THE JOURNAL FOR CMAs

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GLOBAL ECONOMIC SUSTAINABILITY

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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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.

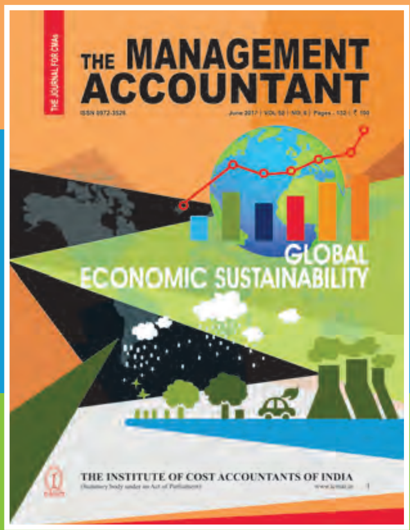
VISION STATEMENT

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***



June 2017 VOL 52 NO.6 ₹ 100

CONTENTS

THE JOURNAL FOR CMAs

JUNE 2017

INSIDE COVER STORY

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

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EDITORIAL

Greetings!!!

"Sustainability" is the study of how natural systems function, remain diverse and produce everything it needs for the ecological balance. It also acknowledges that human civilization takes resources to sustain our modern way of life.

Sustainability is pertaining to environmental aspects, having concerned about our health issues to ensure that no people or areas of life suffer as a result of environmental legislation, and examines the longer term effects of the actions humanity takes and asking questions about how it may be improved.

While sustainability is about the future of our society, it is playing a major role for today's commercial success of industries and businesses. The mandate to transform businesses to respect environmental limits while fulfilling social wants and needs has become an unparalleled platform for innovation on strategy, design, manufacturing and brand, offering massive opportunities to compete and to adapt to a rapidly evolving world.

Primary Goals of Sustainability:

- Eradication of poverty across the world
- Provision of quality education for all
- Better standards in healthcare, particularly making provision for clean water and better sanitation
- Building up strong infrastructure, supporting inclusive and sustainable industrialization and incubating innovation
- To achieve gender equality
- Sustainable economic growth while promoting jobs and stronger economies
- Enabling Access to affordable and clean energy
- Tackling the effects of climate change, pollution and other environmental factors that can do harm people's health, livelihoods and lives.

Sustainable development is the development that meets the needs of the present, without compromising the ability of future generations to meet their own needs.

It contains two key concepts:

- the concept of **needs**, in particular the essential needs of the world's poor people, to which overriding priority should be given; and
- the idea of **limitations** imposed by the state of technology and social organization on the environment›s ability to meet present and future needs.

In 2005, the World Summit on Social Development identified three core areas that contribute to the philosophy and social science of sustainable development. These "pillars" in many national standards and certification schemes, form the backbone of tackling the core areas that the world now faces. The pillars are:

- Economic Development
- Social Development
- Environmental Protection

Sustainable Development Goals:

Sustainable Development commits to promoting development in a balanced way, economically, socially and environmentally in all countries of the world, leaving no one behind, and paying special attention to those people who are poorest or most excluded. Sustainable development is about conducting business to promote economic growth, a healthy environment and vibrant communities, now and into the future.

Trend and Challenges for Sustainable Development:

- Poverty and inequalities
- Demography
- Environmental degradation and climate change
- Shocks and crises
- Development cooperation and financing for development and
- Technological innovation

'Sustainability' is the goal or endpoint of a process called 'Sustainable Development' which in turn comprises types of economic and social development protecting and enhancing the natural environment, social equity and human well-being. Both Sustainability and Sustainable Development focuses on balancing that fine line between the competing needs, the need to move forward technologically and economically sound, and simultaneously the needs to protect the environment in which we and others live.

It gives us an immense pleasure to convey that 'The Management Accountant' Journal has been enlisted in the UGC (University Grants Commission) approved journal list. This will definitely enhance the visibility and brand value of the journal.

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

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

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

Theme

Ease of Doing Business in India

July 2017

Subtopics

- ✦ *Business regulations in India*
- ✦ *Entrepreneurship & Skill development*
- ✦ *Business environment*
- ✦ *Make in India & GOI initiatives*
- ✦ *Benchmarking & Economy rankings*
- ✦ *Role of World Bank, ADB and other International agencies*
- ✦ *Role of CMAs*

Theme

Competition Act: Key Driver of Competitiveness

August 2017

Subtopics

- ✦ *The MRTP Act: Predecessor of the Competition Act (2002)*
- ✦ *Consumer Protection Act v/s Competition Act*
- ✦ *Competition Advocacy*
- ✦ *Cartelization: Recent Trends*
- ✦ *Corporate Leniency and Corporate Efficacy*
- ✦ *Per se Illegality in respect of Anti-competitive Agreements*
- ✦ *Impact of Competition Act on Cross-border Mergers*
- ✦ *Pricing Competition - Role of CMAs*

Theme

Integrated Reporting: Going beyond the Financial Results

September 2017

Subtopics

- ✦ *Challenges of embedding IR in India*
- ✦ *Relationship between IR, Sustainability reporting and Sustainability accounting*
- ✦ *Relevance of IR in SME*
- ✦ *Guiding principles of IR in Global context*
- ✦ *GRI compliance and prerequisites of IR*
- ✦ *Role of SEBI*
- ✦ *CMAs in the next era of reporting*
- ✦ *Case studies*

Theme

Insolvency & Bankcruptcy Code 2016

October 2017

Subtopics

- ✦ *Challenges in the existing framework*
- ✦ *Adjudicating Authority*
- ✦ *Insolvency Resolution Process*
- ✦ *Insolvency professional agency*
- ✦ *Role of CMAs*
- ✦ *Role of Government & Banking Companies*
- ✦ *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.

Directorate of Research & Journal

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All the powers in the universe are already ours. It is we who have put our hands before our eyes and cry that it is dark.

-- Swami Vivekananda

CMA MANAS KUMAR THAKUR
President
The Institute of Cost Accountants of India

My Dear Professional Colleagues,

Namaskar;

It is a matter of pleasure for all of us that the Institute has opened its new chapter at Bikaner, Rajasthan.This signifies the growth of our Institute and also the efforts of the Council to bring the services of the Institute closer to its members and students. I hope that the new Chapter will be able to meet the expectations of members and students of the region. **Shri Arjun Ram Meghwal, Hon'ble Minister of State for Finance and Corporate Affairs, Government of India inaugurated the Bikaner-Jhunjhunu Chapter of the Institute on 29th May 2017 at Bikaner.** The Institute welcomed him, in his own constituency, for the second time within a year. While addressing the gathering, he hoped that the newly formed Chapter would set a new milestone in the development of Bikaner and other cities of Rajasthan coming under the jurisdiction of the Chapter. He was optimistic that the new chapter would enhance the GDP of Bikaner by utilizing the services of Cost Accountants. He also threw light on the GST and emphasized that Cost Accountant will have to play an important role and to keep a watch that the benefit of reduction in taxes through implementation of GST is passed on to the consumer by the industry. CMA Sanjay Gupta, Vice-President addressed the participants and heartily thanked the Hon'ble Chief Guest for his kind support to the Institute. The participants were also addressed by CMA H Padmanabhan and CMA (Dr.) I Ashok, Members of the Council of the Institute. The inaugural ceremony was followed by a Seminar on GST. The seminar received an overwhelming response from Cost Accountants and other professionals of Rajasthan and its neighbouring states. I place on record the untiring efforts made by the executives of PD Directorate, NIRC and Bikaner-Jhunjhunu Chapter for making these events a grand success.

58th National Cost Convention of the Institute

I am pleased to announce that the **58th National Cost Convention** of the Institute will be held at **Ravindra Natya Mandir, Prabhadevi (Dadar-West), Mumbai during 14th and 15th July 2017**. The theme of this year's NCC will be <u>India-The Global Economic Hub: Ease of Doing Business.</u> Necessary details of the grand event will be made available on the website very shortly. Please block your diary and plan in advance to attend the annual event of Cost and Management Accountants at Mumbai.

Global Summit on "Academics & Economic Reforms - Role of CMAs" at Kolkata

I am mighty pleased to inform you that Shri Pranab Mukherjee, Hon'ble President of India has very kindly given the consent to be the Chief Guest of the Global Summit of the Institute to be held on 29-30th June 2017 on the theme **"Academics & Economic Reforms - Role of Cost and Management Accountants"** at Science City Auditorium, Kolkata. It is expected that delegates from Indian Industry, Professionals, Academicians, and Government Officials will be attending the Global Summit. Necessary details of the summit will be hosted o the website very shortly. I urge the members of the profession to attend the summit in large numbers to make it a successful event.

Seminar on "Empowered Women Empowered Nation"

The Institute organised a seminar on the theme **Empowered Women Empowered Nationon**31[st]May 2017 at Kolkata. The program was inaugurated by the Chief Guest, Sadhvi Niranjan Jyoti, Hon'ble Minister of State for Food ProcessingIndustries, Government of India. CMA Sanjay Gupta, Vice President of the Institute delivered the introductory address. There were other notable woman speakers like Prof. Anuradha Mukhopadhyay, Vice Chancellor of Diamond Harbour Women'sUniversity, Pravrajika Bhaswaraprana, Principal, Ramakrishna Sarada Mission VivekanandaVidyabhavan, Smt. Alokananda Roy, Dancer & Social Worker and Smt. Sheela Ghosh. CMA BiswarupBasu, Council Member, ICAI proposed the vote of thanks. The inaugural session was followed by a Panel Discussion on "Importance of Women Empowerment for the Nation" by eminent speakers. The seminar, attended by a large number of woman members and professionals, was a grand success.

National CMA Practitioners Convention

The National CMA Practitioners Convention was held at Chennai during 20th to 21st May 2017. Shri TCA Ranganathan, Non-Executive Chairman, IOB was the Chief Guest of the event. The theme of the NCPC-2017 was "Progressive & Sustainable Growth of CMAs:Current Trend". There were discussions on various issues like riskmanagement; infrastructural sustainability; Insolvency and Bankruptcy Code (IBC)-2016; Cost Audit; Cost Accounting Standards and Standards on Cost Auditing; GST; Value and Ethics; etc. Eminent speakers like CMA Mrityunjay Acharjee, CMA Sukrut Mehta, CMA Sunil Chako deliberated on various issues. On behalf of the Institute CMA Sanjay Gupta, Vice-President addressed the participants and gave an elaborate account of emerging opportunities in the challenging economic environment for CMAs. I congratulate Dr I Ashok, Chairman, NCPC and CMA P Raju Iyer, Convenor, NCPC for their efforts to make this event successful. I also place on record my appreciation to CMA H Padmanabhan, Member of the Council of the Institute for his untiring contribution in the conduct of the event.

Workshop on Cost Audit organised by ICMAB at Dhaka

The Institute of Cost and Management Accountants of Bangladesh organised a Workshop on Cost Audit with the Technical support from the Institute of Cost Accountants of India during 23rd to 26th May 2017. On behalf of the Institute CMA BB Goyal, Advisor, ICWAI-MARF, CMA P Raju Iyer and CMA Niranjan Mishra, Central Council Members attended the workshop. The Programme was inaugurated by Mr. MA Mannan, the State Minister for Finance and Planning,Bangladesh in the presence of important dignitaries. During the 4 days Training program speakers deliberated on Cost Audit and Benefit to the Economy- Indian Perspective,Statutory Requirements of Cost Audit, Cost AccountingRecord Rules, Mapping of Cost with special emphasis to Chemical Fertilizer,Textile, Pharmaceuticals and Hydro Power generation, PowerTransmission and distribution and Sugar Industry. The workshop was very much appreciated.

14th National Awards for Excellence in Cost Management

In view of demand from Corporates to extend the last date of sending of entries for the National Awards, the Institute has extended the last date upto 12th June 2017. I urge the members to send the entries of their organisation for the awards within the stipulated time.

Meetings with VIPs

- I got an opportunity to meet Dr. J.N. Misra, Chief Executive Officer, Indian Institute of Banking & Finance at Mumbai on 3rd May 2017. Our discussions were catered round the activities Institute is taking up in the areas of Make in India, Skill Development, Entrepreneurship Development, Ease of Doing Business, Smart Cities, Infrastructure Growth, Agricultural Reforms, Swatch Bharat Mission, etc. I on behalf of the Institute proposed for collaborative efforts in the areas of joint research and publications as well as developing curriculum on various important areas cost of risk in banking, audit manual for banks and joint course on IBC etc. The meeting was also attended by CMA Sudhir M Galande, Deputy CEO, IIBF.

➠ I am pleased to inform that on 4th May 2017 at Mumbai, I met with Shri Ch Vidyasagar Rao, Hon'ble Governor of Maharashtra to discuss many professional issues like capacity building of youth and teachers in the state of Maharashtra.

June 2017 term Examinations

I wish the students who will be appearing in the June 2017 term examinations all the best. It is time to revise your syllabus and put your best foot forward. Write well and do well.

Initiatives by various departments of the Institute

International Affairs Department

I wish to inform that CMA Rakesh Singh, Past President of the Institute attended the CAPA Events on behalf of the Institute at Beijing, China during 24-26th May 2017. CMA Rakesh Singh is the Chairman of the Governance and Audit Committee of the CAPA.

Membership Department

I congratulate and welcome all the new 319 Associate members who were granted membership and the 92 members who were advanced to Fellowship during the month of May 2017.I once again call upon all members in practice who have not yet made application for renewal of their Certificate of Practice for FY 2017-18, to apply for the same along with all applicable fees and documents, at the earliest but latest by 30thJune 2017. The Institute has considered granting time till 31stJuly 2017 for covering the shortfall of CEP credit hours, if any, required for the renewal of CoP for FY 2017-18. A notification to this effect has been printed elsewhere in this current edition of The Management Accountant.

Professional Development Department

In continuation with its endeavour the PD department sent representations to various departments and in response Air Force Station Jam Nagar and HMT Limited included Cost Accountants in EOIs. Further, Power Grid Corporation of India Limited, Karnataka Neeravari Nigam Ltd, Mysore Minerals Limited, National Seeds Corporation Ltd., Mahanagar Telephone Nigam Limited, THDC India Limited, Rashtriya Chemicals & Fertilizers Limited, NEEPCO Ltd, Ramagundam Fertilizers and Chemicals Limited, Brahmaputra Cracker and Polymer Limited, State Blood Transfusion Council, Sree Chitra Tirunal Institute for Medical Sciences and Technology, Bharat Heavy Electricals Limited, Dakshin Gujarat Vij Company Limited, Karnataka Neeravari Nigam Ltd recognized CMA professionals in their Tenders/EOIs in the month of May2017. The list of organizations to whom the representation was sent and those who responded and recognized CMAs is available at the PD Portal.

Research and Journal Department

➠ I am glad to inform that the Institute organized a Workshop on Goods & Services Tax (GST) for Eastern Railway during 2nd to 5th May 2017 at Kolkata. Smt. Kakoli Ghoshal, FA & CAO, Eastern Railway, Shri Sankar Sanyal, President, Howrah Chamber of Commerce & Industry, Senior Director (Studies, Administration & HR) and Director (Research & Journal) of the Institute graced the inaugural session. A book on 'Implementation of Goods & Services Tax (GST) - Impact Analysis on Indian Railways (With Updated Acts and Rules)' was also released during the session. CMA Mrityunjay Acharjee of Balmer Lawrie & Co. Ltd, CMA Timir Baran Chatterjee, Tax Consultant, CMA Sanjay Singh, Central Coal Field, Shri Vivek Jalan, Tax Consultant, Shri Gautam Ghatak, Joint Commissioner Commercial Taxes, West Bengal shared their valuable views on the concerned theme and discussed in depth about GST Rules and Regulation. The Workshop was highly interactive and would surely increase the knowledge base of the participants.

➠ I was invited to be present at the Discussion Meet on 'Impact Analysis of Goods & Services Tax (GST)' on 6thMay at EIRC Auditorium. The program was inaugurated by CMA Mrityunjay Acharjee of Balmer Lawrie & Co. Ltd, Shri Narayan Chandra Guriya, Joint Commissioner of Commercial Taxes, Government of West Bengal and Director, Research & Journal of the Institute. A book on 'GST Transition & Registration (Rules & Regulations)' was released during the Meet. The session was highly effective and the eminent dignitaries very nicely resolved the queries of the participants at the meet.

➠ I attended the opening session at the 9thICC Banking Summit 2017 titled 'Indian Banking System at the Crossroad of Reformation' as special guest on 19thMay 2017. Dr Viral V. Acharya, Deputy Governor, Reserve Bank of India was the Chief Guest of the session. The Institute was the Association Partner of the summit. Dr. A. S. Ramasastri, Director, IDRBT, Mr.

S. Ganeshkumar, Chief General Manager - IT, Reserve Bank of India, Mr. Debasish Mallick, Deputy Managing Director, Export-Import Bank of India, Mr. C. S. Ghosh, Managing Director & Chief Executive Officer, Bandhan Bank, Mr Jyoti Prakash Gadia, MD & CEO, Resurgent India Ltd, Mr Ranjeet Oak, President & COO, Money On Mobile, Mr. Nitin Chugh, Country Head-Digital Banking, HDFC Bank Ltd, the Director (Research and Journal) of the Institute were among the eminent dignitaries who attended the session. The Summit provided excellent networking opportunities, significant brand visibility amongst a very large audience, and possible generation of new business avenues.

- Motivational Session on 'Good Governance through Geeta and Ancient Scriptures' was organized at EIRC Auditorium on 25thMay 2017. Dr. Gaurav Chandra Dutt, IPS at Police Directorate was the key speaker and mesmerised everyone by his thought provoking speeches during the session.

IPA of ICAI

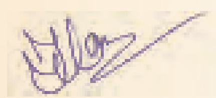
- I am happy to inform that Insolvency Professional Agency of the Institute as enrolled 37 Insolvency professionals under Regulation 5 of IBBI (Insolvency Professionals) Regulations, 2016. The enrolment and registration under Regulation 5 ibid is after passing Limited Insolvency Examination. To facilitate and guide Insolvency Professionals who enrolled with Insolvency Professional Agency on or after 30th November to 31st December 2016 under Regulation 9 of IBBI (Insolvency Professionals) Regulations, 2016 (for a limited period of six months) without passing Limited Insolvency Examination, two webinars on "How to prepare for Limited Insolvency Examination under Insolvency and Bankruptcy Code" were conducted on 9th May 2017 and 24th May 2017. The recorded webinars are available on Institute website. Also power point presentation on this topic is available at IPA website: www.ipaicmai.in.
- I am pleased to inform that Bangalore Chapter arranged a program on 6th May 2017 on Insolvency and Bankruptcy Code 2016 which was graced by Mrs. Suman Saxena, Whole Time Member and Shri Sanjeev Pandey, DGM,Insolvency and Bankruptcy Board of India.
- Howrah Chapter also arranged programme- "NCLT and Bankruptcy code and role of Cost Accountants" on 6th May 2017.
- The Institute has received a directive from Ministry of Corporate Affairs to arrange more and more Seminars, Workshops and Conferences at different places in the country to increase awareness in the country to ensure better understanding and speedy implementation of the provisions of the Insolvency and Bankruptcy Code 2016. It has been mentioned in the directive that Regional Councils and Chapters to liaise with the Regional Directors of the MCA in this regard and organize workshops, seminars on the above topic.
- Insolvency and Bankruptcy Board of India (IBBI) has notified 2nd edition of syllabus for Limited Insolvency Examination that shall be applicable from 1st July 2017 to 31st December 2017. This syllabus is broader than previous syllabus which was applicable from 31st December 2016 to 30th June 2016 and includes Rules/Regulations notified by IBBI under Insolvency and Bankruptcy Code 2016 upto 31st March 2017 and also case studies based on case laws decided by Supreme Court/ High Courts, NCLT and NCLAT under IBC 2016 as against previous syllabus which included Rules/ Regulations upto 30th November 2016. So still there is a time to qualify the examination by 30th June 2017 under old Syllabus. The recorded webinar and power point presentation are available on Institute and IPA websites respectively.

Initiatives by Regions &Chapters

- I attended one program of GST organised at Mumbai by the WIRC on 5th May 2017.
- I congratulate the Surat South Gujrat Chapter for organising program on GST on 14th May 2017 which was also attended by me. The program went off very well.
- The NIRC of the Institute organised a session on career counselling & GST program at Bilaspur, Himachal Pradesh on May 27, 2017. Shri Anurag Thakur, Hon'ble Member of Parliament was the Chief Guest of the event.

I wish prosperity and happiness to members, students and their families on the occasion of Jagannath Yatra and Eid-al-fitr and pray for the success in all of their endeavours.

With warm regards,



(CMA Manas Kumar Thakur)
1st June 2017

Glimpses of Inauguration of Bikaner-Jhunjhunu Chapter

At the inaugural program on 'Empowered Women, Empowered Nation' organized by the Institute, May 31, 2017. Vice President of the Institute CMA Sanjay Gupta, Smt. Sadhvi Niranjan Jyoti, Hon'ble Minister of State for Food Processing Industries, Government of India, Prof. Anuradha Mukhopadhyay, Vice Chancellor of Diamond Harbour Women's University, Smt. Pravrajika Bhaswaraprana, Principal, Ramakrishna Sarada Mission Vivekananda Vidyabhavan, Smt. Alokananda Roy, Dancer & Social Worker and Dr. Madhuchanda Kar, Clinical Director, Oncology, Peerless Hospital.

Shri Partho Chatterjee, Education Minister, West Bengal visited the Institute's stall in the 'Career Fair 2017' at Khudiram Anushilan Kendra, Kolkata, on May 20, 2017

Meeting of CMA Manas Kr. Thakur, President of the Institute with Shri Chennamaneni Vidyasagar Rao, Governor of Maharashtra on May 4, 2017

*Press Meet of 14th National Awards for Excellence in Cost Management on May 4, 2017 at Mumbai.
From Left: CMA P H Desai, Chairman, WIRC, CMA P V Bhattad, Council Member,
CMA Manas Kumar Thakur, President of the Institute, Shri S Suresh, Member (Finance), Airports Authority of India and Chairman of Screening Committee, Shri RK Jain, CEO-MIAL,
CMA Sanjay Gupta, Vice President of the Institute and CMA P Raju Iyer, Council Member on the dais*

Glimpses of the Celebration of 58th Foundation Day of the Institute at New Delhi on May 28, 2017

Glimpses of the Celebration of 58th Foundation Day of the Institute at New Delhi on May 28, 2017

Inauguration of Bharuch Ankleshwar Chapter by CMA Manas Kumar Thakur, President of the Institute

Shri Bipin Ganatra, Padma Shri Awardee for the year 2017 being felicitated by CMA Manas Kumar Thakur, President, CMA Sanjay Gupta, Vice President and Shri Sushil Behl, Govt. Nominee of the Institute at Delhi Office

Awareness campaign for students organized by Chandigarh-Panchkula Chapter of the Institute at Chandigarh on 48th World Earth Day Celebrations - ''Go Green, Save Earth-Be Healthy'' on April 22, 2017

CMA Dr P.V.S Jagan Mohan Rao, Council Member of the Institute in Green Walk organized by Chandigarh-Panchkula Chapter of the Institute at Chandigarh on 48th World Earth Day Celebrations - ''Go Green, Save Earth-Be Healthy'' on April 22, 2017

Discussion Meet on 'Impact Analysis of Goods & Services Tax (GST)' May 6, 2017 in Kolkata

Corporate Social Responsibility and Sustainability

Corporate Social Responsibility (CSR) is essentially a concept whereby companies integrate social and environmental concerns in their business operations and in the interaction with their stakeholders. Through their commitment to CSR, companies send a positive signal of their behaviour to their various stakeholders, viz. shareholders, employees, investors, creditors, suppliers, customers, regulators, government and the society at large.

If a corporate house is expected to provide good governance to its stakeholders and society at large, it is because it enjoys so much facility from the society in terms of developed infrastructure, trained workforce, peaceful environment, law and order etc. It is only appropriate that the company gives back to the society at least something in return in the form of good governance. Therefore, it is a well-conceived fact that good corporate governance itself is part and parcel of corporate

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

responsibility towards society.

Definition and concept of Corporate Social Responsibility

According to Lord Holme and Richard Watts, "CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life for the workforce and their families as well as of the local community and society at large."

In USA, CSR has been defined in terms of philanthropic model. In Europe, CSR is more focused on the corporate business activities. The companies invest in community activities as they believe that social responsibility is an integral part of the wealth creation process, thereby enhancing competitive capability and maximising the value of wealth creation for the society.

Perspectives on CSR

There are two clear conflicting perspectives from the intellectuals and business community on the issue of social responsibility of business.

Economists like Adam Smith and Milton Friedman are of the opinion that the only responsibility of business is to perform its economic functions efficiently and provide goods and services to society and thereby earn maximum profit for itself. It is better to leave social functions to other institutions like the government.

But economists like Paul Samuelson, Robert Dahl and Talcott Parsons criticised the earlier viewpoint and opined that the welfare of the masses should not be the sole responsibility of the government. It is also obligatory for the corporate houses to be socially responsible as they primarily exist to benefit the society. After all, the corporates are allowed to exist and sustain their development by the society since they continue to benefit it.

Importance of CSR – its justification

Social scientists have formulated mainly three theories to justify the importance of CSR to the companies in promoting welfare measures for the society.

(a) *Trusteeship Theory:* In this theory the fiduciary duty of the trustees is to preserve and sustain the company's assets, including the shareholders' wealth, and broader stakeholders' value such as, the expectations of customers and suppliers, skills of employees and the company's reputation in the community.

(b) *Social Entity Theory:* This theory regards the company as a social institution in society based on the grounds of fundamental values and moral order of the community. The executives of the company are the custodians of stakeholders' interests.

(c) *Pluralistic Theory:* This theory asserts that the company's performance in terms of profitability and growth will be increased substantially provided the stakeholders' management is practised by the company.

Expectations of the corporates from the society

The corporates have various expectations from the society, such as, (a) Developed infrastructure; (b) Trained workers and employees; (c) Peaceful environment; (d) Adequate law and order in the area of operation etc.

Society's expectations from corporates

Similarly, different stakeholders do have different expectations from the corporates such as:

1. *Shareholders:* (a) A fair and steady rate of return (dividend) on investment; (b) Increase in the future earning of the company; (c) Increase in the market capitalisation of investment.
2. *Employees:* (a) Recognition of service by providing fair remuneration as also incentives; (b) Stability of employment; (c) Help to improve standard of living.
3. *Customers:* (a) Provide quality goods or services at a fair price and on fair terms; (b) Restraint from restrictive practices or unfair practices
4. *Competitors:* Restraint from adopting any strategy to elbow competitors out with unfair or restrictive practices or through violation of Competition Law norms
5. *Creditors:* Ability to pay the principal and interest as per contractual obligations
6. *Government:* (a) Behave as a responsible and good corporate citizen; (b) Non-evasion of taxes & dues to the government; (c) Involvement in social cause e.g. charities, donations etc.
7. *Community:* (a) Growth in employment generation to secure good location Employment; (b) Protection of environment
8. *Public at large:* To hold the board accountable for (i) limiting senior executives' compensation; (ii) full environmental protection; (iii) avoidance of fraud within the company; (iv) caring for employees

Scope of social responsibility

- The scope of CSR can be considered from different points of view, some of which are as follows:
- Protecting and promoting interests of various stakeholders;
- Addressing social concerns and promoting public welfare programmes;
- Engaging in philanthropic activities;
- Ensuring good corporate governance in the companies;
- Rendering social service;
- Sponsoring social and charitable causes, and social welfare activities;
- Supplementing the government efforts effectively;
- Ensuring ecological balance;
- Focusing on human elements; and
- Abiding by rules and regulations as good corporate citizen

Legal aspects of CSR

Until 2013, the corporate social responsibility was considered as voluntary activity of the corporate houses. It was observed that despite several appeals from the Central Government and state governments many companies did not come forward to discharge or even bothered to contribute funds or associate themselves for common causes and development of the surroundings and the society, although they have been earning enormous profits by exploiting the society.

On the other hand, the governments did not have adequate resources to discharge various social welfare activities due to fiscal deficits. In this situation, the Central Government thought it fit to enact adequate legislation in the Companies Act to make CSR a mandatory regulation to be abided by the corporate houses.

Indian Companies Act, 2013

Section 135 of the Companies Act deals with "Corporate Social Responsibility", which has been enforced with effect from 1st April, 2014. It provides that:

(1) Every company having net worth of Rs. 500 crore or more or turnover of Rs. 1000 crore or more or a net profit of Rs. 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the board consisting of 3 or more directors, out of which at least 1 director shall be an independent director.

(2) The board's report shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall (a) formulate and recommend to the board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII; (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and (c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The board of every company shall (a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed [under Rule 9 of the Companies (Accounts) Rules, 2014] and (b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The board shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities; provided further that if the company fails to spend such amount, the board shall, in its report, specify the reasons for not spending the amount.

Rule 9 of the Companies (Accounts) Rules, 2014 states that the disclosure of contents of Corporate Social Responsibility Policy in the board's report and on the company's website, if any, shall be as per annexure attached to the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Status of Corporate Social Responsibility in India

CSR nowadays is not restricted to philanthropic activity only. Having realised the importance of social responsibility in business, the corporate world is now reaching out to the community at large. Encouraged by their companies, large sections of employees, executives and top managers are doing their best for community causes. They are now deeply involved to give back to the general public who sustain their business. Many more companies have joined hands with NGOs and set up schools and villages, educate the women and small children in slum areas, and have many welfare programmes for various diseases, especially AIDS, cancer, and polio.

While global MNCs like General Motors, General Electric, Ford Motors, Microsoft, McDonalds, etc. have sponsored many social welfare and philanthropic activities, the corporate India is not far behind. Indian companies such as Tata Steel, NTPC, Reliance Industries, ITC, etc. have also been working remarkably on various social service activities. In order to understand the status and extent of corporate social responsibility discharged by the listed large cap corporate houses operating in India in compliance with the new Companies Act, 2013 and Company Rules, 2014, let us focus our attention to the Table 1.

Table 1: Expenditure on Corporate Social Responsibility by 32 Large Cap Corporate Houses in India Listed in BSE Sensex and NSE Nifty for the Year 2015-2016 (Fig. in Rs./Lakhs)

Name of the Company	Amount to be spent in 2015-16	Amount spent 2015-16	Cumu=lative Expenditure upto 31/03/2016	Remarks Short(-) / Excess(+)
Adani Ports SEZ Ltd.	40.40	40.81	40.81	(+) 0.41
Ambuja Cements Ltd.	34.64	40.98	40.98	(+) 6.34
Asian Paints Ltd.	33.75	34.44	34.44	(+) 0.69
Associated Cement Companies Ltd.	27.90	31.16	31.16	(+) 3.26
Aurobindo Pharma Ltd.	28.22	18.76	18.76	(-) 9.46
Axis Bank Ltd.	163.03	137.41	454.07	(-) 25.62
Bajaj Auto Ltd.	86.46	86.72	100.60	(+) 0.26
Bank of Baroda (PSB)	NA	NA	NA	
Bosch Ltd.	29.24	19.71	29.94	(-) 9.53
Dr. Reddy's Lab. Ltd.	41.89	41.20	41.20	(-) 0.69
Eicher Motors Ltd.	8.36	9.62	9.62	(+) 1.26
Housing Development				
Finance Corpn. Ltd.	139.26	85.70	92.44	(-) 53.56
HDFC Bank Ltd.	248.00	194.81	313.36	(-) 53.19
Hindalco Industries Ltd.	31.00	34.15	34.15	(+) 3.15
Hindustan Unilever Ltd.	91.94	92.12	92.12	(+) 0.18

Name of the Company	Amount to be spent in 2015-16	Amount spent 2015-16	Cumu=lative Expenditure upto 31/03/2016	Remarks Short(-) / Excess(+)
ICICI Bank Ltd.	212.00	172.00	324.16	(-) 40.00
Idea Cellular Ltd.	54.89	18.47	18.47	(-) 36.42
Infosys Technologies Ltd.	256.01	202.30	202.30	(-) 53.71
ITC Ltd.	246.76	247.50	247.50	(+) 0.74
Lupin Ltd.	54.15	20.51	33.09	(-) 33.64
NTPC Ltd. (PSU)	349.65	491.80	491.80	(+) 142.15
Oil and Natural Gas Corpn. Ltd (PSU)	593.70	419.07	419.07	(-) 174.63
Power Grid Corporation Ltd. (PSU)	121.79	115.78	133.35	(-) 6.01
Reliance Industries Ltd.	557.78	651.57	1412.15	(+) 93.79
State Bank of India (PSB)	NA	143.92	NA	
Sun Pharmaceuticals Ltd.	**	11.65	11.96	(+) 11.65
Tata Consultancy				
Services Ltd.	360.00	294.23	305.82	(-) 65.77
Tata Steel Ltd.	150.36	204.46	204.46	(+) 54.10
Tata Motors Ltd.	**	20.57	20.57	(+) 20.57
Tata Power Ltd.	28.29	29.01	60.14	(+) 0.72
Yes Bank Ltd.	47.75	29.52	45.23	(-) 18.23
Zee Entertainment Ltd.	22.14	22.83	31.00	(+) 0.69
Total	**4059.36**	**3818.86**	**5294.72**	

Source: Annual Reports of companies, 2015-2016. Results Computed.
Note: (**) denotes "Not Applicable" as the concerned companies incurred losses in the preceding year.
NA denotes "Figures Not Available" in the Annual Reports.
Total column of the amount spent in 2015-2016 does not include Rs. 143.92 crore spent by SBI as the complete figures are not available.

As mentioned earlier, Section 135 of the Companies Act, 2013 and Company Rules, 2014 required that every company having a net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more or a net profit

Corporate Social Responsibility (CSR) is a continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life for the workforce and their families as well as of the local community and society at large. Corporate Sustainability is a business approach that creates long-term consumer and employee value by creating a green strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural, and economic environment.

of Rs. 5 crore or more during any financial year shall ensure that the company spends, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility (CSR) Policy.

In the light of above provision of the Companies Act, let us examine the status and extent of expenditure incurred by the above companies / banks during the year 2015-2016 in discharging CSR activities in the paragraphs that follow.

1. Out of above 32 large cap listed companies/banks, 2 public sector banks SBI, and Bank of Baroda did not publish sufficient information and figures of expenditure on CSR activities discharged by them in their Annual Reports 2015-2016.
2. Two companies viz. Sun Pharmaceuticals and Tata Motors incurred losses in the preceding year/immediately preceding year. Therefore, the provision of the Companies Act could not be applied to them. However, Sun Pharmaceuticals and Tata Motors had incurred expenditure of Rs. 11.65 crore and Rs. 20.57 crore respectively to discharge their responsibilities on CSR in 2015-2016.
3. A total sum of Rs. 4059.36 crore was required to be spent in the year 2015-2016 on CSR activities as per provision of the Companies Act, against which a sum of Rs. 3818.86 crore was spent by these companies, resulting in a shortfall of Rs. 240.50 crore. However, cumulative expenditure up to 31/03/2016 on CSR activities has been Rs. 5294.72 crore which is quite satisfactory.
4. 16 companies/banks have spent more than the amount required towards discharging various CSR activities. The major contributors are: NTPC, Reliance Industries, Tata Steel etc. In fact these companies have been discharging their CSR responsibilities much before the mandatory enactment of the Companies Act, 2013 which is evident from the amount of cumulative expenditure incurred by them up to 31/03/2016.
5. 14 companies/banks have spent less than the amount required towards discharging various CSR activities. The major defaulters are: ONGC, Axis Bank, HDFC, HDFC Bank, ICICI Bank, Idea Cellular, Infosys, Lupin, TCS, Yes Bank etc. It is interesting to note that most of these organisations have avoided answering the reasons directly as to why they could not spend the requisite amount towards discharging their responsibilities on this account.

Sustainability and sustainable development

Corporate sustainability is a business approach that creates long-term consumer and employee value by creating a green strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural, and economic environment. Corporate Sustainability can be regarded as the corporate response to sustainable development represented by strategies and practices that address the key issues for the world's sustainable development. Sustainability requires a company to look internally and externally to understand their environmental and social impacts. Corporate sustainability is a long-term challenge that creates new opportunities and risks that companies must address today to remain competitive tomorrow. The concept of corporate sustainability borrows elements from four more established concepts: 1) sustainable development, 2) corporate social responsibility, 3) stakeholder theory, and 4) corporate accountability theory. These concepts are considered part and parcel of good governance. Therefore, the concept of corporate sustainability is synonymous to the concept of corporate governance. A company cannot be called a good governed organisation unless it has established and well-practiced in its organisation, the concepts of sustainable development, corporate social responsibility, stakeholders' value and corporate accountability.

In this respect, many corporate houses/banks have developed their sustainability framework and disclosed the same in their Annual Reports 2015-2016, some of which deserve mention here.

Hindustan Unilever's sustainable living plan

A. Improving Health and Well-being

1. Health and Hygiene – Target and Actual Performance
2. Nutrition – Target and Actual Performance

B. Enhancing Livelihoods

1. Fairness in the Workplace – Target and Actual Performance
2. Opportunities for Women – Target and Actual Performance
3. Inclusive Business – Target and Actual Performance

C. Reducing Environmental Impact

1. Greenhouse Gases – Target and Actual Performance
2. Water – Target and Actual Performance
3. Waste – Target and Actual Performance

D. Sustainable Sourcing – Target and Actual Performance

NTPC's sustainable development plan

A. Waste Management

B. Water Management

C. Bio-diversity

D. Promotion of Renewable Energy

Activities under the Plan

1. Plantation of trees in and around the Plants
2. Installation of rooftop of Solar PV on public utilities buildings and on schools
3. Installation of solar powered pump
4. Rain water harvesting
5. Rehabilitation of water bodies
6. Installation of air quality monitoring system in major cities
7. Studies on impact assessment and carrying capacity river basin

Axis bank's sustability framework

A. Customers

1. Consistently enhance customer service experience.
2. Innovation and quality assurance to deliver superior banking experience

B. Shareholders and Providers of Capital

1. Actively engage with shareholders and providers of capital to create enduring value.

C. People

1. Create and sustain diverse work culture through improving organisational effectiveness.
2. Providing safe and ethical work environment
3. Maintaining stability and sustainability amidst the rapidly changing business environment and growth

D. Environment

1. Promote environmental sustainability and equitable growth through sustainable lending practices.
2. Reduce impacts on environment on account of own operations by actively managing environmental footprint and supporting customers to make 'green banking' choices.

E. Communities

1. Create and sustain a mechanism that will propagate sustainable livelihoods and make contribution back to society across various segments.

Corporate Sustainability Reporting

Basically there are two types of reports the corporates are required to publish exhibiting their sustainability plan and development. These are:

1. Corporate Social Responsibility (CSR) Report
2. Business Responsibility (BR) Report

Corporate Social Responsibility (CSR) Report

Companies (CSR) Policy Rules, 2014 includes an Annexure that provides the Format for the Annual Report on CSR activities to be included in the Board's Report.

Business Responsibility (BR) Report

In order to exhibit how the companies discharge their total responsibilities towards sustainable development of the companies, the SEBI vide its Regulation 34 (2) (f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates inclusion of the Business Responsibility Report (BRR) as part of the Annual Report for top 100 listed corporate houses based on the market capitalisation. MA

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Discussion Meet on 'Impact Analysis of Goods & Services Tax (GST)'

The Institute organized a Discussion Meet on 'Impact Analysis of Goods & Services Tax (GST)' on May 6, 2017. The program was inaugurated by CMA Mrityunjay Acharjee, Associate Vice President, Corporate Taxation & Internal Audit, Balmer Lawrie & Co. Ltd., Shri Narayan Chandra Guriya, Joint Commissioner of Commercial Taxes, Government of West Bengal and CMA Manas Kumar Thakur, President of the Institute and CMA (Dr.) Debaprosanna Nandy, Director (Research & Journal) of the Institute. A book on 'GST Transition & Registration (Rules & Regulations)' officially got released by the dignitaries. CMA Mrityunjay Acharjee discussed on the existing tax structure and the consolidated position thereof after introduction of GST. He highlighted on changes expected in the accounting and tax computation with the introduction of GST. Shri Narayan Chandra Guriya, discussed on GST and its applicability on various sectors. He presented case studies to discuss about the various rules and regulations of Goods & Services Tax. Shri Narayan Chandra Guriya and CMA Mrityunjay Acharjee

resolved the queries of the participants and made the session highly effective. The Discussion Meet ended with the vote of thanks by Dr Pradipta Ganguly, Dy. Director, Research & Journal of the Institute.

Workshop on Goods & Services Tax (GST) for Eastern Railway 2-5 May 2017

The Institute organized a ***Workshop on Goods & Services Tax (GST) for Eastern Railway*** from 2nd May till 5th May 2017, 10.30 a.m. onwards at HQ Auditorium of the Institute, CMA Bhawan, 12 Sudder Street, Kolkata - 700 016, to enrich and update knowledge base of the Eastern Railway officials about probable impact of GST on Railway sector. This is for the second time the Institute has arranged such a training programme on GST for Eastern Railway officials. Both the Workshops were highly successful with good no. of Easter Railway staffs. ***Smt. Kakoli Ghoshal***, FA & CAO, Eastern Railway, ***Sri Sankar Sanyal***, President, Howrah Chamber of Commerce & Industry, myself, ***CMA Arnab Chakraborty***, Senior Director (Studies, Administration & HR) and ***CMA (Dr.) Debaprosanna Nandy***, Director (Research & Journal) of the Institute graced the inaugural Session and ***released a book*** on ***"Implementation of Goods & Services Tax (GST) - Impact Analysis on Indian Railways (With Updated Acts and Rules)". The Key Speakers of 4 –Days workshop were: CMA Mrityunjay Acharjee***, Associate Vice President (Corporate Taxation & Internal Audit), Balmer Lawrie & Co. Ltd.; ***CMA Timir Baran Chatterjee***, Renowned Tax Consultant; ***CMA Sanjay Singh***, Manager Finance at Central Coal Field; ***Shri Vivek Jalan***, Partner at Tax Connect Advisory Services LLP and Tax Consultant; ***Shri Gautam Ghatak***, Joint Commissioner Commercial Taxes, West Bengal. CMA Mrityunjay Acharjee deliberated on Fiscal and Financial impact of introduction of GST on Indian Railways, Implementation of structured framework for implementation of GST in Indian Railway including Information Technology Infrastructure and various other relevant areas on GST. CMA

Timir Baran Chatterjee shared his views on prevailing Economic situation in India and Tax Structure of Indian Railway and the consolidated position thereof after introduction of GST. CMA Sanjay Singh spoke on Credit Note & Debit Note, Maintenance of Accounts, Audit, Appellate Procedure Appeals, Settlements of cases, Advance Ruling, Changes expected in the accounting and tax computation with the introduction of GST; Shri Vivek Jalan throw upon light on the areas like Assessments, Demand & Recovery of taxes , Appellate procedure, Maintenance of Accounts, Audit Appellate Procedure Appeals, Settlements of cases, Advance Ruling, Provisions relating to ITC, Transfer of ITC, Job Work ,TDS and Shri Gautam Ghatak discussed on Indepth understanding about the GST Rules and Regulation. The Workshop was highly interactive one and added value to the knowledge base of the participants.

BUSINESS MODELS – New Dynamics

A Study on various Models for Economic Sustainability

The term Business model is used to represent the way and how an organization creates value in economic context. Business model covers various aspects of a business right from its mission, objective, offering, resource, customer, strategy, infrastructure, organization structure, policy and culture and so on.

Once upon a time, business means a small merchant or a company which serves the needs of limited customers. Promoters were normally having 80 to 90 % share in the business. This model was simple and need to answer only three questions –

1. What is the product or service?
2. Who is the supplier of raw material?
3. Who is the customer?

But later years the size and scale of business houses increased to a greater extent. Governments started looking them as engines of economic growth and drivers for employment generation. Eventually the components of business model have been broadened over the years and becoming more and more complex.

Before proceeding to look at various threats and new dynamics in the business models, it's essential to know about theoretical background and traditional business models.

Theoretical background

As per Wikipedia "*A business model describes the rationale of how an organization creates, delivers and captures value in economic, social, cultural and other contexts*". It is an abstract representation of a business with various inter-related and co-operational arrangements and products or services the organization offers to achieve its strategic and business objectives. The arrangements could be infrastructural, logistics, technological and financial arrangements which help in deliver ing their offerings to customer.

✪ Traditional models

Very basic and traditional model is *direct sales* to customers of company *offerings*. Revenue is generated through sales either by way of sales force, distribution network or word of mouth. Many well known brands like Dell, a PC manufacturer and in recent times Patanjali are best examples. *Franchise* is another popular model which ensures quicker expansion for a franchisor and less risk for franchisee. In this model an entrepreneur instead of developing a new product or service and a distribution network of his own, purchases a stake in business strategy from an existing successful brand to operate in his own market. This model offers a win-win situation for both the parties in terms of mitigating the risk, less investment and quicker growth. Popular examples are Mc Donald's and Subway. *Freemium* model which offers few basic services free to maintain relationships with customers is a well known model in service specific industry. *Subscription* model is normally followed by utility or phone companies to retain customers and ensure repetitive purchases.

CMA Nimishakavi Rama Narasimham
Manager
GENPACT, Hyderabad

Challenges in Business environment

Technology penetrated at every corner of the business world and changed the face of many big companies. *Due to technological disruption many great companies lost their identity in market place and new companies emerged as leaders.* Digital transformation is again another threat to the business world. According to a research, around 78 per cent of businesses globally believe that digital revolution will pose a threat to their organization in near future. Almost 45 per cent of global businesses feared that their businesses will be closed in next 3-5 years due to technological developments.

The export driven Indian IT sector is now facing biggest challenge due to technological developments in Cloud, Big data, Digitalization, because most of their core services have been automated now.

Indian MSME sector is under the same threat, the largest job provider in the country around 100 million directly and indirectly, contributes 8 per cent to GDP, having a share of 45 percent in total manufacturing output and 40 per cent to total exports. *Technology can be a biggest threat or a growth enabler to MSME sector. They need to re-assess their business model; make on-line presence; attract venture or cloud funding and need to get globally competitive.*

On the other hand many structural changes have been taking place in India for past 2-3 years. These changes are in the form of introduction of GST, policy changes towards Make in India, Ease of doing business campaigns and developing start up ecosystem and so on. Even globally there have been many policy changes which posed a threat to existing business models. Particularly US government's recent decision to tighten immigration rules is a big challenge for Indian IT/BPO sector. Indian IT sector offers steady growth rate in IT exports and employment provider. Though there has been a decline in creating new jobs in various sectors during last year, yet the IT/BPO sector registered a positive growth.

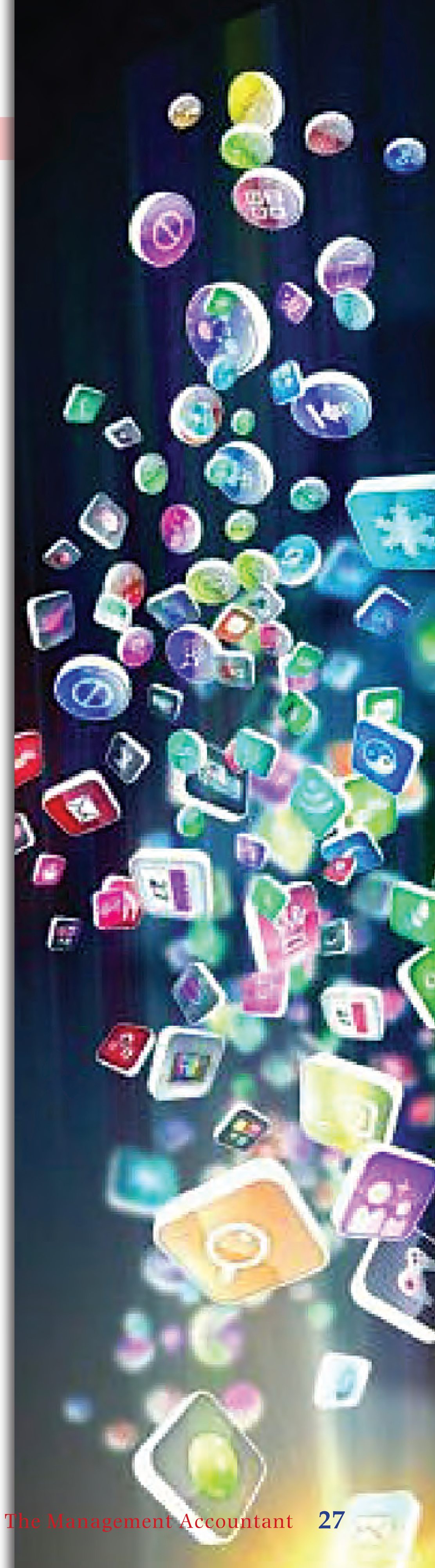
The regulatory and technological changes forces organisations to re-invent their business model to sustain growth.

Business model for sustainable growth

The big question for any organization in ever changing environment may be "what should be the business model for sustainable growth!?"

There is no single business model which can be adopted by any organization to achieve a sustainable growth. Every organization should re-think and re-form its model frequently to cope up the changes in business environment. However the business model canvas is a kind of template for developing or documenting a business model which was initially proposed by Alexander Osterwalder. Taken care the following aspects would help in reaching out a sustainable business model -

1. Identification of core activities by which value will be created
2. Key resources which are necessary to create a value for customers
3. Technology and infrastructure
4. Collaboration; business alliances; joint ventures etc.–to optimize operations and reduce risk



5. Offerings – more customer experience than competitors
6. Customers- their tastes, needs and attributes
7. Channel –fast, efficient and cost effective presence in market place
8. Resources – inputs
9. Policy and regulatory norms

New dynamics in Business Models

An evolution of new business models or modified models is the result of two forces; they are either – i. technology changes; and ii. Change in policies or regulations. Few businesses set an example to re-define their business models to cope up the changes taken place and achieve sustainable growth.

Contract manufacturing is one such model wherein sharing manufacturing facilities with large Multinational companies (MNCs) particularly in pharma and health care industry. Due to high import duties on finished products and other regulatory procedures, MNCs instead of setting up their own production facilities which is very costly, opt for contract manufacturing. Trivitron Healthcare is one such company offering contract manufacturing to large MNCs registering around 15 per cent growth rate every year and observes this model as big growth driver.

Management contract is another successful model across business world in recent times to expand brand to different geographies. This is extending one's own expertise to the development of someone else's business which promises a quicker growth. One of the top Hotel brand Oberoi is now offering their expertise in design and execution of projects owned by others; and believes management contracts model as best way to expand their brand globally at faster rate.

Shared services is another model, which is outsourcing of various non-core activities or operations to a third party by large MNCs in order to reduce overall operational costs. Many Indian companies are grabbing this outsourcing opportunities from western countries and standing as one among the largest employment provider for past 5-6 years.

Socio-economic business model, the spending on corporate social responsibility (CSR) is definitely an additional cost to the company which can't be recovered back but it's a regulatory procedure. However, some organizations are including this social responsibility as part of their business model. The socio-economic business model ensures that their spending on CSR will indirectly benefit the company in return. Mother dairy is one such simple example, improved its productivity by educating the farmers on modern dairy techniques. Similarly Vodafone's m-pesa which addresses issues like financial inclusion has recently offered its services to Water Health India to address issue of access to clean water in rural areas, in the form of cash collection.

Startup business model, offering 'technology' as a product aims for quicker growth. Best example would be OYO rooms, just a three year old company having nearly 70,000 rooms across 200 cities, now standing one of the India's largest hotel chains. Ola ride and Flipkart are similar examples of developing digital platforms and providing largest market place. Power2SME is providing digital platform to make SMEs procure raw materials at a better price.

Security driven model, the digital revolution and recent demonetization move forced people to migrate into on-line or mobile transactions. The sudden uptake in digital transactions exposed many security risks. The cyber security is no longer an IT problem or only an additional feature at payment gateways. To tackle cyber security issues, it is imperative that organizations develop a comprehensive security-driven business model which should completely integrate its security requirements with business objectives.

Conclusion

At this point it is worth to refer the words by Chanda Kochhar, the CEO of ICICI Bank on a recent occasion – "In this evolving world, it is about how you relook at your business model and keep continuously pace with all the changes that take place. Part of it is technology and part of it is regulations".

In this dynamic environment it is up to an organization's decision on how to transform their business model in order to face less risk and have a sustainable growth. MA

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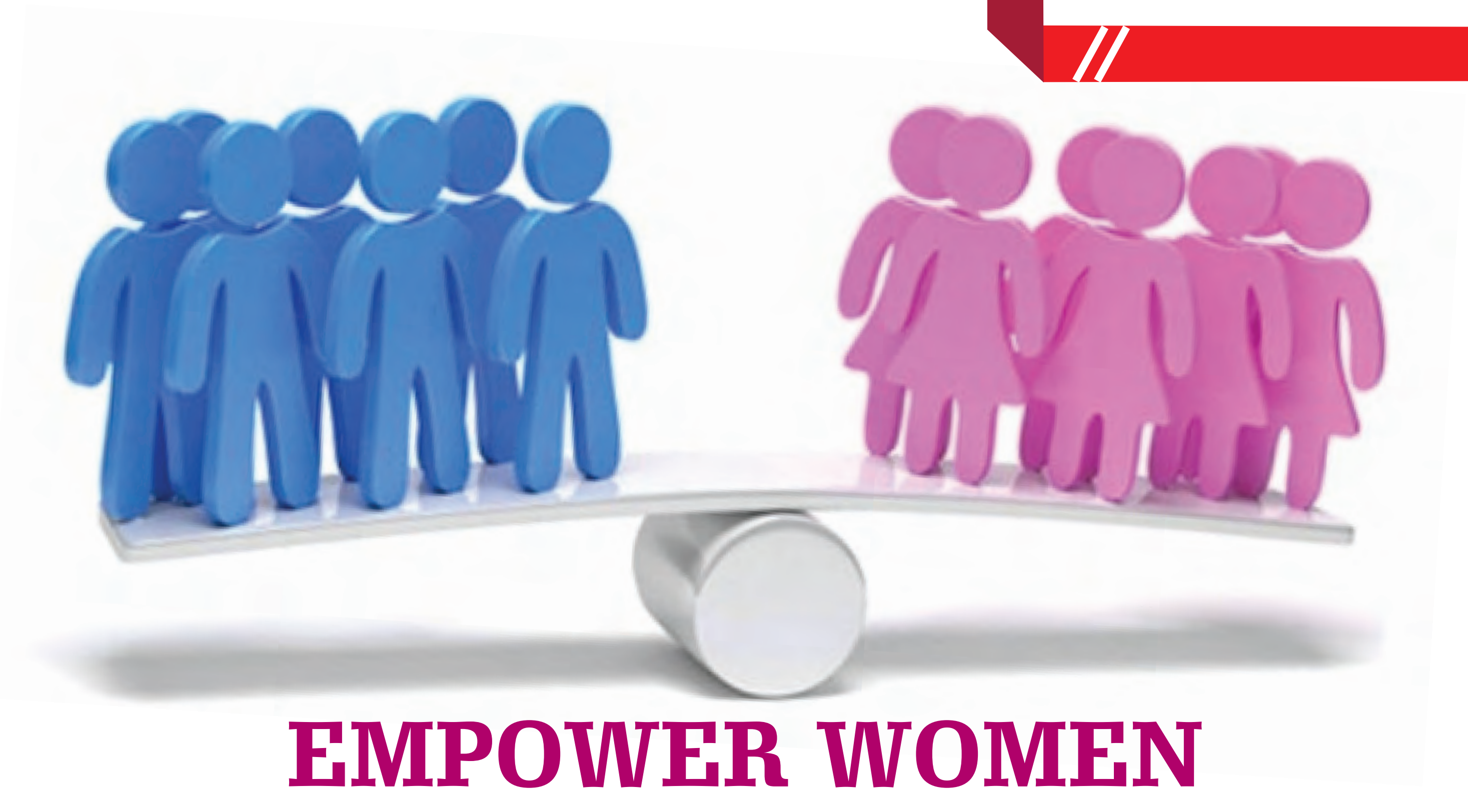

EMPOWER WOMEN
FOR SUSTAINABLE DEVELOPMENT:
Role of different Arenas and Agencies in Kerala

Women empowerment means women gaining more power and control over their own lives. Sustainable development through Empowerment of women necessitates the need of today, because gender inequalities are still persisting in our economy. Sustainable development means development that meets the needs of the present, without compromising the ability of future generations, to meet their own needs. The 2030 agenda for sustainable development entails 17 Sustainable Development Goals (SDGs), and one of the goal is to achieve gender equality and empower all women and girls. The SDGs has three dimensions; economic growth, social inclusion and environment protection.

Women empowerment is concerned with the question of women's participation or non- participation in paid work, social work and employment. At present, Women represent 40% of the global labour force and 43 % of the world's agriculture labour.Globally, women's labour is undervalued and their wages are 70 % to 90 % of men's. Women empowerment is a process in which women gain greater share of control over resources like;

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Sustainable development through Empowerment of women is necessitates the need of today, because gender inequalities are still persisting in our economy. So, women have a crucial role for satisfying the needs of present generation and also for future generations. In simple sense, women empowerment means the overall endowment especially in the field of social, economical and political areas. Empowering women through different agencies like Self Help Groups (SHG's), Kudumbashrees' and different fields like education, health, work participation rate etc. will enhance the skills and attributes of the women to make the developmental procedures in a sustainable manner.

material, human and intellectual like knowledge, information, ideas and financial resources like money and access to money and control over decision making in the home, community, society and nation and to gain power. At the present world, Women are considered to be a basic element for constructing an economic development, because, without women, nobody can survive and complete the entire work process fruitfully. In some areas, women are treated as very badly. Sometimes, women are the victims of the major harassments. So, we must empower the women to face the uneasy occasions in the life. The different types of agencies have a great role for moulding the endowment of women. In all the sectors of the economy, whether the primary, secondary and service sector, women plays a crucial role for making better in it. In household sector, women are the pillars of the family, without pillars, the building can't survive.

Women perform the bulk of household duties without pay, even while working in thelabour force. It is estimated that women would account for more than half of GDP in the developing area if the value of housework and childcare wereincluded in national accounting. But female non-financial activities go and reflect in official statistics, thereby undercutting the contribution ofwomen's unpaid work to the economic growth of countries.

Literature review

The review related to women empowerment has many dimensions. Economic progress of any developed or underdeveloped country could be achieved through social development. Empowering women contributes to social development. The self-help group disburses micro-credit to the rural women for the purpose of making them enterprising women and encouraging them to enter into entrepreneurial activities (Gurumoorthy (2000). By participating in various incomes generating and developmental activities, the morale and confidence of women became very high. Capacity of the poor women of the State in several areas has gone up considerably and the status of women in families and community has also improved. (V.P.Ragavan (2009). Emphasis on resource control by women in the employment and earnings pattern therein, to highlight possible implications for gender relations. This has to be integrated with other opportunities as well as conscious attempts to shift macro-policies to support women's work in the rural economy (Rao Nitya (2005). So to enhance the status of women, we need to empower them through different agencies and it will lead to growth in the developmental activities in a sustainable manner.

Statement of the problem

All the programmes and initiatives by the state have a vision to improve the status of women. But still Women are in the bottom level in the fields of social, economical and political fields. To empower the role of women in any fields should improve the developmental activities of the state. The different agencies and arenas in Kerala have an integral part for improving the standard of living of the women empowerment and it lead to a sustainable growth in the economy.

Objective and methodology

Women empowerment means the overall endowment especially in the field of social, economical and political areas. Empowering women through different agencies like Self Help Groups (SHG's), Kudumbashrees' etc. will enhance the skills and attributes of the women to make the developmental procedures in a sustainable manner. Here the study focuses on the role of different agencies and arenas to empower the women and the development of the economy in a sustainable manner, using secondary data. *Data collected from various Census reports, NSSO 71st round up, Economic Reviews, Economic Surveys, Kerala Development Reports etc...*

Role of different arenas and agencies

Kerala, a small state in the southern region of India. The state has got predominance, when the Kerala model of development became a part of global debate and ideal pattern of development in the third world. A set of high material quality of life indicating coinciding with low per capita income, both distributed across nearly the entire population of Kerala. The development experience of Kerala shows, how even economically poor state could transform to high level of social development. In Kerala, according to the 2011 census, Women population are more compared that men population. That means female population is increasing in Kerala. Kerala has longed-for the girl child's for the better future. So compared to all other states in India, Kerala is the top most state in the case of female population. For the betterment of the women in Kerala, we have many agencies like Kudumbashree, SHG's etc.

Education for Sustainable Development aims to help people to develop the attitudes, skills and knowledge to make informed decisions for the benefit of themselves and others, now and in the future, and to act upon these decisions. In the case of literacy, Kerala is on the topmost. Female literacy is also at the predominant level. In all the fields of education and research, women are occupying a chair in its juncture. Kerala has attained commendable achievements in the field of general education among females. Comparing the literacy rate in the earlier years in the state, it goes on increasing trend, especially in the case of females. As compared the literacy level, at the time of the formation of the state, now it has increased almost 50%. As per the 2011 census, almost 93.91% of literacy has occupied in the total literacy in the state. Female literacy occupies 91.98 % as per the 2011 census. It is very high as compared to other states.Kerala ranked first in female literacy and the same way, gender disparity is extremely low in the 10th standard. Women exceeded men in Higher Secondary, Graduate and Post Graduate degrees in the Arts and science courses. Engineering and Technical institutions in Kerala shows that the strength of male students exceeded that of the female students.In the present generation, skills and aptitudes are necessary for the survival of the fittest. The survival can be done through the activities and programmes of the different type of agencies and it will develop the nature of the person and the economy in a sustainable manner.

Table.1
Gender wise literacy rates in Kerala

Year	Literacy	Male	Female
1951	47.18	58.35	36.43
1961	55.08	64.89	45.56
1971	69.75	77.13	62.53
1981	78.85	84.56	73.36
1991	89.81	93.62	86.17
2001	90.92	94.02	87.72
2011	93.91	96.02	91.98

Source: Census (Various Years)

As per the census 2011, the sex ratio in India is 940:1000, which means, 940 females per 1000 males. It is found that more than 50% of India's current population is below the age of 25 and over 65 % below the age of 35. In Kerala, it is 1084 females for 1000 males, the state with highest female sex ration in India. The work participation rate in Kerala is 34.78 %, which is the percentage of workers to total population. Female work participation rate is 18.23 %, which is less as compared to male work participation rate, which is 52.73%.

Self help group – Kudumbashree

It is one of the agencies in Kerala to improve the well being of the women and it is a programme of poverty eradication in the state. It is a SHG, comprising of 10-15 member small groups. Kudumbashree has been implemented in Kerala in 1998 for the prosperity of the families and empowerment of women in the state. It has mainly three important mechanisms; women empowerment, micro credit and entrepreneurship. The endeavor of the Kudumbashree is to progress the standard of living of women in rural areas by setting up micro-credit and productive enterprises. It is a community based self help initiative. Kudumbashree was conceived as a joint programme of the Government of Kerala and NABARD implemented through Community Development Societies

(CDSs) of Poor Women, serving as the community wing of Local Governments. The Kudumbashree has acted as social safety nets, increasing access to entitlements and providing opportunities for social, economical and political participation. Kudumbashree has three tiers community based organization (CBO) for its effective management and decentralized operations. Neighborhood group (NHG) is the lowest tier consisting of 15 to 40 women members from poor families. Meetings are arranged on a weekly basis, in the house of one of the NHG members. The Area Development Society (ADS) is the second tier. ADS are formed at ward level- panchayat, municipality or a corporation by joining 10-15 NHGs. The Community Development Society (CDS) is the highest tier formed by union of all the ADSs in the respective panchayat or municipality and corporation. These organizations increase capacity through their networks and roll out sustainable development programmes effectively.

Kudumbashree is the largest women movement in Asia with a membership of 41 lakhs representing equal number of families. Kudumbashree Ayalkoottam (NHG), Kudumbashree Ward Samithy (ADS), Kudumbashree Panchayat Samithy (CDS) are the community structures in the rural side. These structures give added importance to women empowerment both social and economic. 41 lakh poor families brought under the community-based organisations (CBO)s consisting of 2.59 lakh Neighbourhood Groups (NHG), 19,773 Area Development Societies (ADSs) and 1,072 Community Development Societies (CDSs)- rural & urban. In 2012, Kudumbashree was recognized as a National Resource Organization (NRO) by Ministry of Rural Development (MoRD), Government of India, under the National Rural Livelihoods Mission.

As responsible organizations that represent the views of traditionally disempowered groups, including women and girls, NGOs can provide support and legitimacy to sustainable development programmes. Kerala women's commission and Kerala state women's Development Corporation are indispensable components for the welfare of the women in the state. It has improved the status of women in Kerala and it works for women employment income and to enable them to earn a better living.

Conclusion

The different arenas and agencies have enhanced the capabilities of women and it will lead to a sustainable development in the state. The approach of every field is different and the role of SHGs and Kudumbashrees has an integral part to empower the women in social, economical and political fields. Empowerment of women should be a key aspect of all social development programmes for women in the state, need to be empowered in several aspects. Women are economically empowered when they are supported to engage in a productive activity that allows them some degree of autonomy. It is concerned with enhancing the power of voice and collective action by women. Sustainable development can only be achieved through long-term investments in all these policies. Better use of the world's female population could increase economic growth, reduce poverty, enhance societal well-being, and assist ensure sustainable development in all the economies. MA

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A B C IMPLEMENTATION GUIDE FOR INDIAN RAILWAYS

Introduction to Indian Railways (IR)

IR is the world's largest Railway Network comprising **92,081Km** track and **7216 stations**. It carries **22 Million Passengers** a day & **1.1 Billion Tons of freight** annually.

IR owns locomotives and coach production facilities at several places in India at Kapurthala, Chennai, Varanasi, etc.

IR's operation cover 26 states and 3 UTs across India and also have international connectivity to **Bangladesh** (Maitree Express runs between Kolkatta and Khulna in Bangladesh) and **Pakistan** (Samjhauta Express runs from Delhi & Attari and Lahore in Pakistan)

IR is the world's eighth biggest employer.

As on 31/3/2016, Rolling Stock of IR comprises 251256 Freight Wagons, 70241 Passenger Coaches and 11122 Locomotives.

IR Runs 13313 Passenger Trains on daily basis.

IR is divided into 17 Zones, which are further divided into divisions. Division is controlled by DRM (Div Railway Manager). Zone is controlled by Zonal GM. S/he reports to Railway Board.

The divisional officers Dept-engineering, mechanical, electrical, signal and telecommunication, accounts, personnel, operating, commercial, security and safety

CMA Ashish Deshmukh
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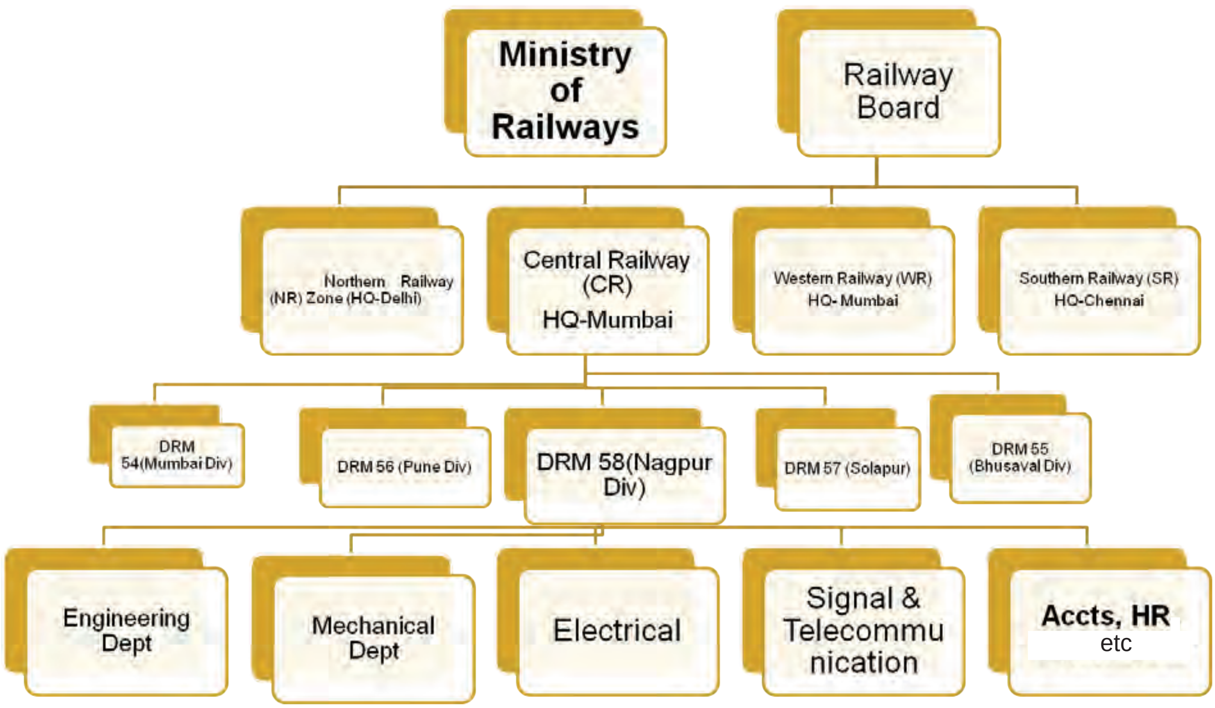
branches, report to the respective DRM and are in charge of operation and maintenance of assets.

Further down the hierarchy tree are the Station Masters, who control individual stations and train movements through the track territory under their stations' administration.

17 Zones of Indian Railways -

Sl. No	Name of the Railway zone	Abbr.	Route length (Km)	Number of Stations	Zone HQ
1	Northern Railway	NR	6968	1142	Delhi
2	North Eastern Railway	NER	3667	537	Gorakhpur
3	Northeast Frontier Railway	NFR	3907	690	Guwahati
4	Eastern Railway	ER	2414	576	Kolkata
5	South Eastern Railway	SER	2631	353	Kolkata
6	South Central Railway	SCR	5803	883	Secunderabad
7	Southern Railway	SR	5098	890	Chennai
8	Central Railway	CR	3905	612	Mumbai
9	Western Railway	WR	6182	1046	Mumbai
10	South Western Railway	SWR	3177	456	Hubballi
11	North Western Railway	NWR	5459	663	Jaipur
12	West Central Railway	WCR	2965	372	Jabalpur
13	North Central Railway	NCR	3151	435	Allahabad
14	South East Central Railway	SECR	2447	358	Bilaspur
15	East Coast Railway	ECoR	2572	342	Bhubaneswar
16	East Central Railway	ECR	3628	800	Hajipur
17	Kolkata Metro	MTP	27	75	Kolkata

Hierarchical Structure of IR-



Rolling Stock of IR-

1. Locomotives in India consist of electric and diesel locomotives. The world's first CNG (Compressed Natural Gas) locomotives are also being used. Steam locomotives are no longer used, except in heritage trains. (Locomotive)

2. Goods/Freight Wagon are unpowered railway vehicles that are used for transportation of cargo

Passenger Coaches - The coach is the most basic type of passenger car, also sometimes referred to as "chair cars".

Objectives of Implementation of ABC in IR-

The Minister of Railways Shri Suresh Prabhakar Prabhu while presenting the Railway Budget 2016-17 in the Parliament had proposed to transform Indian Railways through seven Mission activities – Avataran. These missions are:

1. ***Mission 25 Tonne*** – It aims to increase revenue by augmenting carrying capacity. To achieve this 10-20% freight loading will be done through 25-tonne axle-load wagons in 2016-17 and target movement of 70% of freight traffic on high axle load wagons by FY19-20.
2. ***Mission Zero Accident:*** It comprises of two sub missions-
   a. Elimination of unmanned level crossings: The goal is eliminate all unmanned level crossings on Broad Gauge in the next 3-4 years through innovative financing mechanisms. It will reduce deaths due to accidents and improve throughput of the network
   b. TCAS (Train Collision Avoidance System): An indigenous technology has been developed to equip 100% of the High Density Network with TCAS in the next 3 years. This will prevent head on collisions and improve throughput by increasing average sectional speeds.
3. ***Mission PACE (Procurement and Consumption Efficiency): This mission aims to improve our procurement and consumption practices to improve the quality of goods and services. It will introduce a culture of optimum usage by adopting practices such as Vendor Managed Inventory, direct procurement of HSD, new procedures for identification and disposal of scrap.*** Comprehensive review of procurement and consumption of HSD will lead to saving more than Rs 1,500 crore in 2016-17.
4. ***Mission Raftaar:*** It targets doubling of average

speeds of freights trains and increasing the average speed of superfast mail/express trains by 25 kmph in the next 5 years. Loco hauled passenger trains will be replaced by DEMU/MEMU over the next five years. It will complement Mission 25 Tonne to increase throughput of the railway system.

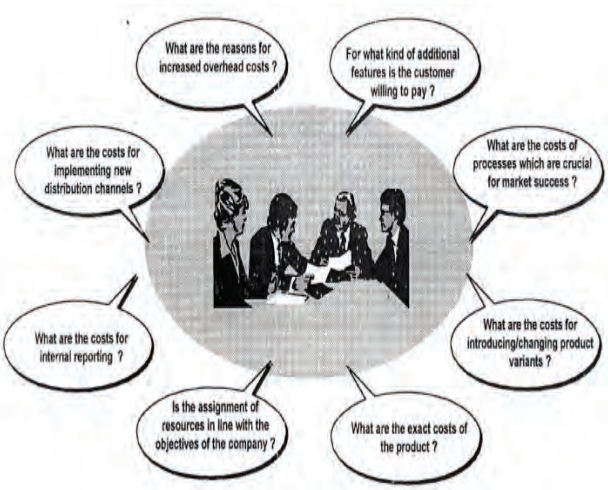
5. ***Mission Hundred:*** This mission will commission at least a hundred sidings in the next 2 years. The current siding/ PFT policy would be revised to elicit greater private participation. An online portal will be operated for accepting and processing all new applications, alongwith decentralization of powers.
6. ***Mission beyond book-keeping:*** It will establish an accounting system where outcomes can be tracked to inputs. This will transform IR as right accounting would determine right costing and hence right pricing and right outcomes.
7. ***Mission Capacity Utilisation:*** It proposes to prepare a blueprint for making full use of the huge new capacity that will be created through two Dedicated Freight Corridors between Delhi-Mumbai and Delhi-Kolkata scheduled to be commissioned by 2019.

Each Mission is headed by a Mission Director reporting directly to the Chairman, Railway Board for a timely targeted delivery. They are supported by officers from each Zone/Production Unit/RDSO/Centralised Training Institutes. Each Mission has annual outcome based performance targets.

All these 7 Missions can be accomplished by Activity Based Costing (ABC)/Activity Based Management (ABM)

What is ABC/ABM -

ABC answers all questions-



Traditional cost systems answer the question: **"Where do the costs arise?" ABC answers the question: <u>'Why do the costs arise?"</u>**

ABC allows two crucial performance-related dimensions to be considered precisely: the cause-related cost assignment to the calculation objects (To what or for whom do I work?) and the analysis of processes based on efficiency (Why and how well do I work?).

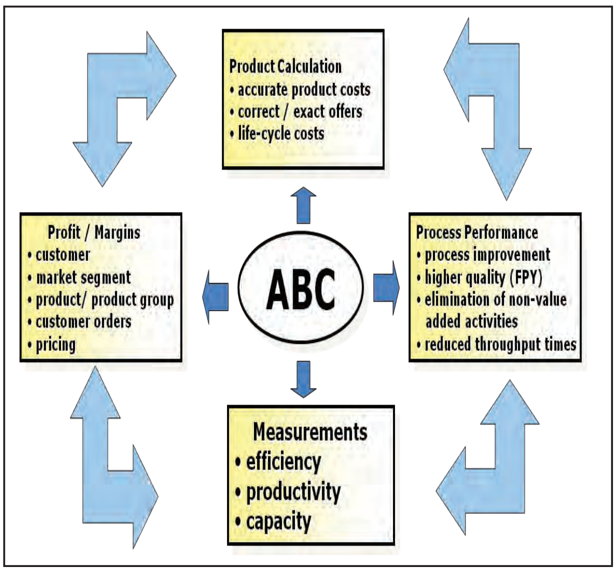
ABC aims to optimize cost transparency and accuracy, to create a base for reliable decisions and to support the process approach in an Indian Railways.

The cost-related aggregation of activities (with their corresponding resource consumption) to processes and their assignment to calculation objects shows the real profit resp. loss performance of products, services etc..

Resource consumption related cost assignment can support strategic decisions, such as steering the product assortment or determining retrograde allowable costs for a new product or service based on a given market price.

An additional advantage is increased transparency of complex processes. **Non-value added activities can be identified and eliminated. Starting points for process improvements, the corresponding savings potentials and their effects on Indian Railways can be shown.** Thus, processes can be simplified and controlled more efficiently.

ABC also takes external factors like e.g. (Supplier performance, quality of services, flexibility, price etc.) into account. This helps to assess supply management processes and to make savings of outsourcing projects transparent.



For example-For Mission 25 Tonnes, IR target is - 10-20% freight loading will be done through 25-tonne axle-load wagons. ABC Implementation may help to measure the utilization of 25-tonne axle-load wagons in the process.

ABC on one hand, calculate the Profit/Margin, decides the Pricing on Product..and on another hand, helps to measure the Process Performance and suggests Process Improvements too.

ABC aims to provide a more powerful cost calculation. The result of an ABC product calculation will also give meaningful information for strategic and management decisions.

ABC serves as tool for rationalization as well as tool for Decision Making.

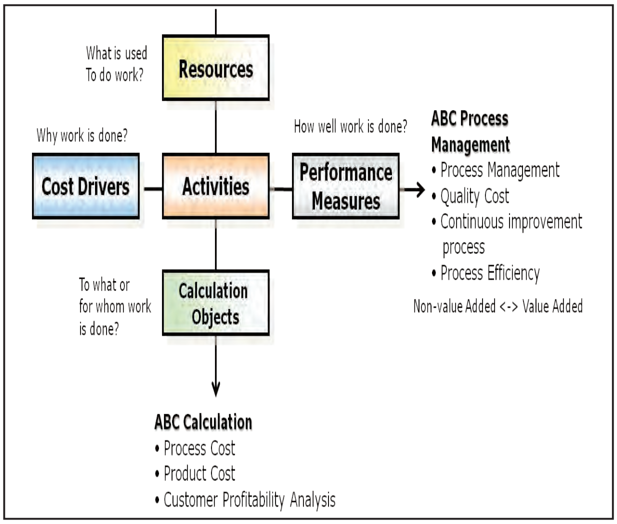
ABC as a tool for rationalization

- resource optimization in overhead departments
- description of performance and potential
- reduction of resource consumption
- productivity analysis
- increased cost transparency

ABC as a tool for Decision Support

- strategic calculation as MIS and decision support tool
- R & D management support
- support for new product launches
- improved pricing policy
- improvement of product calculation

Indian Railways has a full-fledged organisation known as Research Designs and Standards Organisation (RDSO), located at Lucknow for all research, designs and standardisation tasks. RDSO could employ ABC as a tool for Decision Support.



(Vertical & Horizontal Approach of ABC)

ABC follows vertical approach for Cost Calculation as shown above. Vertical Approach would help for measurement of Process Cost, Product Cost, Customer Profitability Analysis.

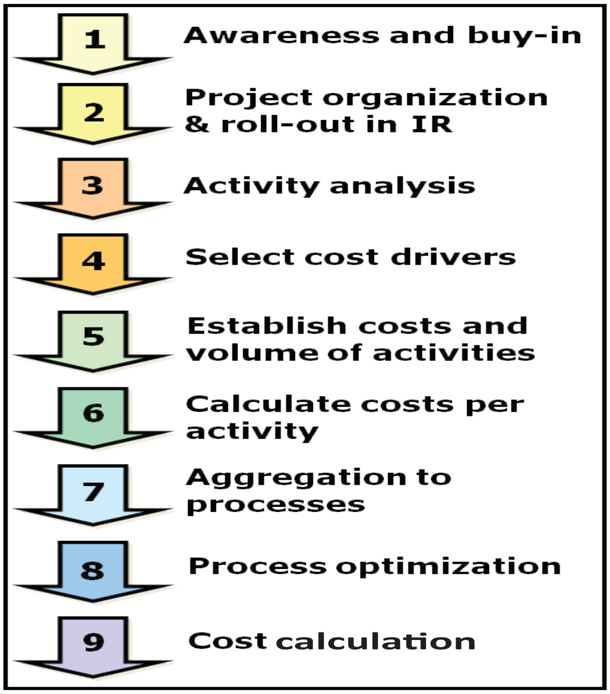
Horizontal Approach of ABC would help Indian Railway for Activity Based Management (ABM). It would help Indian Railways to identify Non Value Adding Activities in Processes and remove them. It would suggest Performance Measures for all IR Departments. Ultimately, it would lead to Continuous Process Improvement.

Missions like Zero Accidents can be accomplished by ABM.

ABC Implementation Steps for Indian Railways

One of the key factors for ABC success is broad and permanent communication of the basic ideas throughout the Indian Railways (IR) and the involvement of every employee. This will ensure that the whole potential of cost savings and process improvements are discovered. Furthermore, employees will more likely support and commit to this savings and changes, if they understand how ABC works and that finally is the result of their own efforts.

The implementation of ABC has to be planned very carefully. In practice it involves nine steps



1 Awareness and Buy-In

CMAs may be asked to implement ABC in IR for following 2 Segments:

- ➤ Freight Traffic
- ➤ Passenger Traffic
  - ✔ On receipt of assignment, please meet section Head and other influential employees in the Dept.
  - ✔ Brief them on ABC Techniques and how it will benefit to IR for measurement of exact cost of Freight-Km for Goods Train/Passenger-Km for Train.
  - ✔ Make use of PPT for initial awareness of ABC

2 Project organization & roll-out in IR

- ✔ CMA has to form Steering Committee comprised of Section Head as Chairman for calculation of Cost (Freight-Km for Goods Train/Passenger-Km for Train)
- ✔ Include Committee members with the help of advice of section Head.
- ✔ Take care to include Team members who will help in extracting accurate financial data without delay.

3 Activity Analysis

- ✔ CMA along with his Steering Committee, should prepare questionnaire to capture all activities under the section.
- ✔ Efforts taken for each activity has to be converted into Man-Years (MY) properly
- ✔ Prepare a chart of qr (Quantity Related) activities and nqr activities.
- ✔ Vet the activity analysis done by you from Department Head
- ✔ Ensure to re-allocate NQR (Non Quantity Related) activities (like Management Time) in exact Proportion.

4 Select Cost Drivers

- ✔ Selection of Cost Driver is the most crucial task in implementation of ABC
- ✔ Always ask question to your mind-"Why this activity has been done?" to come upon cost driver.
- ✔ You may refer the list of cost driver given in following table...
- ✔ Selection of Cost Driver is the most crucial task in implementation of ABC
- ✔ Always ask question to your mind-"Why this activity has been done?" to come upon cost driver.
- ✔ You may refer the list of cost driver given in following table...

#	Cost Item	Cost Driver
1	Capital Costs- Wagons	Depreciation Period, Acquisition Value, Residual Value, Interest Rate
2	Maintenance and Service Costs- Wagons	Time, Distance, Number of Loading Runs
3	Rental Costs- Wagons	Time
4	Capital Cost- Locomotives	Depreciation Period, Acquisition Value, Residual Value, Interest Rate
5	Maintenance and Service Costs- Locomotives	Time, Distance
6	Rental Costs- Locomotives	Time

7	Capital Costs- Loading Units	Depreciation Period, Acquisition Value, Residual Value, Interest Rate
8	Maintenance and Service Costs- Loading Units	Time, Distance, Number of Loading Runs
9	Driver	Time
10	Shunting -Locomotive -Driver -Shunter	Same as for Capital Cost + Maintenance Cost (Wagon) Time Time
11	Marshalling	Per occurrence and wagon
12	Transloading (Intermodal Terminal)	Per occurrence and Loading Units
13	Infrastructure user fees (Banverket) -Track Fee -Accident Fee -Marshalling Fee	Distance, Weight Distance Per occurrence and wagon
14	Energy	Distance, Weight, Speed

7 Establish Cost and Volume of Activities

I have attached an example of Purchase Department of GSPI Company. This ABC Implementation was carried out in Year 2005. This example helps to identify qr (quantity related) and nqr (Non quantity related) activities.

ABC Report

	company GSPI 2005	capacity my:12 cost center costs: $1020000				costs per my: $85,000		cost center:SPG 422 name:purchasing		
	activities	cost driver	activity quantity	employees manyear	employees %	activity costs ($) qr	activity costs ($) nqr	activity costs ($) qr+nqr	costs per activity nqr	costs per activity qr+nqr
1	asking for bids for HRC	# of bids	1,700	3.6	30.0	306,000	18,956	324,956	180.00	191.15
2	opening LCs for HRC	# of LCs	3,900	3.0	25.0	255,000	15,796	270,796	65.38	69.34
3	monitoring payment for LCs for HRC	# of shipments	2,100	2.0	16.7	170,000	10,531	180,531	80.95	86
4	dealing with complaints	# of complaints	250	2.7	22.5	229,500	14,217	243,717	918.00	974.87
	total qr activities			11.3	94.2	960,500	59,500	1,020,000		
5	cost center management			0.7	5.8	59,500				
	total nqr activities			0.7	5.8	59,500		qr = quantity related		
	Total qr + nqr processes			12.0	100.0	1,020,000		nvr = non-quantity related		

**HRC-Hot Rolled Coils, LC-Letter of Credit

Cost Centre Management is considered as nqr activity. There were 12 Employees in the Department including HOD-Purchase. Questionnaire was prepared to identify ManYear per Activity.

The total cost centre Cost was taken from Finance Dept as 1020000$. nqr activity cost is further allocated to qr activities. Cost per activity is calculated by dividing activity cost by number of cost driver.

5 Calculate Cost per Activity

Above example shows how to derive the cost per activity.

for example-

Asking for Bids-Cost per Activity- 191.15 $

Opening of LCs - Cost per Activity- 69.34 $

6 Aggregation to Processes

- ✔ It is the process of re-allocation of Activities to the final Product/ Services
- ✔ Find out the number of activities per Product/ Services
- ✔ Built up ABC Software/Excel Program for allocation of activities.

8 Process Optimization

- ✔ Find out the Non Value Adding Activities and eliminate it forever.
- ✔ Recheck the process after implementation as employees have tendency to slip into old methods of doing work
- ✔ Complete documentation of Process with Flow Charts
- ✔ Control Process with regular Process Audit..

9 Cost Calculation

✔ *Final Process of calculation of AB Cost* MA

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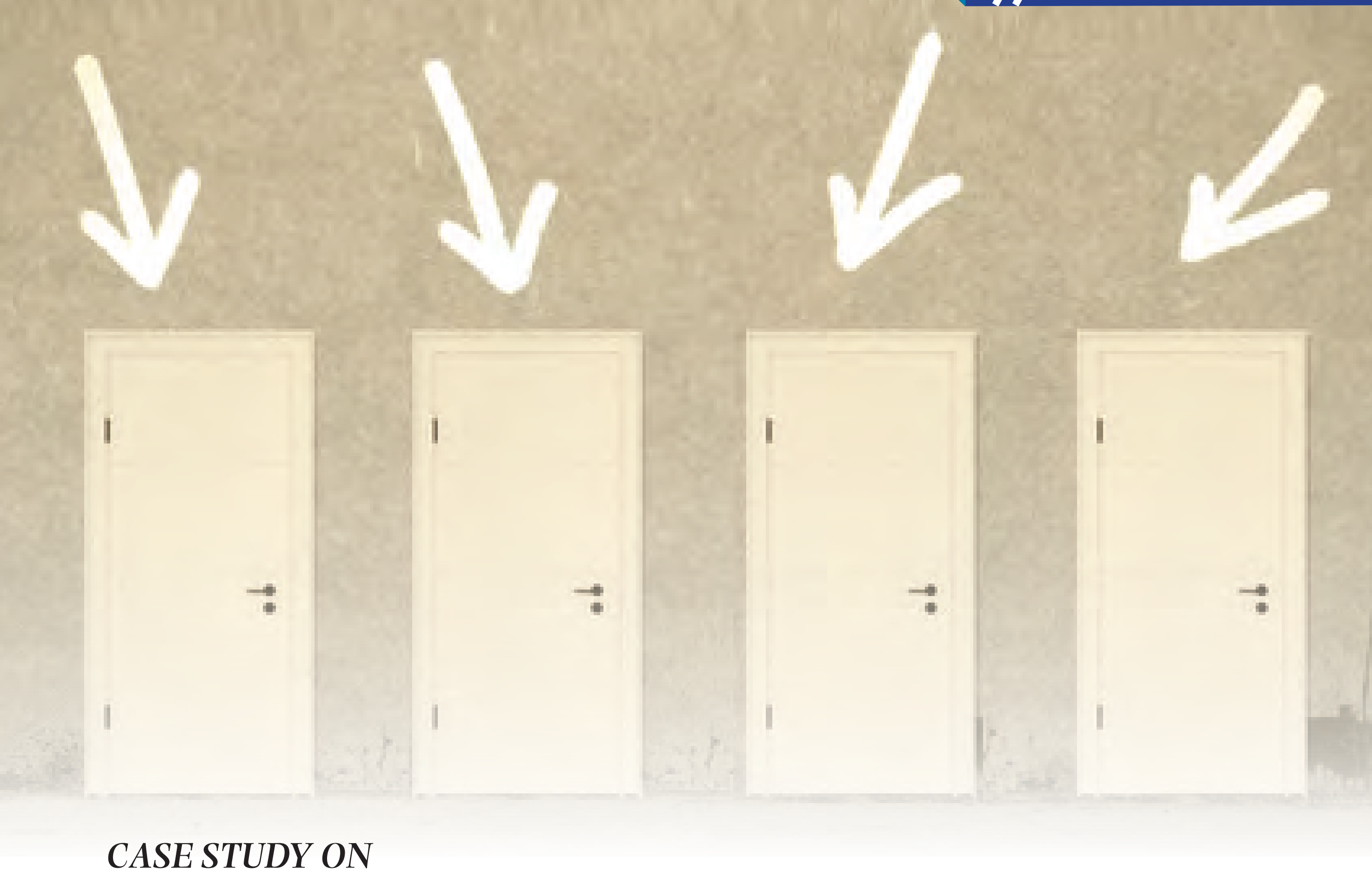

CASE STUDY ON

Financial Rationale of Marketing Decisions

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There are various interfaces between the finance function and marketing function in an organization and hence, the need for a reasonable degree of understanding and appreciation of various financial considerations while managing marketing related issues can hardly be overemphasized. Thus, Marketing Managers should be reasonably well equipped to visualize and address the financial impact of their decisions...

M/s ENJOY FUN COLOURING PRIVATE LIMITED manufactures and sells high quality oil pastels which are very popular with several school children studying in various reputed schools across the country. School children enjoy using these oil pastels for various colouring jobs. The concerned company uses three different packaging strategies while selling their products in the market. They sell these oil pastels by creating three different kinds of boxes, namely, the LARGE BOX (comprising 50 oil pastels of different colours of same size), the STANDARD BOX (comprising 36 oil pastels of different colours of same size) and a SMALL BOX (comprising 20 oil pastels of different colours of same size).

The concerned company adopts a somewhat unique model while selling their products in the market place. They had actually entered into a number of contractual agreements with various reputed schools across the country and they sell these products in "bulk" directly to those schools. The concerned schools distribute some of these boxes to their students during the beginning of their academic year along with other study materials, exercise books, stationeries etc and while doing so the schools recover the charges against such oil pastel boxes (as well). On recovery of such amounts from their students, the concerned school settles the entire bill of M/s ENJOY FUN COULOURING PRIVATE LIMITED that pertains to the supply of these oil pastel boxes during the year. It may also be noted that most of these schools purchase additional boxes of these oil pastels from the company (as well) based on their own estimates of additional demand from the school children that may materialize during the academic year. These additional boxes that are purchased by the school (over and above the initial requirements during the beginning of the academic year) are "stacked" in the stationery departments of these schools and the same is sold to the students as and when the students ask for the same. As these oil pastel boxes enjoy a reasonably high "shelf life", the schools actually prefer to retain a few boxes in their own stationary department for easy access and availability. The concerned company invariably sells all their products directly through these schools (as per the terms and conditions mentioned in the contract / agreement) and hence, they do not sell their products in the market place through retail outlets. Therefore, it may be noted that the demand of their products is totally driven by these schools which had entered into such contracts with the concerned company.

At the beginning of a calendar year, the marketing representative of the concerned company meets the school management in order to assess the supply requirement of various types of oil pastels boxes (during a calendar year) based on the school directives / estimates / demand. Once such annual requirement is assessed in consultations with various customers (namely, the reputed schools), the manufacturing schedule is developed by the concerned company with the primary objective of meeting the requirements within the allotted time frame. The specific advantage of adopting such a unique marketing model translates in form of the ability of the concerned company in minimizing their finished goods inventory holding in the very true sense of the term. As the production schedule of the company is essentially developed after obtaining specific orders from these customers (namely, various reputed schools across the country), the concerned company had naturally managed to minimize their finished goods holding to a considerable extent. Of late, it had been observed that the concerned company had actually managed to operate with (practically) "ZERO" finished inventory holding pursuant to adoption of such a unique model while marketing their products.

During the end of calendar year 2015, the concerned company had conducted a detail market survey in order to assess fair and reasonable selling prices of their products giving due consideration to the selling prices of similar products which are being charged

...and hence, Marketing Managers the world over should ideally be in a position to instrument financially correct marketing decisions. Moreover, the "financial correctness" of such decisions needs to be established by periodically generating appropriate management reports which may justify the contribution and effectiveness of the marketing function in an organization.

by their competitors and peers in the market place. While doing so, the concerned company had also provided due consideration to the variable cost of production of their products and it was finally decided that during the calendar year 2016, the company would sell large boxes, standard boxes and small boxes at the rates of Rs 150, Rs 120 and Rs 90 per box respectively. Incidentally, the variable cost of production (per box) of their products amounted to Rs 125, Rs 97 and Rs 70 as regard to the large, standard and small boxes respectively. Next, the concerned company indulged in a budgeting exercise and based on a study and detail analysis of prior years (s) records and performance, the concerned company created the "Sales Budget" for the calendar year 2016. The "Sales Budget" so created imposed a total " annual sales target" amounting to 240000 boxes of oil pastels on the marketing department of the company that comprised, 60000 Large Boxes, 100000 Standard Boxes and 80000 Small Boxes. Thus, the "Annual Sales Budget" proposed a total annual turnover of Rs 2.82 crores for the calendar year 2016.

On receipt of the above "Sales Budget", the Head (Marketing) of the concerned company communicated the same to his entire team comprising a number of field level marketing representatives who were expected to visit various schools shortly.

Most of these marketing representatives raised some serious objections as regard to the "Sales Budget" handed down to them and commented that the top management who had created such a budget appears to be pretty ill informed about the ground realities so far the market dynamics are concerned. They opined that it is practically next to impossible to sell 60000 large boxes of oil pastels during the next calendar year because, the demand of these large boxes are very limited in most schools as the children essentially prefer to use the standard size boxes and some of them would even prefer the small boxes of oil pastels. During prior years the marketing team did manage to push the large boxes in order to boost the overall turnover figure, but, of late, the demand of such large boxes had actually declined considerably in most schools across the country. Given such ground realities, how can the company even expect that sales of 60000 large boxes of oil pastels would be achieved during the year 2016? The Head (Marketing) commented that the budget had already been finalized by the company and it would be difficult to request for a revision at this final stage. However, he instructed his entire team to adopt the following marketing strategy that he believed may aid his team to achieve the annual target turnover of Rs 2.82 crores (approximately) during the calendar year 2016.

A) Try in all cylinders to sell the large boxes to the extent possible (or feasible). Offer handsome discounts (not to exceed Rs 10 per box) to the schools – if necessary. That might encourage these schools to lift these large boxes of oil pastels.

B) Despite adoption of the above strategy, if you still observe that there is some significant shortfall in terms of quantity of large boxes sold, try to compensate such shortfall by selling more numbers of standard and small boxes of oil pastels. You may even consider selling these other boxes at discounted prices – if the situation demands so. But, under no circumstances, such discounts may exceed Rs 10 per box.

C) I guess that if you follow my instructions, you'd finally manage to achieve the Rs 2.82 crores sales target during the year. You'll definitely agree that at the end of the day that would be our key consideration / objective.

D) Stretch yourself to the best of your abilities to achieve the target. That is all that I expect from my team. I am sure that my team would never fail me and all of you individually (and collectively) would finally make it possible.

During the calendar year 2016, the entire marketing team of the concerned company operated like a well-oiled machine under the able guidance and leadership of the Marketing Head and each and every marketing representative attempted in all cylinders and tried their best to achieve the sales target imposed on them. Their sincere efforts resulted in the following outcome as at the end of the calendar year 2016 (total sales data as collated by the marketing department as at the year end date).

The company sold 260000 boxes of oil pastels during the year comprising 50000 large boxes, 120000 standard boxes and 90000 small boxes. The average actual selling prices (per box) worked out to Rs 140, Rs 110 and Rs 83 as regard to large, standard and small boxes respectively. Thus, the total turnover recorded during the calendar year 2016 amounted to Rs 2.77 crores approximately (computed as 50000 * 140 + 120000 * 110 + 90000 * 83 = Rs 2.77 crores approximately).

During early January 2017, the Head (Marketing) send a small note addressed to the CEO of the company (attaching the above-noted actual sales data) wherein he stated that during the year 2016, our department had actually sold 260000 boxes of oil pastels as against the budgeted expectation of 240000 boxes of oil pastels. Moreover, our department had nearly managed to achieve the stiff target annual turnover of Rs 2.82 crores during the said year as the data reveals.

He was surprised and shocked to receive an "unpleasant return note" from the CEO wherein he sought a few explanations from his department (in general) and from him (in particular). Specific queries raised by the CEO are given below for ready reference.

a) Kindly explain (in detail) as to why the actual turnover achieved by your department fell short by Rs 5 lakhs approximately (as compared to the sales target – as budgeted) despite your claim that actual quantity sold is much greater than the budgeted quantity.

b) The actual sales data that you had shared distinctly reveals that your department had offered very high discounts to our customers in order to push the sales of various types of boxes and that is the primary reason for selling more number of boxes during the year.

c) Perhaps you thought that such action would aid in meeting the sales target, but, do have any clue as to how such actions had impacted the bottom line of our company?

d) I am sure that you'll agree that achieving sales targets alone won't benefit our company. All employees of our company are expected to focus on bottom line management issues of the company. If higher sales translates into bottom line contribution – well, it makes sense. Otherwise it does not. Sooner you wake up to this fundamental reality – better for our company.

e) I suggest that you create a management report ASAP that may ideally capture the impact of the decisions that you had implemented at your department level during the calendar year 2016. This report (that I want you to create and submit to me at the earliest) should capture the impact of your decisions as regard to both top line as well as bottom line management issues of our company during the year under review.

List of Review Questions

a) Can you suggest any common "cost based reporting model" which may be effectively applied in the instant case for capturing various "financial implications" of the decisions implemented by the Head (Marketing) of the concerned company during the year under review?

b) Conduct a comparative study, namely, the budgeted estimates vis-à-vis the final outcome pursuant to the decisions taken and make an attempt to capture the financial implications both in respect of top line and bottom line management issues of the concerned company.

c) Create a meaningful management report (as specifically requested by the CEO) coupled with a detail and thorough analysis of such financial impacts primarily focusing on the bottom line management issues of the concerned company during the calendar year 2016. MA

This case study, along with the list of review questions, as provided here(citing a common business problem in the domain of marketing function) attempts to provide a practical insight on the issue of "financial impact" of a particular management decision taken by the Marketing Department in an organization; simultaneously highlighting the importance of generating appropriate management reports for visualizing the effectiveness of the marketing function.

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Stock Audit

in Textile Spinning Units

For various reasons, some stock auditors are unable to arrive at a reasonable fair value of stocks. Some apply a fixed percentage of the sales value, on different stages of stocks-based on industry norm or on the estimates provided by the Spinning-Unit under the stock audit. One important aspect expected by Banks in the Stock Audit, is the information on fair value of stocks. The other details required by Banks on adequacy and existence of collateral security, insurance, confirmation of value of "Debtors", ownership of stock, related party transactions, etc. are not discussed here.

Among the stocks -comprising of RM,WIP,FG, Stock with outside parties (for doing job work), it is the **WIP** stock that is **NOT** evaluated properly due to the various intricacies involved. The lack of knowledge:(a) on the different process flow for the different products, (b)on the practice in the

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This article suggests a detailed practical approach to arrive at a fair value of stocks through physical verification. As accountants are quite familiar with the selection of appropriate" rate" for applying on the quantity of the stock, the article dwells more on the determination of correct "Quantity" of the stock. The Stocksat Ring Frame dept. form a large part of WIP and therefore, finer details are given for that dept. With the intent not to incorporate too many details, only a case of cotton-carded yarn on Ring Frame is discussed

industry,(c)on the information on all the end products,(d) on the industry norm or inability to apply a suitable norm, etc.- is the main reason that preclude presentation of a fair value of the WIP. The error aggravates, when the COST RECORDS are not available to apply the appropriate "rate" of the stock -based on the stage of progress and it worsens further, if the stock is taken a few days after the end of the period for which stock is sought by the Bank. The skill of an auditor is in presenting reasonably a **FAIR** value of the stock and to detect unethical diversion of a large amount of finished stock. **To facilitate presentation of the fair value, the various details to be collected by the stock auditor before starting and during the audit are presented in this article.**

The dept's, B/R, Card, D/F and S/F are called "Preparatory" Dept.

Physical Stock determination on all the R/F M/cs is quite tedious and time consuming and therefore, it is advisable to cover only(and atleast) 50% of spindles on each side of the machine.

A. Information to be collected prior to the audit:

To save time of the audit, it is a good practice to inform the Spinning Unit to provide the following information in advance or at least to keep them ready before the start of the audit

The Spinning Unit should be asked to:

1. Furnish the name of the cotton and their proportions in the various mixings used and the number of different yarn counts produced from each of these mixings and the corresponding roving-hank.(The "Count" number of the intermediary-materials like lap, sliver and roving in "Preparatory" depts. is called "hank")
2. Often, for counts in a narrow range, the same "Mixing" is used (E.g.: One mixing for 14Ne- 16Ne,another for 20Ne to 24Ne etc.). Thus, more than one yarn-count may have the same mixing, thus taking the same mixing cost.
3. Number all the machines (without any duplication of numbers)- including the idle ones-if such numbering is absent. In an unorganised Spinning-Unit, duplication of numbers, no numbers at all or different numbers on either side of the machine, descriptive names like "New LR"," Old LR" etc., are used which will create confusion during the audit. A simple serial numbering of all the machines in a dept. will indicate the total number of machines to be observed during the audit.
4. Keep Records showing issue and receipt of stock from one dept. to the other including that of the waste store. Often, some Units do NOT meet this requirement. The Unit should keep the record at least for the period from the end of the month(of the reference period of the audit) till the date of stock taking. This will facilitate working back the stock to the end of the reference period.
5. Furnish the list of all the places where the Stocks are held: like RM Godown-Production Dept. (including packing)-FG Store-Waste Godown- With Outsider's (job work) etc. Sometimes, the RM or Waste or FG may be stored at more than one places that are quite far away.
6. The ownership of the stock-if other than that of the Unit under the audit should be separated and accounted properly. The Unit should be unequivocally told NOT to show the stocks that do not belong to it.
7. Furnish the list of various production departments in the order of material flow (like: for Carded Counts: B/R-Card-D/F(Br)-D/F(Fin)-S/F-R/F-Wdg-Pkg, and for double yarn from

job work: B/R-Card-D/F(Br)-D/F(Fin)-S/F-R/F-Wdg-Job work-Pkg, and for combed counts: B/R-Card-D/F(Br)-Superlap-Comber-D/F(Fin)-S/F-R/F-Wdg-Pkgetc. (Combed yan-counts are not discussed here).

8. Keep the cost records ready.-if available, to apply suitable rates for the stock at different depts. Of the "Preparatory" and in their absence, one single (average)rate for preparatory may be applied-obviously the latter dilutes the accuracy of the valuation.
9. Furnish the list of Installed No: of m/cs:like:B/R-2(lines), HP-Card-10 (with large size cans), SHP cards-4(with normal size cans), D/F(Br)-4(two del.), D/F(Fin)-8(Single del), S/F-10(108 spdls each),R/F-6(1008spdls each) and 3(1010spdls each) and 2(1012 spdls), Winding-Auto coner-6(96 drums each), RJK-8(60 drums each), waste winding-Cimmco-2(36 drums each). This list will enable the auditor NOT to miss the stock on any machine.
10. Furnish the tare weight of all the "empties" of different sizes: like wt. of lap-spindle- rod, card cans (of different diameter and height), D/F cans (of different diameter and height), S/F bobbins (of different height), R/F bobbins (of different height), winding cones/cheese, etc.
11. Furnish the full (gross) weight of all the materials (like laps, cans, cops, cones etc.) of different sizes and in case of "auto- doffing" provide the length set- for the doff at the various m/cs. The auditor should also cross check through actual observation, by weighing at least five pcs of each of the material holders. This is an IMPORTANT base-datathat affect the accuracy of the estimation of the quantity of the stock held at various stages. The figs quoted by the unit vary with the actual, as they are often given based on the opinion of the person providing the information.

(In case of auto doffing on cards or D/Fs, the auditor should understand whether the doff takes place when "0000" is reached in the counter (i.e. count down from the set-full length to zero) or when the reading reaches the set-full length. (i.e. count up from zero to full length). Then, the counter reading at the time of observation can be suitably interpreted to know the length of slivers delivered into the cans t the del. end. reading. [Example: In count down type: if the length set is 5000(m) and reading is 1000(m), the length of sliver in the can is 5000-1000=4000(m). In case of count-up where the initial reading is "0000"and final reading at doff is "5000", the length delivered into the can will be 1000-0000=1000(m)]. Knowing the "hank" of the sliver delivered, the weight of the sliver can be calculated from the length delivered into the can.

12. If the cost records are not available, the CFO or the Cost Accountant of the unit should furnish his estimate at-least in the form of percentages like: Of the total conversion cost (from B/R to Pkg), 5%in B/R, 8.5% in Card, 7.5% in D/F (Br), 8.5% in D/F (F),10%in S/F, 45%in R/F,15%in Wdg and 0.5% in Pkg. It is advisable to apply the % on total conversion cost and not on total cost or selling price -as the industry norm can be reasonably applied to the conversion cost - as conversion cost is independent of RM cost and selling price which vary from one unit to the other.
13. Furnish "waste" and "yarn realisation" details of different types of yarn for the reference month. Often the information on waste is sketchy and has to be polished to arrive at a fair figure. This information is to be compared with the SITRA norms to elicit abnormality. Any abnormal data, should trigger suspicion in the mind of the auditor on diversion of stock that are not recorded in the books.
14. Stack the goods properly so that the auditor can reach and see the stock. Incase of RM and FG, at least 1.5-2 ft. gap should be left between the stack of bales of one variety with that of the other.Waste, defective FG, empties, spares, normal-FG and virgin RM should be clearly stored at places with clear demarcations. A unit involved in dubious activities will never store the material properly to deliberately hinder physical stock verification.
15. The auditor should insist on providing a person at a junior level to accompany him during the audit(the person is referred to as "Assistant" in all the later parts of this article). But, the "Assistant" should know about the stock and its movements. The "Assistant" also thus becomes the witness

for the stock figs produced by the auditor at the end of the audit. If necessary(although not advisable), after the audit in each dept., the auditor may take the signature of the "Assistant" in his working sheet.

B. Some Useful Tips:

1. The stock audit should begin at the start of the First shift(say at 7.00am) to properly arrive at the opening stock of the day by taking the shift/day's production into account. Further, for about a 10,000 spindle- unit, for a fair coverage of RM, WIP and FG within the Unit, through physical stock verification, an auditor will take at least 12 hours to complete. The exact time of start and end of the observation in each dept. should be noted to give corrections for the location of the stock(see item 3 below).
2. The auditor should do the totalling details after the office hours-but on the same day at home. Any noting done during the audit will be remembered only if the recordings are gone through on the same day and the totalling is done. Any machines omitted can be detected if the recordings are gone through on the same day.
3. There is no need to stop the activity. The record will show the time of transfer from one dept. to the other-including receipts from outside and transfer to outside parties. (The Unit should be told to record the time of transfer on the day of the audit).This will help in determining the correct location of the stock during the day of the audit. Exact time & duration of any power shut down(total or in specific dept.) resulting in stoppage of the activity during the day of the audit may also be recorded. All the stock should be worked back to get the **opening stock status on the first day of the audit.**
4. It is important to note the exact locations and the different sizes of containers in which the stocks are held in the production depts. The stock may be in two forms-(I)input material and (ii) output material of the dept. The input material may be on floor in the containers-waiting for loading on the machine, and/ or at the back of the machine in working position(s).The output material may be on the machine in the working position at the delivery end or on floor in the container (or just on floor) waiting for transfer to the next dept. In both the cases, the material in the containers/ packages may be full,3/4 full,1/2,1/4,1/8 or nil. This is called the Filled-up Level(FuL) This abbreviation(FuL) is used several times in this article and hence should be understood properly. It is advisable to record these level to increase the accuracy of stock-taking. Many auditors take the average fig of "1/2 -full" for simplicity, and thus dilute the accuracy. In each dep't, the "Assistant" should be asked to visualise these sizes in mind and to quickly identify the "FuL" of each container/ packages. At each dept. the auditor should ensure whether a) feed- mat'l stock on floor, b) stock behind the machine, c) stock at del. end of the m/c and d) the output- stock of floor are physically observed and captured.

C. Audit at various depts.:

1. RM Go down:

a) The auditor should understand how the Bales are arranged in each stack. Usually they are not stored one above the other, but like how the bricksun loaded from a lorry, are stacked vertically on ground. The total number of bales in one row should be determined. The no: of rows should be counted, to arrive at the total number of bales. Corrections should be given for the missing bales in top one or two rows that do not have all the bales in the row. When bales are stored with passage-alleys, the physical stock taking will be easy – otherwise, time consuming.

b) The stock of each and every type of Cotton should be determined. -even if one cotton is equivalent to the another or of the same price/ technical specification.

c) Allowance for the defective/ damaged bale should be effected. The stock delivered to production dept. after the end of the audit in RM Go-down but before the start of the audit at the production dept. should be collected and the stock should be adjusted to avoid duplication of the stock. (This procedure is applicable to all depts. in the Spinning Unit.

d) The average wt. of the bale and the average price of the lot should be obtained from the Unit, to find the total wt. and the value of each variety of Cotton.

e) Sum up to get the **total Kg, the total value and the average rate per kg, of the RM stock**

at the RM Godown.

f) The difficulty involved at this stage may be- inability to access the stack to count the bales due to improper stacking, mix up of different cotton in a stack, storage of consumables, spares, waste in the RM go down, storage of RM in production dept. and in case the Unit has sister companies doing similar business(like Ginning or Cotton Trading or Spinning) and if they are in near proximities, there is a possibility of mix up of their stocks etc.

2. Waste Store:

a) The wastes are categorised as: Unwillowed waste (from B/R & Card dropping), willowed waste, Flat strippings (from Cards), lap bits (if any), spoiled/soiled cotton bales (if any),Sliver waste (from D/Fs& Speed frame), Roving waste (from S/F & R/F), Pneumafil waste (from R/F), Roller clearer waste(Bonda) from R/F, Hard(Yarn) waste (from R/F and Winding). The waste from B/R and Cards and hard wastes are called "Saleable" wastes-as they are sold out. The other wastes are called "Usable" waste as the wastes are re-used. But a unit may decide to sell even part, or all the "Usable" waste.

It is a normal practice to remove the waste immediately from the production dept. to the waste go-down and in case of usable waste to B/R. But in case, they remain in various depts. the stock of waste should be noted down when the various depts. are visited.

b) The weight of these wastes should be determined separately but often some Spinning units mix up these saleable wastes and call for a tender to get a price for the mixed-up waste.

c) Determination of the weight of the individual types of waste will help in detecting diversion of good-material and will be a cross tally with the fig given by the Unit for yarn realisation.

d) Storing wastes in RM Go-down without a place with a clear demarcation, or storing in production dept. should be condemned as a BAD practice.

e) Due to non-standard size of the package of the waste, the weight determination becomes approximate. Yet, a medium size waste package of each category of waste should be actually weighed and weight of other packages should be relatively arrived at.

f) Due to the usual haphazard stacking of waste packages, there may be difficulties in ascertaining the total number and different sizes of the waste packages.

g) As the "rate" of waste is small and the quantity involved is usually small, error arising due to these approximations will NOT MATERIALLY affect the total stock value and much time should not be spent to get a very accurate waste stock figures.

3. Blow Room:

This is the first dept. that receives RM from the RM Go down and the (usable) waste from the Waste Go-down or from the production dept. The stock determination at this dept. will be as follows:

a) Un-opened full bales on floor-get the cotton name, number of bales ,to apply suitable rate applicable to the cotton name.

b) Partly opened bales on floor (and in Blend-o-Mat machines, they will be at the feed end of the machine) -get the no: of bales of size 1/8,1/4,1/2,3/4, Full, i.e. the "FuL". Also get the name of the cotton-to apply suitable rate applicable to that cotton(name).

c) In trolleys: The mixed cotton may be in trolleys from where they are fed to the feed-conveyers of the m/cs. The auditor should get the details like item-d next.

d) Mixed cotton: At any time, the number of mixings will usually be equal to the number of B/R lines and some times more- if there is mixing-change over in progress. The mixed cotton may be in the bins, sometimes on floor. Find the number of bins and the quantity in each bin. The operator/supervisor on the shop-floor usually gives a fair estimates of the quantity in the bins and the information can be taken from him.

e) Waste: Get the type of waste (lap bits, soiled cotton, sliver, roving, pneumafil, bonda, etc.), their quantity lying in the B/R, and the corresponding rates to arrive at the total value.

f) Laps on delivery end(Line-1): In case of B/R with Scutchers," laps" are produced at the delivery end. The "FuL" of the lap on the m/c should be noted and its weight should be arrived at.

The mixing that corresponds to the "lap" should be noted to associate its correct mixing cost.

g) **Laps on Floor (for Line-1):** The laps waiting for delivery to the next dept. will be on floor. It will usually be of "Full" size unless defective partial laps are doffed. Ascertain the no: of full laps and its total weight. If there was a mixing change, the laps of floor may be of different mixings -otherwise they will be of the mixing as in the case of lap on the del. end of m/c.

For line-2 or more, similarly, the laps on the del. end of the m/c and the laps on floor should be counted and the mixing detail and the weight should be determined.

From, these observations, for each mixing, the total weight(kg),the total value and the average value (= Tot. Value/Tot.kg) may be arrived at and then, the combined total kg, total value and average rate/kg for the entire stock in B/R may be computed. The stock of individual cotton will take the cotton rate after adding RM go-down cost and waste as suggested in the CAS, the Laps- the rates applicable to the output of B/R and the appropriate mixing.

In case of chute –feed system, (where the output of B/R is taken through pipes and fed through "chutes" directly to the cards),the "Scutchers" are not present and hence there will no productionand stock of laps. Thus, item (f) and (g) above will be redundant.

4. Cards:

There may be some "lap" fed cards and some chute fed cards if both- "Scutcher" and B/R with chute -feed are in use in the Unit.

a) For lap fed cards, the size of the lap at the feed end should be noted along with the no: of cards, to arrive at the wt. of laps at the feed end of all lap-fed cards. Their mixing is to be ascertained to apply the appropriate mixing rate. For chute feed cards, there will be no "laps" at the feed end.

b) The different card-can size in use, should be looked for. The tare wt. and full wt. of at least FIVE cans in each size at random should be checked. (The cans vary in Diameter and height only but in some cases for the same size there may metal cans and plastic cans as well- which again should be weighed separately to apply the appropriate wt.)

c) For both the cards(i.e. Lap fed or chute fed),there will stock in the cans at the del. end of the cards. The"FuL" of the cans should be recorded. Corresponding to the full can weight of the appropriate cans, the wt. ofthe partial cans (of different "FuL"), should be arrived at. Alternatively,if the cards have auto- doff mechanism, the instantaneous counter reading (that records the length delivered) may be recorded to arrive at the length of material fed (already)into the can at the del. end. From the details of the length and the "hank" of the sliver, the wt. of the sliver in the can be calculated. The mixing of the sliver (same as the mixing of the material fed) should also be noted.

d) The full-cans at del. end of the card but not in the working position(waiting to be removed from the card) are to be treated as "Card-cans on floor". In addition, there may be stock of cans on floor of different sizes of the card-cans and different mixings- which also should be recorded.

e) The total stock comprising of material on feed material on floor(laps),material at the feed end(laps), material on delivery end and output material on floor should be arrived at mixing-wise and suitable rates should be applied for the wt. of each mixing to arrive at the total value of the stock at the CARDS. The laps will take the rate applicable to the B/R output and the corresponding mixing, and the card slivers the rate applicable to card output and the corresponding mixing.

[All the cans (of Cards, D/F) have springs at the bottom and so the slivers in the cans will always be near the top of the cans-giving an impression to a lay-man that the can is full. In reality, the "FuL" of the can be arrived at only by pressing down <u>fully</u>, the spring-loaded top lid. The "Assistant" should have expertise to ascertain the "FuL' by pressing the lid down fully.]

5A. Draw Frame(Br):

The material passes twice in draw frames. The machine used in the first passage is called the "Breaker", i.e. D/F(Br).This machine has <u>two deliveries</u> and each delivery takes usually 8 card- slivers (of the same mixing) as its feed material. Thus 8 card-cans will be at the feed end of each delivery.

The card materials of one mixing(say Mixing-A) is usually taken in both the deliveries of one D/F(Br). In general for a set of cards (say: Card #1,2,3,4 &5) processing the same mixing, a fixed number of D/F(Br) (say No: 1 & 2) are used as the subsequent machines. This arrangement is to avoid mix up of material. Further, the card cans of Mixing-A will bear a luminous-ribbon band of one colour at its neck and similarly the D/F(Br) cans will bear a band of one colour(preferably the same colour as on the card cans). This continues for all the cans up to and including the cans at the del. end of D/F used in the second passage.

Like in cards, D/F cans may be of different sizes. The tare wt. and full wt. of 5 cans in each size should be checked at random.

Card cans on floor [waiting to be fed to D/F(Br)]:Can size-wise, the details on "FuL" (usually full, but can be different also), their mixing details, should be collected.

Card cans at feed end: For each m/c of two deliveries, there will be in total 16 cans at the feed end. The filled-up level i.e. "FuL" of each can should be checked and the mixing information-noted down.

D/F(Br) cans at del. end: For the two del. ends of one machine, there will be two D/F(Br) cans of the same diameter and height. The material content of the can at the time of observation should be noted. The "FuL" in each of the two D/F cans <u>at the del. end can be different and hence has to be noted individually.The mixing will be same as that of the material fed.</u>

D/F(Br) cans on floor: The stock on floor for different sizes of the D/F(Br)-cans and *for different mixing* should be collected separately and then collated to arrive at the total stock.

<u>All the card- slivers will take the card output rate for the mixing applicable and the D/F(Br) slivers take the D/F(Br) output rate for the mixing applicable.</u>

5.Draw Frame(Fin):

As said earlier, the material passes twice in draw frame. The machine used in the second passage is called the "Finisher", I.e. D/F(Fin). The older version machines of D/F(Fin), have two deliveries on each machine-just like D/F(Br) m/cs., but the newer versions have ONE delivery only. Each delivery takes usually eight D/F(Br) slivers (of the same mixing)as its feed material. Thus 8 D/F(Br)-cans will be at the feed end of each delivery.

In general, material from one D/F(Br) is fed to a fixed D/F(Fin).and therefore, the mixing in the D/F(Fin) will be same as the material fed.

The D/F(Br) cans of different sizes should be looked for.The tare wt. and full wt. of at least 5 cans in each size should be checked at random.

D/F(Br) cans on floor [waiting to be fed to D/F(Fin)]: Exactly like in D/F(Br), the stock taking is done at D/F(Fin). Can size-wise, the "FuL"(usually full, but can be different) and the mixing detail, should be collected.

D/F(Br)cans at feed end: For each del. there will be 8 cans at the feed end. The "FuL" of each can should be checked and noted down.

D/F(Fin) cans at del. end: For the single del. end of a machine, there will be one D/F(Fin) can at the del. end. The material content of the can at the time of observation should be noted. The "FuL" of D/F(Fin) should be noted down.

D/F(Fin) cans on floor: The stock on floor for different sizes of the D/F(Fin)-cans and for different mixing should be collected separately and then collated to arrive at the total stock.

<u>The slivers of the D/F(Br) will take the D/F(Br) output rate applicable to the mixing and the slivers of D/F(Fin) will take the D/F(Fin) output rate applicable to the mixing.</u>

6. Speed Frame:

a) The machine number, number of installed spindles (say 108), mixing of the matl.fed, number of idle spindles(say2) and if necessary (but not a must) the make (like "LR"," Reiter", "Zinzer" etc.) should be noted for each machine.

b) Note for each m/c, the working positions=Installed Spindles-Idle spindle. (Example:108-2=106)

c) The **D/F(Fin) cans on floor** waiting for the feed should be ascertained with all the details as in D/F sections.

d) **D/F(Fin)Cans at Feed end:** The number of feed-cans [i.e. D/F(Fin) cans] will be equal to the working positions - if the idle spindles are without the feed-cans, otherwise equal to installed spindles. The no: of cans in the feed positions is to be counted and if the counting is difficult, the total number of cans at the back of the m/c in the feed position should be ascertained from the operator/ supervisor. Usually 50% of the feed cans that are in the periphery of the area where the feed- cans are kept, are reachable and the rest, inside the area, are not reachable-unless the m/c is stopped and the cans are moved to pave way for the access. An Auditor should refrain from stopping the m/c to the extent possible.

Like Card & D/F cans, the" FuL" of the 50% of the cans should be found and the result extrapolated to get the quantity for the entire machine [Example: Tot. Feed cans: 108, Weight of 54(=50% of all) feed-cans :1000kg. The weight of all 108 cans (by extrapolation) =1000X108/54= 2,000.] This is a fair estimation, as in random sampling, the 50% of any cans which happens to be on the periphery will represent the entire m/c. Further, in case of difficulty in reaching to the cans, the no: of cans observed can be nearer to the 50% and the data can be extrapolated. In the above example, if the cans assessed is 50 only and the wt. was 960Kg, then the tot. wt. of all 108 cans may be taken as 960X108/50.Thus the 50% fig. is just a guideline.

e) **S/F bobbins on machine:** The "FuL" or the doff position of S/F bobbins that are working at the time of the observation should be noted. Usually, they all will be of the same "FuL". From the wt. of a full bobbin of a particular "hank" and its mixing, the weight corresponding to the "FuL" of other S/F bobbin can be arrived at.

Example: If Full bobbin wt. is 1.2Kg, and if "FuL" is 3/4, the 3/4 wt. is 1.2X3/4=0.9kg of each bobbin. Therefore, the wt. of all the bobbins in the working position=106X0.9=95.4kg for that particular S/F.

The idle position=2 and if there is bobbin in that position note the "FuL" –say one is 1/8 and the other is 1/4. The wt. of bobbins in the idle position is=(1.2X1/8=0.15kg) +(1.2X1/4=0.3Kg) = 0.45 kg

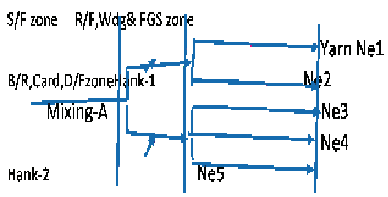
The total weight of all the bobbins on that particular m/c at working position=95.4+0.45=95.85Kg.

f) **S/F bobbins on floor.** The information on" FuL" of each bobbin of same mixing, "hank" (of the roving) should be collected to arrive at the total wt. for each mixing and the hank. If there are three mixings and two hanks in each mixing, there will be3X2=6 different types pf bobbins for which the quantity should be arrived at separately. A difficulty may be faced at this stage as the full bobbin wt. of different S/F m/cs may vary. For some m/c the full bobbin wt. maybe say 1.5Kg and for same say 1.2 Kg. Then, the information should be collected separately for 1.5 Kg bobbins and 1.2 Kg. The Auditor should ask whether any such variations exist due to machine parameter like flyer-diameter and/or different "roving hank". If the difference exist, data should be collected separate for the two sizes of bobbins. Stock taking with such finer details, will improve the accuracy of the stock estimation, but if the "hank" difference is small (not more than 20%) such segregation is not necessary.

[Example: the roving hank between 1.0 and 1.2 can be taken together for simplification without losing much accuracy of the value of the stock.].

g) **Defective S/F bobbins on floor:** The Auditor should ask whether the S/F bobbins on floor are defective, repairable(i.e. removing a few layers of roving to use them further) and "reasonably "quantify them using the "Assistant" and then apply suitable "rate" for the quantity involved. Usually, such stocks are small in quantity and an estimate from the "Assistant" should be enough and taken as such without probing further. If the defective material on floor is quite large, the Auditor should record his observation on it, in his Audit Report to the Bank. The D/F(Fin) slivers will take the "rate" as per the D/F(fin) output along with the corresponding rate applicable for the mixing of the material and the Roving hanks will take the S/F output rate applicable to the "hank"of the roving along with the corresponding rate applicable for the mixing of the material.

h) The total stock in S/F dep't, in Kg, total value and an average rate/kg are calculated from these details.



i) The fig shown above,indicates how the information is to be collected for Mixing-A.In B/R, Card and D/F, the stock information is collected just Mixingwise. The impact of "hank" difference in slivers of Cards and D/F on the cost of the stock is small and therefore may be ignored. In S/F, the details are collected Mixing and Hankwise. i.e. in S/F, for the same mixing there may be one(or more hank of the material)and in R/F,Wdg and FG Store, a mixing(say A) with a hank(say Hank-1) may have more than one yarn count(Ne) say Ne1,Ne2.For a given count, the information on the corresponding roving hanks and the mixing are already collected in the beginning of the audit and hence known.

Similar details are collected for Mixing-B(Mixing C and more -if such mixings exist).

This grouping is necessary to apply appropriate rates to the stock.

j) As shown above, similar details are collected for Mixing-B(Mixing C and more -if such mixings exist).The figure shows how the information on stock from B/R to D/F is to be summed up mixing-wise and in S/F "mixing wise and roving-hank wise" and from R/F till FG stores, the stock details (of yarn) are to be summed up Count-wise. For a given count, the information on the corresponding mixing and the roving hanks are already collected and hence known. The impact of "hank" difference in slivers of Cards and D/F on the cost of the stock is small and therefore may be ignored. This grouping is to apply appropriate rates to the stock.

7. Ring Frame:

The stock at R/F dept. comprises of the following:

a) S/F bobbins on floor, trolleys & open-cupboards waiting for creeling on R/Fs.,b)

b) S/F bobbins on the reserve creel of R/Fs.

c) S/F bobbins on the creel of R/Fs at the working position

d) R/F cops on the spindles of R/Fs at different stages of "doffing" in each m/c. ("doffing" is the processes of removing the cops from the spindles when they are full)

e) R/F cops on floor, bins & trolleys-waiting for transfer to Winding.

Let us visualise the conservative estimate of the stock at R/Fdept. of a 10,000 spdl-unit, producing about 7Tonnes of yarn per day. The unit may have about 35T as WIP from B/R to Pkg. The stock of the items said under(a) to (e) above, in the R/F dept. may be:

Item-(a) above: One shift production i.e. about 2,300Kg.

Item-(b) above: Assuming reserve creel capacity is 50% of working creel, the no: of reserve creel=10,000/2=5000.Usually full bobbins are creeled in the reserve-creel and taking conservative full bobbin wt. as 1.2kg, the total wt. on reserve-creel will be=5000X1.2=6000Kg.

c)Assuming the "FuL" of S/F bobbins in the working creel as1/2, the total wt. in the working creel will be=10,000X1/2X1.2=6000Kg

d)Assuming R/F cop wt. as 70gm, and if "FuL" is taken as1/2, with negligible idle spdls, the tot. Cop wt. on all the R/Fs=10000X1/2X70/1000=350Kg.

e) Assuming half shift production of R/F-cops on floor waiting to be taken to winding, the tot. wt. will be=7000X1/3X1/2=about 1,150Kg.

Thus the Total Wt.= 15.8T which is 0 45% of total WIP. The stock of S/F bobbins on the creel alone is 12T i.e. 34%of the total WIP.

The above figs indicate the need to find the S/F bobbin stocks in greater details and accuracy. A proper physical stock at this stage alone will greatly improve the accuracy of the WIP value. But assessing the stock taking at R/F creel is tedious and therefore, to get a fair representation,

(a) The physical stock should be taken on ALL the R/Fs but,

(b) Restricted to half of each side of all the ring frames.

(c) The result may be extrapolated for all the frames covering all the spindles.

The detailed procedure is as follows:

I. Keep a separate sheet in the working pad -for each side of every R/F and mark on top of it, a) the R/F number......, b) Side: "Left/Right", c) total number of spindles of the Frame......, c) the Yarn Count......, d) the date .... Start time.... End time.... of the physical stock audit on that side.

II. Mark in the same sheet (i.e. for each side of the R/F), a) Idle spindles...., b) doff. Size......, c)Total spindles on one side.... (= half of total spdls of the R/F), d) No: of spindles observed.......

The blanks should be filled up IMMEDIATELY after completing the physical stock audit on each side of the m/c.

[The total spindles on any R/F has to be an even number. The number of spindles on each side will be exactly half of the total spindles on the m/c. Note the left and right side of the m/c. Looking from the gear-end of the m/c the side on your left is the LEFT side and the one on your right is the RIGHT side of the m/c.

Check whether this convention is applicable in the Unit under the audit.

III. Understand how the spindles are numbered. On each side, the spindle number-1 starts from the first spindle, and ends with the last spindle as Number- say 504.The markings of the spindle numbers are on the Ring rail near the rings and the numbers are painted only for the 10th spindle as 1, 10, 20,30......500 and last 504. The spindle number in between these numbers should be identified by counting forward from the last 10th number or backward from the next 10th number. For example, to find the spindle number27, look back to find the nearest number of the 10th spindle. It will be "20".Count forward, from the next spindle as 21,22, etc., till you reached the spindle you want. So, the number of the spindle you want will be 27.Alternatively, look ahead for the next 10th Spindle-mark. It will be 30.Count back from the next spdl. as 29,28 etc. till the required spdl is reached. Then, the no: of the spdl wanted will be 27.

IV. After noting down the total number of spindles on one side, arrive at half its number. For 504 spindles on one side, the half level is 252 spindles. Inform the "Assistant" that the stock applicable to 252 spindles should be checked and therefore during the stock-audit on the R/F, look for the last 10th marking of the spindle of 250 and continue the observation for the next 2 spindles as well. (There is no harm even if the number of observations are a few spindles on plus or minus side—as will be clear from the calculations that are explained later on).

V. Inform the "Assistant" that for 252 spindles, a) The "FuL" of the S/F bobbins in the working position, b) the "FuL" of S/F bobbins of the spare- creel, c) the no: of idle spindles in the zone (i.e. 1-252spindles) and the "FuL" of doff position of the R/F bobbins at the completion of the observation on both sides of the R/F (The doff position will be same and applicable to all the spindle of the frame).

VI. The "Assistant" should be asked to visualise the "FuL' of S/F bobbin first before expressing the "FuL" of the bobbins to the Auditor. This visualisation will help him to quickly convey the level as soon as he observes the S/F bobbin.

A hesitation/ fumbling in ascertaining the "FuL" by the :Assistant" will delay the audit-observation.

VII. The "Assistant" should be asked to count the number of S/F bobbins in the **Spare-Creel** only in the zone (1-252). The S/F bobbin at spare creel will usually be FULL and in case a few are not(for various reasons), the Assistant should intimate the "FuL" details to the Auditor. Example:1/8= 2, 1/4=3, 1/2= 5. Full=114. (Total for zone 1-252 spindles) =124.Using the corresponding wt. of "FuL" of the S/F bobbins, the tot.wt.in the spare creel in the zone (1-252) on one side of the m/c can be arrived at as follows:

For "Full": 1.2X1X114=136.8, For1/8=1.2X (1/8) x2=0.3, For1/4 =1.2X (1/4) X3=0.9, For 1/2 =1.2X (1/2) X5=3.0

Total S/F bobbin Wt. **On the Spare Creel**=136.8+0.3+0.9+3.0=141 Kg- Item(P)

VIII. Next, the "Assistant" should be asked to look at each and every S/F bobbin in the Working Creel only (the Assistant can easily identify the S/F bobbin in the working position as the roving from it will enter the drafting zone of the R/F), and inform the Auditor the "FuL" of them. Unlike in the spare creel (where almost all the S/F- bobbins will be "Full"), the "FuL" of each of the S/F bobbin in the Working position will vary and therefore has to be identified individually. The Auditor should remain alert and note down the "FuL" as and when the "Assistant" looks up the creel, observes the S/F bobbin, quickly assess the "FuL" of it and tell the Auditor the "FuL" of that S/F bobbin and he then moves forward to observe the next S/F-bobbin and repeats the same action, till spindle No: 252 is reached. The whole exercise has to happens quite fast to complete all the R/Fs in time. The Auditor should hear the "Assistant" properly and note the"FuL" level without a mistake. The Assistant should be asked to be a bit louder and spell "Nil, 1/8,1/4,1/2, 3/4,Full" clearly. In the "din" of the dept. the voice "Nil" and "Full" may be heard alike and precaution should be taken to identify the two. The hint may be, in case of "Full" the Assistant may give a little pause after it is spelt out and no pause for"

Nil". This means, the Auditor, with his pad and the relevant sheet open, should keep a close range with the "Assistant" and write down the details quite fast in pencil (for correction if any at a later stage). Such simple precautions will add accuracy to the stock fig. and must be observed even if they look silly. This is the tedious part of the entire exercise and should preferably be done with all precautions and without any compromise.

IX. The recordings of "FuL" of the S/F bobbins on working-creel in the zone (1-252), in the Auditor's sheet may appear as follows

Nil: IIII =4,

1/8: IIII IIII IIII III =23

1/4 :IIII IIII IIII ......IIII=84

1/2: IIII IIII IIII ....II = 22

3/4: IIII IIII IIII .... IIII, III =53

Full: IIII IIII IIII .... IIII, =65

Idle spindle with no creel bobbin=1

Total: 252

If the S/F full bobbin wt is say 1.2 Kg, the tot. wt. on the observed spindles of 252 will be=

For Nil: 0X1.2X4

For 1/8:1/8X1.2X23

For1/4:1/4X1.2X84

For ½: 1/2X1.2X22

For ¾: 4/3X1.2X53

For Full: 1X1.2X65

For idle spindle with no creel bobbin: 0X1.2X1

The total wt. for 252 spindles =[1.2{(0X4)+(1/8X23)+(1/4X84)+(1/2X22)+(3/4X53)+(1X65)+(0X1)]=1.2(0+2.875+21+11+39.75+65+0)=1.2X139.625=167.6, say168 Kg. Tot. wt. Of S/F bobbins in the zone (1-252)is=168Kg.. Working Creel...Item(Q).

X. R/F Cops on working spindles (zone 1-252):

The(yarn)output of R/F is on R/F-Cops. Find the "FuL" of the R/F Cops on the spindles at the end of the observations of the creel. Let it be 3/4 -(generally in 95% of the cases, the same FuL is applicable to all the spindles in that R/F at that time. But a few spindles may have partial bobbins. A correction for them may be given considering the "FuL" of those cops.) In the calculation below the exception is ignored.

Let the full Cop wt. applicable for the (ring dia & lift) of the R/F and the count run be=70gm=0.07 Kg. This means the Cop wt. should be collected for the individual R/F (although one wt. applicable to all the R/F with similar tech specs like dia, lift and yarn count may also be applied. But the Auditors not familiar with technical details, should collect the bobbin wt. from the "Assistant" for each R/F).The total R/F-cops wt. for the zone (1-252) is calculated as follows:

Tot spindles in the zone=252,Idle spdls=4 Therefore 252-4=248 spdls will have R/F cops.R/F bobbin wt. (one 1-252) in Kg="FuL"X Full bob. wt X No: of bobbins=3/4X(0.07) X(252-4)=13.02 Kg...R/F bobbin wt..... Item R

XI. Total wt. for one side of the R/F: The workings to calculate the total weight for the entire (one side)- say LEFT-side of the R/F by extrapolation will be as follows:Extrapolation Factor(EF)=Tot. Spindles on one side/No: of spindles observed= 504/252=2 (It may be noted that if the no: of spindles observed is not exactly 252 but say 254, the extrapolation factor for 254 will reduce but the wt. corresponding to the 254 spindles will be more (than that of 252)and so there will be no error in the calculation of tot wt. for the entire side.)The total extrapolated wt. for all the spindles on ONE (say LEFT) side of the frame=EFX(item

P+Q+R)

=2X(141+168+13.02)

=644.04 Kg

XII. For all the R/Fs:

The exercise done on ONE side of the R/F should be repeated for BOTH the sides of ALL the frame. For instance, in a 10,000 spindle unit, if there are 10 R/Fs, there will 20 sides and the exercise is to be repeated 20 times. Considering the different cost associated with the different mixing, S/F bobbin hank and the yarn count, it is better to collate the information considering these parameters. The summarised stock of material on R/Fs ((after adding the left and right side figs after extrapolation) may appear as follows. (imaginary figs shown)

		14 Ne	20 Ne	30Ne	34Ne	Remarks/F Nos:
	Creel Kg	Cop Kg				
Mixing A, 1.0Hk,	1,229	15				3
Mixing B, 1.0Hk	1,263		13			1
Mixing C, 1.2Hk	1,324			12		10,
Mixing C, 1.2Hk	1,063				11	2

Etc. covering all the R/Fs						
Total	13,292	30	51	24	22	Total 13,419
Mixing A 1.0Hk	2,460					
Mixing B, 1.0Hk	5,052					
Mixing C, 1.2Hk	5,780					
Etc. covering all the R/Fs						

The above details are derived from R/f-wise details that may appear as follows:

R/F-wise, Stock on Spare Creel, Working Creel and of R/F Cop on R/FsKgs)

R/F#	Left	Right	Total	Mixing	S/F Hk	Yarn Ne	Remarks
1	644	632	1,276	B	1.0	20	1,008 Spdl
2	540	534	1,074	C	1.2	34	936 Spdl
3	632	612	1,244	A	1.0	14	1012 Spdl
10	661	675	1,336	C	1.2	30	1012 Spdl
Total			13,419				10,080 Spdl

XIII. R/F Cop of floor:

The R/F bobbins after doffing are weighed in some Spinning units having no electronic meters on each R/F. This exercise, gives the yarn output in Kg for every ring frame and a fair wt. for the shift and the day. In such asituation, there may some doffs waiting for weighing. Such stocks can be taken as R/F Cops on floor in R/F dept.

In recent periods, the electronic meter on each R/F provides all the required details for on- line details. Therefore, the doff from the R/F is taken directly to Winding. Even if the bins in winding are full and the doffs are kept in baskets/bins at the R/F the stock has to be taken as that of Winding dept.

While taking stocks of RF cops and beyond, all the details should be as per the yarn count(for a given yarn Ne, the applicable mixing and the S/F roving -hank should be noted by the Auditor in the beginning of the Audit to apply the respective rates for the stock.)

8. Winding:

The following details should be noted:

a. **Stock of R/F cops in the bins(waiting for Wdg)**: The Auditor should note the yarn Ne, get from the "Assistant"/the Winding dept.- Supervisor the approx. number of cops in each of the bin which are usually "Full" (but some may be partial) and for each yarn-Ne, the Kg in the bins should be compiled. [The bibs are usually wooden/ metal/bamboo made large size containers kept near the wall in the Wdg dept. to store R/F bobbins waiting to be fed to Winding M/cs.] Example:: 14Ne= 500Kg 20Ne=540Kg 30Ne= 325Kg 34Ne=80Kg.

b. **Stock on Machines:** The Auditor should note down the Make of the Machine (like Auto coner, Savio, RJK, CIMMCO etc.), its type (auto, semi auto, conventional), no: of drums, number of cop pockets in reserve-feed head(RFH). The stock on the machine should be gathered at the following positions of the Wdg-M/c.

i) R/F cops in the metal boxes attached to the Wdg-machine, fixed to the rail and pushed by the Winders to feed the cops to the working position of the wdg M/c or the RFHs. As said before, some winders may handle two counts. For each count, the estimate of the no: of cops in the box(es)should be obtained.

ii The "FuL" of the RF cops at the working position getting unwound. Without losing much accuracy, the "FuL" can be assumed to be ½ for all, as the quantity involved is very small.

iii) Stock in RFH: In case of Wdg M/cs like Auto Coner, the

Auditor should note down the No: of pockets in RFH=say 6. [The Winder fills these pockets with cops, but the no: of cops seen at a time by the Assistant in the RFHs may be 5,4, 3,2,1 or Nil. Usually, in 99% cases, Winders fills only "FULL" size cops but in rare cases some under size cops may be filled up. it is an exception. Therefore, all the cops in the pockets may be taken as to be "FULL". The Assistant should look at each RFH, find the no: of cops in it and keep the fig in his mind go the next drum and find the no: of cops in the RFH and add to the fig in the mind and proceed till all the drums running in the same yarn –count are observed.

Example: Auto coner M/c No:1, for drum 1-30 on Yarn 30Ne:

The counting in the mind of the Assistant for each RFH may be: 5, next6, next4, next 5,4,2,....0. =Total say 120(for 30 drums). This means the total cop wt. in all the RFH of 30Ne on M/c-1=120X 70gm=8.4 kg

This exercise should be repeated for the other yarn-count (drum 31-60) on the same machine.

iv) Cones/cheese on working drums: The "FuL" of all the cones of one count running on the drums (1-30) should be obtained. Usually the cones will be of different size and averaging as "1/2" is not advisable. After a quick glace on the 30 drums, the assistant may arrive at a fig like: Idle-2, 1/8=6,1/4 =4,1/2 =10,3/4=6, Full=2 (total=30). Take the full cone wt. for the count and get the total wt. of all the 30 drums for that count. Repeat the exercise for the other count on the m/c.

v) Cone/cheese on doff conveyor: The FULL cones may remain on the conveyor at the back of the machine, waiting for their removal. For each count, the tot.no; of cones, and the total wt. Should be found.

vi) Rejected cops in the conveyor and the bin on one or either side of the winding m/c.(One machine will run two yarn counts only and one conveyor will take the rejected cops of yarn of one count to one end of the m/c and the other conveyor will take the other yarn-count to the other end). The estimate on the no: of cops and "FuL"(of say30Ne) in the bin on one side of the m/c. should be obtained from the Wdg-Supervisor and the total wt. of these cops for the yarn count should be obtained. This accuracy of the quantity of this stock will depend on the estimate of the Supervisor and again as the quantity involved in this stock will be small with respect to the total stock, much accuracy is NOT lost.

This exercise should be repeated for the other yarn-count.

vii) Cones on FLOOR waiting for removal to the Packing dept. or despatch to the outsiders for job work should be counted and the wt. should be obtained for each count. To apply appropriate rates

Example: Stock on Floor:

14Ne= 233Kg 20Ne=345Kg 30Ne=456Kg 34Ne=123Kg.

Example for the popular machines like Auto-coner (the one sided machine) the Auditor should note that following:

i) Whether the drum numbers are present-if not ask for the markings at least for every 10 drums like 1,10,20,30,40,50,60.

ii) The total drums on the m/c=say 60

iii)The yarn running on the m/c. like:(Drums1-30 on Yarn 30Ne and drums 31-60 on Yarn 20Ne).

iv) The winders drum allocation like Winder-1(drums:1-20),Winder-2(drums:21-40). and Winder-3(drums:41-60). This information will be needed later to arrive at Yarn- count-wise machine output from the details of the winder's production (which are always recorded). This detail will be useful to back work the stock status at earlier dates. Some winders may handle two counts(Eg: Winder-2 handles 30Ne on drums 21-30 and 20Ne on drums31-40).

Thus, the summary table for each Type of M/c like Auto coner, Savio, RJK, Cimmco etc. are given below.

M/c type: Auto coner. M/c-No:1

Stock of	14Ne	20Ne	30Ne	34Cops inNe
Cops in Winders basket/bin				

Stock of	14Ne	20Ne	30Ne	34Cops inNe
RFH cops				
Rejected cops				
Running cops				
Cones on drums				
Cones on conveyor				
Total for cops(only)				
Total for cones(only)				

The total for cops and cones are separated as the "Rate" applicable for Cops will be different from the "Rate" applicable for the" Cones". Similarly, the details are collected for each count to apply appropriate "Rates". A similar exercise should be done for all other makes of the winding- M/cs.

Some useful **details for other makes of winding machines:** The makes like RJK and CIMMCO are usually two sided machines with no RFH and conveyors at the back to carry full cones. The other details (as far as stock taking is concerned) will be same as in Auto-Coners. [Often these machines are used in modern mills for rewinding cops/waste yarn or for some specific purpose).

9. Stock outside (Job work): Sometimes yarn is sent outside for job-work for making "Hank" or for making "Double Yarn" or the like. The Spinning Units usually keep details of the stock sent out and received which will indicate the stock outside. (It is to be seen whether insurance covers the stock which is the property of the Spg-Unit as in the case-a below).

Two types of job work are in practice:

a) To pay for the quantity processed after accounting for the waste in the process. The agreement is to be checked for the various conditions like:I) the waste is to be returned to the Spg-Unit, ii) the job-work provider takes and delivers the output material at his cost and pay for ALL the loading and the off-loading of the material.

iii)The job-work provider may sell the waste and takes its realisation etc. The job work rate will be as per these conditions.

The Unit usually allows a standard percentage of waste and if the actual waste is more /less it will respectively be the loss/gain to the job work provider. The past three months' records are to be checked whether the material received is accounted properly as per the terms and conditions. In this case the material lying with the job work-provider is the property of the Spg-Unit. The waste is not. The input material (single yarn will take the yarn cost per kg and the output material (hank or double yarn) will take the Yarn cost +job-work rate. While taking stock at the job work-provider unit, the material in these two forms should be identified and quantified and if more than one yarn Ne is involved, the information should be collected for each Yarn-Ne. The job work providers are usually MSME units and so the no: of m/cs involved will be only a few and therefore, the stock on the m/cs (which are small in quantity in each m/c) may be ignored.

b) Another method is to sell the single yarn to the outsider, and buy the processed yarn (double or hank yarn) from the same person. Then the stock belongs to the Job-work providers and so, no stock taking at his site is needed. This method will show increased (annual)Sale Volume and Value on one side and an enhanced purchase value of the processed material (Hank/double yarn) of the Spg-Unit on the other side. (In this method, there is no need to look at the waste details).

Diversion of output through job work activities may be practiced by unscrupulous units and the activity should be audited properly.

10. Stock at Packing:

Materials are received daily from Winding and intermittently from Job-work providers or outsiders. The stock will be on floor in a state before "Packing" and "After packing" –the latter takes the cost-rate inclusive of packing cost. The stock details are to be collected Yarn-Ne-wise and appropriate rates are to be applied.

11. Stock at Finished Goods Go-down.

The stock may be at different places and the Auditor should get the list of those places inside and outside the premises of the Spinning-Unit. Stock sold but not yet delivered to the buyer and still lying in the FG store should be omitted from the stock.

The stock will be in the form of "Cartons" or "Bags" of certain specific weight in close range (say around 30Kg in case of Cartons) and contains fixed number of cones (say 12 cones in a carton) as required by the customers. Therefore, the Spinning unit always attempt to make the cones of a fixed wt. Say of 2.5 Kg each. In case of bags, the weight may be around 60Kg with 24 cones in each bag. A quick check on the shape of the bag will indicate whether even one cone is less or more in the bag. If the shape is odd, the number of cones in it should be checked. Each bag carries a label on Yarn Ne, Gross wt., Net wt. At random, for EACH yarn-Ne, about five cartons/bags may be checked to find the correctness of the wt. shown on the baggage. Then, the total wt. of each of the Yarn-Ne should be arrived at and the exercise is repeated for all the Yarn-counts for the stock in the FG Go-down Any defective material (usually sales returns) should be segregated and accounted properly taking suitable rates.

Closing Remarks:

The golden rule is to take the physical stock on at least part of ALL the machines and to extrapolate the result to get a good representation of the entire stock in the Spinning Unit. Other details on how to get back the stock fig for a previous date (end of the reference period of the audit) from the stock taken at a later dates and the computation and selection of "rates" to apply on the various quantities of the stock -are not covered here, to make the article not too long to read.

Abbreviations used:

RM: Raw Material, **WIP:** Work- in-Process, **FG:** Finished Goods, **B/R:** Blow Room, **D/F:** Draw Frame, **Br:** Breaker, **Fin:** Finisher,**S/F:** Speed Frame, **R/F:** Ring Frame, **Wdg:** Winding, **Pkg:** Packing, **Matl**: Material, **Spdl:**`Spindle, **del:** delivery, **dep't:** department, **Spg:** Spinning, **Ne:** Number-English- which refers to yarn thickness-in general. **Wt:** Weight,**No:** Number, **M/c:** Machine

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GST CHALLENGES AHEAD

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At this moment, it is almost certain that the Goods and Service Tax (GST) will become a reality in India w.e.f. 1st July, 2017. This is going to be a major reform of Indian Tax Structure in Indirect Taxes. Its effect on economy, common public at large, businessmen, manufacturers, service providers and other stake holders will be far reaching. An attempt has been made here to evaluate some important provisions of the proposed GST, its impact on various sectors and challenges before all of us in this journey.

Important provisions in GST and its impact :

1) Proposed structure –

In the proposed GST, there will be three different levies which will subsume present levies as under –

- Central GST (CGST) – Central Excise duty and Service tax will be subsumed in this tax.
- State GST (SGST) - State VAT, Octroi, Entertainment tax, Luxury tax, Tax on lotteries, betting and gambling will be subsumed in this tax.
- Integrated GST (IGST) – This will be new version of tax replacing Central Excise Act, Service tax and Central Sales Tax in respect of Inter State supply of goods and services. The IGST is said to be the unique feature of GST to address the various issues of assesees.

2) Shift in Taxable event :

Presently, the taxable event is Manufacture or provision of service or sale of goods in respective legislations. In the proposed GST, the "chargeable event" will be Supply of goods and service. This major shift will have tremendous impact on business structures, business models and business decisions. The definition of Supply is very wide and it covers following –

The definition of "Supply" as per Section 3 of Model GST Act is very comprehensive and it covers a wide range of transactions. The definition includes -

(a) all forms of supply of goods and /or services such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

(b) importation of services,

The schedules given in the Model Act clarify on following –

- Schedule I – Matters made without consideration to be considered as supply.
- Schedule II – Matters to be considered as supply or service.
- Schedule III – Matters which are not to be considered as Supply or Service.

Thus, the "Supply" concept is much simpler and easy to understand for common tax payers. The business activities are expected to be conducted smoothly.

3) IGST and Branch Transfers :

Presently the purchaser cannot claim set off of CST charged by the supplier. The 2% CST is cost to the buyer. In GST, credit is available of IGST. Thus, many business decisions will have impact of this provision as they will now explore the possibilities of procuring inter state with cheap rates.

Manufacturers have opened Depots, Branches across the country to sell the goods from respective states and to ensure that the CST does not become cost to the purchaser. But, now the manufacturers / Dealers will be required to do the Cost Benefit analysis of running such Depots vis-a-vis having a centralized location for storing the goods as purchaser will get the credit of tax so paid. So, closure of depots, branches, opening centralized warehouses are going to be the new business features.

4) Elimination of various Forms -

Presently, the VAT /CST Acts require production of following documents for respective transactions –

i) Inter state movement of goods – C Form .

ii) Branch Transfer movements - "F Form".

iii) Deemed Export transactions - H Form

These forms are required to be brought on record before the assessment is finalized. This is a very tedious task. Many times, the assessee is required to pay the differential tax due to failure to bring these forms on record in time.

In the proposed GST, all these forms will not be required to be given, as the inter state transactions will be taxed at full rate of IGST which is expected to be double the rate of CGST.

5) Cascading Effect nullified –

The present Cenvat Credit Scheme does not fully eliminate the cascading effect. In GST, the CGST, SGST or IGST will be levied on the basic value only. Hence the cascading effect will be fully nullified. Presently, for stock transfers / Branch transfers, the dealers have to forego some vat set off. This will also be eliminated in GST.

6) Anti-Profiteering Measures :

The effect of elimination of cascading effect is to reduce the ultimate price to the end customer. The Model GST Law has made a very important and dynamic provision vide Section 163 for Anti-Profiteering Measures. The benefit of reduction in prices has to be finally transferred to end customers. In view of these anti profiteering provisions, every supplier is required to analyse the probable reduction in cost which can be passed on to the customers. Simultaneously, the supplier has to be vigilant enough to get similar reduction from his suppliers. *The CMA professionals have an important and vital role to play in this context. They can do the impact analysis effectively and can advice the clients of extent of benefit available due to GST implementation.*

7) Valuation matters simplified :

In the Model GST Act, only one method of valuation is prescribed – i.e. Transaction value. Thus, the present complications in valuation including related party transactions will not occur in GST. Thus the suppliers will have a clear understanding of the value for tax purpose without much complexity. This will definitely bring *"ease in business"*.

However, some new provisions are also incorporated which need to be kept in mind. These are –

a) Payment of GST in case of advance received for *supply of material* or service.
b) Expenses like Weighment, loading in factory, inspection, testing before supply will be included in the value. (Section 15(2)(c))
c) Interest, Late Fee or Penalty for delayed payment of any consideration for any supply is includible in value (Section 15(2)(d))
d) Subsidies directly linked to the price excluding subsidies provided by the Central and State Government are includible in value (Section 15(2)(e))

The proposed provisions are very important and must be understood clearly by the assessees.

8) Matching Concept :

Entire success of implementation of GST exclusively depends on System Support. In GST, the Input Tax Credit will be available only after the matching is done by the GST Portal and credit will be allowed to the assessees only on the basis of the matched report. Further, the credit will be allowed only if the assessee files a "Valid Return" which means he pays the taxes in full and files the return.

This modus operandi of allowing credit will have diversified effects on the business aspects –

- Selection of vendors who are compliant under GST.
- Reduction in the number of vendors to the extent possible.
- Change in the methods of accounting of bills in books of accounts.
- Importance of reconciliation of input tax credit.
- Increased requirement of Working capital for GST compliance.
- Ensuring sufficient support from ERP system.
- Qualified and knowledgeable workforce.
- Alternatively, obtain assistance from third party agencies / consultants.
- Uploading of various returns as prescribed within the given time frame without any exception.
- Availing of Input Tax Credit within the prescribed time limit.
- The process demands proper and timely issue of Debit Notes and Credit Notes wherever required.

In short, the above requirements will teach the tax payers "How to do a Business".

9) Impact on various industries –

The GST will have tremendous impact on various industries. The effect on some important sectors will be as below –

i) Manufacturing Sector –

- Reduction in time spent on logistics, check posts resulting in improvement in Just in Time inventories.
- No concept of Manufacture and also simplified valuation methods will make the business operations easy.
- Assessment by only one Tax authority will be beneficial to all tax payers.
- Matching of credit will be a real challenge.

ii) Trading Sector –

- Simplified invoice format. No disclosure of purchase details as per present Dealer Invoice.
- Credit of all taxes paid available.

iii) Service Sector –

- Services to end customer will become costlier.
- Refund mechanism through e-mode will be hassle free.

iv) Textile Sector –

- Cascading of tax due to blocked input credit will be reduced.
- No breaking up of smaller units – Dummy units will be abolished.
- More competition for export consignments.

v) Automobile Sector –

- Better pricing and margins.
- Supply Chain Management – Direct sale to Dealers or Transfer to Depots across the country will smoothen. Advantages of

closing some Depots.

- Disputes on admissibility of credit, valuation, classification will reduce.

vi) Agricultural Sector –

- Almost all food items and agricultural produce will be under GST. Exemption all unprocessed farm products sold at farm gate.
- No exemption for cash crops.
- Merit rate for food processed goods resulting in increase in prices.

vii) E-Commerce –

- No trade barrier for inter state movement of goods offered by e-commerce.
- No classification issues of goods offered viz. e-books, softwares, music etc.
- Importance of Place of Supply Rules to this sector will be vital.
- More clarity required on issues like advances, drop shipment, gift vouchers, cash on delivery etc.

10) Challenges before Tax Administrators -

In the GST regime, no dual administration is proposed. In GST, the tax base will be widened to a large extent. It will be a challenging task before the tax authorities to bring all these tax payers on record.

11) System Support :

The matching concept as explained above demands -

- Availability of Internet facility in remote areas.
- Capability of the Portal to take load across the country.

The Government agencies are taking all out efforts to introduce this concept. However, considering its modus operandi, vast assessee base across the nation and poor literacy about computerization with common tax payers, success of this system creates doubts. Hence, if the models are made available for trial runs to the tax payers, the friendliness towards the system can be enhanced well before the actual date of implementation. The Government will also understand the shortcomings in the present system and time for modification of the system will be available.

Conclusions :

Thus, for successful and smooth implementation, the following challenges should also be addressed simultaneously :

a) Problem resolving Mechanism to be kept in place once the Act comes into force. Lenient view to be taken for some non compliances which occur without intention to evade payment of tax.

b) More confidence should be entrusted on the tax payers. The old attitude of looking at the tax payers as "Evaders" should be given up and a healthy atmosphere should be created and developed.

c) Tax Rates for goods should be announced immediately. Assessees will be ready with changes in their system.

d) Training to staff, assessees about the provisions of GST in every corner of the country is essential.

If these aspects are not thought over, the new levy would just become : Old Wine in New Bottle. Everyone should take steps in positive direction so that this situation does not arise and the GST will give the desired results in the years to come. MA

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2. *All about GST : A complete Guide to New Model GST Law – Taxmann publication – By V.S.Datey – 5th Edition.*

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Twin Cost Sheets in SAP ERP System

SAP ERP is a market leader in ERP segment and which is being used by almost all major manufacturing MNCs in the world. The latest version SAP ECC 6.0 was made available in 2006. The most recent enhancement package EHP 8 for SAP ECC 6.0 in 2016. SAP ERP comprises of several modules, including Financial Accounting (FI), Controlling (CO), Asset Accounting (AA), Sales & Distribution (SD), Material Management (MM), Product Planning (PP), Quality Management (QM), Project System (PS), Plant Maintenance (PM), Human Capital Management (HCM).SAP ERP collects and integrate data from these separate modules to provide the organization with enterprise resource planning.

The Cost and Management Accounting module, which is called in SAP as Controlling module is very robust one which support comprehensively all Management Accounting requirements including Product Costing based on Standard costing with or without Actual costing for almost all types of industries. But we need to continue our exploration even after the implementation how best we canget the right, accurate and detailed information in a simple way on a continuous basis.Here, in this article, we will be able to know how best we can get the detailed twin cost sheets which is called as Cost Component Structure in SAP as two sides of the coin for the in-house manufactured products in a simple way.

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Estimation of Standard Cost of Production:

The in-house manufactured product's estimated cost is compiled based on the valuation of Bill of materials including the processing cost involved in the manufacturing process based on the standard cycle time and other standard values as set in the Routing/ Operations. Then it is updated as Standard price of the Materials at Plant level across the Organization through Collective Costing run with a period of validity. Here, in the case of picking up the price of materials for the material valuation, SAPsystem has given manyoptions to pick up the relevant and right material price as per the nature and requirement of the business. Either we can take the current price from the material master or latest purchase order price from the purchase info records or forecasted price which is updated in the Material Master periodicallyand so on.In the same way, we can select the best option for other parameters like Cost driver's price whether it is periodic or average for the year and so on, Sub-contracting processing cost, external processing cost as well. This selection of options, will be set in a variant and this Costing Variant will be defaulted for the Costing run in a consistent manner across the months or quarters or annually, as decided by the enterprise for comparison with the actual costs posted in the production orders.

Target Cost Vs Actual Cost:

Further, at the time of production, the target cost is derived from this estimated cost based on the actual quantity manufactured. The variance between the target cost and actual cost is analyzed variance category wise, price variance due to change in the price of the material at the time of production, quantity variance when the actual quantity used is not equal to the planned quantity, resource Usage variance when there is excess or less utilization of resources and the rest as remaining variance.

Allocation of Overhead to Products:

In the case of Overhead allocation to products, it can be done through 'Costing Sheet' functionality wherein the surcharges based on percentage basis on the base material cost or output quantity based charges can be loaded into the product. In addition to this, we have another versatile ABC functionality of Cost Drivers which is called as 'Activity type' in SAP and which enables allocation of overheads from Production cost centers based on the cycle time and other standard values involved to the product. The Production Cost Centers are assigned to the Work Centers and then the plan prices per unit of time is entered in to the system against the production Cost Center for the selected period. During the cost estimation, the system estimates the processing cost as multiplication of plan price of the cost driver and the plan cycle time as entered in the Routing. At the time of production confirmation, the system debits the Production Order and credits the Cost Center for the actual cycle time taken but at the plan price per unit of time.

This estimation of cost of the product is split in to its cost components as illustrated below.

Cost Component Split	**Amount in Rs**	**Per Unit**
Raw Material Cost	12389.45	123.89
Bought out components	4356.67	43.57
Primary Packing Materials	230.49	2.30
Secondary Packing Materials	100.45	1.00
Machine Cost	234.78	2.35
Direct Labour Cost	456.78	4.57
Utilities	289.56	2.90
Quality Control Cost	120.39	1.20
Works Overhead	210.45	2.10
Factory Admn Overhead	100.35	1.00
Total Cost	18489.37	184.89

The material cost can be split into Raw Material Cost, bought out components and packing material cost by assigning consumption Accounts to the relevant cost component split of the Cost Component Structure. If required, we can get the separate splits for Primary packing and Secondary Packing material cost. If the packing material has only one consumption Account, then with the help of assigning 'Origin group' in the Material Master as primary or secondary, we can segregate between Primary and Secondary Packing Material cost.

The processing cost can be shown at a maximum of six component splits by assigning six activity types in the Work Centers and also configuring the splitting structure so as to split the overall aggregated cost of the production cost center based on the groups of accounts for each split. These six activity types will have standard values in the Routing/Operation in terms of cycle time in minutes, Number of Manhours, Power units or steam units, Quality testing hours, etc so as to arrive at the accurate processcost of the production. But at the time of production confirmation, the Production department may not be able to punch all the actual values of time taken, power units consumed, etc and they tend to confirm only the standard or may confirm only one machine cycle time with actual time taken.

Or otherwise, instead of using six activity types, we can use only one Machine cycle timeas one activity type in the work center to arrive at the machine cost and for other cost component splits, the 'Costing Sheet' functionality can be used as explained briefly above. The 'Costing Sheet' functionality is cumbersome but the revaluation of 'Activity type' is far superiorsince actual revaluation happens by running a two program, one Actual Activity price calculation and another revaluation of all the Production Orders of the period. In most of the implementation, this kind of designing will be undertaken and the business may not be aware of the availability of Twin cost sheet functionality. This type of Cost component details will remain in the system to address only the valuation of inventory of in house manufactured products nothing more than that.

SIMPLE Method of Product Costing with Twin Cost Sheet:

Instead of the above referred complicated designing of Product Cost estimation, we can simply use only one cost driver(Activity type) as Machine cycle time for each work center and we can easily get to see two different view of the Cost of production as two sides of the coin, main one as Process wise cost component splits and another Primary Cost Component Split in to factors of production as detailed above but with more splits for better information and control purpose.

For instance, in the case of Utilities which is a major direct and significant expense, we can have some more splits into Power, Steam, Compressed Air, others if the production involves all these types of Utilities. In the case of Works Overhead also, we can have some more components ofRepair & Maintenance, Depreciation of the Machine, indirect Labor Cost, Consumables & Stores cost, etc, which are very important Cost component splits for control and management decision making. In the case of old machines, the repair cost will be more but the machine depreciation will be minimal or nil some time. We can compare the cost of the products manufactured in different capacity and age of machines to support in management decision making. There shall be no restriction here for the cost component splits for process cost and we can have as much as the business require for control purpose.

Moreover, this process wise cost will be more useful for the Production department to understand and to control the cost instead of looking only at the factoring cost with limited details. They can fix the target cost for the process per equivalent unit of Kgs instead of numbers and can work towards achieving it comfortably since the system will give the necessary insight to fix the target cost for the process and then look into production factor cost to see which can be reduced and so on. They can also get involved in the allocation of common costs between the Production Cost Centers and consequently, responsibility accounting will permeats in to the enterprise.

Main Cost Component Structure:

The production department will be able to confirm actual machine cycle time and it will be the most appropriate basis to split the aggregated costs in the Production cost centers either through direct posting of HR Cost of direct labour, depreciation cost or the allocated costs from the Common Cost centers of Utilities, Quality Control Costs, Works Overhead, Factory overheads, on most appropriate and equitable basisbetween the Production Cost Centers. Let me take the example of Automobile AluminiumPressure Die Casting Industry, where multiple process is undertaken with different capacityand age of machines and in some cases, in the same process.

Each Machine in the Pressure Die CastingDivision is created as Work Center which is assigned with a cost driver 'Activity type' as Machine cycle time in minutes. The assigned secondary cost element to this cost driver are configured to be included in the process cost component split to derive the total cost from the Production cost center.

Cost Component Split	Amount in Rs	Per Unit
Raw Material Cost	12389.45	123.89
Bought out components	4356.67	43.57
Primary Packing Materials	230.49	2.30
Secondary Packing Materials	100.45	1.00
Melting Cost	235.54	2.36
Casting Cost	458.45	4.58
Forging & Heat Treatment Cost	234.78	2.35
Machining Cost	348.98	3.49
Packing Cost	134.56	1.35
Total Cost	18489.37	184.89

PRIMARY cost component structure:

The other side of Cost Sheet will show the primary cost component split of each process at the semi-finished stage and as a whole for the final product with more detailed cost component split as illustrated below.

Cost Component Split	Amount in Rs	Per Unit
Raw Material Cost	12389.45	123.89
Bought out components	4356.67	43.57
Primary Packing Materials	230.49	2.30
Secondary Packing Materials	100.45	1.00
Direct Labour Cost	456.78	4.57
Utilities-Power	100.45	1.00
Utilities-Steam	98.92	0.99
Utilities-Compressed Air	90.19	0.90
Quality Control Cost	120.39	1.20
Machine Depreciation Cost	234.78	2.35
Repairs & Maintenance Cost	87.45	0.87
Indirect Employees Cost	67.89	0.68
Other Works Overhead	55.11	0.55
Factory Admin Overhead	100.35	1.00
Total Cost	18489.37	184.89

The pre-requisite to get this primary cost component split is to upload plan values in to the system and to carry out plan allocation cycles. Further, we need to undertake some more activities to calculate the cost driver's price per minute by the system itself. If these steps are undertaken, we can get the primary cost component split from day one.

Conclusion:

Those who are running on SAP ERP, can think of switching over to this twin Cost sheet/Cost Component structures so as to get a detailed primary cost component split as well as process wise cost component split in one go. The values of these two Cost Component structures as Cost of Goods Manufactured(COGM), can also be passed on to another sub-module of Controlling at the time of billing, Profitability Analysis where we will be able to analyze the product profitability, customer profitability and as well as divisional profitability. This change will go a long way in tuning up the Management Accounting department of the enterprise, which will definitely bring in all round cost consciousness and permeates the responsibility accounting in all the departments of the enterprise. MA

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Obituary

CMA Anant A. Katyare

The Institute and its members deeply mourn the demise of CMA Anant A. Katyare, member of the Institute who left for heavenly abode on April 23, 2017. He was a Practicing Cost Accountant, an active member and Chairman of Kolhapur-Sangli Chapter of the Institute. May his family have the courage and strength to overcome the loss.

THE ROLE OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA IN DEVELOPING COST & MANAGEMENT ACCOUNTING PROFESSION IN INDIA

CMA Dr. Bhabatosh Banerjee
Former Professor of Commerce and
Dean of Commerce & Management
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India

We have undertaken the instant study in mid-October, 2016 for documenting the role of the Institute for developing cost and management accounting profession in India. Some of our findings have been published in The Management Accountant in the past few issues viz.:

- Cost Accounting Standard Setting and the Standards issued by ICAI, The Management Accountant, February, 2017 *(jointly with Ujjwal Das). http://icmai.in/upload/Institute/Journal/Feb-2017.pdf*
- The Role of the Institute of Cost Accountants of India in Promoting Research and Publications, The Management Accountant, March 2017 (jointly with Dr. Debaprosanna Nandy). *http://icmai.in/upload/Institute/Journal/March-2017.pdf*
- Cost Audit: The Great Indian Experiment – Justification for Introduction and Continuation, The Management Accountant, April 2017. *http://icmai.in/upload/Institute/Journal/April-2017.pdf*

One of the objectives of the above publication was to get feedback from the learned CMAs, professionals and other readers for improvement of the content and quality of our project. But we received only a very few comments from the members and other readers. Accordingly, we decided to publish the present article for giving background, early history, need for undertaking project, methodology and plan of work so that all those who are concerned with the development of the profession can have a better background about the project and then can give their valued comments for incorporation. The initial target date of completion for the project is July, 2017. May we therefore solicit opinion within mid-June next?

The remainder of the paper is organized as follows. An early history of the profession of cost and management accountancy is given in section 2. This is followed by a brief sketch on phenomenal growth of the profession in section 3. Section 4 gives justification for undertaking the project. It is followed by a discussion on objectives and scope (section 5), methodology and design of work (section 6). The last section makes some concluding observations.

2. An Early History of the Profession

The cost and management accounting is primarily a product of the twentieth century, though some of the causes of its existence in rudimentary form can be traced much earlier. The First World War brought an enforced context of industrial growth and increasing demand for maximum efficiency. In the Second World War, much of defence requirements had to be evaluated in terms of cost. This injected a great fillip to the profession of cost and management accountancy in India and created scope for requisitioning the services of cost accountants.

During the pre-independence period in early 20th century, there was no professional institute to look after the need of the hour. Individuals requiring a training of cost accounting, after having requisite qualifications, used to enroll themselves with some institutes in England and Wales for acquiring professional qualification in cost and management accounting and then rendering service in British India. Accordingly, some senior persons, having their roots in professional institutes in England and Wales, felt the need for a separate arrangement in India. Thus, in 1944, a company limited by guarantee, and known as 'Institute of Cost and Works Accountants of India' (ICWAI), was set up as per the provisions of the then Companies Act, 1913, with the objects of promoting, regulating and developing the profession of cost and management accountancy.

It is not out of place to mention that professional education is considered on a separate footing the world over. A profession may be defined to mean the pursuit of some specialized or expert knowledge and skill which can be acquired only by sustained education and training and the practice of which must involve adherence to a recognized code of conduct and exercise of a certain degree of free judgment. Preparation of Income and Expenditure Account and Balance Sheet and placing them before the company at the annual general meeting were guided by some provisions of the Companies Act, 1857. But until the Companies Act of 1913, the audit of the company accounts by qualified accountants was not made compulsory. At that time, there were a few qualified accountants in the country. These accountants got their required training and certificate for practice from the Chartered Institutes in the U.K. or Canada because there was no recognized system of education and training to build up professional accountants at home. This led to introduction of a course called Government Diploma in Accountancy (G.D.A.). On completion of the course, an article-ship of three years under an approved accountant in practice was required to practise in British India. The accounting profession made some headway under the Accountancy Board. But, over the years, need for an autonomous association to administer and regulate the profession of accounting was increasingly felt. In 1936, a demand was put forward by the national party of the country (i.e. the Congress) in the Central Legislature for an autonomous accountancy profession. But nothing happened prior to independence in 1947. In 1949, Government of India established the Institute of Chartered Accountants of India. This was followed up by creation of a separate institute, namely, Institute of Cost and Works Accountants of India (ICWAI) by a special Act in 1959 (May 28) for promoting, regulating, and developing the profession of cost and management accountancy in India. Undoubtedly, it was a landmark in the history of development of accounting education in sovereign India.

3. Phenomenal Growth

During three-quarter of a century till 2016, the development of the Institute has been phenomenal. It has grown in terms of number of members in the profession (from only 25 in 1944 to 30,000 Associates, and 10,000 Fellows in 2016), students enrolment (number of students on the enrolment from 7,068 in 1968-69 to 5,00,000 now), number of regional councils, chapters, overseas centres (4 regional councils, 93 chapters, 9 overseas centres, 122 CMA support-centres and 27 oral coaching centres), its role in getting legislations for maintenance of Cost Accounting Record Rules leading ultimately to compulsory cost audit (a phenomenon not having its parallel in any other country in the world), and, finally, a complete new role in standard setting (24 Cost Accounting Standards and 4 Cost Auditing Standards issued so far). Today, the volume, diversity and quality of the *'The Management Accountant'*, the official journal of the Institute, is much better than what they were even a decade ago. Creation of several directorates (e.g. Examination, Professional, Research etc.) was imperative for better management of the cost and management accounting profession. Take, for example, the present objectives, which undergone changes to meet the changing requirements of the economy and the profession, now cover a wide spectrum as stated below *(www.icmai.in)*:

(a) To develop the Cost and Management and Accountancy function as a powerful tool of management control in all spheres of economic activities.

(b) To promote and develop the adoption of scientific methods in cost and management accountancy.

(c) To develop the professional body of members and equip them fully to discharge their functions and fulfil the objectives of the Institute in the context of the developing economy.

(d) To keep abreast of the latest developments in the cost and management accounting principles and practices, to incorporate such changes are essential for sustained vitality of the industry and other economic activities.

(e) To exercise supervision for the entrants to the profession and to ensure strict adherence to the best ethical standards by the profession.

(f) To organize seminars and conferences on subjects of professional interest in different parts of the country for cross-fertilisation of ideas for professional growth.

(g) To carry out research and publication activities covering various economic spheres and the publishing of books and booklets for spreading information of professional interest to members in industrial, education and commercial units in India and abroad.

In short, ICAI aims to promote and develop the adoption of scientific methods in cost and management accountancy for management control. It develops the professional body of members and equips them fully to discharge their functions as professional cost and management accountants. ICAI helps its members to keep abreast with latest developments in the field of cost and management accounting.

4. Need for the Present Study

In spite of tremendous contributions made by the Institute since its inception, no research study has yet been done on the role of the Institute in developing cost and management accountancy profession in India. In case of the Institute of Chartered Accountants of India, there is a study on History of the Accountancy Profession in

India (Kapadia, 1973) up to early 1970's.

There have been some studies on commerce education in India (Bhorali, 1987; Banerjee, 1994; Sharma, 2004; Gupta & Paul, 2004) where we find some references to the activities of the Institute in a minor way although many articles on its role appeared nationally and internationally (e.g. Enthoven, Accounting Education – Its Importance and Requirements: An Economic Development Focus, 5th International Conference an Accounting Education, 1982; Ghosh,Young & Banerjee, "Mandatory Audit of Cost Accounts – An Indian Experiment", Management Accountant, U.K., 1990). All these sporadic attempts give glimpses of some activities of the Institute but none of them are comprehensive from the perspective of ICAI. But we find a comprehensive work of Bengal Chamber of Commerce and Industry from 1853 to 1953: A Centenary Survey (Tyson, 1953). Internationally, we find a slightly different picture. The American Accounting Association (AAA) is widely accepted for its contribution to accounting education, both academic and professional. AAA documented its role by a research work authored by Professors Stephen A. Zeff & Dale L. Flesher in 1966 and 1991 respectively. Paul, Nandini and Deirdre published another volume titled "Years of Transition: The American Accounting Association, 1991-2016". Similar examples may not be few and far between in case of many other professional institutes in advanced countries.

In view of the above, some research is necessary to document the role of the Institute in the matter of promotion and development of cost and management accountancy education and the profession for serving the needs of the economy and those of the society. The rationale for the work may be formulated in brief in the following words:

- History speaks about the past and "past is gold". Always, there will be some lessons of the past. Based on past experience, one can build the present and look for the future.
- Writing is, first and foremost, an act of self-discipline. It forces one to think, gather authentic information, reflect, and then express oneself precisely (Chidambaram, 2016). Numerous benefits are expected out of it.
- This will enhance the competitive advantage of the Institute because those who are concerned with its activities will get a good account of them in one place in a systematic way.
- A study of this nature can promote policy decisions both internally and externally. The Council of the Institute, the highest policy-making body, will be able to judge its strengths, weaknesses, opportunities and threats to reorient and reinforce its activities for a balanced growth instead of growth in one or two areas conditioned by prevailing environment. Undoubtedly, this may bring about a change for the better. Similarly, external policy decisions based on the Institute's past activities by competing institutions and the Government may not be ruled out. So, "better late than never".
- Based on the past performance, it is possible to give a direction to the journey ahead.
- Similar study in the future will be comparatively easy. Assuming that this study will cover up to 31st March, 2017, second and subsequent studies will be an extension of the present one.

5. Objectives and Scope

The overall objective of the study is to examine the state of cost and management accountancy profession in the country as propelled by the Institute of Cost Accountants of India and suggest, where necessary, ways and means for further development. In particular, it seeks to deal with the following issues:

- What are the objectives of cost and management accountancy profession in the country? Are these objectives fulfilled? Should there be further reorientation of the same in the context of future needs, national and international?
- To what extent the efforts of the ICAI in promoting cost and management accountancy in India have become successful?
- Could the Institute develop professional body of members and equip them fully to discharge their functions in the context of needs of the economy?
- Has the Institute been keeping abreast of the latest developments in the cost and management accounting principles and practices and incorporating essential changes for sustained vitality of the industry and other economic activities?
- Has it been maintaining proper co-ordination with similar institutes in advanced countries to enhance its competitive

advantage?

- Has it been taking measures continuously to ensure the balanced growth between profession and the industry, between research and publications and future needs of the economy?
- With the shift in various sectors of the economy, say from manufacturing to service sector, how best the Institute is coming up to meet the changing requirements?
- The Institute has played a pioneering role in introducing maintenance of cost accounting record rules mainly in manufacturing sector. Does the changing nature of the economy with more emphasis on the service sector require a shift in emphasis in this regard?
- Small and Medium Enterprises (SMEs) have both problems and prospect. They account for 98% of total industrial units in India. They have tremendous potentials to contribute to G.D.P. growth rate. One of its major problem areas is increasing cost of production or service. So, cost competitiveness is a critical area where ICAI can contribute significantly. Therefore, how to enhance the present focus of the Institute to cost competitiveness?
- Introducing environment-friendly technology in the manufacturing industries has become a dire necessity at this time. How best the Institute can help the industry in terms of reducing the increased cost of installation and adoption of suitable control measures for reduction of operating costs?
- The upcoming decades will give more emphasis on enforcement of sustainable corporate reporting and corporate social responsibility. What will be the role of the ICAI in this context? Can the Institute become a leader by contributing its mite to the cause?
- One of the significant achievements of the Institute is setting and issuing Cost Accounting Standards and Cost Auditing Standards. How to enhance their effectiveness? Is there any conflict between cost accounting standards and financial reporting standards? How to resolve the conflict, if any?
- What has been the state of research in the Institute? What are the emerging areas in which research will become imperative in the decades to come? How to bring in more relevance of research for the cause of industry and the economy?
- It is predicted that India will be one of the super-powers economically in 2030. The Government of India has been placing emphasis on 'Make in India' and 'Skill India' programmes. What will be the role of the cost and management accountants and that of the Institute in this regard?
- Students from colleges and universities become the inputs of the Institute for further processing. The new entrants are the future cost and management accountants of the country. Does the Institute maintain a good liaison with the academic bodies for obtaining quality inputs?

Many more similar questions could be raised. In short, the present study makes sincere efforts to cover almost all the relevant aspects of cost and management accounting profession in India vis-à-vis the role of the ICAI, make an indepth analysis into various problems, if any, and suggest ways and means for improvement. This will enhance the credibility of the Institute and facilitate future researches in this context. It is worth-mentioning here, that the objectives and scope that have been identified here-in-above are suggestive.

6. Methodology and Plan of Work

The work is of explorative in nature. The period of study has been taken from 1944 to 2017. The reason for selecting 1944 as the starting point is that a company limited by guarantee, Institute of Cost and Works Accountants of India (ICWAI), was set up and hence some formal activities were started from 1944. Similarly, many activities upto 31st March, 2017, will be covered in the study.

The study is primarily based on the information available from the Institute directly from its records during the study period including data from its websites. Data from primary and secondary sources are collected, processed and interpreted. Attempts are being made to seek opinion of some selected groups of FCMAs, including elected representatives, on the information/ data collected. With this end in view, one or two seminars at the Institute's Research Directorate will be conducted in June/July 2017.

The study has been divided in three parts: **Part I** embraces the activities of the Institute for first 15 years (1944-1959) i.e. prior to enactment of Cost and Works Accountants Act, 1959 when the Institute was in its initial stage. **Part II** covers next 32 years

(1959-1990) since India opted for liberalized economy in 1991. Post liberalization might have increased the activities of the Institute in various spheres. Hence, Part III covers the period 1991-2017. In Part II and **Part III**, attempts are made to analyse the activities of the Institute functionally in order to pinpoint their effectiveness.

The plan of work thus stands as follows:

1. Introduction (covering objectives, scope, methodology, plan of work and limitations).
2. ICAI: Its first 15 years [1944 to 1959]. At this initial stage, all efforts might have been put to organize everything well to promote the establishment of a professional body for cost and management accounting profession. It would be an interesting survey to document them in this phase.
3. (a) Activities of the Directorate of Studies.
   (b) Management of examinations.
4. Maintenance of cost accounting records and mandatory cost audit – the role of ICAI.
5. Professional development directorate and its activities.
6. Other emerging activities e.g. Technical, Tax Research, Advanced Studies, CAT, etc.
7. Publication of the Management Accountant, Research Bulletin and other publications – the main research activities of the Institute under Directorate of Research and Journal.
8. Standard setting – a new significant role: in retrospect and prospect.
9. Journey ahead.
10. Summary and conclusion.

7. Concluding Observations

Every profession has to face some teething problems in the initial years to achieve its objectives. The ICAI is not an exception in that context. In case of the ICAI, many of these problems were overcome by the co-operative efforts of both members and staff. The Institute has also been receiving supports from the Government in pushing forward many of the reforms for the benefit of the economy and society at large. There is no doubt that changes that pointed the way to higher achievement and greater sustainability were the product of gradual process of organizational learning (Paul et al., p.112). By the beginning of the new century, the Institute emerged as a more confident and capable organization to further the development of cost and management accounting profession in the country.

The recent spark in building co-operative efforts with educational institutions in the country, namely, colleges and universities which provide many interested students for the profession, is a step in the right direction. Since the opportunities within and outside the country are increasing manifold, the future generation of these new entrants must receive proper education and training for successful entry into the profession. These trained human resources will be the excellent force of the Institute to propel the profession to newer heights in the near future. MA

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Old vs New

The Managerial Dilemma

In the recent times there has been a renewed interest by many organisations to infuse new and younger blood into the over-crowded middle level supervisory positions. One must appreciate that this dynamism helps organisations recruit more techno savvy, energized, fresh and talented associates who can work hard, seize risky yet profitable opportunities with relative ease and take the organisation to greater heights. Now, when these fresh executives are rightly groomed (nurtured and mentored) by experienced, knowledgeable, patient and skilful masters, it provides a cutting edge to any organisation. The blend in right proportion is bound to bring success to the business and laurels to any organisation. Having said that, one very pertinent dilemma that arises in every leader's mind; what is the right mix? Will such decision have an adverse impact on the existing employees? Let's explore.

In mythological characters of yesteryears we observed, **Gurus** taking utmost care in transmitting invaluable knowledge to their disciples. They were extremely proud of their pupils. They wished their students should excel as shining stars and be remembered through ages, for their courage,

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dauntless character, perfection and finesse. In fact the primary intention of the gurus then, was to transform the disciples into gems – the champion of champions. In their personal life, they did not have any self-seeking worldly desires and gave the impression of having attended the stage of **Nirvana**. As a result transfer of crucial skill sets and competencies was relatively smooth and hassle free. Today's world however, is fairly different. Aspirations of mentors within organisations have not yet died down. They still look forward for prominence, power, prestige and (worldly) possessions. They perceive younger generation as a threat; they are very uncomfortable. They continue to remain hesitant in sharing their wisdom, which they have attained painstakingly over so many years. They feel sharing secrets will not only reduce their importance but also shrink their influence significantly, within the organisation. To be honest, today's mentors are quite sceptic. They are far from being the likes of **Dronacharyas**. On the other hand, younger generation today are smarter and immensely aggressive. Like what we read from scriptures of **Mahabharata, t**hey do not fancy sacrificing their thumb as **Gurudakshina,** the ultimate offering. They don't exhibit that emotional connect with Gurus like what we saw in **Eklavya.** Sensational gestures (Gurudakshina), are a thing of the past. In fact in today's materialistic set up, one hardly finds disciples willing to surrender completely to the wishes of their gurus.

One reason for such an enormous shift in attitude and behavioural pattern in present day executives might be emerging from one's childhood tutelage and upbringing. The false notion of respect i.e. accepting anything and everything that a senior colleague says and toeing his line blindly as absolute truth is no longer the order of the day. The colonial mind-set of calling senior colleagues only as Sirs or Madams, no longer exists. Moreover, complex nature of problems and absence of readymade solutions demand lengthy deliberations and serious debates among various team members, irrespective of their position or age. For example, asking legitimate and tough questions even to seniors for deciding on a superior strategy, is no longer considered an act of disobedience or being disrespectful. One must acknowledge that bringing fresh ideas to the table or suggesting improvised solution to problems, can no longer be considered monopoly of seniors only.

When observed minutely, one can also establish a positive correlation between the structure of an organisation and the attitude of its workforce. Far from being a pyramid like arrangement where ratio of employees at all levels is rightly distributed, most of the organisations today are middle heavy, bulged belly structure. Competition among peers is severe and knowing very well that each one will not make a cut to the next higher level, makes the employees feel insecure. As a result the strategy to include newer executives and getting older executives mentoring them becomes really a difficult proposition. With ever increasing supply in work force coupled with scarcity of jobs, economic crisis, periodic down turns and diminishing employment opportunities, make people more obsessed with their own ideas; their own job. The imaginary fear of losing one's position to factors outside one's own control looms large. Everyone prefers to remain suspiciously silent and grossly secretive. Thus both magnanimous approach of mentors and vast respect exhibited by disciples in earlier years, have gone totally missing.

Another very important aspect that comes to focus, is the job description - the content in any given assignment. More often than not, people find themselves carrying out tasks of their subordinates. Yes, one might accept that a maximum of say 5 to 7% of one's daily assignments is incorporated by truncating activities from lower level position, purely out of compulsion. In India, where there is a huge gap between demand for jobs and supply of workforce, people might be mentally ready to accept such arrangement. But when more and more lower-order jobs are bundled into higher level positions, challenge in jobs gets diluted and employees become demoralised. Having already diluted the job and then expecting senior executives to share creamy part of their job with new and fresh incumbents, seems grossly unfair. Thus any top driven mandate of sharing knowledge and valuable experience with junior colleagues makes the older employees feel unhappy. Proposal of providing guidance to younger folks are considered naïve. As a consequence to such mental aberrations among employees, the novel idea of making the organisation capable of adapting to newer challenges through blending of work force, is served with a severe jolt.

Interestingly, the newer generation workforce today are far more expressive, as compared to their experienced peers. When it comes to preparation of management reports and drawing up boardroom presentations, they find themselves in hugely advantageous position. Various global case studies coupled with newer IT tools that these fresh executives have learnt, enable them to show case their talent beautifully and effectively. The wow effect of these presentations, packaged in colourful slides and aesthetic templates, create a mesmerizing impact on the audience - mostly the top honchos in an organisation. On the contrary, when it comes to carrying out any in-depth analysis, requiring hours and hours of serious research and burning the midnight oil, the responsibility is conferred on older and experienced members. Though the voluminous study reports submitted by senior executives are extremely informative and often serve as goldmine to various key decision-making endeavours they lack instant appeal. The big fight between **Packaging and Content** refuses to die down.

Another very important feature that one observes among executives of different age groups is their risk taking ability. While evaluating riskier options, newer executives are often found sticking their neck out. They are fearless and hardly believe in slow, incremental changes. They aim at quick and radical transformation. Emphasis on statistical modelling, use of simulation techniques and robotic solutions are fairly common amongst current era executives. Being fresh from engineering and management institutes, these enthusiastic and energized cohorts have unparalleled confidence in their abilities. They start believing that solution to any problem is not out of their reach. At times this conviction gives rise to over confidence leading to serious consequence. I am sure, in every organisation there are a few instances where gravity of the problem was not rightly assessed and the organisation had to pay a heavy price while implementing faulty and out of box solutions. On the other extreme, older executives are far more pragmatic in their approach. Having gone through several ups and downs earlier, they tend to become risk averse and ultra-defensive in their approach. Result being they limit their choices. Instead of making objective assessment of both advantages and disadvantages of every possible options, the focus is on negative fall outs of different choices. Thus ability to respond swiftly and implement novel course correction measures becomes ever so difficult. Ultimately, it is the organisation which pays the price for such cynical approach and tentative outlook. Precious opportunities go begging and organization languishes in its mediocrity. In few cases, even the age difference between new and existing executives (senior junior divide) becomes a matter of concern. The older folks tend to develop a peculiar mental block - arguing only in favour of established practices and standardized processes that are in vogue for so many years. Out of box suggestions of new executives are hardly given due importance. Intense resistance by old timers in accommodating creative proposals of new comers, is definitely a matter of huge concern. Thus collaborative approach between old and new employees becomes a distant dream and many decisions taken based merely on past data and set processes tend to be less effective in today's volatile and uncertain environment.

To conclude, choosing the right mix is a skill which all organisations have to face. These decisions are never free from danger. However, the silver lining is, every organisation has its own culture, own perception, own DNA. When to apply this blending strategy and to what extent it will augur good for the organisation, will differ from organisation to organisation, industry to industry, time to time and from one geographical location to another. There cannot be a single thumb rule – the same strategy would be misfit for every institution. A mature and unbiased leader has an important role in giving shape to the right mix. Yes, there will be a few failures here and there but the risk is worth exploring, especially for creating a razor-sharp edge in today's corporate world. Truly speaking, **the trade-off between risk and returns holds the key**. Whatever may be the strategy one thing is absolutely certain – any decision of infusing newer workforce would invariably cause enough headaches for a leader– especially to deal with aspirations, hopes, despairs and dejections among rank and file. The decision maker would always be in a dilemma. Is he missing out on an opportunity to inject new talents? Is he failing to retain the motivational level of skilled and experienced workforce within the organisation? **Really a catch-22 situation for any organisation.** MA

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BASE EROSION AND PROFIT SHIFTING (BEPS)-

A Challenge to the Governments

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About Base Erosion and Profit Shifting

Base Erosion and Profit Sharing (BEPS) has emerged as one of the most important challenges for the governments across the world today. The liberalization, privatization and globalization (LPG) has resulted into free movement of capital and labour, shift of manufacturing base from high cost to low cost locations, gradual removal of the trade barriers and rise of digital economy. LPG has boosted trade and foreign investments in many countries thereby supporting growth, employment generation, innovation and removal of poverty. LPG has led to flourishing of multinational corporations with their presence in many countries. BEPS refers to those instances where gaps between different tax rules lead to tax avoidance causing harm to the government. It refers to all those artificial arrangements where due to gaps in application of the bilateral tax treaties, cross border activities may go untaxed in any of the two countries. There is a mechanism that no or low tax is paid by shifting profits to low tax jurisdictions and shifting losses and high expenditures to high tax jurisdictions. Further, the spread of the digital economy has also posed challenges for international taxation. Over the years, the Multi-National Corporations (MNCs) have artificially reduced their corporate tax outgo by shifting to lower tax jurisdictions. As per the Organisation for Economic Co-operation and Development (OECD) estimates, the base erosion and profit shifting has resulted in a loss of $100-240 billion every year to countries which is around 4-10% of global corporate income tax revenue.

Tackling the Mechanics of BEPS

BEPS resorts to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. Under the inclusive framework, over 100 countries and jurisdictions are collaborating to implement the BEPS measures and tackle BEPS.Firms make profits in one jurisdiction, and shift them across borders by exploiting gaps and mismatches in tax rules, to take advantage of lower tax rates and, thus, not paying taxes to in the country where the profit is made.

There have been concerns across the globe about companies making profits in a particular country but not paying taxes to the local government. The Organization for Economic Cooperation and Development (OECD) states that BEPS is of major significance for developing countries due to their heavy reliance on corporate income tax, particularly from multinational enterprises. The OECD, under the authority of the Group of 20 countries, has considered ways to revise tax treaties, tighten rules, and to share more government tax information under the BEPS project, and has issued action plans. One of the areas discussed was on addressing tax challenges in the digital economy.

History of BEPS

As early as 1920s, it was recognized that the interaction of the foreign companies with domestic tax system in host country might lead to double taxation which might result in adverse impacts on the growth and global prosperity. To eliminate double taxation countries started entering into Double Tax Avoiding Treaties. The bilateral tax treaties are effective in preventing double taxation, but they often fail to prevent double non-taxation that results from interactions among more than two countries. This led to an increased number of sophisticated tax planners around the world. These professionals would identify and exploit the loopholes in the tax treaties thereby allowing the MNCs to do aggressive treaty shopping and go for Base Erosion and Profit Shifting (BEPS) to reduce their tax burden. This has harmed governments because they need to cope with less revenue and incur heavy cost to ensure tax compliance. This is a critical issue around the world.

The international tax system is changing rapidly as a result of coordinated actions by governments and of unilateral measures designed by individual countries, both intended to tackle concerns overBEPS and perceived international tax avoidance techniques of high-profile multinationals. The recommendations of the BEPS Project led by the Organisation for Economic Cooperation and Development (OECD) and published in October 2015 are at the root of much of the coordinated activity, although the timing and methods of implementation vary. At the completion of this scheduled programme, it started to be recognized as the end of phase one of the project and the start of phase two, dealing with outstanding or additional work, implementation and monitoring.

The OECD's Action Plan on BEPS was published in July 2013 with a view to addressing perceived flaws in international tax rules. The 40 page Action Plan, which was negotiated and drafted with the active participation of its member states, contained 15 separate action points or work streams, some of which were further split into specific actions or outputs. The Plan was squarely focused on addressing these issues in a coordinated, comprehensive manner, and was endorsed by G20 leaders and finance ministers at their summit in St. Petersburg in September 2013.

The BEPS Project had been initiated by the G20 countries but it effectively also encompassed the other OECD Member States from the outset. As the project progressed, engagement in the discussions was extended to other large non-OECD states and representatives of developing countries. The OECD published over 1600 pages in the 'final' reports in relation to all 15 BEPS Action items in October 2015. The UN, IMF, World Bank and OECD are developing toolkits to assist "lowest income countries" in implementing the outcomes of the BEPS Project, so far as they are relevant to those countries or to address related issues. A framework has been agreed for all countries to participate in further BEPS work on an equal footing,broadly if they commit to implementing the minimum standards.

Originally, OECD had started the BEPS project in response to the 2008 financial crisis in order to create sustainable economic growth. It was formally launched in 2012 by the G-20 Finance Ministers who in turn called on OECD to develop an action plan to address BEPS issues in a coordinated and comprehensive manner and develop an action plan with inter alia, following points: There is a need to effectively prevent the double non-taxation and low taxation by checking the artificial arrangements to reduce tax liability. Countries should adopt new consensus-based anti-abuse provisions and new international standards to ensure the coherence of corporate income taxation at international level to complement the existing standards. Rise of digital economy has furthered the problem. In 2013, the OECD came up with an action plan to address the Base Erosion and Profit Shifting menace. This action plan has 15 actions points. In summary, the 15 OECD action points seek to develop a more coherent international system to address the problems of digital economy taxation, treaty abuse, transfer pricing, aggressive tax planning and disputes related to such problems. The document says that countries should build consensus on how to effectively address the tax compliance of digital products and services and effective collection of VAT/GST with respect to cross border supply of digital products and services. It talks about neutralizing the effects of hybrid mismatch arrangements and strengthening the Controlled Foreign Company (CFC) rules. It aims to improve transparency both for business and governments by introducing commonly agreed minimum standards for tax administration across countries. Hybrid mismatch arrangements Hybrid entity refers to the companies which might be treated differently in two tax jurisdictions. A hybrid instrument is one which is treated differently in two tax jurisdiction i.e. debt in one and equity in other. The tax planners exploit the asymmetries between different tax jurisdictions through the use of a hybrid entity or a hybrid instrument. The OECD action plan calls for developing model treaty provisions regarding domestic rule to neutralize the effect of hybrid mismatch arrangements.

Current Status

The G20-OECD led project on base erosion and profit sharing (BEPS) is currently taking a firm shape. It aims to fulfil the 15 points of the G20-OECD on the multifarious aspects of international tax policy by December 2015. On October 5, 2015, OECD has released a Base Erosion and Profit Shifting (BEPS) package containing final reports on 15 identified focus areas. This report includes recommendations for significant changes in the key elements of international tax architecture. India has responded positively to the G20-OECD led BEPS project. For a developing country like India, any such regime which effectively addresses the treaty shopping would result in more tax revenues. Further, India is also in the process of making tax treaties sustainable with its bilateral partners such as Mauritius. India also has become a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information on 3rd of June, 2015. These new global standards on automatic exchange of information, known as Common Reporting Standards (CRS), once implemented, will facilitate automatic exchange of taxpayers' information between treaty partner countries for speedy dispute resolution and reducing instance of base erosion through use of dubious structures/ financing instruments in cross-border transactions. Further, India has also signed the Inter-Government Agreement (IGA) on Foreign Account Tax Compliance Act (FATCA) with United States. India and BEPS It was recently reported that the Budget 2016-17 might take some recommendations from the BEPS measures and make domestic anti-abuse provisions such as rules to block thin capitalization, Controlled Foreign Corporation (CFC) Regulations etc.

BEPS and India

India is the first country to impose such a levy, post the OECD action plan. A tax panel has recommended expanding the ambit of this levy to cover a wide gamut of transactions including online marketing, cloud computing, website designing, hosting and maintenance, platforms for sale of goods and services, and online use of or download of software and applications. The term sprang into the public consciousness recently, because the 2016 Union Budget announced an 'equalization levy' of 6 per cent on payments exceeding over Rs 1 lakh to online ad services from non-resident entities. Prominent among the companies affected were new economy multinationals with Indian subsidiaries, like Facebook and Google.

Incorporation of BEPS recommendation Proposed amendment to limit deduction of interest in certain cases Under the existing provisions, interest paid by an Indian company to any non-resident associated enterprise is allowable as a deduction without any limit, as long as the interest fulfils the arm's length test as per the Indian transfer pricing regulations. There are no thin capitalization provisions in the existing law. In order to incorporate the recommendations of the OECD G-20 Committee in its report on Base Erosion and Profit Shifting (BEPS) Action Plan 4, a new section 94B is proposed to be introduced to provide that

a) Where an Indian company or a permanent establishment of a foreign company pays interest or similar consideration exceeding INR 10 million, in respect of any debt from a non-resident associated enterprise of, any excess interest as defined shall not be deductible in computation of income from business. · Excess interest is defined as the total interest in excess of 30% of the earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid to associated enterprises, whichever is lower.

b) In case the debt is issued by a lender that is not an associated enterprise but the associated enterprise provides an explicit or implicit guarantee to such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by the associated enterprise.

c) This section does not apply to an Indian company or a permanent establishment of a foreign company, which is engaged in the business of banking or insurance.

d) The excess interest, which is disallowed can be carried forward to the following assessment year and allowed as a deduction against profits of the subsequent years, subject to the maximum allowable interest expenditure stated above. The excess interest can be carried forward only for eight assessment years immediately succeeding the assessment year in which excess interest is computed.

e) The terms associated enterprise; debt and permanent establishment have been defined for the purposes of this provision. The proposed amendment shall be applicable from AY 2018-19 onwards.

Restrictions on interest deductions

The Base Erosion and Profit Shifting (BEPS) Action Plan 4 of the Organisation for Economic Co-operation and Development (OECD) recommended alternate approaches for countries to limit tax base erosion through interest deductions and other financial payments. As India's response to the above action plan, Budget 2017 proposes to limit tax deduction of specified interest expenses. The provisions will apply to taxpayers that are Indian companies or permanent establishments of foreign companies in India. Taxpayers engaged in banking or insurance business have been excluded. The provisions will apply to interest or similar expenses paid (including those paid on existing debt) to (a) overseas associated enterprises or (b) third-party lenders for whom the underlying debt is backed by an implicit or explicit guarantee or equivalent deposit from overseas associated enterprises. Any interest paid for the year under consideration in excess of 30% of the earnings before interest, taxes, depreciation and amortization of the taxpayer will be treated as excess interest. Excess interest disallowed in a year will be eligible for carry forward up to eight consecutive years subject to the above limits. The provisions will not apply to interest paid or payable up to 10 million. It is relevant to note that the provisions do not correspondingly limit the withholding tax liability or taxability of the non-resident associated enterprise on the interest income. The provisions will apply from the Financial Year 2017–18 and will apply to interest claimed as a deduction from business income.

Thin Capitalization

Thin Capitalization refers to a situation where an entity is highly geared, that is, has high proportion of debt as compared to equity. Assessees claim excessive deduction from their taxable income by way of interest expense which is a tax deductible expense. Certain jurisdictions treat the excessive debt as equity and disallow tax deductibility of the corresponding interest expense. There is no specific law in India with regard to thin capitalization. Transfer pricing provisions would be solely applicable in case of interest payment to associated enterprises so as to allow arm's length interest pay-outs, based on LIBOR / SBI rates plus certain percentages. However, only through General Anti Avoidance Rules (GAAR) provisions, can the revenue authorities re-characterize debt as equity thereby disallowing the excessive tax deductible expenditure claimed by an assessee by way of interest expense.Government of India via Finance Bill, 2017 has proposed to introduce a new section, section 94B in the Income Tax Act, 1961 to overcome loss of revenue by way of thin capitalization.

Rationale behind the Amendment:

As explained in the Memorandum to Finance Bill, 2017, the capital structure of a company determines the amount of profit it reports for tax purposes as the tax legislation typically allows a deduction for interest paid or payable in arriving at the profit for tax purposes, whereas the dividend paid on equity contribution is not deductible. Therefore, the higher the level of debt in a company, and consequently the amount of interest expenditure recorded in its books, the lower will be its taxable profit. For this reason, debt is often a more tax efficient method of finance than equity. Multinational groups are often able to structure their financing arrangements to maximize these benefits.

To combat this cross-border shifting of profit through excessive interest payments, and thus to protect a country's tax base, under the initiative of the G-20 countries, the Organization for Economic Co-operation and Development (OECD) in its Base Erosion and Profit Shifting (BEPS) project had taken up the issue of base erosion and profit shifting by way of excess interest deductions by the MNEs in Action plan 4. The OECD has recommended several measures in its final report to address this issue.

Henceforth, Finance bill, 2017 seeks to insert a new section 94B, in line with the recommendations of OECD BEPS Action Plan 4, to provide that interest expenses claimed by an entity to its associated enterprises shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is less. The provision shall be applicable to an Indian company, or a permanent establishment of a foreign company being the borrower who pays interest in respect of any form of debt issued to a non-resident or to a permanent establishment of a non-resident and who is an 'associated enterprise' of the borrower. Further, the debt shall be deemed to be treated as issued by an associated enterprise where it provides an implicit or explicit guarantee to the lender or deposits a corresponding and matching amount of funds with the lender. MA

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AT THE HELM

Our heartiest congratulations to **CMA Mahesh Kumar Mittal**, a Fellow member of the Institute, who assumed the responsibility as Director (Finance) in NHPC Ltd. appointed by the Government of India w.e.f 1st March 2017. Prior to this he was working as Director (Finance) of Dedicated Freight Corridor Corporation of India (a Government of India Enterprise).

We wish CMA Mahesh Kumar Mittal the very best for all his future endeavours.

Impact of Ind AS

Implementation on Financial Statements of Insurance Companies in India

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An accounting standard is a principle that guides and standardizes the business transactions and other events that are to be recognized, measured, presented, and disclosed in financial statements. The global competitiveness, rapid growth of international trade and Internationalization of Indian firms has created the need of global harmonization of accounting standards. In reorganization of the facts, MCA, Govt. of India notified the phase wise roadmap for Ind AS to be implemented by the companies in India.

The new Accounting Standards aim to increase transparency and provide a clearer picture of companies' financial state of affairs. The Financial Statements based on new GAAP or Ind AS are worth more for the reason that Ind AS recognizes substance over form and the asset's fair value is given importance in the preparation stage itself. This signifies that in order to present a true & fair view of affairs of a business concern the events and transactions be found more accurate, if they are recorded in the Financial Statements that are based on their economic substance rather than their just legal form. The new principles would also lead to more transactions flushed through P&L rather than capitalizing.

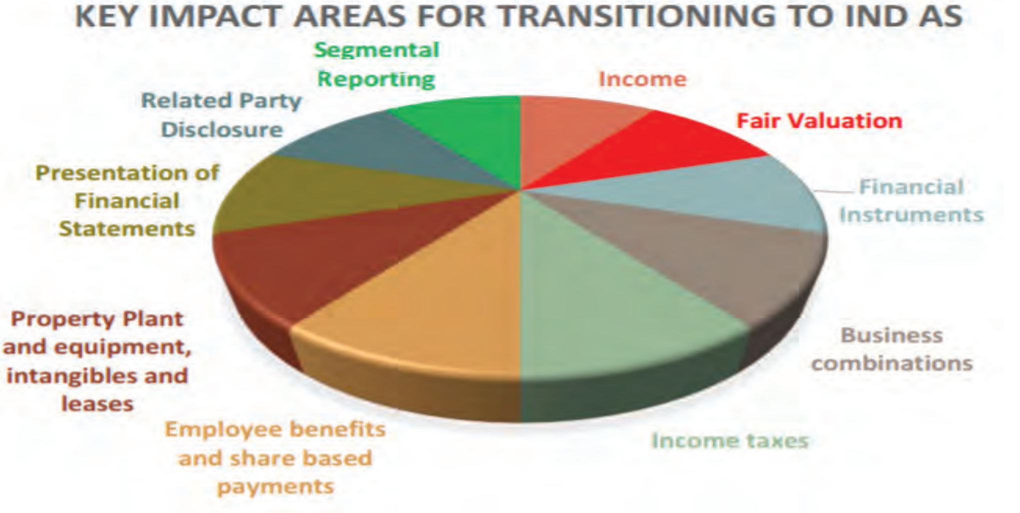
The Regulatory framework on Indian Accounting Standards for the Insurance Sector in India

The Ministry of Corporate Affairs is the regulatory body under Govt. of India for all corporates that also ensures the global best practices are adopted by the body corporates in India through its directives, enforcements as per Companies Act, 2013 and various amendments which are brought into the Act from time to time. The Companies (Indian Accounting Standards) Rules, 2015 were notified by the said regulatory body on 16th February, 2015 regarding implementation of Ind AS. The notification provided the roadmap to the all across India spreaded Insurance Companies, Banks, NBFCs as well as select Term Lending and Refinancing Institutions. The guidelines require such institutions to perform the execution of Ind AS converged with IFRS in their financial reports to be commenced with accounting periods beginning from April 01, 2018 along with comparative figures for the preceding accounting period that will end on March 31, 2018.

The insurers have also been advised through notification to comply as per roadmap rules, 2015 which are subject to any further guideline or direction issued by the Authority in this regard. The applicability of the Ind AS shall be on both the financial statements i.e. standalone and consolidated financial statements.

Statement of expected change effect from implementing new Ind AS

The roadmap issued by the MCA is based on the comparative studies between prevailing Indian GAAP and Ind AS conducted to know the implementation effect of new Ind As on financial statements. The observations significantly convince that there are the several areas of the Balance Sheets which are "Form' driven than they are driven by 'Substance' in the existing GAAP system. Since the 'substance' is preferred under IFRS therefore the new Ind AS will bring the enhanced comparability of accounting and financial statements which will transform the Insurance and other phase 2 companies into more competitive amongst their peers and international counterparts.



Source: KNAV International E- Ind-AS-Transitioning

Key issues to be factored before transition to Ind AS

To prepare Ind AS-based standalone and consolidated financial statements for FY 2018-19 with comparatives of FY 2017-18, the insurers shall apply Ind AS only as per the given timelines. They have not been permitted to adopt the same at earlier than required. However, there are certain issues and challenges which need specific attention at the each company level because they are expected to require significant changes in the systems and processes during implementation of new Ind AS. To ensure that desired comparable changes in financial results are presented as a result of timely execution of Ind AS, the respective companies need to begin with internal planning, testing, and managing the following in advance;

(1) To analyze the possible success and failure due to differences between the current accounting framework and Ind AS, the requirements of specific technical changes need to be considered by the companies. These requirements may be diagnostics analysis, documentations, drafting, preparation of proforma Balance Sheet, P/L- Account and notes for disclosure of accounting policies as per Ind AS decisions. In addition to the above the company should also take into consideration the time required for transition from old to new standards and an end to end trial of accounting systems should be run.

(2) There are the different IT, Information and data security related systems and processes in each company which require internal revisits for changes as per Ind AS, so as the same be developed or strengthen timely to prepare much before in advance. This is important to capture the data in the systems as per change of accounting policy else the results may differ from expected whenever required.

(3) Broadly the change in accounting policy i.e. as per Ind AS will impact not only on asset items but also different liability items as well such as- capital, taxes, and profits. Therefore a proper advance planning and budgeting of these items will help company to maintain reserves to pay-off its short-term and long-term obligations.

(4) To introduce change or transit from current GAAP to new Ind AS, the adequate training to dedicated accounting and finance staff is a foremost need of the companies. Therefore, the human resource deployed on related jobs or who are supposed to implement the Ind AS should undergo tests to know if they are well equipped with transitioning knowhow on Ind AS. Wherever it is necessary, the comprehensive training programs on the subject should be run with utmost priority.

(5) Implementing Ind AS is not lesser than a project. The strategic and holistic project Management approaches should be applied to ensure that the people and systems are capable enough to establish

From 01 April, 2016, the new Generally Accepted Accounting Policies is applicable to such companies which have net value of their assets upto or more than 5 billion. The new GAAP are based on Ind AS converged with IFRS. Accordingly, the phase 1 companies have already started preparing and reporting their FS based on Ind AS from FY 2016-17. In the phase 2- the Insurance Companies, Banks and NBFCs have been required to migrate to new standards from 2018-19 in a phased manner as well. The implementation of revised standards are expected to bring improvement in the quality of financial reporting but cannot be said to be free from challenges and therefore the understanding of possible impacts of Ind AS implementation on Financial Statement is a concern of great significance to the internal and external stakeholders.

effective communication with the internal and external stakeholders.

Critical Components of Financial Statements to have a transitional effect:

Following are the critical areas which should have a change impact not only on financial statements of insurance organizations but also on the financial statements of other phase 2 companies which are required mandatorily for implementation of Ind AS.

1. Standard for Transactions in the nature of Business Combinations

Under present Indian GAAP, the recording and reporting of transactions in the nature of business combinations such as assets acquisition, consolidation and amalgamation etc. are dealt in accordance with the separate standards provided for each. Hence there is no single standard that covers all such transactions of the said nature in a comprehensive manner. Ind AS 103 will apply on accounting for all such transactions and will have following effects;

a) Recognition will given only to the fair value of all assets and liabilities acquired

b) On the date of acquisition, if the balance sheet of Acquiree does not have record of intangible assets or contingent liabilities or both, the same will be recorded additionally in the balance sheet of Acquirer as a transition effect.

c) Amortization to the value of goodwill on acquisition will not take place, but the impairment of goodwill may be only tested.

2. Standard for Insurance Contracts

Objective of Ind AS 104 is to specify the financial reporting about insurance contracts by any organisation that issues such contracts and the standard is developed with the intention of minimizing short-term system changes. It allows entity to continue using their prevailing accounting policies for insurance contracts. However, this allowance for use of extant accounting policies will be applicable only if they meet certain minimum requirements set out in new Ind AS. The key implications include segregation of products among insurance contracts and investment contracts, unbundling of deposit component from insurance contract, accounting for discretionary participation features in insurance contract, treatment of embedded derivatives in insurance contracts, liability adequacy test, treatment of deferred acquisition costs, reinstatement of reinsurance assets and liabilities etc.

3. Standard for Financial Instruments:

The existing Indian GAAP system for accounting of financial instruments does not require the companies to include mandatory guidance but only as a recommendatory. Now the roadmap or guidelines of Ind AS 109 will apply on Financial Instruments from FY 2018 which would have a significant impact on the Balance Sheet, Profit and Loss Statements, and guidance notes as well. This will change the way of classification, measurement, and presenting the financial assets and liabilities. The significant impact of new impairment model will be also on the systems and processes of entities due to its extensive requirements for data and calculation.

The classification of equity, debt, and compound financial instruments will be changed as well as derivatives, and hedging and foreign currency convertible bonds.

4. Standard for CFS (Consolidation of Financial Statements) in a Group Company

As per existing system, the parent organisation reports the assets and liabilities in its balance sheet, and income and expenses in the P/L Statement and also the statement of cash flows of a group companies and its subsidiaries as a single economic entity. The establishment of Ind AS 110 will provide a model that will have single control on all types of entities including entities for special purpose or variable interest or structured entities. The management of parent entity will be required by IndAS110 to apply the decision significantly and determine the entities being controlled by it for Consolidation of Financial Statements as a parent. If the definition of control is revised by the entity, it will change the consolidation accordingly. In the context of present Indian business environment, the new definition of 'control' is going to introduce a paradigm change. This may change entities and their control within the group and thereby will have a high impact on such companies which have already formed special purpose vehicles and whose holding structures are complex.

5. Standard for Revenue Recognition

In India, under the present accounting system the revenue is recognized on accrual basis i.e. before the cash comes in to account. The standard Ind AS 115 meets the equivalence criteria of IFRS15 and provides the guidance for judgments and estimations for revenue recognition.

This standard is based on the core principle that entitles the organisation to recognize revenue in event when its' control over goods or services is transferred to customers. The implementation of this standard will have an influence in the events or transactions that arise on day to day basis such as when performance obligations are identified; transactions related to warranties are recorded, the incentives to the sales teams are provided, the options or material return rights are given to customers etc. Comparatively, the implementation of this standard will require the companies to make more estimates than they do in the present system. An early share of communication with the stakeholders and making them understand in advance regarding its change impact will provide a cushion and help the companies retaining and maintaining their relationships.

6. Ind AS compliant Interim financial information

Preparation or presentation of interim financial information is governed by Clause 41 of the Listing Agreement. Therefore, it is natural, if a company is using IND AS for annual financial statements, it will use the same standards for quarterly reporting also.

Conclusion:

Though, the implementation of new Ind Accounting Standards will transform the preparation and presentation of financial reports of insurance companies and other phase 2 Indian companies through International Standardization. However, the companies are under pressure to keep pace with the decisions that they require to have in place for transition to Ind AS. The limited availability of resources, lack of new Ind AS skilled talents within organisation to improve reporting efficiency and manage compliance is a challenge and also outsourcing of services are expensive. To the fact that the all major regulatory reforms and developments like GST, Tax Accounting Standards, and Ind AS are also to be implemented at around the same time, therefore management of this transformation process at the company level is certainly a challenge.

However, given the mandatory provisions of MCA, the insurance companies are to follow Ind AS for bringing out enhanced level of financial statements which will give true and fair information at par with the global standards harmonized with IFRS. MA

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How to prepare for Limited Insolvency Examination under IBC, 2016

– Some Practical Tips

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Before I give the preparation tips for Limited Insolvency Examination under Insolvency and Bankruptcy Code 2016 (IBC, 2016 or Code), as some of the readers are new to subject, a brief of Insolvency and Bankruptcy Code 2016 is as follows:

The preamble of the IBC, 2016 states that the Code consolidates and amends the laws relating to reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximisation of value of assets of these persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.

1. It envisages specific roles for each of the stakeholders comprising debtors and creditors (*financial & operational creditors*).
2. It provides for the ecosystem comprising Adjudicating Authorities (AAs): *National Company Law Tribunal (NCLT) for Corporate Persons and Debt Recovery Tribunal (DRT) for individuals and Partnership firms*, Insolvency and Bankruptcy Board of India (IBBI), Insolvency Professional Agencies (IPAs), Insolvency Professionals (IPs) and Information Utilities (IUs).
3. It provides time bound insolvency resolution process— 180 days after the process is initiated, maximum ONE TIME extension up to 90-days— for resolving insolvency.
4. However, insolvency resolution of every corporate may not entail the same level of complexity and some could be resolved earlier. Therefore, it also provides for FAST TRACK INSOLVENCY RESOLUTION PROCESS for certain categories of corporate for 90 days after the process is initiated, maximum ONE TIME extension up to 45-days.
5. **Appellate Authorities:For Corporate Persons (Companies & LLPs)** - *National Company Law Appellate Tribunal (NCLAT) and* **for Individuals and Partnership Firms-***Debt Recovery Appellate Tribunal (DRAT.***Civil court shall not have jurisdiction.***The appeal to Supreme Court against the order of NCLAT and DRAT can be made on a question of law arising out of such order.*
6. The Interim Resolution Professional (IRP) runs the operations of corporate person as a going concern up to 30 days during which he collects the claims and based on the same, forms a committee of creditors, which decides what to do with the corporate person.
7. Committee of Creditors (CoC) either to ratify the appointment of IRP and appoint him as Resolution Professional (RP) or replace him with another RP.
8. If the insolvency is resolvable, the CoC approves a resolution plan within 180 days with 75% majority.
9. If before the expiry of the insolvency process, the Adjudicating Authority (AA) does not receive Resolution Plan; or AA rejects Resolution Plan for non-compliance of requirements specified by the Board; or Resolution Professional before the confirmation of Resolution Plan intimate the decision of CoC to AA to liquidate, or if approved Resolution Plan has been contravened by any stakeholders (Corporate Debtor, Creditors, Employees or other person who is a party to Resolution Plan), the AA passes the liquidation order against the corporate debtor.

Limited Insolvency Examination

The *Cost Accountant* having 10 years post membership experience (*either in practice or employment*) amongst other professionals having 10 years post membership experience and graduates who are having 15 years of experience in management, are eligible to enrol and register as *Insolvency Professional* after passing the Limited Insolvency Examination. The registration as Insolvency Professional with *Insolvency and Bankruptcy Board of India* (IBBI) is possible only, after enrolment as professional member with any of the Insolvency Professional Agencies in India. The Institute has also incorporated a section 8 company namely "*Insolvency Professional Agency of Institute of Cost Accountants of India*" *(IPA ICAI)* to enrol and register any person meeting the eligibility criteria for registration with IBBI and regulate its professional members as per the provisions of IBC 2016, Rules and Regulations framed thereunder.

The IBBI has notified ***two Syllabi*** **First**: applicable from *31st December 2016 to June 2017* and **Second**: applicable from *1st July 2017 to 31st December 2017*. The first syllabus covers Acts/IBC 2016, Rules and Regulations notified under IBC 2016 relating to Limited Insolvency Examination (LIE) upto 30th November 2016 while the second syllabus is very comprehensive and covers Acts/IBC 2016, Rules and Regulations notified under IBC 2016 relating to Limited Insolvency Examination up to 30th June 2017.

For ready reference, both the syllabi are given below:

Syllabus: Applicable from *31st December 2016 to 30th June 2017*

Sl. No	Coverage	Weight (%)
a.	The Insolvency and Bankruptcy Code, 2016 **(Entire Code)**	30
b.	Rules and Regulations under the Bankruptcy Code **(All Rules and Regulations notified under the Code till 30th November, 2016)**	25
c.	Report of the Bankruptcy Law Reforms Committee (Entire Report)	05
d.	**(I) The Companies Act, 2013** • Chapter III Prospectus and Allotment of Securities • Chapter IV Share Capital and Debentures • Chapter V Acceptance of Deposits by Companies • Chapter VI Registration of Charges • Chapter VII Management and Administration • Chapter IX Accounts of Companies • Chapter XV Compromises, Arrangements and Amalgamations • Chapter XVII Registered Valuers • Chapter XVIII Removal of names of the companies from the register of companies • Chapter XX Winding-up of the companies • Chapter XXVII NCLT and NCLAT **(II) The Partnership Act, 1932, and** **(III) The Limited Liability Partnership Act, 2008** (***Nature of LLP; Partners and their Relations; Limitation of Liability; Financial Disclosures***)	10
e.	(i) **The Indian Contracts Act, 1872** (***Void, Voidable and Contingent Contracts; Novation, Rescission and Alteration of Contracts; Damages for breach; Indemnity, Guarantee, Surety, Bailment and Pledge; Set off***) **(II) Transfer of Property Act, 1882**; (III) **The Sale of Goods Act, 1930** (***Sale, Warranties, Lien and Damages***).	05
f.	(I) The Recovery of Debts due to Banks and Financial Institutions Act, 1993; (II) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002; and (III) Corporate Debt Restructuring Scheme, Strategic Debt Restructuring, and Scheme for Sustainable Structuring of Stressed Assets (S4A) (of RBI)	05
g.	**General Awareness** (***Constitution, Economy, Finance, Code of Conduct for Insolvency Professionals, and Rights of Workmen***)	05
h.	Finance and Accounts (Corporate Finance, and Financial Analysis)	05

Sl. No	Coverage	Weight (%)
i.	Case Study (Cases on Corporate Insolvency Resolution, Corporate Liquidation, Fresh Start, Individual Insolvency Resolution and Individual Bankruptcy)	10
Total		**100**

Syllabus: Applicable from 1st July 2017 to 31st December 2017

Sl. No	Coverage	Weight (%)
a.	The Insolvency and Bankruptcy Code, 2016	25
b.	Rules and Regulations under the Bankruptcy Code ***(All Rules and Regulations notified under the Code till 30th June, 2017)***	28
c.	(I) The Companies Act, 2013 (II) The Partnership Act, 1932, and (III) The Limited Liability Partnership Act, 2008	10
d.	(I) The Indian Contracts Act, (II) Transfer of Property Act, 1882; (III) The Sale of Goods Act, 1930	04
e.	(I) The Recovery of Debts due to Banks and Financial Institutions Act, 1993; (II) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002; and (III) Corporate Debt Restructuring Scheme, Strategic Debt Restructuring, and Scheme for Sustainable Structuring of Stressed Assets (S4A of RBI)	05
f.	General Awareness (Constitution, Economy, Financial Markets and Rights of Workmen)	04
g.	Finance and Accounts (Corporate Finance, and Financial Analysis)	04
h.	Case Laws (Decisions of Supreme Court, High Courts, NCLAT,NCLT on Corporate Insolvency Resolution, CorporateLiquidation and Voluntary Liquidation.) There will be fivequestions carrying two marks each.	10
i.	Case Study on Corporate Insolvency Resolution, Corporate Liquidation, Voluntary Liquidation, Fast Track Resolution,Fresh Start, Individual Insolvency Resolution and IndividualBankruptcy. There will one comprehension narrating the casestudy and there will be five questions based on the casecarrying two marks each.	10

The format of examination is as under:

a. The examination is ***conducted online*** (computer-based in a proctored environment); ***with objective multiple choice questions***;
b. The duration of the examination is ***two hours***;
c. A candidate is required to answer 90 questions in two hours for a total of 100 marks;
d. There is a***negative marking*** of 25% of the marks assigned for the question;
e. ***Passing mark for the examination is 60%***;
f. Passing candidates is awarded a certificate by the Board;
g. A candidate is issued a temporary mark sheet on submission of examination paper; and

Frequency of Examination

a. The examination is available at 100 + locations in the country between 9:30 AM and 5:30 PM;
b. A candidate needs to enrol for examination at www.nism.ac.in. Link is provided on IBBI: www.ibbi.gov.in and also on IPA website: www.ipaicmai.in
c. Before enrolling for examination, please ready with soft copy of your photograph and scan copies of PAN and Aadhar to enable you to enrol for the examination; and
d. You need to pay examination

fee of Rs.1000/- (Rupees one thousand only) online on every enrolment.

e. There is no limit on numbers of attempts for qualifying the limited insolvency examination.

Examination Preparation Tips for the syllabus applicable from 31st December 2016 to 30th June 2017

The limited insolvency examination tips are based on my experience for this examination which I have qualified in April 2017. The following are tips:

1. Please obtain complete clarity regarding the prescribed syllabus and formulate a specific study plan.
2 .Keep reading and re-reading the bare acts of the laws that have been covered under the syllabus. Make notes if necessary.
3. There is no other alternate except to put hard work and understand the contents of examination well. Adhoc approach may not enable you to get the qualifying score for passing the examination.
4. In the notified syllabus for the Limited Insolvency Examination (LIE), maximum weightage (30%) has been given to the Code followed by the Rules and Regulations framed under the Code (25%). Ensure you are very thorough with the Code as well as the Rules and Regulations.
5. Practice as many questions as possible.
6. Solve the sample paper as released by the Insolvency and Bankruptcy Board of India in a time bound manner.
7. While attempting to solve the sample paper released by the Board, grasp and understand the pattern of the questions.
8. ***Read those sections, Regulations and Rules which prescribe specific time period for any acts, and amount of penalty for various offences under Insolvency Process for Corporate Persons, Individual and Partnership Firms***;
9. Memorize the minimum amount of defaults under **Part-II** [Corporate Insolvency Resolution Process (*CIRP- Rs. 1 lakh- Section 4)*] and **Part-III** (Individual and Partnership- *One thousand- Section 78*);
10. Know the scope and applicability of Insolvency and Bankruptcy Code 2016 (IBC 2016). ***As per Section 1 of the IBC 2016, it extends to whole of India. However, Part-III (Individual and Partnership Firms) shall not extend to state of Jammu & Kashmir***.
11. Read definitions given in Section 3 and Section 5 (*under Part-II- Insolvency Process for Corporate Persons*) and understand their intent and keep the same in mind while answering objective type questions;
12. Know numbers of Parts in IBC and Chapters which each one contains.
13. ***Memorize the maximum amount of default*** which can be prescribed by Central Government under Part-II (CIRP- **Rs. 1 crore-**Section 4) and Part-III (Individual and Partnership- **Rs. 1 lakh-** Section 78);
14. Know who can initiate Corporate Insolvency Process. **Most Important**
15. Read Sections 7, 8, 9, and 10 and memorize their provisions. ***Don't forget***. Repeat them again and again to retain these provisions in your mind.
16. After memorizing these sections then go to ***"Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations 2016 notified by IBBI on 30th November 2016.*****V. Important**
    - ✓ See the provisions relating to Eligibility of Resolution Professional;
    - ✓ Public Notice (maximum 3 days);
    - ✓ Period for submission of claims and period for their verification
    - ✓ Relevant Forms applicable to each class of Creditors (Financial, Operational, Workmen & Employees)- ***CIRP Regulations***
    - ✓ Procedure for constitution of Committee of Creditors (Financial or Operational Creditors)
    - ✓ Notice Period for convening meetings of Committee of Creditors;
    - ✓ Service of Notice by electronic means; Contents of Notice;
    - ✓ Quorum for meetings;
    - ✓ Conduct of meetings and participation through Video conferencing;
    - ✓ Voting Procedure;
    - ✓ Appointment of Registered Valuers for determining Liquidation Value;
    - ✓ Contents of Information Memorandum;
    - ✓ Contents of Resolution Plan, who can submit the Resolution Plan, whether Resolution Applicant attend the meeting and vote thereat;
17. Then memorize and understand Rules relating to filing of application under these sections. ***Insolvency and Bankruptcy (Application***

to Adjudicating Authority) Rules 2016 notified by MCA on 30th November 2016 are**Very Important.**

- ✓ Read said Rules again and again and retain in your memory. ***These are very important.***
- ✓ Memorize different Forms for filing the application with Adjudication Authority (AA): **Form 1** (*Section 7*), **Form 2** (*Written Communication by proposed IRP*), **Form 3** (*Section 8- Demand Notice/ Invoice demanding payment*), **Form 4** (*Section 8- Form of Notice with which Invoice to be attached*), **Form 5** (*Section 9*), **Form 6** (*Section 10*);
- ✓ ***Memorize Rule number*** when application can be withdrawn by applicants **(Rule 8);**
- ✓ Under what Rule an applicant to propose IRP and obtain written Communication from IRP **(Rule 9)**, ***understand it is written communication and not written consent***;
- ✓ **Remember till such time Rules of procedure for conduct of proceedings under code are notified, the application for initiating corporate insolvency process is to be filed with NCLT in accordance with Rules 20, 21, 22, 23, 24 and 26 of Part III of National Company Law Tribunal Rules, 2016 (Rule 10)**
- ✓ **Memorize the Application Fee to be paid by different applicants: *Rule 10 & Schedule provides for Fee – FC & Corporate Applicant Rs. 25,000/- and OC Rs. 2,000/-***

18. *Read and memorize time period of Insolvency Resolution Process both Normal and Fast Track*;
19. Memorize the contents of Moratorium (Section 14);
20. Appointment of Interim Resolution Professional- IRP and period of his appointment (Section 16)
21. Memorize the contents of Management of Affairs (Section 17);
22. When the first meeting of Committee of Creditors (CoC) should be held (*within 7 days of its constitution*);
23. Appointment of Resolution Professional-RP (Section 22)- Either appointment of IRP ratified, if not then some other RP is appointed. In this case CoC shall file application to AA for appointment of RP;
24. Memorize the duties of IRP (Sec. 18) and RP (Sec. 25);
25. AA to forward name of proposed RP to IBBI for confirmation. **IBBI to confirm within 10 days on receipt of name;**
26. Can IRP continue after 30 days, in case of delay of confirmation by IBBI, **Answer is Yes. AA by order direct the IRP to continue to function as RP until such time IBBI confirms the name of proposed RP; (Sec. 22(5);**
27. Memorize the contents of Committee of Creditors (CoC) (Section 24) with reference to IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016;
28. Memorize what actions of IRP/ RP require approval of CoC (Section 28);
29. Memorize the contents of Resolution Plan (Sec 30)
30. Memorize to whom the ***approved Resolution Plan shall be binding (Sec 31): Corporate Debtor and its employees; members; creditors; guarantor; and other stakeholders involved in the resolution plan***;
31. Appeal can be filed by any person aggrieved against the order of Adjudicating Authority (NCLT) within 30 days to National Company Law Appellate Tribunal (NCLAT), which can be extended by NCLAT on sufficient cause not exceeding 15 days (Section 61).

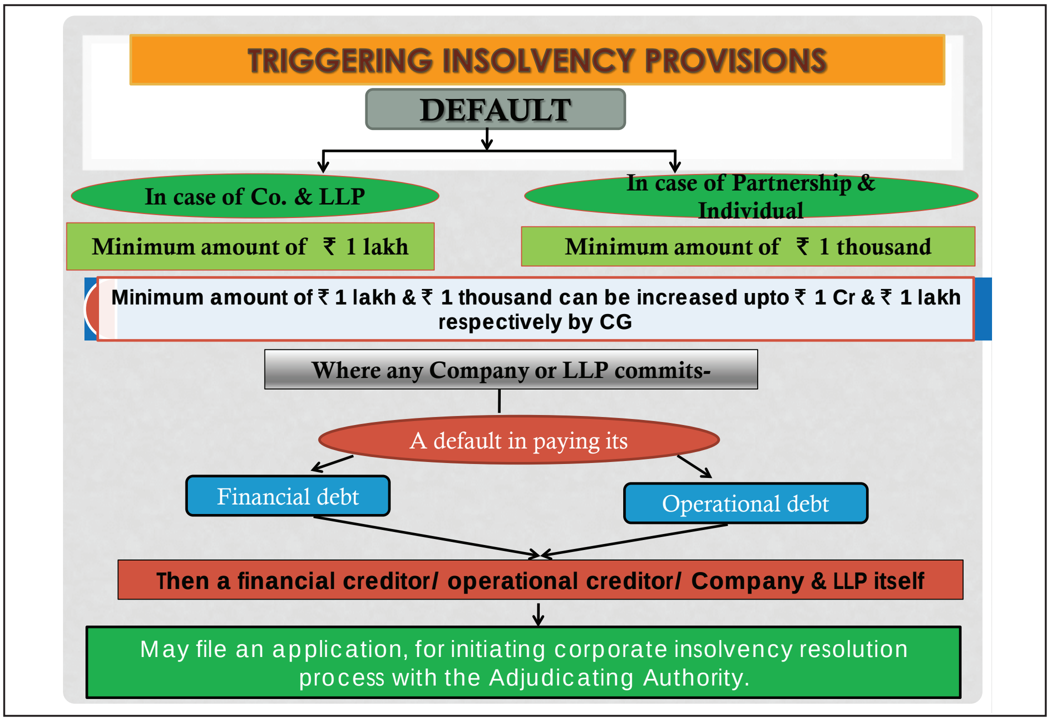
Remember Appeal against NCLT order is to NCLAT not to any other authority (IBBI or Court);

32. **Remember and memorize that an appeal against an order** approving a resolution plan under section 31 may be filed on the following grounds [Section 61(3)]:
    - ✓ Approved plan is **in contravention of the provisions of any law** for the time being in force;
    - ✓ There has been **material irregularity in exercise of the powers by the resolution professional** during the corporate insolvency resolution period;
    - ✓ Debts owed to operational creditors of the corporate debtor have not been provided for in the resolution plan in the manner specified by the Board;
    - ✓ Insolvency resolution process costs have not been provided for repayment in priority to all other debts; or
    - ✓ Resolution plan does not comply with any other criteria specified by the Board.

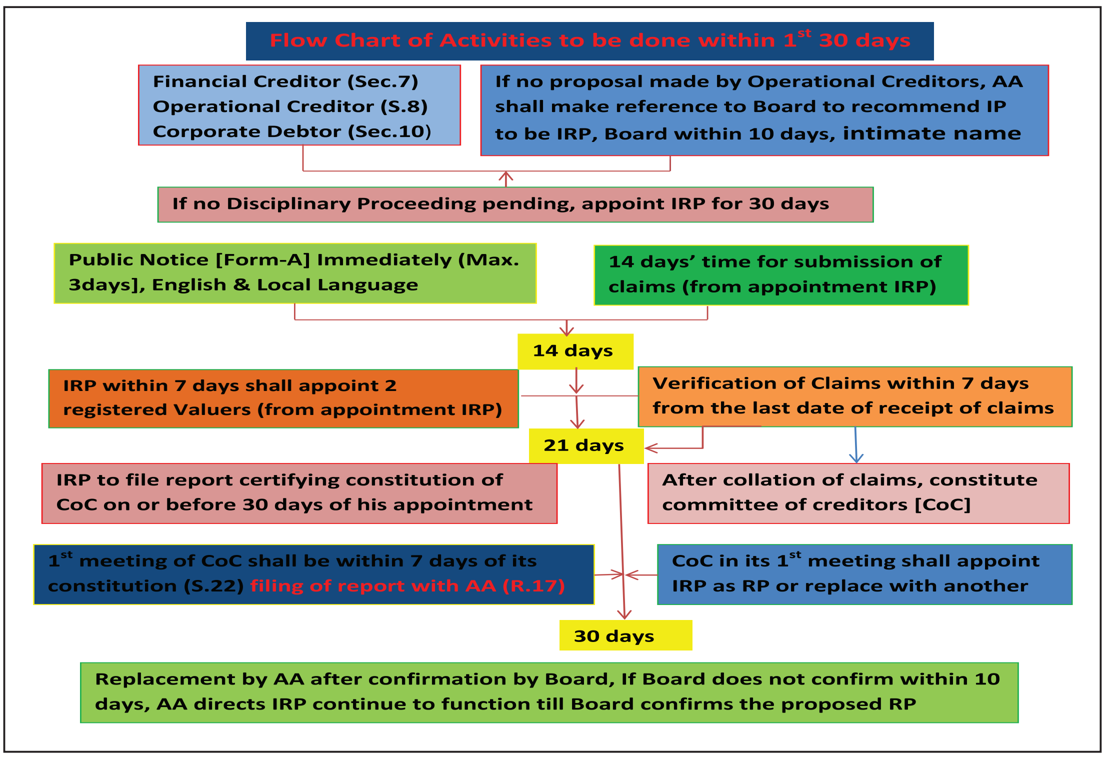
Please remember that an appeal

against a liquidation order passed under section 33 may be filed on grounds of material irregularity or fraud committed in relation to such a liquidation order. [Sec. 61(4)]

Triggering of Insolvency Process



Flow Chart of Activities which Interim Resoution Professoinal has to do in 30 days



Forms under IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016

IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016	u/s Reg.6	**Form A**	*Public Announcement*
	u/s Reg.7	**Form B**	*Proof of claim by Operational Creditors except workmen and employees*
	u/s Reg.8	**Form C**	*Proof of Claim by Financial Creditors*
	u/s Reg.9	**Form D**	*Proof of claim by a workmen or employees*
	u/s Reg.9	**Form E**	*Proof of claim by Authorised representative of workmen or employees*

33. After Corporate Insolvency Process, now read Liquidation Provisions from IBC 2016 (Section 33 to 53). ***RememberInsolvency and Bankruptcy Board of India (Liquidation Process) Regulations 2016 have been notified by IBBI on 15th December 2016 i.e. after 30th November. (Syllabus is upto 30th November 2016). Don't waste time for reading these regulations***;

34. Initiation of Liquidation: ***Read section 33 carefully and memorize***;

35. Appointment of liquidator and fee to be paid section 34: **Read and Memorize;**

36. Powers and duties of liquidator (Sec. 35): **Read and Memorize;**

37. Liquidation Estate (Sec. 36): **Very important section. Read and memorize;**

38. **Appeal against the decision of liquidator (Sec. 42):** A creditor may appeal to the Adjudicating Authority against the decision of the liquidator rejecting the claims ***within fourteen days*** of the receipt of such decision. **Please note the appeal is to AA (NCLT) and not to NCLAT or IBBI or court. Please note the time frame;**

39. **Read and memorize preferential transactions and relevant time (Sec. 43);.**

40. **Read and memorize avoidance of undervalued transactions and relevant time(Sec. 44);**

41. **Read and memorize extortionate credit transactions(Sec. 50);**

42. **Read and memorize the distribution of assets and priority of payments (Section 53): Very Important.** Please refer to following chart:

43. After liquidation now come to **Fast Track Corporate Insolvency Resolution Process (Section 55-58)**. Read only relevant sections of IBC 2016, as their Regulations are yet to be notified by IBBI.

44. Now read and memorize the provisions of Voluntary Liquidation of corporate persons from IBC 2016 (Section 59), Regulations for Voluntary Liquidation have been notified after 30th November 2016. *Don't read them for examination purpose.* **This is a single section and very important.**

45. **OFFENCES AND PENALTIES** are very important don't leave them and remember and retain in your memory.***In maximum cases the penalties and imprisonment provisions are similar except few. But you have to memorize which offence or provision is different from others. For ready reference the following may be remembered:***

✔ Imprisonment in most of cases is for a term not less than 3 years but which may extend to 5 years; or Fine not less than Rs. 1 lakh, but may extend to Rs. 1 crore or both except the following:

(a) **Imprisonment for a term not be less than 1 years** *but which may extend to 5 years, or fine not less than Rs. 1 lakh but may extend to Rs 1 crore or both for the following* offence:

(i) Penalty for an officer of the corporate debtor or the corporate debtor who has made or caused to be made any gift or transfer of, or charge on, or has caused or connived in the execution of a decree or order against, the property of the corporate debtor, on or after the insolvency commencement date.

(ii) Penalty for an officer of the corporate debtor or the corporate debtor who has concealed or removed any part of the property of the corporate debtor within two months before the date of any unsatisfied judgment, decree or order for payment of money obtained against the corporate debtor on or after the insolvency commencement date.

(b) ***If an insolvency professional deliberately contravenes the penal provision he shall be punishable with-*** **Imprisonment for a term which may extend to 6 months, or with fine which shall not be less than Rs. 1 lakh, but may extend to Rs. 5 lakh, or with both.*****This is only offence which has lower imprisonment and penalty.***

46. ***Now read the following Regulations***:

(a) IBBI (Insolvency Professionals) Regulations 2016;

(b) IBBI (Insolvency Professional Agencies) Regulations 2016;

(c) IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations 2016;

(d) IBBI (Insolvency Process for Corporate Persons) Regulations 2016;

(e) Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016.

Summary of each Regulation which is important and should be memorized is follows: All the provisions of regulations, time frame mentioned against each and also the amount for each description are important, retain in your memories.

(a) IBBI (Insolvency Professionals) Regulations 2016: Read all Regulations and memorize who are eligible to apply to become Insolvency Professionals under Regulation No. 4 & 5.

1. Provisions of Regulations of Regulations are summarized (Memorize these provisions).

S NO	Particulars	Regulation	Timeline	Description
1	*Application for certificate of Registration*	6(1)	**7 Days**	***Board acknowledge the application within 7 days with non -refundable fee of 10000/-.***

S NO	Particulars	Regulation	Timeline	Description
2		7(1)	**60 Days**	Grant certificate of registration to the applicant in ***Form B, within 60 days of receipt of application***
3	***Certificate of Registration***	7(2)	**5 Years**	Fee Rupees ten thousand, ***every five year after year in which certificate is granted.***
4		7(2)	**3 Years**	***Maintain Records of all assignments undertaken under the code for at least three years***.
5		8 (2)	**45 Days**	***Communication within 45 days of receipt of the application*** for registration ought not granted.
6	***Refusal to grant certificate***	8 (2)	**15 Days**	Applicant an opportunity to explain why his application should be accepted ***within fifteen days of the receipt of communication.***
7		8(3)	**30 Days**	Within 30 days of receipt of explanation
8	***Registration for limited period***	9(3)	**6 Month**	From the date of submission
9	***Temporary Surrender***	10(1)	**7 Days**	IPA shall inform the Board (IBBI) if any of its professional members has temporarily surrender the membership
10		11(6)	**6 Month**	The Disciplinary Committee shall endeavour to dispose of the ***show-cause notice within a period of six months of the assignments***.
11	***Disciplinary Proceedings***	11(9)	**30 Days**	The order passed under sub-regulation (7) ***shall not become effective until thirty days have elapsed from the date of the issue of order unless disciplinary committee states otherwise in order along with the reason for the same***.

II. Forms (Memorise these Form Number and Description)

IBBI (Insolvency Professionals) Regulations 2016	U/ s Reg. 6 or 9	**Form A**	*Application for Registration as an Insolvency Professional/ Limited Insolvency Professional*
	U/ s Reg. 7	**Form B**	*Certificate of Registration*
	U/s Reg. 12	**Form C**	*Application for Recognition as an Insolvency Professional Entity*
	U/s Reg. 13	**Form D**	*Certificate of Recognition*

(b) IBBI (Insolvency Professional Agencies) Regulations 2016: Read all Regulations and memorize who are eligible to apply to become Insolvency Professional Agencies under Regulation No. 3.

I. Other Provisions of Regulations are summarized (Memorize these provisions)

S. No.	Particulars	Regulation	Timeline	Description
1	**Application for registration or renewal**	4(3)	**7 Days**	The Board (IBBI)***shall acknowledge the application within seven days.***

2	**Grant of Registration**	5(1)	**60 Days**	**Within 60 Days of receipt of application.**
3		5(3)	**5 Years**	**Valid for 5 Years.**
4	**Surrender of Registration**	7(2)	**7 Days**	***With 7 days of receipt of the application, publish a notice of receipt of such application on its website.***
5			**14 Days**	**IBBI Invites objections to be submitted in 14 days.**
6			**30 Days**	***The Board shall within 30 days from the last date of submission of objection approve the application***.
7	**Disciplinary Proceedings**	8(7)	**6 months**	***Disciplinary Committee shall endeavour to dispose notice within six months.***
8	**Appeal**	9	**30 Days**	***30 Days of receipt of impugned order under Part III of NCLT Rules 2016* (NCLAT).**

II. Forms (Memorise these Form Number and Description)

IBBI (Insolvency Professional Agencies) Regulations, 2016	U/s Reg. 4	**Form A**	Application for Certificate of Registration
	U/s Reg. 5	**Form B**	Certificate of Registration

(c) IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations 2016: Read all Regulations and memorize all provisions of Bye-Laws, particularly Regulation 5 (Composition of Governing Board), **Schedule** which gives ***V. Committees of the Agency; VI. Professional Membership; VIII. Monitoring of Members; IX. Grievance Redressal Mechanism; X. Disciplinary Proceedings; XI. Temporary Surrendering of Professional Membership and Expulsion from Membership.***

I. Other Provisions of Regulations which give time lines are summarized (Memorize these provisions)

S. No	Particulars	Regulation	Timeline	Description
1	**Insolvency Professional Agencies to have By-Laws**	**3(4)**	-	Insolvency Professional Agencies ***to publish its By-Laws*,*compositions of its Committees formed, and all its policies created under Bye-Laws, on its website.***
2	**Amendment in Bye-Laws**	4(2)	**7 Days**	***A Resolution passed shall be filled with the Board (IBBI) within 7 days.***
3		4(3)	**7 Days**	The amendment to the Bye Laws ***shall come into effect on seventh day of the receipt of approval unless otherwise specified by the Board.***
4		4(4)	**15 Days**	***Printed copy of the amended Bye Laws with the Board within 15 days*** from the date when such amendment is effective
5	**Process of Enrolment to Professional Member**	Schedule Clause 10(8)	**30 Days**	The applicant aggrieved with the decision rejecting his application may ***prefer appeal to Membership Committee within 30 days***.
6		Schedule Clause 10(9)	**30 Days**	The Membership Committee shall pass an order of disposing of appeal in the manner expedient ***within 30 days from the receipt of copy of final order.***
7	**Disciplinary Proceedings**	Schedule 25(2)	**30 Days**	Any person aggrieved of an order of Disciplinary Committee may prefer an ***appeal before Appellate Panel within 30 Days***.

8	**Appellate Panel**	Schedule Clause 25(3)	**30 Days**	The Appellate Panel shall dispose of the appeal ***in the manner it deems expedient within 30 days of receipt of appeal.***

II. Forms (Memorise these Form Number and Description)

IBBI (Model Bye Laws) Regulations		**Form A**	Certificate of Professional Membership

47. ***Read Establishment and incorporation of Board: (Sec. 188):*** Vide S.O. 3110(E) dated 1st October 2016, in exercise of the powers conferred by sub-section (1) and (3) of section 188 of the Insolvency and Bankruptcy Code, 2016, the Central Government hereby appoints ***1st October, 2016 as the date of establishment of Insolvency and Bankruptcy Board of India. The head office of the Insolvency and Bankruptcy Board of India shall be at New Delhi.***

Constitution of Board (Sec. 189): [10 members including Chairperson]: *Please remember the provision.*

Chairperson	1	
Ex-officio (4)	1	Not below the rank of J.S Ministry of Corporate Affairs
	1	Not below the rank of J.S Ministry of Finance
	1	Not below the rank of J.S Ministry of Law
	1	Nominated by RBI
Nominated	3	**Whole time member nominated by CG**
Nominated	2	Part time member nominated by CG

48. ***Appointment of the Chairperson and the members of the Board other than the appointment of an ex officio member [Sec. 189(3)]: Please read and memorize.***

On the recommendation of a selection committee consisting of—

(a) Cabinet Secretary—Chairperson;

(b) Secretary to the Government of India to be nominated by the Central Government—Member;

(c) Chairperson of the Insolvency and Bankruptcy Board of India (in case of selection of members of the Board)—Member;

(d) three experts of repute from the field of finance, law, management, insolvency and related subjects, to be nominated by the Central Government—Members.

The term of office of the Chairperson and members (other than ex officio members) ***shall be five years or till they attain the age of sixty-five years, whichever is earlier,*** *and they shall be eligible for reappointment.*

49. Removal of member from office. [Sec. 190]

(a) The Central Government may remove a member from office if he—

is an undischarged bankrupt as defined under Part III;

(b) has become physically or mentally incapable of acting as a member;

(c) has been convicted of an offence, which in the opinion of the Central Government involves moral turpitude;

(d) has, so abused his position as to render his continuation in office detrimental to the public interest:

Provided that no member shall be removed under clause (d) unless he has been given a reasonable opportunity of being heard in the matter.

50. Read and memorize the principles governing registration of insolvency professional agency [Sec. 200].

51. ***Every order for rejection of application for registration of Insolvency Professional Agency by Board, shall be communicated to the applicant within a period of fifteen days.***

Provided that no order shall be made under this sub-section unless the insolvency professional agency concerned has been given a reasonable opportunity of being heard:

Provided further that no such order shall be passed by any member except whole-time members of the Board. [Remember this provision]

52. ***Remember appeal for rejection*** *of application for registration is to National Company Law Appellate Tribunal NCLAT.*

53. ***Functions of Insolvency Professional Agencies [Sec. 204]:*** *Read them.*

54. ***Functions and obligations of insolvency professionals [Sec. 208]:*** *Read them.*

55. ***Registration of information utility [Sec. 210]:*** *Read and memorize the provisions.*

56. ***Remember appeal for rejection of application for registration is to National Company Law Appellate Tribunal-NCLAT [Sec. 211].***

57. ***Obligations of information utility [Sec. 214]:*** *Read and memorize the provisions.*

58. ***Procedure for submission, etc., of financial information [Sec. 215]:*** *Read and memorize the provisions.*

59. **INSPECTION AND INVESTIGATION(Chapter VI of Part-IV of IBC 2016):** ***This Chapter is very important, the contents of this chapter should be memorized and retain in memory.***

60. **Please remember Code provides for two types of Boards.** The purpose of each Board is different. Please read the purpose very carefully. ***Board's Fund (Section 222)*** *and* ***Insolvency and Bankruptcy Fund (Section 224)****.*

61. ***Bar of jurisdiction (Section 231):*** *No civil court shall have jurisdiction in respect of any matter in which the Adjudicating Authority is empowered by, or under, this Code to pass any order 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 order passed by such Adjudicating Authority under this Code.*

62. ***Members, officers and employees of Board to the public servants (Section 232):*** *Chairperson, Members, officers and other employees ✔of the Board shall be deemed, when acting or purporting to act in pursuance of any of the provisions of this Code,* ***<u>to be public servants within the meaning of section 21 of the Indian Penal Code.</u>***

63. ***Protection of action taken in good faith (Section 233)****: No suit, prosecution or other legal proceeding shall lie against the Government or any officer of the Government, or the* ***Chairperson, Member, officer or other employee of the Board <u>or an insolvency professional or liquidator</u>*** *for anything which is in done or intended to be done in good faith under this Code or the rules or regulations made thereunder.*

64. ***Trial of offences by Special Court.(Section 235):*** *Notwithstanding anything in the Code of Criminal Procedure, 1973,* ***<u>offences under this Code shall be tried by the Special Court established under Chapter XXVIII of the Companies Act, 2013</u>****.* ***(Note this provision and remember).***

65. ***Appeal and revision (Section 237):*** *High Court may exercise, so far as may be applicable, all the powers conferred by Chapters XXIX and XXX of the Code of Criminal Procedure, 1973 on a High Court, as if a Special Court within the local limits of the jurisdiction of the High Court were a Court of Session trying cases within the local limits of the jurisdiction of the High Court.*

66. ***Provisions of this Code to override other laws (Section 238):*** *Provisions of this Code shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law.*

67. ***Rules and regulations to be laid before Parliament (Section 241):*** Please read the provisions and retain in your memory.

68. ***Section 243:*** The following Acts have been repealed: (a) *The Presidency Towns Insolvency Act, 1909; and The Provincial Insolvency Act, 1920.*

69. *The following Acts have been amended* ***<u>(Please remember the following sections of IBC 2016 and schedule numbers)</u>***

✔ ***Section 245: Indian Partnership Act, 1932****, amended as per* ***First Schedule*** *Section 41(a) omitted.*

✔ ***Section 246: Central***

Excise Act, 1944; *amended as per* ***Second Schedule****, Section 11E amended.*

✔ ***Section 247: Income Tax Act, 1961;*** *amended as per* ***Third Schedule****, Section 178(6) amended.*

✔ ***Section 248: Customs Act, 1962;*** *amended as per Forth Schedule,Section 142A amended.*

✔ ***Section 249:Recovery of Debt Due to Banks and Financial Institution Act, 1993;*** *amended as per* ***fifth Schedule****.*

✔ ***Section 250:*** *The Finance Act, 1994; amended as per* ***sixth Schedule, Section 88 amended.***

✔ ***Section 251:*** *The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002; amended as per* ***Seventh Schedule.***

✔ ***Section 252:*** *The Sick Industrial Companies (Special Provisions) Act, 1985; amended as per* ***eighth Schedule, Section 4(b) substituted.***

✔ ***Section 253:The Payment and Settlement Systems Act, 2007****; amended as per* ***Ninth Schedule, Section 23(4), 23(5), 23(6) and 23A(3) amended;***

✔ ***Section 254:The Limited Liability Partnership Act, 2008****; amended as per* ***Tenth Schedule, Section 64, Clause (c) omitted;*** *and*

✔ ***Section 255: The Companies Act, 2013****. Amended as per* ***Eleventh Schedule.***

70. Now come to Individuals and Partnership Insolvency Process (Section 79 to 187);

71. Please read the definitions- Section 79 and should be able to recall when the question is asked on the provision of a section;

72. Fresh Start Process: Memorize the conditions for start process: For ready reference it is given below:

A debtor may apply, either personally or through a resolution professional, for a fresh start under this Chapter in respect of his qualifying debts to the Adjudicating Authority if —

✔ *the gross annual income of the debtor does not exceed sixty thousand rupees;*

✔ *the aggregate value of the assets of the debtor does not exceed twenty thousand rupees;*

✔ *the aggregate value of the qualifying debts does not exceed thirty-five thousand rupees;*

✔ *he is not an undischarged bankrupt;*

✔ *he does not own a dwelling unit, irrespective of whether it is encumbered or not;*

✔ *a fresh start process, insolvency resolution process or bankruptcy process is not subsisting against him; and*

✔ *no previous fresh start order under this Chapter has been made in relation to him in the preceding twelve months of the date of the application for fresh start.*

73. **Read all the provisions of Sections 80-93.**

74. **Read provisions relating to "Insolvency Resolution Process" Section 94- 120.**

75. **Read provisions relating to Bankruptcy of individuals and Partnership.**

76. ***Read provisions of Offences and Penalties Section 184-187.*** *Don't leave provisions of offences and penalties as these are important.*

77. ***Please remember as mentioned in the beginning that study those provisions which have specific timeline and penalty.***

78. Read and memorize important provisions of Report of Bankruptcy Law Reforms Committee (BLRC Report). Refer Note@

79. Read the provisions relating to Chapter XXVII NCLT and NCLAT from the Companies Act, 2013. Summarized position is given below:

✔ In the first phase the Ministry of Corporate Affairs have set up eleven Benches:

● ***One Principal Bench*** *at New Delhi; and*

● ***Ten Benches*** *at New Delhi, Ahmedabad, Allahabad, Bengaluru, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata and Mumbai.*

● *These Benches will be headed by the President and 16 Judicial Members and 09 Technical Members at different locations.*

● *National Company Law Tribunal ('NCLT') and its appellate body, the National Company Law Appellate Tribunal ('NCLA1T') have been constituted under sections 408 and 410 of the Companies Act, 2013 ('Act') with effect from June 1, 2016.*

NCLT has all such powers as were being exercised by the erstwhile Company Law Board ('CLB'), the High Court and the Board for Industrial and Financial Reconstruction ('BIFR'). CLB and BIFR have already been dissolved.

Qualification of President and member of NCLT	
President	*Judge of High Court for last 5 Years*
Judicial Member	*Has been a judge of high court*
	District Judge for last 5 Years
	Advocate for 10 years

Qualification of Technical Member
15 Years been a member of Indian Corporate Law Service or Indian Legal service and has been holding the rank of secretary or additional secretary
Chartered Accountant for 15 years practice
Cost Accountant for 15 years practice
Company Secretary for 15 years practice
Is a person of proven ability and special knowledge and experience of not less than 15 years in industrial law, industrial management, industrial reconstruction , investment and accountancy
5 Years as Presiding officer of Labour Court Labour / National Tribunal

Term	**President**	*5 Years or 67 years*	
	Member	*5 Years or 65 years*	
But not below 50 years			
Bench	**2 Member**	*1 Technical , 1 Judicial*	
Special Bench	**3 or more**	*By majority of judicial member*	
For revival, restructuring and rehabilitation			
Modification of order		*Within 2 Years provided no amendment on such order filled under appeal*	
Appeal		*45 days from the date of copy of order made available to the person so aggrieved, further extension of 45 days*	
Disposal of case		*3 Month from the date of application or appeal, further extension 90 days*	
Status		*Civil Court under Chapter XXVI of Code of Criminal Procedure, 1973*	

NCLAT	
Chairperson	*Judge of Supreme Court or Chief Justice of High Court*
Judicial Member	*Has been a Judge of High Court or*
	Judicial Member of Tribunal ***for 5 years***
Technical Member	*A person of proven ability and special knowledge and experience of* ***not less than 25 years*** *in industrial law, industrial management, industrial reconstruction, investment and accountancy*

The President of Tribunal and the Chairperson and Judicial Members of the Appellate Tribunal shall be appointed after consultation with the Chief Justice of India	
Members of Tribunal and Technical Members of Appellate Tribunal shall be appointed on recommendation of Selection Committee of	
Chairperson	*Chief Justice of India or his nominee*
Member	*(a) A Senior Judge of Supreme Court or Chief Justice of High Court*
	(b) Secretary of Ministry of Corporate Affairs

	(c) Secretary of Ministry of Law And Justice
	(d) Secretary of Ministry of Corporate Affairs , he shall also be convenor and
	(e) Secretary in the Department of Financial Services in the Ministry of Finance
Terms	
Chairperson	5 Years or 70 years
Member	5 Years or 67 years
No appointment shall be invalid merely discrepancy in constitution of committee or vacancy	

80. *Read the provisions relating to* ***Chapter XVII Registered Valuers of the Companies Act, 2013, which is summarized below:***

Section 247(2): *The* ***valuer*** *appointed under sub-section (1) shall,—*

(a) make an impartial, true and fair valuation of any assets which may be required to be valued;

(b) exercise due diligence while performing the functions as valuer;

(c) make the valuation in accordance with such rules as may be prescribed; and

(d) ***not undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time during or after the valuation of assets.***

Punishment for contravention of provisions of section 247: *A fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.*

In contravention with the intention to defraud the company or its members*, he shall be punishable with* ***imprisonment for a term which may extend to one year and with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.***

Section 247(4): *Where a valuer has been convicted under sub-section (3), he shall be liable to—*

(i) refund the remuneration received by him to the company; and

(ii) pay for damages to the company or to any other person for loss arising out of incorrect or misleading statements of particulars made in his report.

81. ***Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI).*** *Read section 2(i)(j):* ***meaning of Default; Conditions: Section 13, Caseswhere SARFAESI Act does not apply; ARCs and Adjudicating Authority.***

82. ***Read the following matters of RBI and memorize the provisions:***

✔ Corporate Debt Restructuring Scheme;

✔ Joint Lenders Forum (JLF);

✔ Strategic Debt Restructuring;

✔ and Scheme for Sustainable Structuring of Stressed Assets (S4A)

✔ Read the Reserve Bank Monetary Policy and memorise Repo rate, Reverse Repo Rate, SLR Rate, CRR, Base Rate, Call Rate, Bank Rate etc.

83. Have the understanding of General Awareness (Constitution, Economy, Finance, Code of Conduct for Insolvency Professionals, and Rights of Workmen).

84. Financial Ratio Analysis most importantly how to calculate EPS and diluted EPS.

85. See the applicability of provisions relating to Workmen in the following Acts:

✔ Factory Act, 1948

✔ Employees' Provident Fund and Miscellaneous Provisions Act, 1952

✔ The ESI Act 1948

✔ The Industrial Dispute Act, 1947

✔ The Contract Labour Regulation and Abolition) Act, 1970

✔ The Payment of Bonus Act, 1965

Important Note: *The author had made a presentation through Webinar: "****How to prepare for Limited Insolvency Examination- Some Practical Aspects****" which was held at the Institute of Cost Accountants of India platform on 9th May 2017. Detailed presentation which contains 170 slides gives provisions and other matters relating to "How to prepare for Limited Insolvency Examination- Some Practical Aspects" and can be downloaded from IPA of Institute website: www.ipaicmai.in.* MA

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CUSTOMS

Notifications:

Tariff:

✤ Notification under Section 28A of Customs Act, 1962 to exempt import of cut & polished diamonds during period 9th March, 2012 to 1st March, 2017 by the authorized agencies/ offices in India of laboratories mentioned under para 4.74 of the Hand Book of Procedure

[Notification No. 21/2017-Cus,dt. 22-05-2017]

✤ Seeks to amend notification no. 12/2012-customs dated 17.03.2012 extending the time period for furnishing the final Mega power project certificate from 60 months to 120 months and extending the period of validity of security in the form of Fixed Deposit Receipt or Bank Guarantee from 66 months to 126 months, in case of provisional mega power projects

[Notification No. 20/2017-Cus,dt. 16-05-2017]

✤ Seeks to amend notification No. 101/2007 – Customs dated 11th September 2007 so as to notify the expanded schedule of tariff preferences under the India-Chile Preferential Trade Agreement (PTA).

[Notification No.19/2017-Cus,dt. 16-05-2017]

✤ Seeks to amend notification No. 12/2012 dated 17.03.2012 so as to make effective rates of BCD on industrial grade palm stearin (crude, RBD or other) which were earlier classifiable under sub-heading 3823 11 and are now classifiable under 1511 90 30 consequent to the amendments carried out vide the Finance Act, 2017.

[Notification No. 18/2017-Cus,dt. 09-05-2017]

Non-Tariff:

✤ Amendment to notification 63/94-Customs (N.T), dated 21.11.1994 so as to notify Valmikinagar in West Champaran District, Bihar as a Land Customs Station.

[Notification No.50/2017-Cus (NT),dt. 24-05-2017]

✤ Rate of exchange of conversion of the foreign currency with effect from 19th May, 2017

[Notification No. 49/2017-Cus (NT),dt. 18-05-2017]

✤ Seeks to amend the Customs notification No. 84/2007-Customs (N.T.) dated 17th August, 2007 to give effect to the amendments to Rules of Origin of India-Chile PTA

[Notification No.48/2017-Cus (NT),dt. 16-05-2017]

✤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver

[Notification No.47/2017-Cus (NT),dt. 15-05-2017]

✤ Appointment of common adjudication Authority in case of M/s Beanstalk Brand Consultancy, New Delhi

[Notification No. 46/2017-Cus (NT),dt. 11-05-2017]

✤ Amendment to notification no 142/2016-Customs (N.T.) dated 29.11.2016

[Notification No.45/2017-Cus (NT),dt. 11-05-2017]

✤ Amendment to notification 62/94 –Customs (N.T), dated 21.11.1994 so as to allow unloading of imported goods and loading of export goods or any class of such goods at Dharma Port, Odisha

[Notification No. 44/2017-Cus (NT),dt. 11-05-2017]

✤ Rate of exchange of conversion of the foreign currency with effect from 5th May, 2017

[Notification No. 43/2017-Cus (NT),dt. 04-05-2017]

✤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver

[Notification No. 42/2017-Cus (NT),dt. 28-04-2017]

✤ Regarding amendment in Notification no. 131/2016-Customs (N.T.) dated 31.10.2016 relating to AIR of duty drawback with respect to Guar and its products

[Notification No. 41/2017-Cus (NT),dt. 26-04-2017]

Anti Dumping Duty:

✤ Seeks to levy definitive anti-dumping duty, on imports of Aluminium Foil originating in or exported from China PR

[Notification No. 23/2017-Cus (ADD), dt. 16-05-2017]

✤ Seeks to amend notification No. 23/2016-Customs (ADD) dated 06.06.2016 vide which anti-dumping duty was imposed on imports of Polytetraflouroethylene (PTFE) originating in or exported from Russia so as to revise of the amount of anti-dumping duty applicable from US$ 739.77/MT to US$ 874.56/MT

[Notification No. 22/2017-Cus (ADD), dt. 16-05-2017]

✤ Seeks to levy definitive anti-dumping duty on import of Amoxycillin originating in or exported from China PR for a period of five years (unless revoked, superseded or amended earlier) in pursuance of final findings of the Directorate General of Anti-Dumping and Allied Duties.

[Notification No.21/2017-Cus (ADD), dt. 16-05-2017]

✤ Seeks to impose definitive anti-dumping duty on imports of Aluminium Radiators, Aluminium Radiator Sub-Assemblies and Aluminium Radiator Core, originating in, or exported from, China PR

[Notification No. 20/2017-Cus (ADD), dt. 12-05-2017]

✤ Seeks to impose definitive anti-dumping duty on imports of Clear Float Glass, originating in, or exported from, Iran

[Notification No. 19/2017-Cus (ADD), dt. 12-05-2017]

✤ Seeks to levy definitive anti-dumping duty, on Cold Rolled Flat Products of alloy or non-alloy steel originating in or exported from China PR, Japan, Korea RP, or Ukraine for a period of five years (unless revoked, superseded or amended earlier) from the date of imposition of the provisional anti-dumping duty, that is, 17th August, 2016

[Notification No. 18/2017-Cus (ADD), dt. 12-05-2017]

✤ Seeks to levy definitive anti-dumping duty, on Hot Rolled Flat Products of alloy or non-alloy steel originating in or exported from China PR, Japan, Korea RP, Russia, Brazil or Indonesia for a period of five years (unless revoked, superseded or amended earlier) from the date of imposition of the provisional anti-dumping duty, that is, 8th August, 2016..

[Notification No. 17/2017-Cus (ADD), dt. 11-05-2017]

✤ Seeks to extend the levy of anti-dumping duty, imposed on Partially Oriented Yarn (POY) originating in or exported from China PR under notification No. 22/2012-Customs (ADD), dated 02.05.2012, for a further period of one year i.e. upto and inclusive of 01.05.2018.

[Notification No. 16/2017-Cus (ADD), dt. 09-05-2017]

✤ Seeks to levy definitive anti-dumping duty on import of Elastomeric Filament Yarn from China PR, South Korea, Taiwan and Vietnam for a period of five years (unless revoked, superseded or amended earlier) in pursuance of final findings of the Directorate General of Anti-Dumping & Allied Duties dated 24.03.2017.

[Notification No. 15/2017-Cus (ADD), dt. 03-05-2017]

✤ Seeks to extend the levy of anti-dumping duty, imposed on Viscose Filament Yarn originating in or exported from China PR under notification No. 23/2012-Customs (ADD), dated 04.05.2012, for a further period of one year i.e. upto and inclusive of 03.05.2018.

[Notification No. 14/2017-Cus (ADD), dt. 03-05-2017]

CENTRAL EXCISE

Notifications:

Tariff:

✤ seeks to amend notification no. 12/2012-Central Excise dated 17.03.2012 extending the time period for furnishing the final Mega power project certificate from 60 months to 120 months and extending the period of validity of security in the form of Fixed Deposit Receipt or Bank Guarantee from 66 months to 126 months, in case of provisional mega power projects.

[Notification No. 08/2017-CE, dt. 16-05-2017]

Non-Tariff:

✤ Notification under Section 11C of the Central Excise Act on Heena Powder and Paste falling under Chapter 33

[Notification No. 11/2017-CENT dt. 24-04-2017]

SERVICE TAX

✤ Seeks to amend notification No. 25/2012-ST dated 20.06.2012 so as to exempt life insurance services under 'Pradhan Mantri Vaya Vandana Yojana'.

[Notification No. 17/2017-Service Tax dt. 04-05-2017]

✤ Extension of the date of submission of the Form ST-3 for the period 1st October 2016 to 31st March 2017 from 25th April 2017 to 30th April 2017

[Order No. 01/2017-Service Tax dt. 25-04-2017]

INCOME TAX

Notification:

✤ In exercise of the powers conferred under sub-section (2) of section 28 read with section 59 of the Prohibition of Benami Property Transactions Act, 1988 (45 of 1988), and in supersession of the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes, notification number S.O. 3290(E), dated the 25th October, 2016, published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii), dated the 25th October, 2016, except as respects things done or omitted to be done before such supersession, the Central Government hereby directs that the Income-tax authorities under section 116 of the Income-tax Act, 1961 (43 of 1961) specified in column (2) of the Schedule, having headquarters at the places specified in the corresponding entry in column (3), to exercise the powers and perform the functions of the 'Authority' under the Prohibition of Benami Property Transactions Act, 45 of 1988 specified in the corresponding entries in column (4) in respect of the territorial areas specified in the corresponding entries in column (5) of the Schedule having jurisdiction vested in them.

[Notification No. 40/2017/F. No.173/429/2016-ITA-I]

✤ In exercise of the powers conferred by sub sections (1) and (2) of section 120 of the Income-tax Act, 1961 (43 of 1961), read with section 6 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (22 of 2015) (hereinafter referred to as 'the Act'), the Central Board of Direct Taxes hereby authorises the Director General of Income-tax specified in column (2) of Schedule annexed hereto, or the Principal Director or Director of Income-tax specified in column (4) of the Schedule to issue orders in writing for the exercise of the concurrent powers and performs the functions of an Assessing Officer to an Assistant Director of Income-tax or Deputy Director of Income-tax who are subordinate to them, in respect of cases or class of cases falling within the territorial areas specified in column (6) of the Schedule for the purpose of the said Act.

[Notification No. 39/2017/F. No. 187/13/2015-ITA-I]

✤ It is hereby notified for general information that the organization M/s National Institute of Hydrology ('NIH') (PAN:- AAATN1385M) has been approved by the Central Government for the purpose of clause (ii) of sub-section (1) of section 35 of the Income-tax Act, 1961 (said Act), read with Rules 5C and 5D of the Income-tax Rules, 1962 (said Rules), from Assessment year 2017-2018 onwards in the category of 'Scientific Research Association', subject to the certain conditions.

[Notification No. 38/2017/F. No. 203/24/2016/ITA-II]

✤ In exercise of the powers conferred by sub-section (3) of section 139AA of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that the provisions of section 139AA shall not apply to an individual who does not possess the Aadhaar number or the Enrolment ID and is:-

i. residing in the States of Assam, Jammu and Kashmir and Meghalaya;

ii. a non-resident as per the Income-tax Act, 1961;

iii. of the age of eighty years or more at any time during the previous year;

iv. not a citizen of India.

2. This notification shall come into force with effect from the 1st day of July, 2017.

[Notification No. 37/2017, F. No. 370133/6/2017-TPL]

✤ In exercise of the powers conferred by section 295 read with section 115BA of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely: -

1. (1) These rules may be called the Income-tax (9th Amendment) Rules, 2017.

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

2. In the Income-tax Rules, 1962 (hereafter referred to as the principal rules), after rule 21AC, the following rule shall be inserted

[Notification No. 36/2017/F. No. 370142/7/2017-TPL]

✤ In the exercise of the powers conferred by clause (b) of sub-section (2) of section 80G of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies "Shri. Ram and Ramdas Swami Samadhi Temple (Mandir) & Ramdas Swami Math at Sajjangad, Distt. Satara, Maharashtra", to be place of historic importance and a place of public worship of renown throughout the state of Maharashtra for the purposes of the said section.

[Notification No. 34 /2017, F. No. 176/03/2016-ITA-I]

✤ In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961) the Central Government hereby notifies for the purposes of the said clause, the National Skill Development Agency, a body constituted by the Central Government in respect of the following specified income arising to that body, as follows:-

i. grant-in-aid from Government of India; and

ii. interest earned on grant-in-aid from Government of India

[Notification No. 33/2017/F.No. 196/15/2015-ITA-I]

✤ In exercise of the powers conferred by section 295 read with section 115TD of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely: -

1. (1) These rules may be called the Income-tax (8th Amendment), Rules, 2017.

(2) They shall be deemed to have come into force from the 1st day of June, 2016.

2. In the Income-tax Rules, 1962, after rule 17CA, the following rule shall be inserted.

[Notification No. 32/2017 /F. No. 370142/21/2016-TPL]

Contributed by
Taxation Committee
Institute of Cost Accountants of India

ROLE OF COST ACCOUNTANTS IN GST ERA

COST RECORDS UNDER COMPANIES (COST RECORDS AND AUDIT) RULES, 2014 & GST RECORDS UNDER "ACCOUNTS AND RECORDS"

CMA A. B. Nawal
Chairman
Taxation Committee
Institute of Cost Accountants of India

Central Government appreciated the role of Cost Accountant in the era of Economic reform to GST. In accordance with GST Act, role of cost accountant has been given in various Sections of rules:

ROLE OF COST ACCOUNTANT:

GST has been touted as the 'single most important tax reform after 1947'by the Hon'ble Finance Minister, Mr. Arun Jaitley. The entire framework of indirect taxation will change ranging from the nature of levy, rate of taxes and administration of the taxes. Introduction of GST should rationalize the tax content in product price, enhance the ability of business entities to compete globally, and possibly trickle down to benefit the ultimate consumer. GST will have a crippling effect on the prices of all the goods and services in India. Amid this huge impact, lies an enormous opportunity for the Cost accountant. Here's an opportunity for the tax professionals to foresee an opportunity, get acclimatized and be well equipped at the right time.

The role of a cost accounting post GST has been underlined by various provisions made in CGST/ SGST law as well as various rules. Summary of such provisions has been reproduced below.

Section/ Rule	Function	Provision	Comment
Section 35 (5) of CGST/ SGST	Audit	(5) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.	Section 35 provides for audit of accounts & records maintained by registered person whose turnover during a financial year exceeds aggregate turnover of rs. 1 Cr. to be conducted by Cost Accountant / Chartered Accountant. It has widen the scope of Cost accountant as against the existing tax regime. Audit report along with reconciliation statement to be certified in Form GSTR 9B by Cost Accountant. In current tax regime Cost Accountant can conduct audit under VAT only.

Section/ Rule	Function	Provision	Comment
Section 66 (1) of CGST/ SGST	Special Audit	(1) If at any stage of scrutiny, inquiry, investigation or any other proceedings before him, any officer not below the rank of Assistant Commissioner, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, with the prior approval of the Commissioner, direct such registered person by a communication in writing to get his records including books of account examined and audited by a Chartered Accountant or a cost accountant as may be nominated by the Commissioner.	With the approval of Commissioner an Assistant Commissioner can appoint cost account to conduct special audit for department. The similar provision is available in Central Excise & Finance Act 1994.
Section 71(2) of CGST/ SGST	Access to business premises	(2) Every person in charge of place referred to in sub-section (1) shall, on demand, make available to the officer authorised under sub-section (1) or the audit party deputed by the proper officer or a cost accountant or chartered accountant nominated under section 66– (i) such records as prepared or maintained by the registered person and declared to the proper officer in such manner as may be prescribed; (ii) trial balance or its equivalent; (iii) statements of annual financial accounts, duly audited, wherever required; (iv) cost audit report, if any, under section 148 of the Companies Act, 2013; (v) the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961; and (vi) any other relevant record, for the scrutiny by the officer or audit party or the chartered accountant or cost accountant within a period not exceeding fifteen working days from the day when such demand is made, or such further period as may be allowed by the said officer or the audit party or the chartered accountant or cost accountant.	While function as special auditor a cost accountant has power to access the business premises of registered person
Section 116 of CGST/ SGST	Representation	(1) Any person who is entitled or required to appear before an officer appointed under this Act, or the Appellate Authority or the Appellate Tribunal in connection with any proceedings under this Act, may, otherwise than when required under this Act to appear personally for examination on oath or affirmation, subject to the other provisions of this section, appear by an authorised representative .... (c) any chartered accountant, a cost accountant or a company secretary, who holds a certificate of practice and who has not been debarred from practice	Appearance before the Departmental officers, drafting (Replies, Appeals, Petitions) or appearance before higher forums, there is tremendous scope for tax professionals in the litigation space
Rule 4 & 5 of Valuation Rules	Certification	4. Value of supply of goods or services or both based on cost Where the value of a supply of goods or services or both is not determinable by any of the preceding rules, the value shall be one hundred and ten percent of the cost of production or manufacture or cost of acquisition of such goods or cost of provision of such services.	Whenever goods or services or both are supplied to distinct person and related person, valuation of such goods / services / both will be 110% of cost of production or services or 110% of cost of acquisition. It provides the opportunity of providing certificates of valuation as per Rule 4 of valuation.
Rule 2(m) of Refund Rules	Certification	a Certificate in Annex 2 of FORM GST RFD-01 issued by a chartered accountant or a cost accountant to the effect that the incidence of tax, interest or any other amount claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed exceeds two lakh rupees:	Now along with Chartered Accountant / Cost Accountant are also eligible to issue certificate w.r.t. refund in FORM GST RFD-01.

Section/ Rule	Function	Provision	Comment
Rule 24 of Return Rules	Goods & Service Tax Practitioner	(1) An application in FORM GST PCT-1 may be made to the officer authorised in this behalf for enrolment as goods and services tax practitioner by any person who: .... (iv) any degree examination of an Indian University or of any Foreign University recognized by any Indian University as equivalent of the degree examination and has also passed any of the following examinations, namely.- (a) final examination of the Institute of Chartered Accountants of India; or (b) final examination of the Institute of Cost Accountants of India; or (c) final examination of the Institute of Company Secretaries of India.	A goods and services tax practitioner can undertake any or all of the following activities on behalf of a registered person, if so authorised by the registered person to: (a) furnish details of outward and inward supplies; (b) furnish monthly, quarterly, annual or final return; (c) make deposit for credit into the electronic cash ledger; (d) file a claim for refund; and (e) file an application for amendment or cancellation of registration.

Along with the roles underlined in statute a cost accountant also undertakes various roles which are elaborated below.

Advisory Services

Assessing impact on business with the introduction of GST, crafting business plans in the changed environment, Contract review for Cost Reduction /Price Revisions, transaction Structuring by mapping existing business model. Providing Opinion and other advisory services w.r.t. application of various provisions of law like Input tax Credit, Valuation, assessment of taxability, determining place of supply, maintenance of records, consultancy w.r.t. inter-state supply etc. With a new law, comes a new set of tax / procedural issues and hence the professionals also need to evolve and devise new tax planning strategies. As an advisory carve out strategies to avoid the bottlenecks. Any planning which mitigates tax cost would be most appreciated by clients.

Transitional Partner

There would be numerous transitional issues going into the new law such as treatment of existing stock and credit issues. Services will also be required in preparing Standard Operating Process (‘SOP’) for businesses under the new regime. Review of existing cenvat credit and set -off balances to be carried forward, analysis of inventory lying at different locations on the implementation day, Cenvat Refund /VAT Refund /Rebates /Drawbacks already filed or to be filed, projects in hand /WIP – normal business model and works contract model, audit under Old Regime &New Regime, de -registration, registration & Compliances under existing Laws, Pending adjudications &litigations.

Audit & Assurance

Various audit functions can be undertaken post GST like review of record & procedural aspects, suggesting changes in registrations, verification of returns, reconciliation between submissions to various authorities, analysis of benefits & incentives, statutory compliances & audit, Internal Audit & System improvement.

Accounting and IT infrastructure

Today’s businesses involve rampant use of software (ERP, SAP, Tally) both by the industry and service providing tax professionals. With the advent of GST, drastic revamping of existing IT infrastructure would be required. Further, the entire current accounting codes / treatment may undergo a change under the new legislation. With the knowledge of GST, cost accountant would be best suited to aid technicians in designing the software modules.

Compliance Partner

Providing support in obtaining registration, making amendment in registration, providing support in maintenance of accounts & records, assisting in payment of tax, providing support in filing of returns.

Training

Introduction of GST will lead to rise in training requirements– (a) for the industry (b) for tax professionals. A three-fold training structure can be adopted i.e. training to (1) top management of firms / business owners, (2) process owners and (3) taxation / accounting team. Training would be required in first educating the business owners and higher management on the likely impact of GST on their business and thereafter updating the company personnel with nuances of GST along with regular update sessions.

The new law- new GST era opens numerous opportunities to cost accountant in the field of indirect taxation. To seize the opportunity, one needs to be well prepared and ready.

INTRODUCTION: COST RECORDS VIS-À-VIS GST RECORDS

In the era of GST, there will be change in tax structure as well as there will be significant impact on the application of Cost accounting Standard and Cost Audit rules. It will also have major impact on the way accounts & records are being maintained by the company. The Draft GST accounts and records Rules are similar with the provisions made in CRA-1 of Companies (Cost Records and Audit) Rules, 2014 and Cost accounting Standard. It will make the job of Cost auditor more relevant and useful.

Objective

Widening the scope of cost audit and make it applicable to all companies having turnover more than Rs.20lacs

Discussion points:

1. Draft accounts and records GST Rules prescribes the set of accounts and records to prepared and maintained by registered person. The Companies (Cost Records and Audit) Rules, 2014 as amended prescribe similar cost records to be maintained. Below is table points out the similarity in the provisions.

2.

Sr. No.	Draft GST Accounts and Records Rules		Companies (Cost Records and Audit) Rules, 2014	
	Rule No.	**Provision**	**Rule No./ Para**	**Provision**
1.	**2**	The account or records specified in sub-rule (1) shall be maintained separately for each activity including manufacturing, trading and provision of services, etc.	CRA-1	CRA-1 specifies cost records to be maintained for each product/ service separately.
2	**3**	Every registered person, other than a person paying tax under section 10, shall maintain accounts of stock in respect of each commodity received and supplied by him, and such account shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock including raw materials, finished goods, scrap and wastage thereof.	Para 1 to CRA-1	Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of raw material required for the production of goods or rendering of services under reference. Similar records are required to be maintained for finished goods and work -in progress goods.
3	**13**	Every registered person manufacturing goods shall maintain monthly production accounts, showing the quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.	Para 26 of CRA-1	Quantitative records of all finished goods (packed or unpacked) or services rendered showing production, issues for sales and balances of different type of the goods or services under reference, shall be maintained. The quantitative details of production of goods or services rendered shall be maintained separately for self-produced, third party on job work, loan license basis etc.
4	**14**	Every registered person supplying services shall maintain the accounts showing the quantitative details of goods used in the provision of each service, details of input services utilised and the services supplied.	Para 26 of CRA-1	Quantitative records of all finished goods (packed or unpacked) or services rendered showing production, issues for sales and balances of different type of the goods or services under reference, shall be maintained. The quantitative details of production of goods or services rendered shall be maintained separately for self-produced, third party on job work, loan license basis etc.

3. The records for each activity of production and provision of service needs to be maintained separately

along with records of tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit note, debit note, delivery challan issued or received during any tax period. Companies (Cost Records and Audit) Rules, 2014 also specify the maintenance of such records for each product / service separately. Further Companies (Cost Records and Audit) Rules, 2014 also cost statements for each product is to be maintained by the company along with the reconciliation of indirect taxes showing details of total clearances of goods or services, assessable value, duties or taxes paid, input tax credit utilized, duties or taxes recovered and interest or penalty paid.

4. Section 2(61) of CGST Act defines "Input Service Distributor" as follows:

"Input Service Distributor" means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office

Section 20 of CGST Act provides the "Manner of distribution of credit by Input Service Distributor", which is reproduced below:

Quote

20. (1) The Input Service Distributor shall distribute the credit of central tax as central tax or integrated tax and integrated tax as integrated tax or central tax, by way of issue of a document containing the amount of input tax credit being distributed in such manner as may be prescribed.

(2) The Input Service Distributor may distribute the credit subject to the following conditions, namely:—

(a) the credit can be distributed to the recipients of credit against a document containing such details as may be prescribed;

(b) the amount of the credit distributed shall not exceed the amount of credit available for distribution;

(c) the credit of tax paid on input services attributable to a recipient of credit shall be distributed only to that recipient;

(d) the credit of tax paid on input services attributable to more than one recipient of credit shall be distributed amongst such recipients to whom the input service is attributable and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all such recipients to whom such input service is attributable and which are operational in the current year, during the said relevant period;

(e) the credit of tax paid on input services attributable to all recipients of credit shall be distributed amongst such recipients and such distribution shall be pro rata on the basis of the turnover in a State or turnover in a Union territory of such recipient, during the relevant period, to the aggregate of the turnover of all recipients and which are operational in the current year, during the said relevant period.

Explanation.—For the purposes of this section,—

(a) the "relevant period" shall be–

(i) if the recipients of credit have turnover in their States or Union territories in the financial year preceding the year during which credit is to be distributed, the said financial year; or

(ii) if some or all recipients of the credit do not have any turnover in their States or Union territories in the financial year preceding the year during which the credit is to be distributed, the last quarter for which details of such turnover of all the recipients are available, previous to the month during which credit is to be distributed;

(b) the expression "recipient of credit" means the supplier of goods or services or both having the same Permanent Account Number as that of the Input Service Distributor;

(c) the term 'turnover', in relation to any registered person engaged in the supply of taxable goods as well as goods not taxable under this Act, means the value of turnover, reduced by the amount of any duty or tax levied under entry 84 of List I of the Seventh Schedule to the Constitution and entry 51 and 54 of List II of the said Schedule.

CAS-3 Para 4.3, 4.4 & 4.5 deals with allocation and apportionment of overreads to various cost Centres, which are reproduced below:

4.3 Allocation of overheads – Allocation of overheads is assigning a whole item of cost directly to a cost center :

An item of expense which can be directly related to a cost centre is to be allocated to the cost centre. For example, depreciation of a particular machine should be allocated to a particular cost centre if the machine is directly attached to the cost centre.

4.4 Apportionment of overhead - Apportionment of overhead is distribution of overheads to more than one cost centre on some equitable basis.

When the indirect costs are common to different cost centres, these are to be apportioned to the cost centres on an equitable basis. For example, the expenditure on general repair and maintenance pertaining to a department can be allocated to that department but has to be apportioned to various machines (Cost Centres) in the department. If the department is involved in the production of a single product, the whole repair & maintenance of the department may be allocated to the product.

4.5 Primary and Secondary Distribution of Overheads :

In case of multi-product environment, there are common service cost centres which are providing services to the various production cost centres and other service cost centres. The costs of services are required to be apportioned to the relevant cost centres. First step to be followed is to apportion the overheads to different cost centres and then second step is to apportion the costs of service cost centres to production cost centres on an equitable basis. The first step is termed as primary distribution and the second step is termed as secondary distribution of overheads.

It can be observed the similarity in the principals of distribution of ISD with Cost Accounting Standard 3.

Conclusion:

In GST era following records are mandatory to be maintained according to these draft rules.

1. Records of the goods or services imported or exported or of supplies attracting payment of tax on reverse charge along with relevant documents

2. The records of stock in respect of each commodity received and supplied by him, and such account shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock including raw materials, finished goods, scrap and wastage thereof.

3. A separate account of advances received, paid and adjustments made thereto.

4. Records of tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit note, debit note, delivery challan issued or received during any tax period.

5. Records of monthly production accounts, showing the quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.

6. Records of the quantitative details of goods used in the provision of each service, details of input services utilised and the services supplied.

7. Every registered person executing works contract shall keep separate accounts for each works contract.

Such details also required to be maintained for cost audit purpose as per Every registered person executing works contract shall keep separate accounts for each works contract. Since all the records are already maintained, the company needs to only maintain separate cost sheets on the basis of these records.

It shows the Cost Accountants are the better person to vouch and verify the accuracy and correctness of records including various tax records.

Each Unit having turnover of Rs. 20 Lacs will be required to maintain the accounts and records, which is parallel with Cost Accounting Records and therefore there is no extra work any company will have to do but they will have better control on cost which will help for cost reduction. MA

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Training on Cost Audit-A Practical approach

A training programme on 'Cost Audit-A Practical Approach' was conducted by The Institute of Cost Accountants of India for The Institute of Cost and Management Accountants, Bangladesh at Dhaka from 23rd May 2017 to 26th May 2017.

Resource persons attended:

CMA B B Goyal, Advisor Cost, ICWAI-MARF
CMA P Raju Iyer, Council Member
CMA Niranjan Mishra, Council Member

The Programme was inaugurated by Mr. M A Mannan, the State Minister for Finance and Planning, Bangladesh in the presence of President-ICMAB, M Abul Kalam Mazumdar, former President ICMAB and Chairman, Cost Audit and Professional Service, Secretary and Treasurer of ICMAB and CMA B B Goyal, Advisor ICWAI-MARF, CMA P Raju Iyer, Council Member CMA Niranjan Mishra, Council Member, Institute of Cost Accountants of India.

During these 4 days Training programme:

CMA B B Goyal has deliberated on Cost Audit and benefit to the Economy- Indian persepective, Statutory Requirements of Cost Audit, applicable regulations for Cost Audit, Audit for IPO listing, Cost Accounting Record rules, Cost Mapping with special emphasis on Chemical Fertilizer.

CMA P Raju Iyer has presented paper on Methodoly of Cost Audit, Audit observation, recommendation, Planning and Conducting Audiit Exercise. He also deliberated on Cost Accouning Record Rules, Mapping of Cost with special emphasis to Textile, Pharmaceuticals Industry.

CMA Niranjan Mishra has deliberated on Cost Audit- Industry prospective, Practical approach on Cost Accounting Records and Cost Audit. He also deliberated on Cost Accounting Records, Cost Mapping, Cost Accounting standards with special emphasis to Hydro Power generation, Power Transmission and distribution and Sugar Industry.

Eastern India Regional Council

The Institute of Cost Accountants of India-South Orissa Chapter

The Chapter on May 7, 2017 organized a one day seminar on 'GST & its implementation' and CMA Rabi Kumar Sahu, Asst Manager Finance, NTPC, the Chairman, MDP Committee of the chapter was the convener at the seminar. Shri Pramoda Kumar Mohanty, Jt. Commissioner, Commercial Taxes, Ganjam Range, Berhampur, Chief Guest, CMA Niranjan Swain, G.M. (Fin.), OPGC, Bhubaneswar, Member Taxation Committee of the Institute as keynote speaker, CMA Shiba Prasad Padhi, past chairman and member, EIRC, practicing Cost Accountant, Faculty in XIMB, Bhubaneswar as speaker, CMA Ch. Venkata Ramana, Treasurer, EIRC, Kolkata as guest of honour, CMA Binod Bihari Nayak, chairman of the chapter were among the eminent dignitaries who occupied the dais. Shri Pramoda Kumar Mohanty, Jt. Commissioner Commercial Taxes explained how different taxes were amalgamated and consolidated into one GST and he spoke about different sections and advantages. CMA Niranjan Swain, G.M (Fin), OPGC, Bhubaneswar as a keynote speaker discussed about the tax on gold ornaments, levying service tax on making charges. CMA Shiba Prasad Padhi, Past Chairman and Member of the Institute, Kolkata discussed thoroughly about registration for GST. CMA GVS Rajendra, Director, oral coaching of the chapter, Asst. Manager (Fin.), Southco Utility was the convenor of the second technical session. CMA Niranjan Swain the keynote speaker of the session talked on supply and levy of taxes, the Books of Accounts required to be maintained for supply of goods and issuing service.

The Institute of Cost Accountants of India-Patna Chapter

The Chapter arranged a workshop on GST on 29-30 April 2017 at Powergrid premises. Chief Guest of the workshop was General Manager (Project) Powergrid, Shri S.N Sahay along with Additional General Manager (F&A) Powergrid CMA Sanjoy Bhattacharjee. On April 29, 2017 CMA Ashok B Nawal, CCM and Chairman of Taxation committee of the Institute took session on overview of GST and time and value of supply, registration and other issues of GST. In the second session, Senior Joint Commissioner, Commercial Taxes Kolkata who is also one of the members of drafting committee, lucidly explained the basic logic of introducing E Way bill and other provisions. On April 30, 2017, CMA Suraj Prakash, GM (Finance), BHEL Delhi explained various transitional provisions, impact of GST on power sector and how to implement GST in any organization.

The Institute of Cost Accountants of India-Rajpur Chapter

The Chapter organized a seminar on 'Welcoming GST & Familiarising GST' on 30th April, 2017 to introduce the new Act to the local small traders and businessmen as advised from Government as well as the Institute. CMA Mrityunjay Acharjee, Sr VP (Fin & Txn), Balmer Lawrie Ltd. was the main speaker and he compared various provisions of existing VAT and Service Tax with those of GST.

CMA Vivekananda Mukhopadhyay, Chairman, EIRC stressed the need of service of qualified accountants to be taken by tax payers to get the benefit of tax refunds in the new act smoothly.

Northern India Regional Council

The Institute of Cost Accountants of India-Jaipur Chapter

The Chapter had received Best Chapter Award in Category 'A' of NIRC for the year 2016 in recognition of its commendable performance on behalf of the chapter. The Award was received by CMA P.R. Jat, chairman and CMA Alok Kumar Gupta, secretary of the chapter. This award was received at the National Regional Council and Chapters Meet at Chandigarh on April 22, 2017.

Southern India Regional Council

The Institute of Cost Accountants of India-Hyderabad Chapter

On April 8 and April 15, 2017, a discussion was held on 'Impact of Ind-AS on Cost Audit Report' at CMA Bhavan, Himayatnagar, Hyderabad. Discussion took place on the Indian Accounting Standards that were effective from 1st April 2017 for a class of companies and will be applicable to all the companies in India in the next 4-5 years. On April 26, 2017 a programme on 'GST Awareness and Transitional Issues' was conducted in association with Indo-American Chamber of Commerce and TiE Hyderabad at Hyderabad. On April 27, 2017 a programme was held on 'Sustainable Development & Role of CMAs and Insolvency and Bankruptcy Code' at CMA Bhawan, Hyderabad. CMA Dr P.V.S. Jagan Mohan Rao, Council Member, Chairman-Corporate Laws, Governance & Corporate Sustainability Committee was the

speaker of the programme and he advised members to involve industries for their environmental accountability while preparing the annual report of the organisation. On April 29, 2017 the Chapter organized a programme on 'Impact of Indian Accounting Standards on Cost Accounting/Audit' conducted at CMA Bhavan. CA G.V.N.D. Sudhakar, Associate Director – Finance, Dr. Reddy's Laboratories Ltd, the speaker detailed the emergence of accounting standards and how the journey from IGAAP to IND AS is posing a challenge to the industry at large.

The Institute of Cost Accountants of India-Visakhapatnam Chapter

The Chapter organized 'Andhra Pradesh CMA Members Meet & Industry Networking' on April 15, 2017 in which MLC CMA P.V.N Madhav was felicitated by

Vice-President of the Institute, CMA Sanjay Gupta in the presence of council member, CMA Sunkara Papa Rao and past chairman, SIRC, CMA K. Sanyasi Rao.

Western India Regional Council

Government of Maharashtra has recently amended Maharashtra Co-Operative Society's Act and has included CMAs to carry out financial audit. In order to cater to this opportunity and in order to initiate the process of capacity building of the members for such audit, WIRC arranged two days workshop on Audit

of Co-operative Societies in Maharashtra on April 15 and 16, 2017 for members in practice and members in service at Pune. Shri Rajesh Jadhawar, Additional

Registrar, Co-operatives Societies, Pune, Mr. Gokul Rathi, leading practitioner in the Co-operative Society Audit area deliberated on 15th April 2017. Dr Anand Jogdand, Additional Commissioner, Co-operatives Societies, Mr. Sanjay Wable, a leading banking consultant and Mr. Prakash Kondapalle, Training in charge of Janata Sahakari Bank, Pune discussed on 16th April 2017. CMA B M Sharma, past president of the Institute, CMA L D Pawar, Secretary, WIRC, CMA Harshad Deshpande, RCM-WIRC, CMA Prashant Vaze, CMA Rajendra Gore and CMA Varsha Limaye co-ordinated the program.

The Institute of Cost Accountants of India-Bhopal Chapter

During the month of March and April 2017, the Chapter supported the initiative of Department of central excise and customs by participating in GST awareness programme organised by Bhopal Commissionerate. Secretary of the chapter, CMA Yogesh Chourasia and a well known name in indirect taxation was invited as a key resource person and delivered presentations on various aspects of GST at the seminar

on GST Awareness organised by the department for the benefit of trade and professionals at Sagar Division, Bhopal Audit Commissionerate, Bina division (in association with Bharat Oman Refinery).

The Institute of Cost Accountants of India- Bharuch Ankleshwar Chapter

The Chapter organized the inaugural function and a seminar on GST on April 25, 2017 and CMA Manas Kumar Thakur, President of the Institute, chief guest of the function inaugurated the GST seminar in presence of CMA Pradeep Desai, chairman WIRC, IRS Kamal ji K

Kamal , past president, CMA B M Sharma , CMA A. B. Nawal, Council Member and other senior members of the Institute. Chairman of the chapter, CMA S.N Mundra explained the role of CMAs in nation building and appreciated the efforts of the chapter in coordinating the seminar. Chief Guest, CMA Manas Kumar Thakur advised that the Institute could help and raise the issue of trade for smooth implementation of GST. The chief guest declared CMA Lab for the chapter being industrial hub of Gujarat and CMA B.F. Modi, CMA S.N.Mundra, CMA Rajendra Rathi, CMA Pawan Sharma, Director of Delta India (SAP Consultant), CMA B.M. Sharma, Past President and other member would also provide all type of support time to time.

The Institute of Cost Accountants of India- Ahmedabad Chapter

On April 15, 2017, the Chapter organized a CEP on 'GST awareness Campaign'. CMA PH Desai, Chief Guest, Chairman of WIRC discussed about implementation of GST. CMA Ashwin Dalwadi, Chairman of PD Committee submitted presentation for GST

registration, payment and returns, refund, valuation, Input Tax credit transactions. CMA Ashish Bhavsar, vice chairman highlighted on migration to GST and concepts of CGST / SGST / UTGST and IGST. CA Jay Dalwadi

informed about filing, returns procedure. The Chapter organized ten days' evening workshop on GST Act and Rules for Members in two batches. The programme aimed at profound understanding of GST Act and rules and CMA AG Dalwadi, CMA Ashish Bhavsar, CMA VH Savaliya and CMA Alok Sharma were the moderators of the program.

The Institute of Cost Accountants of India- Nasik Ojhar Chapter

The Chapter organised a seminar on 'Insolvency Professionals (IP) & Other Career Enhancement for CMA' on April 13, 2017 and eminent speaker, CMA Harshad Deshpande, explained about Insolvency

Professional (IP) and also gave the information about MOU's with various international Institutions signed by the Institute. CMA R.K. Deodhar provided motivational speech to the students and also guided them for their future career planning. The chapter conducted an interactive seminar on Goods & Service Tax (GST), to educate various manufacturers and traders as well as general public on April 26, 2017. The programme was conducted in association with Nasik Industrial and Manufacturer's Association (NIMA), Ambad Industrial and Manufacturer's Association (AIMA), Maharashtra Chamber of Commerce, Laghu Udyog Bharti and Tax Practitioners Association, Nasik. Chief Guests of the programme were Mr. R.P Sharma, Commissioner, Central Excise & Customs Nasik, Mrs. Chitra Kulkarni, Addl Commissioner, Sales Tax. Additional Commissioners, Jt. Commissioners and various office bearers from Sales Tax Department as well as Excise Department were present for the programme. CMA Pradnya Chandorkar, chairperson of the chapter explained about initiative taken by president of the Institute, CMA Manas Kumar Thakur, to educate 15 lakhs traders under GST awareness programme. CMA R.K. Deodhar, Vice Chairperson of the Chapter, explained various provisions, features, procedures of GST and CMA A.B. Nawal gave information about Registration under GST, transition provisions under GST etc. Eminent speaker and author of Indirect Taxes, CMA V.S. Datey explained about the hurdles during the implementation of GST.

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

A half day seminar on 'Goods and Service Tax' was organized by the chapter jointly with Departments of Commercial Tax and Department of Central Excise, Customs and Service Tax, Surat on April 29, 2017 at Chapter's Conference Hall for the benefit of Indirect tax Department officers, members, delegates from various industries and students. The faculties were CA Sachin Singh, IRS-Deputy Commissioner of Central Excise, Customs and Service Tax, Surat and Shri Jitendra R Pandya, Commercial Tax Officer, Commercial Tax Department. In the first technical session, Shri J R Pandya elaborated in details the general information, registration, returns in Gujarati in a very lucid and interesting manner& introduced the key aspects of GST. In the next session CA Sachin Singh IRS, comprehensively dealt with treatment of Input Tax Credit.

The Chapter Celebrated Its Silver Jubilee on April 28, 2017 and had been awarded three scroll of honour in recognition of Chapter's commendable performance (1) Best chapter of WIRC under B category for the year 2016, (2) Best chapter amongst "B" category all over India basis for conducting maximum number of professional development programs for the year 2016, (3) Best chapter amongst "B" category for increase in members strength for the year 2016. All the three awards were accepted by CMA Manubhai Desai, chairman of the Chapter at The National Regional Council & Chapters' Meet held at Chandigarh on April 22, 2017.

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

The Chapter organized a seminar on 'Insolvency and Bankruptcy Code (IBC 2016)' on April 8, 2017 at CMA Bhawan. Chief Guest, CMA Ashok Nawal, Council Member & Chairman, Taxation Committee of the Institute addressed that the Insolvency and Bankruptcy Code-2016 passed by the Parliament is a welcome overhaul of the existing framework dealing with insolvency of corporates, individuals, partnerships and other entities. It paves the way for much needed reforms while focusing

on creditor driven insolvency resolution. CMA L D Pawar, RCM & Secretary, WIRC briefed about IBBI exam. Guest speaker Vijender Sharma, council member focused on importance of the Insolvency and Bankruptcy Code-2016.

On April 18, 2017, the Chapter organized a workshop on 'GST Awareness' inaugurated by Mayor of PCMC, Mr. Nitin Kalje. Mayor briefed on how GST would reduce double taxation and reduce the prices of commodities.

All corporators of PCMC including standing committee chairman, Mrs Seema Salve, Dy. Mayor, Mrs. Shailaja More, Ruling Party (BJP) Leader, Mr. Eknath Pawar, etc were present on the dais. CMA B M Sharma, Past President briefed on GST Laws, GST Structure, and Input Credit Procedures, etc. CMA L D Pawar briefed the participants on basic concepts, definitions and registration procedure in GST.

The Institute of Cost Accountants of India- Navi Mumbai Chapter

The Chapter organized a two days' workshop on GST at Navi Mumbai Sports Association, on 8th April 2017

and 9th April 2017 and the Chief Guest for the event was Shri C Dhanasekaran, Commissioner of Service Tax Mumbai VII (Navi Mumbai). He compared the GST implementation to principle of uniformity, diversity and certainty. CMA Manas Kumar Thakur coined the fact that there are new opportunities for CMAs in GST Implementation being a facilitator to trade, industry

and business. Shri Satish Shetty stressed on the fact that GST is important for the growth of industries and looked forward for proper guidance in this aspect. CMA Pradip Desai in his address explained that CMAs have a large role to play in GST implementation. The technical session commenced with CMA Ashok B Nawal, Council Member, stressing on the important aspects of GST covering the meaning and scope of supply explaining in detail the provisions and its intricacies. The second technical session commenced with CMA BM Sharma detailing the need for GST implementation and the issues and challenges in input tax credit and dealing with the supplies to SEZ along with practical examples. The third technical session commenced with Shri Prashant Nandedkar and he briefed on the transitional provisions for stranded tax credit, returns, refunds and

payments in GST.

On the second day of the workshop, the technical session commenced with Shri Prashant Nandedkar stipulating that the returns are based on transactions i.e. Invoice based and are designed for Input Tax Credit matching. The second technical session commenced with CMA Rahul Renavikar, stressing on the issues of GST applicability on free goods & services. The third presentation had been conducted by CA Rajkumar N Pugalia & CA Mayank Agrawal entailing the Simple Secure GST Compliance system. GST is not a tax reform but an economic reform. The features of Jio GST ASP and user friendly Jio GST Website (Live) were enumerated by the team.

Green initiative of the Institute

In accordance with the Digital initiative and Green initiative policy of the Government and our continued support to the Nation, the Institute has decided to discontinue sending the printed copy of The Management Accountant journal. Since e-Journal is available in PDF and user-friendly e-magazine formats on *http://icmai.in/icmai/news/209.php*, and hyperlink is emailed regularly to all readers, it becomes easier and comfortable to be read at any point anywhere anytime via laptops, tablets, mobiles, PCs etc.

Let us be sensible to our environment. As thoughtful citizens and as committed members of a responsible profession, let us back our Institute's GO-GREEN agenda to preserve our environment.

But still, if you feel that you need to have a print copy of the monthly journal, you may send us a mail request at ***journal.request@icmai.in.***

Role of CMAs in Economic Sustainability

✤ Resource Mapping:

Organizations that grasp the opportunities provided through resource efficiency are rewarded with direct cost savings associated with reduced purchase and waste management costs, and additional business benefits, such as improved sustainability performance; improved elasticity to price volatility; and improved staff engagement. To effectively manage the risks and opportunities associated with resource use, organizations must significantly improve their understanding about what materials they purchase and how they purchase them. Here, CMAs are proficient enough to frame apt strategies for application and apportionment of resources and recycle waste to resource for building competitive advantage, business resilience and increasingly, effective resource management by applying resource mapping techniques. Sound resource management facilitates in finding alternative resource allocation solutions to reduce the number of resources currently in use and deploy alternative resources in a more productive manner.

✤ Integrated Reporting (IR):

Integrated Reporting demonstrates the linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates. Thus, Integrated Reporting can be one of the key aspects to determine Economic sustainability. By implementing Integrated Reporting, the CMAs can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organization is really performing. It would help to reduce the voluminous Annual Reports and make slim but meaningful reports on environment, social and governance aspects apart from financial reports. If organizations want to achieve the goal of a sustainable society, a changed paradigm requiring management to integrate innovation, competitiveness and sustainability by using integrated thinking and IR will be needed. Even, SEBI has asked top 500 listed companies to voluntarily adopt integrated reporting framework from financial year 2017-18.

✤ Green Economy:

Driven by the global trend toward sustainable development, the green economy is attracting considerable attention worldwide. Environmental accounts provide a way to measure total wealth and scrutinize changes as possible indicator of sustainability. Thus, greening the accounts or creating the environmentally adjusted GDP can generate an indicator that can guide the nations to consume without depriving itself. In this context, the CMAs can carry out Green audit of environmental accounts to ensure Compliance of Environmental Laws, effective assessment of Environment Cost, Environment Impact Assessment and Carbon Credit. This would also help organizations identify ways to reduce waste, save money, improve overall efficiency and minimize liability risks.

✤ *Micro, Small and Medium Enterprises (MSME):*

Micro, Small and Medium Enterprises (MSME) sector has emerged as an effervescent and dynamic sector of the Indian economy over the last five decades. MSMEs not only play a vital role in providing large employment opportunities at comparatively lower capital cost than large industries but also facilitates in industrialization of rural and backward areas, thus, reducing regional disparity, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes a lot towards socio-economic sustainability of the nation. Globally, micro, small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. Cost and Management Accountants (CMAs) can help MSMEs in many ways like adopting newer policies and strategies to promote exports, enhance the productivity and development of flexible budget to meet the changes, sharpen the competitive edge by flushing out indifference in the entire supply chain and facing challenges during recession and stiff competition, ensure achieving the target cost by reduction in the overall cost of product during the planning and design stage via a desired profit and sales price and also by suggesting effective planning resource mapping and risk mapping strategies.

✤ *Eradication of Infrastructural Bottlenecks:*

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for impelling India's overall development and experiences intense focus from Government for initiating policies that would ensure time-bound creation of outstanding infrastructure in the nation. The Union Budget 2017 has given a major thrust to the infrastructure sector. As part of the new integrated infrastructure planning paradigm comprising roads, railways, waterways and civil aviation, the government divulged the largest-ever rail budget of Rs1.31 trillion, an 8.26% increase over the Rs1.21 trillion allocated to the national carrier in 2016-17. The budget also confirms that Public-Private Partnerships (PPP) in all infrastructure sectors will be encouraged. Tier-II city airport operations and management will hopefully now take off, improving services and connectivity, aided by the recent regional air connectivity program. To support and strengthen the Government's initiatives and overcome the urban infrastructure bottlenecks the CMAs can initiate suitable strategies to organize the infrastructure more effectively, balance the public-private interest, benchmark governance methodologies, technology, check allocation and apportionment of funds, carry out Risk Mapping and Cost-benefit Analysis for proper designing of the projects.

✤ *Skill & Entrepreneurship Development:*

Equipping the workforce with the skills required for the jobs of today and those of tomorrow is a strategic concern in the national growth and development outlooks of all nations. To support robust training strategies, to meet the challenges of fostering strong, sustainable and balanced growth; The Institute of Cost Accountants of India and National Skill Development Agency (NSDA), an autonomous body of the Ministry of Skill Development & Entrepreneurship, Government of India and Entrepreneurship Development Institute (EDI), Gujarat, have entered into MOU to enable offering various collaborative activities to promote and encourage skill and entrepreneurship in India. As a part of professional social responsibility, the Institute organized Seminars/Workshops for the College/University students to introduce National Skill & Entrepreneurship Development Programme. The Institute intends to develop skill and promote entrepreneurship for creating self-employment through enterprise creation pan India basis with increased participation of youth from College/University level and thus narrowing down the gap between employment and unemployment status of the nation.

Business Models, Competitiveness and Global Economic Sustainability

Globalization and competitiveness is not merely a choice before businesses and industries, it is a necessity in today's world, and competitiveness is the keys for success and preparing to meet out the challenges of new era. Maintaining high and stable levels of economic growth is one of the key objectives of sustainable development. Achieving economic growth is not the final target, but sustainable development is more than just economic growth. The quality of growth matters as well as its quantity. Sustainability offers guidance to large companies and innovators within those firms to harness the power of business model innovation to help create a more sustainable future.

A Sustainable Business Model

The sustainable business model provides a competitive advantage by aligning profit and environmental objectives. A sustainable business will make profits over the long term whilst not causing environmental damage.

At the centre of any business model is the company's 'value proposition' — the products and services that yield tangible results for the company's target customers. A company's value proposition distinguishes it from its competitors.

Two broad areas for possible adaptation and innovation of a business model are production and marketing. The production side comprises the set of activities, mechanisms and relationships for providing a good or service — in other words, 'creating value'. The marketing side comprises the activities, mechanisms and relationships for selling that good or service — in other words, 'capturing value'.

Business models for sustainable development aim to deliver economic, social and environmental benefits – the three pillars of sustainable development – through core business activities. In these models, the value proposition includes social, environmental and economic values, while value distribution within the whole market chain is a key feature.

http://www.dundeeprecious.com/English/Business-Model-and-Strategy/default.aspx

Factors that contribute to the success of business models for sustainable development are the following:

The growing discussion and action on environmental and social issues globally creates the need for businesses to understand the opportunities and risks related to climate change and to develop sustainable business models that embed environmental, social and economic principles at strategic, managerial and operational levels while meeting stakeholder's expectations.

- Businesses need to build their own capacities and strategic alliances with other enterprises, government agencies and development practitioners.
- Involving local communities as partners and co-designers of new models enhances local buy-in and ownership.
- Business models for sustainable development need to be self-sustaining in the long term. However, significant investment of time and resources at the start is key for successful innovation and scale-up.
- Trade-offs among different sustainable development goals – economic, social, environmental – need to be recognised and addressed.
- Ongoing monitoring and evaluation need to be built in to the business mode

The table below describes the 'building blocks' of a sustainable business.

The 'Building Blocks' of a Sustainable Business Model

Philosophy	Respect for nature and people	Align customer needs and environmental benefits	Long-term approach	
Strong relationships	Suppliers	Customers	Community	Employees
Sustainable design	Life-cycle analysis	Closed-loop resources	Durability	Bio-mimicry principles
Hierarchies	Waste	Transport	Energy	Raw materials
	Impact of Biodiversity			
	Providing the right service			

Source: https://www.iied.org/business-models-for-sustainable-development

What are the drivers for sustainable business practices?

Many drivers in combination provide a strong business case for sustainability.

- **Cost savings** – using less material and energy means reduced costs and less exposure to volatile raw material prices.
- **Customer demand/ loyalty/ trust** – many consumers now alter their buying habits for environmental benefit.
- **Regulations** - increase in Government regulation, standards, green taxes and incentives.
- **Supply chain** - pressure from suppliers to improve efficiency and become more sustainable.
- **Employee recruitment, retention and motivation** – many employees demonstrate greater commitment when

they work for environmentally responsible firms.

- **Innovation** – going green requires a commitment to innovation, which can increase profits.
- **Moral issues** - many companies adopt a sustainability position because of the moral imperative to tackle environmental issues.

Sustainable Cost Leadership Strategies

Cost leadership is a strategy that companies use to achieve competitive advantage by creating a low-cost-position among its competitors. In other words, it's a company's ability to maintain lower prices than its competitors by increasing productivity and efficiency, eliminating waste, or controlling costs.

McDonald's, the fast food chain has proven to be very successful using this strategy. They keep costs low by maintaining a division of labour that allows them to employ and train inexperienced staff instead of skilled cooks. This method allows them to hire a few managers who usually receive higher wages.

Perhaps the most famous cost leader is **Walmart**, which has used a cost-leadership strategy to become the largest company in the world. The firm's advertising slogans such as "Always Low Prices" and "Save Money. Live Better" communicate Walmart's emphasis on price slashing to potential customers. Meanwhile, Walmart has the broadest customer base of any firm in North America.

Cost Competitiveness

Competitiveness is the ability or performance of an organization to do better in a particular time frame. To be cost competitive in the market, a company should provide better quality of products at a relatively lower cost as compared to other competitors.

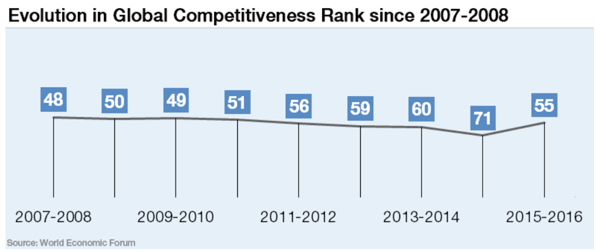
This will help to enhance the competitive strength of individual firms by utilizing the available resources efficiently and effectively. Indeed, competitiveness is the fundamental determinant of the level of prosperity a country can sustain (Porter M., 2005). There are different views about the competitiveness. While Porter (1998) argues that competitiveness meant the ability to compete in world markets with a global strategy. Buckley' view of competitiveness is at the firm level (Buckley et al., 1988); a firm is said to be competitive if it can produce goods and services of superior quality at a relatively lower costs than its domestic and international competitors. Competitiveness creates the ability of a firm to be sustained in the market for a long period of time and be able to generate higher rate of return to the shareholders.

Global competitiveness and India

India has come a long way in modernizing its economy, reducing poverty and improving living standards for a large segment of its population. Its economy has been one of the largest contributors to global growth over the last decade, accounting for about 10% of the world's increase in economic activity since 2005, while GDP per capita in PPP (purchasing power parity) terms is today three times as high as in 2000.

The competitiveness landscape and India

After five years of decline, India's competitiveness improved notably during 2015-2016 as measured by the Global Competitiveness Report 2015-2016, where the country improves 16 ranks to 55th of 140 economies.



Source: World Economic Forum

Further improvement

India is the 39th most competitive nations in the world out of 138 countries ranked in the 2016-2017 edition of the Global Competitiveness Report published by the World Economic Forum.

Source: http://www.tradingeconomics.com/india/competitiveness-rank / World Economic Forum

Economic Growth and Sustainable Development

2015 marked the target date for the achievement of the Millennium Development Goals and the start of the post-2015 development and climate processes, which ultimately aim to eradicate poverty, improve people's lives, and rapidly transition to a low-carbon, climate-resilient economy, are mutually reinforcing: when acted on together, they can provide prosperity and security for present and future generations.

Plans are now being made within the UN system to ensure that sustainable development goals can be met, as well. The 2030 Agenda for Sustainable Development was adopted at a high-level summit in September 2015, where a set of action-oriented and universal sustainable development goals were presented, leading to a renewed global partnership for development, backed by civil society, the private sector, parliamentarians and the scientific and academic community.

[*http://www.un.org/en/sections/priorities/economic-growth-and-sustainable-development/index.html*]

Strategic Implications of Global Economic Sustainability

As pattern of international competition shifts towards globalization, there are many implications for strategy formulation. In a global industry, functions of finance, marketing, business and Government relationship change according to global configuration and co-ordination.

(a) International Alliances:

International alliance is another implication of globalization. International coalition, linking firms of the same industry based in different countries have become an even more important part of global strategy aiding to global economic sustainability.

(b) Organizational Challenges:

The need to configure and co-ordinate globally in complex ways creates some obvious organizational challenges such as organizational structure, reporting hierarchies, communication linkages and reward mechanisms. The capability to innovate and to bring innovation effectively to market is a vital determinant of the global competitiveness over the coming decade. There is rising awareness among policymakers that innovative activity is the key driver of economic progress and well-being as well as an impending factor in meeting up global challenges.

(c) Government Relations:

In the globalized era, the selection of foreign market to enter and the mode of entry will, by and large, depends on the negotiations with the foreign Government, and the 'muscle power' of the global firm can be crucial in deciding the shift of power equilibrium. A global firm must 'manage' its relationship with the foreign Government to its advantage.

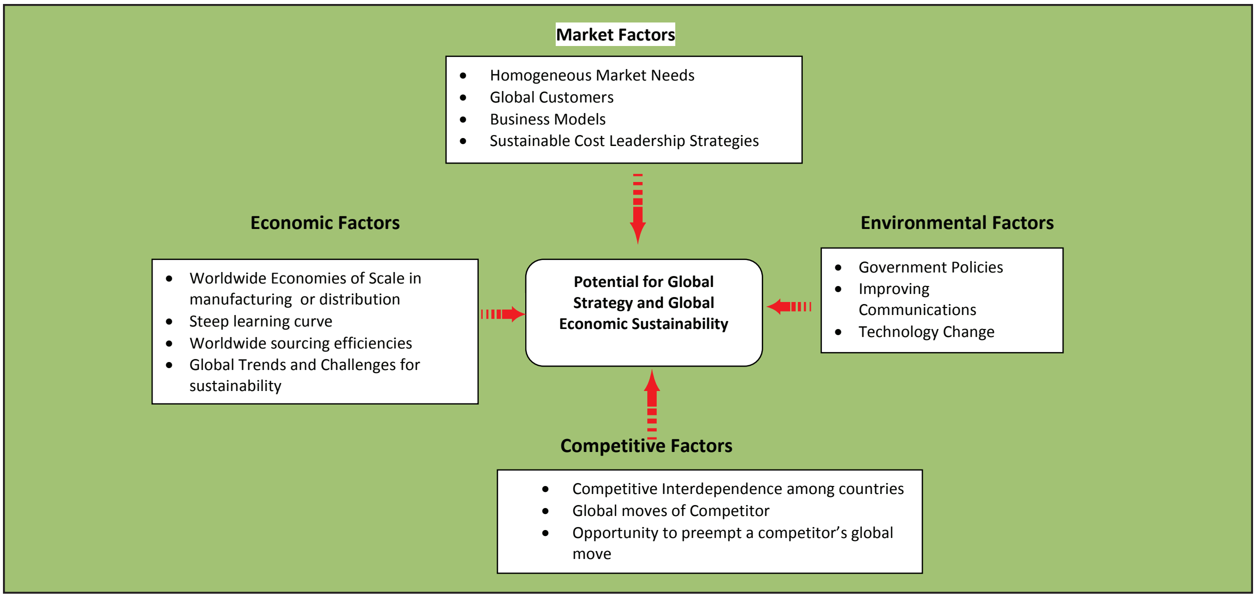
(d) Competition:

A global firm may be in a better position to compete with its global rival as it can augment its resources globally. These implications of globalization will lead companies to take care of these issues forcing them to formulate an appropriate strategy to handle them.

Conglomeration of all the elements to achieve GLOBAL ECONOMIC SUSTAINABILITY

Many companies and their **business models** today are struggling to achieve a global competitiveness and a globally integrated organization retains the capability for local flexibility and responsiveness. Organization provides the vehicle by which strategy can be formulated and implemented. The nature of organization also affects the kind of strategy that can be developed.

The following are some factors affecting Global Economic Sustainability jointly



Source: Adapted chart from http://philica.com/display_article.php?article_id=477

Global competitors must understand and accept the fact that this is an era of competition and only those who are competitive will remain in the race. They must, therefore, design their strategies in such manner that they could manage the cost and revenue simultaneously. The credit must be given to efficiency and innovation. The key to success is careful analysis of the obstacles to this approach. However with the requisite amount of confidence, their adversities can certainly be converted into opportunity so that India positions itself as a niche segment way ahead of others in terms of attaining the global economic sustainability.

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

www.icmai.in

Research Bulletin, Vol. 43, No. II (ISSN 2230 9241)

Call for Research Papers/Articles

We invite you to contribute research paper/ article for **"Research Bulletin"**, a peer-reviewed Quarterly Journal of The Institute of Cost Accountants of India. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publish high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Research Bulletin is now a **Quarterly Publication** of the Institute. Research Bulletin has been enlisted in the UGC approved journal list.The next issue will be published in **July, 2017**.

Guidelines to submit full Paper

- Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word (.doc) format.
- Each paper should be preferably within 5000 words including all.
- An abstract of not more than 150 words should be attached.
- The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.

Papers are invited on the following topics, but not limited to:

- Foreign Direct Investment
- Non Performing Assets (NPA) Management
- Insolvency and Bankruptcy code
- Goods and Services Tax (GST)
- Digital Entrepreneurship
- Corporate Social Responsibility (CSR)
- Strategic Planning in New Ventures and Young SMEs
- Environmental Supply Chain Management
- Strategic Human Resource Management
- Green Economy
- Customer Relationship Management
- Corporate Governance
- Risk and Volatility
- Brand Management
- Green Auditing & Reporting
- Carbon Trading
- Working Capital Management
- Capital Market Reforms
- Commodity Derivative Markets
- Drivers & Challenges in M & A

Papers must be received within **10th July, 2017** in the following email id:

research.bulletin@icmai.in

Ref.No.:G/82(115)/05/2017

May 22, 2017

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute at its 304th Meeting held on 17th and 18th May, 2017 by virtue of power conferred therein has constituted the following Chapter of The Institute of Cost Accountants of India covering the areas of Bikaner, Jhunjhunu, Nokha, Ratangarh, Sriganganagar, Hanumangarh, Nagur, Sikar, Dungargarh, Churu, Kolayat and Sardarsher in the State of Rajasthan.

The Institute of Cost Accountants of India – Bikaner Jhunjhunu Chapter
Infront of Mittal Studio,
Near Income Tax office,
Rani Bazar,
Bikaner – 334 001,
Rajasthan.

Kaushik Banerjee
Secretary

Ref.No.:G/82(114)/03/2017

March 21, 2017

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute at its 303rd Meeting held on 17th and 18th March, 2017 by virtue of power conferred therein has constituted the following Chapter of The Institute of Cost Accountants of India covering the area of Bharuch-Ankleshwar of Gujarat :

The Institute of Cost Accountants of India – Bharuch-Ankleshwar Chapter
Sarvoday High School
GIDC Plot No. 101/2 near Jaldhara Chaukadi
GIDC-Ankleshwar
Bharuch – 393 002
Gujarat.

Kaushik Banerjee
Secretary

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

EXAMINATION TIME TABLE & PROGRAMME – JUNE- 2017

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.	Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
11th June, 2017 Sunday	Fundamentals of Economics & Management	Fundamentals of Economics & Management
12th June, 2017 Monday	Fundamentals of Accounting	Fundamentals of Accounting
13th June, 2017 Tuesday	Fundamentals of Laws & Ethics	Fundamentals of Laws & Ethics
14th June, 2017 Wednesday	Fundamentals of Business Mathematics & Statistics	Fundamentals of Business Mathematics & Statistics

Examination Fees

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

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

2. Application Forms for Foundation Examination can be filled up either through online **or** in offline mode.

3. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. Demand draft should be made in favour of The Institute of Cost Accountants of India, payable at Kolkata. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form.

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

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

5. Last date for receipt of Offline Examination Application Forms without late fees is 31st March, 2017 and with late fees of Rs. 300/ is 10th April, 2017. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/-will be waived and the last date for application is 10th April, 2017.

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

7. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
8. **Probable date of publication of result**: **23rd August, 2017.**

DR. D. P. NANDY
Director
(Examination)

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

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL COURSE EXAMINATION TIME TABLE & PROGRAMME – JUNE 2017

	PROGRAMME FOR SYLLABUS 2012		PROGRAMME FOR SYLLABUS 2016	
Day & Date	**Intermediate Time: 2.00 P.M. to 5.00 P.M.**	**Final Time: 2.00 P.M. to 5.00 P.M.**	**Intermediate Time: 2.00 P.M. to 5.00 P.M.**	**Final Time: 2.00 P.M. to 5.00 P.M.**
Sunday, 11th June, 2017	Financial Accounting	Corporate Laws and Compliance	Financial Accounting	Corporate Laws & Compliance
Monday, 12th June, 2017	Laws, Ethics and Governance	Advanced Financial Management	Laws & Ethics	Strategic Financial Management
Tuesday, 13th June, 2017	Direct Taxation	Business Strategy & Strategic Cost Management	Direct Taxation	Strategic Cost Management – Decision Making
Wednesday, 14th June, 2017	Cost Accounting & Financial Management	Tax Management & Practice	Cost Accounting	Direct Tax Laws and International Taxation
Thursday, 15th June, 2017	Operation Management and Information Systems	Strategic Performance Management	Operations Management & Strategic Management	Corporate Financial Reporting
Friday, 16th June, 2017	Cost & Management Accountancy	Corporate Financial Reporting	Cost & Management Accounting and Financial Management	Indirect Tax Laws & Practice
Saturday, 17th June, 2017	Indirect Taxation	Cost & Management Audit	Indirect Taxation	Cost & Management Audit
Sunday, 18th June, 2017	Company Accounts and Audit	Financial Analysis & Business Valuation	Company Accounts & Audit	Strategic Performance Management and Business Valuation

EXAMINATION FEES

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

1. Application Forms for Intermediate and Final Examination has to be filled up either through online or in offline modes. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. Demand draft should be made in favour of The Institute of Cost Accountants of India, payable at Kolkata. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form. Online fees will be accepted through online mode (including Pay-fee Module of IDBI Bank).

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

3. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.
(b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.

4. Last date for receipt of Examination Application Forms without late fees is 31st March, 2017 and with late fees of Rs. 300/- is 10th April, 2017. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/- will be waived and the last date for application is 10th April, 2017.

5. The Finance Act 2016 will be applicable for the Subjects Direct Taxation, Indirect Taxation(Inter) and Tax Management & Practice(Final) under Syllabus 2012 and Direct Taxation, Indirect Taxation (Inter) Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016 for the purpose of June 2017 term of Examination.

6. The Companies (Cost Records & Audit) Rules 2014 as amended till 14 July 2016 will be applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) under syllabus 2012 and Paper 12- Company Accounts & Audit(Inter), Paper 19 – Cost & Management Audit(Final) under Syllabus 2016 for June 2017 term.

7. The provisions of the Companies Act 2013 will be applicable for Paper 6 - Law, Ethics and Governance (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) under syllabus 2012 and Paper 6- Laws and Ethics (Inter) and Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government at least six months prior to the date of the examination. For details visit clarification issued by Directorate of Studies.

8. If a student obtains at least 60 per cent marks in any paper, the benefit of carry forward/exemption is allowed for the immediately successive three terms of Examination only.

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

10. A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.

11. Probable date of publication of result: Inter & Final – 23rd August, 2017.

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

DR. D.P. NANDY
Director (Examination)

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

58th

National Cost Convention 2017

Theme

India – "The Global Economic Hub" –

The Ease of Doing Business

Days

Friday & Saturday

Dates

July 14th – 15th, 2017

Venue

Ravindra Natya Mandir

Prabhadevi (Dadar-West), Mumbai

Registered RNI 12032/66, Postal Regd. No. KOL RMS/139/2016-18
Publication Date: 10 June 2017