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STARTUPS
FOR SUSTAINABLE GROWTH

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

www.icmai.in

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

FOR ATTENTION OF THE MEMBERS

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

DETAILS OF BENEFITS AVAILABLE

- Outright grant not exceeding Rs. 2,00,000/- in each case to the beneficiary in the event of death of the member.

- Outright grant not exceeding Rs. 1,00,000/- in each case to the member and beneficiary for critical illness like cancer, heart/cerebral attack or any other disease having risk of life of the beneficiary to be duly certified by the doctor under whom the treatment is continuing.

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

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

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

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

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

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

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

iv) The financial assistance is limited to actual amount claimed or Rs. 75,000/-, whichever is lower.

Income Tax Benefit

Contributions to MBF qualify for section

80G Exemption

Procedure to become member of MBF

→ The prescribed fee for life membership is Rs. 2,500/-. The form can be downloaded from this link ***https://cmaicmai.in/external/PublicPages/WebsiteDisplay/forms/mbf-form.pdf*** which you may fill up and return to the Secretary along with a **Demand Draft/Cheque** for Rs. 2,500/- in favour of **"ICWAI Members' Benevolent Fund"**. You may apply online also by visiting this link ***https://cmaicmai.in/MMS/Login.aspx?mode=EU***

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

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The Institute of Cost Accountants of India

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

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

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

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

MISSION STATEMENT

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

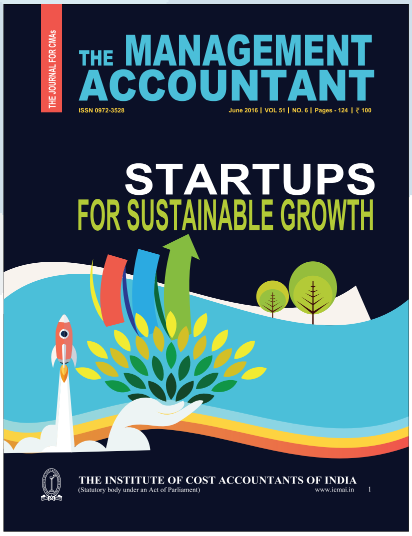
VISION STATEMENT

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

IDEALS THE INSTITUTE STANDS FOR

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

Behind every successful business decision, there is always a ***CMA***



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EDITORIAL

Greetings!!!

A startup may be defined as a young, dynamic company built on technology and innovation wherein the founders attempt to capitalize on developing a product or service for which they believe there is a demand. It mainly searches an unknown business model in order to create new ones.

With the gen-next cool trend to start working on new and innovative ideas, India is all set to outperform all other nations on the world stage in the years to come. Setting up of small businesses by these young entrepreneurs is definitely going to boost the Indian economy in the near future. India is a home for almost 3100 startups starting per year standing just behind US, UK and Israel according to the NASSCOM Report, 2015. If the growth is continued on the same pace, it is expected that Indian tech startups will generate almost 2.5 lakh jobs in the next five years. India is also said to enjoy demographic dividend and it is anticipated that by 2020, India will be a home to 112 million working population falling in the age bracket of 20-24 years as compared to that of 94 million workers of China. This demographic dividend will definitely boost the startup culture in the country.

Tech startups are leading the growth of startup era and it is ready to boost revenue generated by IT-ITES sector by almost 12-14 per cent for the current fiscal year as well. It is anticipated that the e-commerce market of India will grow by more than 50% within the next five years. In the indigenous startups, India witnessed the largest infusion of capital from overseas through venture capital funds during the year 2014. Government has also started working towards improving India's rank in World Bank ease of doing business in which India is currently ranked at 142 positions. This will definitely boost the startups of the country. Foreign investors have started looking towards India as a favorable investment destination. Indian startups are proving to be the major tool diverting a huge chunk of foreign wealth into the Indian economy.

Startup India & Standup India

It could be the next big policy transformation in India after the economic liberalization of 1990s, the recently announced much-awaited 'Startup India, Stand up India' campaign has unveiled a slew of incentives to boost startup businesses, offering them a tax holiday and inspector raj-free regime for three years, capital gains tax exemption and Rs 10,000 crore corpus to fund them. To encourage young entrepreneurs and innovation, government has also decided to bear the entire cost of facilitation for filing of patents, trademarks or designs as well as relaxed public procurement norms for startups. On 6th January 2016, the Union Cabinet has given approval to Standup India campaign which aimed at promoting entrepreneurship among women and scheduled castes and tribes.

Startup Exchange

The SEBI announced a new set of listing norms for startups, including e-commerce ventures, planning to raise funding from listing on stock exchanges. These new norms will provide relaxations in disclosure related requirements, takeover and Alternative Investment Fund regulations for IT, data analytics, intellectual property, bio-technology or nano-technology companies.

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

PRESIDENT'S COMMUNIQUÉ

CMA P. V. Bhattad
President
The Institute of Cost Accountants of India

Coming together is a beginning; keeping together is progress; working together is success.

- Henry Ford

My Dear Professional Colleagues,

Namaskar.

Friends, this year the Institute has progressed into the 58th year of its statutory recognition by the Government of India. This is the time for all of us to be reminded of the humble contribution of the Institute and its members to the Indian Economy. This is also the time to reassure ourselves that we are together capable of achieving and contributing to the professional developments that are taking place globally at breathtaking pace. We all are well aware that the global competitiveness is a challenge for everyone. The availability and expertise of professionals is the backbone of any development initiative taken by the Industry and Government. The dedication with which CMA professionals add value to the industry and society is not quantifiable but a country which is exposed to global competition, would be able to survive only due to its adaptability to face the professional challenges.

These emotions were expressed by the dignitaries on the Annual Day event, which took place on 28th May 2016 at New Delhi. In a glittering function organised by the Institute, the Chief Guest of the event, Hon'ble Shri Najib Shah, IRS, Chairman - Central Board of Excise and Customs (CBEC), Ministry of Finance, Government of India presented the 13thNational Awards for Excellence in Cost Management, CMA Awards and CMA Ratna Awards to the deserving awardees.

The overwhelming presence of distinguished guests, delegates and awardees inspired all of us. I welcomed all and in my address discussed about the contribution of the Institute and CMA profession in the economic growth of the Country. While describing the significance of annual awards to the awardees and I observed that the organisations emerging victorious become doubly happy, when their efforts get recognised by a professional body.The evening saw the champions, who reached the goal post, getting recognised for the Best Performance thru the Cost Management Excellence Awards given by the Institute. The winners inspire others to get recognised in similar fashion in future. I am sure the faster emergence of more and more companies on the top grade will realise the dream of "Make In India". I congratulated the awardees for their unstinted efforts in generating the cost consciousness in the corporate sector. A new category of awards namely CMA

Ratna awards was also introduced from this year to recognise the achievements of those CMA professionals who have excelled as IAS, IPS, IRS or other Government services. I reiterated that the corporates should take benefits of Cost Accounting and Cost Audit mechanism whether it is mandatory or not.

The Chief Guest of the evening Honourable Shri Najib Shah while praising the contribution of CMAs urged them to work in greater potential so that India's economy can see an appreciable improvement. He presented CMA Ratna to 4 awardees, National Awards for Excellence in Cost Management to 33 awardees and CMA Awards to 28 awardees.

Friends, this was the first time that the Institute combined the three major annual programs into one mega event. It was decided by the Council to present annual awards (cost awards, CMA awards and CMA Ratna awards) during the annual day of the Institute to make this day more significant and memorable.

I take this opportunity to congratulate all the awardees for the year 2015. I hope that these awards will just be a start of their list of achievement. At the same time I urge upon all of those who could not cross the winning line this year, to work harder to get the same next year.I am grateful to the Chief Guest for his gracious presence and members of Jury and Screening Committee of the awards for their valiant efforts to make these awards successful and popular. I am thankful to the participating companies for their enthusiastic participation over the years.

1stNational Conclave for Members in Industry on Sustainability for Inclusive Growth

Members of CMA profession are engaged in executive or non-executive capacity in varied areas like industry, banking & insurance, service sectors, education, not-for-profit sector, regulatory bodies and professional bodies. All stakeholders, Government and the public at large, may rely on the work of these executives as they are solely or jointly responsible for the preparation and reporting of financial and costing information of their organisation. The more senior they become, the greater will be their ability and opportunity to influence events, practices and attitudes. Members in such positions are expected to encourage an ethics-based culture in their employing organisations in order to nurture the sustainability.We, at the Institute, realise this and for the capacity building of the CMA members in Industry, the Committee on Members in Industry is organising the 1stNational Conclave for Members in Industry on Sustainability for Inclusive Growth at Thiruvananthapuram, Kerala on 8thand 9thJuly 2016. CMA Captains of the Indian Industry and professionals from Banking & Insurance will address the participants on host of emerging topics during the event. I urge the CMA Members in Industry to get ready for this event in order to be benefited by the deliberations and experience sharing in the serene background of the God's own Country 'Kerala'. More information will soon be hosted on the Institute's website.

Members Benevolent Fund

Members are kindly aware that the Benevolent Fund for the members of the Institute has been set up with the objective to provide financial assistance to members and beneficiaries by way of outright grant in the unlikely event of death of a member, outright grant for treatment for critical illness for self and family etc. I call upon all Associate and Fellow members of the institute to become life members of the fund by applying in the prescribed application format, which is downloadable from the website of the Institute, along with a one-time remittance of INR 2500. Contribution to the Fund is eligible for deduction u/s 80G. I hope membership of the benevolent Fund of the Institute grows in leaps and bounds in the days to come.

Capacity Building measures by Taxation Committee

Friends, we are aware that a majority of Corporate-India is on the process of transition to IFRS- converged Ind-AS. This would bring in some major changes in accounting for transactions having an impact on their cost structure - for both products and services. I understand that this would also have a material effect on valuation of goods/ services and hence impact tax liability. Further, with the continuity of

Accounting Standards there are two different sets of accounting standards. Again, for computation of Income from Business and Income from Other Sources, MoF has mandated ICDSs (Income Computation and Disclosure Standards). While these measures taken by the Union Government would create a congenial environment and increase the degree of ease for doing business in India. On the other hand, these investor friendly measures have also signalled all Finance and Tax Professionals to rise to the need of the hour and meet the expectation of stakeholders. Taxation Committee is in the process of capacity building of the members and are also continuing dialogues with authorities. Besides a number of technical publications are on works. Taxation Committee is working on a series of seminars/ workshops across the country to take on board industry-rich experienced members to share their knowledge besides capacity building. As we move ahead towards the implementation of proposed GST in India, I urge all my colleagues for their wider participation.

Cochin Centre of Excellence

I am pleased to inform that the building of Cochin Centrefor Excellence was inaugurated on 1st May 2016 in my presence by CMA (Dr.) A.S. Durgaprasad, Immediate Past President of the Institute. Central Council Members from south, SIRC Regional council members and members of Cochin Chapter were also present on the occasion. The CoEwill be used for the research activities for Rubber Board and Spices Board.

Discussion on Risk Management in BFSI

I wish to inform you that Committee on Banking & Insurance organized the third meet on 'Risk Management in BFSI' on 30thMay 2016 in Chennai. Shri Pawan Kumar Bajaj, Executive Director of Indian Overseas Bank was the Chief Guest at the event. Valuable discussions on Basel III, Risk issues concerning digital banking, risk based supervision audit, and the need for integrated perspective of risk governance were discussed in the panel discussion. Dr. J. D. Sharma, Director, Indian Overseas Bank, CMA Ramesh Subramanian, former GM, RBI, Shri J. S. Jagadeesan, Zonal manager, Universal Sombo Insurance and CMA V. Murali, former director, State Bank of Hyderabad were among the speakers at the program. I hope that such programs would help us develop rapport with BFSI and utilize our professional expertise to serve the sector in a greater way.

Initiatives by various departments of the Institute

Advanced Studies Department

The webinars for 2ndbatch of three Diploma Courses viz. Diploma in Business Valuation, Diploma in IS Audit &Control and Diploma in Internal Audit are being conducted as per the schedule. Members pursuing these courses must get benefitted by this. Examinations for the First batch of the Diploma Courses are going to beheld in the month of June 2016.I take this opportunity to wish the examinees good luck.

CASB Initiatives

I am happy to inform that on the recommendation of Cost Accounting Standards Board (CASB), the Council of the Institute has approved two more Cost Accounting Standards on "Overburden Removal Cost" and "Treatment of Revenue in Cost Statement" and also Guidance Note on "Treatment of Costs Relating to Corporate Social Responsibility (CSR) Activities". These Standards (CAS-23 & CAS-24) are mandatory from 1stApril 2017 for being applied for preparation and certification of the General Purpose Cost Statements. These documents can be downloaded from the Institute's website. I congratulate Chairman and all members of the Board for completing the task of formulating and bringing out above Cost Accounting Standards and Guidance Note on the much awaited topics within a shortest possible time.

The Guidance Note on "Treatment of Costs Relating to Corporate Social Responsibility (CSR) Activities" issued by the Institute was very much required to guide the stakeholders regarding the treatment of costs relating to CSR activities as per provisions of section 135 of the Companies Act, 2013. The Guidance Note provides guidance on recognition, measurement, presentation and disclosure of CSR expenses in the cost statements and many related issues and treatments of various items of costs. I am sure this Guidance Note will be very much useful to professionals and industry.

PRESIDENT'S COMMUNIQUÉ

Advocacy of CASs and SCAs

I am happy that Chairmen, CASB and CAASB have taken initiativeto organize Seminars on "Analysis & Implications of Cost Accounting Standards and Standards on Cost Auditing" on 5thMay 2016 at New Delhi, on 12thMay 2016 at Chennai and on 17thMay 2016 at Kolkata. The purpose of these Seminars was to impart technical knowledge and build capacity of members of the Institute. I am happy that the seminars got overwhelming response from members and industry. The Chairman, CAASB has taken initiative to organize series of webinars on Standards on Cost Auditing (SCAs) for proper advocacy, capacity building and knowledge sharing on technical issues contained in the Standards. Two of such seminars have been conducted in May 2016. I urge members of the Institute to participate in large number in these webinars as they impart relevant technical knowledge and provide practical approach to deal with the particular Standard.

CPD Initiatives

The webinars on 'Internal Audit-Value Addition by CMA's', 'Enterprise Risk Management' and 'Equalisation Levy' were well received by the members. I feel happy to note the increasing number of programs by our Regional Councils and Chapters. I am sure that our members are immensely benefitted with the programs andI am looking forward to active participation of our members to enhance professional knowledge and skills. Recorded webinars and the presentations of these programs are available in Knowledge bank on the website of the Institute

International Affairs

The Confederation of Asian and Pacific Accountants (CAPA) organised its events at Kualalumpur, Malaysia from 16th to 18thMay 2016 which were attended by me and CMA Rakesh Singh, Past President, ICAI who is also the Chairman of the GAC Committee of CAPA. During the events a number of Committee Meetings, CAPA Board Meeting, CAPA AGM and FRED forum were organised which were attended by us. A meeting with the representatives of 'Chartered Institute of Public Finance and Accountancy (CIPFA)' was also organised at Kualalumpurwhich was attended by us which was focussed on signing of an MoU with CIPFA. The progress was positive and the MoU is expected to materialise shortly.

Membership Department

I am happy to note that the month of May 2016 witnessed another round of admission of 294 Associate members and advancement of 76 members to fellowship. I congratulate and welcome all. I would again like to remind and request all CoP holders who have applied for renewal of CoP for 2016-17 but have fallen short of the required CEP hours, to comply with the required CEP hours latest by 30thJune 2016 by attending webinars and other programmes which carry CEP credit hours.

Professional Development

- Represented before the Chief Minister, Delhi

Chairman, PD represented before the Chief Minister and Deputy Chief Minister of NCT of Delhi on the issue of formulating and determining the ideal cost structure of Private school tuition fees and appealed for inclusion of Cost Accountants for providing professional services in the similar area of other assignments. A Concept Paper on Practical Approach- A Methodology in Education Sector prepared by the PD Department was also submitted to them.

- Representation to Government, PSUs, Banks and Other Organizations

PD Directorate is continuously sending representation letters to various organisations for inclusion of cost accountants for providing professional services in the area of Accounts, Internal Audit / Concurrent Audit/ Taxation, Stock audit and other assignments. The directorate has requested for inclusion of Cost Audit Report as an essential document for registration of a project and verification & certification of true costs at every stage of completion of the project and of an apartment, plot or building, by a cost accountant in practice under the provisions of Real Estate (Regulations and Development) Act, 2016.The directorate is also taking up with Insurance Institute of India for inclusion of CMA qualification for Credits, for prior learning in professional examination.

- Expression of Interest- Department of

Fertilizers

Department of Fertilizers, Government of India requested Institute to give Empanelment of Practicing Cost Accountants/ Firm of Cost Accountants to verify the reasonableness of MRPs of P&K fertilizers fixed by the companies by Scrutinising / Analysing the cost data. The PD Department invited Expression of Interest from the Practising Cost Accountants/ Firm of Cost Accountants. The applications so received have been sent to the Department of Fertilizers for their perusal.

● Monographs and Guidance Note on Banking Sector

Preparation of Guidance Note on the Concurrent Audit of Commercial Banks, Monograph on Internal Audit of Treasury Functions of Commercial Banks and Monograph on Risk Based Internal Audit of Commercial Banks is in final stage and the documents are expected to be released soon as Institute's Publication.

● Seminars

Seminars on various topicsare being organised by the PD Department in association with PHD Chamber of Commerce and Industry, witnessinggood response from the Members.

Research and Journal Department

The Directorate of Research & Journal of the Institute in association with National Institute of Securities Markets organized a National Seminar on 'Securities Markets in India - Unleashing Start-ups Potential' on May 14, 2016 at Kolkata. Shri Prashant Saran, WTD, SEBI, the Chief Guest provided a theoretical framework of Start up in the inaugural session and encouraged the audience approaching them to boost for start-ups. Dr SandipGhose, Director, NISM, Shri AmbarishDasgupta, President, BCCI, CMA A Sunil Kumar, RD, ERO, SEBI were among other eminent dignitaries during the inaugural session who also shared their valuable thoughts on the concerned theme. In the special session, Prof ParitoshBasu, Senior Professor, School of Business Management, NMIMS University elaborated on the Research Paper 'Offer For Sale-An Alternative Mechanism for Price Discovery of Equity Share-An Empirical Study in Indian Context' to provide a sound knowledge on the entry and exit of Capital Market. In the two technical sessions on 'Indian Economy & Start-up Potential' and 'Market Reforms for Start-up and SMEs', eminent resource persons from Securities Markets and other relevant fields discussed and made the sessions highly interactive. Around 250 members and eminent dignitaries attended the seminar and the event was a huge success.

Publications released

● The Quarterly publication of Research Bulletin, Volume 42, No. 1 was released on 14th May 2016.

● The Souvenir on 'Benchmark-Journey towards Cost Excellence' was released during the Annual Day Celebration and the Awards Function on May 28, 2016 at New Delhi which contains the grandeur of this Award Function since 2003.

● A ready reckoner on Service Tax on services provided by the Government & Local Authorities was also got released on 28th May 2016.

● Edited Volume on 'Contemporary Issues in Environmental and Sustainability Accounting' got released by Shri D.V. Sadananda Gowda, Hon'ble Minister for Law and Justice, Government of India on 30th May 2016 to commemorate the World Environment Week from 30thMay to 5thJune 2016.

I wish prosperity and happiness to members, students and their familiesand wish them much more success in all of their endeavours.

With warm regards,

(CMA P.V. Bhattad)
1st June 2016

ICAI-CMA SNAPSHOTS

CMA P V Bhattad, President lighting the lamp at the inauguration of the new building of the Cochin Chapter, 'CMA Bhawan – Center for Excellence' on May 1, 2016. Also seen are CMA Dr A S Durga Prasad, immediate past president of the Institute, CMA H Padmanabhan, CMA I Ashok, Council Members, CMA Sanyasi Rao, SIRC Chairman, and other members.

President of the Institute, CMA P V Bhattad welcoming Shri Sushil Behl and Shri Surender Kumar, Government nominees at the Council meeting held on May 21, 2016

Honorable Shri D V Sadananda Gowda, Minister of Law and Justice, Government of India, releasing the knowledge pack on 'Environmental and Sustainability Accounting' on May 30, 2016 at his office in presence of CMA Dr P V S Jagan Mohan Rao, Chairman, Corporate Laws, Governance and Sustainability Committee and CMA J K Budhiraja, Sr. Director (Technical) on the occasion of World Environment Week.

The Management Committee of Hyderabad Chapter honouring CMA Manas Kumar Thakur, Vice President of the Institute at Members' Meet at the chapter on April 2, 2016. Others seen are council members, and chapter members of the Institute.

CMA Manas Kumar Thakur, Vice President of the Institute, CMA Dr PVS Jagan Mohan Rao, CMA Balwinder Singh, CMA Amit Apte, CMA Papa Rao Sunkara, CMA Dr I Ashok, Council Members and other Chapter members at the programme on 'Companies Act, 2013' at Hyderabad Centre of Excellence organized by Hyderabad Chapter on April 3, 2016.

CMA Balwinder Singh, Chairman, CASB of the Institute inaugurating the seminar on 'Analysis & Implications of Cost Accounting Standards and Standards on Cost Auditing' by lighting the traditional lamp.
From left: CMA Jyothi Satish, RCM, SIRC, CMA H. Padmanabhan, Council Member, CMA K Suryanarayanan, Chairman – PD, SIRC, CMA K Sanyasi Rao, Chairman, SIRC and a member from Chennai.

Seminar on 'Analysis & Implications of Cost Accounting Standards and Standards on Cost Auditing' held at SIRC of the Institute.
From left: CMA K Suryanarayanan, Chairman – PD, SIRC, CMA P. Raju Iyer, Chairman, Cost Auditing and Assurance Standards Board of the Institute, CMA Dr P V S Jagan Mohan Rao, Chairman, Corporate Laws, Governance & Corporate Sustainability Committee of the Institute, CMA K. Sanyasi Rao, Chairman, SIRC, CMA Balwinder Singh, Chairman, CASB of the Institute, CMA SA Murali Prasad, Practicing Cost Accountant and CMA Jyothi Satish, RCM, SIRC

The Chief Guest, Shri Sridhar Pamarthi, ROC, Tamil Nadu, Andaman & Nicobar Islands, addressing the PD Meeting on 'National Company Law Tribunal (NCLT) & Opportunities and Challenges for CMAs'.

The Chief Guest, Shri Sridhar Pamarthi, ROC, Tamil Nadu, Andaman & Nicobar Islands, inaugurating the PD Meeting on 'National Company Law Tribunal (NCLT) & Opportunities and Challenges for CMAs' by lighting the traditional lamp.
From left: CMA H Padmanabhan, CMA Dr P V S Jagan Mohan Rao, CMA P Raju Iyer, Council Members, CMA K Sanyasi Rao, Chairman, SIRC, Shri R Rajesh, Advocate, Chennai and CMA Jyothi Satish, RCM, SIRC.

ICAI-CMA SNAPSHOTS

Jury meeting of '13th National Awards for Excellence in Cost Management-2015' held on May 11, 2016 at New Delhi

Jury meeting of 'CMA Awards - 2015' held on May 16, 2016 at New Delhi

CMA P V Bhattad, President, CMA Manas Kr. Thakur, Vice President and other Council Members of the Institute, welcoming CMA K Narasimha Murthy, Advisor (Financial Services), Government of Andhra Pradesh, in CASB meeting at the Headquarters

CMA Manas Kumar Thakur, Vice President, CMA Sanjay Gupta, CMA Dr PVS Jagan Mohan Rao, Council Members, CMA Anjana Chadha, Chairperson of Lucknow Chapter, CMA Sunil Singh, Secretary, NIRC and members of the chapter lighting the lamp at the seminar organized by the Lucknow chapter on April 17, 2016.

CMA P V Bhattad, President, CMA Manas Kr. Thakur, Vice President, Council Members and officers of the Institute pledge on observing Anti-Terrorism Day on May 21, 2016

Council Member, CMA Dr I Ashok, and other members with Infosys selected candidates at the Campus Interview organized by Trivandrum Chapter on May 10, 2016

CMA Dr PVS Jagan Mohan Rao, Chairman of Corporate Laws, Governance and Corporate Sustainability Committee addressing the NCLT programme in New Delhi, on May 29, 2016

CMA Dr PVS Jagan Mohan Rao, Council Member, CMA Arundhati Basu, RCM, other members and employees of EIRC on the occasion of Anti Terrorism day on May 20, 2016.

The Knowledge Pack of 'Contemporary Issues in Sustainability Accounting & Reporting' got released at the program of PAIB Committee of SAFA on April 22, 2016 at Mumbai by Mr Stathis Gould, Head of Professional Accountants in Business, Integrated Reporting Lead, International Federation of Accountants and other eminent delegates.

CMA Dr PVS Jagan Mohan Rao, Council Member, CMA P K Chakrabarty, Secretary EIRC and other members at the CEP Program organized by Howrah Chapter of the Institute on 'National Company Law Tribunal–Role of CMAs and Highlight on Insolvency & Bankruptcy Code' held on May 18, 2016.

National
“Securities Markets in India:

India is now the third largest country after the United States and the United Kingdom in terms of entrepreneurial activities in the world. There are about 4300 start ups in the technology space alone in India. According to the World Startup Genome Project 2015, Bengaluru is the fifth best city in the world to start up.

The second National Seminar on “Securities Markets in India : Unleashing Startups Potential” jointly organized by the Institute and National Institute of Securities Markets at ICAI Auditorium of the Institute at Kolkata on May 14, 2016 had been an initiative handholding the current generation and encourage them to boost startup businesses which is totally a different practice whatsoever.

Inaugural Session & Release of Research Bulletin

Dr Sandip Ghose, Director, National Institute of Securities Markets said Startups

have always been there, may be in a limited form. The Prophets , Lord Budhha, Jesus Christ, Mohammad were the first big start Ups and the first change agents of our society. The technology startups initiated with the invention of steam engine. In the history of civilization there are very few countries blessed with demography and technology at the same time and India is one of those to be praised with. Despite its challenges, this is one of the potential we are having which can define what future has to be. Start ups never follow best practices. They have to follow a different practice. Money is only a byproduct for a start up. It can never be a consideration for the start up.

Shri Ambarish Dasgupta, President, The Bengal Chamber of Commerce and Industry (BCCI) introduced about relevant sections of West Bengal Start Up Policy 2016, termed ‘Shilpa Korun Bangla Gorun’ that had been commenced since January 1, 2016 and will continue till December 31, 2021 with the vision to encourage younger generation and also in line to boost up start up policies. He shared certain promises made by the policy which includes time bound decision on statutory compliances, seamless access to various incentives etc. He explained the position of West Bengal in relation to Startup procedure, how to benchmark it with the rest of the states in India, the social acceptance of the start ups, the problems it may face, Nasscom initiatives etc.

CMA A Sunil Kumar, Regional Director, Eastern Regional Office, SEBI stressed there is a stern need to promote entrepreneurship, to promote innovation by creating an ecosystem to promote the growth and development of the startups so that India becomes a nation of job creators instead of job seekers. He discussed about the role of SEBI which has been guiding the securities market, how the start ups can benefit from SEBI’s liberalization of norms.

Shri Prashant Saran, Whole Time Director, SEBI the Chief Guest provided a theoretical framework of startup and gave a brief outline on the distinguishment of the financing of startups from other sources of financing and also the exit procedures, explained the evolution of startup policies, the positive externalities, the negative externalities.

Quarterly publication of ICAI Research Bulletin, Volume 42, No 1 got released during the session.

CMA Manas Kumar Thakur, Vice President of the Institute rendered his special address and CMA Avijit Goswami, Chairman, Research, Journal and IT Committee of the Institute delivered his welcome speech in the national seminar. CMA A.S Bagchi,

Director (Membership) of the Institute nicely anchored the whole inaugural session. CMA Kaushik Banerjee, Secretary of the Institute ended the inaugural session with the vote of thanks

Seminar on

Unleashing Startups Potential"

Special Session

In the special session, CMA Dr. Paritosh C. Basu, Senior Professor, NMIMS University School of Business Management, Mumbai elaborated on the Research Paper 'Offer For Sale-An Alternative Mechanism for Price Discovery of Equity Share-An Empirical Study in Indian Context' to provide a sound knowledge on the entry and exit from Capital Market. Dr Ashish Kumar Sana, Professor, Department of Commerce, University of Calcutta was the moderator of the session.

Technical Sessions

The First technical session on 'Indian Economy & Start Up Potential' and Prof Suman Mukerjee, the moderator of the session highlighted on a very sensitive theme whether startups are for those who are savvy with the IT, computers, which knows the policies, the ways, the guidelines for their businesses to grow up. He shared his perspectives on our rural economy which is not taken care of properly and said, if these major issues are taken care of, start ups would have taken place on its own.

CMA Kalyan Kar, Co-Founder & Managing Director at Inthink Knowledge Ventures believed that until and unless technology touches the life of a common man and really percolates of every nook and corner of the country, it has no meaning. He highly praised the start up geneure since they are performing commendable performance in India. He said the power of technology is now reaching the common people and rural Indian is getting smarter.

Dr Subhrangshu Sanyal, CEO-IIM Kolkata, Innovation Park opined that to begin with a start up a lot of things could be done individually, even with meagre amount of work force, rather than having huge expectations from the government. So creation of entrepreneurial mindset is required.

CMA Sudip Datta, Chief Operating Officer , IIDC Limited (Formerly IL&FS Infrastructure Development Corp Ltd) distressed on the financing of the startups which is really a major concern although the startups are really doing pretty good businesses in urban as well as in rural areas.

CMA (Dr) Sunder Ram Korivi, Dean, NISM said that the word 'Start Up' has become the accepted lexican of business and detailed his thorough knowledge on it.

In the second technical session, on 'Market Reforms for Startup & SMEs' , Shri Tamal Bandopadhyay, Consulting Editor, MINT, the moderator of the session talked about the 'Missing Middle' of the SMEs and regretted that 57.7 million SMEs operating in India are 'Missing Middle' and out of them 92.77 % have no source of financing. 5.18% have access to institutional financing and 2.05% have access to non institutional financing .

Shri Ravi Ranjan, Head, Nasscom 10000 startups, Kolkata narrated, there is still huge requirement of banks , venture capitalist and alternative platforms to come forward and support start ups.

CMA Supratim Mitra, AVP, NSDL said the startup is not a new concept. Every company has been a startup someday and sometime.

Shri Bijay Murmuria, Director, Sumedha Fiscal Services said that the SMEs and the startups in India always face a challenge on the costly, complex and lengthy compliance norms.

CMA Tojo Banerjee, Head, NSE-East insisted if there is a proactive approach of looking start ups, there will be companies coming forward for encouraging the same.

The seminar was a huge success and the highly enriched deliberations at the seminar on the concerned theme certainly raised awareness and responsiveness and paved new thoughts among the members.

Government Incentives to STARTUPS

CMA G. PRASANNA BAIRY
GM- Finance
DPK Engineers Pvt. Ltd.
Bangalore

Demographic dividend

In a densely populated country like India regulators, governments, administrators and other authorities have been inherited with the onerous task of engaging the workable population in gainful employment. Often it is said that India is blessed with demographic dividend as a large chunk of the country's workable population comprises of persons in the age group of 25 years or less. However, it is an irony that only twenty percent of the new graduates are considered to be employable based on the skill expectations of the prospective employer.

Adequate employment opportunities to youth will no doubt help the country in improving the output, GDP and standard of living of the citizens. However, failure to provide adequate employment opportunities to the youth can be catastrophic. In such a case, young people will be akin to time-bomb which can explode any time. All pervading negative energy can make young people engage in anti-social/non-productive activities. This will not only cause law and order problems but also force the country to forego the golden opportunity of utilising the youth power in the right direction.

Obviously Government of India cannot afford to forego

demographic dividend. Hence, it has taken number of measures to improve the skills of young people, facilitate the ease of doing business, generation of mass employment and facilitating the growth. Government was quick to realise that startups are growth drivers for generating mass employment opportunities. Hence it has taken number of measures for promoting startups and building the startup ecosystem. As a part of ambitious startup initiatives, The Government of India has unveiled startup action plan on 31st January 2016. This flagship initiative intends to build strong startup ecosystem for nurturing innovation and unlock huge employment opportunities. The action plan intends to address all aspects of the startup ecosystem and to accelerate startup movement.

In this article, an attempt has been made to analyse the Government incentives for reducing the compliance cost and reducing the burden of tax liability.

What is a startup ?

It is very important to know the definition of 'startup' according to Government. The entitlement for availing the benefits of Central Government schemes depends on whether the entity falls within the four corners of the definition of 'startup'.

Central Government has defined the term 'startup' to mean an entity incorporated or registered in India for not more than 5 years with annual turnover not exceeding Rs. 25 crores in any preceding financial year, working towards innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property.

Provided that such entity is not formed by splitting up or reconstruction of a business already in existence.

Entity means :-

(1) Private limited company incorporate under the Companies Act, 2013 or

(2) Partnership firm registered under the Indian Partnership Act, 1932 or

(3) Limited Liability Partnership registered under LLP Act, 2008.

OPC is considered to be a private limited company and hence it will fit the definition of 'startup'. However, a proprietorship concern or a public limited company will not be treated as startup.

Entity ceases to be a startup :-

(1) If turnover exceeds Rs. 25 crores in any preceding financial year (within 5 years) or

(2) On the expiry of 5 years from the date of incorporation/registration.

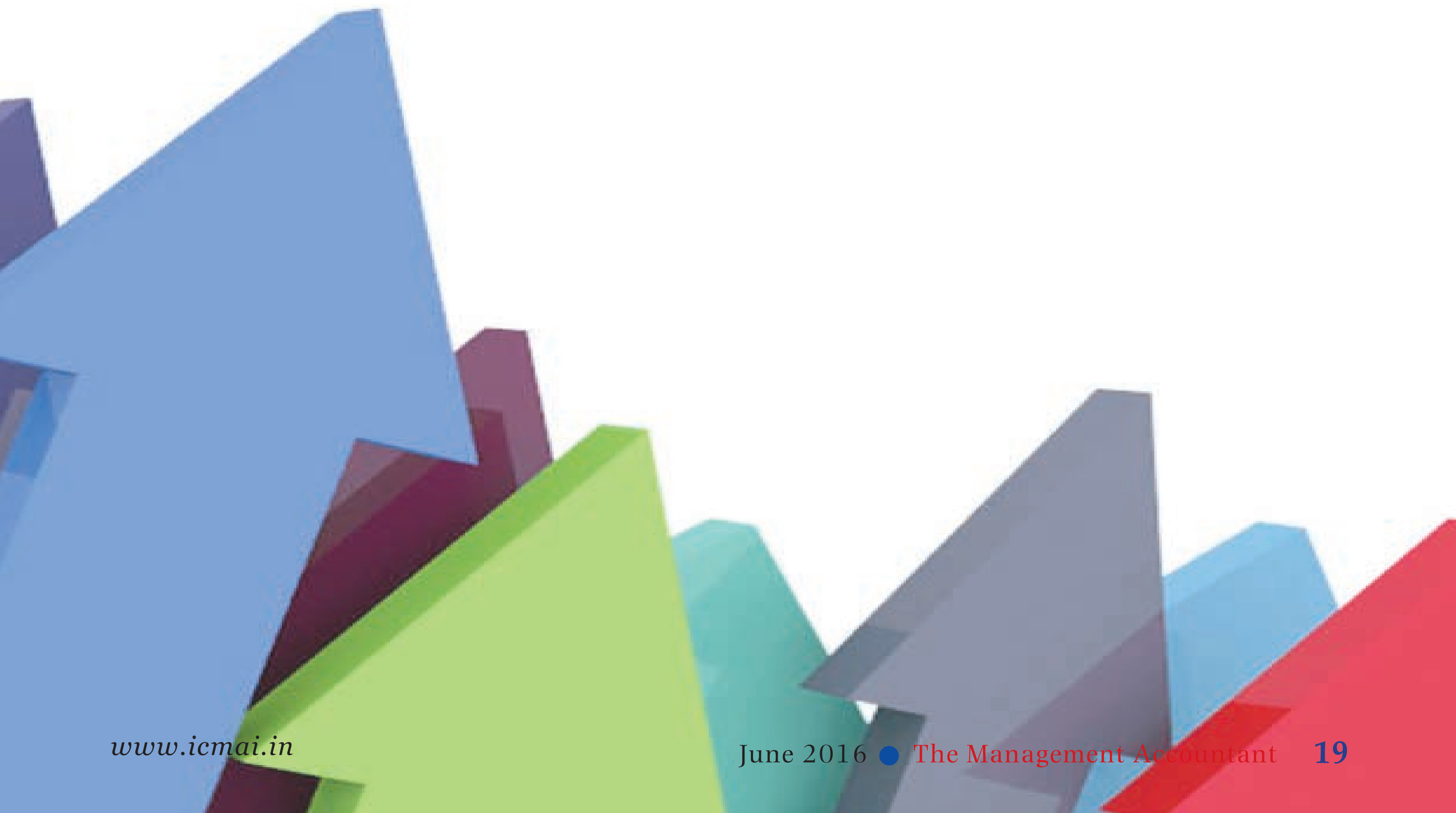
In order to be eligible for tax benefits, startup should obtain certification from the Inter-Ministerial Board set up for such purpose.

As seen from the above, definition of startup is very restricted. Benefits of Central Government Schemes can be claimed only if the entity meets all the conditions.

Further in order to be eligible as a "startup", the entity should be recommended/supported by incubator/incubation fund/angel fund/private equity fund/accelerator/angel network or funded by GOI or have a patent from Indian Patent and Trademark office.

'Turnover' means turnover as per Companies Act, 2013.

There is a restricted definition of business as well. *It is very*



clear that Government of India wants to promote only serious players engaged in startup business and not 'fly by night' operators. However, capping the turnover to Rs. 25 crores is a bit retrograde step as the aim should be to boost revenue of startups.

Measures for reducing compliance cost

Various measures have been proposed for reducing the compliance cost which are as under :

(1) Startups will be allowed to self-certify (using the startup mobile app) the compliance as regards 9 labour and environmental laws.

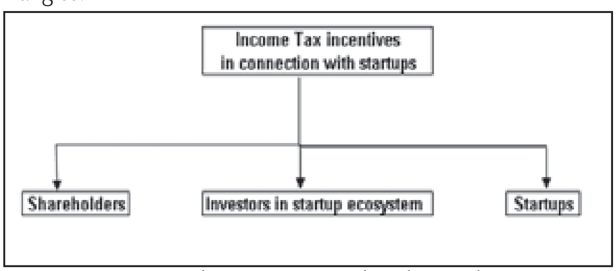
(2) Inspection will not be conducted under labour laws for 3 years unless credible and verifiable compliant regarding violation is received in writing and inspection in such case is approved by an officer who is at least one level senior to the inspecting officer.

(3) Startups falling under 'white category' (as defined by CPCB) would be able to self-certify compliance and only random checks would be carried out in such cases.

It has to be noted that the above measures are intended to facilitate the ease of doing business and does not provide any leeway to startups as regards compliance with applicable laws. It is stated that inspection will not be conducted during the first 3 years except in certain circumstances. But inspection is not waived off for the first 3 years i.e., inspection might be conducted after the expiry of 3 years for the initial 3 years of operation. Startups are likely to pay huge interest and penalty even for the violations committed during the first 3 years of operation. Hence, it is imperative for startups to have strong compliance foundation so that compliance cost can be kept under control.

Income Tax incentives

Income Tax incentives to startups can be analysed from three angles.



Incentives to each category is analysed as under :

Income Tax incentives to shareholders :

As per The Times of India report dated 6th May, 2016, government has amended the Budget 2016 to provide for capital gains (arising from transfer of shares) tax exemption to the shareholders of unlisted companies if the shares were held for more than 2 years before transfer.

This appears to be a very good move from government. As startups are risky ventures, capital gain tax exemption is likely to give much expected impetus to the shareholders. The exemption is likely to act as catalyst to encourage more investors (both individuals as well as angels/VCF investors) to invest in the startups.

Income Tax incentives to investors in startup ecosystem :

Budget 2016 contains many provisions to encourage the investments in startup ecosystem. The government wants to promote and establish startup as a long lasting business model. Exemptions are as under :

(1) Insertion of Section 54EE - This section exempts entire capital gains arising from transfer of long term assets if the gains are invested within 6 months of transfer in 'long-term specified asset'. Maximum exemption available under this section will be Rs. 50 lacs. Such 'long-term specified asset' if transferred within a period of 3 years from the date of acquisition, exemption granted earlier will be withdrawn. No loan can be availed against 'long-term specified asset' failing which exemption granted earlier will be forfeited.

The Central Government intends to establish a 'Fund of Funds' with a corpus of Rs. 10,000 crores to support the startup ecosystem. It appears that insertion of Section 54EE is towards establishment of 'Fund of Funds'.

(2) Amendment to Section 54GB - Section 54GB exempts capital gains arising from transfer of long term capital asset in the nature of house or plot of land if the net consideration is invested by the assessee (individual or HUF) in the shares of eligible company and such company within a year from the date of subscription to shares by the assessee utilises the amount for purchase of new asset. If the company fails to invest the subscription money towards purchase of new assets, exemption granted to the assessee will be withdrawn. If the shares/assets are sold/transferred by the assessee/company within five years, capital gains exemption granted earlier will be withdrawn. Budget 2016 has effected the following amendments :-

(a) Assessee transferring the long term capital assets up to 31-03-2017 and investing the net consideration in 'eligible company' will be entitled to avail the benefit of this section. However, if the investment is made by the assessee in 'eligible startup', date of transfer of long term assets for availing the benefit of this section will be extended up to 31-03-2019.

(b) Eligible company was defined to be a manufacturing company. Now, the definition is stretched to include 'eligible business'. Earlier, company should have been qualified to be a small or medium enterprise as per MSME Act, 2007. Now the company can be a small or medium enterprise or an 'eligible startup'.

(c) Computers/computer software was not qualified to be a 'new asset'. Now, this restriction has been removed in respect of technology driven eligible startup duly certified by Inter-Ministerial Board of Certification notified by the Central Government in the Official Gazette.

Income Tax incentives to startups :

Budget 2016 has provided two types of tax incentives to startups i.e.,

(1) Total exemption from tax liability for 3 years and

(2) Concessional rate of tax.

Each of the above are briefly discussed as under.

Total exemption from tax liability

Budget 2016 has inserted Section 80-IAC which provides for 100% deduction in respect of profits and gains derived from 'eligible business' by 'eligible startups'. The deduction is available for any three consecutive assessment years (at the option of the assessee) out of five years beginning with the year in which eligible startup is incorporated. This deduction is available subject to fulfillment of certain conditions.

As per explanation, 'eligible business' means a business which involves innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property. This definition is in line with the definition of startups as given by the Government while unveiling the startup action plan.

'Eligible startup' means a company or limited liability partnership engaged in 'eligible business' which fulfills the following conditions :

(1) It is incorporated during the period 01-04-2016 to 31-03-2019.

(2) Total annual turnover during the previous years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 does not exceed Rs. 25 crores.

(3) It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified by the Central Government in Official Gazette.

This provision provides total exemption from tax liability to eligible startups for 3 years within 5 years from the year of incorporation. However, ground reality is that startups will take 5-7 years to break up. They will not have any tax liability during the initial 5 years. Hence, in reality this provision may not be of great help to startups.

Concessional rate of tax

Budget 2016 has inserted Section 115BA which provides for lower rate of corporate tax in the case of companies incorporated on or after 01-03-2016.

The tax rate applicable to such companies will be 25% provided the following conditions are satisfied :

(1) The company is engaged in the business of :

(a) manufacture of any article or thing or

(b) research in relation to or distribution of, such article or thing manufactured or produced by it.

(2) While computing the tax liability of the company, additional depreciation, investment allowance, specified area based or investment based exemptions/deductions, VI-A deductions (except under section 80JJAA) cannot be deducted.

Lower rate of corporate tax provided by this section is optional and the option has to be exercised by the company before filing of first return of income. Option once exercised cannot be changed in any subsequent assessment years.

Startups which are not eligible to claim 100% deduction as per Section 80-IAC (as discussed above) can avail the benefit of concessional rate of tax as per Section 115BA subject to fulfillment of conditions as above.

Though tax rate of 25% as against the normal rate of 30% appears to be lucrative, it has to be thoroughly evaluated based on all the parameters. Cost benefit analysis has to be done keeping in view the deductions towards additional depreciation, investment allowance et al.

Conclusion

As seen from the above analysis, government has been introducing various measures and providing incentives to promote startups and to build strong startup ecosystem. It is for the startups to grab the opportunity and build a sustainable business model keeping in view the legitimate benefits and tax concessions granted by the government. Strong business model based on the foundation of systems, processes, ethics and values will go a long way in building a self-sustainable startup ecosystem. It will also help the startups to be partners in nation building by generating the employment and by contributing to the GDP of nation. Government will do well by ensuring that the intended benefits and concessions reach the deserved entities without any hiccups. This will result in a long lasting and win-win relationship between the government and startups which will ultimately benefit the nation. MA

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Start Up India Scheme from Job Seekers to Job Creator

A CRITICAL ANALYSIS OF SCHEME AND ROLE OF CMAs

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The unemployment is the biggest problem in our nation since independence. In order to address this problem different schemes have been launched by successive governments over a period of time, like Intensive Agriculture Development Program (IADP) in 1960-61 to provide loan for seeds and fertilizers to farmers, Crash Scheme for Rural Employment (CSRE) in 1973 for rural employment, Training Rural Youth for Self Employment (TRYSEM) in 1979 for the purpose to create self employment, educational and vocational training, Development of women and children in Rural Areas (DWCRA) in 1982 for opportunities of self employment to the women belonging to the rural families who are living below the poverty line, Rural Landless employment guarantee programme (RLEGP) in 1983 to create employment for landless farmers and labourers, Jawahar Rozgar Yojna (JRY) in 1989 for employment to rural unemployed, Nehru Rozgar Yojna (JRY) in 1989 for employment to urban unemployed, Scheme of urban wage employment (SUWE) in 1990 for scheme to urban poor's, Employment Assurance Scheme (EAS) in 1993 for employment of at least 100 days in a year in villages, Swaran Jayanti Shahari Rojgar Yojna in 1997 for urban employment, Swaran Jayanti gram swarojgar Yojna in 1999 for self employment in rural areas, Sampoorna grameen rojgar yojna in 2001 for employment and food security to rural people. National rural employment guarantee scheme (NREGS) in 2006 to 100 days wages employment for development works in rural areas.

No doubt Indian government has launched large number of schemes to eliminate unemployment from the country. Indians are also hard workers, talented, dedicated towards their Jobs and willing to do something different in jobs and business as well, then why unemployment is still biggest problem for our country. Actually not only uneducated and rural people are suffering from unemployment; educated people who are living in urban area are equally suffering from unemployment. The schemes till now have not given desired results due to lack of proper implementation. A comprehensive scheme was needed to cater to all segments of the society, and sufficient mechanism for properly implementing the same.

Now for eliminating the unemployment and to create the jobs in our country, Prime Minister Modi Ji took the initiative

The Central Government has launched many Schemes/ Yojanas like Digital India, Pradhan Mantri Jan Dhan Yojana, Swachh Bharat Abiyan, Make in India, Saansad Adarsh Gram Yojana, Atal Pension Yojana, Awas Yojana (PMAY), Jeevan Jyoti Bima Yojana (PMJJBY), Suraksha Bima Yojana, Krishi Sinchai Yojana, Kausal Vikas Yojana, Mudra Bank Yojana, Garib Kalyan Yojana, Sukanaya Saamriddhi Yojana, DigiLocker Scheme, **Start up India**, *Etc.*

Since independence, unemployment is the biggest problem for our nation. In order to address this problem and to create jobs, Start up India Yojana was first announced by our Prime Minister during his Address on 15 August 2015, from the Red Fort.

The Start up India – Stand up India scheme was formally launched by Prime Minister Narendra Modi at Vigyan Bhawan in New Delhi on 16th January 2016.

The Scheme became hottest topic for discussion and debates on news channels, News Papers, International & National Conferences and Seminars.

in the form of Start up India scheme. Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

This scheme seems to be different, apex and ambitious than all other unemployment eliminating schemes because Start up India Scheme cover persons in Tier I cities, Tier II and Tier III either rural or urban covering all segments of the society. The persons who are skilled, capable, talented having zeal to do things differently and wish to start their own business but cannot start due to no or meagre financial and other resources, would be immensely benefitted with this scheme.

There is fabulous and fantastic thing for us that Prime Minister Narendra Modi's direct involvement in promoting Start up India' initiative, with the Government's support, a startup can be built in a day which will definitely motivate many young entrepreneurs to turn ideas into realty thereby increasing the jobs in India. This action would bring out the confidence among the entrepreneurs to startup with hassle free process, that's result will bring positive Impact on the ecosystem as well as the economy.

The objectives of this study are as follows:

A) To understand Definition of Startup (only for the purpose of Government schemes)
B) A Glance on Key points of Startup India plan with brief Summary
C) To understand Role of CMAs in startup India.
D) A Glance on Fault lines of Startup India Scheme and honest opinion.

Definition of Startup in context of Startup scheme

Start up means

i An entity i.e. Private Limited Company (under The Companies Act, 2013) or a Registered Partnership Firm (under The Indian Partnership Act, 1932) or Limited Liability Partnership (under The Limited Liability Partnership Act, 2008)

i Incorporated or registered in India not prior to five years,

i With annual turnover not exceeding INR 25 crores in any preceding financial years

i Working towards innovation, development, deployment or commercialization of new Products, processes or services driven by technology or intellectual property.

Situations in which Entity will cease to be a Startup.

i Entity formed by splitting up or reconstruction of a business already in Existence.

i If its turnover in any previous financial years has exceeded INR 25 crores

i Entity has completed 5 years from the date of incorporation/ registration

Department of Industrial Policy and Promotion (DIPP).

i The Scheme will be administered by Department of Industrial Policy and Promotion (DIPP) of Govt. of India.

i Start up India Helpline

a) Email – dipp-startups@nic.in

b) Toll free number - 1800115565

Inter-Ministerial Board

An Inter-Ministerial Board will be setup by DIPP to validate and recognize the innovative nature of the business for granting tax related benefits. A Startup shall be eligible for tax benefits only after it has obtained certification from the Inter-Ministerial Board.

A Glance on Key points of Startup India plan with brief Summary

Brief Summary of Key points of Startup India Plan

Simplification And Handholding	Funding Support and Incentives	Industry-Academia Partnership and Incubation
Compliance Regime based on Self-certification	Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore	Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform
Startup India Hub	Credit Guarantee Fund for Startups of Rs 500 Crore.	Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program
Rolling out of Mobile App and Portal	Tax Exemption on Capital Gains	Harnessing Private Sector Expertise for Incubator Setup
Legal Support and Fast-tracking Patent Examination at Lower Costs	Income Tax Exemption to Startups for 3 years	Building Innovation Centres at National Institutes
Relaxed Norms of Public Procurement for Startups	Tax Exemption on Investments above Fair Market Value	Setting up of 7 New Research Parks Modeled on the Research Park Setup at IIT Madras
Faster Exit for Startups		Promoting Startups in the Biotechnology Sector
		Launching of Innovation Focused Programs for Students
		Annual Incubator Grand Challenge

A Glance on Key points of Startup India plan

A) Simplification and Handholding

1) Compliance Regime based on Self-certification

The main objective of self certification scheme is to reduce the regulatory burden on startups and to give the opportunity to focus on core business operations.

In a small organization, the promoter manages the business either single handedly or with little help of others. In such circumstances, he may be unaware or feel irritated for doing compliance of various labour laws and environment laws, because these are time consuming process and difficult to handle without help of experts. In order to sort out this problem, this scheme will allow to self-certify compliance (through the Startup mobile app) for 9 labour and environment laws as given :-

Acts covered in Labour Law:

1) The Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996
2) The Inter-State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
3) The Payment of Gratuity Act, 1972
4) The Contract Labour (Regulation and Abolition) Act, 1970
5) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
6) The Employees' State Insurance Act, 1948

Acts covered in Environment Law:

1) The Water (Prevention & Control of Pollution) Act, 1974
2) The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003
3) The Air (Prevention & Control of Pollution) Act, 1981

In case of the labour laws, no inspections will be conducted for a period of 3 years. But Startups may be inspected on receipt of credible and verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.

In case of environment laws, Startups which fall under the 'white category' (as defined by the Central Pollution Control Board (CPCB)) would be able to self-certify compliance and only random checks would be carried out in such cases.

2) Startup India Hub

A **Startup India** hub will be created as a single contact point, for entrepreneurs to exchange knowledge and access financial aid. To all young Indians who have the courage to enter an environment of risk, the Startup India Hub will be their friend, mentor and guide to hold their hand and walk with them through this journey. The "Startup India Hub" will:

❑ Work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions,

❑ Assist Startups through their lifecycle with specific focus on important aspects like obtaining finance, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation,

❑ Organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation.

3) Rolling out of Mobile App and Portal

A new business often suffer from the uncertainty regarding the exact regulatory requirements to set up its operations. No doubt delays or lack of clarity in compliance of regulatory requirements may lead to delays in establishment and operations of Startups.

The Start up Scheme shall provide single platform for Startups to interact with Regulatory authorities and Government for different types of business needs and information exchange among various stakeholders.

A startup can set up by filling a short form through a mobile app and online portal. A mobile app has been launched on 1 April 2016. Through which startups can be registered in a day. There is also portal for clearances, approvals and registrations.

Features

A) Startups can track the registration application.

B) Startups can download the registration certificate.

C) A digital version of the final registration certificate will be made available for downloading through the Mobile App

D) The App will provide a collaborative platform with a national network of stakeholders of the Startup ecosystem to have discussions towards enhancing the ecosystem.

4) Legal Support and Fast- tracking Patent Examination at Lower Costs

The Govt shall promote awareness for adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs by providing access to high quality Intellectual Property services and resources, including fast-track examination of patent applications and rebate in fees.

The scheme for Startup Intellectual Property Protection (SIPP) shall facilitate filing of Patents, Trademarks and Designs by innovative Startups. Various measures being taken in this regard include:

- Fast-tracking of Startup patent applications,
- Panel of facilitators to assist in filing of IP applications till final disposal of the IPR application.
- Government to bear facilitation cost: Under this scheme, the Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable.
- Rebate on filing of application: Startups shall be provided an 80% rebate in filing of patents vis-à-vis other companies. This will help them pare costs in the crucial formative years.

The scheme is being launched initially on a pilot basis for 1 year; based on the experience gained, further steps shall be taken.

5) Relaxed norms of public procurement for startups

The eligibility conditions in tenders for public procurement by a Government entity or by a PSU often include either "prior experience" or "minimum prescribed turnover". Such kind of condition will prohibit Startups from participating in such tenders.

To provide an equal platform to Startups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs/ companies in public procurement, relaxed norms of public procurement for startups are announced. From April 2015, all PSUs, Central government ministries and departments have been directed to procure at least 20 percent of products and services required by them from micro and small enterprises. If the Micro, Small and Medium Enterprise (MSMEs) can deliver the goods and service as per prescribed technical and quality specification, the norms on prior experience and prior turnover will be relaxed for them.

6) Faster and easy exits for startups

In the situation of unfortunate business failure, an organisation faces many critical issues like how to make the valuation of assets and how to dispose it, the manner for payment of debt, how to relocate the capital and finally what legally and judicial procedure have to follow for winding up the business. To overcome critical winding up procedure, Start up India scheme provides faster and easy exits system for startups.

B) Funding Support and Incentives

1) Providing Funding Support through a Fund of Funds with a Corpus of INR 10,000 crore

Banks and financial institutes feel reluctant in providing loans to start up due to lack of sufficient cash flow and possibility of financial loss in new businesses. The Startup Scheme provide funding support to startups for start, development and growth of business.

To provide funding support to startups, the government will set up a fund with initial corpus of Rs 2500 crore and a total corpus of Rs 10000 crore over a period of 4 years i.e. Rs 2500 crore per year.

Features

A) The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but will participate in the capital of SEBI registered Venture Funds,

B) The fund of funds will manage by a board with private professionals drawn from industry bodies, academia and successful Startups,

C) Life Insurance Corporation (LIC) will be a co-investor in the Fund of Funds.

2) Credit Guarantee Fund for Startups of Rs 500 crore

Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years to encourage Banks and other Lenders to provide Venture Debts to Startups.

3) Tax Exemption on Capital Gains

Due to their high risk nature, Startups are not able to attract investment in their initial stage. The tax exemption on capital gains shall be given to persons, if they have invested such capital gains in the Fund of Funds recognized by the Government, or the new assets are purchased by startup from such capital gains.

4) Income Tax Exemption to Startups for 3 years

The profits of Startup initiatives will be exempted from income-tax for a period of 3 years. This fiscal exemption shall facilitate growth of business and meet the working capital requirements during the initial years of operations. The exemption shall be available subject to non-distribution of dividend by the Startup.

5) Tax Exemption on Investments above Fair Market Value

Where a Startup receives any consideration for issue of shares which exceeds the Fair Market Value (FMV) of such shares, such excess consideration is taxable in the hands of recipient as Income from Other Sources under The Income Tax Act, 1961. In the context of Startups, where the idea is at a conceptualization or development stage, it is often difficult to determine the FMV of such shares. In majority of the cases, FMV is also significantly lower than the value at which the capital investment is made. This results into the tax being levied under section 56(2) (viib). Currently, investment by venture capital funds in Startups is exempted from operations of this provision. The same shall be extended to investment made by incubators in the Startups.

C) Industry-Academia Partnership and Incubation

1) Organizing Startup Fests for Showcasing Innovation and Providing a Collaboration Platform

The Government is proposing to introduce Startup fests at national and international level to bolster the Startup ecosystem in India. These fests would provide a platform to Startups in India to showcase their ideas and work with a larger audience comprising of potential investors, mentors and fellow Startups.

2) Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program

The Atal Innovation Mission (AIM) shall have two core functions:

1) Innovation promotion, to provide a platform for promotion of world class Innovation Hubs, where innovative ideas will generate

2) Entrepreneurship promotion through Self-Employment and Talent Utilization (SETU)

Main components of entrepreneurship promotion.

A) Establishment of sector specific Incubators including in PPP mode,

B) Establishment of 500 Tinkering Labs,

C) Seed funding to potentially successful and high growth Startups,

D) Pre-incubation training to potential entrepreneurs in various technology areas in collaboration with various academic institutions having expertise in the field.

Main components of Innovation promotion.

A) Institution of Innovation Awards (3 per state/UT) and 3 National level awards

B) Providing support to State Innovation Councils for awareness creation and organizing state level workshops/ conferences

C) Launch of Grand Innovation Challenge Awards for finding ultra-low cost solutions to India's pressing and intractable problems

3) Harnessing Private Sector Expertise for Incubator Setup

Government will create a policy and framework for setting-up of incubators across the country in

public private partnership to ensure professional management of Government sponsored / funded incubators.

The incubator shall be managed and operated by the private sector.

The funding for setting up of the incubators shall be provided by NITI Aayog as part of Atal Innovation Mission.

4) Building Innovation Centres at National Institutes

Government will set up 31 innovation centres at national institutes including 13 Startup centres and 18 Technology Business Incubators (TBIs) to provide facilities for new Startups to ensure successful innovation, augmentation of incubation and R&D efforts.

18 Technology Business Incubators (TBIs)

MANIT Bhopal	IISER Thiruvananthapuram	IIM Kozhikode
NIT Rourkela	IISER Bhopal	IIM Raipur
NIT Jalandhar	IIM Rohtak	NIT Warangal
IIM Udaipur	IIT Mandi	MNITJaipur
NIT Calicut	IISER Mohali	NIT Tiruchirappalli
IIT Ropar	IIT Roorkee	IIT Patna

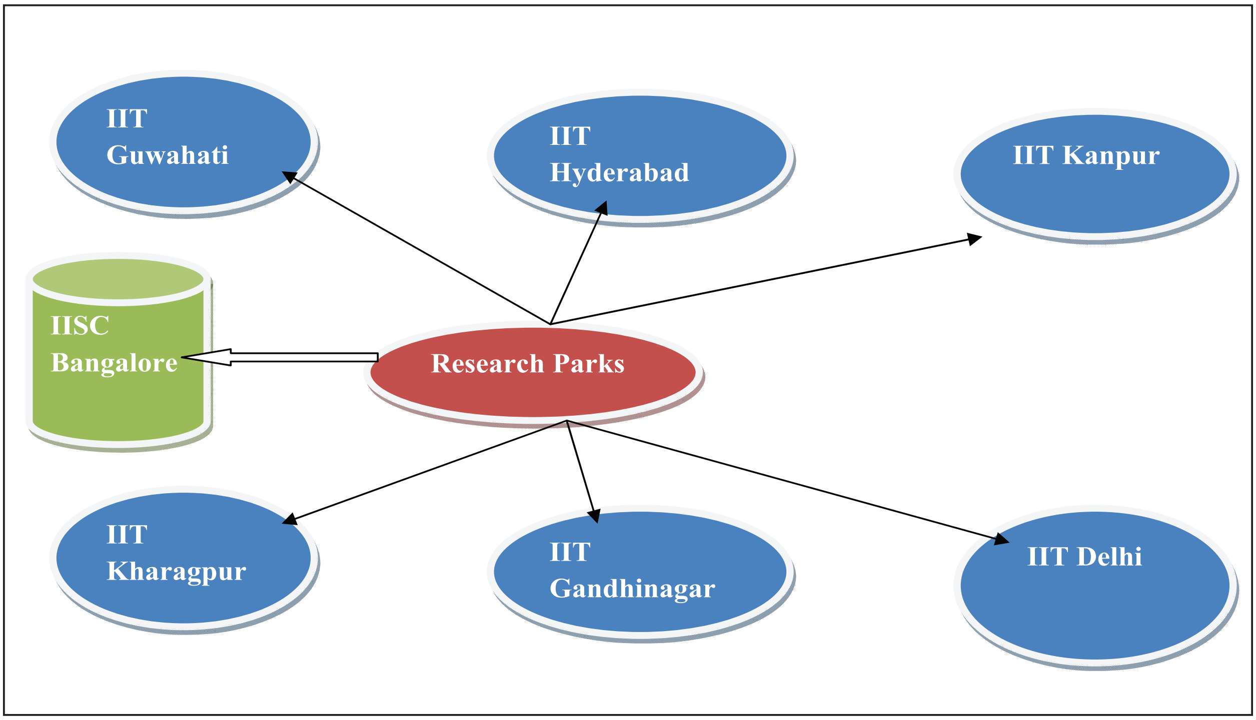
13 Startup Centres

RGIIM Shillong	IIITDM Kancheepuram	NIT Agartala	NIT ArunachalPradesh
NIT Delhi	PDPM-IIITDM Jabalpur	NIT Silchar	
MNIT Allahabad	ABVIIITM Gwalior	IIT Bhubaneswar	
VNIT Nagpur	NIT Goa	NIT Patna	

Annual funding support of INR 50 lakhs (shared 50:50 by DST and MHRD) shall be provided for three years for encouraging student driven Startups from the host institute.

5) Setting up of 7 New Research Parks modeled on the Research Park Setup at IIT Madras

Government will set up seven new research parks - 6 in IITs, 1 in IISc with an initial investment of Rs 100 crore each to promote startup India scheme. The Research Parks will be modeled based on the Research Park setup at IIT Madras.



6) Promoting Startups in the Biotechnology Sector

Govt shall establish 5 new bio clusters, 50 new bio incubators, 150 technology transfer offices and 20 bio connect offices to motivate, encourage, promote and facilitate bio-entrepreneurship .

Biotech Equity Fund – Biotechnology Research Assistance Council (BIRAC) AcE Fund in partnership with National and Global Equity Funds (Bharat Fund, India Aspiration Fund amongst others) will provide financial assistance to young Biotech Startups.

7) Launching of Innovation Focused Programs for Students

Innovation focused programs for students will be launched to promote research activity, new ideas and innovation approach amongst young students.

8) Annual Incubator Grand Challenge

The Government is proposing to make forward looking investments towards building world class

Incubators. In its first phase, the aim is to establish 10 such incubators. These incubators would be given Rs. 10 crores each as financial assistance which may be used for ramping up the quality of service offerings. The incubators shall also become reference models for other incubators aspiring to offer best-in-class services.

Fault Lines and Honest Opinion in Startup India

1) Information Technology Industry is biggest growing sector.

Fault Line: The Information Technology is the only sector which has shown tremendous growth in last two decades. No doubt, rest of the sectors has also shown growth but not to that extent.

The expanding role of IT Sector has provided employment opportunity to big masses but, it is a service industry and provide service to other Industries which is facing reducing growth rate. Now, if many IT industries come under the scheme of Startup India, definitely it will provide employment to a no. of people who are expert in IT field but there must be other industries to which IT sector will cater.

Honest Opinion: The Government of India should identify various Industries and suitably allocate them in the Tier 1 employment provider industries, Tier 2 employment provider industries and Tier 3 employment provider Industries.

Government of India should modify the scheme of Startup India and should provide facilities or benefits to these industries as per their level in the three tier system and as per their capacity to provide employment.

Start up India scheme is one of the apex and priority Yojana of Modi Government. The people of every strata of society shall be more than happy even they belong to Tier I cities, Tier II and Tier III from Kashmir to Kanyakumari, by this Startup India Scheme.

Now a days, this is the most interesting, exciting and ambitious scheme for each person having different ideas, innovative approach and skills, and wish to do something different in Business.

2) Business Loss and Insolvency Problems.

Fault Line:

In the scheme of Start Up India, if any person registers himself in startup India scheme, takes loan from bank under the scheme and incurs loss from the business and declares himself insolvent, there is no provision as to how the bank will recover their amount. This can lead to major Financial Loss to Government of India and increase in NPA to bank.

Honest Opinion:

The Govt. should make guidelines in this regard, as to how will the loan be granted in Startup scheme and recovered from them in the case of loss or insolvency of the company. Govt. of India can also make a bench of experts to deal with this.

Role of CMAs and The Institute in Startup India Scheme

CMAs can play significant role as consultant to promote the startup.

As you know, 'behind every successful business decision, there is always a CMA'. The industry has also understood and started appreciating the role of Cost and Management Accountants. CMAs facilitate in decision making process and improving the efficiency of an organization.

The practicing CMAs can deliver the startup scheme, its key plan and facilitate their clients for adopting the startup scheme. Since the start up shall be small and medium scale businesses, they may not be in a position to appoint full-fledged CFO. The PCMA can act like a part time CFO of the startups and guide them in accomplishment of their targets.

CMAs who are in the job may take the initiative to present the startup scheme, its key plan and convey to Business owners and Board of Directors for using benefits of the startup scheme.

Every CMA whether he is in practice, jobs or retired, should spread the startup scheme to their neighbors, friends, relatives and other familiar persons. CMAs may present the paper in various conferences to promote the startup scheme.

CMAs can register themselves for setting up a startup.

The Startup scheme is golden opportunity for people who wish to start their business.

CMAs are apex professional having different levels of thinking, ideas, innovative approach, immeasurable analytical power and decision making approach. So, the CMAs can start their own business under this scheme for individual as well as national economic growth.

Our Institute may organize seminars and conferences on startup India at country level, and invite business owners of micro, small and medium, recently passed students of engineering and management colleges, CEOs, COOs and all other people who are interested to start their own business with new ideas and innovative approach from Tier I cities, Tier II and Tier III.

Such seminars and conferences may play vital role to encourage and motivate the people for startup by spreading the information of startup India scheme and its key plan to large audience.

Conclusion

1) Startup India Scheme is good step taken by the government towards fulfilling Job Creation and eliminating unemployment from India, if it is properly implemented.
2) The employment Opportunities will increase in India by Startup India Scheme largely, which will lower the poverty and increase the standard of living.
3) Obviously Startup India Scheme is covering all good aspects from jobseekers to job creators, but still there are some weaknesses, threats and fault lines, discussed above. If Government will follow all precautions and the scheme is honestly implemented, Startup India Scheme definitely will produce tremendous jobs in the market and will boost the economy to a large extent
4) CMAs have large role to play in startup scheme. MA

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!!Make in India!!
Shall we get the Job?

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The Hon'ble Prime Minister of India, H.E. Mr. Narendra Modi has launched the "Make in India" campaign on 25th September, 2014, at Vigyan Bhavan, New Delhi. The main focus of this campaign is to highlight the investment opportunities in India, particularly in the sectors such as Infrastructure Development, Energy Sufficiency, Manufacturing and Skill Development. The "Make in India" Campaign will present new opportunities for Indian entrepreneurs as well as the foreign entrepreneurs.

Commenting on the launch of "Make in India" Campaign, Siddharth Birla, President, FICCI said "We have embarked on the path for India to become global manufacturing power. Never before have we seen so much focus and attention on the vital manufacturing sector. This mission is a tribute to millions of entrepreneurs who effortlessly work over years to show that India is reliable source of high quality state of the art products that serve the demand not only at home but all over the world"[1].

Thus, the "Make in India" Campaign launched by the Prime Minister Mr. Narendra Modi is an opportunity for the growth of the country. It has opened up new doors of opportunities for the manufacturing sector in India. This program has created the rainbow of wishes in the Indian Youth. The youth is expecting jobs out of this program.

They are expecting that newer opportunities for employment will be created from this program. They also expect that the problem of unemployment in India will be reduced. The program will create employment and hence the poverty will be reduced, the youth are expecting so. They believe that the program will upgrade the standard of living of the Indian People. In a nutshell, this program has created so many expectations for the Indian youth. Will it be possible to satisfy them through this program? Or this program will also throw waters on the expectations of youth like the other programs have done till date? This paper focuses on such challenges related to employment opportunities from this program.

About "Make in India" Campaign

In order to create India a manufacturing hub, The Prime Minister, H.E. Mr. Narendra Modi, launched the "Make in India" campaign at Vigyan Bhavan, New Delhi, on 25th September, 2014. The main aim of this campaign is to attract the foreign firms to set up the manufacturing units in India and as a result creating greater foreign capital inflow in India. The launch ceremony was attended by top CEOs from Indian Companies, international industry leaders, ambassadors, ministers and government officials. A special arrangement was made to publicize this event globally in different world capitals. At the same time the same program was arranged in the state capitals and additionally Indian Missions abroad where officials engaged with the foreign investors and consultants.

Key Sectors Covered in "Make in India":

The "Make in India" program has covered the following sectors.

Table 1
Table Showing Sectors Covered in "Make in India"*

Automobile	Electronic Systems	Ports
Automobile Components	Food Processing	Railways
Aviation	IT and BPM	Renewable Energy
Biotechnology	Leather	Roads and Highways
Chemicals	Media and Entertainment	Space
Construction	Mining	Textile and Garments
Defence Manufacturing	Oil and Gas	Thermal Power
Electrical Machinery	Pharmaceuticals	Tourism and Hospitality and
Wellness		

(Source: Raman, T. V., 2015, "Make in India: Illusion or Possible Reality Project?", IJAR, Vol. 2, Issue – 2(5), PP. 10-20)

Demographic Dividend

Government of India is desirous of making India a manufacturing hub for the companies all over the world. Besides creating a manufacturing hub, the government should also be focused on creating job opportunities for the youth of the nation. According to the reports, India is the youngest nation in the world with the 64% or more population in the "Working Age Group". This is in contrast with the other developed and developing countries. In those countries, the dependency ratio is increasing heavily. It means that the demographic potential that India is offering to the world is of great importance. But what if we cannot properly utilize the youth of our nation? There has to be a proper strategy for utilizing the manpower of our nation. If this manpower is properly utilized, it can add significant 2% growth to the GDP annually. So, Make in India and other such programs are meant for reaping the benefits of Demographic Dividend. But there is a big question behind the success of such programs.

Challenges for the Government

By introducing the program of "Make in India", the government has to take up the challenges of making our country a manufacturing hub. It means that the government has to make the provisions for infrastructural facilities needed for manufacturing activities. In addition to that, the government has the biggest challenge of providing employment to the large number of employment seekers of India.

Unemployment in India:

Looking to the situation of the rate of unemployment in India, it seems that it is very difficult for the government to curb the rate of unemployment by introducing such programs. According to the survey, the rate of unemployment was the highest of 9.40% during 2012-2013 and was lowest of 4.90% in the same time period.[2]

During the same time period, the total number of persons unemployed was 44.79 million.[3]

The youth unemployment rate was the highest of 18.10% and the lowest of 12.90% during the year 2012-13.

Table – 2

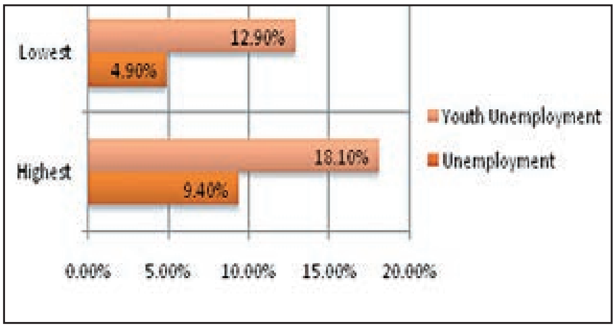
A Table Showing Unemployment Rate (Year: 2012-13)*

Rate	Highest	Lowest
Unemployment	9.40%	4.90%
Youth Unemployment	18.10%	12.90%

(Source: www.tradingeconomics.com/india/youth-unemploymentrate)

Chart – 1

A Chart Showing Unemployment Rate



Considering the above given situation, it is a tough job for the government to provide employment to this large population of the country.

Number of Employed Person per Household:

If we look to the reality of Indian employment, the number of employed persons per household is quite less.

Table 3

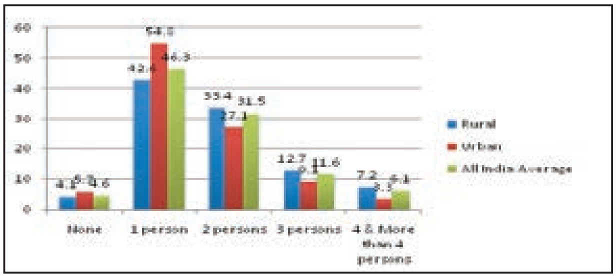
A Table Showing Distribution of Employed Persons per Household (in %)

	None	1 person	2 persons	3 persons	4 & More than 4 persons
Rural	4.1	42.6	33.4	12.7	7.2
Urban	5.7	54.8	27.1	9.1	3.3
All India Average	4.6	46.3	31.5	11.6	6.1

(Source: Report on Employment-Unemployment Survey, 2013-14, Government of India, Ministry of Labor & Employment, Labor Bureau, Vol. 1, P. 18)

Chart 2

A Chart Showing Distribution of Employed Persons per Household (in %)



The above given table and chart shows that 42.6% households have only 1 person employed whereas on 7.2% households are there who have 4 or more than 4 persons employed in rural area. In case of urban area, 54.8% households have only 1 person employed andonly 3.3% households have 4 or more persons employed. It shows that the number of employed person per household is less in India.

Number of Wage/Salaried Persons per Household aged 15 Years or Above:

Number of wage/salaried persons per household is also very low in India. Following table shows this fact.

Table 4

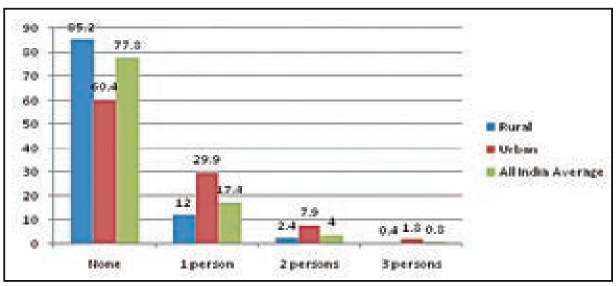
A Table Showing Distribution of Wage/Salaried Persons per Household (in %)

	None	1 person	2 persons	3 persons
Rural	85.2	12.0	2.4	0.4
Urban	60.4	29.9	7.9	1.8
All India Average	77.8	17.4	4.0	0.8

(Source: Report on Employment-Unemployment Survey, 2013-14, Government of India, Ministry of Labor & Employment, Labor Bureau, Vol. 1, P. 19)

Chart 4

A Chart Showing Distribution of Wage/Salaried Persons per Household (in %)



The Government of India has started the series of reformation in the nation. The government is all set to bring revolutionary changes in India. As a part of it, the government has launched several developmental programs in our country. One of such programs is "Make in India" campaign. The main focus of this campaign is to highlight the investment opportunities in India, particularly in the sectors such as Infrastructure Development, Energy Sufficiency, Manufacturing and Skill Development. The "Make in India" Campaign will present new opportunities for Indian entrepreneurs as well as the foreign entrepreneurs. Besides that, the government is posed with a challenge of creating employment opportunities through this program. This paper focuses on the situation of unemployment in India. It reflects the reality of unemployment and raises the question whether Indian youth will get employment through this program?

The above given chart and table show the poor condition of wage or salaried employment in India. It reflects that, in rural area, 85.2% households are there that have no one employed as a wage or salaried employee. The urban area shows this as 60.4% and all India average is 77.8%. It means that these people are not getting permanent employment. They are doing miscellaneous work when they find. The government should plan to absorb such people in Make in India program.

Conclusion

As it is quite visible from the above discussion, the situation of unemployment is quite challenging in India. A large number of population is still unemployed. They are still seeking the permanent job. The majority of people are working on the daily basis in the unorganized sector. These people have the expectations from the government for getting jobs. The government has to make this program job oriented and should try to absorb as many people as are possible under this program. The common man of India expects from the government nothing but a safe and secure job with which he can earn his livelihood. For any program launched by the government, the unemployed youth of India asks only one question, will I get the Job from this program? MA

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Foot Note

[1]*FICCI Comments on the Launch of 'Make in India' Campaign*
[2]*www.tradingeconomics.com/india/youth-unemploymentrate*
[3]*www.tradingeconomics.com/india/youth-unemploymentrate*

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CMA RATNA AWARDS 2015

WOMEN EMPOWERMENT

An Evaluation of SUKANYA SAMRUDHI YOJANA SCHEME

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Indian society is still largely male dominated, and women are often looked down upon. The birth of a female child is often regarded as a disaster, and female suicide is common in many parts of India. When a male child is born everyone rejoices but when a female child is born many seem dejected and crest fallen, as if a tragedy has occurred. In most Indian households, girl child is discriminated and neglected for basic nutrition, education and health care. Adverse sex ratio, high malnutrition, high maternal mortality rates, high dropout rates, poor school environment levels, low skill levels, low value of girls household works in society are all indicators of high preference for a male child due to the belief that the girls are less of an asset and more of a liability.

In reality discrimination against girl child is a curse for the society. According to Mr. Ngozoiokonjo Iweala (MD of World Bank in 2009) "Investing in women is smart economics. Investing in girls – catching them upstream is even smarter economics". Educating girls yield a higher return in improving the local economy rather than any other type of investment. So in favour of this, year 2001 was declared as women empowerment year by our central government and 24th of January has been decided to be observed as National Girl Child Day. The government of India has adopted multi-pronged strategy entailing schemes, programs and awareness generation/advocacy measures, to build a positive environment to save and protect the girl child. Among those Sukanya Samruddhi Yojana is one scheme program introduced on 24th July 2015 under Beti Bachao and Beti Padhao. This scheme is launched throughout the country but the evaluation of this scheme has not undertaken till today. So this study has made an attempt to evaluate the effectiveness of this scheme to save girl child.

Several Schemes introduce by GOI to Save Girl Child

Government Initiatives	Sate
• Bhagya lakshmi Scheme	Karnataka
• Ladli Lakshmi Yojana	Madhya Pradesh
• Girl Child Protection Scheme	Andhra Pradesh
• Ladli Scheme	Delhi
• Rajalakshmi Scheme	Rajasthan (discontinued)
• Balika Samridhi Yojana (bsy)	Gujarat
• Beti Hai Anmolscheme	Himachal Pradesh
• Ladli Scheme	Haryana
• Rakshak Yojana	Punjab
• Mukhya Mantri Kanya	Bihar
Suraksha Yojana	Bihar
• Mukhya Mantri Kanya Vivah	Gujarat
Scheme	Himachal Pradesh
• Kunwarbainu Mameru Scheme	Government of India (Ministry of
• Indira Gandhi Balika Suraksha	Women and Child Development)
Yojana	Government of India
• Dhan Lakshmi Scheme	
• Sukanya Samrudhi Yojana	

Review of Literature

✷ **Ashish Sadh and Payal S. Kapoor** made a study on "Save the girl child initiatives in a social marketing perspective", they stated about schemes for saving girl child according to the social marketing institute, social marketing is the use of commercial marketing concepts and tools in programs designed to influence individual's behavior to improve their well-being and that of society. Under the overall umbrella name – save the girl child.

✷ **Sekher, T. V (2010)** made a study on "Special financial incentive schemes for the girl child in India" they stated about conditional cash transfer mechanism, it is a marked departure from the traditional approaches in social programming through provision of financial incentives to poor families following the fulfillment of certain verifiable conditions, to provide short term income support and at the same time promote long term behavioral change. Therefore have the potential to become an effective means of channelizing resources to the poor and socially disadvantaged sections more specifically women with the persisting gender inequalities in India. The girl child is at a disadvantage and faces discrimination at every stage of her life sex section, infanticide, little or no access to education, lack of health care and nutrition and child marriage. The conditionality linked cash transfer attempts to correct such discriminations.

Objectives of the Study

✷ To know the factors that influenced the parents to open Sukanya Samruddhi Account Scheme.

✷ To evaluate the opinion of beneficiaries towards Sukanya Samruddhi Account Scheme.

✷ To offer some suitable suggestions in the light of findings of the study.

Scope of the Study

The major purpose of this study is to evaluate the Pradhan Mantri Sukanya Samruddhi Yojana from beneficiaries' perspective and also to analyze whether the purpose of this scheme has served the targeted people and the geographical area for this study has been restricted to Shimoga District.

Methodology

✷ Primary data has been collected by distributing structured questionnaire to the respondents and also used interview method to collect information from officials.

✷ Secondary data has been collected through journals, books, official websites, articles, newspapers and other internet sources.

Sample Design

✷ Population: The benefiters of Sukanya Samruddhi Account.

✷ Sample Technique: Convenient sampling method is used for this study

✷ Sample Size: The size of the sample is 100 respondents selected from 7 taluks of Shimoga district.

Tools and Techniques

The collected data is analyzed and presented with the help of tables and diagrams.

Analysis and Interpretation of Data

Table – 9.1: Number of SS A/c opened by each respondents

No. of Accounts opened	No. of Respondents
01	88
02	12
03	-
Total	**100**

Source of data: Survey result

Majority of the account holders have opened only one account because this scheme has been introduced recently only for girl child.

Table - 9.2: Means to know about SS A/C

Means	No. of Respondents
Family	10
Friends	8
Media	8
Post Office	74
Bank	-
Total	**100**

Source of data: Survey result

Majority of respondents came to know about SS Account through post office. This shows that employees of post office are creating more awareness about SS Account.

Table – 9.3: Amount deposited by the respondents in SS A/c

Amount (in Rs)	No. of Respondents
1000 - 3000	56
3100 - 6000	26
6100 - 9000	4
More than 9000	14
Total	**100**

Source of data: Survey result

Majority of respondents initial deposited amount in SS A/c is between Rs1000 to Rs3000.

Table – 9.4: Factors influenced respondents to open SS A/C in Post Office
(SA- Strongly Agree; A- Agree; N- Neutral; DA- Disagree; SDA- Strongly Disagree)

Factors	No. of Respondents					
	SA	A	N	DA	SDA	Total
Easy procedure in post office	74	22	0	04	0	100
Suitable for all level of people	40	65	02	02	0	100
Secured future	50	64	02	02	0	100
Reduce financial burden of girl children	28	54	04	14	0	100
More benefited than other scheme	42	58	0	0	0	100

Source of data: Survey result

Majority of respondents have opened this account in post office because it has easy procedure, suitable for all level of people, secured future of the girl children, reduces financial burden on the parents and also it has more benefits than other scheme.

Figure – 9.1: Factors influenced respondents to open SS A/C in the Post Office

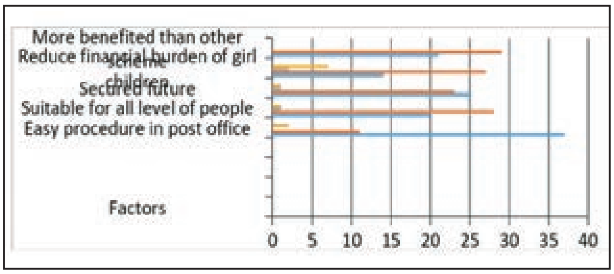

Table – 9.5: Respondent's reason for not opening SS A/C before

Reasons	No. of Respondents
Lack of knowledge	90
Not essential	-
More documentation	5
Not interested	5
Total	**100**

Source of data: Survey result

Majority of respondents did not opened this account before because of lack of awareness about the scheme.

Table – 9.6: Respondents Satisfaction level towards SS A/C (HS- Highly Satisfied; S- Satisfied; DS- Dissatisfied; HDS- Highly Dissatisfied)

Factors	No. of Respondents				
	HS	S	DS	HDS	Total
High interest rate compared to other scheme	70	30	0	0	100
Tax savings	32	66	02	0	100
Premature withdrawal	34	30	20	16	100
Transfer of account to other place	56	26	12	06	100
Closure on maturity or before maturity due to marriage of account holder	18	66	10	06	100
Flexible interest rate	30	38	24	08	100

Source of data: Survey result

Majority of the respondents are highly satisfied with the high interest rate of the SS A/c compared to other schemes and account can be transferred from one place to other. Even many respondents are satisfied with the scheme as it gives tax deductions under section 80 C, flexible interest rate, account is locked till the maturity period and this account also facilitates premature withdrawal to the parents.

Figure – 9.2: Respondents Satisfaction level towards SS A/C

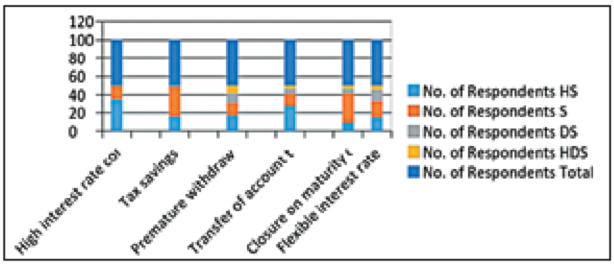

Table - 9.7: Problems of Respondents to operate the SS A/c

Difficulties	No. of Respondents
High lock in period	48
Limitations on number of account	32
Lengthy maturity process	20
Non flexibility of operation	-
Total	**100**

Source of data: Survey result

Majority of the respondents have faced few difficulty in the scheme because it has high lock in period i.e the girl child attain 18years or have to complete SSLC whichever is early, it has very lengthy maturity process and also maximum 2 accounts a parent can open.

Table – 9.8: Future expectations of respondents from SS A/C (SA- Strongly Agree; A- Agree; N- Neutral; DA- Disagree; SDA- Strongly Disagree)

Factors	No. of Respondents					
	SA	A	N	DA	SDA	Total
Extend age restriction above 10 year	62	18	0	20	0	**100**
Decrease initial investment to Rs. 100	18	40	0	42	0	**100**
Increase the interest rate	80	16	02	02	0	**100**
Premature withdrawal up to 100%	26	22	04	48	0	**100**
Provision of online transfer of account	68	20	02	10	0	**100**
Account can be opened in any bank	74	22	02	02	0	**100**
Provide loan facilities	22	54	0	24	0	**100**

Source of data: Survey result

Majority of the respondents strongly agree to increase the interest rate, expecting to extend age restriction above 10years, provide online transfer of account and allow to open account in any bank and has to provide loan facility against the account and they disagreed to decrease initial investment to Rs.100, premature withdrawal up to 100% should not be allowed.

Figure – 9.3: Future expectations of respondents from SS A/C

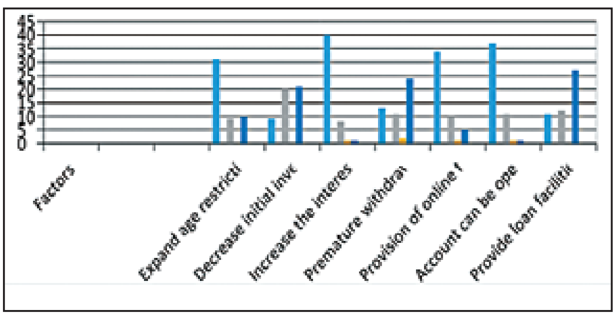

Table - 9.9: Overall satisfaction level of respondents about SS A/C

Satisfaction level	No. of Respondents
Highly Satisfied	34
Satisfied	64
Neutral	-
Dissatisfied	2
Highly Dissatisfied	-
Total	**100**

Source of data: Survey result

Majority of respondents have satisfaction towards this scheme because it provides fund for higher education and marriage of girl child and recently government has added many benefits to this scheme.

Table – 9.10: Respondents reaction after the birth of girl child

Reactions	No. of Respondents
Very Happy	52
Happy	46
Neutral	-
Sad	2
Very Sad	-
Total	**100**

Source of data: Survey result

Majority of respondents are presently very happy with the birth of girl child in their family because presently government is providing number of benefits to girl child and their parents.

Findings

- Majority of SS Account holders have studied up to SSLC, they belong to agricultural background and their annual income is below Rs.200000.
- Majority of account holders came to know about this scheme through post office.
- Majority of account holders have not opened SSA/c in bank because they feel account opening process in bank is lengthy and complex.
- Minimum amount deposited by the SSA/c holders is only

Rs. 1000 to Rs. 3000 per year because they have opened there account in recently.

✷ The main drawback of this scheme is that account can be opened only for girl children that to below 10 years and they can be opened only for 2 girl children.

✷ Majority of the rural people are not aware about SSA/c.

✷ SSA/c account holders can withdraw their money only after completion of 18 years of a girl child or successful completion of SSLC whichever is earlier.

✷ There is no provision for online transfer of account in SSA/c.

✷ There is no clarity on future interest rate.

✷ The government has given permission to open SSA/c account only in post office and nationalized banks.

✷ SSA/c account holders opine that this scheme has brought changes in the attitudes of parents towards girl child.

✷ SSA/c is suitable for all level of people, as minimum initial investment is only Rs.1000 per year.

✷ SSA/c provides secure future for a girl child by providing the amount for their education and marriage.

✷ SSA/c holders feel that the scheme is more beneficial than other schemes.

✷ SSA/c holders can also get tax benefits Income tax deduction under sec 80C.

✷ SSA/c holders are interested to take loan facilities on their deposits.

✷ SSA/c holders enjoy the high rate of interest when compare to other schemes but recently interest rate has been decreased from 9.2% to 8.6% (from March 2016).

Suggestions

✷ All single girl child benefit schemes such as Bhagyalakshmi, Ladli, Balika Samridhi Yojana etc should be connect to this account so number of account holders and transaction can be increased.

✷ The government should conduct more awareness program about SSA through conducting community development programmes.

✷ Government should take initiatives to provide good support and advisory service to the investors.

✷ The age limit to open this account should be extended to 12 years. So that more people will invest.

✷ It should be allowed to open account in all banks.

✷ The government should undertake more promotional activities by giving advertisement in medias to grab investors.

✷ The lock in period of the scheme should be reduced.

✷ Refund invested amount along with interest before maturity period in case of emergencies.

✷ Provide online operations of this account.

✷ If interest rate is fixed it will give assurance for investors.

✷ Along with initial investment of Rs.1000 allow to open account with initial investment of Rs.100.

✷ Banks should take more initiatives and should make some innovative steps to attract investors.

Conclusion

It is very clear that a girl child always become blessing for the society and reason for the continuation of life in this world. We worship many female Goddesses at various festivals however never feel a little bit of kind to the women living in our home. Truly, the girls are pillars of the society. A small girl child can be a good daughter, a sister, a wife, a mother and other good relations in the future. If we kill them before taking birth or do not care after taking birth then how we will get a daughter, sister, wife or mother in future.

SSY account ensures a bright future for girl children in India. This yojana facilitates them proper education and carefree marriage expenses. The scheme has provides financial security and independence so that it will be helpful for the girl child as well as their parents and guardians. Hence, it is a good scheme started with a good purpose by the government. It provides tax exemptions. It is at its beginning stage, thus, it has not reached many people yet. By creating awareness and conduction programmes and promotional activities it can reach many people. MA

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Internal Audit Assignment –

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"When you have the power to wield a Gavel, you have the responsibility to use it appropriately". When I read this quote in one write up of my niece – I connected the same to my role as Internal Auditor (IA) . In reporting the matters if the Dosage is an Ounce more or less you are sure to be questioned by any of the users of your report. Finally when it comes to the responsibility upon the events be reported, there is no one to share the accountability. In this backdrop – let me narrate some of my experiences and connect the same to the reporting environment of the present days. If you like you have few tips as well.

Background

With Sec.138 of the Companies Act 2013 read with Companies (Accounts) Rules 2014 talk about giving specific teeth to a Cost Accountant to act as IA – the cost practitioners started looking at this function more seriously. This function involves **examination** and as well **evaluation** of the activities. Thus in a way it integrates with the role been discharged by the CMAs as the Cost Auditors. Therefore there may be nothing new. However, we need to be conscious of the fact that Statutory Auditors rely upon the reports of IA to some extent when it comes to the question of hedging the responsibility. Secondly your encounters with management and the employees of the organization will alert you to realize that an IA needs to know the ACT / FACT and also needs to have TACT.

Accuracy and Authenticity

Determination of Accuracy and authenticity of the financial and statistical records is one of the objectives of internal audit.

Rose with Thorns

In one of the Directors Meet, a question was posed to me whether all the transactions are aligned with the Accounting standards. A Compliance Report in this regard was insisted from the IA. Directors insist for affirmative statements from the IA. For a mid sized company the IA's reporting summary went on *"The Company has complied with the Accounting Standards that are relevant in the preparation of Books of Account and the related Financial Statements. The summarized trial balance duly attested by the CFO is enclosed here with as Annexure"*. The signed copy of TB signed by the CFO can perhaps minimize the risk of misstatement of IA to some extent.

Issues in Reporting on Sales

Forming an opinion on sales forms the crux of the exercise of any Financial Statement Analysis. Board of Directors would insist for yet another affirmative statement in this regard saying "We have verified the Invoice source documents with reference to the sales registers generated so as to ensure the accuracy of Sales and other indirect taxes reported". It looks that an IA has to assume the Role of a Sales accounting officer. Normally an IA reports after the conclusion of accounting period. Thus the IA can cross check for the accuracy of the summarized sales information through the actual amount of Indirect **Tax paid or reported**. One of the problematic areas in this regard is the reporting of Project income if any which is not Invoice specific but a journal voucher specific. The subjective covenants are to be carefully examined before vetting the respective sales JVs.

Conflict Resolution and Time Management

Evaluation of the Time required for activities is the important function of an IA in planning the audit . The audit is carried out with the co-operation of the management and its employees. But in reality the IA has to handle is Conflicts between various individuals and their EGOs (at times) as well. He/She does it in his/her own interest and as well in the interest of the organization. In the process time management for the audit and reporting becomes a big issue. IA is blamed if not accountable for the lapses on account of time related issues. CFO sends in an SMS "Kindly conclude your Report by tomorrow so that we can discuss it day after." Sounds well. But the sales officer has another story of his plights which are to be resolved with CFO. Poor IA has to assume the role of an Arbitrator. In the process Independence of the IA would get effected for. He or she cannot function in an impartial manner. Spelling out the Key elements viz., **Scope** and **Responsibility** in the Terms of engagement would address this concern.

Few points of importance

- Review of Internal Control Mechanism is another important function of IA in general. Date of entry of the Goods into the factory through Gate Entry vis-à-vis the date of preparation of Goods Receipts Note can give an idea of the lag time and the reasons there for.
- Reporting upon Compliance related matters with the consequences would be of great help in making the user of the report to form an opinion upon the affairs of the company. An IA commented "The company has not been filing the e-TDS returns for the last 3 quarters. This will be viewed seriously by the Income Tax Department. Normally customers whose payments were subjected to TDS would always check with the Department's website for the updated data of their tax deposits. Unless the e-tds return is filed by the company the data in the website would not get updated." The seriousness would be understood by the Board.
- The present day Guidance Notes talk about Analytical approach in the reporting. This is where the IA has to take the support of Experts to throw some meaningful comments in the report. The FAT and Solids Non Fat (SNF) that exist in the Milk have certain standards. During rainy season and summer season the same would get deviated for depending upon the climatic conditions. Simple arithmetic comparative presentation would give distorting views. Engaging an expert would solve these kind of issues.

In Conclusion

Guidance Notes issued by our Institute advocate a view to focus upon **effectiveness of the management**. I gave a thought process to this and can only caution my co-practitioners that "A rose is surrounded by thorns, and one needs to take care while reaching for it". A Good IA needs to become a deft gardener who can pick a rose without the prick of thorns. Good Luck. MA

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WATER MANAGEMENT

WATER MANAGEMENT IN INDIA:
CONTEXT, PRESERVATION AND RATIONALIZATION

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From time immemorial, not only that the Indian civilization owed itself to rivers, but also that Indians considered rivers as mothers, river water has been considered sacred and the sources of these rivers have figured as venerable, attracting attention of everyone belonging to many religions, while their sources have played their part as seats of divinity. Ganga, Yamuna, Godavari, Saraswati, Narmada, Sindhu and Kaveri are still invoked, jointly and severally, for purifying the water for any religious function. Hinduism, the mother religion of India, nay the world, underlined the purity of the water of these rivers for any religious ceremony. The sources of many of rivers in the Himalayas and the Vindhyas have continued to be considered sacred, for use in any religious ceremony. Invocation of the water of these rivers has continued to be the beginning part of any religious function. India's geographical position and the vast sub-continental landmass have made her a country of diversity on a number of counts. First of all, the differences in climate of the various parts of the country with varying exposure to a variety of natural forces in climate, mountains, hills and planes indicating differences in climate and rainfall admixed with marked variations in availability of water for different purposes, especially the choices of crops, crop-seasons and the quantum of output per acre. Secondly, marked differences in climatic situations in different areas of the country have created problems of water scarcity, in agricultural operations and productivity under the schemes formulated by experts, the position has remained as bleak as ever, with availability of water playing the trick all this while. In our over-anxiety to raise production of food grains and other agricultural products, huge quantities of water and chemical fertilizers have been applied creating problems of excessive salination and alkalization of soil. It required a Colin Clark to pronounce that there was an impending danger of vast stretches of land being rendered sterile. But the seriousness of the situation was not quite heeded in the right spirit. It is thus not out of place to underline that rampant misuse of water has remained a hallmark, defying all tenets of rational uses. This has given rise to serious consideration of the ways in which water could be scientifically preserved at its sources and rain water could be stored in very many ways for umpteen purposes, for domestic, industrial and other essential uses at different religious centres. This paper seeks to highlight some of the important issues connected with water management in the Indian context, taking into view that the Indian sub-continent embodies a wide variety of conditions of both supply and demand of a large number of agricultural and farm-related products, the typicality, pros and cons of which have not been fully explored or discussed. In a short span, all the relevant issues - embracing multiple intellectual disciplines - may not, however, be fully brought to the fore. Rivers have been treated a venerable entities and both scientists and trackers have been curious about the rivers and their sources; for instance, Sir Jagadish Chandra Bose wrote an excellent essay in Bengali on the source of river Bhagirathi. In the said background, it would not be out of place to mention in a few words about water management with reference to both sources and uses of water for different purposes. The spotlights are, however, on the main ones that determine the basic ingredients of water quality, fulfilling the main requirements of society, which are indeed several and multi-pronged, as highlighted in the following paragraphs.

Underlining Major Issues

This paper seeks to highlight the major issues concerned with the sources and uses of water, exploitation of both of which call for a rational approach for the purpose of getting the best out of them. It is a pity that acceptable solutions of have remained a far cry. Thirdly, despite all the claims for scientificity in water management, the prevailing reality has hardly demonstrated much improvement in the utilizational spheres. Water pollution in different parts of the country has given rise to many an unanticipated disease of different descriptions causing threats to health and life. The root cause has remained untouched while the resultant disease has been under focus. This is a pity, more so because the medical science can hardly do anything about prevention of all health hazards, other than sounding cautions. All the required preventive measures fell under the administrative gamut in which only some parts came under focus, not the whole. The actions taken were slow, grossly inadequate and half-hearted and, worse, left rather unmonitored as to their actual effectiveness as a proposition and proper implementation of the plans. For a long time several experts have been pointing out the stark facts of rising river beds, decline in their retention capacity – dredging is now a forgotten word - and almost forgotten phrase, river transport. During the 1950s large ocean going ships used to anchor near the Water Gate of Fort William, Kolkata. Those are forgotten days, as one recalls the high quality large size Hilsha Fish, caught in the midstream of the river, were sold on the riverside itself at a cheap price. Heavy silting caused by erosion of river banks, on both sides, large chunks of soil falling into the river, caused heavy damage to the usual flow of water, while during the rainy seasons both sides of the river were easily inundated. There have been three major errors in all the actions, or inactions, of the authorities. One, undermining the natural resource that could function as a solver of a large number of problems, instead of depleting the mineral resources like coal, which are exhaustible. Two, the river ways have ceased to function they used to, like the launches and steamers as also the country boats which were quite efficiently functioning and were the sources of income and employment of a large number of people in different capacities. We have been quite loud about this continuously in different forums citing authorities like Kapil Bhattarcharya and Debesh Banerjee, authorities on the subject, shouting at the top of their voice that the river beds were rising and, correspondingly, water retention capacity of the river was fast declining, alarmingly. The difference between rivers and railways as carriers of both goods and passengers has been well known but was not given the significance it deserved. None responded to thedistress calls by way of regularly dredging and depositing sledge on both sides of the river bank, which could be very well utilized as substitutes for all the fertilizers and chemicals while the depth of the river was kept constant. Only one instance is being cited here, as the scribe was an eye-witness. Rich in alluvium, replacement of chemical fertilizers and pesticides – almost synonymous with ecocide - river water in its natural state could bring back the days of natural fertilizers – alluvium of the days of yore - that river water invariably deposited on agricultural land, instead of the different quick-fixes like chemical fertilizers, insecticides and pesticides, in all resulting in ecocides, killing both taste and food value of the grains on one hand, and the eco-chain, on the other. One does not have to refer to the colossal waste of the produce in the process, starting right from the field to the points of despatch to ultimate consumers, to which we made reference earlier in a different context. The issue, however, remains in the sense that one is required to view it as part of several connected problems. The official statistics in this regard rest with the estimate of production, buying of foodgrains by the Food Corporation of India and storing them in the godowns before despatch to the distribution centres. The gamut makes one curiouser and curiouser, for the ultimate consumer does not get his due in terms of quality and food value of the grains.

CMAs: Unity in Diversity

Our profession of cost and management accountancy is fortunate to have members of both sexes, belonging to different general and technical disciplines whose working knowledge and experience in different lines connected with water management would be of immense help to rein in the grossly unscientific, wasteful and release of dangerously poisonous elements that destroy water quality to the 'nth' degree. The Institute may over time enlist their services for indicating the right paths to follow in this regard. It is high time that initiative be taken by the Institute and its members in this respect. As yet, even the Ganga Action Plan that kindled much hope at the beginning, that kindled much hope, has not had the desired results, the main reason being a sort of divided house, caused by dilly-dallying by the states concerned. All this, despite already having incurred substantial expenditure from the central and state coffers. Pollution of the water caused by many different local, social habits and customs has continued unabated, and its multi-faceted potential has remained a dream. Our Institute has of late broken the shackles of the traditional areas of focus related to the Bermuda triangle of cost-volume-profit, virtually allowing members to breathe the scents of total social problems in all their facets, literally jumping from tradition to modernity - a feat almost like climbing the hill-tops. Our profession is fortunate to have members from different technical and general disciplines who have the knowledge and experience in delving into areas hitherto untouched. Several such rather untouched areas have recently been focussed in the official organ of the ICA-CMA, with some highly likeable effects, sure to further ramify over time. The aforesaid observations underline the need for pinpointing issues that call for a rethink so that the science and art of knowing water sources, their exploitation and utilization, while preserving them scientifically, become more meaningful. "Jal Dharo, Jal Bharo" call has a logical basis, going beyond a mere political slogan. Unfortunately, its real significance has not been understood and acted upon. In regions of uncertain rainfall, storing rain water for use in dry seasons and for pisciculture, drinking and irrigation has been crucial, but little appreciated. Lastly, water management is a composite of several elements that require assessment both jointly and severally. One remembers in this context what Samuel Taylor Coleridge uttered in sheer dismay, "Water, water everywhere, not a drop to drink". Sea water is not suitable for several purposes, due to excessive salinity, but even sweet water has been maltreated. Very recently, the Bombay High Court drew public attention to issues of propriety of water use in a period of acute water scarcity due to prevailing drought conditions. This legitimate call by the Judge should stir the conscience of everyone towards consideration of rational use of water in conditions of acute scarcity. This paper seeks also to highlight some of these issues as they impact the water economy of the country in various ways, considering the diversity of the prevailing phenomena - both natural and man-made - in different parts of the country. The aforesaid provides the context for a rather relatively laymanish discussion, in the following paragraphs, on issues which are not only technical but also multi-disciplinary, in tracking down, treating and preventing repetition of the same, or similar, type of problems in this part of the country, or that. The uniqueness and recurrence of flood and drought in the country came under the scanner long back and it was found that a pattern could be established and preventive steps could be taken beforehand to reduce their recurrence as also impact. The predictor was Professor Amartya Sen, whose analysis about the events at that time, in the early 1960s, raised many an eyebrow but necessary combative steps were not taken in proper time, if at all. The result was that the same type of problems in this regard continued unabated, here or there, and quite often, with more virulence caused by both droughts and floods. The inactions over time, and in different parts of the country, had a cumulative effect that over time ate into the natural resilience and the inherent resistive power of the existing system, in its varied manifestations. Not all these are yet known fully. This is a pity, to say the least!

'A Timely Stitch Could Save Nine'

As the adage reminds us, necessary, alert and timely administrative and executive action could have averted the aftermath of most of these unwanted happenings at one place or another, during the last several decades, if these were organized timely, adequately and properly. The latest instance of the railway train carrying drinking water that arrived at Latur a few days later than hardships caused by the devastating drought affected the area and overtook the animals and the people for a number of days causing deaths as also destroying standing crops. The early signs were all apparent but actions proceeded only at a snail's pace. The contrary happened when heavy floods, caused by torrential rains, inundated Tamil Nadu and Mumbai causing heavy damage to life and property. Sufferings of the people knew no bounds which could be mitigated, if not totally averted, with prior steps planned and put into action. The causation of droughts and floods in different parts of the country should have taught us a lesson for timely corrective action, a la the adage 'a stitch in time saves nine'. The aforesaid reflect the generalities; the specifics are more telling and they underline the need for concerted action on the part of both the officialdom and the people at large which is perhaps asking too much under the prevailing administrative system. Since objective of this paper is related to discerning management of water with reference to its sources and uses, utilizational variations within each of them and the impact that surplus or scarcity creates, it would be more relevant for the present discussion to refer to the development of water resources and the purposes of management in this regard so that the best could be derived from the tracking down of the sources and the purposes which water is supposed to serve in the broader context. Tracing water sources and the multifarious purposes water actually serves with continued linkages from the days of early human habitation, are attested by the history of human civilization. Indeed, the variety of purposes served by water drawn from different sources both over and under-ground and the tardy disposal of used water, causing health hazards of various kinds have remained subject to unending and loud caution, without much effect. In the present context, this is, however, beside the point. But when a river gets dried up for diverting its water to a canal for irrigation, the question of discussion of the comparative advantage does arise. Unfortunately, this happened in the case of the Tawi river in Jammu. The linkage of the natural systems being disturbed, the riverine systems being an important part of the total environment, water supply therefrom could hardly be dissociated from all the deleterious effects. The fault-lines in our over-anxiety to increase agricultural production have been numerous, marked by short-sightedness of untold dimensions. However, one has to discuss the pros and cons before delivering judgement on a highly contentious issue, involving, as it does, a complex subject of management of water - covering both storage and supply of water from a variety of sources – involving different intellectual disciplines. The points at issue related to different intellectual disciplines, both technical and general, but the scientificity of understanding, deciphering and analysis of the decisional phenomena left a great deal to be desired, involving as it did, finding and arraying all the perceptible alternatives, with reference to their merits and demerits, as also the after-effects that each alternative choice carried and the costs and benefits of each of them, taking into view the feasibility constraints, overt or covert. In the context of water, all these issues are important insofar as tapping the traced sources and indiscriminate use thereof could create all kinds of problems like drying up of the sources such as ponds and lakes, occurrence of arsenic and other undesirable elements, making the water unsuitable for the purposes envisaged. Invoking rationality in storing, exploitation and rational utilization of water is an apt issue in this context, generally neglected both by the people at large and the Government, despite all the warnings sounded by the experts. The seriousness of the consequences is often bypassed and unrealized till ill-effects of all kinds look at us with dire consequences.

Water Resource Development and Management Purposes

A . Water supply diversions with consumptive use:

i) Municipal supply and use
ii) Industrial supply and use
iii) Agricultural supply and use

B. In-stream water use:

i) Hydroelectric power generation
ii) Inland navigation
iii) Water-based recreation

C. Environment management

i) Wastewater collection, treatment and disposal
ii) Water quality management
iii) Protection/restoration/enhancement of biological resources

D. Storm water management and flood mitigation

i) Storm water management and flood mitigation
ii) Flood damage reduction
iii) Erosion and sedimentation control

E. Multiple-purpose development and management

(Cf, Ralph A. Wurbs & Wesley P. James, Water Resources Engineering , PHI, Delhi, 2014,p5)

N.B. The aforesaid elements are common headaches for the general public, though the developed countries are better placed than the poorer developing countries. Still, cases are not rare even in the USA where it was reported after a ravaging hurricane that all members of a family of black people had to face death as water levels grew just because they did not have transport facilities to take them to a safer place. In countries like India, many people die in almost every case of calamity due to rather slow corrective steps and extension of relief and other assistance in terms of food, shelter and medicine. Negligence and delay in extension of assistance and in terms of timely availability of food, clothing and medicine, have accounted for several casualties. Flood mitigation and flood damage minimization are issues that still cry for timely correctives. Repetition of the same, routine steps by the authorities has hardly addressed the real issues in right earnest.

Water Quality Management

Water quality management in light of the above refers to control of pollution from human activity preventing degradation so that it does not become unfit for intended human uses, of streams, rivers, lakes and ground water which are greatly influenced by water quality which are rather different for uses such as hydropower generation, navigation, fishing, swimming and potable water supply, that require somewhat different water quality. That high quality water is required for potable is not always appreciated. In many parts of the world, industrial and waste water discharges and other human activities have transformed pristine natural streams with abundant fish and diverse ecological systems into foul open sewers with fewer life forms, other than mosquitoes, and fewer beneficial uses(ibid. p12). The Kaliganga in Kolkata that used to witness regular ebb and flow tide from the river Bhagirathi on a regular basis, is one such burning example of a running system of river flow, turning into a breeding ground of mosquitoes and other health hazards due to stagnant liquids and human and animal excreta ruling the roost. The conditions in the other metropolitan cities are no better either. Water supply in Delhi, for instance, is regulated and unless one is ready to store water during the time water is supplied by the municipal authorities to the individual households, one literally misses the bus. Underground sources of potable water are scarce because of non-porous underground conditions. Many house holders in C.R. Park, New Delhi had to sell their houses mainly because of potable water shortage, apart from the lure of money. In Delhi, the summer season is dry and residents of houses and usually take to large earthen pots and woven covers for windows drenched with water. In Kolkata and Mumbai as also Tamilnadu, the atmosphere is humid and spreading water in the 'Delhi way' is not usual. Use of alum and camphor is, however, common in the dry regions where to keep water cool, large earthen pots, Surahi, are used along with alum to store the suspended and partly dissolved matters at the bottom and camphor to provide a likeable smell. In almost total contrast, water quality in several cities in Bihar, like Patna, Gaya, Madhupur, Shimultala, Giridi, et al, is so good that they figure as preferred places for change, despite a rather bland look, of course, during some months of the year. Many of these cities become too cold during winter including Delhi, when there is snow and rainfall in Kashmir and cold winds from the north become too much to bear. Water consumption for drinking purposes correspondingly falls, providing a contrast which is seasonal. Water intake correspondingly falls or rises, according as the external temperature demands. The Indian sub-continent bears witness to a variety of conditions and considerations of both lack and excess of water supply, in different parts of the country. The contentious issue of what determines water quality has inherent reference to the purposes for which it is meant and the determinants that make for water quality, in specific response to requirements.

Determinants of Water Quality

In the same context, a reference to the determinants of water quality with particular emphasis on the sources of impurity embracing suspended solids should be appropriate, taking into view that in developing countries, eighty per cent of all illness is water- borne (ibid. p 96). First of all, atmosphere embracing salt from sea, dust, pollen and other pollutants from land, for instance, the conditions prevailing in the Rann of Kutch, have made vast areas unfit for human habitation and have fitted the Flemingos much more for feasting on the insects and other left-overs by the receding sea. Secondly, soils and rocks consisting of clay, silt, sand, varieties of inorganic soils, silica, ferric oxide, aluminium oxide and magnesium dioxide have influenced water quality in no uncertain manner. Thirdly, decomposition of organic matter, covering organic soil and wastes colouring matter. Last but not the least, human activities embracing inorganic solids, natural and synthetic organic compounds, viruses and bacteria have affected water quality adversely (ibid. p 93). Burning grounds near the rivers, throwing ash from burning grounds into the rivers, placing dead bodies into the rivers allowing them to decompose on the river, those dead from snake bites follow the same fate in the hope of reaching the heavens and sewerage matters deposited into the rivers, even by the municipal bodies under the old drainage systems, as also washing away numerous poisonous matters, which together spoil the usual potable quality, destroy the aquatic creatures and spread obnoxious smell in the vicinity, invariably making the whole atmosphere unhealthy. As pointed out earlier, water-borne diseases have had a dominant share of illness of people in developing countries which is not unavoidable. Passers-by experience and suffer from all kinds of undesirable phenomena caused by carelessness of the people in the vicinage and the prevailing lackadaisical attitude of concerned authorities. Luckily, consciousness on all these counts has of late been growing, thanks to the prying inner eye of the Panchayati Raj Institutions and later, the Sachch Bharat Mission, being propagated and acted upon by the Central Government. Assessment of the effects of all these steps has yet not been as seriously attempted as desirable.

In Retrospect

Water and its management have had emphases for several points of view. First of all, a whole gamut of intellectual disciplines like engineering, agricultural sciences, geography, mathematics, literature, management, medicine and several religious texts from time immemorial have remained at the centre of all discussions on water. Classification of water, its purity and its contents beneficial, or otherwise, for different uses has been quite common in all serious analyses. Water management as a proposition of management has involved planning, coordination, motivation and control touching every aspect of social life of different religions, in particular assuring perdurable supply of acceptable quality.This position has been constantly under challenge both because of human maltreatment or nature's fury. This discussion has sought to trace the various uses of water for different purposes and the sources from which water for intended uses is made available with reference to the responsiveness of water quality to the uses envisaged. Surface and underground water have between them differences in compatibility depending on the depth and porosity of the soil as also the quantum of water contained at different depths as noticed in the cases of deep tube wells drying up over time in the cities where tube wells provide an acceptable source, often a preferred one, with reference to water quality for potable purposes. On the other hand, shallow tube wells for supply of water for farming have not had their desired effects in all cases and for all crops during different seasons. A large number of agencies and varieties of tube wells have caused diseconomies of different kinds. Being directly exposed to the scenes of actions, the Village Panchayats are in a position to play a stellar role in this regard but as yet, their distinct contribution remains to materialize. Last but not the least, water quality requirements are different purposes which have been indicated earlier. It is essential that considering the different requirements of water quality for different intended purposes, cross-purpose uses are avoided. One feels sorry that water barrages built in different rivers have already had accumulated silt and their rising river beds have had occasions to release water causing floods, much contrary to their very objectives. Dredging both rivers and dams at various places for enhancing their storage capacity call for serious consideration. In all, it may be emphasized that official steps for regulated, but regular, supply of water from the dams and barrages have got to be not only continuous, but also respect the objectives behind them, both in letter and in spirit. MA

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OMBUDSMAN PLATFORM -
a mechanism to mitigate business risk

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Enterprise is about trade-off between risk and reward in today's extremely challenging business environment. In several matured markets growth is slow and companies are moving to new and higher risk markets to sustain growth. With significant legal reforms to prevent corruption and inappropriate practices and the increase in prosecution and enforcement of corporate lapses, the risk dynamic have increased several folds. The unrelenting pressure to exceed " analyst's estimate" and "stakeholders expectation" have increased internal risks such as inadequate disclosures, misreporting of financial statements, frauds and bribery to procure contracts.

Concurrently, in an effort to reduce costs,enhance efficiency and focus on core competencies for growth,companies today are outsourcing non-core processes to several third-party service providers.There are risks associated with these relationships,that can have negative implications on operations, finances and reputation if "due care" is not persistently exercised.

The scenario becomes further complex, where there is growing co-operation among national regulatory authorities and enforcement agencies to track down corporate wrong doings. Coupled with this transformation in legal and regulatory environment ,the exponential growth in social media, adverse news hit headlinesacross the globe almost instantly to taint the integrity and the reputation built over decades. The cost of non compliance is very high.

To comply with the growing legislation, against bribery and corrupt practices and to protect corporate reputation apart from financial assets, companies have increased their resources in legal, audit and compliance professionals and other formal channels such human resource, ethics officer and 'hotlines'. Some have even resorted to external advisors for guidance.

However, formal channels have clear missions that does not always provide a "safe" environment for employees to surface their concerns. It is acknowledged fact that employees at the operational level and at the front line are the first line of defence against business risk - they are the eyes and ears for spotting wrong doings.

Several global studies, reveal that employees often fail to report incidents of inappropriate activity that they observe or hear at work. The reasons are several:

1) cultural - cannot question, challenge or report against supervisors/leaders
2) lack of open communication culture
3) do not want to "bell the cat" and be seen as a "trouble maker"
4) fear of retaliation from co-workers or supervisor/leader
5) fear that incident report will not be kept confidential
6) not knowing whom to contact and escalate the concern
7) concern that no corrective action will be taken
8) not my concern ; some one else will report
9) do not want to lose "my rice bowl"

To overcome employee fears and to complement formal channels the Ombudsman platform is an unique mechanism. As an "informal" and alternate resource it should be integral of the prevention, detection and response framework in the risk mitigation strategy of companies. It is a platform that is made available to all categories of employees, contractors, vendors and third-party service providers to bring forward concerns without fear of retaliation or retribution. The resource provides a mechanism to communicate by offering independence, neutrality, informality and confidentiality to reveal incidents of suspicious behaviour or fraud at the work place.

For the platform to be effective, it is critical that:

a) the Ombudsman is confidential and by its Charter or board resolution for establishment clearly states that conversations are "off record" and no identifiable data is recorded or maintained.
b) the Ombudsman is independent - reports directly to the CEO and to the Audit Committee in the Board. Regional and Geographic Business Heads cannot influence the Ombudsman.
c) The Ombudsman is neutral - neither sides with management nor employees and has no "agenda" of its' own; cannot be fired as s/he has a contractual employment.
d) The Ombudsman is outside the scope of the formal process and does not accept any "notice to the company" ; its is informal.

The resulting value after implementing an Ombudsman platform are:

Value Area Specific Benefits

Elevate Corporate Oversight - Enabler of early detection and prevention.

- Reduce fraud and other unexpected loss by identifying "hot spots".
- Reduce litigation and settlement costs.
- Protect profit and brand value by pro-actively managing risk.
- Safe guard reputation and trust.
- Reduction of Corporate Risk - Reduce time spent in recording and responding to hotline calls.
- Reduce audit time and costs.
- Increase awareness and act as deterrent to small/medium fraud incidents.
- Reduce fines/penalties from regulators.
- Supports internal resolution of Whistleblower concerns. MA

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Congratulations

Congratulations to CMA Dr. Asim Kumar Chattopadhyay, a Fellow member of the Institute for being awarded the D. Litt. by Rani Durgavati Vishwa Vidyalay, Jabalpur, M.P.

The Changing Dynamics of Oil World

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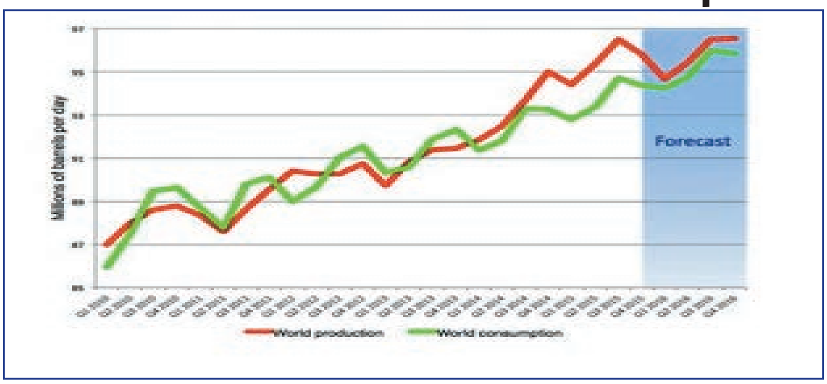
Sixteen major oil producing countries (OPEC and non-OPEC) like Russia, Saudi Arabia, Venezuela, and Qatar met on April 17, 2016 in Qatari capital Doha to freeze oil output at levels reached in January and reduce the surplus which led to slump in oil prices. The first initiative to curb the oil output was taken in February when around 15 OPEC and non-OPEC countries producing around 73% of world oil output met in order to stabilise the crude oil price. Everybody expected an agreement to freeze the output. But Saudi Arabia, the de facto leader of OPEC wanted all the OPEC members to participate in the freeze. However Iran refuses to participate in the freeze and plans to increase its output to its pre sanction level before entering into any agreement. Iran's oil minister Bijan Zanganeh said "OPEC and non OPEC should simply accept the reality of Iran's return to the oil market. If Iran freezes its oil production ... it cannot benefit from the lifting of sanctions". In fact the price of crude rallied more than 30% when Saudi Arabia, Russia, Venezuela and Qatar decided to freeze oil production in mid-February. Brent crude rallied to $43.10 per barrel on April 15, 2016 after reaching its 12 year low of $27.10 per barrel in January 2016.

The falling price of oil is the biggest energy story in the world right now. It is good for the oil importing nations like India while bad for oil-producing countries like Russia and Venezuela. These two countries are the biggest sufferer. Even there are problems with the Saudi Arabia, which is the biggest oil producer. Saudi Arabia had a fiscal surplus of 30% of GDP in 2009 but had a fiscal deficit of 21% of GDP in 2014. As a result its foreign exchange reserve has gone down by more than $150 billion. The low oil price has upset the global economy. But why does the price of oil keep falling? In June 2014, the price of Brent crude was around $115 per barrel. By mid-December 2014, it had fallen nearly in half, down to $59 per barrel to its 12 year low at $27.10 in January 2016.

World Oil Production & Consumption

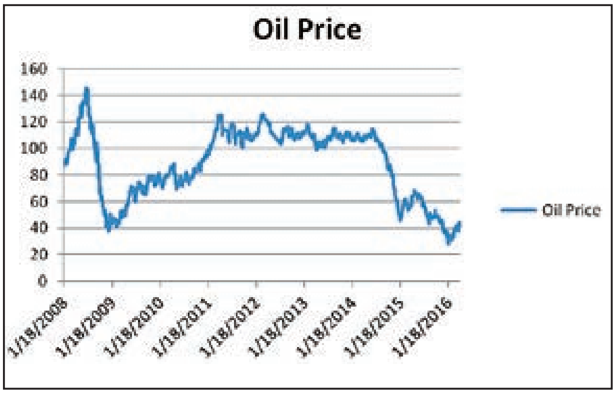


Source: Energy Information Administration, December 2015.

Once the price started falling, the experts thought that the OPEC would cut back the production in order to boost the price. However Saudi Arabia, the de facto leader of the oil cartel did not want to lose its market share and kept on producing on the assumption that the low oil prices would force the US shale oil producer to shut down their production. Therefore oil went into free – fall.

Why oil prices fell:

Oil prices were quite high close to $100 per barrel from the start of 2010 due to the high demand in China and political unrest in oil producing countries like Libya and Iraq. The US and EU imposed oil sanctions on Iran and forced to reduce its oil exports. As a result of these supply of oil in the world market was reduced by more than 3 million barrel per day. The demand was more than the supply which led to rise in oil prices. High prices encouraged companies in US and Canada to invest in Shale formations in Texas and North Dakota and oil sands in Alberta which were not profitable earlier as the cost of extracting oil is substantially high. As a result the supply of oil had gone up and US only added 4 million barrel per day to the global market since 2008. Initially this extra oil supply by US had no effect on the market as the demand was much higher than the supply. But slowly the fuel efficient cars and recession in Asia, Europe and US resulted in a fall in the demand for oil. The political unrest in Libya was slowly easing and Libya started exporting oil in the world market. By late 2014, supply of oil in the world market was more than the demand and from September 2014, the oil price started falling sharply.



Source: Bloomberg

In mid November of 2014 the price of oil was around $80 a barrel from its peak of $115 per barrel in June 2014. The OPEC members met on November 27, 2014 in Vienna to take measures to arrest the fall in oil prices. There were lots of heated discussions among the members of OPEC. Countries like Venezuela and Iran wanted to cut down the production in order to boost the price. However Saudi Arabia the de facto leader of OPEC and the largest oil producer of the world did not want to cut down its production and lose market share. Saudi Arabia had a bad experience in 1980 when it wanted to increase the price by cutting down production. It could not arrest the price fall but lost the market share. Therefore the oil went into free fall. By mid December 2014 it reached $59 per barrel.

The OPEC members thought that once the price goes below $60 per barrel, the shale oil producer in US will stop extracting oil as the cost of production of shale oil is very high (weighted average cost of extracting one barrel is around$60) and it is very cheap in Saudi Arabia and Kuwait (around $3 to $4 per barrel). As a result there was a price war between OPEC and US shale oil producers. Many shale oil producers are already out of business. The cost varies from company to company. In some cases it is around $46 per barrel. However, the price war continued and Brent Crude reached its 12 year low of $27.10 per barrel in January 2016. As a result the OPEC and non OPEC members were forced to take action to arrest the price fall. In February 2016, Brent crude rallied by more than 30% when Saudi Arabia, Russia, Venezuela and Qatar announced that they will meet on April 17 2016 to freeze the output.

Effect of falling prices on major oil producing countries

All the oil producing countries, OPEC and non-OPEC, were doing extremely well when oil prices were hovering around $115 per barrel. Countries like Russia, Saudi Arabia, Venezuela, Iran etc. depend mostly on oil as a major portion of their revenues come from oil. All these countries made their budget on the basis of high oil price (around $115 per barrel). Therefore when the price started falling, all the major oil exporting countries faced lot of difficulties in managing their deficits.

Russia:

Revenue from crude oil and gas accounts for 45% of government budget in Russia. Therefore the country is hit heavily by the fall in oil prices. It is also estimated by the experts that the country's GDP may shrink by 4.5% in 2015 if oil stays below $60 per barrel. Russian currency has also depreciated due to plummeting oil prices which has fuelled the inflation in Russia. As a result import has become very costly. People of Russia lost faith on the depreciating currency and started buying assets which has more life than the currency. The central bank of Russia is struggling to fight with the crisis. On December 15 2014, the interest rate was increased to 17% from 10.5% to stabiles inflation and depreciation of Ruble. However ruble kept on declining.

Iran:

Iran was into recession for a long period of time and recently its economy started moving up. Due to western sanctions, its oil production and export was restricted. But the economy started growing because of the high oil prices. But when the oil prices started falling, it was again into deep trouble. In January 2016, the Western sanctions on Iran have been lifted and Iran started increasing its oil production. Iran has decided to keep on increasing its oil production unless it reaches its pre sanction level (it plans to produce 4 million bpd). On April 4, 2016, Reuters reported that Starting from April 1, 2016, India is set to import 400000 bpd from Iran.

Venezuela:

Venezuela has the largest proven oil reserve in the world and it is one of the biggest producer of oil. The country's economy is heavily dependent on oil revenue. It was estimated that Venezuela is going to default in its debt payment if oil prices remain below $60 per barrel. Presently oil traders are finding it difficult to trade with Venezuela as they are unable to obtain 'Letter of Credit'.

Saudi Arabia:

Being the largest producer of the crude oil, Saudi Arabia suffered a lot for the fall in crude oil prices. Low crude prices forced Saudi Arabia to withdraw oil subsidy in the country. It is the de facto leader of OPEC and it does not want to give up its market share and that is why initially it was against the production cut. Its condition is better than the countries like Russia, Venezuela and Iran because of its huge foreign exchange reserve which can be used to finance its budget deficit. Also the cost of extracting oil in Saudi Arabia is the cheapest. The country had a foreign exchange reserve of $740 billion which is depleted by more than $150 billion. Saudi Arabia had a fiscal surplus of 30% of GDP in 2009 but had a fiscal deficit of 21% of GDP in 2014. As a result its foreign exchange reserve has gone down by more than $150 billion. Though Muhammed Bin Salman, the deputy crown prince of Saudi Arabia said, "We don't care about the prices. $30 or $70, they are all same to us" However the low oil price has converted the country from a creditor to debtor and also threaten its credit rating.

The United States of America:

Initially the people of US enjoyed the fall in oil prices as cheaper oil means one spends less on gasoline and consumers have more money to spend on other things.

However as the price started falling, shale producers in Texas and North Dakota who borrowed heavily during the price boom to increase their output, are out of business and many of them have already filed for Chapter 11 bankruptcy. Many shale oil producer who are still continuing, do not have funds to invest. The shale oil production has gone down by around 600000 barrel per day from its peak last year. As a result many people are out of job now. It is estimated that more firms will file for bankruptcy this year than 2015.

Possibilities in the future:

After the failure of the dialog in the meeting held on April 17 2016, Saudi Arabia has threatened the other oil producing countries (mainly Iran) that it will increase its oil production by 2 million barrel per day and produce more than 12 million barrel per day to overtake Russia. On the other hand Russian energy minister Alexander Novak told the journalists, "They (Saudis) have the ability to raise the output significantly. But so do we". He also mentioned that theoretically Russia can increase its production to 12 to 13 million barrel per day.

So what should be the price of crude oil? Presently Russia sees crude price at around $45 to $50 per barrel to stabilize the market. If price goes beyond that, shale oil production could start to recover. For that major oil producing countries should decide and freeze the oil production. Though Russia is considering number of options to deepen its cooperation with OPEC, but it does not have any plan to join the organization and therefore it will not enter into any agreement where it might lose its market share.

Mr. Fatih Birol, chief of International Oil Agency said on 21/04/2016 in Tokyo, "At the turn of this year or latest 2017, we expect oil markets to rebalance and the prices to rebalance. When we look at all the fundamentals – demand supply and stocks – I have all the reasons to believe that in the absence of a major economic downturn we are going to see balance in the market by 2017". Investment in oil has gone down by more than 40% in the last two years in US, Canada, Latin America and Russia. As a result the world's reliance is going to go up substantially on West Asia in the next few years. He also said, "I think $45 is a bit of a relief for all the oil producers around the world, but this is still far lower than to make the entire shale oil production profitable for United States". MA

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RISK MANAGEMENT IN BANKING COMPANIES

Risk management system is imperative for banks in India in the post-reforms period. Market volatility has increased tremendously due to uncertainty in the external and internal environment and accordingly, margins have squeezed. Therefore, banks have to ensure sound, stable, effective and efficient banking system. Risk management has to identify, measure, control and monitor risks in order to optimise risk-reward trade-off of banks.

In this article author explores how risk management system has been set up and practiced by leading banks in India, both public and private sector.

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Banking is a business of money which involves high risks. Liberalisation, globalisation and deregulation have not only brought new business opportunities for banks, but they have also brought increased amount and types of risks for the banking industry. Banks are now involved in multifarious activities including off-balance sheet and have stretched themselves into various new markets all over the world. All these have obviously increased their risk management challenges. Therefore, banks have to contain, manage and balance risks.

Types of Risks

The banking system faces various kinds of risks viz.

(a) Credit risk,
(b) Interest rate risk,
(c) Market risk,
(d) Foreign exchange risk,
(e) Operational risk,
(f) Liquidity risk,
(g) Strategic risk, and
(h) Contingent risk.

Credit risk is the risk of not receiving back the money so lent by the bank. It covers (i) counter-party default risk, and (ii) concentration risk. Interest rate risk arises due to adverse movements or fluctuations in interest rates that may ultimately bring down the portfolio value of the bank both in trading book and in banking book. Market risk arises on account of fluctuations in market prices of bank's investment portfolio due to general market conditions. Foreign exchange risk occurs due to adverse movements in currency exchange rates. Besides, mismatched currency position also exposes the bank to country risk and settlement risk. Operational risk arises due to failure of internal processes, people, systems and procedures, control actions, or from external conditions. Liquidity risk arises out of inability on the part of a bank to meet its obligations when they are due or in other words, due to maturity mismatch of assets and liabilities of the bank. Strategic risk occurs due to poor implementation of business decisions resulting in adverse impact on capital and earnings of the bank. Contingent risk also known as off-balance sheet risk is associated with off-balance sheet transactions of banks, for example, line of credit, forward contract etc.

RBI Guidelines for Risk Management System in Banks

In October, 1999, the RBI issued detailed guidelines for risk management system in banks. The guidelines specifically require that:

1. The banks must formulate their loan policies which must be approved by their boards.
2. The policies should cover methodologies for measurement of risks, control and monitor the risks on regular basis.
3. The banks should evaluate their portfolios on continuous basis rather than at the time close to the balance sheet date.
4. The banks should also measure the current and potential credit exposures in case of off-balance sheet items on day-to-day basis.
5. The banks should fix a definite time frame for moving over to the Value at Risk (VaR) and duration.

Tools and Techniques used for Risk Management

The various steps in the process of risk management followed by banks are:

(a) Risk analysis,
(b) Risk identification,
(c) Risk measurement,
(d) Risk control, and
(e) Risk monitoring.

In order to follow the above steps the banks have adopted various tools and techniques viz.

1. Asset liability management
2. Stress testing

Asset Liability Management (ALM)

Asset Liability Management (ALM) is a process of planning, organising and controlling asset and liability volume maturities, rates and yields so as to match the structure of liabilities with the structure of assets. In February, 1999, the RBI required banks to put in place ALM system and set up an internal asset liability management committee at the top level of management to oversee the implementation of ALM. Detailed guidelines were issued to banks for compliance. ALM guidelines are concerned with three types of risks viz. (a) Liquidity risk, (b) Currency risk, and (c) Interest rate risk.

Stress Testing

There are two types of stress tests used by banks. They are: (a) Sensitivity tests, and (b) Scenario tests. Sensitivity tests are usually used to assess the impact of change in one variable like, (i) a significant movement in foreign exchange rates, and (ii) a large movement in equity index etc. on the financial position of banks. Scenario tests are simultaneous moves in a number of variables such as,

(a) equity prices,
(b) foreign exchange rates,
(c) interest rates,
(d) liquidity etc.

on the basis of a single event / scenario experienced in the past or a plausible market event yet to happen and the assessment of their impact on the financial position of banks.

In 2007, the RBI issued guidelines on stress testing which include all major risk areas like, market risk, credit risk, liquidity funding risk, and operational risk. The guidelines issued to the banks are in regard to such aspects as, (i) Requirements of framework, (ii) Identification of risks, (iii) Stress scenarios/levels, (iv) Frequency of stress testing, and (v) Interpretation of results of stress tests.

Risk Management System Practiced Bby Banks in India

In the next step, let us examine how risk management system and the RBI guidelines in this regard have been introduced and practiced by the leading banks in India, both public and private sector.

State Bank of India (SBI)

SBI has explained the structure of risk governance in its annual report 2013-14 as follows:

Risk Management Structure
Board of Directors

Risk Management Committee of the Board (RMCB)

Asset Liability Management Committee (ALCO)

Dy. MD & CCRO
Chief GM (RM)

Risk Management Committees
1. Credit Risk Management Committee (CRMC)
2. Market Risk Management Committee (MRMC)
3. Operational Risk Management Committee (ORMC)
4. Group Risk Management Committee (GRMC)

The above structure has been put in place in the context of separation of duties and ensuring independence of risk measurement, monitoring and control functions. SBI has in place a country risk management policy as per RBI guidelines. The policy outlines a robust risk management model with prescriptions for country, bank, product, and counterparty exposure limits that are monitored and reviewed on regular basis.

SBI has stated that it has strong credit appraisal and risk assessment practices for identification, measurement, monitoring and control of the credit risk exposures. Credit Risk Management Dept. (CRMD) studies 37 industries and disseminates the reports to operating staff for informed decision making. It regularly conducts stress test on its credit portfolio and stress scenarios are regularly updated in line with RBI guidelines and industry best practices. SBI has framed board approved policies pertaining to market risk for trading in foreign exchange, derivatives, interest rate securities, equities and mutual fund. It has stated that market risk is monitored and reviewed by MRMC and RMCB. In regard to the operational risk, SBI has stated that important policies, manuals and framework documents as per RBI guidelines have been put in place and ORMC reviews the operational risk profile of the bank periodically and recommends suitable control actions. As far as the group risk is concerned, a quarterly analysis of risk-based parameters for credit risk, market risk, operational risk and liquidity risk is presented to GRMC and RMCB. Exposure limits for large borrower exposure and capital market exposure as per RBI guidelines have been adopted for the group. SBI has also stated that it has comprehensive Internal Capital Adequacy Assessment Process (ICAAP) in place to take care of enterprise risk. It has also implemented a robust IT policy and information system security policy to handle information security risk.

Punjab National Bank (PNB)

PNB in its annual report 2013-14 disclosed that its risk management philosophy and policy is an embodiment of its approach to understand, measure and manage risks and aims at ensuring sustained growth of healthy asset portfolio. It has robust credit risk framework and has put in place credit risk rating models on central server based system called 'PNB TRAC'. The output of the rating models is used in decision making of the bank. It regularly monitors portfolio distribution in terms of low risk, medium risk and high risk categories and places the same to RMCB. PNB has a well-defined organisational structure for market risk management. Tools viz. stress testing, duration, modified duration, VaR etc. are used in managing risk. It has robust operational risk management framework with a well-defined ORM policy. It identifies, measures, monitors, and controls operational risk by analysing historical loss data, Risk and Control Self Assessment Surveys (RCSAs), Key Risk Indicators (KRIs) and scenario analysis.

PNB also stated that with core banking solution covering entire branch network, the Asset Liability management in respect of all assets and liabilities is done on daily basis. Moreover, fixation of BPLR/Base rate and interest rates in respect of assets and liabilities products is done on scientific basis. As per requirements of the regulatory guidelines issued by RBI, relevant risk management policies have been approved by the board and since implemented. Besides, it has taken an initiative for external audit of its risk management system.

ICICI Bank

ICICI Bank in its annual report 2013-14 mentioned that its risk management strategy is based on a clear understanding of various risks, disciplined risk assessment, measurement procedures and continuous monitoring. Its RMCB reviews risk management policies of the bank pertaining to credit, market, liquidity, operational, outsourcing and reputation risks etc. It reviews the risk management framework with respect to enterprise risk management and risk appetite, Internal Capital Adequacy Assessment Process (ICAAP) and stress testing. It also reviews migration to the advanced approaches under Basel II and implementation of Basel III, risk return profile of the bank, compliance with RBI guidelines in respect of credit, market and operational risk management and the activities of Asset Liability Management committee.

In regard to credit risk, the Credit Committee of the Board reviews developments in key industrial sectors and the bank's exposure to these sectors and large borrower accounts and borrower groups. It reviews major credit portfolios, non-performing loans, overdues and incremental sanctions. The Asset Liability Management Committee manages liquidity and interest rate risk and reviews asset-liability position of the bank.

ICICI Bank stated that it has dedicated groups viz. the Risk Management Group, Compliance Group, Financial Crime Prevention & Reputation Risk Management Group, etc. with a mandate to identify, assess, and monitor of all principal risks as per well-defined policies and procedures. The Risk Management Group has been further organised into (a) Credit Risk Management Group, (b) Market Risk Management Group and (c) Operational Risk Management Group. These independent groups do implement ICICI Bank's risk management policies and methodologies.

HDFC Bank

HDFC Bank in its annual report 2013-14 stated that board approved the risk policies of the bank. The Risk Policy & Monitoring Committee (RPMC) of the board supervises implementation of the risk strategy. It periodically reviews risk level and direction, portfolio composition, status of impaired credits as also the limits for treasury operations. The bank has a comprehensive centralised risk management function independent from other operations.

For credit risk, distinct portfolios, processes and systems are in place for retail and wholesale businesses. The credit quality in the wholesale segment continued to be stable, supported by tighter credit standards, appropriate credit filters and robust monitoring systems and balanced portfolio. Operational risk management framework has been put in place and a dedicated team has been entrusted to asses, monitor, and report of operational risk exposures. Key operational risk indicators are used to caution on impending problems to ensure immediate risk mitigation actions. Market risk is adequately managed through a well-defined board approved market risk policy and stringent credit risk limits. Board has approved stress test policy and framework that encompasses the market risk stress test scenarios and simulations. The policy framework for liquidity and interest rate risk management has been established in the bank's ALM policy guided by RBI guidelines. The Asset-Liability Committee (ALCO) ensures that liquidity risk and interest rate risk are within the tolerance limits. As per RBI guidelines, the bank is currently on the standardised approach for credit risk and market risk and the basic indicator approach for operational risk.

Conclusion

The banking industry in India, as we observe, has been continuously facing a challenging environment, reflected in increased rating downgrades, debt restructuring, huge non-performing assets and mounting provisions for bad loans in the accounts causing erosion of banks' profits. It is a matter of concern that the banking industry has not been able to combat the prevailing challenging situations effectively till date.

From the above disclosures made by these banks on adoption of risk management policies and practices it is quite evident that all most all banks both in private and public sector have adopted the same policy framework and established the similar practices in managing their risks in business. It is expected that this industry will come out of this impasse soon with the implementation of latest sophisticated techniques cautioning risk signals and timely action for mitigating risks. MA

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NCLT & NCLAT

Tribunalisation of Justice

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In an era of corporate world and sectors ranging from business to sports or educational institutions to hospitals etc. there is a time bound change in the manner in which an organisation is set up and administered depending upon the external factors surfacing the environment including the legal system and the laws prevailing to monitor and regulate the same. The recent changes brought in the corporate legislation being the introduction of Companies Act, 2013 replacing Companies Act, 1956 and new concepts such as One Person Company (OPC), Corporate Social Responsibility (CSR), Class Action, Special Courts and constitution of National Company Law Tribunal (NCLT) and Appellate Tribunal (NCLAT). Under the Companies Act, 1956 the authorities which were exercising jurisdiction on the companies either facing litigations or requiring sanctions and approvals apart from the Central Govt. include High Courts, Company Law Board, BIFR & AAIFR. Earlier Companies (Amendment) Act, 2002 introduced the provisions for the formation of NCLT & NCLAT but were not notified due to litigation and now the Companies Act, 2013 has re-introduced similar provisions for the constitution of NCLT & NCLAT under Chapter XXVII which takes away the powers exercised by the High Court barring Sec. 463 and the Company Law Board which will be dissolved alongwith the BIFR and AAIFR whose powers will also be exercised by the NCLT & NCLAT resulting in convergence of jurisdiction. The object of constituting NCLT & NCLAT is to carry out the function of adjudicating the disputes arising in cases of oppression & mismanagement, winding up and also mergers & amalgamations, revival & rehabilitation of sick companies and liquidation proceedings under single roof rather than different bodies with an aim to minimise the time delay in disposal of cases. Though the idea of constituting a Tribunal was conceived two decades ago it is yet to take birth due to legal entanglements.

Introduction

The constitution of NCLT & NCLAT to replace the Company Law Board and transfer of company jurisdiction exercised by the High Court to the Tribunal was introduced based on Justice Eradi Committee in the Companies (Amendment) Act 2002 but could not be given effect to in view of the fact that the constitutional validity of the Tribunal was tested and also certain provisions relating to its constitution were under challenge before the Madras High Court and against its orders appeals were filed before the Supreme Court and the said appeals were disposed of on 11.05.2010 by a Constitution Bench comprising of 5 judges in Civil Appeal no. 3067/2004 and 3717/2004 reported in (2010) 156 Comp. Cas. 392 (SC). Since the necessary changes as suggested by the Supreme Court in the said appeals were not incorporated in the recent enactment of Companies Act, 2013 it resulted in another round of litigation before the Supreme Court and the court while disposing of the W.P. 1072 of 2013 on 14.05.2015 reported in (2015) 190 Comp. Cas. 484 directed the Central Govt. to strictly comply with its earlier judgment dt. 11.05.2010 and upheld the constitutional validity of the formation of NCLT and NCLAT.

Composition of the Tribunal

Chapter XXVII of the Companies Act, 2013 contains the provisions regarding the constitution of NCLT & NCLAT. Sec. 419 contemplates constitution of such number of benches of the Tribunal as may, by notification, be specified by the Central

Govt. and it is likely that atleast one Bench will be constituted for each State with respect to NCLT and the Principal Bench functioning from New Delhi. The NCLT shall have a President, Judicial and Technical members. The powers of the NCLT shall be exercisable by Benches consisting of two members out of whom one shall be a Judicial Member and the other shall be a Technical Member and professionals such as Chartered Accountants, Company Secretaries and Cost Accountants having 15 years of experience in practice are eligible to become a Technical Member. Even a single Judicial Member is competent to function as a Bench pertaining to such class of cases as the President of NCLT may Order accordingly. The President is empowered to constitute one or more special Benches consisting of 3 or more members of whom majority shall be judicial members for the disposal of cases relating to rehabilitation, revival, restructuring or winding up of companies. The NCLAT shall comprise of a Chairperson and such no. of judicial and technical members not exceeding 11. The President, Chairperson or any member may resign from his office provided notice in writing is addressed to the Central Govt. and he shall hold office until the expiry of 3 months from the date of receipt of such notice by the Central Govt. or until the expiry of his term of office or until a person is duly appointed in his place whichever is earlier. The Central Govt. is vested with the power to remove the President, Chairperson or any member after consulting the Chief Justice of India as per Sec. 417.

Powers of NCLT & NCLAT

As per Sec. 433, the Limitation Act, 1963 shall apply to proceedings or appeals before the NCLT and NCLAT however as per Sec. 424 the Civil Procedure Code (CPC) shall not apply for the Tribunal but it shall be guided by the principles of natural justice and the Tribunal has powers to regulate its own procedure and it is also vested with some powers for discharging its functions similar to civil courts while trying a suit such as summoning and enforcing the attendance of any person, requiring the discovery and production of documents, receiving evidence on affidavits etc. Any order of the Tribunal may be enforced by that Tribunal as if it is a decree passed by a civil court in a suit and the Tribunal is empowered to send it to the appropriate court for execution of its orders. The Tribunal is also vested with the powers and authority to punish for committing contempt of its orders. The Tribunal may request in writing to the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector and seek assistance for the purpose of taking into custody or under its control all property, books of account or other documents relating to a sick company or a Company in liquidation and this power is similar to the power vested with a Secured Creditor to seek assistance from a Chief Metropolitan Magistrate or a District Magistrate u/s. 14 of the SARFAESI Act, 2002 inorder to take possession or control of the secured asset.

As per Sec. 430 of the Companies Act, 2013 the Civil Courts are barred from entertaining any suit or proceeding in respect of any matter which the Tribunal is empowered to determine under the Companies Act, 2013 and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred under this Act on the Tribunal. This provision is also similar to the provision U/s. 34 of SARFAESI Act, 2002 and Sec. 18 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993.

Appeal

An appeal against an order of NCLT shall lie before NCLAT which is to be filed within a period of 45 days and with a further extension of 45 days provided the NCLAT is satisfied that sufficient cause exist for the delay in preferring the appeal. No appeal shall lie from an order made by the NCLT with the consent of parties. Similarly an appeal against an order of NCLAT will lie before the Supreme Court within a period of 60 days and with a further time of 60 days provided sufficient cause is established by the appellant. The provisions relating to the time limit prescribed u/s. 421 and further appeal u/s. 423 does not apply to proceedings under Sec. 218 since it begins with a non-obstante clause and prescribes different provisions under sub-sections (3) & (4) of Sec. 218. Sec. 422 contemplates disposal of every application, petition and appeal filed before the NCLT & NCLAT within 3 months from the date of its presentation failing which the Tribunal shall record the reasons for the delay and the President or Chairperson as the case may be shall after taking into account the reasons so recorded extend the period by such period not exceeding 90 days. The provision relating to fixation of the time limit for the Tribunal to dispose of the application/petition/appeal within a particular time frame is similar to the time frame fixed for the Debt Recovery Tribunal (DRT) to dispose of an application filed u/s. 19 of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993.

Transfer of Proceedings

Upon the constitution of NCLT & NCLAT all cases pending before Company Law Board shall stand transferred to the NCLT and in case of orders passed by the Company Law Board prior to the constitution of NCLT any aggrieved person may file an appeal to the High Court within 60 days from the date of the order on any question of law and within a further period of 60 days provided the High Court is satisfied that sufficient cause exists for the delay. All the proceedings pending before the High Court exercising its jurisdiction under the Companies Act, 1956 shall stand transferred to NCLT and similarly any appeal pending before AAIFR or any reference or inquiry pending before the BIFR before the notification of Sec. 434 shall stand abated and a company in respect of which such appeal or reference or inquiry stands abated may make a fresh reference before the NCLT within 180 days from the notification of Sec. 434 and no fees shall be payable in this regard.

'Scope for Professionals' under the Companies Act, 2013

Expert U/s. 2(38)
Independent/Professional/Nominee director U/s. 2(47)
Whole-time Key Managerial Personnel U/s. 2(51)
Internal audit U/s. 138
Secretarial audit U/s. 204
Registered Valuer U/s. 247
Company Administrator U/s. 259
Company Liquidator U/s. 275
Professional Assistance to Company Liquidator U/s. 291
Judicial/Technical Member of NCLT & NCLAT U/s. 409 & 411
Appearance before NCLT & NCLAT U/s. 432
Mediator/Conciliator U/s. 442

Role of NCLT under the Companies Act, 2013

Sec. 2 (41) – Application for seeking permission to have a different financial year other than April to March
Sec. 7(7) – Application against a Co. incorporated by furnishing false and incorrect information
Sec. 14(1) – Application for conversion of a public co. into a private co.
Sec. 48(2) – Application against variation of rights of shareholders
Sec. 55(3) – Application for approval relating to redemption of preference shares
Sec. 58(3) – Application against refusal of transfer or transmission of shares
Sec. 59(1) – Application for rectification of register of members
Sec. 61(1)(b) – Application for approval for consolidation and division of share capital
Sec. 62(4) – Appeal against decision of Govt. to convert debentures, loans into shares
Sec. 66 – Application for confirmation of the reduction of share capital
Sec. 71(9) – Application by a debenture trustee
Sec. 71(10) – Application by a debenture-holder or a debenture trustee
Sec. 73(4) – Application by a depositor
Sec. 74(2) – Application for seeking extension of time for repayment of deposits
Sec. 97 – Application by a member for calling an Annual General Meeting
Sec. 98 – Application by a director or member for calling a General Meeting
Sec. 119(4) – Application for inspection of minutes books of general meetings
Sec. 130(1) – Application for re-opening books of accounts and recast financial statements
Sec. 131 – Application for seeking approval for revised financial statement
Sec. 140(4) – Application against abuse by the auditor in making representation
Sec. 140(5) – Application against auditor for acting in a fraudulent manner
Sec. 169(4) – Application regarding representation of a director sought to be removed
Sec. 213 – Application for investigation

into the affairs of a company

Sec. 218 (1) – Application seeking approval for proposed action taken against an employee of the Co.

Sec. 224(5) – Application by Central Govt. for disgorgement of asset, property, cash etc.

Sec. 230 to 240 – Application for sanctioning a scheme of amalgamation or arrangement or compromise

Sec. 241 – Application relating to oppression and mismanagement

Sec. 245 – Application for class action

Sec. 252 – Appeal against an order of dissolution passed by Registrar U/s. 248

Sec. 253 – Application filed by a Secured Creditor against a Sick Co.

Sec. 254 – Application by a Secured Creditor for revival and rehabilitation of a sick co.

Sec. 264(4) – Application seeking modification of scheme of amalgamation

Sec. 269(3) – Application for withdrawal of funds from Rehabilitation and Insolvency fund

Sec. 272 – Petition for winding up of a Co.

Sec. 277(4) – Application by Official Liquidator for the constitution of a winding up committee

Sec. 279 – Leave of the Tribunal for proceeding in a suit or a legal proceeding

Sec. 288 – Application by Company Liquidator for review of orders of Tribunal

Sec. 289(1) – Application by Promoters, shareholders or creditors or other interested person

Sec. 289(4) – Application by Company Liquidator for staying the winding up proceedings

Se. 290(1)(n) – Application by Company Liquidator for such orders or directions necessary for winding up of the Co.

Sec. 291(1) – Application by Company Liquidator seeking sanction for appointment of professionals

Sec. 300(5) – Application by any person to be exculpated from any charges made or suggested against him

Sec. 302(1) – Application by Company Liquidator for dissolution of the Co.

Sec. 306(3)(b) – Application filed by the Company

Sec. 317 – Report of Company Liquidator for examination of persons

Sec. 318(4)(b) – Application of Company Liquidator for passing an order of dissolution of the Co.

Sec. 321(2) – Application of Creditor or contributory to confirm or set aside the arrangement

Sec. 322(1) – Application by Contributory, Creditor or Company Liquidator to determine questions

Sec. 322(2) – Application by Contributory, Creditor or Company Liquidator for setting aside any attachment, distress or execution

Sec. 328 – Application against fraudulent preference

Sec. 333(1) – Leave of the Tribunal by Company Liquidator to disclaim the property

Sec. 333(5) – Application by a person against Company Liquidator to rescind the contract

Sec. 333(6) – Application by a person against Company Liquidator claiming interest in any disclaimed property

Sec. 339(1) – Application by Company Liquidator, Official Liquidator, Creditor or Contributory

Sec. 340(2) – Application for assessing damages against delinquent directors

Sec. 342(2) – Application for prosecuting an officer or any member guilty of offence

Sec. 343(3) – Application by any Creditor or Contributory regarding exercise of powers by Company Liquidator

Sec. 347(3) – Appeal to Tribunal

against an order of Central Govt. regarding destruction of books and papers of a Co.

Sec. 350(2) – Application by the Company Liquidator regarding retention of monies

Sec. 353(1) – Application by any Contributory or Creditor or Registrar against the Company Liquidator to make good the default

Sec. 356(1) – Application for declaring the dissolution of a Co. void

Sec. 373 – Application for leave of the Tribunal to proceed in a suit or other legal proceeding against a Co. regd. under Chapter XXI

Sec. 375 – Application for winding up of unregistered co.

Sec. 399(2) – Application for compelling the production of any document kept by the Registrar

Sec. 434(1)(d) – Fresh reference by a sick industrial Co. to Tribunal

Sec. 441(1)(a) – Application for compounding of offences

Sec. 442(2) – Application for referring a matter to Mediation and Conciliation panel

Compounding of offences

In case of offences punishable with a fine exceeding 5 lakh rupees the same is compoundable by the Tribunal and for the fine upto Rs. 5 lakh it is compoundable by the Regional Director. If an investigation is initiated or pending against the company under the Companies Act, 2013 then the offence is not compoundable. Any offence punishable with imprisonment or fine, or both is compoundable subject to the permission of the Special Court.

Lacuna

Sec. 420 permits rectification of orders by NCLT within 2 years of passing an order if there is an error apparent on the face of the record provided no appeal against such order is preferred whereas no such power is vested on NCLAT hence it appears the said provision is not applicable to orders passed by NCLAT and unlike Sec. 10F of the Companies Act, 1956 where an appeal against an order of Company Law Board lies before High Court only on a question of law whereas as per Sec. 421(1) an appeal against an order of NCLT will lie before NCLAT which only indicates that the orders are appealable not necessarily on question of law but also on question of facts.

Sec. 422 (1) deals with expeditious disposal of the Application/ Petition/Appeal by the Tribunal or Appellate Tribunal within a period of 3 months from the date of presentation and sub-section (2) contemplates recording the reasons for not disclosing the application/petition/appeal and the President/Chairperson as the case may be is vested with the powers to extend the period by not more than 90 days for such disposal. Firstly it is difficult for the Tribunal/Appellate Tribunal to dispose of all the applications/ petitions/appeals within a period of 3 months, secondly in all those cases where the disposal is not made within the time limit fixed then it is an additional burden on the Tribunal/Appellate Tribunal to record its reasons and an extension of time is required from the President/Chairperson as the case may be. Thirdly in case if the Tribunal/Appellate Tribunal does not dispose of the applications/petitions/appeals even within the extended time limit then the consequences following the same is not known. The provisions contained in Sub-section (2) of Sec. 422 appears to make it mandatory to meet the time limit or else to seek an extension even though only the term 'endeavour' is used u/s. 422(1).

Sec. 421 & 423 contains the appeal provisions and the time limit within which the appeal is to be preferred. The said provisions applies against any order of the Tribunal/Appellate Tribunal. Sec. 218 (3) contains a different time limit for preferring an appeal against the order of the Tribunal passed under the said section and sub-section (4) mentions that no further appeal lies against the order of the Appellate Tribunal and the decision is final hence these two provisions appears to be inconsistent with the provisions of Secs. 421 & 423 and it is pertinent to mention that though Sec. 218 begins with a non-obstante clause it covers all other laws but not the Companies Act, 2013 hence Sec. 218 (3) & (4) appears to override Sec. 421 and 423 of the Companies Act, 2013.

Conclusion

The formation of NCLT is a boost to many professionals who can expand their scope of practice by making appearance on behalf of their clients on various issues which now falls within the jurisdiction of the Tribunal. The reason behind constitution of the tribunal is to avoid multiplicity of litigations before various forums and quick disposal of cases. Similar to the NCLT likely to have benches in each State it would be better if the NCLAT also has benches in each region since it is easily accessible for the litigants apart from being less expensive and also saves time. The success of the Tribunal depends on the filling of vacancies as and when it arises and appoint duly qualified persons as members of the Tribunal and also the implementation of the applicable provisions in both letter and spirit. The appointment of members from all professions who are qualified as per the law would also automatically encourage all the professionals to appear before the Tribunal. The professionals should cease all opportunities from day one of the formation of the Tribunal/Appellate Tribunal inorder to expand their growth and also to divert from their routine work. MA

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Recognizing the INNER DRIVE – An Insight

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In my last article - "The Test of Leadership, through mother's example," I had narrated the importance of Compassion and Empathy, being two supreme assets of any inspiring leader. Be it, in an organization or a family, being aware of one's pain, suffering and deprivation (physical or mental) and helping the person to deal with such adversity, go a long way in establishing a deep rooted bond among individuals. This ecosystem of sharing and caring creates a congenial environment - an environment of trust and togetherness, which is bound to give fillip to the overall performance of one and all. And when such gestures among employees within an organization become the way of life, Growth is Inevitable. In my current narrative, I intend to focus on another vital constituent of success - Recognizing the Inner Drive.

Motivation, as it is commonly known, is a buzz word. In any walks of life how far we go or how long we keep going, does not merely depend on our skills and competencies. Actually it is the inner strength - the thrust that propels human beings to the desired, decisive orbit. Remember the inspiring quote of Swami Vivekananda, "Arise, Awake and Stop not till the goal is reached." The enthusiasm, the passion, the exuberance that we show in whatever we do, ultimately decides our destiny. It is this attitude which separates successful from the mundane. Frankly speaking, abilities and aptitudes act only as Vahan (vehicle). What really matters is our conviction and willingness to chase dreams relentlessly. This unwavering focus empowers a person to be excited - to be thrilled and aspire even more - to accomplish amazing performances and achieve the most and more in life. In simple words, it is the super nutrient that supplements the potential of an individual. In reality, it is the ultimate game changer.

Organizations across globe wish to sprint ahead - be second to none. Managers are convinced that this innate force embedded deep within individual employees actually lay the foundation stone for success of any organization. So as to maintain self-driven, goal focused and result oriented workforce, feeding this inner hunger fairly well, becomes absolute necessity. Ignore them to your own peril. To nurture this wonder, organizations often dole out umpteen numbers of engagement schemes for employees and their family members. They intend to keep their folks seemingly happy, connected and contended. A more careful scrutiny of these measures reveals that the initiatives (some of my friends term them as investments) are more out of compulsion than being simply kindhearted gestures. Such actions are primarily meant to safeguard the core employees against poaching by corporate predators – the so called competitors. But can anyone tell where do these initiatives precisely lead to? Can they really stop employee turnover, especially, during good and employment friendly environment? Let's ponder.

Recruiting and retaining best of talents within any organization is an uphill task and keeping this elite workforce motivated for superior performance round the year (24 by 7), is even more difficult. It is impossible to state whether job satisfaction leads to employee motivation or motivation leads to sincere efforts - outcome of which are improved performance, greater success and job satisfaction. Whatever may be the case, it's beyond doubt that both employee satisfaction and motivation work hand in hand, wherein, satisfaction is the feel good factor and motivation is the attitude - the passion to pursue chosen purpose resolutely till the efforts bear fruit. To elaborate further, let me list out a few key drivers to improved performance. Let's get down analyzing their impact on employee morale.

The first and foremost catalyst that comes to my mind is the compensation package. It is said money can move mountains. My economist friends often find it difficult to agree that when it comes to earning more money, the law of diminishing marginal utility does not hold good. In real life, every scope of additional income (through ethical means), continue to push people forward without any dent in their desire. It is this distinctive mindset of majority human beings that works against the time tested theory which states, satisfaction derived from each additional unit of goods reduces progressively with every added unit. Whether it is a beggar or a millionaire one cannot find individuals not being motivated by additional earnings. Have we ever come across people claiming, "I am simply tired of money, I need no more!" To be honest, because of this default preference, employers in general, safely bet on compensation package (including yearly increments, incentives and ESOPs) as the prime motivator. However, one cannot refute that the degree of satisfaction derived from this factor varies from individual to individual.

Next comes, what is called as job content or job profile. Any task which is not challenging does not excite people. And if it does not excite people, it does not bring out the best in them. It is as simple as that. However, the flipside of any challenging job is, it results in excessive stress leading to anxiety, fear of failure, nervous breakdown and many other health related issues. In day to day assignments though certain bouts of challenges are considered as healthy stress (perhaps accepted norm also), any individual cannot be expected to stretch continuously beyond a certain point – the point of no return. To restore equilibrium, intermediate lean or slack period is extremely necessary. Ask any employee and he will admit that satisfaction derived on completion of any challenging job is much higher than what would be derived on completion of a routine and dull assignment. So jobs besides being rewarding, need to be challenging.

Other notable contributors to higher motivation are size of the organization, its reputation, working environment, growth potential, HR policies etc. etc. Choice of work place is largely determined on these factors - more so among the freshers.

How often we notice that sheer brand value of any organization dictates the placement interview slots, provided by educational and professional institutes, for absorption of their students! Frankly speaking, individuals prefer to work where his or her areas of interest and creativity synchronizes with the direction of the organization. Primarily, employees look at organization to pursue their own ambitions. Yet they wish to contribute to the overall growth of the organization. Though they look for personal wellbeing, prosperity and happiness, they often crave for seeing their organization rank high among the competitors. Employees also get influenced by equitable rules, transparent performance appraisals, rightful advancements in careers, promotions in jobs, flexible working hours, work from home, 5 day week etc. etc. To overcome minor issues within the organization, employees sincerely look forward for caring executives - not their lip services. Freedom to work independently (of course within broad parameters of organization) makes the environment lively and this pleasant ambiance, serves as the launching pad for employees to blossom fully to their potential.

The above hygiene factors do create happy faces within an organization and continue to encourage the workforce for making significant contribution. But still organizations find it extremely difficult in retaining their employees. What is wrong? Did the initiatives lose their glamour - their sheen? Are the employees disappointed, disconnected? For me, a thoughtful introspection may offer some light. Leaders ought to search for honest answers. While exploring likely causes of employee disillusion, it makes complete sense to look within the organization and not beyond. Comparison with other organizations is totally futile.

In today's businesses, one of the main causes of frustration is the non-existence of a genuine bond between organization and its employees - a serious disconnect - a trust deficit. Quite often the right chord between them is not established. Employees maintain a laid-back association and the ownership mindset is found absent. A serious introspection may further reveal that:

a) This psychological distance is created as employees consider that their concerns or suggestions carry absolutely no value to the organization. Result being sheer frustration. An unfortunate but inevitable case of a vicious circle. In one hand, the employees don't receive requisite job satisfaction (not being motivated enough in day to day assignments) and on the other hand, the organization is deprived of the enhanced output.

b) Employees are often driven by achievement of smaller team goals. The overall purpose of the organization seldom gets drilled down to the rank and file. Without comprehending the broader perspective, employees work in silos. The conical vision of individual teams often leads to infighting within other teams. Inability to chisel-out differences at right time leads to de-motivated teams and disoriented workforce.

c) Attitude of the mighty and powerful (especially the key decision makers at the top) on employees with longer association is a real concern. The employees with lengthy tenure are habitually humiliated and made to believe that they have lost their shelf-life. They are treated as spent-catalyst; non-performing assets. It is pity that at times loyalty of these employees is mistaken as liability. Given their knowledge, experience and wisdom, the long timers can easily fit into the shoes of mentors for the newer age group. However the truth is, organizations time and again fail to assign such roles. Thus whenever any opportunity arises outside - may be with incremental benefits, the old timers run away from their present employer. All good initiatives taken by the organization is wiped out in a jiffy.

d) People with self respect feel suffocated in any work place where crony culture, favoritism and nepotism rule the roost. Even if these employees have an apprehension that switching over to the newer organization would be a very risky proposition, they seldom hesitate to come out of any comfort zone. Somewhere deep inside one sees this as an opportunity of being liberated from a very unpleasant and suffocating atmosphere. It is this state of mind that compels others to also believe that known devil is not necessarily better than unknown angel.

All said and done, even if the best working environment is created within any organization, some employees are bound to leave. Reasons can be plenty. It may be for better medical facilities, higher education of children, moving closer to one's native place, being able to attend ailing parents, settling in a place having better facilities (city life) and so on so forth. One silver lining in all these kinds of separations is - employees do not leave with saddened faces. And since the separations are not out of frustration, they are not harmful. But people leaving an organization with discontent can be damaging in the long run. Let me explain. In most likelihood these unsatisfied employees will either reach the competitors or to an organization which can be a potential recruitment hub of the current organization. What actually happens is, when an unsatisfied individual discusses about his past sufferings among new colleagues, it is his bad mouth that does enormous damage to the earlier organization. The more these stories spread, more is the dent in image of the organization. The worst part is - the damage is done silently without the organization even realizing it. Yes, a true and candid feedback from resigned employees does provide useful insight into organization's weaknesses, but this system of getting feedback in the form of exit interviews can be effective only when it is obtained after separation dues are settled. Otherwise it will simply remain as organization's standard operating procedure, without serving any meaningful purpose. A brilliant plan aimed at organization's improvement, going nowhere due to improper execution.

Come what may a leader has to remain positive. Even when any superior performer is parting, he needs to look at the brighter side of any separation. Accepting the inevitable will require enormous mental strength and calmness. The leader needs to remind himself that some things will always remain out of his control. He would be better advised to analyze this situation differently. In fact, an employee separation can be beneficial to an organization, provided the turnover is moderate, say between 5-7% of the existing work force. A new recruitment drive can help the organization to infuse new blood with different skill sets. Such separation can create a unique opportunity of a fresher and newer approach to problem solving. Actually in comparison to carrying high value employees, recruiting new members and training them suitably might even work out to be cheaper and cost effective scheme for the organization.

In an attempt to demystifying human behavior one observes that people are motivated either through external factors or through internal factors. External factors viz. money, fame, respect and prominence can be the primary driving force for majority of people, but for a handful it is the sheer joy of creating, experiencing and bringing their dreams to life i.e. to make the 'Brahma' within them, design their own playground, that makes them happy. It will be apt to recollect what Maslow said in his Motivation Theory. The external factors mainly constitute the basic and social needs of human beings whereas internal factors are inclined to esteem and self-actualization needs.

Thus the rule of thumb for measuring happiness quotient of the employees of an organization can be – If necessity of earning is dispensed with, will the workforce like to continue? If the answer is yes, inquire their rationale. Remember, these revelations are core strength of your organization. Preserve them, results will be profitable. On the other hand, if the answer is no, probe further into the grey areas. Promote a healthy culture of two way communication. Encourage employees to overcome fear and express their concerns candidly. Listen to these grievances with an open mind. Try and make amends to the perceived shortcomings. Once the confidence of the workforce is won back and positive vibrations get restored, the workplace is bound to turn lively. Believe me the determined efforts of the rejuvenated workforce shall once again sow the seeds to organization's success. To be inspiring, effective and truly valuable, a leader needs to sense the mood early, think astutely and act decisively. That's the key to create a win-win strategy. MA

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CMA AMIT BHATTACHARYA

Our heartiest congratulations to CMA Amit Bhattacharya for his appointment as Director (Regulatory Affairs) at the West Bengal Power Development Corporation Ltd. CMA Amit Bhattacharya is a fellow member of the Institute and has been in full-time employment with the West Bengal Power Development Corporation Ltd.

We wish CMA Amit Bhattacharya the very best in all his future endeavours.

TAXATION

Ease of Doing Business-Duty Free Warehousing

CMA Ashok Nawal
Chairman, Taxation Committee
Institute of Cost Accountants of India

Finance Act, 2016 introduced the provision of Special Warehouse u/s 58A of Customs Act 1962, which states

The Principal Commissioner of Customs or Commissioner of Customs may, subject to such conditions as may be prescribed, license a special warehouse wherein dutiable goods may be deposited and such warehouse shall be caused to be locked by the proper officer and no person shall enter the warehouse or remove any goods there from without the permission of the proper officer.

The Board may, by notification in the Official Gazette, specify the class of goods which shall be deposited in the special warehouse licensed under sub-section (1).

The provision was made mainly to ease out the operations and remove physical interface of customs officers until warranted while ensuring safeguarding measures.

The provision has been amended so as to differentiate to permit Private Warehouse for certain class of goods with physical control and certain class of goods with record based control. It is expected EOUs will not be covered u/s Sec 58A but it will be covered under only Sec 58 which will have record based control and procedure will be simplified. However, as envisaged physical interface in the warehouse only when following goods are stored in the Private Bonded Warehouse:

1. Gold, silver, other precious metals and semi-precious metals and articles thereof;
2. Goods warehoused for the purpose of-
   a. Supply to duty free shops in a customs area;
   b. Supply as stores to vessels or aircrafts under Chapter XI of the Customs Act, 1962;
   c. Supply to foreign privileged persons in terms of the Foreign Privileged Persons (Regulation of Customs Privileges) Rules, 1957.

In other words, all other Private Warehouses which are set up for storage of duty free goods when imported before clearance for the home consumption or set up when goods are required to be manufactured in the warehouse as stipulated u/s 65 of the Customs Act 1962, will have record based control rather than physical control.

As Finance Act 2016 has been notified on 14th May 2016, Department of Revenue, Ministry of Finance have issued following notifications and circulars.

Notification	Dated	Topic
Notification No. 66/2016-Customs (N.T.)	14/05/2016	The Class of goods which shall be deposited in a special warehouse licenced under sub-section (1) of the section 58A.
Notification No. 67/2016-Customs (N.T.)	14/05/2016	The Warehoused Goods (Removal) Regulations, 2016
Notification No. 68/2016-Customs (N.T.)	14/05/2016	The Warehouse (Custody and Handling of Goods) Regulations, 2016
Notification No. 69/2016-Customs (N.T.)	14/05/2016	The Special Warehouse (Custody and Handling of Goods) Regulations, 2016
Notification No. 70/2016-Customs (N.T.)	14/05/2016	Public Warehouse Licensing Regulations, 2016
Notification No. 71/2016-Customs (N.T.)	14/05/2016	Private Warehouse Licensing Regulations, 2016
Notification No. 72/2016-Customs (N.T.)	14/05/2016	Special Warehouse Licensing Regulations, 2016

Circulars	**Dated**	**Topic**
Circular No.17/2016-Customs	14/05/2016	Removal of goods from a customs station-instructions regarding affixation of one-time-lock
Circular No.18/2016-Customs	14/05/2016	Bond required to be filed under section 59

Attempt has been made to compare existing provisions and new provisions applicable to EOUs/STPI/EHTP/BTP/Private Bonded Warehouse set up u/s 58:

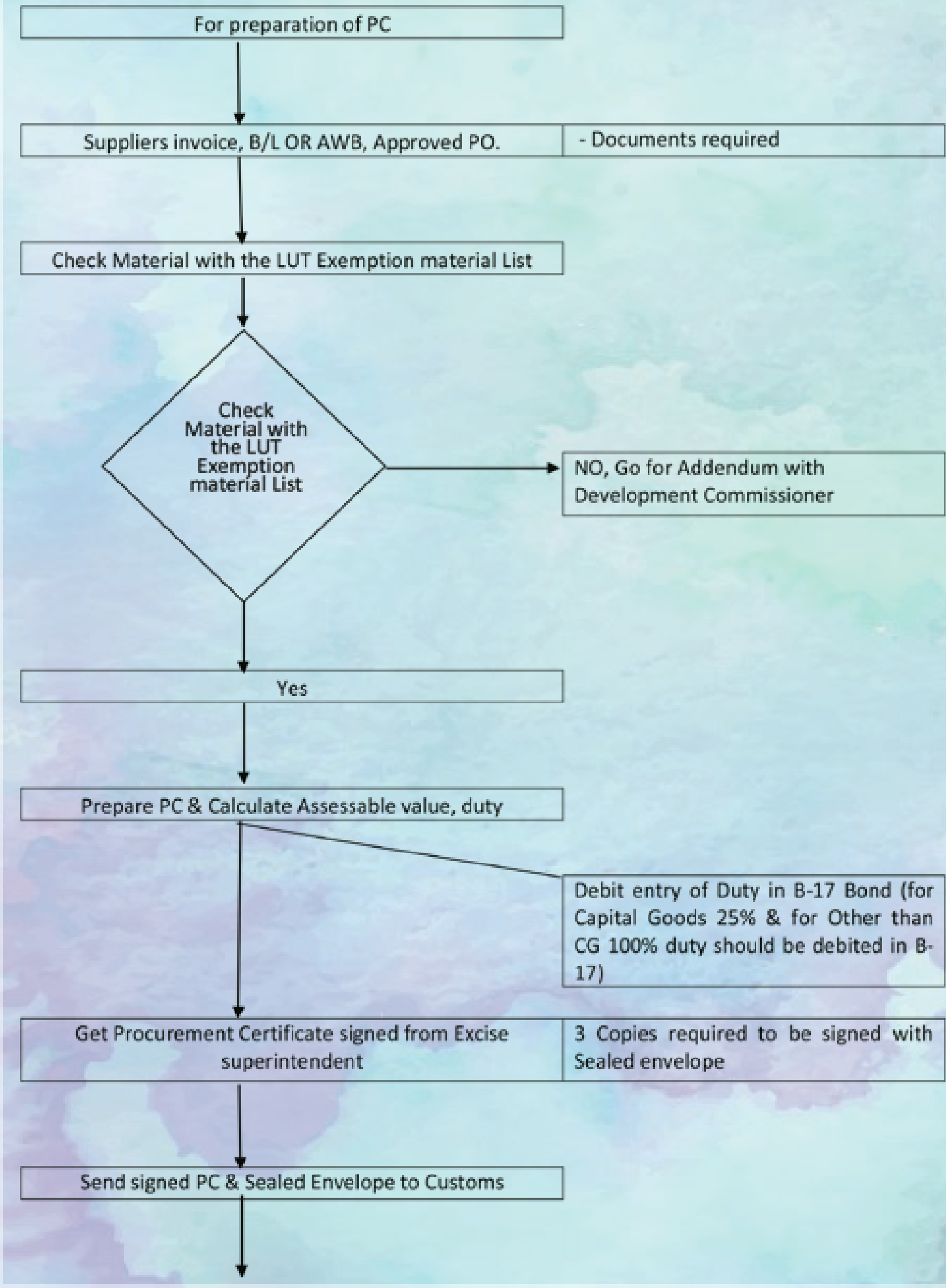
We give below the various comparative provisions:

S. N.	Particulars	Existing Procedures applicable for EOUs/STPI/EHTP/BTP	New Procedures applicable for EOUs/STPI/EHTP/BTP
A	Import		
1	Clearance of goods from Custom Station of Import	Goods to be cleared under Procurement Certificate from port of import	Goods to be cleared under Procurement Certificate from port of import
		Re-warehousing of the goods in bonded warehouse is to be submitted to proper officer within 90 days, either by following self-re-warehousing or verification by bond officer	Re-warehousing to of duty free imported goods to be completed within one month by following self-re-warehousing and signed by warehouse keeper only.
2	Receipt of goods	Self-rewarehousing: The authorized signatory will check seal and quantity of goods and intimate to bond officer with 24 hours. Verification by Bond officer: On receipt of goods the unit will intimate the arrival of consignment to bond officer within 24 hours, there after he will visit and check seal and quantity of the goods	The Warehouse keeper will verify seal, if discrepancy found he/she shall intimate with in 24 hour. In case of discrepancy in quantities, same should be immediately intimated to the bond officer and such goods should not be accepted.
		Self-rewarehousing: Entry to be made in in bond register of receipt of goods. Authorized signatory endorse Bill of Entry along with in bond register. Re-warehousing certificate will signed by Bond officer. Verification by bond officer: Entry to be made in in bond register of receipt of goods. Bond officer will authenticate the entry in bond register and duplicate copy of Bill of entry. Re-warehousing certificate will signed by Bond officer and submitted to port within 90 days.	Rewarehousing certificate, bill of entry and transport documents to be authenticated by Warehouse keeper and to be submitted to port as well as bond officer with in one month.

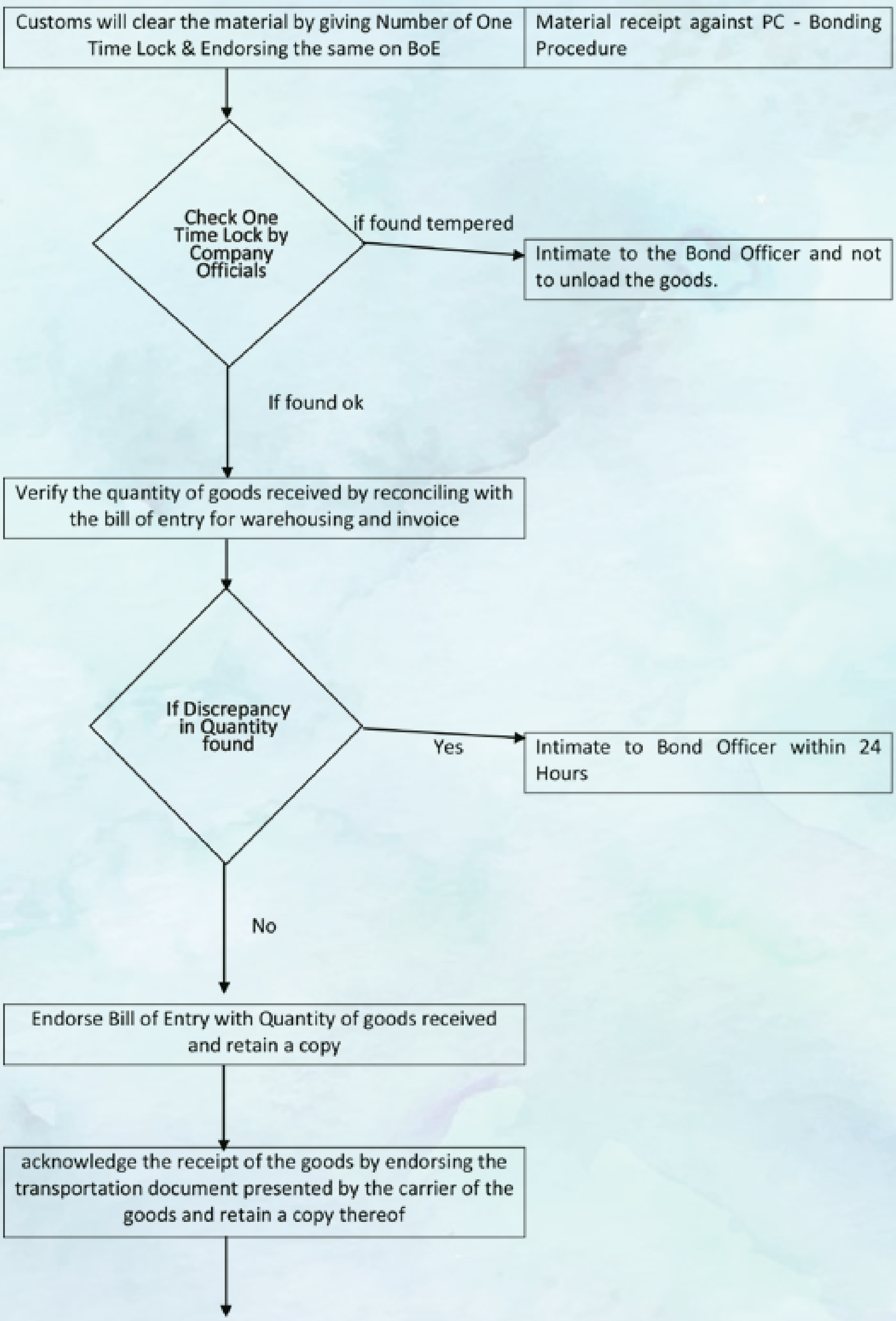
S. N.	Particulars	Existing Procedures applicable for EOUs/STPI/EHTP/BTP	New Procedures applicable for EOUs/STPI/EHTP/BTP
B	Bond to Bond transfer	As per para 6.13 capital goods and manufactured goods are allowed to transfer without payment of duty after giving prior intimation to the Bond Officer. According to para 6.15 goods other than capital goods and manufactured goods can be transferred without payment of duty to another EOU/EHTP/STP/BTP unit with prior intimation to the bond officer.	Permission to be obtained from bond officer for transfer of capital goods, manufactured goods and other goods (raw material, spares, components etc.) without payment of duty in the Specified format
		Seal will be affixed by the authorized signatory in his presence. Documents required for clearance of goods will be endorsed by Bond officer of unit from where goods are removed.	Seal will be affixed by the Warehouse keeper and endorse the number of seal on the Form of transfer & retain one copy & send one copy to bond officer of his unit.
		On receipt of goods to another warehouse, the bond officer endorse the document and in bond register. The copy of these documents will be sent to the bond officer of the unit transferring the goods. Entry in in bond register to be made.	On receipt of goods the Warehouse keeper of the other warehouse will check seal & quantity and unload the material. He will endorse the Form of transfer and retain one copy, deliver one copy each to bond officer and warehouse keeper the warehouse from where the goods have been received. Receipt of goods to be recorded in the register.
		The re-warehousing documents to be submitted to bond officer of the unit removing the goods within 90 days	The warehousing documents to be submitted to bond officer of the unit removing the goods with one month.
C	Debonding of goods	Prior permission as per para 6.15 to be obtained from Assistant Commissioner.	Prior permission to be obtained from bond officer.
		The unit will prepare documents for debonding i.e. Bill of Entry for home consumption. Same will be authenticated by bond officer. Entry in in bond register to be made.	Documents for debonding of goods will be endorsed by the Warehouse keeper of the warehouse & retain the copy of the same. He will take into record the goods removed.
D	Re-export	Prior permission to be obtained from bond officer as per notification 52/2003CUS dated 31.03.2003	Prior permission to be obtained from bond officer in prescribed "Form for transfer of goods from a warehouse"
		Unit shall, in the presence of the bond officer, load goods onto the means of transport and affix seal.	Until shall, in the presence of the bond officer, load goods onto the means of transport and affix seal.
		Proof of export to be submitted with 180 days.	Proof of export/acknowledgement issued by the proper officer at the customs station of export to be submitted to bond officer with in one month.
E	Maintenance of records	Detailed records of the receipt, handling, storing, and removal of any goods into or from the warehouse along will relevant documents to be maintained.	Detailed records of the receipt, handling, storing, and removal of any goods into or from the warehouse along will relevant documents to be maintained.
			Records to be kept & preserved for the period of 5 years. Records in digital format also to be maintained at a place other than the warehouse to prevent loss of records due to natural calamities, fire, theft, skillful pilferage or computer malfunction.
F	Returns	Only ER-2 with details of receipt, consumption and stock of goods is filed.	Monthly return of the receipt, storage, operations and removal of the goods in the warehouse, within ten days after the close of the month to which such return relates.

Ease of Doing Business – Duty Free Warehousing

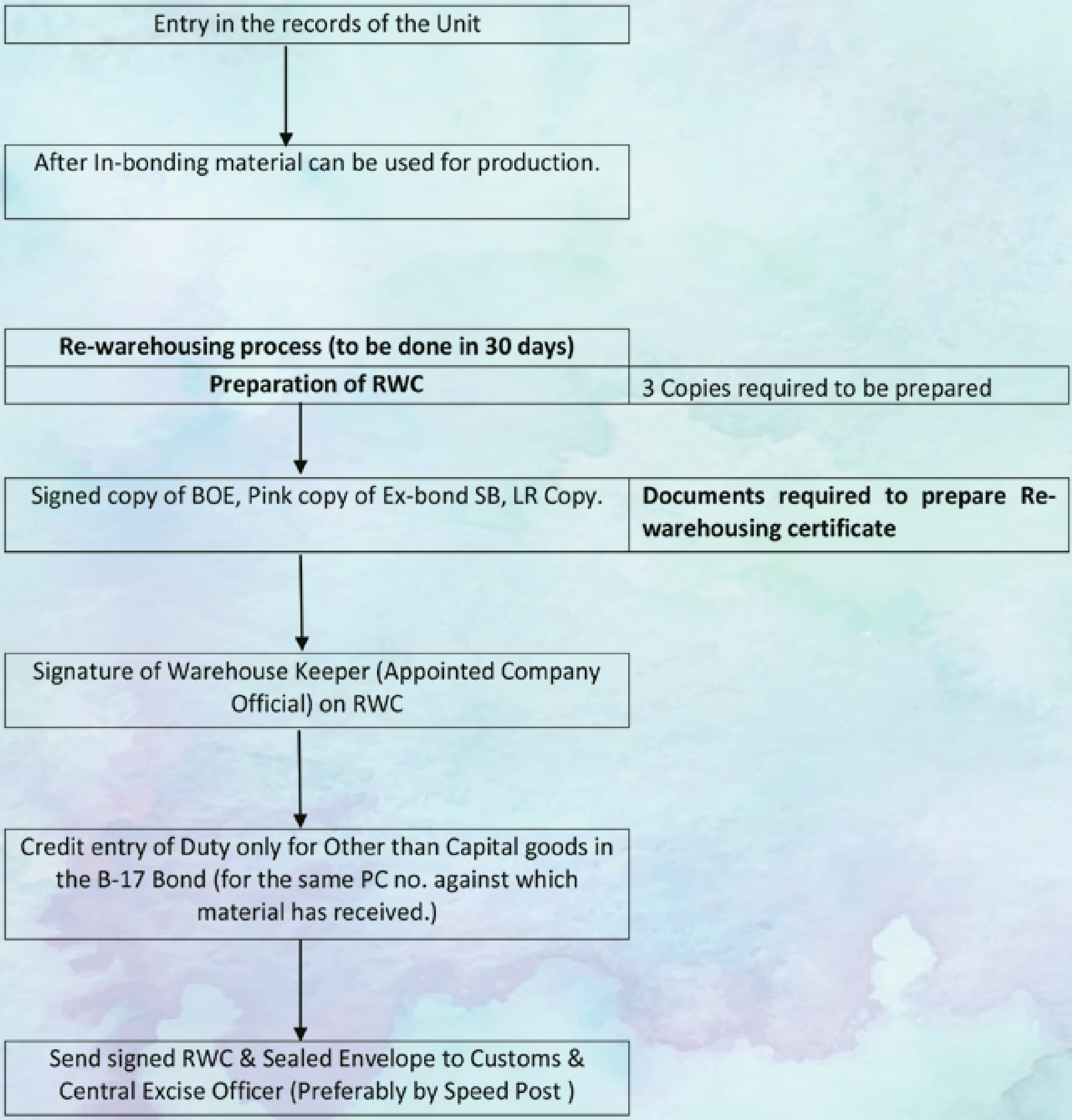
The procedure has been explained by way of Flow Chart given below for importation of goods in EOU:



Ease of Doing Business – Duty Free Warehousing



Ease of Doing Business – Duty Free Warehousing



The procedure has been explained by way of Flow Chart given below for importation of goods in EOU:

1. Compliance to be made within three months by existing EOU:

a. Submit undertaking to comply with such terms and conditions as may be specified by the Principal Commissioner of Customs or Commissioner of Customs, as the case may be;

b. Furnish solvency certificate from a scheduled bank for an amount to be specified by the Principal Commissioner of Customs or Commissioner of Customs, as the case may be:

c. Provide an all risk insurance policy, that includes natural calamities, riots, fire, theft, skilful pilferage and commercial crime, in favour of the President of India, for a sum equivalent to the amount of duty involved on the dutiable goods proposed to be stored in the private warehouse at any point of time.

d. Provide an undertaking binding himself to pay any duties, interest, fine and penalties payable in respect of warehoused goods under sub-section (3) of section 73A or under the Warehouse (Custody and Handling of Goods) Regulations, 2016.

e. Provide an undertaking indemnifying the Principal Commissioner of Customs or Commissioner of Customs, as the case may be, from any liability arising on account of loss suffered in respect of warehoused goods due to accident, damage, deterioration, destruction or any other unnatural cause during their receipt, delivery, storage, dispatch or handling

f. Appoint a person who has sufficient experience in warehousing operations and customs procedures as warehouse keeper.

2. The permission for bonded warehouse under section 58 & 65 will be granted by Principal Commissioner of Customs or Commissioner of Customs

3. The license will be valid till cancellation by the Principal Commissioner of Customs or Commissioner of Customs or by the Licensee.

4. The capital goods can be warehoused till their clearance from the warehouse and goods other than capital goods can be warehoused till their consumption or clearance from the warehouse.

5. Warehouse keeper to be appointed. The warehouse keeper shall obtain a digital signature from authorities licensed by the Controller of Certifying Authorities for filing electronic documents.

6. Re warehousing of duty free goods to be completed within one month.

7. Separate monthly returns to be submitted by 10th of subsequent month.

8. Jurisdictional Central Excise Officer will allot Warehouse Code for Customs Bonded Warehouses and the same will be informed to Principal Commissioner of Customs of nearest Customs Port, latest by 1st June, 2016. The said Unique warehousing code will be generated by ICEGATE by 15th June, 2016. The documentation w.r.t. import, clearance to other warehouse, clearance from home consumption etc. will be mandatorily to be generated from ICEGATE w.e.f. 20th June, 2016.

9. Any issues in generating the documents or operating the system should be communicated to National System Manager, ICES (nsm.ices@icegate.gov.in).

To conclude EOUs will have to take following actions immediately

1. Give Solvency Certificate and obtain Bank Guarantee back from Central Excise & Customs Authorities.

2. To provide the insurance Policy covering all risk insurance policy, that includes natural calamities, riots, fire, theft, skillful pilferage and commercial crime, in favour of the President of India, for a sum equivalent to the amount of duty involved on the dutiable goods proposed to be stored in the private warehouse at any point of time.

3. To provide an undertaking in the prescribed format binding himself to pay duties, penalties, levies

4. Appoint/Notify Warehouse Keeper and obtain his digital signature from authorities licensed by the Controller of Certifying Authorities

5. All documentation should be from ICEGATE system after 20th June, 2016 and therefore internal system and training needs to be provided to the operating team.

6. If any shortage/surplus is found in quantity OR description of goods, no warehousing to be informed to Jurisdictional Central Excise officers. MA

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How significant is financial leverage in matured reputed companies in recent times in India

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The financial leverage is a common well established concept in financial management. It refers to use of debt or borrowed fund in a business entity. This is also termed as trading on equity.

As a lever in mechanics is used to magnify the applied force by using a rod tied to a fulcrum, the debt fund in financial structure of a business entity is used to amplify the return on capital employed or equity. The fixed interest or cost of debt fund offers a unique opportunity in a business to magnify the return on equity provided certain conditions are fulfilled.

The fundamental logic behind employment of leverage is the comparison of rate of return at EBIT level and cost of debt fund. A better return at EBIT level than cost of debt fund is a welcome measure. The adverse situation on the other hand signals discouragement of use of leverage.

Thus it may be assumed that a sizeable amount of financial leverage can be expected to be employed by matured reputed and highly profitable companies of India to enable them to magnify their return on equity capital.

Objectives of the study:

The concept of financial leverage is a fundamental aspect and how far it is being utilised by the matured and reputed companies in recent times in their financial structure.

Data collection:

data have been collected from secondary reliable source like livemint .com, *(http://money.livemint.com/iid64/f132555/financial/ratios/company.aspx),* moneycntrol.com, indiabulls.com

In order to get an idea of leverage factor in reputed Indian companies we have studied 21 of them majority of which in sensex category and the data at following tables can be noted to arrive at a decision.

In our study we have included companies with exposure in information technology, cement sector, fast moving consumer goods sector, auto industry, infrastructure sector etc.

We have studied the total debt/equity ratio along with payable/ receivable ratio as well as earning power and return on capital employed and return on equity.

Tables and various charts and corresponding findings are given here below

Table A

		Total Debt Equity Ratio			
	2010	**2011**	**2012**	**2013**	**2014**
Bajaj Auto	0.46	0.07	0.02	0.01	0.01
Tata Power	0.55	0.62	0.59	0.73	0.77
Reliance Ind	0.49	0.46	0.42	0.4	0.46
Tata Motors	1.11	0.8	0.82	0.88	0.79
Tata Steel	0.71	0.59	0.48	0.48	0.44
GIPCL	0.86	0.82	0.66	0.53	0.41
CESC	1.09	0.7	0.63	0.69	0.66
Hero Moto Corp	0.02	0.73	0.4	0.19	0.06
Maruti Suzuki	0.07	0.02	0.08	0.07	0.09
Wipro	0.32	0.22	0.22	0.25	0.16
ACC Ltd	0.08	0.07	0.02	0	0
TCS	0	0	0.01	0	0.01
NTPC	0.64	0.65	0.72	0.74	0.8
Bharti Airtel	0.14	0.27	0.31	0.26	0.16
JK Lakshmi	0.93	0.97	0.96	1.09	1.27
Larsen & Toubro	0.38	0.33	0.4	0.31	0.34
Ultratech Cement	0.35	0.39	0.32	0.36	0.3
ITC Ltd	0.01	0.01	0	0	0
Infosys Ltd	0	0	0	0	0
Cipla Ltd	0	0.07	0	0.11	0.09
Hindalco Ind Ltd	0.23	0.3	0.46	0.73	0.74

Findings:

Table B

year	2010	2011	2012	2013	2014
	Number of Companies				
D/E > 1.00	2	0	0	1	1
D/E 0.5 to 1.00	5	6	6	6	4
D/E less than 0.50	11	13	12	10	13
D/E is equal to zero	3	2	3	4	3

	D/E declined over years	D/E increased over years	D/E almost negligible or zero over years	Unchanged but low over years
No. of companies	7	4	6	4

Table A and B disclose that in recent times, these reputed matured companies have been maintaining very low level of D/E. Out of 21 companies only 4 or 19% of them have increased their debt quantity only. Almost 81% of companies have either reduced their debt position or maintained a very low level of debt amount. The leverage aspect, as known in financial management, finds itself virtually at insignificant state.

Earning per share

Company	2010	2011	2012	2013	2014
Bajaj Auto	117.75	115.41	103.81	105.18	112.08
Tata Power 10/- to 1/- in '11	39.57	39.68	4.93	4.32	4.02
Reliance Ind	49.64	61.98	61.27	65.04	68.02
Tata Motors 10/- to 2/- in'11	39.26	28.55	3.91	0.95	1.04
Tata Steel	56.37	71.58	68.95	52.13	66.02
GIPCL	7.06	10.77	7.83	14.47	12.29
CESC	34.68	39.09	44.37	49.50	52.18
Hero Moto Corp	111.76	96.54	119.09	106.07	105.61
Maruti Suzuki	86.42	79.19	56.58	79.21	92.15
Wipro	33.37	19.74	19.06	22.94	29.96
ACC Ltd	59.65	70.59	56.52	58.36	62.23
TCS	35.68	38.62	55.97	65.23	94.18
NTPC	10.59	11.04	11.19	15.30	13.31
Bharti Airtel	24.82	20.32	15.09	13.42	16.51
JK Lakshmi	19.71	4.83	8.89	14.93	7.90
Larsen & Toubro	70.41	65.01	72.77	79.80	59.26

Company	2010	2011	2012	2013	2014
Ultratech Cement	87.82	51.24	89.25	96.85	78.20
ITC Ltd	10.64	6.45	7.88	9.39	11.05
Infosys Ltd	101.13	112.25	147.56	158.82	178.22
Cipla Ltd	13.47	11.96	14	18.77	17.29
Hindalco Ind Ltd	10.01	11.16	11.68	8.88	6.85

Findings: Earning status over years

Earning/share	Declined over years	Increased over years	Fluctuating but rising trend
No of companies	3	8	10
	Hindalco, Tata Motors, Tata Power,	Reliance Industries, CESC, TCS, ITC Ltd., Infosys Ltd.,	Rest

Most of the companies either increased their earning status significantly or maintained a fluctuating rising trend in all these years.

Table C Return on capital employed

	2010	2011	2012	2013	2014
Bajaj Auto	64.26	91.55	71.02	60.28	52.47
Tata Power	11.07	9.05	11.14	10.60	9.57
Reliance Ind	11.89	13.63	12.77	12.15	11.52
Tata Motors	14.28	10.62	7.20	4.39	0.89
Tata Steel	14.93	16.43	14.99	11.75	13.11
GIPCL	6.76	8.08	10.98	18.90	13.99
CESC	10.15	12.42	13.56	13.82	13.20
Hero Moto Corp	76.48	55.94	51.81	42.46	48.56
Maruti Suzuki	31.95	23.36	14.39	17.48	17.93
Wipro	28.41	23.70	23.43	25.21	31.07
ACC Ltd	23.02	22.28	21.52	17.40	15.13
TCS	50.16	60.04	54.54	61.29	54.82
NTPC	13.01	12.65	11.97	14.06	11.18
Bharti Airtel	26.27	18.51	13.97	12.18	13.36
JK Lakshmi	22.70	7.07	10.93	13.45	7.03

	2010	2011	2012	2013	2014
Larsen & Toubro	29.58	24.49	22.10	21.28	20.43
Ultratech Cement	28.53	19.56	22.73	21.43	14.41
ITC Ltd	43.65	48.85	51.66	52.45	52.20
Infosys Ltd	37.91	43.04	37.56	35.85	37.28
Cipla Ltd	24.18	17.97	19.84	23.53	18.73
Hindalco Ind Ltd	7.66	7.81	7.14	4.92	3.96

Findings:

Scenario of return on capital employed

	Declining trend	Increasing trend	Fluctuating but not declining trend
No of companies	8	1	12

	2010	2011	2012	2013	2014	Remarks
Return >10%	19	17	19	19	4	Radical decline of return
20%<Return>10%	6	8	9	10	10	Gradual increase in this level
Return>20%	13	9	9	9	7	Gradual decline in this level

Generally return on capital employed is defined as

Return on Capital Employed

$$\text{Return on Capital Employed} = \frac{\text{Net Operating Profit}}{\text{Employed Capital}}$$

Return on capital employed formula is calculated by dividing net operating profit or EBIT by the employed capital

The returns on capital employed data reveal that companies are losing their grip on earning status of the overall business entity though EPS data are quite encouraging. The yearly plough back of profit helps to magnify the EPS on unchanged or marginal change in equity level but the overall return on capital employed is declining. Majority of companies are earning at a rate greater than 10%.

Table D **Return on Equity**

	2010	2011	2012	2013	2014
Bajaj Auto	73.83	85.21	54.86	43.66	37.05
Tata Power	9.72	8.61	10.14	8.51	7.58
Reliance Ind	13.37	14.78	12.97	12.29	11.69

Tata Motors	16.51	10.37	6.32	1.57	1.75
Tata Steel	16.40	16.40	13.56	9.46	11.05
GIPCL	8.88	12.58	8.47	14.34	11.03
CESC	12.04	12.04	12.12	12.03	11.33
Hero Moto Corp	61.43	60.05	65.64	45.57	39.77
Maruti Suzuki	23.58	17.81	11.26	14.17	14.07
Wipro	32.87	24.96	20.57	23.33	27.62
ACC Ltd	17.94	19.40	14.56	14.41	14.55
TCS	43.89	49.62	44.69	48.29	43.05
NTPC	14.74	14.06	13.24	16.57	13.21
Bharti Airtel	29.42	19.20	12.33	9.90	10.97
JK Lakshmi	27.18	5.85	10.15	15.05	7.40
Larsen & Toubro	28.10	20.08	19.29	18.38	17.73
Ultratech Cement	26.64	18.39	20.80	18.91	13.27
ITC Ltd	29.33	33.35	35.58	36.21	36.27
Infosys Ltd	27.69	31.22	27.70	26.09	26.98
Cipla Ltd	21.11	15.36	15.89	18.38	14.67
Hindalco Ind Ltd	7.42	7.42	7.31	5.24	4.03

Findings:

	Declining trend	Increasing trend	Fluctuating but steady
No of companies	10	0	11

Return	2010	2011	2012	2013	2014	Remarks
Return<10%	3	3	3	5	4	Virtually no change at this level
20%<Return>10%	6	11	11	10	11	Gradual increase in this category
Return>20%	12	7	7	6	6	Gradual decline in this category

Return on Equity Ratio

$$\text{Return on Equity Ratio} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Here share holders' equity refers to net worth. Generally return on equity refers to rate of earning on net worth. Most of these companies employ very low level of borrowed fund the general trend in return on equity also follows the same path as that of return on capital employed. Here the rate of return in majority of cases is above 10%.

Efficiency ratio regarding utilisation of receivable and payable fund:

The ratio of payable and receivable (in number of days) is an effective measure to determine the power to dominate in the business. The more will be the value of the ratio between payable and receivable the more is the power to dominate in the business. It actually discloses that the company relies less on working capital finance from institutions. A sizeable part of working capital does come from creditors. While the poor value of payable to receivable ratio discloses the opposite thing.

	2010	2011	2012	2013	2014
BAJAJ AUTO	5.15	7.34	6.19	4.31	3.48
TATA POWER	0.60	0.68	1.17	1.08	1.01
RELIANCE IND	4.74	2.81	2.33	3.11	5.04
TATA MOTOR	3.29	2.16	1.84	2.19	2.99
TATA STEEL	12.57	17.42	13.27	11.19	14.90
GIPCL	2.38	1.61	0.93	0.95	0.50
CESC	0.67	0.67	0.48	0.35	0.27
HEROMOTOCO	9.35	16.99	13.67	5.60	3.33
MARUTI SUZUKI	3.40	3.69	4.00	3.84	3.90
WIPRO	0.52	0.77	0.87	0.87	1.03
ACC LTD	11.36	9.08	4.00	2.55	2.29
TCS	0.82	0.58	0.48	0.47	0.52
NTPC	1.37	1.54	1.47	1.12	1.42
BHARTI AIRTEL	6..05	5.69	3.97	3.14	3.88
JK LAKSHMI	3.47	2.97	3.56	3.45	2.98
L&T	0.93	1.14	1.03	0.79	0.74
ULTRATECH	5.04	4.08	3.86	3.39	2.73
ITC	9.58	6.31	3.54	3.35	2.61
INFOSYS	0.01	0.01	0.01	0.02	0.02
CIPLA	0.61	0.62	0.62	0.70	0.74
HINDALCO	2.19	2.99	3.90	3.12	3.13

Source: livemint.com

Findings: the year wise trend indicate that these companies in general enjoying huge market dominance or control on both creditors and debtors to their favour. The working capital need is partly solved from this standpoint.

year	2010	2011	2012	2013	2014
Ratio <1	7	6	6	7	6
Ratio >1	1	3	4	2	3
Ratio >2	2	4	1	2	5
Ratio >3	3	1	5	7	5
Ratio >4	1	1	2	1	0
Ratio>5	2	1	0	1	1
Ratio 6 & above	5	5	3	1	1

Status of equity and reserve position over years **(Rs. in crore)**

company	2010	2011	2012	2013	2014
	Equity/ Reserve	Equity/ Reserve	Equity/ Reserve	Equity/ Reserve	Equity/ Reserve
Bajaj Auto	144.68/2783.66	289.37/4620.85	289.37/5751.70	289.37/7612.58	289.37/9318.65
Tata Power	237.33/10386.44	237.33/11002.66	1737.33/11583.68	1737.33/12023.52	1737.33/12890.30
Reliance Ind	3270.40/125,095.97	3273/148267.000	3271/162825.000	3229/176766.000	3232/193842.000
Tata Motors	570.60/14394.87	634.650/19375.59	634.750/18732.91	638.070/18496.77	643.780/18532.87
Tata Steel	887.41/36074.39	2459.41/45807.02 /	3246.41/51649.95	3246.41/54596.620	3246.41/60453.33
GIPCL	151.25 /1094.82	151.25/ 1213.82	151.25 /1288.24	151.25 / 1462.87	151.25 / 1604.51
CESC	125.60/5071.20	125.60/ 5443.64	125.60/5886.17	125.60/6369.35	125.60/ 6913.00
Hero Moto Corp	39.94/3425.08	39.94/2916.12	39.94/4249.89	39.94 /4966.30	39.94/5559.93
Maruti Suzuki	144.50/11690.60	144.50/13723.00	144.50/15042.90	151.00 /18427.90	151.00/20827.00
Wipro	293.60/17224.50	490.80/20801.00	491.71/23770.20	492.60/23682.00	493.20/28,862.70
ACC Ltd	187.95/6281.54	187.95/7004.32	187.95/7194.85	187.95/7636.89	187.95/8047.66
TCS	195.72/14820.90	195.72/19283.77	195.72/24560.91	195.72/32266.53	195.87/43856.01
NTPC	8245.46 / 54191.96	8245.46 /59646.790	8245.46/ 65045.71	8245.46/ 72142.05	8245.46 /77569.86
Bharti Airtel	1898.80 / 34652.30	1898.80/41934.20	1898.80/47237.70	1898.80 /51963.30	1998.70/64492.80
JK Lakshmi	61.19/959.51	61.19 /985.14	61.19/1114.00	58.85/1200.95	58.85 /1244.37
Larsen & Toubro	120.44/17882.22	121.77/21356.18	122.48/24668.60	123.08/28625.68	185.38/33152.75
Ultratech Cement	124.49/4482.17	274.04/10387.22	274.07/12580.70	274.18/14957.48	274.24/16818.88
ITC Ltd	381.82/13682.56	773.81/15179.46	781.84/18010.05	790.18/21497.67	795.32/25466.70
Infosys Ltd	286.00/22763	287.00/24214.00	287.00/29470.00	286.00/35772.00	574.00/41806.00
Cipla Ltd	160.58/5753.51	160.58/6452.37	160.58/7389.70	160.58/8708.94	160.58/9909.41
Hindalco Ind Ltd	191.37/27715.61	191.46/29504.17	191.48/31294.51	191.48/33234.64	206.48/36517.54

Source: livemint.com, moneycontrol.com

Reserve/Equity Ratio					
No of companies					
Year	2010	2011	2012	2013	2014
Reserve/Equity (up to 10)	9	7	6	6	8
20< Reserve/Equity > 10	7	6	6	5	4
Reserve/Equity (20 & above)	5	8	9	10	9

Findings: the huge amount of reserve has enabled them to get rid of bank finance for working capital as well as for modernization and expansion. Only a few companies need institutional finance for business, however the amount is not very significant except Reliance Industries.

General findings of the various data available:

(1) These companies in general, except for a few ones, usually averse to the use of borrowed fund in the business.

(2) The return on capital employed in majority of cases is found to be in the declining mode.

(3) The return on equity is also following suit.

(4) The payable to receivable ratio (in number of days) is very much, in majority of cases, in their favour.

(5) These companies each year plough back massive amount of profit in the business.

(6) The accumulation of huge amount of reserves over years is an important parameter for these companies.

Interpretation and discussion

Above findings are quite interesting from the stand point of financial management. Therefore a close scrutiny of data and findings are necessary. There is no reason to believe that these companies are unaware of leverage aspect of financial management. On the basis of above findings we have arrived at the following points that can throw light on the averseness of employing financial leverage in reputed corporate sector.

(1) The return at EBIT level or the return of capital employed in majority of cases is quite handsome and therefore there is ample opportunity to magnify the return on equity as bank interest is much lower than their current earning at EBIT level. In spite of that they are in general avoiding high borrowing from the banks. May be bank finances are not free from hassles.

(2) The huge gap in creditor's vis-a-vis debtor's turnover (in number of days) is clear manifestation of business supremacy in their respective fields. The creditors have faith in their business and abide by the dictum of the companies. On the other hand the debtors have little say in this respect. This factor significantly neutralizes the demand for working capital requirement.

(3) The yearly profit level is very much encouraging for majority of cases. This helps them to magnify their reserves at an accelerated pace and consequently there is less reliance on borrowed fund.

(4) Apparently the normal banking norms may disallow these companies to enjoy bank finances because of huge reserves.

(5) Since now-a-days banks and financial institution are quite harsh in recovering bad debts these reputed companies are probably reluctant to employ debt in their capital structure. The potential risk of defaulting in payment of interest and principal is a cause of concern for such companies. As these companies have long experience in business activities and have seen severe economic downturn they meticulously avoid unnecessary debt burden.

Conclusion:

The financial leverage is very much important for new companies but once they see the sunny days they try to avoid the leverage aspect, presumably because of interest burden or obligation to pay the loan/debt. The financial myth that debt can, if employed profitably, magnify the return on capital or simply magnify the EPS gets little importance in the capital structure in reputed and profitable corporate sector in recent times. The accumulation of huge reserve and corresponding opportunity for further vigorous growth in such cases perhaps is limited for the time being and risk averseness for debt, the desirable thing is to avoid bank finances. We may conclude that for a mature profitable company the leverage gets little importance in recent times in India. As nothing is eternally true these companies may revert to leverage aspect in future. MA

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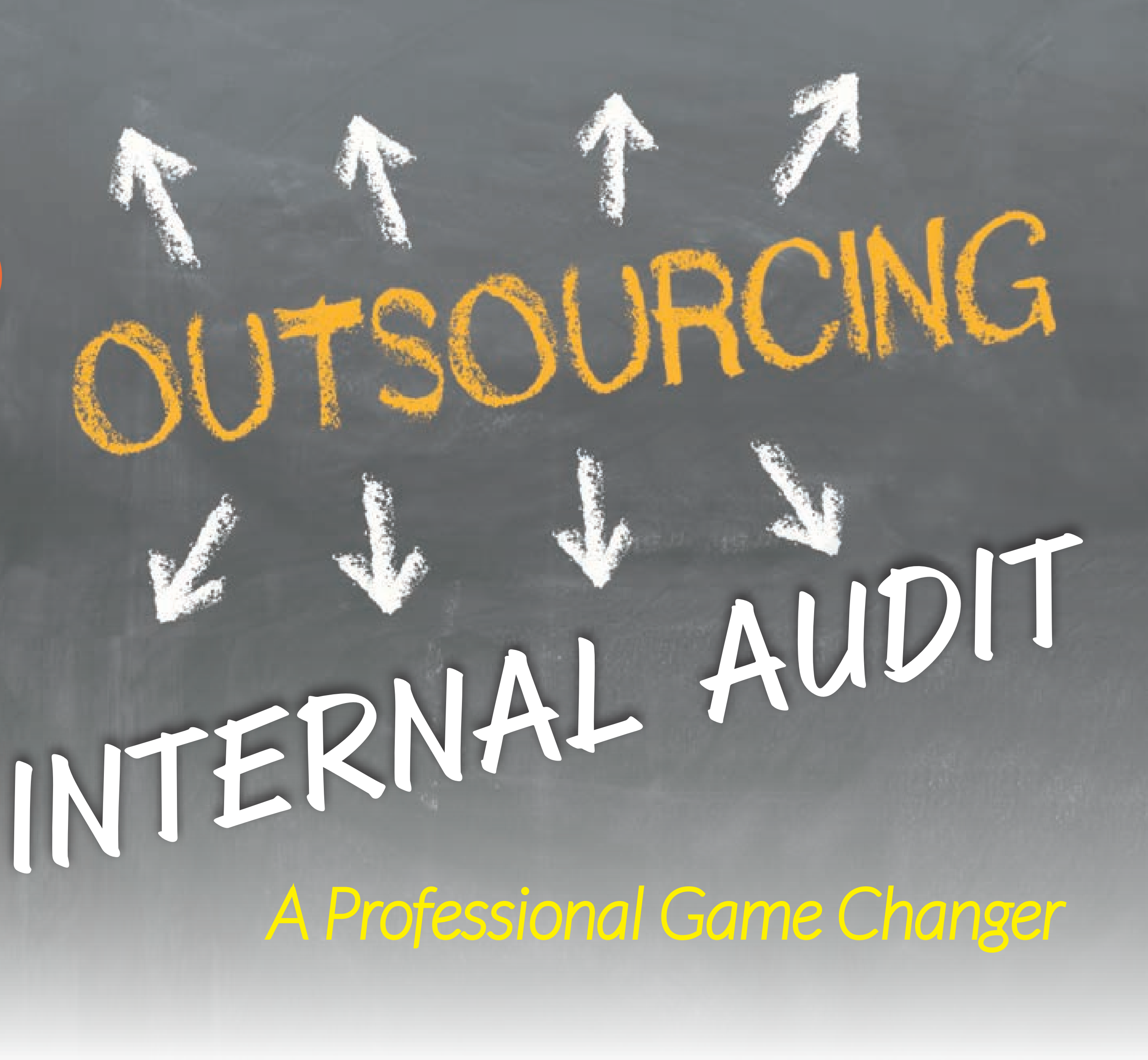

OUTSOURCING INTERNAL AUDIT

A Professional Game Changer

CA Chandi Prosad Bagchi
Immediate Past President
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Dawn of 21st century witnessed the emergence of globalization which has prompted the introduction of innovative and creative ideas in organizational workplace. Perilous evaporation of mammoth multinational corporations in the aftermath of unprecedented universal economic meltdown, have fashioned hitherto unforeseen strategies by entities to survive in the ceaselessly changing and exponentially complex corporate marketplace. Corporate strategies to champion competitive advantages, has increasingly been seen to address dwindling product margins by instilling measures of cost reduction.

Contemporary business ideas have necessarily been driven by inevitable invention of concepts like Business Process Re-engineering, Organizational Re-structuring, and Downsizing. Business leaders of modern ages are strategically conditioned to the concepts of Shared Services (multitasking or multiple responsibility under same function)' and outsourcing (i.e., engage outside individuals or organizations to provide services previously done within the company) of non-core activities such as data processing, taxation and legal services etc. The youngest addition to this list is the outsourcing of some or all of the company's internal audit activities.

The Companies Act 2013 is a watershed in 'Corporate Governance' culture of India in many ways. The new Section 138 contains provisions regarding Internal Audit, while the old act (1956 including plethora of amendments)having only 'compliance' provision under CARO on adequacy of internal audit. The 'adequacy clause' was rather judgmental to form an opinion on existence, in the absence of any qualitative consideration laid down to ensure adequacy. The provisions contained in the new Act are as under:-

- Certain classes or class of companies as may be prescribed shall appoint an Internal Auditor who will conduct an audit of the functions and activities of the company and make a report thereon to the Board of Directors.
- Any Chartered Accountant (except statutory auditor of the company) or Cost Accountant or other professional(the principle of ejusden generis meaning of the same kind, class or nature would apply) as may be decided by the Board of Directors can be appointed to conduct the Internal Audit.
- Manner and frequency of conducting the audit will be prescribed.
- According to Rule 13 of The Company (Accounts) Rules 2014 following class or classes of companies shall be required to appoint an Internal Auditor, viz.,:

1) Every listed company

2) Every unlisted public company having –

(i) Paid up share capital Rs. 50 Crore or more during the preceding financial year, or

(ii) Turnover of Rs. 200 Crore or more during the preceding financial year, or

(iii) Outstanding loans or borrowings from banks or financial institutions exceeding Rs. 100 Crore or more at any time during the preceding financial year: or

(iv) Outstanding deposits of Rs.25 Crore or more at any time during the financial year.

3) Every private company having –

(i) Turnover of Rs. 200 Crore or more during the preceding financial year, or

(ii) Outstanding loans or borrowings from banks or financial institutions exceeding Rs. 100 Crore or more at any time during the preceding financial year: or

- Provided that an existing company covered under any of the above criteria shall comply with the requirements of Section 138 and this rule within six months of commencement of such section.

Explanation- For the purposes of this rule specifies –

(i) the internal auditor may or may not be an employee of the company;

(ii) the term "Chartered Accountant" shall mean a Chartered Accountant whether engaged in practice or not.

(iii) specific mention about 'Cost Accountant' eligible to undertake the role.

- The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

From above, silver lining of the 'Internal Audit' profession can be construed as follows:

- Internal Audit having a legal status in Companies Act.
- It is not merely restricted to financial activities only, rather functions and activities of the company indicating enlargement of scope.
- Reporting to Board /Audit Committee increases the responsibility of the function.
- the internal auditor may or may not be an employee of the company,opens up the avenue to outsource the function.
- Enhancement of 'role and responsibility' of "Governance Keepers" also evident from the comparison of Board's formation and expected role enumerated below:

Particulars	Provisions under section 177 of the Comp. Act, 2013	Provisions under section 292A of Comp. Act, 1956
Formation	Companies which are required to Constitute Audit Committee: Sec.177 : a) Every listed company; and b) Every other public company- i) having paid-up capital of Rs.100 Crores or more; or ii)which have, in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs.200 Crores shall constitute an Audit Committee.	Every public company having paid-up capital of not less than five crores of rupees shall constitute a committee of the Board known as "Audit Committee.
Vigil Mechanism	The company shall establish a vigil mechanism for directors and employees to report genuine concerns.	No such vigil mechanism was required.
Composition	The Audit Committee shall consist of a minimum of 3 directors with independent directors forming a majority.	The audit committee shall consist of minimum 3 directors of which 2/3rd shall be directors other than M.D. or other directors.
Financial Literacy	Majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand the financial statement.	No such provision was there. However, Listing agreement provided for the same.
Evaluation of performance	All the Companies should describe the manner of evaluating the performance of Board, Committees and Directors	N.A.

Every opportunity comes with both 'pros' and 'cons'. On the one hand outsourcing can Improve 'Internal Audit's Strategic Capabilities' on the other; the road to 'minimalism' may create expectation gap especially with respect to 'functions and activities' of the entity i.e the "operating risk and controls".

The Internal Auditor must learn how to turn hindsight into foresight that helps Audit Committee to develop insight

Different nature of outsourcing:

There really are "new look" internal audit service providers who carry the weight of a heightened expectation from society on their shoulders. They now spend much more time presenting "big picture" assurances to top executives after having considered high level risks that need to be managed properly. Accordingly, two distinct delivery lines can be thought of:

Assurance Services and Consulting Services

Assurance Services -

An objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Consulting Services –

The range of services, beyond internal audit's assurance services, provided to assist management in meeting its objectives. The nature and scope of work are agreed upon with the client. Examples include facilitation, process design, training, and advisory services.

The nature of outsourcing depends on Organization's size, activities, ownership controls etc. and may take any one or more of the natures specified below. Moreover, possibility of engagement of more than one agency also can't be ruled out.

- The Organization may think of outsourcing of the entire audit function (Dept.);
- The outsourcing can be for a Particular geography or Division/Dept. activity/function/operation of the entity;
- Assignment (selected by the entity) basis outsourcing ;
- Knowledge based consultancy to shape-up Dept. objective/ goals ;

Today's internal audit activity/functions have come a long way both in terms of assisting management in accomplishment of their goals. It is needless to mention here that 'Business Partner relationship 'with the Client; increases the expectation level of the Client over a period of time on continuity of engagement. At the same point of time the Agency is to understand that 'Customer is the King' and having multiple choice of selecting the Consultancy with competitive cost. To instil the concept of customer service throughout the audit process is a prerequisite for delivery on behalf of the Agency.

The keys to success for outsourced Internal Audit

- Client delight through value add Audit and Assurance Service
- Stakeholder expectations alignment and fulfilment
- Insight towards non-traditional risk areas, including strategic risk
- Business probity and cost effective solutions
- Risk intelligence framework or proactive risk and trend
- Effective ways to ensure governance 'beyond compliance'

Expectation from Outsourced Audit Team

- Outsourced IA Teams typically have the resources to leverage competencies and skill sets across different functions. For example, a " HR and Payroll " assignment may suggest a 'pay structure' linked with 'Basic Pay' (keeping Cost To Company intact) across all levels of the Organization to ensure better control over pay-roll processing and ease of reconciliation for differences ,if any.
- By employing data analytics, the voluminous data can be considered for logical conclusion. For smaller entities, procurement, installation and trained manpower with appropriate skill set could be a challenge. However, through outsourcing, the entity can reap the benefits of detail, analytical review in any area of Business. Such data analytics can be used with continuous auditing techniques to identify control gaps, operational improvements and cost savings, as well as key risks and business trend. Moreover,Audit committees and boards of directors of large organizations often expect IA functions to have subject matter specialist for which they want outside perspective.
- On the economic benefit front, outsourcing the IA function is a cost effective decision. Outsourcing also provides a variable-cost structure, which means companies can align costs of the 'Internal Audit function' with their business needs. The cost of resources appointed by the Company is a 'fixed element' irrespective of sufficient work load and/or 'value add'.
- With respect to independence of the function performed by 'internal(employee) Internal Auditors ' and 'external(outsourced) Internal Auditor' , the later construed as more than mere 'Independent'. In fact, some audit committees consider an outsourced team as more independent with broader experience than a team consisting of only internal employees.
- Benchmarking and inculcate 'best practices'; due to similar nature of business and client and domain expertise , the team having access to divergent practices and select the best one to suggest.
- Moreover, the clientele can expect from the outsourced internal auditor the following –
  - Clarity
  - Courtesy
  - Credibility
  - Consistency
  - Competency
  - Comprehension
  - Communication
  - Certified professionalism (Professionalism is the cornerstone of modern internal auditing)

Limitations of Outsourced Audit Team:

- Availability of datum and acceptability to employees of the Organization is a challenge for the 'outsourced' agency. It is the responsibility of the Management to provide timely and updated data to the outsourced audit team. Different pleas and ploys (e.g long absenteeism, busy without business etc.)are applied at times to avoid the sharp questions addressed to Auditee by the outsourced team. Such delay in getting datum, discussion for required clarity on issues at times causes 'time and cost overrun'. Moreover, delivering quality and 'reputational risk' of the appointed agency also involved and goes without saying.
- Undefined scope of assignment while finalizing 'engagement letter' leading to expectation gap between 'client' and the Agency. Time and periodicity for conducting audit, period to be reviewed etc. also requires clarity for 'on time delivery' and quality assurance. The expectations should be well defined from the get-go because there's so much involved from a communications standpoint with the role of the internal audit function.

- Lack of digitization and documentation at Client Offices also at times plays very important role in time overrun. Moreover,Client premises at times equipped with software packages of non-standard nature and function-wise different. Handling database of such non-standard packages is a challenge for the outsourced teams, since hands on with all such non-standard software is a rarity. To cope up, data provided in different modes are handed over to outsourced agencies for review, where establishing accuracy and authenticity always remains a concern.
- Scope limitation put by client may also create an expectation gap, where treading with caution and appropriate disclosure can limit the liability of the auditor.
- Communication with Client function heads, fixation of visit schedule by Audit Team, organizing meetings with Auditee on scope and findings etc., calls for a designated resource at Client premises. A SPOC (Single Point Of Contact) can be accessed for all related requirement, which in turn reduces the time and cost of communication. To share the institutional knowledge, handholding the outsourced Team on multiple issues, such a process is very essential and contributes to enhance the performance of the outsourced team.

Conclusion

In the ever-expanding arena of Internal Audit,the veracity of services will essentially be conditioned by the satisfaction ratio of stakeholders. New age audit assignments are only successful when laced with value-added prescriptions for imbibing cost reduction or suggestions for plugging revenue leakages. Successful assignments are bejeweled with the intricacy of perfect balancing of client expectation and independency of auditor.Forceful emergence of sophisticated marketing tools by internal audit service providers to augment and market their services is quite in line with the enormous value it adds, on proper and adequate implementation of their suggestions. Taking responsibility for reviewing parts of the risk management system is another strong possibility that is hard to resist. So long as a two-tier system with basic low-level audits and contrasting complicated reviews does not result in an imbalance, this service differentiation will be a perfect solution.

Dynamism in the complex but rewarding internal assurance engagements resulted initiation of multiplicity of new-age ideas for risk measurement and remediation. Contemporary assurance ideas may possibly range from, as wide as, innovative process mapping to probity for fraud detection and suggestions for their alleviation. This is in contrast to the systems approach that seeks to locate responsibility for risk management at management's doorstep. The ever-evolving parameters of assurances expected of internal auditors have gone profound transformation and they converted themselves to consultants, reviewers, advisors, risk coordinators and investigators. The portfolio of assurances have increasingly been infested with the provision of otherauxiliary services as well as specialised services, which routinelyadd value to a company's internal assurance functionand builds unique competitive edge.

A rigorous professional appraisal by stakeholders like the audit committee would be of greatest value to these outsourced internal assurance providers. Professional sustenance in the tensely contested arena of outsourced internal assurance provision would necessarily been dependent on combination of assurance and applied insight, delivered with objectivity. MA

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EASTERN INDIA REGIONAL COUNCIL

The Institute of Cost Accountants of India - Asansol Chapter

On April 22 and 23, 2016 the Chapter and Asansol Engineering College, Management Deptt. conducted two days 'Financial fitness' programme. Guest Speaker was Dr. A.P. Kar, Ex Director of the Institute. Details of persuasion to CMA Course had been presented by CMA Dr. D.P Nandy, Director, Research and Journal of the Institute. CMA Amal Hom Ray, Principal, CMA Chinmoy Bhattacharyya, Chairman of the Chapter, Principal of Asansol Engineering College, GM(Administration) of JIS Group also were among other eminent dignitaries attending the programme.

The Institute of Cost Accountants of India - South Odisha Chapter

On April 22, 2016 the chapter celebrated 'World Earth Week (16th to 22nd April -2016)'. CMA Ch. Venkata Ramana, Member EIRC, the chief guest spoke that the earth is facing a serious menace due to greediness of man. He suggested to immediate curb and control the carbon & other gas emissions, industrial pollutions and to grow greenery. CMA N.C. Kar, treasurer of the chapter said that it is high time to save earth to defend from total destruction of life on the globe. On April 28, 2016 the chapter organized an evening talk on 'An Insight into VAT & Entry Tax'. Shri Parsuram Konhar, Joint-Commissioner, Commercial Taxes, Ganjam, Berhampur, the Chief Guest, discussed on sales tax circles and H.O. situated at Cuttack and about different offices which are providing relentless services to the dealers. CMA Shiba Prasad Padhi, Chairman, EIRC as Speaker had a protracted, spontaneous, in-depth discussion about State Budget for 2016-17 of Entry Tax and explained how easy it is for Odisha to achieve the scheduled targets. CMA Biranchi Narayan Mallick, CFO, Southco Utility, Guest of Honour spoke on Entry Tax, GST, VAT etc. CMA Ch. Venkata Ramana, Member, EIRC, reviewed the subject deliberated by other dignitaries. CMA Binod Bihari Nayak, Chairman of the Chapter discussed about VAT, its challenges, the VAT of Odisha, Definition of sale, sale price, Taxable goods etc. CMA Ananda Sahu, Vice-Chairman of the chapter explained through Power-point presentation in detail about E-Registration and E-Filing. CMA Saroj Kumar Sahu, Member of the Chapter explained with Power-point presentation about E-Way Bill, Data required for applying Way Bill, C-Form registration etc. CMA Narasingha Chandra Kar, treasurer of the chapter gave the vote of thanks.

The Institute of Cost Accountants of India - Howrah Chapter

On May 21, 2016 the Chapter observed Anti Terrorism Day at Soumitra Som Memorial Hall.

The Institute of Cost Accountants of India - Bhubaneswar Chapter

The Chapter organized a one day seminar on 'Role of Professionals in the Changing Global Scenario' on May 15, 2016 at its conference hall. CMA Mrityunjay Acharya, Sr. Vice President, Balmer Lawrie & Co. Ltd., Kolkata delivered in detail about various accounting standards in detail with illustrations and implementation of IND AS. CMA Niranjan Swain, Sr. General Manager (Finance), OPGC Ltd., Bhubaneswar & Past Chairman, EIRC detailed on service tax rules, its implementation and extension to GST. CMA Srikanta Kumar Sahoo, Deputy General Manager(Finance), GRIDCO Ltd., Bhubaneswar & Past Chairman, EIRC discussed in detail on various practical aspects and provisions for Internal Audit in Power Sectors. CMA Niranjan Mishra,

Council Member, Chairman, Regional Councils & Chapters Coordination Committee, Member, Cost Auditing & Accounting Standards Board of the Institute addressed in details about the provisions, applicability, importance and implementation of Cost Auditing & Cost Accounting Standard Boards. CMA Shiba Prasad Padhi, Chairman,

EIRC and one of the repute Insurance Surveyors at Odisha highlighted in detail about the importance & avenues of professionals in insurance sectors. Around two hundred cost and management accountants and other finance professionals working in different Central PSUs/State PSUs/Private Sectors as Finance Executive from different organizations viz Odisha Mining Corporation Ltd., Odisha Power Transmission Corporation Ltd., GRIDCO Ltd., Central Electricity Supply Utility of Odisha etc participated in the seminar. On May 21, 2016 the chapter observed Anti-Terrorism Day at its conference hall as per the direction of Govt. of India and subsequent communication received from the Secretariat of the Institute. The objective behind the observance was to wean youth from the terrorism and violence. The day had been observed to create awareness among the students, staffs and members of the chapter about the danger of terrorism, violence and its effect on the general people, society and the country as a whole.

NORTHERN INDIA REGIONAL COUNCIL

The Institute of Cost Accountants of India - Lucknow Chapter

On April 17, 2016 the Chapter celebrated Earth Week. Vice President of the Institute, CMA Manas Thakur, council members CMA Jagan Mohan Rao, CMA Sanjay Gupta, CMA Anjana Chadha, chairperson of the chapter, CMA Pawan Tiwari, vice chairperson of the chapter, CMA Dharmendra Singh Saluja, secretary of the chapter, CMA Neha Sharma, Jt. Secretary and CMA Amit Yadav treasurer of the chapter were among the eminent dignitaries attending the occasion. On the same day a seminar on updates in Companies Act 2013 had also been organized by the chapter at CMA Bhawan. Senior member CMA S B Agarwal was the guest of honour for the occasion. CMA Jagan Mohan Rao council member of the Institute made the CMA members aware about recent updates in Companies Act 2013, environmental accounting and meditation. On April 22, 2016 the chapter also participated in Green Earth celebrations organized by Prithvi Innovations led by member CMA Anuradha Gupta.

The Institute of Cost Accountants of India - Cochin Chapter

On May 1, 2016 the new building of the chapter of the Institute, 'CMA Bhawan – Center for Excellence' located at Chalikkavattom, Ponnurunni, Vyttila, had been inaugurated by CMA Dr. Durgaprasad, immediate past president of the Institute in the presence of CMA Pramodkumar Vithaldasji Bhattad, the President of the Institute, CMA H Padmanabhan, CMA I Ashok, Council Members, CMA Sanyasi Rao, SIRC Chairman, CMA Sankar P. Panicker, Member, SIRC, CMA A. Selvam, Chairman of the chapter, CMA Santhoshkumar V., Building Committee Chairman and Mrs. Nisha Dinesh, Councilor, Cochin Corporation.

The Institute of Cost Accountants of India - Coimbatore Chapter

On April 12, 2016 the chapter signed MoU with Nehru Arts & Science College, Coimbatore for operating Satellite Center for Foundation Course at the College. As a measure to create awareness about the course amongst the students, the Chapter conducted full day career counseling programs at different dates of April 2016 by opening stall at the Educational Expo organized by local news papers. On April 22, 2016 the Chapter observed the World Earth day by organizing a meeting on the topic 'Role of Professionals in Environmental Reporting'. CMA Subramanian. R, Practicing Cost Accountant, Chennai, provided a vivid lecture on the theme. He explained the concept of Environmental Reporting, its contents, guidelines for preparing the report and advantages & purposes of the report.

The Institute of Cost Accountants of India - Trivandrum chapter

On April 11, 2016 the Chapter and Geojit BNP Paribas Financial Services Ltd., Trivandrum jointly organized a one day professional development programme at the CMA Hall of the chapter on the theme 'Business and Financial Market Analysis'. The morning session was conducted by Sri K Sudheer Kumar, Regional Manager, Geojit, BNP Paribas Financial Services Ltd., Trivandrum. He discussed the various opportunities available in stock market. The afternoon session was chaired by CMA Joseph Louis, secretary of the chapter. The guest speaker was Dr. V K Vijayakumar, former HoD of Commerce Department, Sreekrishna College, Guruvayoor. He discussed financial planning with particular emphasis to investments in mutual funds.

The Institute of Cost Accountants of India - Hyderabad Chapter

On April 2, 2016 the 'Members Meet' with CMA Manas Kumar Thakur, Vice President of the Institute and Council Members CMA Dr. P.V. S. Jagan Mohan Rao, CMA S. Papa Rao & CMA Dr. I. Ashok at CMA Bhavan, Himayatnagar had been organized by the chapter where Vice-President of the Institute, CMA Manas Kumar Thakur during the meet emphasized the need of staying updated in various aspects. On April 3, 2016, a programme on 'Companies Act, 2013' had been organized by the chapter at Hyderabad Centre of Excellence, Nanakramguda, Gachibowli. CMA Dr.P.V.S. Jagan Mohan Rao, council member explained in detail the opportunities to Cost Accountants as per the Provisions of NCLT such as the compromise scheme of Creditors, revival of sick industries and appearance before NCLT. CMA K.K.Rao, Practising Cost Accountant, narrated the important aspects relating to accounting of Companies as per Chapter 9 of the Companies Act, 2013. Council members CMA Balwinder Singh explained the basic concepts of Ind AS and CMA Amit Apte presented the key aspects of internal controls to be followed in the Companies to avoid fraud and misappropriation of funds. On the same day, the chapter conducted a student seminar jointly with ICSI-Hyderabad Chapter on 'Overview of Companies Act, 2013' at CMA Bhawan. CS Ahalada Rao. V, CCM, ICSI, CS Mahadev Tirunagari, Chairman, ICSI-Hyderabad Chapter, CMA D. Zitendra Rao, Chairman-SC for Members in Practice, SIRC and CS R. Venkata Ramana, Vice Chairman, ICSI-Hyderabad Chapter were the speakers of the seminar and CMA Manas Kumar Thakur, vice president of the Institute was the chief guest of the programme. On April 9, 2016 the chapter conducted an Industrial visit for the students to A.P. Dairy Development Co-operative Federation Ltd., (Vijaya Dairy) at Tarnaka, Hyderabad. CMA Dr. R. Chandra Sekhar, Member & Chairman, Student Services Sub-Committee accompanied the students. On April 20, 2016, celebrating the World Earth Week from April 16, 2016 till April 22, 2016, Dr.PVS Jagan Mohan Rao, Council Member of the Institute and Chairman, Corporate Laws, Governance and Corporate Sustainability Committee and CMA D. Surya Prakasam, Vice Chairman of the chapter along with Sri C. Prasad Rao, Assistant Director of the Chapter met Sri Jogu Ramanna, Hon'ble Minister for Forest Environment & BC

Welfare, Government of Telangana and appraised the activities of the Institute. On April 22, 2016 celebrating the World Earth week from April 16, 2016 till April 22, 2016, a knowledge pack on Sustainability and Accounting & Auditing and a Tulasi sapling had been presented to Sri N.V.S. Reddy, MD, Hyderabad Metro Rail Ltd., by CMA D. Suryaprakasam, vice chairman of the chapter. On April 16, 2016 a programme on Look at CMA was conducted for the students and CMA D. Zitendra Rao, Member, SIRC & Chairman-SC for members in practice attended the programme. On April 17, 2016 as a part of regaining energies and to get positive thinking about writing exams, the chapter conducted a visit to BASARA Temple at Nizamabad. On April 24, 2016 the chapter organized a 'Cost Culfest-2016' where Sri K.V. Ramesh, Asst. Professor (Finance), Institute of Public Enterprise, Hyderabad, the chief guest in his inaugural address provided inputs to the students about the growth of the economy, how to control the cost and how a professional is different from others etc. The programme was attended and addressed by CMA Vijay Kiran, chairman of the chapter, CMA K.V.N. Lavanya, secretary of the chapter, CMA A.R.V. Badrinath, Member, SIRC, CMA D. Zitendra Rao, Member, SIRC and CMA Dr. R. Chandra Sekhar, Member and Chairman, Students services.

The Institute of Cost Accountants of India - Visakhapatnam Chapter

On April 30, 2016 the Chapter organized a Professional Development Programme on 'Demystifying Cost Accounting Standards' at its premises. CMA Ranjana Gupta, the speaker emphasised all the Cost Accounting Standards. She also narrated about cost determination for individual cost objects, cost of production, and relevance of cost accounting standards had been highlighted. On May 18, 2016 the chapter organized a professional development programme on 'Avenues for CMA Professionals in the era of Changing Corporate & Business Laws' at its premises. CMA Ashok B Nawal, the speaker emphasized the role of CMA in nation building through 'Make in India'. The object of 'Make in India' had been explained to contribute value addition to the manufacturing sectors in the competitive world.

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

On April 28, 2016 the chapter entered into its silver jubilee year and on this auspicious day a students programme on 'Goal Setting, Getting ready for Examination & Career planning' was arranged at the conference hall of the chapter. CA Khushbu Mashru, the faculty elaborated on positive attitude, goal setting, time management and setting priorities by stories, videos & games. On May 1, 2016 the chapter organized a CEP on 'Costing Techniques-New Shifts' at its office. CMA Kuldip Nagar, Assistant General Manager from M/S L & T Special Steels & Heavy Forgings Pvt. Ltd-Surat, the faculty for the CEP dealt in details about the concerned theme and stated that in recent vulnerable markets, Target Costing has become a more focused area.

CUSTOMS

Electronic records are to be included in definition of Bill of Entry.

Notifications:

Tariff:

● Amendment in Notification No. 96/2008-Customs, dated the 13th August, 2008 published vide number G.S.R. 590 (E), dated the 13th August, 2008, namely:-

In the said notification, in the Schedule,-

i) entries against serial numbers 5 and 21, shall be omitted;

ii) for the entry against serial number 24, the following entry shall be substituted, namely:- "Democratic Republic of Timor-Leste"

[Notification No. 34/2016-Customs, New Delhi, 19th May, 2016]

● Amendment in Notification No. 39/96- Customs, dated the 23rd July, 1996, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 291(E), dated the 23rd July, 1996, namely:-

In the said notification,-

i) in the TABLE, serial numbers 7, 21, 23, 26, 27 and 28 and the entries relating thereto shall be omitted;

ii) in paragraph 2, for item (ix) the following item shall be substituted, namely:- "(ix) All goods falling under S. No. 18 and 36 of the TABLE above.".

2. This notification shall come into force with effect from the 1st day of June, 2016

[Notification No. 33/2016-Customs New Delhi, 17th May, 2016]

● Amendment in Notification No. 24/2005-Customs, dated the 1st March, 2005, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 122(E), dated the 1st March, 2005, namely :-

In the said notification, in the table, against serial number 39, in column (3), the words "charger or adapter, battery, wired headsets and speakers of mobile handsets including cellular phones and" shall be omitted.

[Notification No. 32/2016-Customs New Delhi, 5th May, 2016]

● Amendment in Notification No. 21/2012-Customs, dated the 17th March, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 194(E), dated the 17th March, 2012, namely:-

In the said notification, in the Table, -

i) against serial number 1, in column (3), the words "mobile phones and" shall be omitted;

ii) against serial number 14D, in column (3), the words, "charger or adapter, battery, wired headsets and speakers of mobile handsets including cellular phones and" shall be omitted;

iii) after serial number 14F and the entries relating thereto, the following serial number and entries shall be inserted, namely :-

1	2	3	4
"14G	Any Chapter	Charger or adapter, battery, wired headsets for use in manufacture of mobile handsets including cellular phones Provided that the importer shall comply the procedure specified in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016.	Nil" ;

vi) against serial number 85A, in column (3), the words "and mobile handsets including cellular phones" shall be omitted.

[Notification No. 31/2016-Customs New Delhi, 5th May, 2016]

Non-Tariff:

● Since Bill of entry has been replaced by Electronic Integrated Declaration, appropriate/relevant changes are made in the Bill of Entry (Electronic Declaration) (Amendment) Regulations, 2016.

❈ The words "electronic integrated declaration" has replaced the words "electronic declaration" wherever they occur,

❈ Electricity records are to be included in definition of Bill of Entry

[Notification No.45 /2016-Cus (NT) dated 1st April 2016]

● Customs (Fees for Rendering Services by Customs Officers) Regulations, 1998 have been amended. From now on if for any customs port, working hour for cargo clearance has been prescribed as 24 hours X all days then in that case no fees for overtime is to be charged by customs officers. Its welcome move, purpose of 24/7 clearance is well served.

[Notification No.46 /2016-Cus (NT) dated 1st April 2016]

● Tariff Value of following Imported goods have been further amended in below link:

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt54-2016.pdf

[Notification No.54 /2016-Cus (NT) dated 13th April 2016]

● In exercise of the powers conferred by clause (aa) of sub- section (1) of section 7 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs, hereby makes following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) number 12/97-CUSTOMS (N.T.), dated the 2nd April, 1997, published in the Gazette of India, Extraordinary, Part II, Section 3,Sub-section (i) vide number G.S.R. 193(E), dated the 2nd April, 1997, namely:-

In the said notification, in the Table, against serial number 4 relating to the State of Gujarat, in column (3) after item (xii) and the corresponding entry relating thereto in column (4), the following item and the entry shall be inserted, namely:-

(3)	(4)
"(xiii) Village Sachana, Viramgam, District Ahmedabad.	Unloading of imported goods and loading of export goods."

[Notification No. 59/2016-Customs (N.T.) New Delhi, the 27th April, 2016]

● In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, see TABLE-1, TABLE-2, and TABLE-3 in following link:-

'http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt60-2016.pdf'

[Notification No. 60 /2016-CUSTOMS (N. T.) New Delhi, 29th April, 2016]

● In supersession of the Orders/Notifications as indicated in Column (6) of the Table below for appointment of Common Adjudicating Authority mentioned in Column (5) of the Table and in exercise of the powers conferred by sub-section (1) of section 4 and sub-section (1) of section 5 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby appoints the Additional Director General(Adjudication), Directorate of Revenue Intelligence, Delhi to act as a Common Adjudicating Authority to exercise the powers and discharge the duties conferred or imposed on the officers mentioned in Column (4) of the Table, in respect of the show cause notices mentioned in Column (3) of the Table given below for the purpose of adjudication thereof. For details see the below link –

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt61-2016.pdf

[Notification No. 61/2016-Customs (N.T.) New Delhi, dated the 4 th May, 2016]

● S.O. (E). -In exercise of powers conferred by sub-section (1) of section 4 and sub-section (1) of section 5 of Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby appoints the Commissioner of Customs, Nhava Sheva-IV, Mumbai Zone-II, Jawaharlal Nehru Custom House, Taluka-Uran, District-Raigad (Maharashtra) to act as a Common Adjudicating Authority to exercise powers and discharge duties conferred or imposed on officers mentioned in column (3) of Table below in respect of cases mentioned in column (2) of the Table for purpose of adjudication of show cause notices mentioned, for details see the below link –

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt62-2016.pdf

[Notification No. 62/2016-Customs(N.T.) New Delhi, dated the 4 th May, 2016]

● S.O. (E).- In supersession of the Orders/Notification as indicated in Column (5) of Table below and in exercise of the powers conferred by sub-section (1) of section 4 and sub-section (1) of section 5 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby appoints the Commissioner of Customs, Nhava Sheva-IV, Mumbai Zone-II, Jawaharlal Nehru Custom House, Taluka-Uran, District-Raigad (Maharashtra) to act as a Common Adjudicating Authority to exercise the powers and discharge the duties conferred or imposed on the officers mentioned in Column (4), in respect of the show cause notices mentioned in Column (3) of the Table for the purpose of adjudication thereof. For details see the below link –

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt63-2016.pdf

[Notification No. 63/2016-Customs (N.T.) New Delhi, dated the 4 th May, 2016]

● In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001. For details see the below link –

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt65-2016.pdf

Notification No. 65/2016-CUSTOMS (N. T.) New Delhi, 13th May, 2016

● In exercise of the powers conferred by sub-section (2) of section 58A of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby specifies the following class of goods which shall be deposited in a special warehouse licenced under sub-section (1) of the said section namely:-

i) gold, silver, other precious metals and semi-precious metals and articles thereof;

ii) goods warehoused for the purpose of - (a) supply to duty free shops in a customs area; (b) supply as stores to vessels or aircrafts under Chapter XI of the Customs Act, 1962; (c) supply to foreign privileged persons in terms of the Foreign Privileged Persons (Regulation of Customs Privileges) Rules, 1957.

[Notification No. 66 /2016- Customs (N.T.) New Delhi, the 14th May, 2016]

● In exercise of the powers conferred by section 157 read with section 57, section 58 and sub-section (2) of Section 73A of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the following regulations, For details see the below link –

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt68-2016.pdf

[Notification No. 68 /2016- Customs (N.T.) New Delhi, the 14th May, 2016]

● In exercise of the powers conferred by section 157 read with section 58A and sub-section (2) of Section 73A of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the regulations. For details see the below link –

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt69-2016.pdf

[New Delhi, the 14th May, 2016 Notification No.69 /2016- Customs (N.T.)]

● In exercise of the powers conferred by section 157, read with section 57 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the regulations:-

For details see the below link –

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt70-2016.pdf

[Notification No. 70/2016- Customs (N.T.) New Delhi, the 14th May, 2016]

● In exercise of the powers conferred by section 157 read with section 58 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the regulations:-

For details see the below link -

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt71-2016.pdf

[New Delhi, the 14th May, 2016 Notification No. 71 /2016- Customs (N.T.)]

● In exercise of the powers conferred by section 157 read with section 58A of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the regulations.

For details see the below link -

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt72-2016.pdf

[Notification No. 72 /2016 - Customs (N.T.) New Delhi, the 14th May, 2016]

● In exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and in supersession of the notification of the Central Board of Excise and Customs No.64/2016-CUSTOMS (N.T.), dated 05th May, 2016, except as respects things done or omitted to be done before such supersession, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currencies specified in column (2) of each of Schedule I and Schedule II annexed hereto, into Indian currency or vice versa, shall, with effect from 20th May, 2016, be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

For details see the below link -

http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt77-2016.pdf

[Notification No.77/2016 - Customs (N.T.) New Delhi, dated the 19th May, 2016]

ANTI-DUMPING DUTY:

● In exercise of the powers conferred by sub-section (1) read with sub-section (5) of section 9A of the Customs Tariff Act, 1975 (51 of 1975) read with rules 18 and 23 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, the Central Government hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 40/2012-Customs (ADD), dated the 30th August, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 657(E), dated the 30th August, 2012, namely:-

In the said notification, in the Table, against serial number 1, in columns (6) and (7), for the existing entries, the following entry shall respectively be substituted, namely –

"M/s Hubei Hongyuan Pharmaceutical Technology Co., Ltd".

[Notification No. 19/2016-Customs (ADD) New Delhi, dated the 19th May, 2016]

● Whereas, in the matter of Seamless tubes, pipes and hollow profiles of iron, alloy or non-alloy steel (other than cast iron and stainless steel), whether hot finished or cold drawn or cold rolled of an external diameter not exceeding 355.6 mm or 14" OD (hereinafter referred to as the 'subject goods'), falling under heading 7304 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the Customs Tariff Act), originating in, or exported from the People's Republic of China (hereinafter referred to as the 'subject country'), and imported into India, the designated authority in its preliminary findings published in the Gazette of India, Extraordinary, Part I, Section 1, vide notification number 14/2/2015-DGAD, dated the 31st March, 2016, has come to the provisional conclusion that –

i) the subject goods have been exported to India from the subject country below its normal value, resulting in dumping;

ii) the domestic industry has suffered material injury due to dumping of the subject goods from the subject country;

iii) the material injury has been caused by the dumped imports of subject goods from the subject countries,

[Notification No. 18/2016-Customs (ADD) New Delhi, the 17th May, 2016]

- Whereas, the Designated Authority, vide notification No. 15/01/2015-DGAD, dated the 27th March, 2015, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 27th March, 2015, had initiated a review in the matter of continuation of antidumping duty on imports of Digital Versatile Discs-Recordable (DVD-R) (hereinafter referred to as the subject goods), falling under heading 8523 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975)(hereinafter referred to as the Customs Tariff Act) and originating in, or exported from, Vietnam and Thailand (hereinafter referred to as subject countries), imposed vide notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 98/2010- Customs, dated the 28th September, 2010, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i)

[Notification No. 17/2016-Customs (ADD) New Delhi, the 13th May, 2016]

- Whereas, in the matter of 'Measuring Tapes' (hereinafter referred to as the subject goods) falling under tariff items 9017 10 00, 9017 30 10, 9017 30 29, 9017 80 10 or 9017 80 90 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) [hereinafter referred to as the Customs Tariff Act], originating in or exported from the Chinese Taipei, Malaysia, Thailand and Vietnam (hereinafter referred to as the 'subject countries'), and imported into India, the designated authority in its final findings published in the Gazette of India, Extraordinary, Part I, Section 1, vide notification No. 14/21/2014-DGAD dated the 10th March, 2016, has come to the conclusion that – (a) there is dumping of the subject goods from the subject countries; (b) dumped imports are causing injury to the domestic industry, and has recommended imposition of the anti-dumping duty on the subject goods, originating in or exported from the subject countries.

[Notification No. 16/2016-Customs (ADD) New Delhi, the dated 2nd May, 2016]

- Whereas, the designated authority, vide notification No. 15/20/2014-DGAD, dated the 6th December, 2014, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 6th December, 2014, had initiated a review in the matter of continuation of anti-dumping duty on imports of Synchronous Digital Hierarchy Transmission Equipment (hereinafter referred to as the subject goods), falling under sub-headings 8517 62 or 8517 70 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975)(hereinafter referred to as the Customs Tariff Act), originating in or exported from People's Republic of China and Israel (hereinafter referred to as subject countries), imposed vide notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 125/2010- Customs, dated the 16th December, 2010, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R.981(E), dated the 16th December, 2010;

And whereas, the Central Government had extended the anti-dumping duty on the subject goods, originating in or exported from the subject countries, upto and inclusive of the 7th December, 2015, vide notification of the Government of India, in the Ministry of Finance (Department of Revenue) No.01/2015-Customs(ADD), dated the 5th January, 2015, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R 8(E), dated the 5th January, 2015;

[Notification No. 15/2016-Customs (ADD) New Delhi, the dated 26th April, 2016]

- Definitive Anti-Dumping duty is imposed imports of Barium Carbonate (CH Code:- 28366000) originating in or exported from People's Republic of China. It shall remain in force from 21st April 2016 to 20th April 2021, unless revoked earlier.

[Notification 14/2016-Cus (ADD), dated 21st April 2016]

- Definitive Anti-Dumping duty is imposed imports of Normal Butanol or N-Butyl Alcohol' (CH Code:29051300) originating in, or exported from the European Union, Malaysia, Singapore, South Africa and United States of America. It shall remain in force from 13th April 2016 to 12th April 2021, unless revoked earlier.

[Notification 13/2016-Cus (ADD), dated 13th April 2016]

Safeguards Duty:

- No new Notification

Circulars:

- No new Circular

Instructions:

- Since CESTAT has noted that there were severe omissions in the functioning of quasi-judicial and appellate authorities in the department in case of Commissioner of Customs (Import) Vs Do Best Infoway, it has been instructed to the Quasi- Judicial Authority to follow the guidelines as below.

The files & notes should contain the detailed minutes recorded in a case.

Fixing/ Re-fixing of personal hearing should be properly done; it is to be clearly indicated in the file noting under the signature of the authority who fix so.

Every record leading to passing of any order by a quasi-judicial authority should be minuted on the case file which is also a record in the case.

[F. No 390/CESTAT/24/2016-JC dated 13th April 2016]

- It is instructed to all the officers not to insist on registration documents under Legal Metrology Act, 2009 where the products are not cover under the Act.

[F. No. 401/69/2016- Cus III dated 22nd April 2016]

● It is instructed to all Chief Commissioners to ensure the Re-credit the Bond value in online running bond at destination Air Cargo Complex without any delay, in case of transshipment of Cargo from Air Cargo location to ICDs/ other Air Cargo Customs Stations.

[F.No. 401/69/ 2016- Cus III dated 22nd April 2016]

CENTRAL EXCISE

Notifications:

Tariff:

● Amendment in Notification No 1/2011-Central Excise, dated the 1st March, 2011, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 116 (E), dated the 1st March, 2011, namely :-

In the said notification, in the Table, serial number 101 and the entries relating thereto shall be omitted.

[Notification No. 20/2016-Central Excise New Delhi, the 5 th May, 2016]

● Amendment in Notification No 2/2011-Central Excise, dated the 1st March, 2011, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 117 (E), dated the 1st March, 2011, namely :-

In the said notification, in the Table, serial number 61 and the entries relating thereto shall be omitted.

[Notification No. 21/2016-Central Excise New Delhi, the 5th May, 2016]

● Amendment in Notification No.12/2012-Central Excise, dated the 17th March, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 163(E), dated the 17th March,2012. For details see the below link -

http://www.cbec.gov.in/resources//htdocs-cbec/excise/cx-act/notifications/notfns-2016/cx-tarr2016/ce22-2016.pdf

[Notification No. 22/2016-Central Excise New Delhi, the 5 th May, 2016]

● Amendment in Notification No. 12/2012-Central Excise, dated the 17th March, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 163(E), dated the 17th March, 2012, namely: -

In the said notification,–

i) in the opening paragraph after the second proviso the following provisos shall be inserted, namely:–

Provided also that nothing contained in this notification shall apply to the goods specified against serial number 113 of the said Table after the 31st day of March, 2017:

Provided also that nothing contained in this notification shall apply to the goods specified against serial number 113B of the said Table after the 31st day of March, 2017:

Provided also that this notification shall apply to the goods specified against serial number 113C of the said Table with effect from the 1st day of April, 2017:

Provided also that this notification shall apply to the goods specified against serial number 113D of the said Table with effect from the 1st day of April, 2017:

[Notification No. 23/2016-Central Excise New Delhi, the 17th May, 2016]

Non-Tariff:

● Limit for payment under Rule 6(3)(i) of CCR, 2004 i.e. an amount of six per cent of value of the exempted goods and seven per cent of value of the exempted services has been specified as summation of below.

❊ Opening balance of the credit of input and input services available at the beginning of the period to which the payment relates.

❊ The credit of input and input services taken during that period.

[Notification No.23/2016-CE (N.T.), dated 1st April 2016]

● Conditions for availment of credit in case of the services of assignment of the right to use any natural resource by the Government, local authority or any other person specified by inserting below proviso to CCR, 2004,

❊ No time limit for availment of CENVAT credit to Manufacturer or the provider of service in case of services provided by Government, local authority or any other person, by way of assignment of right to use any natural resource.

❊ CENVAT Credit of Service Tax paid in a financial year, on the onetime charges payable in full upfront or in instalments, for the service of assignment of the right to use any natural resource by the Government, local authority or any other person, shall be spread evenly over a period of three years:

❊ Where the manufacturer of goods or provider of output service, as the case may be, further assigns such right assigned to him by the Government or any other person, in any financial year, to another person against consideration, such amount of balance CENVAT credit as does not exceed the service tax payable on the consideration charged by him for such further assignment, shall be allowed in the same financial year.

[Notification No.24/2016-CE (N.T.), dated 13th Apr 2016]

● In exercise of the powers conferred by sub-sections (1) and (2) of section 4A of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance

In the said notification, in the table, after serial number 88 and the entries relating thereto, the following serial number and entries shall be inserted, namely :-

(1)	(2)	(3)	(4)
"88A.	8517 69 30	Routers	20".

[Notification No. 25/2016-Central Excise (N.T) New Delhi, the 5th May, 2016]

● In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944), section 94 of the Finance Act, 1994 (32 of 1994) read with section 162 of the Finance Act, 2016 (28 of 2016), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely:-

(1)These rules may be called the CENVAT Credit (Sixth Amendment) Rules, 2016.

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

2. In the CENVAT Credit Rules, 2004, in rule 3, in sub-rule (4), in ninth proviso, for the words, figures and brackets "sub-clause (1) of clause 159 of the Finance Bill, 2016", the words, figures and brackets "sub-section (1) of section 162 of the Finance Act, 2016" shall be substituted.

[Notification No. 27/2016 – Central Excise (N.T.) New Delhi, the 14th May, 2016]

● In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944) and section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely : –

1. (1) These rules may be called the CENVAT Credit (Seventh Amendment) Rules, 2016.

(2) They shall come into force on 1st of June, 2016.

2. In the CENVAT Credit Rules, 2004, in rule 3,

(a) after sub-rule (1), the following sub-rule shall be inserted, namely :-

"(1a) A provider of output service shall be allowed to take CENVAT credit of the Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016);";

(b) in sub-rule (4), after the ninth proviso, the following proviso shall be inserted, namely,- "Provided also that the Cenvat credit of any duty specified in sub-rule (1) shall not be utilised for payment of Krishi Kalyan Cess leviable under section 161 of the Finance Act, 2016 (28 of 2016);";

(c) in sub-rule (7), (i) after the words, figures and brackets "sub-rule (1)", the words, figures and brackets ", sub-rule (1a)" shall be inserted; (ii) after clause (c), the following clause shall be inserted, namely,-

"(d) Cenvat credit in respect of Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016) shall be utilised only towards payment of Krishi Kalyan Cess on taxable services leviable under section 161 of the Finance Act, 2016 (28 of 2016)";

[Notification No. 28/2016 - Central Excise (N.T.) New Delhi, the 26th May, 2016]

Others:

● In exercise of the powers conferred by sections 83 and 84 of the Finance Act, 2010 (14 of 2010), the Central Government hereby directs that any reference to 'Clean Energy Cess', in the rules, notifications, instructions, decisions, or orders, made or issued under the said sections, shall, be construed as references to 'Clean Environment Cess'.

[Notification No. 1/2016 - Clean Environment Cess New Delhi, the 14th May, 2016]

● In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944) read with section 162 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following amendments in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 1/2016-Infrastructure Cess, dated the 1st March, 2016, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 255 (E), dated the 1st March, 2016 (hereinafter referred to as the said notification), namely: -

In the said notification,-

i) for the words, figures and brackets "sub-clause (3) of clause 159 of the Finance Bill, 2016", the words, figures and brackets "sub-section (3) of section 162 of the Finance Act, 2016" shall be substituted;

ii) the words, figures and brackets "which clause has, by virtue of the declaration made in the said Finance Bill under the Provisional Collection of Taxes Act, 1931 (16 of 1931), the force of law," shall be omitted;

iii) for the words, figures and brackets "sub-clause (1) of clause 159 of the said Finance Bill", the words, figures and brackets "sub-section (1) of section 162 of the said Finance Act" shall be substituted.

[Notification No. 2/2016 - Infrastructure Cess New Delhi, the 14th May, 2016]

Circulars:

● Classification of Micronutrients, Multi- micronutrients, Plant growth regulators and Fertilizers shall be governed by this circular as per opinion received from Indian Agricultural Research Institute (IARI) on its nature, usage, distinction from other products, etc.

[Circular No.1022/10/2016-CX, dated 6th Apr 2016]

● Procedure is prescribed for dealing with audit objections raised by Central Excise Revenue Audit (CERA) and Customs Revenue Audit (CRA) to improve ease of doing business and bring certainty regarding tax liability of an assessee. Accordingly, for audit objections and reply thereto various stages and timeliness as prescribed in the circular to be followed by the departmental officers strictly.

[Circular No.1023/12/2016-CX, dated 8th Apr 2016]

- It has been clarified that unit processing re- refined used oil or waste oil undergone any of the process as

i) labeling or re-labeling of containers,

ii) re-packing from bulk pack to retail packs,

iii) adoption of any other treatment to render the product marketable to the consumers then it amounts to manufacture and excise duty is payable. Field formations informed accordingly.

[Circular No.1024/12/2016-CX, dated 11th Apr 2016]

- As declared in Circular No.1021/9/2016-CX, dated 21st March 2016, a High Level Committee to interact with Trade & Industry on imposition of central excise duty on jewellery have been decided & declared vide this circular.

[Circular No.1025/13/2016-CX, dated 22ndApr 2016]

- The time limit for taking the Excise Registration by jewellers have been extended to upto 01/07/2016, payment of Excise Duty for the period March 16, April 16 & May 16 can be made along with payment for the month of June 16.

[Circular No.1026/14/2016-CX, dated 23rd Apr 2016]

Instructions:

- Since CESTAT has noted that there were severe omissions in the functioning of quasi-judicial and appellate authorities in the department in case of Commissioner of Customs (Import) Vs Do Best Infoway, it has been instructed to the Quasi- Judicial Authority to follow the guidelines as below.

- The files & notes should contain the detailed minutes recorded in a case.
- Fixing/ Re-fixing of personal hearing should be properly done; it is to be clearly indicated in the file noting under the signature of the authority who fix so.

Every record leading to passing of any order by a quasi-judicial authority should be minuted on the case file which is also a record in the case.

[F No 390/CESTAT/24/2016-JC dated 13th April 2016]

SERVICE TAX

Notifications:

- Following services provided by government are now exempted from payment of Service Tax,

Services provided by Government or a local authority to another Government or local authority, excluding the services by the Department of Posts by way of speed post, express parcel post, life insurance and agency services provided to a person other than Government; services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport; services of transport of goods and passengers.

- Services provided by Government or a local authority by way of issuance of passport, visa, driving license, birth certificate or death certificate;
- Services provided by Government or a local authority where the gross amount charged for such services does not exceed Rs. 5000/-, this exemption does not apply to the services by the Department of Posts by way of speed post, express parcel post, life insurance and agency services provided to a person other than Government; services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport services of transport of goods and passengers.
- Provided in case of continuous service gross amount of such service should not be exceeding Rs. 5000 for Financial Year.
- Service in the nature of tolerance of non- performance of contract, where the consideration is in the form of fines or liquidated damages.
- Services provided by government by way of registration under any law.
- Testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, required under any law.
- Service by way of assigning the right to use of natural resources to individual farmer.
- Services provided by Panchyat, which are the activities required to be performed by Panchyat such as for Poverty alleviation, Education, Technical training and vocational education, Health and sanitation, Family welfare, Social welfare, including welfare of the handicapped and mentally retarded, Public distribution system.
- Service provided by government or local authority by way of assigning the righ to use of natural resources, where upfront payment is make before 1st April 2016.
- Service provide by government or a local authority by way of allowing a business entity to operate as a telecom service provider or use radio frequency spectrum during the financial year 2015-16 on payment of licence fee or spectrum user charges, as the case may be
- Services provided by Government by way of deputing officers who is receiving Merchant Overtime charges (MOT) for working overtime.

[Notification No. 22/2016 ST dated 13th April 2016]

- Interest paid on deferred payment to government or local authority for any taxable service provided by them, is to be added as a part of consideration for payment of Service Tax.

[Notification No. 23/2016 ST dated 13th April 2016]

- Point of taxation for service provided by government will be date earliest of the date on which such payment becomes due or date on which such payment is made.

[Notification No. 24/2016 ST dated 13th April 2016]

- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) and sub-section (2A) of section 5A of the Central Excise Act, 1944 (1 of 1944), read with section 83 of the Finance Act, 1994 (32 of 1994), the Central

Government being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.25/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 467 (E), dated the 20th June, 2012, namely:-

In the said notification, in Entry 48, the following Explanation shall be inserted, namely:-

"Explanation.- For the purposes of this entry, it is hereby clarified that the provisions of this entry shall not be applicable to the following services, namely:-

(a) services specified in sub-clauses (i),(ii) and (iii) of clause (a) of section 66D of the Finance Act, 1994;

(b) services by way of renting of immovable property.".

[Notification No. 26/2016-Service Tax New Delhi, the 20th May, 2016]

● In exercise of the powers conferred by sub-section (2) of section 68 of the Finance Act, 1994 (32 of 1994) read with sub-section (5) of section 161 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby provides that notification No. 30/2012 - Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 472 (E), dated the 20th June, 2012 shall be applicable mutatis mutandis for the purposes of Krishi Kalyan Cess.

This notification shall come into force from the 1 st day of June, 2016

[Notification No. 27/2016-Service Tax New Delhi, the 26th May, 2016]

● In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) read with sub-section (5) of section 161 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts such taxable services from whole of Krishi Kalyan Cess leviable thereon which are either exempt from the whole of service tax by a notification or special order issued under sub-section (1) or as the case may be under sub-section (2) of section 93 of the Finance Act, 1994 or otherwise not leviable to service tax under section 66B of the Finance Act, 1994:

Provided that Krishi Kalyan Cess shall be leviable only on that percentage of taxable value which is specified in column (3) for the specified taxable services in column (2) of the Table in the notification No. 26/2012-Service Tax, dated 20th June, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, sub-section (i) vide number G.S.R. 468 (E), dated the 20th June, 2012.

Explanation.- It is hereby clarified that value of taxable services for the purposes of the Krishi Kalyan Cess shall be the value as determined in accordance with the Service Tax (Determination of Value) Rules, 2006.

This notification shall come into force from the 1 st day of June, 2016

[Notification No. 28/2016-Service Tax New Delhi, the 26th May, 2016]

● In exercise of the powers conferred by rule 6A of the Service Tax Rules, 1994, the Central Government, hereby makes following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 39/2012-Service Tax, dated the 20th June, 2012, published in the Gazette of India, Extraordinary, vide number G.S.R. 481(E), dated the 20th June, 2012, namely:-

In the said notification, in Explanation 1, after clause (d), the following clause shall be inserted, namely:

"(e) Krishi Kalyan Cess as levied under sub-section (2) of section 161 of the Finance Act, 2016 (28 of 2016).".".

This notification shall come into force from the 1 st day of June, 2016

[Notification No. 29/2016-Service Tax New Delhi, the 26th May, 2016]

● In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), read with sub-section (5) of section 161 of the Finance Act, 2016 (28 of 2016), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 12/2013-Service Tax, dated the 1st July, 2013, published in the Gazette of India, Extraordinary, vide number G.S.R. 448(E), dated the 1st July, 2013, namely:-

In the said notification, in paragraph 3, in sub-paragraph (III),-

(i) for clause (b), the following clause shall be substituted, namely:- "(b) the SEZ Unit or the Developer shall be entitled to refund of-

(a) the service tax paid on the specified services on which ab-initio exemption is admissible but not claimed, and

(b) the amount distributed to it in terms of clause (a).";

(ii) in clause (ba),

(a) in item (i), after the words "Swachh Bharat Cess", the words "and Krishi Kalyan Cess" shall be inserted;

(b) in item (ii) for the words "by effective rate of Swachh Bharat Cess", the words "by sum of effective rates of Swachh Bharat Cess and Krishi Kalyan Cess" shall be substituted. This notification shall come into force from the 1 st day of June, 2016

[Notification No. 30/2016-Service Tax New Delhi, the 26th May, 2016]

● In exercise of the powers conferred by sub-section (1) read with subsection (2) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the Service Tax Rules, 1994, namely:-

1. (1) These rules may be called the Service Tax (Third Amendment) Rules, 2016.

(2) These rules shall come into force from the 1 st day of June, 2016.

2. In the Service Tax Rules, 1994, in rule 6,

(i) in sub-rule (7D), for the figures "0.5" the words "effective rate of Swachh Bharat Cess" and for the words, figures and brackets "14 (fourteen)", the words and figures "rate of service tax specified in section 66B of the Finance Act, 1994" shall be substituted;";

(ii) after sub-rule (7D), the following sub-rule shall be inserted, namely:-

"(7E) The person liable for paying the service tax under sub-rule (7), (7A), (7B) or (7C) of rule 6, shall have the option to pay such amount as determined by multiplying total service tax liability calculated under sub-rule (7), (7A), (7B) or (7C) of rule 6 by effective rate of Krishi Kalyan Cess and dividing the product by rate of service tax specified in section 66B of the Finance Act, 1994, during any calendar month or quarter, as the case may be, towards the discharge of his liability for Krishi Kalyan Cess instead of paying Krishi Kalyan Cess at the rate specified in sub-section (2) of section 161 of the Finance Act, 2016 (28 of 2016) and the option under this sub-rule once exercised, shall apply uniformly in respect of such services and shall not be changed during a financial year under any circumstances."

[Notification No. 31/2016-Service Tax New Delhi, the 26th May, 2016]

Circular:

- Clarification on issues regarding levy of Service Tax on the services provided by Government or a local authority to business entities has been issued. For more understanding kindly read the article of this month's Update.

[Circular No. 192/02/2016-Service Tax dated 13th April 2016]

Instructions:

- No New Instruction.

INCOME TAX

Notification:

- As per Sec 10 (46) of Income Tax Act, government has allowed West Bengal Pollution Control Board not to include certain income in the total income of the board subject to the conditions mentioned in the notification.

[Notification 25/2016 dated 4th April 2016.]

- As per Sec 10 (46) of Income Tax Act, government has allowed Sikkim State Electricity Regulatory commission not to include certain income in the total income of the board subject to the conditions mentioned in the notification.

[Notification 26/2016 dated 4th April 2016.]

- Government has notified the procedure for registration & submission of statement under Obligation to furnish statement of financial transaction or reportable account as per sec 285BA of Income Tax Act, 1961.

[Notification 4/2016 dated 6th April 2016.]

- Department has laid down the procedures, data structure and standard of Electronic Verification Code (EVC) which would be used to verify the identity of the person furnishing the form.

[Notification 5/2016 dated 6th April 2016.]

- Government has approved Central Power Research Institute Bengaluru for the purpose of Sec 35 (1)(ii) of the Income Tax Act, 1961 from AY 2003-2004 in the category of Scientific Research Association.

[Notification 27/2016 dated 7th April 2016]

FOREIGN TRADE POLICY

Notifications:

- Now Betel Leaves are allowed to exports to European Union subject to Registration with APEDA, the designated competent authority.

[Notification No.01/2015-20 dated 8th April 2016]

- Definition of e-commerce inserted in FTP Chapter

9 for the purpose of MEIS as "e-commerce shall mean the export of goods hosted on a website accessible through the internet to a purchaser." Further clarifications w.r.t. dispatch and payments mode are also clarified as while the dispatch of goods shall be made through courier / postal mode as specified under MEIS, the payments for the goods purchased on e- commerce platform shall be done through international credit/debit cards as per RBI guidelines.

[Notification No.02/2015-20 dated 11th April 2016]

- Import of commercial dogs for breeding or any other commercial activities other than stated below is not permitted:

i) Pet dog with valid pet book and relevant records/documents in the name of importer.

ii) Dogs imported by the R&D Organizations for conducting research with the recommendation of CPCSEA.

iii) For the internal security by the Defense and Police Force.

[Notification No.03/2015-20 dated 25th April 2016]

Public Notices:

- In case of blended fabrics, Plus or Minus 3% variation is allowed, up to that extent no requirement of amendment in norms (SION/ Adhoc) against advance authorization /DFIA

[Public Notice No. 01/2015-20 dated 6th April2016]

- Nine new pre -shipment Inspection Agencies have been placed and recognized under appendix 2G.

[Public Notice No. 02/2015-20 dated the 8th April 2016]

- Procedure for implementation of the Track and Trace system for export of pharmaceutical and drug consignments has been amended as under:

In case, the Government of the importing country has mandated a specific requirement, the exporter has the option of adhering to the same and in such a case, it would not be necessary to comply with the stipulation under sub para (i) to (iv) of Para 2 of this Public Notice and if an exporter is seeking to avail such exemption from bar coding prescribed by the Government of India as above, the exporter is given the option to move an application to the Pharmaceuticals Export Promotion Council of India (Pharmexcil) for this purpose, clearly specifying the nature of such an exemption in the interest of the exports from the country. Pharmexcil shall dispose of such applications on case to case basis with prior approval of Government. However, the tertiary level of packaging will have additional printing of barcode as per Para 2 (i) (c) of this Public Notice in addition to importing country`s requirement, if any". [Public Notice No. 03/2015-20 dated 21st April 2016]

Trade Notices:

- Liquid Glucose is ineligible for FMS benefits.

[Trade Notice No. 01/2015-20 dated the 7th April 2016]

- MEIS benefit is disallowed for 'Tamarind Kernel Powder "having ITCHS 13023290

[Trade Notice No. 02/2015-20 dated the 19th April 2016]

- DGFT has relaxed the provision of registration of ILC's within 15 days, for importers who have finalized their ILC's for imports/ shipments of items covered under Notification No.38 dated 5th Feb

2016 before the date of notification and grants them the opportunity to register their ILC's with their concerned Jurisdictional RA's by 30th April 2016. The importers will submit their request along with ANF-2D with the prescribed fees of Rs.2000/-as prescribed for the policy relation.

[Trade Notice No. 03/2016 dated 21st April 2016]

RBI NOTIFICATIONS

- Foreign Exchange Management (Deposits) Regulations, 2016

As per powers convened by clause (f) of sub- section (3) of section 6, sub-section (2) of section

47 of the FEMA and in suppression of previous notification bearing number FEMA 05/2000-RB dated May 3, 2000, the following regulations in respect of deposits between a person resident in India and a person resident outside India, namely restrictions on deposits between a person resident in India and a person resident outside India: As per orders made or issued under the Act, no person resident in India shall accept any deposit from, or make any deposit with, a person resident outside India, The RBI, on an application made to it and on being satisfied that it is necessary so to do, allow a person resident in India to accept or make deposit from or with a person resident outside India, with certain exemptions that are named in the below mentioned RBI Notifications.

[Notification No FEMA 05 (R)/2016-RB 1st April 2016]

- Foreign Exchange Management (Remittance of Assets) Regulations, 2016

As per powers convened by section 47 of the FEMA and in suppression of previous notification bearing number FEMA 13/2000-RB dated May 3, 2000, the following regulations in respect of remittance outside India by a person whether resident in India or not, of assets in India have been initiated by the RBI as shown in the RBI Notification mentioned below with caveats for individuals and corporate entities.

[Notification No FEMA 13 (R)/2016-RB 1st April 2016]

- Foreign Investment in units issued by Real Estate Investment Trusts, Infrastructure Investment Trusts and Alternative Investment Funds governed by SEBI regulations.

To rationalize the foreign investment rules for Alternative Investment vehicles (AIFs) and to facilitating foreign investment in collective investment vehicles for real estate and infrastructure sectors (REITs and InvITs), it has been decided by the RBI and the Government of India, to allow foreign investment in the units of Investment Vehicles registered and regulated by SEBI or any other competent authority.

As per the present regime following are Investment Vehicles registered and regulated under the SEBI, which registered and regulated under the SEBI included in the scheme:

- Real Estate Investment Trusts (REITs).
- Infrastructure Investment Trusts (InvITs).
- Alternative Investment Funds (AIFs).

The investor should invest in these Investment Vehicle for beneficial interest and should include shares or partnership interests. The salient features of this new investment regime are listed in the RBI Notification mentioned below.

[RBI/2015-16/377 A.P. (DIR Series) Circular No. 63 21st April 2016]

- Overseas Direct Investment (ODI) - Rationalization and reporting of ODI Forms.

At present, application for ODI is required to be made in Form ODI - Part I (comprising six sections) for direct investments in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) under automatic route / approval route. Further, remittances and other forms of financial commitment undertaken by the Indian Party (IP) are reported in Form ODI Part II. Annual Performance Report (APR) on the functioning of overseas JV / WOS in Form ODI Part III and details of disinvestment in Form ODI Part IV are currently required to be submitted through the designated Authorised Dealer Bank (AD bank).

While Form ODI Part I and Part III are required to be submitted by the applicant undertaking ODI, the Form ODI Part II and Part IV are to be submitted by the AD bank on behalf of the applicant.

In order to capture all data pertaining to the IP undertaking ODI as well as the related transaction, it has been decided to subsume Form ODI Part II within Form ODI Part I. Thus the Form ODI will have five sections instead of six.

Part I - Application for allotment of Unique Identification Number (UIN) and reporting of Remittances / Transactions:

Part II - Annual Performance Report (APR).

Part III - Report on Disinvestment by way of

Other details pertaining to VCs, ESOPs, post- investment changes, Online ODI Form Pattern and other details are provided in the RBI Notification mentioned below.

[RBI//2015-16/374 A.P. (DIR Series) Circular No.62 13th April 2016]

- Overseas Direct Investment - Submission of Annual Performance Report

At present, an Indian Party (IP) / Resident Individual (RI) which has made an Overseas Direct Investment (ODI) has to comply with certain obligations prescribed under the Notification No. FEMA 120/RB-2004 dated July 07, 2004. One of these includes obligation for submission of an Annual Performance Report (APR) in Form ODI Part III to the Reserve Bank by 30th of June every year in respect of each Joint Venture (JV) / Wholly Owned Subsidiary (WOS) outside India set up or acquired by the IP / RI (as prescribed under Regulation 15 of FEMA Notification, ibid).

It has been observed by the RBI that:

a. IP / RI are either not regular in submitting the APR or are submitting it with delay. This is not in line with Regulation 15 of the Notification.

b. Remittance/s and other forms of financial commitment are often facilitated by the designated AD bank under automatic route even though APR in respect of all overseas JV / WOS of the IP / RI effecting such remittance/s have not been submitted. This is in contravention of Regulation 6(2)(iv) of the Notification.

In order to provide AD banks greater capability to track submission of APRs and also improve compliance level in the matter of submission of APRs by the IPs / RIs, the RBI has now introduced several new guidelines advised in the RBI Notification mentioned below.

[RBI/2015-16/373 A.P. (DIR Series) Circular No. 61 13th April 2016]

USD/INR ($)

The Rupee traded with mixed sentiments against the US Dollar, remaining largely intact between 66 and 67 levels. Investor sentiment weakened due to rising concerns over the global economy and a renewed slump in crude oil prices. The Rupee found some respite due to improved inflation figures in the country. The market sentiment was further boosted as the meteorological department of India predicted an above average and early monsoon this year, which would be crucial for the country's economic growth.

EUR/INR (€)

The EUR touched a high of 76.20 levels against the Rupee. The demand for the common currency was backed by stronger-than-expected EU Inflation data. A mild recovery in global crude oil prices, improvement in commodity prices and underlying weakness in the USD further aided the Euro. The ECB kept interest rates unchanged in its monthly policy meeting but also stated that there was room for expanding the monetary stimulus and the Central Bank could use all available tools to boost the economy, if required.

GBP/INR (£)

The GBP traded range bound against the INR in the previous month. The Sterling failed to hold onto its limited gains and was dragged down due to persistent concerns over Brexit. The country's retail sales fell sharper-than-expected, further fuelling concerns of an economic downturn in the economy. The IMF highlighted that the country's trade and standard of living could be severely affected in case of Brexit. Recent polls have indicated a balanced vote at present, but the GBP is likely to remain under pressure in the coming month.

JPY/INR (¥)

The JPY saw a sharp appreciation against the US Dollar in the previous month. Uncertainty due to economic slowdown globally and weak US economic data supported bids for the safe-haven Yen. A series of earthquakes that jolted Japan though weighed on investor risk-appetite. The BoJ in its monthly review kept the country's economic outlook unchanged. The BoJ is contemplating expanding its monetary stimulus and could push their interest rates further into negative territory, which could weigh on the BoJ in the coming days.

CBEC Notified Exchange Rate for Conversion of Foreign Currency w.e.f, 22nd April 2016 [Notification No.55 /2016-Customs (N.T) Dated 21st April 2016]

For Details see the below link

"http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt55-2016.pdf"

Contributed by
Taxation Committee
Institute of Cost Accountants of India

HANDBOOK ON DRUGS (PRICES CONTROL) ORDER (DPCO)

BY CMA SUKRUT K MEHTA AND CMA KIRIT B. MEHTA

In every field, including the field of Pharmaceutical Drugs knowledge is power. Few persons can claim to acquire knowledge and experience in the field of Pharmaceutial Drugs. The authors of this pioneering handbook have successfully gained the same and have setout their knowledge in this handbook in a very careful approach. This book is an eye opener for them who will lilely to face any probelm in any manner regarding the law and practice relating to pharmaceutical drugs.

When any one at present has or apprehends that he/ she is likely to have any problem in any manner regarding the law and practice relating to Pharmaceutical Drugs, this is the only book which one can open with expectation and close with profit.

Its detailed Table of Contents will enable the readers to know where they can find the information they are looking for regarding the law and practice which is relating to Pharmaceutical Drugs. This book enlightens its readers on the following essential strategies applicable to every company, no matter how big or small the strategies are :

1) Application for 'new drug' price
2) Definition of 'manufacturer'
3) Timely price revisions
4) Compliance with IPDMS
5) Organizational setup for hassle free compliance
6) Types of notices for non-compliance
7) Approach to NLEM, 2015

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This Handbook is a store house of vast and varied useful information and beneficial for the readers who will thoroughly go through the same.

A study of this Handbook will make its readers realise the truth of the saying: "Knowledge of itself is riches."

It has been said that there are four types of men –

"He who knows not and knows not he knows not: he is a fool – shun him;

He who knows not and knows that he knows not: he is simple: teach him;

He who knows and knows not he knows: he is asleep – wake him;

He who knows and knows that he knows: he is wise – follow him."

The authors of this Handbook are very well versed with the subject and the readers will acquire sound knowledge if they follow the book.

The Authors, Kirit Mehta and Sukrut Mehta are fellow members of the Institute of Cost Accountants of India and are partners at Kirit Mehta & Co. (Cost Accountants). They have also co-authored "Guidance note on Internal Audit for Pharmaceuticals", published by Institute of Cost Accountant of India and are revered for their in-depth analysis and holistic view of all pharma pricing matters right from DPCO, 1987 to NLEM, 2015.

Reviewed by
Mr. Nadir A Modi (Senior Solicitor and Advocate)

ROLE OF CMAs IN

Startups for Sustainable Growth

- **Human Resource Management:**
  Employment opportunities for youth increased and new employment patterns came into picture with the growth of startups. If the growth is continued on the same pace then it is expected that Indian tech startups will generate almost 2.5 lakh jobs in the next five years. India is also said to enjoy demographic dividend and it is anticipated that by 2020, India will be a home to 112 million working population falling in the age bracket of 20-24 years. This demographic dividend will definitely boost the startup culture in the country. Local youth had new opportunities to pursue, and experienced talent started moving to these cities in pursuit of a challenging and high-growth career. Here, the CMAs can suggest suitable strategies to the management regarding planning and allocation of resources, creating apt working environment to attain desired target and enhance value maximization of the business. CMAs can also assist the management in taking decisions related to efficient and effective utilization of workforce for highest return on investment

  Venture Capital Financing:
  With the gen-next cool trend to start working on new and innovative ideas, India is all set to outperform all other nations on the world stage in the years to come. Setting up of small businesses by these young entrepreneurs is definitely going to boost the Indian economy in the near future. India is a home for almost 3100 startups starting per year standing just behind US, UK and Israel according to the NASSCOM report of 2015. Venture capital financing from abroad and angel investors are proving to be a big boon for Indian startup story. Various rounds of funding also help these firms to hire more talent into the company. This helps the company to grow strategically and also add some more experienced people in the firm. This type of investments inherently carries a high degree of risk. In this context, the CMAs can carry out Risk Mapping procedures and due diligence on the Startup including looking in great detail. If at the completion of due diligence the venture fund remains interested, then the CMAs can suggest the management for apt investment.

- **Advisory Service:**
  Mergers and acquisitions are also helping these startup companies to grow by acquiring new capabilities directly and expanding into the market share of the acquired company. The best example of this could be buying of Myntra, an app based shopping portal by another technology giant Flipkart to gain the market share. The CMAs, through their professional expertise can analyze the acquisition strategy. CMAs play a vital role in the acquisition process from the strategic planning phase where objectives are defined to the integration of the infrastructure of the two organizations after the merger is accomplished.

- **"Make in India" through Startups:**
  Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem for nurturing innovation and Startups in the country. This will drive sustainable economic growth and generate large scale employment opportunities. The Government, through this initiative aims to empower Startups to grow through innovation and design. The movement must aim at reducing cost. The CMAs can apply Cost management techniques like Resource mapping, Lean Manufacturing, Total Quality management, Supply Chain Management, etc. to carry out in-depth review of a company's expenditures and make recommendations about where costs can be better controlled or reduced in order to boost innovation and sustainability.

- ## Intellectual Property Rights (IPRs):

  IPRs are emerging as a strategic business tool for any business organization to enhance industrial competitiveness. Startups, with limited resources and manpower can sustain in this highly competitive world only through continuous growth and development oriented innovations, for this, it is equally crucial that start-ups protect their IPRs. The CMAs can act as a facilitator to the Startups regarding by providing general advisory on different IPRs, providing information on protecting and promoting IPRs, providing assistance in filing and disposal of the IP applications related to patents, trademarks and design under relevant Acts, drafting specifications for inventions of Start-Ups and appearing on behalf of Start-Ups at hearings, contesting opposition and ensuring final disposal of the IP applications.

- ## Legal & Audit issues:

  Lot of audit issues can rise in Startups like audited statements are required while getting financial assistance from banks or other investors. Again, while merger-acquisition or sell-off three years of audited financial statements are obligatory. In this regard, the CMAs with their professional expertise can act as an auditor to facilitate the Startups and make sure the business is compliant with all pertinent laws and regulations. In order to check for compliance, an auditor will need access to a wide variety of documentation. Not having those documents on hand can lead to serious additional costs. Thus, they can also help the company decide how long to keep various types of information on hand.

- ## Facilitating in marketing Startups:

  Starting a business is exhilarating. Startup marketing is a unique challenge often because of the limited resources, whether it's time, money or talent. The CMAs through Resource Mapping technique can assist the management in effective resource management to the utmost level of optimization and efficiency by enabling proactive allocation of resources based on business policies. This drives the highest possible resource utilization rates, while simultaneously minimizing business service and availability risk.

- ## Skill Development:

  Early-stage grants from the National Skill Development Corporation (NSDC) have helped initiation of over half a dozen startups, propelling more entrepreneurs to look at ventures in skilling and education and, in turn, attracting the attention of venture capitalists. These ventures, which don't directly train people but address gaps in the system such as financing and placement, are looking for risk capital to fund growth, both in local and overseas markets. MOU has been signed by the Institute with National Skill Development Agency (NSDA), an autonomous body of the Ministry of Skill Development & Entrepreneurship, Government of India, and Entrepreneurship Development Institute of India (EDI), Gujarat to enable offering various collaborative activities to promote and encourage skill and entrepreneurship development in India through education, teaching, training, research, publications and knowledge generation, conducting workshops, seminars at various colleges and universities and managing MSME development projects.

- ## Promoting new arenas of Startups:

  The Government of India (GOI) announced Aspiration Fund this year to encourage the startup ecosystem and allocated INR 400 cr. to various venture funds. GOI also launched another program called SMILE (SIDBI Make in India Loan for Small Enterprises) with an allocation of INR 10,000 cr. The objective of the scheme is to offer soft loans in the form of quasi-equity and term loans on soft terms to MSMEs. To make this step successful, the CMAs through their professional expertise can apply suitable strategies for unhindered access to the financial services like Savings, Credit, Micro insurance and remittance facilities in favor of the small and marginal farmers and landless labourers. Again, SEBI announced a new set of listing norms for startups, including e-Commerce ventures, planning to raise funding from listing on stock exchanges. These new norms will provide relaxations in disclosure related requirements, takeover and Alternative Investment Fund regulations for IT, data analytics, intellectual property, bio-technology or nano-technology companies. The CMAs can keep a track on allocation and apportionment of fund allotted to eradicate unfair practice of investment.

2016 National Students' Convocation

The 5th National Students' Convocation of the Institute was held at Science City, Kolkata on 21st March 2016. CMA Biswarup Basu was the Chairman of the Convocation Committee. The Chief Guest of the event was Mr. Chandrashekhar Ghosh, Chairman and Managing Director, Bandhan Bank Ltd., while Prof. (Dr.) Amiya Kumar Bagchi, Director, Institute of Development Studies, Kolkata was the Chief Guest of Honour. Prof. (Dr.) Malayendu Saha, Vice-Chancellor, University of Kalyani, Prof. (Dr.) Ajoy Kumar Roy, Director, Indian Institute of Engineering Science and Technology, Shibpur, Mr. D. P. Despande, Managing Director, Tata Sponge Limited and Mr. Bibekananda Mohanty, Registrar of Companies were the Special Guests of Honour. CMA P V Bhattad, President , CMA Manas Kumar Thakur, Vice President, CMA I Ashok , Chairman – CAT Committee also graced the occasion. The Convocation started with Convocation Parade by the Students and Guests followed by lighting of the lamp and an opening song. Every one present in the occasion along with the students had taken oath with the President of the Institute. 90 students were given prizes in the first half of the program for their achievements in December 14 and June 15 examinations while 901 students were felicitated with Rank certificate and medals in the second half of the program. The program concluded with the national anthem by all the participants and the guests and vote of thanks by the Secretary of the Institute.

LIST OF PRIZE WINNERS

Term: December 2014 Final Exam Syllabus 2008

SL.	Rank	Student's Name	Registration No.	Centre
1	1	MR. RAVI KUMAR JAISWAL	04101014677	Delhi-South-II (426 Centre)
2	2	MR. NAVEEN PATWAL	04081000220	Delhi-South-II (426 Centre)
3	3	MR. VIRENDRA BAHADUR	04081000222	Delhi-South-II (426 Centre)
4	4	MS. MANISHA	04101010731	Delhi-South-II (426 Centre)
5	6	MR. MITESH	04091004120	Delhi-South-II (426 Centre)
6		MS. PRAVEENA V. R.	02102011919	Earnakulam (203 Centre)
7		MS. SIVAKAMASUNDARI C	02081034559	Coimbatore (202 Centre)
8	14	MR. SANDIP MANGAL	04081002876	Delhi-West (408 Centre)
9	24	MR. BAJAJ GEETHESH	02101013948	Vijayawada (218 Centre)
10		MS. SHALLU NARANG	04091008271	Faridabad (409 Centre)
11		MR. SALUNKHE OMKAR ARUN	01112017689	Pune-II (133 Centre)
12		MS. KONERU VIMALA PRIYA	02082016051	Rajahmundry (211 Centre)

Term: December 2014 Final Exam Syllabus 2012

SL.	Rank	Student's Name	Registration No.	Centre
13	1	MR. ANKUR SHARMA	04081003423	Noida (425 Centre)
14	2	MR. K RAMANA	02122008858	Vijayawada (218 Centre)
15	3	MR. VIPIN KUMAR BHATI	04091004826	Delhi-South-II (426 Centre)
16	6	MS. BHARGAVI NAREDLA	02131008085	Vijayawada (218 Centre)
17		MS. ANJALI SEJWAL	04101010420	Delhi-South-II (426 Centre)
18	8	MS. C K AISHWARYA IYER	02122013974	Coimbatore (202 Centre)
19	29	MS. PAYAL JAKHOTIA	02112043830	Vijayawada (218 Centre)
20	7	MS. KARRI KHYATHI	02131006563	Vijayawada (235 Centre)
21	18	MR. DIMPLE KUMAR	04122001458	Delhi – West (408 Centre)

SL.	Rank	Student's Name	Registration No.	Centre
22	1	MR. VENKATA RAMESH CHOLLANGI	02112041334	Hyderabad (237 Centre)
23	2	MR. R GANESH	01101010607	Bilaspur (106 Centre)
24	3	MR. SUGGUNA ASHOK KUMAR	02101014103	Hyderabad (237 Centre)
25	8	MS. CHARU SETHI	04082001863	Delhi – West (408 Centre)
26		MR. TANGUDU SAI GANESH	02092009809	Hyderabad (237 Centre)
27		MR. BHAVYANATH V.G.	12072032623	Thrissur (221 Centre)
28	15	MS. K. ARCHANA PATRO	03112013477	Behrampur (317 Centre)
29		MS. SIREESHA BOYINA	02112041953	Vijayawada (231 Centre)
30		MS. P ROSHNI PATRO	03112013870	Behrampur (317 Centre)
31		MR. NEELAKANTAN K S	02101025927	DelhI – West (408 Centre)
32		MS. PUSHPALATHA V.	02112044097	Coimbatore (202 Centre)
33		MR. ASHISH KUMAR SINGH	12072032909	Jodhpur (413 Centre)
34	21	MS. ASHA JANIPALLI	02112041532	Visakhapatnam (219 Centre)

Term:
June 2015
Final Exam
Syllabus 2008

SL.	Rank	Student's Name	Registration No.	Centre
35	1	MR. SATEESH KUMAR REDDY CHAPATI	02121006956	Vijayawada (231 Centre)
36	2	MS. LAKSHMI ANUSHA CHITTURI	02122007230	Vijayawada (235 Centre)
37	3	MR. HARSHA SAI JULURU	02132008103	Vijayawada (218 Centre)
38	8	MS. SAYI MOUNIKA K	02132008281	Vijayawada (226 Centre)
39	26	MS. SRINIVEDHA P.N.	02122010575	Chennai (206 Centre)
40	33	MR. SIDDHANT AGRAWAL	04121014899	Lucknow (416 Centre)
41		MR. MANNAVA PRASADA RAO	02121003240	Vijayawada (231 Centre)
42		MS. GOGINENI SHUBHADA	02122014952	Vijayawada (231 Centre)
43	8	MR. ABHISHEK MUNDHRA	03132012428	Howrah (311 Centre)
44		MS. GORTI SAI SRI SOWMYA	02112050208	Vijayawada (226 Centre)
45		MR. NARAYAN SABAT	03112013522	Behrampur (317 Centre)

Term:
June 2015
Final Exam
Syllabus 2012

SL.	Rank	Student's Name	Registration No.	Centre
46	1	MR. LAKSHMI NARAYANA MADDINENI	02122007122	Vijayawada (218 Centre)
47	2	MS. SWATHI MYLA	02121006172	Vijayawada (226 Centre)
48	3	MR. TUNUGUNTLA SRIKANTH	02121007289	Hyderabad (233 Centre)
49		MR. PATIL PANKAJ ADHAR	01122003442	Pune-II (133 Centre)
50		MR. VIHAR N MEHTA	01122012974	Baroda (103 Centre)
51		MR. JAGANNATH TRIPATHY	03121009873	Behrampur (317 Centre)

Term:
December 2014
Intermediate Exam
Syllabus 2008

SL.	Rank	Student's Name	Registration No.	Centre
52	1	MR. KANTHETI NAGA VENKATA VISWA UPENDRA	02141003561	Vijayawada (218 Centre)
53	2	MS. MUKKAMALA SWATHI	02132008078	Vijayawada (226 Centre)
54	3	MR. AYUSH GUPTA	04141009578	Delhi-South-II (426 Centre)
55		MS. JYOTI PANWAR	04132003072	DelhI – West (408 Centre)

Term:
December 2014
Intermediate Exam
Syllabus 2012

SL.	Rank	Student's Name	Registration No.	Centre
56	1	MS. DEEPTI ASAWA	04122014666	Udaipur (418 Centre)
57	2	MR. PRASIT MORAN	03101009856	Kolkata South-2 (319 Centre)
58	3	MR. KUSH MISHRA	04122007584	Delhi East (405 Centre)
59		MS. SOWMYA EGA	02122006808	Hyderabad (237 Centre)
60		MS. AMI BHARATBHAI TAILOR	01112019756	Baroda (103 Centre)

**Term:
June 2015
Intermediate Exam
Syllabus 2008**

SL.	Rank	Student's Name	Registration No.	Centre
61	1	MR. MASALA VENKATASAICHARAN	02142005743	Vijayawada (232 Centre)
62	2	MS. KOTHAMASU LAKSHMI SUPRIYA	02142011040	Vijayawada (218 Centre)
63	3	MR. KOLLURU NAGA SURYA SATYA SWAROOP	02142011419	Vijayawada (218 Centre)
64		MS. LIPIKA PARIDA	03132002087	Bhubaneswar (303 Centre)
65		MR. GAURAV GANGULY	03132005810	Dhanbad (308 Centre)

**Term:
June 2015
Intermediate Exam
Syllabus 2012**

SL.	Rank	Student's Name	Registration No.	Centre
66		MR. GUNTUPALLI YASHWANTH	SF2012000825	Vijayawada (920 Centre)
67		MR. SAI GANESH PAVAN KUMAR TUMMALAPENTA	SF2012009073	Nellore (911 Centre)
68		MR. ABHAY RAJ BHADAURIA	NF2012014920	Delhi (743 Centre)
69		MS. SHRADDHA GANESH TODANKAR	WFC/009459	Mumbai (834 Centre)
70		MS. RUTUJA DHAIRYASINH LAWAND	WF2012006879	Pune (813 Centre)
71		MS. ROSHAN ARA	EF2012011000	Kolkata (636 Centre)
72		MS. KUMARI MRINALINI	EF2012005916	Bokaro (660 Centre)

**Term;
September 2014
Foundation Exam
Syllabus 2008**

SL.	Rank	Student's Name	Registration No.	Centre
73		MR. ABHISHEK BANG	NF2014034623	Mumbai (834 Centre)
74		MR. PRATEEK MUNDRA	NF2014030487	Mumbai (834 Centre)
75		MR. NILESH KUMAR JAIN	SF2014030965	Nellore (911 Centre)
76		MS. AKANKSHA PODDAR	WF2013027246	Mumbai (834 Centre)

**Term;
September 2014
Foundation Exam
Syllabus 2012**

SL.	Rank	Student's Name	Registration No.	Centre
77		MR. HEMA SANKAR KONAPUREDDY	SF2012014511	Vijayawada (905 Centre)
78		MS. GONELLA VARDHANI PUSHYAMI	SF2012014345	Hyderabad (921 Centre)
79		MR. RAJESH KUMAR	NF2012012956	Delhi (701 Centre)

**Term;
December 2014
Foundation Exam
Syllabus 2008**

SL.	Rank	Student's Name	Registration No.	Centre
80		MS. GOPAVARAPU ALEKHYA	SF2014033229	Vijayawada (903 Centre)
81		MS. PARISA LAKSHMI	SF2014031768	Vijayawada (905 Centre)
82		MR. VISHAL JAIN	NF2014036246	Jodhpur (715 Centre)
83	13	MR. AKARSH NARAYANACHETTY	SF2014033315	Vijayawada (903 Centre)

**Term;
December 2014
Foundation Exam
Syllabus 2012**

SL.	Rank	Student's Name	Registration No.	Centre
84		MR. SRAVAN SAMPATH VISHAL PIRADI	SF2013028733	Vishakapatnam (906 Centre)
85		MR. ANCHIT JAIN	NF2014039027	Kota (728 Centre)
86		MS. NEHLA NAZER	SF2014039817	Kannu_F (936 Centre)
87		MR. NAGA VENKATA SAI RAM APPANA	SF2014040494	Vijayawada (937 Centre)
88		MR. PRASANTH PALLAT	SF2014041093	Vijayawada (938 Centre)
89		MR. BHAVEN NITIN DEDHIA	WF2014040426	Thane (815 Centre)
90		MS. VAISHALEE M.	SF2014040214	Chennai (928 Centre)

**Term;
March 2015
Foundation Exam
Syllabus 2012**

DISCUSSION MEET ON RISK MANAGEMENT IN BFSI

The Committee on Banking & Insurance organized the 3rd Discussion meet on 'Risk Management in BFSI' on 30th May, 2016 in Chennai. Shri Pawan Kumar Bajaj, Executive Director of Indian Overseas Bank was the Chief Guest at the event. He deliberated on the issues of Risk Management on IT platform in the age of Digital Banking, stressing on the need for continuous monitoring of risk parameters given the huge volume of businesses in BFSI. The program was successfully conducted under the guidance of CMA H Padmanabhan, Member of the Committee on Banking & Insurance, in the presence of the Committee Chairman, CMA Amit Apte and Vice President CMA Manas Kr. Thakur. Valuable discussions on Basel III, Risk issues concerning digital banking, risk based supervision audit, and the need for integrated perspective of risk governance were discussed in the panel discussion. The importance of the Risk Management Committee at the Banks' board level and its role on evaluation of risk assumed by the banks in their businesses to ensure stability and efficiency in operations from the perspective of market credit, operational risks and Risk Policies was also discussed at the program. Eminent speakers consisting Dr. J. D. Sharma, Director, Indian Overseas Bank, CMA Ramesh Subramanian, former GM, RBI, Shri J. S. Jagadeesan, Zonal manager, Universal Sombo Insurance and CMA V. Murali, former director, State Bank of Hyderabad were among the expert panelists at the program. The experts stressed on the need for predetermination of risk appetite in BFSI organizations as key to assess and control risk issues. Council Members CMA S Papa Rao and CMA Dr I Ashok, SIRC Chairman CMA K Sanyasi Rao and more than hundred participants attended this meet.

GLIMPSES OF 13TH NATIONAL COST

AWARDS FOR EXCELLENCE IN MANAGEMENT 2015

GLIMPSES OF


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


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


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


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


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


The Institute of Cost Accountants of


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


The Institute of Cost Accountants of India
FUNCTION
2015

CMA AWARDS 2015

Startup Ecosystem Ranking 2015

The centerpiece of the 2015 Startup Ecosystem Ranking is updated and revamped Global Ecosystem Index, which ranks the top 20 startup ecosystems around the world. The Index is produced by ranking ecosystems along 5 major components: Performance, Funding, Talent, Market Reach, and Startup Experience.

Twenty to thirty years ago, almost all tech startups were created in startup ecosystems like Silicon Valley and Boston. Today, technology entrepreneurship is a global phenomenon, with startup ecosystems similar to Silicon Valley rapidly emerging all around the world. An interconnected, global startup landscape is taking shape and we've gathered the data and crunched the numbers that nobody else has to help you understand how to best navigate this brave new economic world.

The Global Startup Ecosystem Ranking

	Ranking	*Performance*	*Funding*	*Market Reach*	*Talent*	*Start Up Exp.*	*Growth Index*
Silicon Valley	1	1	1	4	1	1	2.1
New York City	2	2	2	1	9	4	1.8
Los Angeles	3	4	4	2	10	5	1.8
Boston	4	3	3	7	12	7	2.7
Tel Aviv	5	6	5	13	3	6	2.9
London	6	5	10	3	7	13	3.3
Chicago	7	8	12	5	11	14	2.8
Seattle	8	12	11	12	4	3	2.1
Berlin	9	7	8	19	8	8	10
Singapore	10	11	9	9	20	9	1.9
Paris	11	13	13	6	16	15	1.3
Sao Paulo	12	9	7	11	19	19	3.5
Moscow	13	17	15	8	2	20	1.0
Austin	14	16	14	18	5	2	1.9
Bangalore	15	10	6	20	17	12	4.9
Sydney	16	20	16	17	6	10	1.1
Toronto	17	14	18	14	15	18	1.3
Vancouver	18	18	19	15	14	11	1.2
Amsterdam	19	15	20	10	18	16	3.0
Montreal	20	19	17	16	13	17	1.5

Source: World StartUp Genome Project 2015

Top Runners-up: The following ecosystems all scored highly and were contenders for a spot among the top 20. Atlanta, Delhi, Denver-Boulder, Dublin, Hong Kong, Mumbai, Stockholm, and Waterloo.

Bangalore, India's third most populous city, has emerged as the startup capital of India. The city is home to approximately 3,100 to 4,900 active tech startups and has achieved the second highest growth rate for exit volume and VC investment among the top 20. Bangalore has a solid pipeline of cost-efficient Talent, ranking #17. Our data shows that Bangalore-based startups benefit from the second lowest time to hire, and software engineering salaries that are below $25,000 annually. However, the analysis also suggests the average quality of the local talent is not yet on par with the elite startup ecosystems around the world.

New businesses registered and Cost of business start-up procedures (% of GNI per capita)

New businesses registered are the number of new limited liability corporations registered in the calendar year.			Cost to register a business is normalized by presenting it as a percentage of gross national income (GNI) per capita.		
Country Name	**2012**	**2014**	**Country Name**	**2014**	**2015**
Russian Federation	442165	427388	World	27.7497	26.065
Australia	185009	231920	Italy	14.2	13.8
Hong Kong SAR, China	150165	167280	**India**	**15.3**	**13.5**
Chile	68439	98406	Japan	7.5	7.5
India	**99587**	**98029**	Thailand	6.6	6.4
France	121538	94927	Spain	5.3	5.2
Italy	75645	91853	Brazil	4.3	3.8
Spain	84399	91544	Hong Kong SAR, China	1.4	1.2
Korea, Rep.	73972	84676	Russian Federation	1.2	1.1
Mexico	68666	76447	United States	1.2	1.1
Brazil	53876	73614	France	0.9	0.8
Nigeria	81144	71941	Australia	0.7	0.7
Netherlands	49425	58900	Chile	0.7	0.7
Turkey	38823	57760	China	0.9	0.7
Romania	61542	56381	Singapore	0.6	0.6
Malaysia	45441	49203	Canada	0.4	0.4
New Zealand	44169	49156	Austria	0.3	0.3
Peru	74145	48787	New Zealand	0.3	0.3
Kenya		45366	South Africa	0.3	0.3
Thailand	41210	43589	United Kingdom	0.3	0.1

Source: World Bank

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

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

July 2016

Theme: *Achieving Business Excellence*

Subtopics

- *Bench-marking Business Performance*
- *Business Excellence Tools*
- *Total Quality Management*
- *Best Practices and Innovation*
- *World class Business Strategies*
- *Role of CMAs*
- *Case Studies*

August 2016

Theme: *Capacity Building for Sustainability*

Subtopics

- *Capacity building approaches & its importance*
- *Capacity building for competitive advantage and cost efficiency*
- *Capacity building as a strategic plan for development*
- *Capacity Building - the catalyst and constant fuel for a process of change*
- *Capacity building for enhancing value and creating opportunities*
- *Engaging Communities to create sustainable change*
- *Skill development for capacity building*
- *Capacity building for CMAs*

September 2016

Theme: *Cost Competitiveness - Complexity to Confidence*

Subtopics

- *Strategies for staying Cost Competitive*
- *Building Market Share by Cost Competitiveness*
- *Cost Competitiveness for Sustainability*
- *Economics of Cost Competitiveness*
- *Strategic Cost Analysis*
- *Case Studies*
- *Role of CMAs*

October 2016

Theme: *Economic Innovations - the game changer*

Subtopics

- *Innovations in Finance and its impact on economy*
- *Accounting Standards as a game changer*
- *New tools in Strategic Cost Management*
- *Innovations in production process*
- *Innovations in IT/ITES*
- *Innovative ideas on Cost Management - role of CMAs*
- *Innovations in different sectors of economy - case study*

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

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

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