stock Exchanges for a period of two years; and c)non-correspondence between the Exchange and a company for a long timeand to monitor the progress of action taken against them. The Committee had adopted specific, sensitive criteria for identification of such companies and a total of 238 companies out of those that came out with IPO since 1992 till 2005; the efforts of the Ministry bore fruit in tracing 119 such companies and 32 companies were identified as having gone for liquidation. At the end of 31 March, 2011 the number thus came down to 87. It was a pity that proper checks were not exercised at the time of launching the IPO and it was also not quite sustainable that companies were allowed to raise the money from the IPO in one shot; if instead, the usual practice of dividing the funds in terms of application money, allotment money, first call money and second, the final, call money and not allowing the application money to be withdrawn before allotment and having between them a gap of three months, not only that the involvement of money funds could be reduced substantially, but also that it could be prevented altogether. Even now SEBI can enforce this practice to much better effect regarding IPO issues, though establishing a separate agency, more appropriately the MCA itself, for this purpose is preferable[6].**

The Seventh Corridor: Compulsory Listing

SEBI at present is too busy to sensitize the stock exchanges, to establish order in an essentially disorderly state of things in what goes on in the proceedings and in scrutinizing the returns received from the listed companies. Here, it is relevant to point out that only about ten per cent of the public limited companies engage the attention of SEBI. It is time that the Government seriously considered the listing of the public limited companies compulsory so that they came under the scanner on a continuing basis and many of the goings on in these companies could be dealt with appropriately. Too many public limited companies have loo little paid up capital in the non-government sector; there is need for appreciation of much greater capital infusion into them and for this purpose a minimum limit must be fixed to make them economically more viable and resilient. The statements and periodical returns that such companies now submit to SEBI at present leave a lot to be desired with particular reference to the details asked for and supplied. The powers that the Act confers on SEBI are not fully exercised. On the other side, companies treat the SEBI circulars and periodic returns as virtual nuisance and the replies submitted are at present no better than half-hearted. Primary market issues at present create a lot of bother especially with reference to the scrutiny of the *Red Herring Prospectus* and exercise of due diligence, while regulating the stock exchanges leaves a lot to ask for. In the circumstances, it is emphasized that with proper capital infusion and reduction in virtual number, control over the public limited companies could be more effective while the stock exchanges could be much better regulated even under the spell of globalism. Increasing dependence on the stock exchanges both by the Government and the public at large requires not only that SEBI and MCA acted in unision, but also that the respective workload was scientifically distributed. The respective positions of the primary and secondary markets on one hand and the MCA and secondary institutions, on the other, require much greater appreciation in their practical manifestations as engines of growth.

[3] *ibid, pp.53–54.*

[4] *Cf. ibid. p 54*

[5] *Cf ibid pp 58–59*

[6] Cf. P. Chattopadhyay, *Corporate Misgovernance*, IAARF, university of Calcutta, Kolkata 700 073.

Working Capital Management—Empirical Evidence from Indian Corporates

Dr. Shveta Singh
Department of Management Studies
IIT Delhi
shvetasingh@dms.iitd.ernet.in

Prof P. K. Jain
Department of Management Studies
IIT Delhi
pkjain@dms.iitd.ernet.in

Prof Surendra S. Yadav
Department of Management Studies
IIT Delhi
ssyadav@dms.iitd.ernet.in

Introduction

Working capital management is concerned with the problems that arise in managing current assets (CA), current liabilities (CL) and the interrelationships that exist between them. Business success heavily depends on the ability of financial executives to effectively manage receivables, inventory, and payables (Filbeck and Krueger, 2005).

The Bombay Stock Exchange BSE 200 index comprises of the top 200 companies listed with the Bombay Stock Exchange, based on their market capitalization. The scope of this study is limited to the 166 non-financial BSE 200 companies engaged in manufacturing and service rendering businesses. The relevant data (secondary) were collected from the Capitaline database, for eleven years (2001–2011). The period of the study is of particular importance because of the recession (originating due to the US financial crisis) that impacted the world economy towards the second-half of 2008. Consequently, phase 2 of the study (2007–2011) has been divided into two sub-phases to ascertain the impact of recession.

The research instrument for primary data consisted of a questionnaire. The analysis is based on 31 responses received out of 166 after 2 reminders (a response rate of 18.67 per cent). *Prima-facie*, the response rate may be seen as low; however, the number of respondents and the response rate are similar to previous studies using a similar method (Jain and Kumar, 1997; Jain and Yadav, 2000; Jain and Yadav, 2005). There is evidence to suggest that it is becoming more difficult to encourage GPs (general practitioners) to participate in surveys (Templeton et al., 1997). Also, considering that the survey was addressed to time-constrained CFOs, as well as the commercial sensitivity of some of the requested information, perhaps, this may be considered a good and adequate response.

It is pertinent to state here that the authors have conducted three more studies in the past (Jain and Kumar, 1997; Jain and Yadav, 2000 and Jain and Yadav, 2005) spanning from 1991–2003. An effort has been made to link the findings of these studies with the current one with the aim to establish trends (if any) in certain aspects of working capital decision-making over the past two decades (to provide a broader perspective). The entire set of data has been analyzed using Microsoft Excel spreadsheets and the statistics software SPSS, namely, Statistical Package for Social Sciences.

For better exposition, this paper has been divided into five sections. Section I contains a brief literature review on aspects related to working capital management. Disaggregative analysis in terms of management of individual current assets as well as gross working capital cycle has been delineated in section II. Section III is devoted to the examination of aspects such as creditors' payment period and net working capital cycle. The emerging concept of zero working capital and its practice amongst the sample companies is taken up in section IV. Concluding observations are listed in section V.

SECTION I

Literature Review

Smith (1973) noted that working capital management had received adequate attention as an area of inquiry within the broader field of finance. Sokoloff (1983) found that most of the firms invested bulk of their investment in working capital and most manufacturing industries had made modest investments in fixed assets. Working capital practices change significantly within industries over time (Long et al., 1993). Most of the financial managers' time and effort was allocated in bringing non-optimal levels of current assets and liabilities back toward optimal levels (Lamberson, 1995).

Components/Factors Affecting Working Capital Management

Gitman et al. (1979) found that large firms appeared to utilize more sophisticated techniques in cash management and as a result turned over their cash more quickly than did the smaller firms. Credit could stimulate sales and attract new customers (Long et al., 1993; Cheng and Pike, 2003). The cash conversion cycle was a powerful performance metric for assessing how well a company was managing capital (Richards and Laughlin, 1980; Ward, 2004; Banomyong, 2005; Chiou and Cheng, 2006; Raheman et al., 2010; Hill et al., 2010).

Various models have been developed and used for analyzing the transactions demand for cash at the firm level (Sastry, 1970; Gentry et al., 1990; Fazzari and Petersen, 1993; Dechow, 1994; Opler et al., 1999; Barth et al., 2001; Mramor and Valentincic, 2003; Bates et al., 2009; Kusnad and Wei, 2011).

Relationship between Risk and Profitability

In literature, there has been a long debate on the risk/return tradeoff between different working capital policies (Gitman et al., 1979). Working capital management is important in view of its effects on the firm's profitability and risk, and consequently its value (Smith, 1973; Ali, 1994; Deloof, 2003; Van Horne and Wachowicz, 2004; Lazaridis and Tryfonidis, 2006; Teruel and Solano, 2007; Afza and Nazir, 2009; Raheman et al., 2010; Saad and Mohamad, 2010; Dong and Su, 2010; Kaur, 2010; Gill et al., 2010; Sur and Chakraborty, 2011).

Some of the variations in the findings of working capital research can be partially explained by the fact that there are industry-benchmarks to which the firms adhere to when setting their policies. Undoubtedly then, it remains a challenge to determine the exact nature of influence that working capital exerts on a corporate.

SECTION II

Current Assets Management

Current assets management is considered to be the primary goal of working capital management. What have been the major policies for their management? These and other important aspects related to the management of current assets constitute the subject matter of this section.

For better exposition, this section has been divided in four sub-parts. While part one deals with cash/bank balances, parts two and three dwell on inventory management and debtors' management. Part four pertains to gross working capital cycle.

Cash Management

Cash management is one of the key areas of current assets management. In fact, the two major current assets, i.e., receivables and inventory get converted into cash eventually. Further, cash and bank balances are the most commonly used mode of making all payments in ordinary course of business. Therefore, the sample companies should carry adequate cash (commensurate with their requirements) so that all dues are paid in time. However, at the same time these enterprises should not carry cash more than warranted since cash, *per-se*, is a non-earning asset. What have been the practices of the sample companies primarily in terms of the *modus-operandi* of utilizing excess cash and arrangement to cater to emergent cash needs/ shortages (shown by survey) forms the subject matter of this part.

Bank overdraft/cash credit (in tune with *ex-hypothesi* expectation) has been cited as the major source of dealing with cash deficit situations by the vast majority (64.28 per cent) of the sample companies (Table 1). This is similar to the findings of Jain and Kumar (1997), Jain and Yadav (2000) and Jain and Yadav (2005).

More than one-third (35.71 per cent) companies maintain a minimum cash balance over and above the required amount to meet exigencies (if any). The other two methods, namely, discounting bill receivables and having special arrangement with some lending agency are less frequently used techniques by them.

Table 1: Management of Emergency Requirements of Cash by Sample Companies

Management of Emergency Requirements of Cash	Percentage
Utilization of cash credit limit from bank	50.00 (25.00)
Always maintain minimum cash balance over and above the required amount	35.71 (17.85)

Bank overdraft	14.28 (3.57)
Have special arrangements with some lending agency for such purposes	14.28 (7.14)
Any other*	14.28 (–)
Discount bill receivables	10.71 (–)
Sell marketable securities	10.71 (7.14)
Raise loan against warehouse receipt	0.00 (–)

Note: Figures in brackets indicate the exclusive method of cash management adopted by the sample companies.
*There were no details provided against this option

The notable finding of the survey is that sample companies are/seem to be highly conscious of the fact that it is not desirable to carry more cash than required. The survey also brings to fore the multiple ways of dealing with surplus cash situations among the sample companies (Table 2). Temporary investment in marketable securities has been singled out as the major source of deploying cash by majority of sample companies (90 per cent). The present survey also supports the findings of Jain and Kumar (1997) in their study of private sector enterprises for the period 1985–1995 and Jain and Yadav (2000) in their study of private sector enterprises for the period 1991–1998.

Table 2: Use of Excess Cash by Sample Companies

Use of Excess Cash	Percentage
Temporarily invested (say, in marketable securities)	90.00 (70.00)
Invested in long-term securities	0.00 (–)
Invested in fixed assets	10.00 (5.00)
Utilized for repayment of debt	20.00 (–)
Any other	5.00 (5.00)

Note: Figures in brackets indicate the exclusive use of excess cash by the sample companies.

The above findings related to cash management (in broad terms) are in conformity with sound tenets of financial management and are indicative of professionalism among practicing managers of the sample companies. These findings are similar to the findings of Deloof (2003), Teruel and Solano (2005) and Van Horne and Wachowicz (2004).

Inventory Management

Inventory management constitutes yet another major aspect of current assets management. The objective of inventory management consists of two counter-balancing parts, namely, to minimize investments in inventory (with a view to reduce its carrying costs) and to meet demand for products by efficient production and sales operations (to minimize stock-out costs). In operational terms, its goal is to have a trade-off between costs and benefits associated with holding of inventory.

This part discusses the inventory management (primarily in terms of holding period of raw materials and spare parts, work-in-process and finished goods) of the sample companies. The *ex-hypothesi* expectation is that there is likely to be decrease in holding period of all types of inventories on account of significant improvement in facilities and means of communication and globalization of the Indian economy (perhaps bringing out better availability of raw materials and other supplies, in general).

Raw Materials and Spare Parts (RMSP) Inventory

While mean, standard deviation, coefficient of variation, skew, kurtosis, median and quartile value of raw materials and spare parts holding period of the sample companies have been exhibited in Table 3, frequency distribution in this respect is contained in Table 4. There are two inferences from the data. First, average raw materials inventory holding period of less than a month (20.64 days) for the entire period of the study, *prima-facie,* indicates efficient RMSP inventory management by the sample companies. This is in sharp contrast to the findings of the study conducted on public sector undertakings which brought out the average RMSP inventory holdings of 170 days (Jain and Yadav, 2005). The lower and upper quartile values reconfirm the indication as per the mean; one-fourth of the sample companies have RMSP holding period of less than 4 days (quartile 1 of 3.49 days) with a quartile 3 value of less than a month (28.97 days). Frequency distribution data is equally revealing. An overwhelming majority of companies (nearly 90 per cent) have RMSP inventory holdings of less than 40 days. The skew and kurtosis figures support the above.

Table 3: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Holding Period (in days) of Raw Materials and Spare Parts Inventory for Sample Companies, 2001–2011

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 3
2001	126	21.53	19.46	90.39	1.46	3.25	19.27	6.35	31.36
2002	142	19.68	18.05	91.75	1.63	4.34	17.23	5.86	28.59
2003	145	19.15	18.03	94.16	1.29	2.04	16.16	3.53	28.97
2004	148	18.06	18.07	100.05	1.60	3.48	15.42	3.64	25.95
2005	155	19.57	18.50	94.55	1.36	2.51	17.66	3.34	26.91
2006	157	19.79	19.14	96.73	1.12	1.00	16.10	2.12	30.26
2007	160	18.83	18.44	97.92	1.18	1.25	15.84	1.25	28.80
2008	162	19.47	18.62	95.63	1.06	0.84	16.32	1.70	29.78
2009	163	21.58	28.88	133.82	4.29	30.14	15.16	1.62	28.96
2010	162	19.27	21.02	109.05	1.55	2.57	14.28	0.56	26.95
2011	133	30.10	55.32	183.82	6.31	44.74	19.38	8.42	32.17
2001–2011	145	20.64	23.05	100.41	2.08	8.74	16.62	3.49	28.97
Phase 1 (2000–2001 to 2005–2006)	142	19.63	18.54	94.61	1.41	2.77	16.97	4.14	28.67
Phase 2 (2006–2007 to 2010–2011)	148	21.85	28.46	124.05	2.88	15.91	16.20	2.71	29.33
Phase 3 (2006–2007 to 2007–2008)	161	19.15	18.53	96.77	1.12	1.04	16.08	1.48	29.29
Phase 4 (2008–2009 to 2010–2011)	148	23.65	35.07	142.23	4.05	25.82	16.27	3.53	29.36

Note: Extreme values above 770 days have been excluded.

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	–1.84995	13.27007	1.04583	–3.91536	.21546	–1.769	160	0.079
Pair 2	Phase 3 – Phase 4	–2.92329	19.42537	1.51226	–5.90930	.06273	–1.933	164	0.055

Table 4: Frequency Distribution Related to Holding Period (in days) of Raw Materials and Spare Parts Inventory for Sample Companies, 2001–2011

(Figures are in percentages)

Days	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0–10	30.16	30.99	31.72	36.49	33.55	36.94	38.27	38.65	40.49	43.21	28.57
10–20	22.22	28.17	28.28	24.32	20.65	19.75	20.37	17.79	20.25	16.05	24.06
20–40	37.30	32.39	30.34	30.41	34.84	29.30	28.40	31.29	25.15	28.40	29.32
Above 40	10.32	8.45	9.66	8.79	10.98	14.01	11.79	12.26	14.11	12.34	18.04
Total	100	100	100	100	100	100	100	100	100	100	100

The RMSP inventory holding has risen sharply in 2011 over 2010 perhaps due to the recessionary pressure on the operations of the sample companies in phase 4 of the study. However, despite this increase, the holding period has been a month.

Work-in-Process Inventory and Finished Goods Inventory

Data pertaining to work-in-process and finished goods inventory is presented through Tables 5–8.

Table 5: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Holding Period (in days) of Work-in-Process Inventory for Sample Companies, 2001–2011

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 3
2001	125	12.15	27.48	226.08	6.09	48.68	3.17	0.00	14.10
2002	141	11.95	28.84	241.32	6.93	61.49	3.11	0.00	12.64
2003	143	11.61	25.15	216.60	5.23	35.83	3.19	0.00	11.81
2004	145	10.62	20.40	192.13	4.21	24.72	3.06	0.00	11.96
2005	152	11.49	22.38	194.72	3.33	11.90	3.11	0.00	12.19
2006	155	12.93	30.12	232.95	4.23	19.78	2.24	0.00	12.34
2007	159	16.49	47.73	289.50	5.02	26.74	1.81	0.00	12.42
2008	160	15.56	44.31	284.80	5.28	30.56	1.90	0.00	11.61
2009	159	13.25	36.54	275.79	6.01	44.00	1.49	0.00	10.44
2010	157	10.87	25.62	235.67	4.84	28.92	1.43	0.00	8.87
2011	98	17.64	32.00	181.45	4.98	33.00	8.15	2.35	17.94
2001–2011	129	13.14	30.96	233.73	5.10	33.24	2.97	0.21	12.39
Phase 1 (2000–2001 to 2005–2006)	139	11.79	25.73	217.30	5.00	33.73	2.98	0.00	12.51
Phase 2 (2006–2007 to 2010–2011)	129	14.76	37.24	253.44	5.23	32.64	2.96	0.47	12.26
Phase 3 (2006–2007 to 2007–2008)	160	16.02	46.02	287.15	5.15	28.65	1.85	0.00	12.02
Phase 4 (2008–2009 to 2010–2011)	129	13.92	31.39	230.97	5.27	35.31	3.69	0.78	12.42

Note: Extreme values above 365 days have been excluded.

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	–5.33944	33.60700	2.68213	–10.63742	–.04146	–1.991	156	0.048
Pair 2	Phase 3 – Phase 4	.55857	27.14663	2.15287	–3.69354	4.81069	.259	158	0.796

Table 6: Frequency Distribution Related to Holding Period (in days) of Work–in-Process Inventory for Sample Companies, 2001–2011

(Figures are in percentages)

Days	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Below 5	55.56	52.82	57.24	56.76	58.71	57.32	59.26	58.28	58.28	58.64	37.31
5–10	11.11	16.20	12.41	15.54	14.19	13.38	12.35	13.50	12.88	15.43	16.42
10–20	16.67	14.79	13.10	9.46	14.84	13.38	10.49	9.20	10.43	8.02	23.88
20–40	8.73	10.56	8.28	9.46	5.81	7.01	8.02	9.82	7.36	8.02	13.43
Above 40	7.13	5.62	8.97	8.80	7.11	8.91	9.88	9.20	11.05	9.88	8.96
Total	100	100	100	100	100	100	100	100	100	100	100

Table 7: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Holding Period (in days) of Finished Goods Inventory for Sample Companies, 2001–2011

(Figures are in days)

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 2
2001	126	21.80	42.07	192.95	5.28	32.38	12.49	0.00	26.99
2002	142	16.55	23.61	142.61	3.76	22.28	9.49	0.00	24.61
2003	145	14.70	21.45	145.95	3.68	20.55	9.63	0.00	21.64
2004	148	13.96	22.33	159.96	4.58	32.34	6.45	0.00	20.60
2005	155	13.23	21.12	159.70	4.15	26.62	6.42	0.00	18.80
2006	157	11.65	14.54	124.78	1.90	5.61	5.47	0.00	18.96
2007	162	14.44	32.00	221.55	6.37	52.08	4.37	0.00	18.61
2008	163	14.02	29.27	208.85	6.43	54.86	4.76	0.00	19.61
2009	163	11.66	18.50	158.61	3.52	16.86	4.03	0.00	17.20
2010	162	12.29	21.23	172.71	4.03	20.88	4.61	0.00	16.46
2011	107	22.74	41.98	184.56	5.85	41.96	13.85	4.61	24.72
2001–2011	148	15.19	26.19	170.20	4.50	29.67	7.42	0.42	20.75
Phase 1 (2000–2001 to 2005–2006)	146	15.32	24.19	154.32	3.89	23.30	8.33	0.00	21.93
Phase 2 (2006–2007 to 2010–2011)	151	15.03	28.59	189.26	5.24	37.33	6.32	0.92	19.32
Phase 3 (2006–2007 to 2007–2008)	163	14.23	30.63	215.20	6.40	53.47	4.56	0.00	19.11
Phase 4 (2008–2009 to 2010–2011)	144	15.57	27.23	171.96	4.47	26.57	7.50	1.54	19.46

Note: Extreme values above 365 days are excluded.

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	.55238	16.02051	1.27452	–1.96504	3.06981	.433	157	0.665
Pair 2	Phase 3 – Phase 4	.94467	27.27041	2.13598	–3.27329	5.16263	.442	162	0.659

Table 8: Frequency Distribution Related to Holding Period of Finished Goods Inventory for Sample Companies, 2001–2011

(Figures are in percentages)

Days	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Less than 5	37.30	40.14	41.38	45.27	47.74	48.41	51.85	50.31	52.15	51.23	26.85
5–15	16.67	19.71	21.38	16.90	18.06	17.19	16.66	17.79	20.25	20.99	24.07
15–25	18.25	15.49	17.24	20.95	18.71	18.47	14.20	14.11	14.11	12.96	24.07
25–50	22.22	18.31	15.86	12.84	11.61	14.01	12.96	14.11	11.04	11.11	17.59
Above 50	5.55	6.33	4.14	4.06	3.88	1.91	4.32	3.68	2.45	3.70	7.42
Total	100	100	100	100	100	100	100	100	100	100	100

Frequency distribution data is more revealing on the subject (Tables 6 and 8). More than half of the sample companies maintained WIP and FG inventory for less than 5 days during the period of the study except for the year 2011, when both WIP and FG inventory holding has risen sharply indicating perhaps the lag in the operational efficiency of the sample companies due to the recession affecting the Indian economy during phase 4 of the study.

It is worth noting here that in comparison, Indian public sector undertakings reported average WIP inventory holding period of 29.29 days and FG inventory holding of 34.49 days for the period 1991–2003 (Jain and Yadav, 2005). There is expectedly a high degree of variation within the sample companies for all types of inventory (Long et al. (1993), Raheman et al. (2010) and Hill et al. (2010)). However, the high skew and kurtosis figures indicate that only few companies report very high values of WIP and FG holdings, an indication perhaps of professional/ aggressive inventory management, by and large.

Materials management is one of the key factors for improving performance of any unit. The sample companies, on the whole, appear to be conscious about this aspect.

Debtors Management

Debtors/receivables represent an important component of current assets among all business corporate enterprises as credit sales form an essential part of the modern competitive economic system. In fact, credit sales and, therefore, receivables are treated as a marketing tool to promote sales and thereby profits (Long et al. (1993) and Cheng and Pike (2003)).

For obvious reasons, extension of credit involves both risk and cost. Management, therefore, should weigh both costs and benefits of granting/extending credit as per risk-return trade-off approach. Discussion that follows in this part examines various facets of receivables management, such as debtors' collection period, credit policy and objectives, credit terms, risk analysis of debtors, etc. as practiced by the sample companies in India.

The data contained in Table 9 indicate that one-fourth of the sample companies have debtors collection period of one month or less (as per lower quartile) and another one-fourth of sample companies have the average debtors' collection period of more than 3 months (evidenced by upper quartile).

The findings are similar to the findings of Jain and Kumar (1997) on private sector enterprises for the period 1985–1995 and to the findings of Jain and Yadav (2000) on private sector enterprises for the period 1991–1998. However, the public sector undertakings (Jain and Yadav, 2005) reported a higher debtors' collection period of 86.48 days (for a period of 1991–2003).

Frequency distribution data (which include extreme values of average debtors' collection period of more than a year) further reinforce the above findings (Table 10).

As far as objectives of credit policy are concerned, the survey indicates that 'growth in sales' is the most favored objective of credit policy for nearly two-thirds of the sample companies (Table 11). The most notable finding of the survey is that the vast majority of sample companies do not reckon 'offering credit terms better than those of competitors' as the primary objective of their credit policy.

Table 9: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Debtors' Collection Period (in days) of Sample Companies, 2001–2011

(Figures are in days)

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 2
2001	125	73.11	54.18	74.11	1.11	1.33	64.98	33.26	97.65
2002	141	80.17	65.46	81.65	1.56	2.82	66.15	35.93	109.23
2003	143	73.28	66.25	90.40	1.91	4.57	52.33	29.36	102.30
2004	148	64.40	53.38	82.90	1.40	2.42	51.75	25.64	85.56
2005	155	61.21	52.88	86.40	1.63	3.56	48.91	22.33	85.77
2006	157	61.02	52.07	85.34	1.49	2.45	49.94	20.85	82.34
2007	161	67.88	63.09	92.95	1.77	4.08	51.81	21.95	93.07
2008	162	66.11	62.00	93.78	1.77	4.18	50.06	19.36	89.53
2009	163	62.18	54.51	87.67	1.25	1.22	49.57	17.82	86.38
2010	162	65.64	60.74	92.53	1.79	4.20	50.09	20.32	90.47
2011	159	63.03	57.38	91.03	1.51	3.00	47.88	19.69	89.05
2001–2011	152	67.09	58.36	87.16	1.56	3.08	53.04	24.23	91.94
Phase 1 (2000–2001 to 2005–2006)	149	68.87	57.37	83.46	1.52	2.86	55.68	27.89	93.81
Phase 2 (2006–2007 to 2010–2011)	161	64.97	59.54	91.59	1.62	3.34	49.88	19.83	89.70
Phase 3 (2006–2007 to 2007–2008)	162	66.99	62.54	93.36	1.77	4.13	50.94	20.66	91.30
Phase 4 (2008–2009 to 2010–2011)	161	63.61	57.54	90.41	1.52	2.81	49.18	19.28	88.63

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	4.01709	34.21153	2.72172	–1.35883	9.39301	1.476	157	0.142
Pair 2	Phase 3 – Phase 4	2.67292	37.51578	2.93846	–3.12971	8.47555	.910	162	0.364

Table 10: Frequency Distribution Related to Debtors Collection Period (in days) for Sample Companies, 2001–2011

(Figures are in percentages)

Days	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Less than 30	23.81	20.98	25.52	29.56	32.26	35.03	35.80	37.42	37.42	34.57	38.65
30–60	20.63	27.28	29.66	22.64	29.03	26.75	17.90	17.18	18.41	24.07	19.63
60–90	23.02	16.08	13.79	25.79	16.13	16.56	18.52	20.86	22.70	16.05	15.34
90–120	11.90	15.38	11.03	6.92	10.97	10.83	12.96	9.20	8.59	10.49	9.82
120–180	14.29	12.59	13.10	10.69	7.74	7.64	7.41	8.59	7.98	9.88	10.43
Above 180	6.35	7.69	6.90	4.40	3.87	3.82	7.40	6.75	4.91	4.94	6.13
Total	100	100	100	100	100	100	100	100	100	100	100

Table 11: Ranking of the Objectives of Credit Policy of Sample Companies

Objectives of credit policy	1	2	3	4
Growth in sales	65.21 (43.47)	4.34	0.00	0.00
Match credit terms with that of competitors	26.08 (–)	0.00	4.34	0.00
Better credit terms than those of competitors	13.04 (–)	4.34	4.34	0.00
Any other*	17.39 (17.39)	0.00	0.00	0.00

Note: Figures in brackets represent the opinion chosen exclusively. The same holds true for all tables.

*Includes 'fully covered by LC', 'driven by market conditions and brand strength', 'rebate given to customers as per norms' and 'match with credit risk'.

Table 12: Risk Analysis of Customers Carried Out before Granting Credit by Sample Companies

Risk analysis of customers before granting credit	Percentage
Yes	100.00
No	0.00

Table 13: Preparation of Ageing Schedule of Debtors by Sample Companies

Preparation of ageing schedule of debtors	Percentage
Yes	100.00
No	0.00

From the foregoing, it is apparent that the vast majority of sample companies recognize credit sales as an essential element of promoting sales. To minimize the risk, all the respondent companies assess the financial health of customers before granting credit (Table 12) and prepare an 'ageing schedule of debtors' (Table 13). These findings are in tune with the findings of Gentry et al. (1990) and Opler et al. (1999).

Gross Working Capital Cycle

Gross working capital cycle (GWCC) refers to the length of time necessary to complete the following three events: (i) conversion of cash into inventory, (ii) conversion of inventory into debtors and (iii) conversion of debtors into cash. The longer is the duration of the GWCC, the larger is the need of working capital for a business enterprise. Relevant data in terms of mean, standard deviation, coefficient of variation, skew, kurtosis, median and quartile values pertaining to GWCC have been presented in Table 14.

The length of the GWCC, *prima-facie,* appears to be adequate (123 days) leading us to infer that the sample companies, in general, do not seem to carry a larger amount of working capital. This is supported by the moderate coefficient of variation amongst the sample values. These findings are, however, in sharp contrast to the GWCC of 291.03 days reported by the public sector undertakings in India over the period 1991–2003 (Jain and Yadav, 2005) indicating perhaps lower level of professionalism in the sense of carrying a larger amount of working capital (than required). The net working capital cycle (GWCC – creditors' payment period) has been computed in the subsequent section.

Table 14: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Gross Working Capital Cycle of Sample Companies, 2001–2011

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 3
2001	114	141.99	82.52	58.11	1.30	1.85	123.74	86.88	178.95
2002	129	134.87	80.97	60.03	1.27	1.66	120.62	79.03	164.84
2003	129	135.65	90.14	66.45	1.57	2.71	113.74	77.82	171.95
2004	133	121.29	89.01	73.38	2.89	14.32	99.65	66.78	153.29
2005	139	118.72	77.54	65.31	2.06	8.60	103.56	64.96	148.85
2006	143	117.12	72.95	62.29	1.33	2.47	102.31	68.38	151.10

2007	144	121.98	91.02	74.62	2.27	8.75	100.71	59.19	150.51
2008	147	118.76	80.30	67.62	1.50	2.98	95.92	59.09	160.99
2009	148	119.47	90.37	75.65	1.74	4.05	91.61	56.92	153.13
2010	148	120.40	92.19	76.57	1.85	4.91	94.35	55.86	160.55
2011	145	123.00	93.64	76.13	1.57	2.68	101.18	60.00	169.81
2001–2011	131	124.84	85.51	68.74	1.76	5.00	104.31	66.81	160.36
Phase 1 (2000–2001 to 2005–2006)	129	128.27	82.19	64.26	1.74	5.27	110.60	73.97	161.50
Phase 2 (2006–2007 to 2010–2011)	146	120.72	89.51	74.12	1.78	4.67	96.75	58.21	159.00
Phase 3 (2006–2007 to 2007–2008)	146	120.37	85.66	71.12	1.88	5.87	98.32	59.14	155.75
Phase 4 (2008–2009 to 2010–2011)	147	120.95	92.07	76.12	1.72	3.88	95.71	57.59	161.16

Note: Extreme values above 770 days are excluded.

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	2.40678	50.94382	4.05287	–5.59841	10.41197	.594	157	0.553
Pair 2	Phase 3 – Phase 4	4.39385	69.57664	5.44966	–6.36768	15.15539	.806	162	0.421

Table 15: Frequency Distribution Related to Gross Working Capital Cycle (in days) of Sample Companies, 2001–2011

(Figures are in percentages)

Days	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Less than 60	13.04	15.04	15.04	20.74	21.28	19.44	25.00	25.17	26.32	28.29	24.50
60–120	33.04	33.08	38.35	42.96	36.17	44.44	35.14	33.11	33.55	34.21	35.76
120–180	27.83	30.83	24.06	15.56	22.70	18.75	18.92	23.18	16.45	15.13	14.57
180–240	13.91	8.28	9.03	14.82	12.76	7.64	9.46	9.27	13.81	10.53	9.93
Above 240	12.18	12.79	13.55	5.92	7.10	9.72	11.49	9.27	9.87	11.84	15.22
Total	100	100	100	100	100	100	100	100	100	100	100

As per trend, it is encouraging to note that there has been a decrease in GWCC of the sample companies in the two sub-phases of the study. Statistically, however, the difference is not significant.

SECTION III

Current Liabilities Management

Current liabilities form another significant component of working capital management. The major current liabilities arising in the normal course of business accrue from sundry creditors/ trade credit. This section aims at ascertaining the impact of trade credit on working capital cycle. As a result of credit purchases of inventories, the gross working capital cycle gets reduced, referred to as net working capital cycle (NWCC).

Trade Credit/Trade Creditors

Trade credit represents credit extended by suppliers of goods and services in the normal course of business to the buyers/companies. Relevant data of the average period of credit (shown in Table 16) indicates that the sample companies have been extended credit for nearly four months. It may be recapitulated that debtors have been extended credit period of marginally higher than two months. In operational terms, the sample companies are favorably placed as they extend only half the period of credit to debtors compared to the period they receive from their creditors. This may perhaps be attributed to the fact that the sample companies are large, well established companies enabling them to negotiate favorable credit terms from their suppliers.

As per the trend, though decrease has been noted in respect of creditors' payment period, the period still remained close to four months. Similar conclusions follow on the basis of frequency distribution (Table 17). For instance, more than three-fifths of sample companies had creditors' payment period of more than three months.

It is worth noting here that the public sector undertakings in India over the period 1991–2003 (Jain and Yadav, 2005) reported a creditors' payment period of less than two months (57.35 days) indicating unfavorable placement as far as their debtors' collection period (86.48 days) was concerned, an indication of a lower level of professionalism in the management of their credit policy (vis-à-vis the sample companies).

Table 16: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Creditors Payment Period (in days) of Sample Companies, 2001–2011

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 3
2001	80	96.38	83.95	87.11	0.92	0.36	106.70	62.88	171.86
2002	88	107.59	79.59	73.98	1.07	0.81	104.10	64.86	146.57
2003	88	114.23	79.12	69.26	1.09	0.89	98.99	66.20	155.33
2004	90	110.18	69.78	63.34	1.02	1.16	97.25	64.79	143.96
2005	99	108.89	66.86	61.40	1.10	1.25	95.63	62.08	132.30
2006	98	111.21	75.53	67.91	1.31	1.56	93.85	60.35	138.68
2007	98	114.91	76.21	66.32	1.00	0.33	91.41	54.08	146.91
2008	97	111.95	63.67	56.87	1.04	1.46	94.12	57.18	147.74
2009	97	105.72	69.70	65.93	1.28	1.40	87.77	52.99	132.99
2010	95	119.96	81.59	68.01	1.27	1.06	94.51	60.78	148.18
2011	94	107.24	71.03	66.24	0.99	1.02	93.81	50.38	139.42
2001–2011	90	109.84	74.28	67.85	1.10	1.03	96.19	59.69	145.81
Phase 1 (2000–2001 to 2005–2006)	90	108.08	75.81	70.50	1.09	1.01	99.42	63.53	148.12
Phase 2 (2006–2007 to 2010–2011)	96	111.96	72.44	64.67	1.12	1.05	92.32	55.08	143.05
Phase 3 (2006–2007 to 2007–2008)	98	113.43	69.94	61.60	1.02	0.89	92.77	55.63	147.32
Phase 4 (2008–2009 to 2010–2011)	96	110.97	74.11	66.73	1.18	1.16	92.03	54.72	140.19

Note: Extreme values of above 365 days are excluded.

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	5.21717	68.91654	5.48271	–5.61221	16.04655	.952	157	0.343
Pair 2	Phase 3 – Phase 4	11.71587	82.57027	6.46740	–1.05542	24.48715	1.812	162	0.072

Table 17: Frequency Distribution Related to Creditors Payment Period (in days) of Sample Companies, 2001–2011

(Figures are in percentages)

Days	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Less than 30	10.11	24.17	6.06	8.91	7.41	7.55	11.11	8.04	11.71	9.43	12.39
30–60	7.87	10.00	12.12	9.90	13.89	14.15	12.04	15.18	15.32	11.32	12.39
60–90	22.47	11.67	19.19	15.84	22.22	22.64	20.37	17.86	20.72	19.81	14.16
90–120	11.24	17.50	15.15	21.78	20.37	16.98	13.89	14.29	14.41	17.92	18.58
120–180	20.22	15.00	20.20	16.83	14.81	16.98	18.52	24.11	13.51	17.92	15.04
180–365	17.98	12.50	16.16	15.84	12.96	14.15	14.81	7.14	11.71	13.21	10.62
Above 365	10.11	9.17	11.11	10.89	8.33	7.55	9.26	13.39	12.61	10.38	16.81
Total	100	100	100	100	100	100	100	100	100	100	100

Net Working Capital Cycle (NWCC)

Relevant data contained in Table 18 indicates that sample companies have NWCC of less than three months. The high skew and kurtosis also indicates that only very few companies report very high duration of the NWCC.

Table 18: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Net Working Capital Cycle (in days) of Sample Companies, 2001–2011

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 3
2001	49	77.65	62.01	79.85	1.33	1.51	61.24	31.86	96.79
2002	54	66.05	61.34	92.86	1.82	3.89	47.44	24.94	96.94
2003	55	68.29	57.83	84.69	1.31	1.46	50.97	24.45	95.78
2004	49	68.07	61.31	90.07	1.13	0.40	39.30	24.06	91.51
2005	56	69.81	55.23	79.11	0.55	–1.01	55.58	22.30	117.01
2006	55	69.74	60.66	86.98	1.14	0.91	56.10	24.66	107.87
2007	62	63.50	63.92	100.66	1.91	4.22	37.92	19.22	80.77
2008	56	73.55	68.51	93.15	1.85	4.13	54.66	22.86	92.36
2009	56	86.57	87.41	100.97	1.79	3.65	56.48	27.72	117.64
2010	56	73.20	86.38	118.01	2.62	8.83	50.50	23.14	91.48
2011	55	90.25	108.46	120.18	2.99	12.73	55.96	22.97	124.84
2001–2011	56	73.34	70.28	95.14	1.68	3.70	51.47	24.38	101.18
Phase 1 (2000–2001 to 2005–2006)	53	69.94	59.73	85.59	1.21	1.19	51.77	25.38	100.99

Phase 2 (2006–2007 to 2010–2011)	59	77.41	82.94	106.59	2.23	6.71	51.10	23.18	101.42
Phase 3 (2006–2007 to 2007–2008)	59	68.53	66.21	96.90	1.88	4.18	46.29	21.04	86.57
Phase 4 (2008–2009 to 2010–2011)	56	83.34	94.08	113.05	2.47	8.41	54.31	24.61	111.32

Note: Extreme values above 770 days are excluded.

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	–1.74218	85.92275	6.83565	–15.24387	11.75952	–.255	157	0.799
Pair 2	Phase 3 – Phase 4	10.29940	89.63617	7.02085	–3.56477	24.16358	1.467	162	0.144

Table 19: Frequency Distribution Related to Net Working Capital Cycle of Sample Companies, 2001–2011

(Figures are in percentages)

Days	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Less than 0	44.32	45.45	44.44	52.48	48.15	48.11	41.12	48.65	49.09	47.17	48.62
0–60	26.14	29.29	30.30	27.72	26.85	27.36	37.38	28.83	27.27	31.13	26.61
60–120	21.59	18.18	17.17	7.92	13.89	12.26	10.28	11.71	10.91	13.21	11.01
120–180	3.41	3.03	4.04	8.91	10.19	9.43	7.48	7.21	5.45	3.77	7.34
Above 180	4.55	4.04	4.04	2.97	0.93	2.82	3.72	3.60	7.28	4.71	6.44
Total	100	100	100	100	100	100	100	100	100	100	100

As per trend, it is gratifying to note that the span of NWCC has declined in the sample companies. In fact, nearly half of the sample companies have a negative NWCC indicating that trade-creditors finance their working capital needs (Table 19); these companies are not to arrange finances to meet their working capital requirements. Evidently, such firms are likely to register better/higher profitability.

In sum, it is reasonable to contend that the vast majority of the sample corporates do not seem to have 'excessive' investment in working capital. The reason for inference is that only less than one-tenth of the companies have NWCC span of more than four months. In brief, working capital investment (component of working capital management) is commendable.

It seems worthwhile to draw a comparison here with the NWCC of 242.72 days reported by the public sector undertakings in India (Jain and Yadav, 2005) indicating that these companies have been saddled with long duration of NWCC, necessitating substantial working capital to be carried by them, eventually affecting their profitability adversely (vis-à-vis our sample companies).

SECTION IV

Zero Working Capital

The proponents of the concept of zero working capital define it as inventories+receivables–payables=0. The rationale is inventories and receivables contribute to sales and inventories can be financed from the payables. Though zero working capital is not an easy target to be achieved for most of the business firms, there could still be a focus on minimizing the investment in working capital to achieve financial and production economies.

Table 20: Mean, Standard Deviation, Coefficient of Variation, Skew, Kurtosis, Median and Quartile Values of Zero Working Capital Ratio of Sample Companies, 2001–2011

Year Ending	Number	Mean	Standard Deviation	Coefficient of Variation (%)	Skew	Kurtosis	Median	Quartile 1	Quartile 3
2001	78	1.56	0.73	46.82	–0.31	–0.43	1.64	1.02	2.09
2002	87	1.54	0.83	53.43	–0.21	–0.79	1.60	0.96	2.20
2003	96	1.58	0.81	51.27	–0.21	–0.69	1.60	1.11	2.18
2004	109	1.59	0.80	50.49	–0.25	–0.87	1.56	1.05	2.27
2005	107	1.67	0.78	46.74	0.10	0.31	1.70	1.13	2.21
2006	109	1.51	0.76	50.23	–0.08	–0.56	1.57	1.02	2.00
2007	115	1.53	0.76	49.90	–0.01	–0.71	1.52	0.99	2.17
2008	114	1.49	0.79	52.96	–0.03	–0.82	1.46	0.92	2.10
2009	114	1.45	0.80	55.41	0.04	–0.88	1.37	0.81	2.03
2010	111	1.44	0.76	52.98	0.08	–0.56	1.45	0.87	1.97
2011	118	1.47	0.78	53.28	0.05	–0.96	1.47	0.82	2.04
2001–2011	98	1.53	0.78	51.23	–0.08	–0.63	1.54	0.97	2.11
Phase 1 (2000–2001 to 2005–2006)	94	1.58	0.79	49.83	–0.16	–0.50	1.61	1.05	2.16
Phase 2 (2006–2007 to 2010–2011)	115	1.48	0.78	52.91	0.03	–0.74	1.46	0.88	2.06
Phase 3 (2006–2007 to 2007–2008)	115	1.51	0.78	51.43	–0.02	–0.77	1.49	0.96	2.13
Phase 4 (2008–2009 to 2010–2011)	115	1.45	0.78	53.89	0.06	–0.80	1.43	0.83	2.01

		Paired Differences					t	df	Significance (2-tailed)
					95% Confidence Interval of the Difference				
		Mean	Standard Deviation	Standard Error Mean	Lower	Upper			
Pair 1	Phase 1 – Phase 2	2.81465	9.62039	.58013	1.67257	3.95673	4.852	274	0.000
Pair 2	Phase 3 – Phase 4	2.04812	8.67276	.52879	1.00702	3.08923	3.873	268	0.000

Table 21: Frequency Distribution Related to Zero Working Capital Ratio of Sample Companies, 2001–2011

(Figures are in percentages)

Zero working capital ratio	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Less than 1.0	14.18	17.73	15.18	17.68	14.38	16.66	18.75	20.74	20.74	23.42	26.09
1.0–1.5	11.19	9.22	15.17	17.01	14.38	15.38	16.88	15.85	16.46	12.66	11.18
1.5–2.0	17.91	12.77	13.10	12.93	13.73	20.51	15.00	14.63	14.02	18.35	16.15
2.0–3.0	15.67	21.28	22.07	26.53	26.80	17.31	21.25	18.90	17.68	14.56	19.88
Above 3.0	41.04	39.01	34.48	25.85	30.72	30.13	28.13	29.88	31.10	31.01	26.71
Total	100	100	100	100	100	100	100	100	100	100	100

The frequency distribution (Table 21) is the most revealing in this regard. The sample companies have increasingly become more aggressive in managing their working capital with more than one-fourth companies operating at a zero working capital ratio of less than 1 in 2011, up from 14.18 per cent in 2001. These changes are statistically significant as per the paired t-test (Table 20) throughout the period of the study. Even though the statistics supporting zero working capital seem modest, the trend does support growing aggressiveness/professionalism in the management of working capital by the sample companies. Future studies would perhaps be a better indicator of whether the concept of zero working capital would become more popular in the years to come. The finding of this section is an attempt to contribute to the sparse literature available on the concept of zero working capital and its practice amongst companies.

SECTION V

Concluding observations

The major findings related to working capital management practices of the sample companies are summarized in this section.

As far as cash management is concerned, it is gratifying to note that the sample companies are following sound cash management practices. While cash credit limit (from the banks) constitutes the major source of dealing with cash deficit situations, deposit with banks for short-term has been identified as the important method of deploying cash by majority of the sample companies.

Debtors and creditors form other significant constituents of working capital cycle. The survey reveals that 'growth in sales' is the most favored objective of credit policy among the sample companies. Credit sales/receivables are treated as a marketing tool to promote sales and thereby profits (Long et al. (1993) and Cheng and Pike (2003)). It is common practice among the sample companies to assess the financial health of customers before granting credit and to prepare ageing schedule of debtors for monitoring purposes.

The low average value of inventory holding periods of raw materials and spare parts, work-in-process and finished goods for the entire period of the study (albeit the recession), *prima-facie,* indicates efficient inventory management by the sample companies.

As per trend, the span of net working capital cycle (NWCC) has declined; in fact, nearly half of the sample companies have a negative NWCC indicating that trade-creditors finance their working capital needs. Evidently, such firms are likely to register better/higher profitability.

Perhaps for the first time, the concept of zero working capital (inventories + debtors – creditors) and its practice amongst the sample companies was studied. It is encouraging to note one-fourth of the sample companies are operating on zero working capital. Even though the statistics supporting zero working capital seem to be modest, the trend does support its growing usage in the management of working capital by the sample companies.

In the era of increasing global competition and wavering profit margins, it is perhaps the need of the hour for companies to explore the feasibility of concepts like zero working capital which help in reducing financial costs. For companies in a position to negotiate better credit terms (with both creditors and debtors) this could be an option towards holding less cash (in favour of increased profitability). Also, the facility of cash credit can enable Indian companies to meet exigent shortfalls in working capital facilitating the practice of zero working capital. Sample companies in particular, and business firms in general, would do well to focus on this aspect.

In sum, it is reasonable to contend that majority of the sample companies do not seem to have 'excessive' investment in working capital. In brief, working capital investment (as a component of working capital management) is commendable.

Normative Framework

- **Determine individual components of the company's operating cycle with their duration and cash flows -** to be able to match receivables with payables better and plan the working capital financing accordingly.
- **Manage trade-off between risk and profitability** - cash is important but not at the cost of returns and profitability.
- **Usage of facilities like cash credit** – to be able to avail financing at low/no cost in times of shortage of working capital.
- **Collection and payment policies of the firms in manufacturing sectors (in general) need to be thoroughly reviewed** – this can be possible with some professional advice and supervision (Raheman et al., 2010).
- **Managers/executives can enhance performance of firms by reducing the number of days in cash conversion cycle** – this is only possible if its components are dealt individually and an optimal/effective policy is formulated for these components (Raheman et al., 2010).
- **Explore the feasibility of operating with** *zero working capital* – for companies in a position to negotiate better credit terms (with both

creditors and debtors) this could be an option towards holding less cash (in favour of increased profitability).

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NOTIFICATION

It is hereby notified vide Notification Nos. 18-CWR (2097–2132)/2013 dated 10th May 2013, 18-CWR (2133–2154)/2013 dated 21st May 2013, 18-CWR (2155–2177) dated 24th May 2013 and 18-CWR (2178–2210)/2013 dated 27th May 2013 in pursuance of Regulation 18 of the Cost and Works Accountants Regulations, 1959 that in exercise of the powers conferred by Regulation 17 of the said Regulations, the Council of the Institute of Cost Accountants of India has restored to the Register of Members, the names of members, details of which are uploaded on the Institute's website www.icmai.in.

Obituary

The Institute and its members deeply mourn the demise of CMA A.K. Deshmukh, a Practicing Cost Accountants who left for his heavenly abode on 4th May, 2013 at the age of 74.Earlier, he was Chairman of Kalyan Ambernath chapter from 2002-03 to 2004-05. He had helped and guided many students and members from Industry in establishing their professional career. May God give the necessary courage and strength to the bereaved family member in this hour of grief.

May his soul rest in eternal peace.

Regions & Chapters News

EIRC

South Odisha Chapter of Cost Accountants

The 55th Foundation day celebration of the Institute of Cost Accountants of India was conducted by the Chapter on Sunday 19th May 2013. The celebration was arranged in presence of CMA Ajaya Kumar Mohapatra, Vice-Chairman of the Chapter and CMA Narasingha Chandra Kar Secretary of the Chapter. It was also attended by CMA Sunil Kumar Samantaray a senior faculty, and others. A brief discussion about the establishment of the Institute in the year 1959 and the future of the ICAI students was made during the session.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Continuing Education Programme Directorate)

April 3, 2013

NOTICE FOR MEMBERS

Capacity Building of CMA Professionals

The Continuing Education Programme Directorate is engaged in the capacity building and professional development of the members of the Institute through the various targeted objectives in its portfolio. The directorate wants to provide a platform where CMAs would get opportunity to share their experiences with fellow members by acting as **Discussion leader, Speaker or Faculty in the CEP programmes** which would also act as a motivational force and build team spirit.

In order to foster and develop professional fellowship and exchange professional knowledge amongst the members, interested CMAs may please come forward to contribute to the profession by supporting the CEP activities of the Institute.

Please submit your brief profile in the attached format, preferably by sending email to the CEP Directorate at **cep.nisha@icmai.in**

CMA Nisha Dewan
Joint Director, Continuing Education Programme &
Secretary, Committee for Members in Industry

Phones: +91-11-24624460 (D) ; +91-11-24622156/57/58

Behind Every Successful Business Decision, There is always a CMA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

GUIDELINES FOR MANDATORY TRAINING FOR ALL MEMBERS OF THE INSTITUTE

UNDER CONTINUING EDUCATION PROGRAMME (with effect from 1st April,2013)

1. INTRODUCTION

1.1 The Institute of Cost Accountants of India was set up under the Cost and Works Accountants Act, 1959, as amended to educate, impart training and develop the profession of Cost Accountancy. In the current changing dynamic economic scenario it is essential for Cost Accountants in practice and in employment to continuously update and equip themselves with the new skills and concepts to meet the challenges and render efficient service to trade, commerce, industry and the society at large. A profession cannot maintain the cutting edge unless its members regularly update their knowledge.

1.2 With the introduction of the changed framework of Cost Accounting Records and Cost Audit extended to the class of companies engaged in production, processing, manufacturing and mining and with the Companies Bill having proposed inclusion of the Services Sector within its ambit, the members in practice as well as employment are required to keep abreast of the developments not only within the country but also with practices across the globe. The professional scope has extended to many other areas like Direct Taxes, Indirect Taxes, Stock Audits, Audit of Stock Brokers, certification under Import/Export Procedure etc. including services being rendered by the professionals to the Regulatory Bodies.

1.3 In line with the recommendations of the International Federation of Accountants and feeling the need to have compulsory and continued training of the members of the Institute, the Council has made training mandatory for all members to ensure constant updating of knowledge and skills of members. The Council has framed the following guidelines covering the requirement of eligible training, awarding and recording of credit hours as well as features for considering programmes eligible to award credit hours.

1.4 The objective of Continuing Education Programme is to assist the members in widening their knowledge base and in improving their skills to be at the cutting edge of technology by providing training and expertise in critical areas.

2. KEY DEFINITIONS

2.1 **"Institute"** means the Institute of Cost Accountants of India.

GUIDELINES FOR CEP STUDY CIRCLES FOR THE MEMBERS OF THE INSTITUTE

Specific Norms for members in Industry on the formation and functioning of CEP Study Circles within India

1.0 Context

1.1 These Guidelines are issued for the formation of Study Circles, which will carry out functions as specified in this document in order to further the objectives of the Continuing Education Programme Committee of the Institute.

1.2 In view of the mandatory CEP credit hours requirements for members of the Institute as laid down by the Council of the Institute of Cost Accountants of India, it has been thought prudent to create another level of Programme Organising Units (POUs) to facilitate the members in complying with the said requirements.

2.0 Definition of a CEP Study Circle

2.1 A Study Circle is a forum of members of the Institute of Cost Accountants of India who reside/serve in a particular geographical locality and who constitute themselves as such for the purpose of carrying out the objectives which are given hereinafter.

(i) Study circle within the group of same organization.

(ii) Study circle comprise of participants of same location.

2.2 The constitution, formation and functioning of a CEP Study Circle are subject to the rules as given in these Norms.

3.0 Objectives of a CEP Study Circle

3.1 To provide CEP learning activities to the members of the Institute

3.2 To foster and develop professional fellowship, and exchange professional knowledge amongst the members of the Institute of Cost Accountants of India residing/ serving in a particular locality

4.0 Rules governing Constitution and Formation

4.1 The CEP COMMITTEE of the lCAl is empowered to approve, supervise, support and regulate the functioning of these CEP Study Circles

4.2 Subject to the provisos under Para 2.0 above, CEP Study Circles for members may be formed by minimum 10 and maximum 150 members.

4.3 CEP COMMITTEE is empowered to reduce the minimum number of members required to form thesestudy circles.

4.4 Application for the formation of CEP Study Circles for members is to be made to the CEP Committee of ICAI following the rules given below:

(i) In prescribed format as laid down in the **Annexure** 'A' to these Norms through the concerned Regional Office/Chapter of the ICAI within whose geographical jurisdiction the proposed CEP Study Circle falls.

(ii) If CEP COMMITTEE wishes to reject the application, may deny permission for the formation of a CEP Study Circle Study Circle for members. Such refusal of application will have to be recorded within 30 days of the receipt of the application and intimated to the applicants.

5.0 Rules for naming the CEP Study Circles

(i) The Study Circle so formed shall be called (name of the locality/industry etc.) CEP Study Circle for Members of The Institute of Cost Accountants of India (as the case may be).

(ii) The name of a CEP Study Circle should not be the same or similar to that of an existing CEP Study Circle. Name of a CEP Study Circle proposed should reflect its location/Industry only. The CEP Committee has the right to accept or to reject any name that has been proposed by the applicants of a CEP Study Circle.

(iii) The name of the Study Circle so formed should not be on the name of any Company/Organization and also should not reflect the names of the same.

6.0 Registration of CEP Study Circles in the CEP Database

6.1 The CEP COMMITTEE on approving the formation of the proposed CEP Study Circle, would update its records and register the newly formed CEP Study Circle on the CEP Portal.

6.2 Once the CEP Study Circle is registered on the CEP Portal, the study circle may seek approval for its programmes through the CEP portal. The approval of the programmes of the CEP Study Circles would be given on the CEP Portal by CEP Committee and a copy of the said approval would also be forwarded to CEP COMMITTEE.

7.0 Rules for Functioning of CEP Study Circles

7.1 The CEP Study Circles shall not have their own rules and bye-laws and should not be registered under any other Act.

7.2 The CEP Study Circles shall not acquire any capital assets except one computer, one printer and related accessories.

7.3 Study Circles shall work under the guidance, supervision and control of the CEP COMMITTEE or any other organ of the Institute which it may develop for this purpose.

7.4 Study Circles are - allowed to hold a-maximum of 12 CEP hours of programmes during a month. Within this limitation, they may conduct their learning activities subject to a maximum of 4 CEP credit hours per day.

7.5 CEP Study Circles should only invite academicians and subject experts as dignitaries for the inauguration / valedictory functions, if any for their CEP programmes.

7.6 The date, topic, venue and faculty for CEP Study Circle programmes have to be routinely informed to the CEP COMMITTEE.

7.7 CEP Study Circles shall not use the logo of the Institute on their letterhead or on any of their official stationery. Furthermore the official stationery of the CEP Study Circles should only contain the name of the Convener/Dy. Convener along with their postal address & other contact details like e-mail id, phone nos. etc. for correspondence without mentioning the names of organisations in which they serve. The names of the Past Conveners and other office bearers should not be mentioned on the official stationery of the CEP Study Circles.

7.9 CEP Study Circles are not permitted to publish any newsletters of their own.

7.10 **Administration**

7.10.1 CEP Study Circles are recommended to elect every year a Convener and a Deputy Convener to look after the day-to-day affairs/activities of the CEP Study Circles as well as, maintaining proper accounts of the CEP Study Circle. A person can serve as Convener/ Dy. Convener of a CEP Study Circle for a maximum of three terms of one year each.

7.10.2 Conveners and Deputy Conveners are not permitted to get their visiting cards printed, which contain the details of their association with their CEP Study Circle.

7.10.3 One member can become the Convener or Deputy Convener of only one CEP Study Circle at a time.

7.10.4 The Conveners are responsible for conducting at least one programme per month for the members of the CEP Study Circles to discuss various matters of topical interest, at such predetermined place as may be convenient to members.

7.10.5 It is suggested that the conveners send copies of the notices convening the programmes and report of such CEP learning programmes including the membership number and names of the members who had attended such programmes to the CEP COMMITTEE within. ten days of organizing such programmes. The Convener is also required to upload the programme details before organizing any programme and thereafter uploading the attendance thereof on the CEP Portal within 10 days of organizing a programme

7.11 Accounts

7.11.1 CEP Study Circles are authorized to open Bank Accounts in the names of the respective Study Circles and Conveners and Deputy Conveners are authorized to operate the accounts jointly.

7.11.2 It is suggested that every CEP Study Circle submit an annual statement of receipts and payments, income and expenditure and Balance Sheet to the CEP COMMITTEE. The annual statement is to be furnished within one month from the end of the fiscal year.

7.11.3 Conveners of CEP Study Circles are authorized to collect a reasonable amount per member as annual membership fee to defray the cost of holding learning activities and other incidental charges.

7.11.4 The cost of learning activities would include rent for the venue for organizing CEP programmes, refreshments/lunch/dinner for the participants, traveling cost of faculties, memento to the faculties, printing and postage for circulating the invitation for the programme to the members and printing of the background material only.

7.11.5 The responsibility for ensuring financial propriety in the financial management of the Study Circle, for production of proper audited accounts, whenever required by the CEP COMMITTEE or any other authorized organ of the Institute shall be that of the Convener and Deputy Convener.

7.11.6 The CEP study Circles are not entitled for any grant or financial assistance from the Institute of Cost Accountants of India.

7.11.7 It should be the endeavor of the conveners to conduct the CEP Programmes on cost competitive and self-financing basis.

7.11.8 Surplus funds of CEP Study Circles at the end of every financial year should be immediately committed for subsidizing future programmes to be conducted by CEP Study Circle. The surplus funds at the end of each financial year must be utilized within one year from the end of that financial year for the benefit of the members. A report and the plan by the CEP Study Circle should be submitted to the CEP COMMITTEE In case the amount remains unspent, the same shall be transferred to the Cost Accountant Benevolent Fund of the ICAI through CEP COMMITTEE.

7.12 Joint Programmes

Two or more Study Circles may jointly organize a programme or a Study Circle may organize together.

7.13 Monitoring of Programmes conducted by CEP Study Circles

CEP COMMITTEE or any other organ designated/developed by the CEP COMMITTEE for this purpose has the power of monitoring the programmes conducted by CEP Study Circles. Such monitoring is to be done in terms of the Advisory issued by the CEP COMMITTEE from time to time in these regards.

7.14 Incidental and Related Matters

7.14.1 There should be no restriction whatsoever placed by the Study Circles on any member of the Institute intending to become a member of a particular Study Circle.

7.14.2 CEP COMMITTEE has the responsibility of publicizing the programmes intended to be conducted by the Study Circles.

7.14.3 For the purpose of information to the general membership, the Continuing Education Committee will maintain a Billboard in the CEP Portal of the Institute where Study Circles may host such information, which they deem to be of general and professional interest.

The Committee shall monitor the content of the billboard.

7.14.4 Enrolment to the programmes, organized by a particular Study Circle where CEP credit is desired should be open to the members of that Study Circles as well as other members of the Institute including those who are not members of that study circle. Reasonable fees for such enrolment may be charged for enrolling such non-Study Circle members for such a programme.

8.0 Dissolution of CEP Study Circles

8.1 The CEP COMMITTEE has the powers to derecognize a CEP Study Circle in the following cases:

8.1.1 **If** the CEP Study Circle is not functioning in accordance with the norms and other decision(s) of the CEP COMMITTEE or the Central Council of the Institute.

8.1.2 **If** the CEP Study Circle is found to be working against the interest/policies of the Institute

9.0 Residual Matters

9.1 In the event of lack of clarity in any matter in the formation of Study Circles or their administration,
application should be made to the CEP COMMITTEE, which is entrusted with the responsibility for providing such clarification.

9.2 The Chairman of CEP COMMITTEE acting in consultation with the President of the Institute shall have absolute discretion to decide and intervene in matters concerning Programmes organized by a Study Circle, whether conducted by itself or jointly with any other body as permitted under these Guidelines, and also to

9.2.1 Prescribe such additional conditions in regard to the conduct, monitoring, content, faculty etc. for any such programme and to grant CEP credit hours to such program conditional upon compliance with any such conditions as may be prescribed, and

9.2.2 Refuse CEP Credit Hours to any such programme if in their view the grant of such CEP Credit hours is not in the overall interest of the Institute, its Programme Organizing Units, the members or for some other reason not in consonance with the policy or objectives of the CEP Committee as laid down from time to time.

9.3 The CEP COMMITTEE, through its administrative arm, is authorized by the Council of the Institute to intervene in any matter so as to either remove hardship or to ensure compliance with the above norms.

Annexure A

Format of Application for seeking approval of the CEP COMMITTEE for forming a Study Circle by Members of ICAI

Date :

THE CHAIRMAN
CONTINUING EDUCATION PROGRAMME COMMITTEE
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
[Statutory body under an Act of Parliament]
'CMA Bhawan',
3 Institutional Area,
Lodi Road, New Delhi.

Through the Chairman of the Regions/Chapter office of the ICAI under which the location of the proposed StudyCircle falls

Dear Sir/Madam,

Sub: Formation of Study Circle for Members

We, on behalf of the members of the Institute of Cost Accountants of India from ....(name of the locality), whose details are given below, desire to form a Study Circle for Members otherwise than in practice under the name .... We have read the Norms framed in this respect by the Institute and we shall abide by the same. Mr./Mrs. .... and Mr./Mrs. .... have expressed their consent to be the first convener and first deputy convener of the Study Circle.

We shall be pleased if the approval is granted at the earliest.

Thanking you,

Yours Faithfully,

(Convener)
(Deputy Convener)
Signatures with Name and Membership Number (Name* of *the*
0rganisation, Designation, Address of *Organisation for the members in Industry)*
Email id, Mobile No. and Landline No.
Not less than ten five members of *the proposed Study Circle*

**Signatures* of *the members to be verified by the concerned Regional office/Chapter office* of *the Institute.*

Note: The details of each signatory members, *(With Name, Membership Number, COP Status (whether holding or not), Name* of *the Organization, Designation, Address* of *Organization, Professional Address, Residential address, EmailID,* & *Mobile No.) may be given in Columnar Sheet for all Members.*

Annexure B

Suggested format of Letterhead of the CEP Study Circle for the Members :
--------------------CEP Study Circle for the Members of the ICAI
Approval reference no. of CEP COMMITTEE of ICAI
The name of the Convener and Dy. Convener
Postal address
e-mail id,
Phone nos.
Fax nos

Capacity Building of CMA Professionals
Response Form

I. **Name:** ____________________

II. **Membership No.:** ____________________

III. **Present Address:** ____________________

____

City: ____________________ **State:** ____________________

IV. **Mobile No.:** ____________________**Email address:** ____________________

V. **Professional Qualifications:**

____

VI. **Area of Expertise (**May select the interested topic(s) from the attached sample list**)**

____

____

____

If any other, please specify

____

VII. **Attach a detailed profile.**

Date: ____________

Place: ____________

(*Submit by sending e-mail at cep.nisha@icmai.in*)

NOTIFICATION

The examination Committee of the council of the Institute decided to open New Examination Centers at from June 2013 Examination:

a. Siliguri–(Centre Code–324)
b. Sambalpur–(Center Code–325)
c. Srinagar–(Center Code–431)

A. Das
Director (Examination)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2013

FOUNDATION COURSE EXAMINATION
(Multiple Choice Question Mode)

Day & Date	Time & Session	Foundation Course Examination
Sunday, 23rd June 2013	10.00 A. M. to 12.00 P. M. (Morning Session)	**Paper – 1 & 2 (100 Marks)** **Paper 1** : Organisation and Management Fundamentals (50 Marks) **Paper 2** : Accounting (50 Marks)
Sunday, 23rd June 2013	02.00 P.M. to 04.00 P.M. (Afternoon Session)	**Paper – 3 & 4 (100 Marks)** **Paper 3** : Economics and Business Fundamentals (50 Marks) **Paper 4** : Business Mathematics and Statistics Fundamentals (50 Marks)

Examination Fees

Foundation Course Examination	**Inland Centres**	**₹ 1000/-**
	Overseas Centres	**US $ 60**

1. **The Foundation Examination will be conducted in Multiple Choice Question Mode.**
2. Total Questions : 100 (Multiple Choice Questions), Maximum Marks : 100 (Each Question will carry 1 Mark). There will be no negative marking for wrong answers.
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US $ 10 per form.
   (c) Students can also download the Examination Form from ICAI Website at www.icmai.in.
4. **Last date for receipt of Examination Application Forms without late fees is 31st March, 2013 and with late fees of ₹300/- is 10th April, 2013. In case of online Examination Application with payment gateway by using Credit/Debit Card, the late fees of ₹300/- will be waived if applied within 10th April, 2013.**
5. Examination fees to be paid through **Bank Demand Draft** of requisite fees drawn in favour of **"The Institute of Cost Accountants of India"** and payable at Kolkata.
6. Students may submit their Examination Application Forms along with the fees at ICAI, CMA Bhawan, 12 Sudder Street, Kolkata – 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed to Examination Directorate at 12, Sudder Street, Kolkata – 700016.
7. **Examination Centres**: Adipur-Kachchh(Gujarat), Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.
8. **A candidate who is completing all conditions will only be allowed to appear for examination.**
9. **Probable date of publication of result : Foundation – 18th July 2013.**

A. Das
Director (Examination)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2013

Day, Date & Time	Intermediate 09.30 A.M. to 12.30 P.M.	Final 02.00 P.M. to 05.00 P.M.
Tuesday 11th June, 2013	Financial Accounting	Capital Market Analysis & Corporate Laws
Wednesday 12th June, 2013	———	Financial Management & International Finance
Thursday 13th June, 2013	Commercial and Industrial Laws & Auditing	Management Accounting-Strategic Management
Friday 14th June, 2013	Applied Direct Taxation	Indirect & Direct – Tax Management
Saturday 15th June, 2013	Cost & Management Accounting	Management Accounting – Enterprise Performance Management
Sunday 16th June, 2013	———	Advanced Financial Accounting & Reporting
Monday 17th June, 2013	Operation Management and Information Systems	Cost Audit & Operational Audit
Tuesday 18th June, 2013	Applied Indirect Taxation	Business Valuation Management

Examination Fees

Group (s)	Final Examination	Intermediate Examination
One Group (Inland Centres) (Overseas Centres)	₹1250/- US $ 100	₹1000/- US $ 90
Two Groups (Inland Centres) (Overseas Centres)	₹2250/- US $ 100	₹1600/- US $ 90

1. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹ 50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US **$** 10 per form.
   (c) Students can also download the Examination Form from ICAI Website at www.icmai.in.
2. **Last date for receipt of Examination Application Forms without late fees is 31st March, 2013 and with late fees of ₹300/- is 10th April, 2013. In case of online Examination Application with payment gateway by using Credit/Debit Card, the late fees of ₹300/- will be waived if applied within 10th April, 2013.**
3. Examination fees to be paid through **Bank Demand Draft** of requisite fees drawn in favour of "**The Institute of Cost Accountants of India**" and payable at Kolkata.
4. Students may submit their Examination Application Forms along with the fees at ICAI, CMA Bhawan, 12 Sudder Street, Kolkata – 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed to Examination Directorate at 12, Sudder Street, Kolkata – 700016.
5. **Finance Act 2012, involving Assessment Year 2013-2014 will be applicable for the subjects Applied Direct Taxation (Intermediate), Applied Indirect Taxation (Intermediate) and Indirect & Direct – Tax Management (Final) for the purpose of June 2013 term of Examination under Revised Syllabus 2008.**
6. **Examination Centres**: Adipur-Kachchh(Gujarat), Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.
7. **A candidate who is completing all conditions will only be allowed to appear for examination.**
8. **Probable date of publication of result : Inter & Final – 23rd August 2013.**

A. Das
Director (Examination)

ICWAI Management Accounting Research Foundation (ICWAI MARF)
(Promoted by the Institute of Cost Accountants of India)
&
Indian Institute of Corporate Affairs (IICA)

Jointly Present

Two Day Residential Programme on 'Risk Management & Internal Audit'
June 13-15th 2013, Manesar

For Whom: Professionals involved in the field of Internal Auditing, Risk Management, or, any professional who aspires to explore the knowledge on Risk Management and Internal Audit will find the programme useful.

Purpose: With the ever growing complexity of the business environment globally, the business risks have grown exponentially. The situation calls for establishing 'risk appetite' and establishing an adequate and efficient enterprise risk management system. A vibrant Internal Auditing Department in each organization is essential for providing assurance to the Board that the risk management system is adequate and operating effectively. The Board expects the Internal Auditing function to work as a internal consultant while protecting its independence from the executive management. This challenges the conventional perception about the Internal Audit function. The Workshop will provide an understanding of the Enterprise Risk Management system and the concept of Risk Based Internal Audit.

Course Director: Prof. Asish K. Bhattacharyya, Advisor(Advanced Studies) & Head- School of Corporate Governance & Public Policy (IICA)

Faculty: Sessions will be taken by eminent and senior faculty members, and Industry experts in the field of Risk Management and Internal Audit.

Venue: Indian Institute of Corporate Affairs Campus, Plot no:- P 6,7,8 Sec 5, IMT Manesar, Distt., Gurgaon (Haryana)
Pin Code- 122050

Fees: Rs. 7500/- per participant for members of The Institute of Cost Accountants of India Rs. 15000/- (plus 12.36% service tax) per participant for others.

Note:
- The fee includes course fee, course material, course kit & charges for accommodation for two nights (June 13 and 14th 2013) on single occupancy basis (in BHK apartment at IICA Manesar Campus)
- The participants will have to report at the IICA Manesar campus on 13th June 2013 at 6.30pm and occupy their rooms in the campus

Request for a Brochure from:

Ms. Kimi Thareja Assistant Director The Institute of Cost Accountants of India Contact No. (011)24622167/57(Ext.141) e-Mail ID- advstudies.kimi@icmai.in	Ms. Amrin Sultana Indian Institute of Corporate Affairs Contact No. 9999978401 e-Mail ID- amrin_s@rediffmail.com

e-Brochure Link: http://icmai.in/upload/Institute/Updates/Brochure_Risk_Management_Internal_Audit.pdf

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The Institute of Cost Accountants of India
Announces
Two Day Residential 'Refresher Course' for Young CMAs
June 28-29th 2013, Manesar

For Whom: The Programme is targeted at Young CMAs for capability building in state of the art areas of Management Accounting.

Purpose: The Institute of Cost Accountants of India is organizing a two day residential 'Refresher Course' for young CMAs in order to train them on recent topics in the field of cost and management accountancy with adequate practical exposure. The course will focus to impart hands-on training to the participants on practical aspects of the application of Management Accountancy principles in the real time business situations. This is an initiative of the Institute for capability building in state if the art areas of Management Accounting.

Course Director: Prof. Asish K. Bhattacharyya, Head- School of Corporate Governance & Public Policy (IICA), & Advisor (Advanced Studies), ICAI.

Faculty: Sessions will be taken by eminent and senior faculty members, and Industry experts in the field of Cost and Management Accountancy.

Venue: Indian Institute of Corporate Affairs Campus, Plot no:- P 6,7,8 Sec 5, IMT Manesar, Distt, Gurgaon (Haryana) Pin Code- 122050

(Buses will be provided for To & Fro journey from CMA Bhawan, Lodhi Road to IICA, Manesar Campus)

Fees:

Category	Applicable Fee (Rs)
Cost Accountants (Qualified in the year 2012 & after)	Rs. 1500/-
Cost Accountants (Qualified in the year 2011)	Rs. 3000/-
Cost Accountants (Qualified prior to the year 2011)	Rs. 5000/-
Company Sponsorship Participants	Rs. 7500/-

Note:
The fee includes course fee, course material, course kit & Charges for accommodation for one night (June 28th 2013) on twin sharing (in BHK apartment at IICA Manesar Campus)

Request for a Brochure from:

Ms. Kimi Thareja, Assistant Director (Advanced Studies)
The Institute of Cost Accountants of India
Contact No. (011)24622167/57(Ext.141) e-mail ID: advstudies.kimi@icmai.in

e-Brochure Link: http://icmai.in/upload/Institute/Updates/Refresher_Course_Young_CMAs.pdf

Guidance Note on Cost Accounting Standard on Repairs and Maintenance Cost (CAS-12)

The Council of the Institute of Cost Accountants of India has issued the Cost Accounting Standard -12 (CAS-12) on Repairs and Maintenance Cost which lays down a set of principles and methods of classification, measurement and assignment of Repairs and Maintenance Cost for determination of the cost of product or service and the presentation and disclosure in the cost statements. The Cost Accounting Standards have been set in bold italic type and reference number of the standard has been retained.

The Guidance Note deals with principles and methods as provided in the CAS-12 and practical aspects in connection with the determination of Repairs and Maintenance Cost for a product or service. In the preparation of cost statement and its attestation, Repairs and Maintenance cost should be determined with reference to CAS-12.

The Companies (Cost Accounting Records) Rules, 2011 provide that every company, including a foreign company defined under section 591 of the Companies Act, 1956 which is engaged in production, processing, manufacturing or mining activities have to maintain cost accounting records in accordance with the Generally Accepted Cost Accounting Principles (GACAP) and Cost Accounting Standards issued by the Institute, to the extent these are found to be relevant and applicable. The above Rules further provide that these will be applicable to companies wherein:

(a) The aggregate value of net worth as on the last date of the immediately preceding financial year exceeds five crores of rupees; or

(b) The aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds twenty crores of rupees; or

(c) The company's equity or debt securities are listed or are in the process of listing on any stock exchange whether in India or outside India.

The Companies (Cost Audit Report) Rules 2011 cast a duty on a Cost Auditor appointed under Section 233B of the Companies Act, 1956 to certify inter alia that books and records maintained by the company are in conformity with the Cost Accounting Standards issued by the Institute to the extent these are found to be relevant and applicable.

Chapter 1: Introduction

Repairs & Maintenance activities comprise of all actions which have the objective of retaining or restoring an item in or to a state in which it can perform its required function and all routine recurring work required to keep a facility in such condition that it may be continuously used, at its original or designed capacity and efficiency for its intended purpose. Thus, the primary goal of maintenance is to avoid or mitigate the consequences of failure of equipment.

Repairs are undertaken to restore the item or facility to the state of its original or designed capacity and efficiency for its intended purpose whereas the Maintenance is undertaken at regular interval to preserve or retain operational status of the assets for its originally intended use.

Repairs and Maintenance are classified as under :

By Nature:

(a) Preventive or Routine
(b) Predictive maintenance
(c) Corrective maintenance
(d) Total Productive Maintenance (TPM)
(e) Break down

By Size:

(a) Minor repair
(b) Major repair/ Overhaul

By Asset wise:

(a) Building repair (factory building, Administrative Building, boundry wall repair)
(b) Machinery repair (boiler repair, turbine repair, etc)
(c) Furniture and fixture repair
(d) Vehicle repair
(e) Computer repair

By workshop wise/Type

(a) Mechanical Repair (repair carried out by Mechanical Workshop for machine repairs)
(b) Electrical Repair (electrical repair carried out by Electrical Deptt for electrical fitting)
(c) Civil Repairs (civil works repair carried out by Civil Works Deptt to Building etc)

Preventive(Routine) Maintenance.

Preventive/ Routine maintenance is described as maintenance of equipment or systems before fault occurs. It is carried out to keep equipment working. It includes partial or complete overhauls at specified periods, such as oil changes, lubrication and so on. Activities such as changing lubricant are based on time, like calendar time or equipment run time. For example, oil in the vehicles is changed every 3,000 to 5,000 miles travelled. No consideration is given to the actual condition and performance capability of the oil. In some cases preventive maintenance is necessary as required under related regulations such as annual/bi-annual boiler inspection to be conducted.

Planned (Predictive /Corrective) Maintenance

Predictive maintenance:

Predictive maintenance differs from preventive maintenance as its basis is maintenance needs on the actual condition of the machine, rather than on some preset schedule. For example If, the operator of the car ignored the vehicle run time and had the oil analyzed at some point in time to determine its actual condition and lubrication properties, he may be able to extend the oil change until the vehicle had travelled 10,000 miles.

Corrective maintenance

Corrective maintenanceis designed to preserve and restore equipment reliability by replacing worn out components before they actually fail. The approach to maintenance is totally reactive. Thus, this activity may consist of repairing, restoration or replacement of components. The strategy is to apply the corrective maintenance activity only, which is required to correct a failure that has occurred or is in the process of occurring.

Proactive maintenance

Proactive maintenance is considered as an another new approach to maintenance strategy. Dissimilar to preventive maintenance that is based on time intervals or predictive maintenance that is based on condition monitoring, proactive maintenance concentrate on the monitoring and correction of root causes to equipment failures. The proactive maintenance strategy is designed to extend the useful life of the equipment.

Total Productive Maintenance (TPM)

TPM is a maintenance program which involves a newly defined concept for maintaining plants and equipment. The goal is to hold emergency and unscheduled maintenance to a minimum. The routine maintenance of equipment is carried out by the operators. (This is autonomous maintenance - one of the features of TPM). Maintenance group takes up only essential maintenance works.

Repairs and Maintenance activities for the purpose of this standard include routine or preventive maintenance, planned (predictive or corrective) maintenance and breakdown maintenance.

The repair or overhaul of an asset which results in restoration of the asset to intended condition would also be a part of Repairs and Maintenance activity.

Major overhaul is a periodic (generally more than one year) repair work carried out to substantially restore the asset to intended working condition.

The maintenance work is comprised of periodical preventive maintenance, service (routine) maintenance and breakdown maintenance. For this purpose separate workshops/ departments are established to attend to the electrical, mechanical and civil works. These workshops are treated as a separate cost centres. Their size and functions depend upon the work for which they are to look after.

Repair & Maintenance Cost:

Repairs & Maintenance costs are incurred in:

(a) Carrying out routine maintenance work as a preventive measure. Expenditures incurred in this situation are generally of routine and minor nature.
(b) Undertaking the restoration activity due to breakdown of plant/facility.

Thus, Repairs and Maintenance cost is the cost of all activities required to restore the asset to a condition to perform its function at intended capacity and efficiency. Repairs and Maintenance Cost includes cost of:

(a) repair materials
(b) spares
(c) consumable stores
(d) manpower
(e) utilities
(f) repair equipment costs
(g) allocated costs from other service cost centres

Parts of some items of property, plant and equipment may require replacement at regular intervals. For example, a furnace may require relining after a specified number of hours of use, or aircraft interiors such as seats and galleys may require replacement several times during the life of the airframe.

Costing system shall make appropriate classifications of repairs and maintenance costs.When repair and maintenance cost is misclassified, it can result :

(a) under-charge to the cost object to which the direct cost rightfully belongs, and (b) over-charge of cost to the cost objects that are improperly allocated some of this cost.

Measurement of Repairs and Maintenance Costs involves determining the basis of cost measurement method and establishing criteria for use of alternative cost measurement techniques. Example of cost measurement are :

- o Historical cost
- o Actual or standard cost
- o Designation of items of cost which must be included or excluded from the Repairs and Maintenance Cost

Chapter 2: Definitions

Cost Object: ***This includes a product, service, cost centre, activity, sub-activity, project, contract, customer or distribution channel or any other unit in relation to which costs are ascertained.***[1]

Direct Expenses: ***Expenses relating to manufacture of a product or rendering a service, which can be identified or linked with the cost object other than direct material cost and direct employee cost.***

Finance Costs: ***Costs incurred by an enterprise in connection with the borrowing of funds.***

Imputed Costs: ***Hypothetical or notional costs, not involving cash outlay, computed for any purpose.***[2]

Normal capacity: Normal Capacity is the production achieved or achievable on an average over a number of periods or seasons under

1

2 *Adapted from CAS 1 Para 6.5.13*

normal circumstances taking into account the loss of capacity resulting from planned maintenance.[3]
Production overheads: ***Indirect costs involved in the production process or in rendering service***[4]***.***
Repairs and Maintenance cost: ***Cost of all activities which have the objective of maintaining or restoring an asset in or to a state in which it can perform its required function at intended capacity and efficiency.***
Standard Cost: ***A predetermined cost of resource inputs for the cost object computed with reference to set of technical specifications and efficient operating conditions.***

Chapter 3: Principles of Measurement

5. Principles of Measurement:

5.1 ***Repairs and maintenance cost shall be the aggregate of direct and indirect cost relating to repairs and maintenance activity.***
Repairs and maintenance cost is the cost of resources consumed in repair and maintenance activities. Resources consumed are in terms of employee costs, utilities, stores and spares, consumable, indirect expenses(repair equipment costs, allocated cost from other cost service centres)and the like. Resources such as spare parts, stores and direct employee cost which are easily identified with a repair job are direct cost of the repair job. Supervisory /other employees cost and consumables which cannot be easily identified with a specific job on economic consideration are indirect cost and treated as departmental overhead.
For various types of repairs and maintenance activities repairs and maintenance cost are accumulated as under:

Planned maintenance jobs/ Annual shutdowns/periodic overhaul etc:
These carry a standard bill of materials to be used for the maintenance jobs, parts to be replaced during the planned maintenance, number and skill category of maintenance employees required, heavy maintenance equipment like cranes to be used and other resources. Actual of these resources is booked against the planned maintenance jobs.

Break down maintenance jobs:
A work order is generated and all issues of materials, time of employees and other resources are booked against these work orders to provide cost of individual maintenance jobs.The maintenance employees in some entity is treated as fixed resources and no attempt is made to book their time against maintenance jobs. The allocations to cost centres are based on the principle of "readiness to serve" with the estimate of demand from various cost centres prepared at the time of manpower planning acting as the base for allocation of manpower costs.
Maintenance jobs often require the use of heavy equipment such as cranes; hoists etc. The costs of this maintenance equipment are accumulated by equipment and are charged to maintenance jobs based on recorded usage in hours or to cost centres based on estimated usage prepared at the time of planning the capital expenditure on these items of equipment
The measurement of these resources consumed is to be determined in terms of relevant cost accounting standards, viz for material, CAS-6, for employees cost CAS-7 utilities CAS-8.
As per CAS-6,the valuation of receipt of materials is to be based on the terms and conditions stated in the purchase /supply order, source of supply i.e. indigenous or imported etc. It is to be valued at purchase price including duties(import duty) and taxes, freight inwards, insurance, and other expenditure directly attributable to procurement (net of trade discounts, rebates, taxes and duties refundable or to be credited by the taxing authorities) that can be quantified with reasonable accuracy at the time of acquisition. The consumption of material is to be valued at issue rate adopted i.e. First in First out, Last in first out, weighted average. The basis adopted has to be followed consistently.
Direct and Indirect employee cost is to be measured in term of Cost Accounting Standard CAS-7 (Employee cost). Employee cost relating to Repair& Maintenance Department shall be the gross pay and allowances payable. It shall take into account the employee's salary including all allowances and other benefits, such as Employer's contribution to EPF, FPS, ESIS, holiday pay, gratuity payable, bonus etc. Other benefits include free furnished residential accommodation or house rent allowance, leave travel concession, reimbursement of medical expenses for self and family, personal accident insurance, etc.
The cost of each utility consumed by Repair and Maintenance cost centre is to be accumulated and measured separately. For purchased utility/services, it is as per supplier's bill, if directly identifiable with utility. There can be a mix of source for a given utility. It may be valued at weighted average rate.
Credit is to be given for any discount, rebate, taxes and duties refundable etc. The above treatment is also applicable to any other utility/ services purchased.

5.2 ***Cost of in-house repairs and maintenance activity shall include cost of materials, consumable stores, spares, manpower, equipment usage, utilities, and other resources used in such activity.***
As detailed in Chapter 1, repair and maintenance facilities/departments are set up to carry out in house repairs and maintenance activities. These departments are created to attend to in-house electrical, mechanical, civil works repairs, etc. Some large production facilities have a captive workshop where parts are turned, machined or otherwise repaired. These workshops also produce some spare parts. The workshop is treated similar to production cost centres with job orders being opened for production jobs and work orders for repair jobs. The costs of the workshop which comprises costs of materials, employee, equipment and other resources are accumulated by jobs/ work orders. Certain repairs and maintenance, such as periodical preventive maintenance and breakdown maintenance are carried on in-house throughout the year.
Preventive maintenance costs are generally booked through standing orders/work orders which record all issues of material, time of maintenance employees and other resources used. Alternatively Preventive Maintenance schedules are prepared which carry a standard bill of materials and standard usage of maintenance employees time and other resources and these are accounted for on number of jobs completed. Actual usage of materials, time and other resources are recorded in detail.
Planned maintenance includes like annual shutdowns, periodic overhaul etc. These carry a standard bill of materials to be used for the maintenance jobs, parts to be replaced during the planned maintenance, number and skill category of maintenance employees required, heavy maintenance equipment like cranes to be used and other resources. Actual cost of these resources is booked against the planned maintenance jobs.

[3] *Adapted from CAS 2 paragraph 4.4*

[4] *Adapted from CAS-1 Para 6.3.3 and 6.3.4*

The above elements of cost consumed (viz material, consumable stores, spares, employee cost, equipment usage, utilities etc) are to be measured as stated in paragraph 5.1 above .Equipment usage – depreciation of the fixed assets of the repair department are measured on the basis of straight line/written down value method as per accounting policy.

5.3 Cost of repairs and maintenance activity carried out by outside contractors inside the entity shall include charges payable to the contractor and cost of materials, consumable stores, spares, manpower, equipment usage, utilities, and other costs incurred by the entity for such jobs.

Sometimes contractors are engaged to carry out repair and maintenance activity inside the entity. As per agreement/purchase order, contractor is to provide services for the repair job. Materials, consumable stores, spares, manpower, equipment usage, utilities etc required for the repair job are provided by the entity. Cost of such repair jobs will be charges paid to contractor and cost of other material, consumable, spares, manpower, equipment usage, and utilities. A work order is issued and cost is accumulated under the work order. Various Elements of cost are to be measured as detailed under paragraph 5.1.The maintenance jobs may also be outsourced. The outsourcing may be of the entire job or may take the form of a contract for supply of labour. In the former case, bill for completed jobs are generally available and identified with such jobs. When outsourcing takes the form of a contract for supply of labour, no time recording by jobs is generally available and only deployment by department or cost centre is available.

In many entities, maintenance labour is almost completely outsourced and only a small no. of specialized employees are retained on the company's rolls.

5.4 ***Cost of repairs and maintenance jobs carried out by contractor at its premises shall be determined at invoice or agreed price including duties and taxes, and other expenditure directly attributable thereto, net of discounts (other than cash discount), taxes and duties refundable or to be credited. This cost shall also include the cost of other resources provided to the contractors.***

When a contractor is engaged to carry out repairs and maintenance job at its premises and is paid the charges as per agreement/purchase order, he will be paid the agreed price including duties and taxes and other expenditure attributable thereto, net of discount (other than cash discount),taxes and duties refundable or credited. For example on any spare parts, any VAT/Import duty is refundable, it will be adjusted against the payment to be made to contractor. If any other resources are provided by the entity, the cost of repair job will be measured in terms of payment made to contract plus the cost of any other resources supplied by the entity. Measurement of other resources will be as detailed under paragraph 5.1 and 5.2.

5.5 ***Cost of repairs and maintenance jobs carried out by outside contractors shall include charges made by the contractor and cost of own materials, consumable stores, spares, manpower, equipment usage, utilities and other costs used in such jobs.***

If a repairs and maintenance job is carried out by an outside contractors, he will be paid as per agreement including the cost of his own materials, consumable stores, spares , manpower, equipment usages, etc. The cost of repairs and maintenance job will be as per contractor's invoice.

Maintenance of specialized equipment is entrusted on a turnkey basis to the vendor of the equipment or other specialized maintenance outfits. This may involve costs of travel of technicians besides bill for services from the agency rendering the services.

Annual Maintenance Contracts(AMC) for specialized equipment particularly electronic equipment prone to sudden failures are outsourced. These take the form of only servicing or servicing with parts (comprehensive). The AMCs specify the number of routine servicing calls that will be made in a year. Where a single machine is covered by an AMC, costing becomes simple. But where a fleet of machines are covered by a single AMC, allocation of costs to cost centres can be made on the basis of number of machines in each cost centre. Where the machines in various cost centres require different levels of service or vary in cost, a suitable allocation base has to be evolved based on such differences.

5.6.1 ***Each type of repairs and maintenance shall be treated as a distinct activity, if material and identifiable.***

As detailed in Chapter 1 , repairs and maintenance are to be classified by nature and size as under:

By Nature:

(a) Preventive or Routine
(b) Predictive maintenance
(c) Corrective maintenance
(d) Total Productive Maintenance (TPM)
(e) Break down

By Size:

(a) Minor repair
(b) Major repair/ Overhaul

Recording of repairs and maintenance cost by above classification is with a view to have effective cost control for various types of repairs and maintenance activities carried out for various facilities. Each type of repairs and maintenance for a facility should be treated as a distinct activity, if material and identifiable. Materiality has not been defined in the standard. What is considered material depends upon the situation. The following criteria can be applied for determining the materiality. No one criterion is determinative in and of itself.

- The absolute amount – the larger the amount , the more likely that it is material
- The amount of cost of a cost object compared to the amount of repairs and maintenance cost under consideration – the greater the proportion of the considered amount of repairs and maintenances versus the cost of object, the more likely it is material.
- The relationship of repairs and maintenance cost with cost object
- The cumulative impact of individually immaterial items - do they offset one another or do they accumulate in one direction (increase or decrease)
- The cost of determining the repairs and maintenance cost

5.6.2 ***Cost of repairs and maintenance activity shall be measured for each major asset category separately.***

The cost of repairs and maintenance is to be classified assets wise besides nature and size as dealt above. Repairs and maintenance should be identified for each major asset separately to have effective cost control in regard to repairs and maintenance cost asset wise. Such a information facilitates to determine whether it is worth to carry out repair of the related asset or it needs replacement. The cost of repairs and maintenance assets should be measured in terms of each major asset category as detailed below. As and when a work order for repair is issued it shall indicate

the department, asset and type of repair required to be carried out to enable accumulation of cost accordingly.
For example:

(a) Building repair (factory building, Administrative Building, boundry wall repair)
(b) Machinery repair (boiler repair, turbine repair, etc)
(c) Furniture and fixture repair(production/administrative/marketing etc)
(d) Computer repairs
(e) Vehicle repairs

5.7 ***Cost of spares replaced which do not enhance the future economic benefits from the existing asset beyond its previously assessed standard of performance shall be included under repairs and maintenance cost.***
Based on the inspection of equipment to be repaired, a list of parts which have worn out, is prepared. Worn out parts are replaced and the cost of the same are included in repairs and maintenance cost. The standard lays down a condition that the cost of spares replaced is to be included under repairs and maintenance cost of equipment provided itenables to maintaining the operating capability of the equipment. If the future economic benefits expected to arise from the existing assets are in excess of the previously assessed standard of performance, it is to be included in the cost of asset(capitalized) and will not form part of repairs and maintenance cost. For example a steel plant treats relining expenses other than Blast Furnace relining as an expense in the year in which these are incurred, and whereas Blast Furnace lining are capitalized and its cost depreciated with the cost of Blast Furnace.

5.8 ***High value spare, when replaced by a new spare and is reconditioned, which is expected to result in future economic benefits, the same shall be taken into stock. Such a spare shall be valued at an amount that measures its service potential in relation to a new spare which amount shall not exceed the cost of reconditioning the spare. The difference between the total of the cost of the new spare and the reconditioning cost and the value of the reconditioned spare should be treated as repairs and maintenance cost.***
Whenever a high value spare is replaced at the time of repair, old high value spare is to be examined whether it can be reconditioned and its cost of reconditioning will be commensurate with future economic benefits.
Example: The cost of new spare is Rs. 1 crore and the value of the existing spare after reconditioning is estimated at Rs. 20 lacs, the difference of Rs. 80 lacs should be treated as repairs and maintenance cost.

5.9 ***The cost of major overhaul shall be amortized on a rational basis.***
Major overhaul is undertaken periodically or as and when need arises. The cost of major overhaul should be amortized over its useful life/expected benefits to accrue.

5.10 ***Finance costs incurred in connection with the repairs and maintenance activities shall not form part of repairs and maintenance costs.***
Finance costs are interest and the like on borrowed funds. Finance costs are excluded from repairs and maintenance cost.

5.11 ***Repairs and maintenance costs shall not include imputed costs.***
Imputed cost does not involve at any time any outright expenses or cash outlay. As such it does not appear in the financial books. No imputed cost for repair and maintenance cost for which no cash out lay is involved shall be taken into account. For example spare parts received as insurance spares and capitalized with the cost of plant/machinery shall not be assigned any imputed cost at the time of issue as they are depreciated with the plant cost.

5.12 ***Price variances related to repairs and maintenance, where standard costs are in use, shall be treated as part of repairs and maintenance cost. The portion of usage variances attributable to normal reasons shall be treated as part of repairs and maintenance cost. Usage variances attributable to abnormal reasons shall be excluded from repairs and maintenance cost.***
If standards have been fixed for repair and maintenance, variance analysis shall be carried out both for price variance and usage variance. The variance analyses enables management to observe the extent to which actual Repair and maintenance expenses are differing from estimates.
Price variances related to repair and maintenance are to be treated as part of repair and maintenance cost. Usage Variance due to normal reason shall form part of repair and maintenance cost and usage variance due to any abnormal reasons shall be excluded from Repairs and maintenance cost.

5.13 ***Subsidy / Grant / Incentive or amount of similar nature received / receivable with respect to repairs and maintenance activity, if any, shall be reduced for ascertainment of the cost of the cost object to which such amounts are related.***
Subsidy / grant/incentive received/receivable for Repair and Maintenance should be deducted there from.

5.14 ***Any repairs and maintenance cost resulting from some abnormal circumstances, if material and quantifiable, shall not form part of the repairs and maintenance cost.***
Due to abnormal circumstances such as major fire, flood and similar other events, property, plant and equipment are damaged. Repairs and maintenance cost carried under such circumstances, if material and quantifiable shall not form part of the repair and maintenance cost. Materiality has not been defined and it will depend upon situation to situation.

5.15 ***Fines, penalties, damages and similar levies paid to statutory authorities or other third parties shall not form part of the repairs and maintenance cost.***
Penalties/damages are levied by the statutory authorities for non-compliance with statutory requirements/delay. A penalty imposed by a regulatory authority for wrongful construction or damages paid to third party for the loss caused due to improper working of property, plant & equipment, should not be included in repairs and maintenance cost.
Penalties/Damages are an abnormal cost and do not form part of the Repair and maintenance cost. These are charged to Profit & Loss account.

5.16 ***Credits/ recoveries relating to the repairs and maintenance activity, material and quantifiable, shall be deducted to arrive at the net repairs and maintenance cost.***
If any credit, material and quantifiable, is available relating to repairs and maintenance, it is to be reduced from the repair and maintenance cost of the object.

5.17 ***Any change in the cost accounting principles applied for the measurement of the repairs and maintenance cost should be made only if, it is required by law or for compliance with the requirements of a cost accounting standard, or a change would result in a more***

appropriate preparation or presentation of cost statements of an organisation.

Various cost elements of repairs and maintenance such as materials, stores and spares, employees cost etc shall be measured in accordance with the related cost accounting standards. Cost accounting principles applied for measurement of these cost elements of repairs and maintenance expenses should be followed consistently. These should be changed if required by law, or compliance with cost accounting standards or for better presentation of cost statement.

Chapter 4: Assignment of costs

6. Assignment of costs

6.1 *Repairs and maintenance costs shall be traced to a cost object to the extent economically feasible.*

Direct tracing of Repair and maintenance cost is the process of identifying and assigning cost that are specifically associated with cost object economically. It involves establishing a suitable procedure to directly trace/ identify and record the same by the cost object. Cost Object is a logical sub-unit for collection of cost. Thus cost object may be any product service, contract, project, activity or any other work unit for which a separate cost measurement is desired.

Invoice/repair orders are the source documents indicating details of repair and maintenance job/asset wise. Various items of ***Repairs and maintenance costs*** are first accumulated according to nature of expenditure. These are arranged according to department or function. The expenses which are capable of being identified with a specific jobs/department are directly assigned. The expenses which cannot be assigned directly to specific departments are assigned on suitable basis.

Actual usage of materials, time(man hours) and other resources are recorded in detail in the job order and allocated to various repair jobs. Once ***Repairs and maintenance costs*** have been accumulated and measured, these are to be assigned to a cost object.

Preventive maintenance costs are also accumulated job wise and assigned based on standard usage. Where the machine in various cost centres require different levels of service or vary in cost, a suitable allocation base has to be evolved based on such differences.

Major repair job shall be prorated over its useful life/expected benefit with the difference appearing in reconciliation statements of the respective years.

6.2 *Where the repairs and maintenance cost is not directly traceable to cost object, it shall be assigned based on either of the following two principles;*

i) Cause and Effect - Cause is the process or operation or activity and effect is the incurrence of cost.

ii) Benefits received – overheads are to be apportioned to the various cost objects in proportion to the benefits received by them.

A cost is assignable or chargeable to one or more cost objects on the basis of relative benefits received or other equitable relationship. Assigning of costs shall be carried out on a reasonable and consistent basis. Testing reasonableness shall take into account the purpose of the cost information and the economic feasibility of accumulating and assigning it.

Assigning costs on a cause-and-effect basis shall be considered for costs that cannot be directly traced to cost object/outputs. Following criterion shall be considered. The costs of the department may be assigned to other departments on a cause-and effect basis through two steps. In the first step, the costs are assigned to the activities of the department. In the second step, the costs of these activities are further assigned to other departments based on their usage of the services.

Assigning Cost - Benefit received:

Standard provides for assigning of Repairs and maintenance cost to the various cost objects in proportion to the benefits received by them. Benefits received when measurable and traceable, provide guidance for assignment. The beneficiaries of the output of the cost pool shall be identified and costs allocated in proportion to the benefits received. Benefits received shall be interpreted as meaning the receiving of services by the activity represented by the cost objects to which the costs are being assigned.

6.3 *If the repairs and maintenance cost (including the share of the cost of reciprocal exchange of services) is shared by several cost objects, the related cost shall be measured as an aggregate and distributed among the cost objects as per principles laid down in Cost Accounting Standard –3.*

Repairs and maintenance cost (including the share of the cost of reciprocal exchange of services) shall be measured as discussed under paragraph 5. Such cost of repair and maintenance shall be aggregated and distributed among cost objects as under:

- Unit of production
- Direct labour cost
- Direct labour hours
- Machine hours
- Predetermined base

Chapter 5 Presentation

7.1 *Repairs and maintenance cost, if material, shall be presented in the cost statement as a separate item of cost.*

As per paragraph 5 of the Form II of the Companies (Cost Audit Report)Rules,2011 Repairs and maintenance cost has to be reflected as a separate line item in the cost statement, if material. Materiality has not been defined in the standard and may be determined as detailed in paragraph 5.6.1.

7.2 *Asset category wise details of repairs and maintenance cost, if material, shall be presented separately.*

Details of repair and maintenance cost asset wise shall be reflected in the cost records, if material. Cost Accounting Records Rules for various regulated industries viz., Fertilizers etc provide that repair and maintenance cost should be grouped and reflected in the relevant cost statement as under:-

(a) Building ;
(b) Plant and equipment; and
(c) Others

7.3 *Activity wise details of repairs and maintenance cost, if material, shall be presented separately.*

Repairs and maintenance cost shall be reflected in the cost records activity wise to have effective control if material.

Chapter 6 Disclosures

8.1. Paragraph 8"Disclosures"require the following disclosures:

8.1.1. The basis of distribution of repairs and maintenance cost to the cost objects/ cost units.

The basis of distribution of repairs and maintenance cost to the cost objects/cost units shall be recorded in the cost records/cost statement.

8.1.2. Where standard cost is applied in repairs and maintenance cost, the price and usage variances.

Paragraph 5.12 of the standard specifies that normal price and usage variance where standard costs are in use, shall be treated as part of the repairs and maintenance cost. Price and usage variance shall be reflected in the cost records.

8.1.3. Repairs and maintenance cost of Jobs done in-house and outsourced separately.

Details of Repairs and maintenance jobs executed in-house and outsourced shall be reflected separately asset wise in the cost records.

8.1.4. Cost of major overhauls, asset category wise and the basis of amortisation.

Paragraph 5.9 of the standard provides for amortization of major overhaul cost on rational basis. Cost records shall reflect the basis adopted for amortization, amount amortized during the year and balance to be amortized over its useful life asset wise.

8.1.5. Repairs and maintenance cost paid/ payable to related parties[5].

The related parties have been defined under the Companies (Accounting Standards)Rules,2006. Amount paid/payable to related parties for repairs and maintenance cost shall be reflected in the cost records.

8.1.6. Repairs and maintenance cost incurred in foreign exchange.

Details of repairs and maintenance cost incurred in foreign exchange for spare parts or hiring of technician etc shall be reflected in the cost records

8.1.7. ***Any Subsidy / Grant / Incentive or any amount of similar nature received / receivable reduced from repairs and maintenance cost.***

Any amount of subsidy/grant/incentive or any similar nature received shall be deducted from the repairs and maintenance cost and reflected in the cost records

8.1.8. Any credits / recoveries relating to the repairs and maintenance cost.

If any repairs and maintenance cost is carried out for any other unit of the entity, credits/amount recovered shall be adjusted against the repair and maintenance cost and reflected in the cost records.

8.1.9. Any abnormal portion of the repairs and maintenance cost.

Abnormal portion of repair and maintenance cost is to excluded and shall be indicated separately.

8.1.10. Penalties and damages excluded from the repairs and maintenance cost.

As detailed under paragraph 5.15,penalties and damages do not form part of the Repairs and maintenance cost and shall be excluded and the same shall be reflected separately in the cost records.

8.2. ***Disclosures shall be made only where material, significant and quantifiable.***

Disclosures of Repairs and maintenance cost to be made where material ,significant and quantifiable. Materiality and significance has not been defined and will differ with a situation to situation.

8.3 ***Disclosures shall be made in the body of the Cost Statement or as a foot note or as a separate schedule.***

Disclosure shall be made in the body of the cost statement. Depending upon the disclosure it can be indicated either as foot note or reflected in a separate schedule based on the disclosures to be made.

8.4. ***Any change in the cost accounting principles and methods applied for the measurement and assignment of the repairs and maintenance cost during the period covered by the cost statement which has a material effect on the repairs and maintenance cost shall be disclosed. Where the effect of such change is not ascertainable wholly or partly the fact shall be indicated.***

Cost Accounting principles, and methods applied for the measurement and assignment of repairs and maintenance cost are to be applied from between one period to other uniformly .If any change is made in these principles and methods which results in material effect on the cost of product, the same shall be disclosed in the cost statement or by a foot note. In case the impact of change in principles and methods of cost accounting is not ascertainable, the fact is to be disclosed by a note to the cost statements.

REQUEST FOR COMMENTS

3 June 2013

Cost Accounting Standards Board, the standard –setting body of the Institute, has approved the release of Exposure Draft of Guidance Note on Cost Accounting Standard on Repairs and Maintenance Cost (CAS-12). The proposed exposure draft of Guidance Note may be modified in the light of comments received before being issued in final form.

Please submit your views/ comments/ suggestions on the Guidance Note on CAS -12 preferably by email, latest by 18 July, 2013.

Comments should be addressed to:

The Secretary,

Cost Accounting Standards Board
The Institute of Cost Accountants of India
3rd Floor, CMA Bhawan
3, Institutional Area, Lodi Road
New Delhi- 110 003

Email id responses should be sent to: dirtechnical.delhi@icmai.in, casb@icmai.in

[5] *Related party as per the applicable legal requirements relating to the cost statement as on the date of the statement*

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Duration	Topic	Venue	Fee (Rs.)#
	June 2013		
04-07	Contracts and their Management	Shimla	40000*
04-07	Finance for Junior Finance and Accounts Officers and Non Executives (F&A)	Shimla	40000*
25-28	Recent Trends in Financial Management	Ooty	40000*
25-28	Management of Taxation	Ooty	40000*
	July 2013		
9-12	Risk Based Internal Audit for Effective Management Control	Haridwar	40000*
9-12	Emerging Issues in Management of Taxation	Haridwar	40000*
16-19	Advance Tax, TDS and Tax Planning	Tirupati	40000*
16-19	Recent Trends in Financial Management	Tirupati	40000*
28 July - 09 August	International Programme on Advanced Financial Management (In association with ESCP Europe Business School at London and Paris)	Delhi, London and Paris	425000*
	September 2013		
10-13	Management of Taxation	Portblair	40000*
10-13	Project-Appraisal, Financing and Management	Portblair	40000*
	October 2013		
22-25	Contracts and their Management	Goa	40000*
22-25	Recent trends in Financial Management	Goa	40000*
	November 2013		
19-22	Finance for Junior Finance and Accounts Officers and Non Executives (F&A)	Jodhpur	40000*
19-22	Service tax-Issues and Problems	Jodhpur	40000*
18-28	International programme on Emerging Issues in Financial Management	Singapore, Kuala lumpur and Bangkok	300000*
	December 2013		
17-20	Risk Based Internal Audit for Effective Management Control	Shirdi	40000*
17-20	Emerging Issues in Direct and indirect Taxation	Shirdi	40000*

	January 2014		
28-31	Issues in Corporate Taxation-Planning, Compliance and Management	Portblair	40000*
28-31	Recent Trends in Financial Management	Portblair	40000*
	February 2014		
11-14	Finance for Junior Finance and Accounts Officers and Non Executives (F&A)	Puri	40000*
11-14	Contracts and their Management	Puri	40000*

Note: * Plus 12.36% Service Tax.
Residential Single Room basis per participant

Fee includes course fee, course material, accommodation on Single Room basis, all meals and visits. The charges for accompanying spouse would be Rs. 1500/- (Rupees One thousand five hundred only) towards accommodation, all meals and visits for all the three days excluding International programmes.

CEP Credit Hours - (For 1 Day Prog. - 4 Hours) (For 2 Days Prog. - 6 Hours) (For 3 Days Prog. - 10 Hours)

For Kind Information:

For outstation programmes the participants are requested to get the confirmation from the ICWAI MARF before proceeding to the venue. The ICWAI MARF will not be held responsible if any participant reaches the venue for the postponed/cancelled programme without getting the confirmation from the ICWAI MARF. The cancellation/postponement of the programme, if any, will be intimated to only those organizations whose nominations have been received by the ICWAI MARF on time.

For residential programmes normally the first day check-in is at 12:00 noon and last day check-out is at 12:00 noon.

The Payment of the Fee is to be made by Cheque/DD in favour of 'ICWAI Management Accounting Research Foundation' payable at New Delhi.

LIST OF EXCLUSIVE TAILOR-MADE IN-HOUSE PROGRAMMES OFFERED

- Converged Indian Accounting Standards
- Activity Based Costing and Management
- Advance Tax, TDS and Tax Planning
- Capital Budgeting and Investment Decisions
- Corporate Tax - Planning, Compliance and Management
- Cost Accounting Records Rules and Cost Audit Report Rules (CARR & CAR)
- Contracts and Their Management
- Corporate Taxation
- Cost Analysis
- Cost Management
- Cost Control and Cost Effectiveness
- Costing for Engineers
- Derivatives and Risk Management
- Evolving from Manager to Leader
- Finance for Junior Finance and Accounts Officers and Non-Executives (F&A)
- Financial Management
- Financial Management for NGOs and Autonomous Bodies
- Finance for Non-Finance Executives
- Financial Risk Management
- Foreign Exchange Risk Management
- Import-Export Procedures and Documentation
- International Financial Reporting Standards (IFRS)
- Management Accounting
- Management of Taxation
- Managerial Effectiveness
- Materials Management
- Orientation Programme for Executives/Non-Executives
- Project Cost Management
- Project Management and Project Financing
- Revised Schedule VI
- Risk Based Internal Audit for Effective Management Control
- Service Tax
- VAT
- Valuation and DCF Modelling using Excel
- Induction Training Programme

LIST OF ORGANIZATIONS BENEFITED FROM EXCLUSIVE IN-HOUSE PROGRAMMES

- Airports Authority of India
- Bhakra Beas Management Board (BBMB)
- Bharat Aluminium Company Ltd.
- Bharat Heavy Electricals Ltd.
- Bharat Sanchar Nigham Limited
- Central Electricity Regulatory Commission
- Council of Scientific & Industrial Research (CSIR)
- CAG Office, New Delhi
- DCM Limited
- Delhi Jal Board
- Delhi Tourism & Transportation Development Corp. Ltd.
- Delhi Transco Ltd.
- Department of Personnel and Training, Govt. of India
- Department of Posts, Govt. of India
- Directorate General of Quality Assurance (DGQA), Ministry of Defence, Govt. of India
- Engineers India Ltd.
- GAIL (India) Ltd.
- Hindustan Copper Limited
- HUDCO Ltd.
- IBP Company Limited
- Indian Air Force
- Indian Navy
- Indian Farmers Fertiliser Cooperative Ltd.
- Indian Oil Corporation Limited
- Indian Railway Catering and Tourism Corp. Ltd. (IRCTC)
- Indian Railways
- Indian Renewable Energy Development Agency Ltd.
- Inland Waterways Authority of India (IWAI)
- IRCON International Ltd.
- KRIBHCO Ltd.
- Lanco Group of Companies
- Mahanadi Coalfields Ltd.
- Mahanagar Telephone Nigam Ltd.
- Maruti Udyog Ltd.
- MMTC Ltd.
- Ministry of Tourism, Govt. of India
- National Academy of Customs, Excise and Narcotics
- National Academy of Defence Accounts
- National Aluminium Co. Ltd.
- National Highways Authority of India Ltd.
- National Seeds Corporation Ltd.
- Nepal Electricity Authority, Kathmandu, Nepal
- Nepal Telecom Co., Kathmandu, Nepal
- Nuclear Power Corporation of India Ltd. (RAPS)
- North Eastern Electric Power Co. Ltd.
- O.N.G.C. Ltd.
- Ordnance Factory Board
- Oil Industry Development Board
- Power Finance Corporation Ltd.
- Power Grid Corp. of India Ltd.
- Power Transmission Corp. of Uttrakhand Ltd.
- Punjab State Power Corporation Ltd
- Raitel Corp. of India Ltd.
- RITES Limited
- Rural Electrification Corp. Ltd.
- SJVN Limited
- Tata Power Co. Ltd.
- THDC India Ltd.
- West Bengal State Electricity Distribution Co. Ltd.

FOR FURTHER DETAILS AND REGISTRATION PLEASE CONTACT:

CMA D. Chandru
Director (CEP)
(M) 9818601200
cep.chandru@icmai.in

CMA Sanjeev Goel
Joint Director (CEP)
(M) 9810965145
cep.sanjeev@icmai.in

ICWAI MANAGEMENT ACCOUNTING RESEARCH FOUNDATION
3rd Floor, CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110 003.
Phones: 011-24622156/57/58, 24618645, (D) 011-24643273
Tele-fax: 011-24622156/24618645, 43583642, 24643273
E-mail: mdp@icwaimarf.org; Website: www.icwaimarf.org

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CMA Rakesh Singh

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Dear Sir/Madam,

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With regards,

CMA Rakesh Singh
Chairman

PROGRAMME SCHEDULE

28 July, 2013 **SUNDAY**	Check In- Hotel MahagunSarovar Portico VC-3, Sector – 3, Vaishali, Ghaziabad, Delhi - NCR	12:00 Hrs.
29 July, 2013 **MONDAY**	Technical Sessions : • International Financial Reporting Standards (IFRS) • Financial Risk Management	09.00 – 18.00 Hrs.
30 July, 2013 **TUESDAY**	• Financial Management System • Financial Planning Scenario • Project Appraisal and Financing	09.00 – 18.00 Hrs.
31 July, 2013 **WEDNESDAY**	Departure to London (AI 115)	06.05 Hrs.
1 August, 2013 **THURSDAY**	Technical Session at ESCP Europe Business School, London • Public Private Partnership in Project Financing – Issues and Challenges • Economic Recession and Euro Zone Crises	09.00 – 18.00 Hrs.
2 August, 2013 **FRIDAY**	Accounting and Performance Management Educational Visits	09.00 – 13.00 Hrs. 14.00 – 16.00 Hrs.
3 August, 2013 **SATURDAY**	Educational Visits	09.00 – 19.00 Hrs.
4 August, 2013 **SUNDAY**	Departure to Paris Via Euro Tunnel	15.00 Hrs.
5 August, 2013 **MONDAY**	Technical Session at ESCP Europe Business School, Paris • Europe in the Global Context with special emphasis on Financial Management • IT Based Accounting Applications	09.00 – 18.00 Hrs.
6 August, 2013 **TUESDAY**	Visit to OECD	09.00 – 15.00 Hrs.
7 August, 2013 **WEDNESDAY**	Educational Visits	09.00 – 19.00 Hrs.
8 August, 2013 **THURSDAY**	Departure to Delhi by Air India Flight AI 142	21.30 Hrs.
9 August, 2013 **FRIDAY**	Arrival at Delhi	09.35 Hrs.

For Whom

Senior and Middle level Executives of Public and Private Sector, Multinationals, Autonomous Bodies, Banks, Insurance Companies, Financial Institutions and Government Departments will find the Programme rewarding.

Participation Fee

₹ 4,25,000 (Rupees four lakh twenty five thousand only) per participant on single room basis Plus 12.36% Service Tax.

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Fee Includes

Course fee, course material, accommodation on single room basis in deluxe standards hotels and all meals, economy class airfare for travelling together including all airport taxes at Delhi, London and Paris, medical insurance, airport transfers and transportation for visits to Institutions and other educational visits.

Fee Excludes

Local conveyance, incidentals, personal expenses and visa fee.

The Nominations are to be sent along with cheque/DD in favour of **'ICWAI Management Accounting Research Foundation'** payable at New Delhi.

*CEP Credit 10 Hrs.

Please Note

- The passport of the participants should be valid for a minimum period of six months from the date of travelling.
- There should not be any additional pages attached with passport as no Embassy gives Visa on the additional pages.
- The passport should bear an 'ECNR' stamp or the 'Emigration Check Required' stamp should be suspended.
- Seminar participation is limited to 15 executives on first-come-first-served basis as lot of requests have already been made.
- Request for registration along with fees will be refunded if we are unable to accommodate. However once registration is accepted by our office, no refund will be made, but change of participation is possible with sufficient time.
- Last Date for Registration along with Fee & Valid Passport ; 24th June, 2013.

Registration

For Further Details and Registration Please Contact:

CMA D. Chandru
Director (CEP)
(M) 9818601200
cep.chandru@icmai.in

CMA Sanjeev Goel
Joint Director (CEP)
(M) 9810965145
cep.sanjeev@icmai.in

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Phones: 011-24622156/57/58, 24618645, (D) 011-24643273
Tele-fax: 011-24622156/24618645, 43583642, 24643273
E-mail: mdp@icwaimarf.org; Website: www.icwaimarf.org

List of Organizations Benefitted From the Earlier International Programmes

- Airports Authority of India.
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- Chennai Petroleum Corporation Ltd
- Coal India Ltd.
- Delhi Jal Board.
- Delhi Development Authority.
- HSCC (I) Ltd.
- HUDCO Ltd.
- ICRA Ltd.
- IFFCO-Tokio General Insurance Co. Ltd.
- Indian Farmers Fertilizers Coop. Ltd.
- Indian Oil Corporation Ltd.
- Inland Waterways Authority of India
- Indian Council of Social Science Research (ICSSR)
- KRIBHCO Ltd.
- KRIBHCO Shyam Fertilizers Ltd.
- LIC Housing Finance Ltd.
- Life Insurance Corporation of India Ltd.
- Mahanagar Telephones Nigam Ltd.
- Ministry of Chemicals & Fertilizers, Govt. of India.
- Ministry of Commerce & Textiles, Govt. of India
- Ministry of Rural Development, Govt. of India.
- MMTC Limited.
- National Institute of Urban Affairs.
- Nepal Electricity Authority, Nepal.
- Neyveli Lignite Corporation Ltd.
- NHPC Limited.
- NMDC Limited.
- Numaligarh Refinery Ltd.
- Oil and Natural Gas Corpn. Ltd.
- Oil India Limited.
- Oriental Insurance Company Ltd.
- Orissa Hydro Power Corporation Limited.
- Petronet LNG Limited.
- Power Finance Corporation Limited.
- RITES Ltd.
- Syndicate Bank.
- Tamil Nadu Newsprint and Papers Ltd.
- Tata Refractories Ltd.
- The Andhra Pradesh Paper Mills Limited.
- United India Insurance Co. Ltd.
- Zuari Industries. Ltd.

The Training Programmes

The ICWAI MARF efforts are directed towards quality training and introducing new programmes to meet emerging challenges of the corporate world.

Broadly the programmes are classified as :

- Training programmes for practicing managers of both public and private sectors, Banks, Financial Institutions, Multinationals Insurance Companies and Government Departments.
- Tailor-made in-house training programmes for the Industry, Government Departments and Public Services. It also offers specific programmes for Defence, Railways, Telecom and Public Utility Services.

Chairman
CMA Rakesh Singh

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The Institute of Cost Accountants of India
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

Fresh Election (By-Election) to the Council – 2013

Final list of nominations for Southern India Regional Constituency along with particulars of candidates

[Pursuant to sub-rule (3) of rule 15 of the Cost and Works Accountants (Election to the Council) Rules, 2006]

The particulars of candidates given below have been compiled, prepared and presented in accordance with Schedule 5 to the Cost and Works Accountants (Election to the Council) Rules, 2006 (hereinafter referred to as the Rules) from the particulars to the extent supplied by the candidates under sub-rule (4) of Rule 9 read with Schedule 4 of the Rules and no responsibility is accepted by the Returning Officer as to the veracity of the said particulars.

Kolkata
10th May, 2013

(Kaushik Banerjee)
Returning Officer

1.	(a)	Name	:	Dr. I. Ashok
	(b)	Membership No.	:	M/11929
	(c)	Professional Address	:	4, Madurai Road, Near Periyar Statue Tirumangalam, Madurai – 625 706
	(d)	Voter's serial number as published in the List of Voters	:	2851
	(e)	Date of Birth	:	04.05.1962
	(f)	Whether Fellow and the date on which became Fellow	:	Fellow, 05.01.2001
	(g)	Date of Enrolment as an Associate member	:	11.07.1992
	(h)	Whether citizen of India	:	Yes
	(i)	Whether found guilty of any professional or other misconduct and consequently whether he has been reprimanded or the name has been removed from the Register or has been awarded penalty of fine as on the date of nomination;	:	Nil
		If the answer to (i) above is in affirmative, provide the following details, wherever applicable (separately) for each misconduct for which found guilty)		
		(i) The offence for which found guilty	:	Nil
		(ii) The date of reprimand	:	Nil
		(iii) The date from which the name was removed on account of above disqualification from the Register	:	Nil
		(iv) The total period of removal	:	Nil
		(v) The date on which the period of removal expires	:	Nil
		(vi) Whether the removal was on account of misconduct falling under the First Schedule or the Second Schedule	:	Nil
		(vii) The date on which the penalty of fine was awarded	:	Nil
		(viii) Amount of penalty of fine	:	Nil
		(ix) The date on which the payment was made for penalty of fine awarded	:	Nil
	(j)	Whether appointed as the auditor of the Institute and, if so, whether the period of three years had already expired after he has ceased to be the auditor of the Institute, along with the dates of appointment and cessation as auditor	:	Nil
	(k)	If that period has not yet expired, the date on which it shall expire	:	Nil

(l)	Details of past and present membership of the Council including the Office of the President and / or Vice President of the Institute	:	Nil
(m)	Whether holding a post under the Central Government or State Government as defined in sub-section (3) of Section 9 of the Cost and Works Accountants Act, 1959 as amended	:	Nil
(n)	Whether an employee of the Institute in accordance with clause (f) of proviso to Rule 7	:	Nil
(2)	The statement referred to in clause 1 may also contain, at the option of the candidate, information concerning the candidate in respect of the following:	:	
(a)	Academic qualifications (diplomas including post qualification diploma(s) and degrees recognised by Government / Council and membership of professional bodies recognized by the Council);	:	MCOM, PHD, IMA(USA), FCMA
(b)	Merit awards (limited upto first three positions) in the examinations of recognised universities and the examinations conducted by the Institute;	:	–
(c)	Particulars of occupation:-	:	
(i)	Employment (designation with name of present employer)	:	–
(ii)	Practice (sole proprietor or in partnership including the name of the firm)	:	Partnership, Ashok & Associates
(iii)	Particulars of other occupation / engagement, if not covered by (i) and (ii) above;	:	–
(d)	Past and present membership of Regional Councils and Managing Committees of Chapters of Regional Councils and office of Chairman, Vice-Chairman, Secretary and / or Treasurer in the case of Regional Councils and / or Chapters of Regional Councils.	:	Secretary, Madurai Chapter : 1992-2007 Treasurer, SIRC : 2007-2008 Secretary, SIRC : 2008-2009 Vice-Chairman, SIRC : 2009-2010 Chairman, SIRC : 2010-2011

Note: No responsibility is accepted by the Returning Officer as to the veracity of the aforesaid particulars.

2.	(a)	Name	:	Shri Nageswara Rao Golakoti
	(b)	Membership No.	:	M/25786
	(c)	Professional Address	:	H. No. 261, Chetana Housing Colony Old Alwal, Near Ambedkar Nagar Secunderabad – 500 010
	(d)	Voter's serial number as published in the List of Voters	:	2293
	(e)	Date of Birth	:	20.07.1968
	(f)	Whether Fellow and the date on which became Fellow	:	Fellow, 23.10.2011
	(g)	Date of Enrolment as an Associate member	:	02.08.2006
	(h)	Whether citizen of India	:	Yes
	(i)	Whether found guilty of any professional or other misconduct and consequently whether he has been reprimanded or the name has been removed from the Register or has been awarded penalty of fine as on the date of nomination; If the answer to (i) above is in affirmative, provide the following details, wherever applicable (separately) for each misconduct for which found guilty)	:	No
		(i) The offence for which found guilty	:	N.A.
		(ii) The date of reprimand	:	N.A.
		(iii) The date from which the name was removed on account of above disqualification from the Register	:	N.A.
		(iv) The total period of removal	:	N.A.
		(v) The date on which the period of removal expires	:	N.A.
		(vi) Whether the removal was on account of misconduct falling under the First Schedule or the Second Schedule	:	N.A.
		(vii) The date on which the penalty of fine was awarded	:	N.A.
		(viii) Amount of penalty of fine	:	No
		(ix) The date on which the payment was made for penalty of fine awarded	:	N.A.
	(j)	Whether appointed as the auditor of the Institute and, if so, whether the period of three years had already expired after he has ceased to be the auditor of the Institute, along with the dates of appointment and cessation as auditor	:	No
	(k)	If that period has not yet expired, the date on which it shall expire	:	N.A.

(l)	Details of past and present membership of the Council including the Office of the President and / or Vice President of the Institute	:	N.A.
(m)	Whether holding a post under the Central Government or State Government as defined in sub-section (3) of Section 9 of the Cost and Works Accountants Act, 1959 as amended	:	No
(n)	Whether an employee of the Institute in accordance with clause (f) of proviso to Rule 7	:	No
(2)	The statement referred to in clause 1 may also contain, at the option of the candidate, information concerning the candidate in respect of the following:	:	N.A.
(a)	Academic qualifications (diplomas including post qualification diploma(s) and degrees recognised by Government / Council and membership of professional bodies recognized by the Council);	:	BCOM, FCA, FCMA
(b)	Merit awards (limited upto first three positions) in the examinations of recognised universities and the examinations conducted by the Institute;	:	No
(c)	Particulars of occupation:-	:	Practising as Chartered Accountant
(i)	Employment (designation with name of present employer)	:	Partner of M/s. N G Rao & Associates
(ii)	Practice (sole proprietor or in partnership including the name of the firm)	:	Partnership
(iii)	Particulars of other occupation / engagement, if not covered by (i) and (ii) above;	:	Nil
(d)	Past and present membership of Regional Councils and Managing Committees of Chapters of Regional Councils and office of Chairman, Vice-Chairman, Secretary and / or Treasurer in the case of Regional Councils and / or Chapters of Regional Councils.	:	N.A.

Note: No responsibility is accepted by the Returning Officer as to the veracity of the aforesaid particulars.

3.	(a)	Name	:	Shri A.V.N.S. Nageswara Rao
	(b)	Membership No.	:	M/8029
	(c)	Professional Address	:	H. No. 30-1569/2, Plot No. 35 Anantanagar Colony, Neredmet R K Puram (P.O.), Secunderabad – 500 056
	(d)	Voter's serial number as published in the List of Voters	:	2426
	(e)	Date of Birth	:	10.05.1955
	(f)	Whether Fellow and the date on which became Fellow	:	Fellow, 18.12.1994
	(g)	Date of Enrolment as an Associate member	:	26.02.1988
	(h)	Whether citizen of India	:	Yes
	(i)	Whether found guilty of any professional or other misconduct and consequently whether he has been reprimanded or the name has been removed from the Register or has been awarded penalty of fine as on the date of nomination; If the answer to (i) above is in affirmative, provide the following details, wherever applicable (separately) for each misconduct for which found guilty)	:	No
		(i) The offence for which found guilty	:	N.A.
		(ii) The date of reprimand	:	N.A.
		(iii) The date from which the name was removed on account of above disqualification from the Register	:	N.A.
		(iv) The total period of removal	:	N.A.
		(v) The date on which the period of removal expires	:	–
		(vi) Whether the removal was on account of misconduct falling under the First Schedule or the Second Schedule	:	N.A.
		(vii) The date on which the penalty of fine was awarded	:	N.A.
		(viii) Amount of penalty of fine	:	N.A.
		(ix) The date on which the payment was made for penalty of fine awarded	:	N.A.
	(j)	Whether appointed as the auditor of the Institute and, if so, whether the period of three years had already expired after he has ceased to be the auditor of the Institute, along with the dates of appointment and cessation as auditor	:	No
	(k)	If that period has not yet expired, the date on which it shall expire	:	N.A.

(l)	Details of past and present membership of the Council including the Office of the President and / or Vice President of the Institute	:	Nil
(m)	Whether holding a post under the Central Government or State Government as defined in sub-section (3) of Section 9 of the Cost and Works Accountants Act, 1959 as amended	:	No
(n)	Whether an employee of the Institute in accordance with clause (f) of proviso to Rule 7	:	No
(2)	The statement referred to in clause 1 may also contain, at the option of the candidate, information concerning the candidate in respect of the following:	:	
(a)	Academic qualifications (diplomas including post qualification diploma(s) and degrees recognised by Government / Council and membership of professional bodies recognized by the Council);	:	MCOM, LLB, ACS, FCMA
(b)	Merit awards (limited upto first three positions) in the examinations of recognised universities and the examinations conducted by the Institute;	:	Nil
(c)	Particulars of occupation:-	:	
(i)	Employment (designation with name of present employer)	:	N.A.
(ii)	Practice (sole proprietor or in partnership including the name of the firm)	:	Cost Accountant in Practice—Partner, Nageswara Rao & Co., Cost Accountants
(iii)	Particulars of other occupation / engagement, if not covered by (i) and (ii) above;	:	Nil
(d)	Past and present membership of Regional Councils and Managing Committees of Chapters of Regional Councils and office of Chairman, Vice-Chairman, Secretary and / or Treasurer in the case of Regional Councils and / or Chapters of Regional Councils.	:	Treasurer, SIRC : 2006-2007 Secretary, SIRC : 2007-2008 Vice-Chairman, SIRC : 2008-2009 Chairman, SIRC : 2009-2010 Treasurer, Hyderabad Chapter : 1994-95 & 1995-96 Secretary, Hyderabad Chapter : 1996-97 & 1997-98 Chairman, Hyderabad Chapter : 1998-99 & 1999-2000

Note: No responsibility is accepted by the Returning Officer as to the veracity of the aforesaid particulars.

4.	(a)	Name	: Shri P.S.M. Hameed Najimudden
	(b)	Membership No.	: M/7344
	(c)	Professional Address	: Sr. Dy. General Manager, BHEL Trichy – 620 014
	(d)	Voter's serial number as published in the List of Voters	: 3237A
	(e)	Date of Birth	: 19.03.1961
	(f)	Whether Fellow and the date on which became Fellow	: Fellow, 07.12.1996
	(g)	Date of Enrolment as an Associate member	: 29.11.1986
	(h)	Whether citizen of India	: Yes
	(i)	Whether found guilty of any professional or other misconduct and consequently whether he has been reprimanded or the name has been removed from the Register or has been awarded penalty of fine as on the date of nomination;	: No
		If the answer to (i) above is in affirmative, provide the following details, wherever applicable (separately) for each misconduct for which found guilty)	
		(i) The offence for which found guilty	: N.A.
		(ii) The date of reprimand	: N.A.
		(iii) The date from which the name was removed on account of above disqualification from the Register	: N.A.
		(iv) The total period of removal	: N.A.
		(v) The date on which the period of removal expires	: N.A.
		(vi) Whether the removal was on account of misconduct falling under the First Schedule or the Second Schedule	: N.A.
		(vii) The date on which the penalty of fine was awarded	: N.A.
		(viii) Amount of penalty of fine	: N.A.
		(ix) The date on which the payment was made for penalty of fine awarded	: N.A.
	(j)	Whether appointed as the auditor of the Institute and, if so, whether the period of three years had already expired after he has ceased to be the auditor of the Institute, along with the dates of appointment and cessation as auditor	: No
	(k)	If that period has not yet expired, the date on which it shall expire	: N.A.

(l)	Details of past and present membership of the Council including the Office of the President and / or Vice President of the Institute	:	Nil
(m)	Whether holding a post under the Central Government or State Government as defined in sub-section (3) of Section 9 of the Cost and Works Accountants Act, 1959 as amended	:	No
(n)	Whether an employee of the Institute in accordance with clause (f) of proviso to Rule 7	:	No
(2)	The statement referred to in clause 1 may also contain, at the option of the candidate, information concerning the candidate in respect of the following:	:	
(a)	Academic qualifications (diplomas including post qualification diploma(s) and degrees recognised by Government / Council and membership of professional bodies recognized by the Council);	:	MCOM, BGL, ACS, FCMA
(b)	Merit awards (limited upto first three positions) in the examinations of recognised universities and the examinations conducted by the Institute;	:	Second Rank at University Level in MCOM
(c)	Particulars of occupation:-	:	
(i)	Employment (designation with name of present employer)	:	Sr. Deputy General Manager, B.H.E.L.
(ii)	Practice (sole proprietor or in partnership including the name of the firm)	:	N.A.
(iii)	Particulars of other occupation / engagement, if not covered by (i) and (ii) above;	:	Nil
(d)	Past and present membership of Regional Councils and Managing Committees of Chapters of Regional Councils and office of Chairman, Vice-Chairman, Secretary and / or Treasurer in the case of Regional Councils and / or Chapters of Regional Councils.	:	Member, SIRC : 2005-2007 Chairman, SIRC : 2004-2005 Vice-Chairman, SIRC : 2003-2004 Secretary, SIRC : 2002-2003 Treasurer, SIRC : 2001-2002 Secretary, Trichy Chapter : 1998-2001 Asst. Secretary, Trichy Chapter : 1988-1998

Note: No responsibility is accepted by the Returning Officer as to the veracity of the aforesaid particulars.

5.	(a)	Name	:	Shri Sunkara Papa Rao
	(b)	Membership No.	:	M/8045
	(c)	Professional Address	:	40-7-31, Jammichettu Centre Mogalrajapuram, Vijayawada – 520 010
	(d)	Voter's serial number as published in the List of Voters	:	3357
	(e)	Date of Birth	:	10.06.1952
	(f)	Whether Fellow and the date on which became Fellow	:	Fellow, 10.01.2004
	(g)	Date of Enrolment as an Associate member	:	26.02.1988
	(h)	Whether citizen of India	:	Yes
	(i)	Whether found guilty of any professional or other misconduct and consequently whether he has been reprimanded or the name has been removed from the Register or has been awarded penalty of fine as on the date of nomination; If the answer to (i) above is in affirmative, provide the following details, wherever applicable (separately) for each misconduct for which found guilty)	:	No
		(i) The offence for which found guilty	:	N.A.
		(ii) The date of reprimand	:	N.A.
		(iii) The date from which the name was removed on account of above disqualification from the Register	:	N.A.
		(iv) The total period of removal	:	N.A.
		(v) The date on which the period of removal expires	:	N.A.
		(vi) Whether the removal was on account of misconduct falling under the First Schedule or the Second Schedule	:	N.A.
		(vii) The date on which the penalty of fine was awarded	:	N.A.
		(viii) Amount of penalty of fine	:	N.A.
		(ix) The date on which the payment was made for penalty of fine awarded	:	N.A.
	(j)	Whether appointed as the auditor of the Institute and, if so, whether the period of three years had already expired after he has ceased to be the auditor of the Institute, along with the dates of appointment and cessation as auditor	:	No
	(k)	If that period has not yet expired, the date on which it shall expire	:	N.A.

(l)	Details of past and present membership of the Council including the Office of the President and / or Vice President of the Institute	:	N.A.
(m)	Whether holding a post under the Central Government or State Government as defined in sub-section (3) of Section 9 of the Cost and Works Accountants Act, 1959 as amended	:	No
(n)	Whether an employee of the Institute in accordance with clause (f) of proviso to Rule 7	:	No
(2)	The statement referred to in clause 1 may also contain, at the option of the candidate, information concerning the candidate in respect of the following:	:	
(a)	Academic qualifications (diplomas including post qualification diploma(s) and degrees recognised by Government / Council and membership of professional bodies recognized by the Council);	:	MA, MCOM, MBA, LLB, FCA, FCS, FCMA
(b)	Merit awards (limited upto first three positions) in the examinations of recognised universities and the examinations conducted by the Institute;	:	No
(c)	Particulars of occupation:-	:	
(i)	Employment (designation with name of present employer)	:	Self-Employed
(ii)	Practice (sole proprietor or in partnership including the name of the firm)	:	No
(iii)	Particulars of other occupation / engagement, if not covered by (i) and (ii) above;	:	–
(d)	Past and present membership of Regional Councils and Managing Committees of Chapters of Regional Councils and office of Chairman, Vice-Chairman, Secretary and / or Treasurer in the case of Regional Councils and / or Chapters of Regional Councils.	:	Chairman, The Institute of Cost Accountants of India Vijayawada Chapter of Cost Accountants

Note: No responsibility is accepted by the Returning Officer as to the veracity of the aforesaid particulars.

6.	(a)	Name	:	Shri D.L.S. Sreshti
	(b)	Membership No.	:	M/11843
	(c)	Professional Address	:	Flat No. 204, Mount Santoshi Apartment Mayuri Marg, Begumpet, Hyderabad – 500 016
	(d)	Voter's serial number as published in the List of Voters	:	2641
	(e)	Date of Birth	:	09.11.1946
	(f)	Whether Fellow and the date on which became Fellow	:	Fellow, 19.05.2003
	(g)	Date of Enrolment as an Associate member	:	19.04.1992
	(h)	Whether citizen of India	:	Yes
	(i)	Whether found guilty of any professional or other misconduct and consequently whether he has been reprimanded or the name has been removed from the Register or has been awarded penalty of fine as on the date of nomination;	:	No
		If the answer to (i) above is in affirmative, provide the following details, wherever applicable (separately) for each misconduct for which found guilty)		
		(i) The offence for which found guilty	:	N.A.
		(ii) The date of reprimand	:	N.A.
		(iii) The date from which the name was removed on account of above disqualification from the Register	:	N.A.
		(iv) The total period of removal	:	N.A.
		(v) The date on which the period of removal expires	:	N.A.
		(vi) Whether the removal was on account of misconduct falling under the First Schedule or the Second Schedule	:	N.A.
		(vii) The date on which the penalty of fine was awarded	:	N.A.
		(viii) Amount of penalty of fine	:	N.A.
		(ix) The date on which the payment was made for penalty of fine awarded	:	N.A.
	(j)	Whether appointed as the auditor of the Institute and, if so, whether the period of three years had already expired after he has ceased to be the auditor of the Institute, along with the dates of appointment and cessation as auditor	:	No
	(k)	If that period has not yet expired, the date on which it shall expire	:	N.A.

(l)	Details of past and present membership of the Council including the Office of the President and / or Vice President of the Institute	:	Nil
(m)	Whether holding a post under the Central Government or State Government as defined in sub-section (3) of Section 9 of the Cost and Works Accountants Act, 1959 as amended	:	No
(n)	Whether an employee of the Institute in accordance with clause (f) of proviso to Rule 7	:	No
(2)	The statement referred to in clause 1 may also contain, at the option of the candidate, information concerning the candidate in respect of the following:	:	
(a)	Academic qualifications (diplomas including post qualification diploma(s) and degrees recognised by Government / Council and membership of professional bodies recognized by the Council);	:	MCOM, FCMA
(b)	Merit awards (limited upto first three positions) in the examinations of recognised universities and the examinations conducted by the Institute;	:	—
(c)	Particulars of occupation:-	:	Practising Cost Accountant
(i)	Employment (designation with name of present employer)	:	N.A.
(ii)	Practice (sole proprietor or in partnership including the name of the firm)	:	Cost Accountant in practice Sreshti & Associates Sole proprietor
(iii)	Particulars of other occupation / engagement, if not covered by (i) and (ii) above;	:	Director, Manjeera Constructions Ltd. (2008 onwards) Director, Tibrewala Electronics Ltd. (1996 onwards)
(d)	Past and present membership of Regional Councils and Managing Committees of Chapters of Regional Councils and office of Chairman, Vice-Chairman, Secretary and / or Treasurer in the case of Regional Councils and / or Chapters of Regional Councils.	:	Southern India Regional Council : 2004-2007 Chairman (2006-07) Vice-Chairman (2005-06) Secretary (2004-05) Hyderabad Chapter of Cost Accountants : 1998-2004 Chairman (2002-04) Vice-Chairman (2001-02) Visakhapatnam Chapter of Cost Accountants : 1992-1995 Vice-Chairman (1995) Secretary (1993-95) Centre for Excellence, Hyderabad Member, Building Committee (2005-2011)

Note: No responsibility is accepted by the Returning Officer as to the veracity of the aforesaid particulars.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

12, SUDDER STREET, KOLKATA – 700 016.

Telephones : +91-33-2252-1031/1034/1035
: +91-33-2252-1602/1492/1619
: +91-33-2252-7143/7373/2204
Fax No. : +91-33-2252-7993/1026/1723
Website : www.icmai.in

BY SPEED POST

No. BY-EL-2013/21 Dated : 15th May, 2013

To

All members whose names appear in the List of Voters published on 4th April, 2013 & subsequent corrigendum/alterations therein and who are eligible to vote by *POST* in the Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency of the Institute of Cost Accountants of India.

Dear Sir,

I forward herewith the Ballot Papers relating to Fresh Election (By-Election) to the Council, 2013 from the Southern India Regional Constituency together with a Memorandum of Instructions. The Ballot Papers should be filled in and returned in accordance with the instructions contained in the enclosed Memorandum of Instructions so as to **reach the undersigned by name on or before 6.00 p.m. on 5th July 2013**. A forwarding letter, declaration form, postal ballot paper, inner envelope, outer envelope with prepaid postage stamp affixed (for voters residing within India) and two adhesive stickers are enclosed for your use.

This inner envelope should be duly closed and sealed with the specified adhesive sticker provided by the Institute. After sealing, the inner envelope along with forwarding letter and declaration form duly signed shall have to be put in the outer envelope and duly closed and sealed with the specified adhesive sticker provided by the Institute, and should be posted in the manner specified in the Memorandum of Instructions so as to **reach the undersigned by name on or before 6.00 p.m. on 5th July, 2013** as stated above.

It may be noted that before the counting commences, all polled ballot papers found in ballot boxes and received by post will be completely mixed up so as to maintain secrecy of their place of origin.

Yours faithfully,

(Kaushik Banerjee)
Returning Officer

(For Memorandum of Instructions, please see the enclosed pages)

POST

MEMORANDUM OF INSTRUCTIONS FOR FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

1. A voter shall have one vote only, and he shall have as many preferences as there are candidates.
2. The voter in order to cast his vote:-
   (a) shall place on his ballot paper the number 1 (in Arabic or Roman numerals or in words) in the square opposite the name of the candidate for whom he desires to vote; and
   (b) may, in addition, place on his ballot paper the number 2, or the numbers 2 and 3 or the numbers 2, 3 and 4 (in Arabic or Roman numerals or in words) and so on in the squares opposite the names of other candidates in the order of his preference, upto the maximum number of preferences available to him under sl. no. 1 mentioned above.
   (c) may put '✕' against whom he has not mentioned any preference.
3. A ballot paper shall be invalid :-
   (a) if a voter signs his name or writes any word or figure upon it or makes any mark including a tick (✓)/cross (✕), not being a mark of '✕' put under sl. no. 2 (c) mentioned above, upon it by which the ballot paper becomes recognisable or by which the voter can be identified; or
   (b) if it is not printed by or under the authority of the Council or it is different in any manner from the ballot papers printed; or
   (c) if number 1 (in Arabic or Roman numerals or in words) is not marked on it; or
   (d) if number 1 (in Arabic or Roman numerals or in words) is set opposite the name of more than one candidate; or
   (e) if number 1 (in Arabic or Roman numerals or in words) and some other numbers are put opposite the name of the same candidate; or
   (f) if it is unmarked or the marks made are void or cannot be unambiguously determined; or
   (g) if it is so damaged or mutilated that its identity as a genuine ballot paper cannot be established.
4. The postal ballot papers are to be returned after recording votes in the following manner:
   (a) for a voter residing within India, after recording his vote thereon in the manner specified in sl. no. 2 above and in the pre-stamped envelope provided for the purpose from the place to which the ballot paper was sent by the Returning Officer so as to reach him on or before 6.00 p.m. on 5th July, 2013. The cover containing the recorded ballot paper shall be accompanied by a declaration of the voter in the declaration form;
   (b) for a voter residing outside India, after recording his vote thereon in the manner specified in sl. no. 2 above and by ordinary post/courier or speed or registered post but from the country to which the ballot paper was sent by the Returning Officer so as to reach him on or before 6.00 p.m. on 5th July, 2013. The cover containing the recorded ballot paper shall be accompanied by a declaration of the voter in the declaration form;

Cont'd…..2

(c) A cover containing ballot paper which does not reach the Returning Officer in the manner specified above on or before 6.00 p.m. on 5th July, 2013 shall not be taken into consideration in the counting of votes.

(d) In regard to covers where the postal stamp of place of posting is not clear or decipherable, the decision taken by the Returning Officer on ascertaining or determining the place or country from which the cover containing the ballot papers is sent shall be final.

(e) The Returning Officer shall disregard all covers containing the voting papers relating to two or more members and posted in one and the same envelope.

(f) If the signature of the voter as appended in the envelope and declaration form does not tally with any of his signature as available in the Institute's records, the Returning Officer shall disregard such cover containing the voting paper.

5. After recording his vote in the manner prescribed above, a voter should put the Ballot Paper in the specified inner envelope provided for that purpose. The inner envelope should then be securely closed and sealed with the specified adhesive sticker provided by the Institute. The inner envelope thus closed and the forwarding letter and declaration form, duly filled in and signed, should then be placed in the outer envelope which should thereafter be securely closed and sealed with the specified adhesive sticker provided by the Institute and forwarded by **Speed Post to Shri Kaushik Banerjee, Returning Officer, The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata–700 016, so as to reach him on or before 6.00 p.m. on 5th July, 2013. But no mode of sending other than by Speed Post will be accepted from voters residing within India. However, a voter residing outside India may forward the same by Ordinary Post or Courier or Speed or Registered Post.**

6. A Ballot Paper which is not addressed to the Returning Officer by name and not forwarded in the manner specified in the Memorandum of Instructions or which is received after the due date and hour specified above, or which has not been filled in, in accordance with these instructions, or which has been defaced, spoilt or over-written shall be regarded as invalid.

7. A Ballot Paper sent in envelope not duly closed and sealed with the specified adhesive stickers provided by the Institute shall be regarded as invalid.

8. If Ballot Papers relating to two or more members are posted in one and the same envelope, all such ballot papers shall be regarded as invalid.

9. Special attention is invited in this connection to the Election Code of Conduct issued vide Notification No. BY-EL-2013/12 dated 4th April, 2013.

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
12, SUDDER STREET, KOLKATA 700 016.

Kolkata, the 15th May, 2013

FRESH ELECTION (BY-ELECTION) TO THE COUNCIL, 2013 FROM SOUTHERN INDIA REGIONAL CONSTITUENCY

Sub: Despatch of Postal Ballots

No. BY-EL-2013/22: This is for information of all concerned that postal ballots along with connected papers have been dispatched by Speed Post to all postal voters of Fresh Election (By-Election) to the Council, 2013 from Southern India Regional Constituency on 15th May, 2013.

Kaushik Banerjee
Returning Officer

FOR ATTENTION OF MEMBERS

"CD of List of Members, 2012 will be made available for sale to the Members at a price of Rs.100/- per copy. Members interested to procure the same may remit Rs.100/- by Demand Draft drawn in favour of 'The Institute of Cost Accountants of India', payable at Kolkata, addressed to the Secretary, The Institute of Cost Accountants of India."

FOR ATTENTION OF MEMBERS

The fees payable by the members of the Institute with effect from 1st April 2013 from the Financial Year 2013–14 onwards is as under:

Category of Fees	Amount (Rs)
Associate Entrance Fee	1000/-
Associate Membership Fee	1000/-
Fellow Entrance Fee	1000/-
Fellow Membership Fee	1500/-
Certificate of Practice Fee	2000/-

The fees payable by the retired members entitled to pay at reduced rate in pursuance of Regulation 7(4) of the Cost & Works Accountants Regulations, 1959 with effect from 1st April 2013 from the Financial Year 2013–14 onwards shall be as follows:

Category of Fees	Amount (Rs)
Associate Membership Fee	250/-
Fellow Membership Fee	375/-

The fee for Duplicate Certificate stands revised to Rs 100/- in each case.

"Glimpses of the International Professional Summit - A New Approach to Sustainable Growth, organised by the Institute in Gurgaon on 26th - 27th April, 2013

H.E. Mr. Waven Winslow William, Chief Guest, lighting the lamp in presence of CMA Rakesh Singh, President, Mr. Steven Moodie, CMA Sanjay Gupta, Mr. Satish Jha, and CMA SC Mohanty, Vice President of the Institute at the Summit.

CMA Amit Apte, Council Member, welcoming Mr. Satish Jha, Chairman, Pinewood Partners LLC, Kofi Annan Center at the Summit.

CMA S.C. Mohanty, the Vice President presenting vote of thanks at the Summit.

CMA Dr. PVS Jagan Mohan Rao, Council Member welcoming Mr. Manoj K Arora, Additional Director General, Ministry of Finance, at the Summit.

CMA Manas K Thakur, Council Member, welcoming Mr. Steven Moodie, CFO India Region, Ericsson at the Summit.

CMA Sanjay Gupta, Chairman, WTO&IA Committee welcoming Mr. Pawan Sukhdev, Founder & CEO, GIST Advisory at the Summit.

CMA P.V. Bhattad, Council Member, CMA Kaushik Banerjee, Secretary (Acting) and Dr SK Gupta, Director (Technical) during the Vote of Thanks session at the Summit.

Mr. Shikhar Jain of CII, CMA A.S. Durgaprasad, Council Member, Mr Vikesh Mehta of Grant Thornton, and CMA M Gopalakrishnan, Past President of the Institute during the Summit.

ISSN 0972-3528

REGISTERED KOL RMS/139/2013-2015
Publication Date : 10th June 2013 R.N.I. 12032/66

"Glimpses of the International Professional Summit - A New Approach to Sustainable Growth, organised by the Institute in Gurgaon on 26th - 27th April, 2013

CMA Rakesh Singh, President welcoming H.E. Mr. Waven Winslow William, High Commissioner, Seychelles High Commission at the Summit.

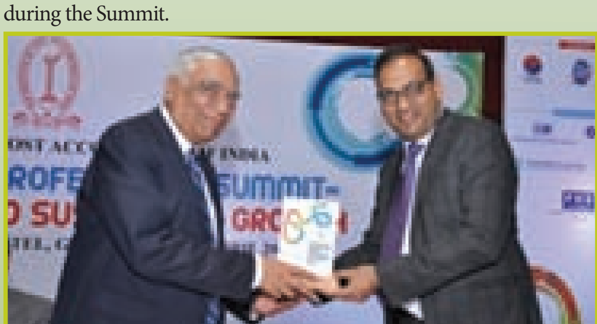
Participants listening to the speakers during the Summit.

CMA Sanjay Gupta, Chairman WTO&IA Committee and Council Member, delivering the welcome address at the Summit.

CMA Sanjay Gupta, Chairman WTO&IA Committee welcoming Mr. R.K. Garg, Director (Finance) Petronet LNG at the Summit.

CMA Sanjay R Bhargave, Council Member addressing the participants during the Summit.

CMA Sanjay Gupta, Chairman, WTO&IA Committee welcoming Mr. Rajeev Mehrotra, CMD, Rites Ltd. at the Summit.



CMA Sanjay Gupta, Chairman, WTO&IA Committee welcoming Mr. Vinod Chandiok, Chairman, Walker Chndiok & Co. at the Summit.

Mr. Thilo Bischof (center), Vice President of South Asia - BASF addressing the participants at the Summit.

Printed and Published by Rakesh Singh, President of the Institute of Cost Accountants of India, 12 Sudder Street, Kolkata-700 016 for and on behalf of the Institute and Printed at Hooghly Printing Co. Ltd. (A Govt. of India Enterprise).

Editor : Dr. Debaprosanna Nandy