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COST GOVERNANCE

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory body under an Act of Parliament

www.icmai.in

- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.
- On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.
- It has since been continuously contributing to the growth of the industrial and economic climate of the country.
- The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

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

VISION STATEMENT

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

IDEALS THE INSTITUTE STANDS FOR

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

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

Headquarters
CMA Bhawan, 12 Sudder Street
Kolkata - 700016

Institute Motto

असतोमा सद्गमय	From ignorance, lead me to truth
तमसोमा ज्योतिर् गमय	From darkness, lead me to light
मृत्योर्मामृतं गमय	From death, lead me to immortality
ॐ शान्ति शान्ति शान्तिः	Peace, Peace, Peace

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SEPTEMBER 2019

September VOL 54 NO.9 ₹100

*We have expanded our Readership from **1** to **94** Countries*

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

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Editorial

Greetings!!!

Governance refers to the act of managing an entity. It requires involvement of various stakeholders so that governance objectives are achieved in a time bound manner with optimum utilisation of available resources. Normally it calls for systems and processes so that consistency & equality can be ensured.

Cost Governance means controlling the costs in an effective manner and monitoring whether the costs are able to generate expected returns. Cost governance is considered as a pervasive function. It is needed at all levels of organization and all spheres of activity. It consists of set of policies, principles, processes to ensure resource utilisation in a productive manner.

Cost Governance fosters cost competency.Good Cost Governance is conducive to successful economic development.Effective monitoring of costs on a continuous basis and a concurrent evaluation may lead the pathway to Cost Governance that may help to control the utilization of resources of an enterprise by following a set of policies, customs and prevailing laws and imposing accountability to all concerned in the process. Application of Costing Methods & Techniques helps to govern the Industry, Economy and Society at large and for the Capacity Building of the nation, Cost Governance will be a new horizon.

Following the vision of Hon'ble Prime Minister of India, the Economic Survey 2018-19 unveiled strategic blueprint for Indian economy to reach US$5 trillion by 2024-25. The survey identified *'investment'* as a key driver and suggested investment led growth model for India. Cost Governance can act as a powerful tool or weapon or as an 'Expressway' towards reaching the destination of USD 5 trillion economy by 2024-25.The survey also emphasized the need to bring change in economic thinking and mindset, stressed upon applying the principles of behavioural economics for desirable social change.

Cost-consciousness may also be defined as the creation of an undergoing corporate culture based on strong and convenient cost discipline. It needs comprehensive and untiring efforts to employ and stimulate the whole organisation to deal with that perspective.Efficiency of a business is measured by the degree of efficiency it controls and manages the cost. Cost consciousness and cost culture play a pivotal role in the practice of cost management in order to accrue organisational efficiency.

Cost Governance requires implementation of Cost Accounting Records; thus Cost Accounting Records empower Cost Competency, Cost Synergy and Cost Reduction with the ultimate goal of achieving Cost Leadership. Cost Governance can be adopted by any entity and it enables the organizations to garner the global markets.

Various techniques of Cost Management have come up for an effective analysis to enable managerial decision making. Marginal Costing, Bud¬getary Control, Standard Costing may be considered as valuable techniques that assist medium enterprises as well aslarge organizations for better decision making. Over the period, more methods of cost computing have been evolved in order to ascertain the costs in an accurate manner. They are Job Costing, Batch Costing, Contract Costing, Process Costing, Operating Costing, Target Costing and Activity Based Costing (ABC). Industries adopt one method or combination of methods as per their requirements to reap the benefits.

The sustainable high growth trajectory and inclusive development in India needs to reinvigorate the manufacturing and service sector. Cost and Management Accountants can help to revive the manufacturing sector and increase the share of FDI with cost management and efficiency. Cost and Management Accountants play an important role in the realization of operational excellence with the adoption of different management tools. CMAs can analyse the operating expenses and revenues and can suggest measures to improve the operating ratio and operational efficacy. Above all, statutory implementation of cost records and cost audit will explicitly help to achieve double digit growth for manufacturing sector in Vision New India 2022.

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

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

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

October 2019

Theme: Financial Technology (Fintech) – Changing landscape in Financial Services

Subtopics:

- FinTech and its Role in the Future of Financial Services
- Fintech: Capturing the Benefits, Avoiding the Risks
- Advent of Financial technology: a boon for investors
- Impact of Financial Technology on Accounting & Auditing
- Potential of Financial Technology to unleash a new era of competition, innovation and job creation
- Application of Fintech on Small and medium sized enterprises (SMEs)
- Embracing of Fintech: widening scope for professionals like CMAs

November 2019

Theme: Real Estate Investment and Capital Markets

Subtopics:

- Real Estate Asset Pricing
- Risk factors of real estate returns
- Volatility measures for real estate portfolios
- Integration of stocks, bonds and real estate
- Debt Capital Markets: Risks & Opportunities
- Institutional Investors: Creating Value &Managing Risk in a Mature Market
- Real estate investment trusts (REITS) v/s Private Equity market
- Innovation and Disruption: Investing in the Future of the Real Estate Industry
- Global Real Estate Capital Markets
- Role of CMAs

December 2019

Theme: Startups and Entrepreneurship

Subtopics:

- Technological transformations and diversities in Start ups
- Startup India – the next big theme for Economic Growth
- Challenges faced by Startups in India
- Angel Investment Ecosystem in India
- Edtech Startups: a Ray of Hope for transforming the Learning Experience
- Healthcare Startups: Fitness & Wellness
- Fintech Startups : paving way for a financially smart India with Global Recognition
- AgriTech Startups: leading India's next green revolution
- Identifying opportunities for growth and addressing constraints for successful, innovative Startups and Entrepreneurship - Role of CMAs

January 2020

Theme: Steering Transformation in Banking

Subtopics:

- Leveraging the power of Artificial Intelligence
- Mega Bank Merger Drive: Most preferred technique for attainment of Competitiveness, Growth and Sustainability
- Interest Rate Risk Management
- The Digitalisation of SME Financing: Expanding the Rewards and Assessing the Risks
- Digital Lending: Driving the Next Wave of Loan Innovation
- Data & Cyber Security in Banking
- Investment opportunities in stressed assets
- Corporate Insolvency Resolution Procedure
- Challenges and roadblocks for the New-Age Banking: Catalytic role of CMAs to rise above the barriers

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 anywhere else.

Please send your articles by e-mail to *editor@icmai.in* latest by the 1st week of the previous month.

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PRESIDENT'S COMMUNIQUÉ

CMA Balwinder Singh
President
The Institute of Cost Accountants of India

"Success is to be measured not so much by the position that one has reached in life as by the obstacles which he has overcome."

– Booker T. Washington

My Dear Professional Colleagues,

The members of the Council of the Institute of Cost Accountants of India express their deep sorrow and profound grief on the sad demise of Shri Arun Jaitley ji, Former Hon'ble Union Minister of Finance and Corporate Affairs, who left for heavenly abode on 24th August 2019. We shall never forget his immense contribution towards the economic development of the Country. The Institute deeply mourns the sudden demise and convey its heartfelt sympathy to the bereaved members of his family and shares with them their grief and sorrow at this great loss. MAY HIS SOUL REST IN ETERNAL PEACE.

INDEPENDENCE DAY CELEBRATION

The 73rd Independence Day was celebrated on 15th August 2019 at the Headquarters, Delhi office, RCs and Chapters of the Institute. On this auspicious occasion, the National Flag was unfurled as President at CMA Bhawan, New Delhi in the presence of Council members, Chairman Northern India Regional Council & team and employees of the Institute.

A famous quote of Mother Teresa says "We ourselves feel that what we are doing is just a drop in the ocean. But the ocean would be less because of that missing drop."... and we at the Institute are at constant endeavour to add up those missing drops into the ocean.

To continue that legacy, CMA Biswarup Basu, Vice President along with CMA Chittaranjan Chattopadhyay, Council Member and other dignitaries after hoisting the National Flag at the Headquarters of the Institute, visited "Universal Smile Trust" at Kolkata which is a resident of 38 orphan boys and girls. This trust had been established in 2013 under Indian Trust Act 1882 and also licensed under Social welfare department of West Bengal Government as Child Care Institution.

For the welfare of the trust and its children, the Institute donated a refrigerator and dignitaries of the Institute distributed school kits with sweet packets among the children which was just a token to assure them that they are not alone, we are there to lead and guide them and try to ease their path so that they can chase their dreams and achieve success in life.

MEETING WITH VIPs

I along with CMA Biswarup Basu Vice President of the Institute and CMA H Padmanabhan, Council Member participated in ICoAS Day and congratulated Smt. Aruna Sethi, Chief Adviser (Cost), Department of Expenditure, Ministry of Finance, GoI and other ICoAS officials at ICoAS Foundation Day Celebrations on 9th August, 2019 at New Delhi. At Kolkata, CMA Chittaranjan Chattopadhyay, Council Member met Ms. Abhra Sinha, Advisor (Cost), ICoAS and felicitated her on the occasion of Indian Cost Accounts Service Day.

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee and CMA Rakesh Bhalla, Chairman, Direct Taxation Committee extended greetings to Shri Anurag Thakur, Hon'ble Union Minister of State for Finance and Corporate Affairs during a meeting on 13th August 2019 and discussed Institute's representation submitted to the Ministry of Finance for Inclusion of Cost Accountant in the definition of "Accountant" u/s 288 of Income Tax Act, 1961. In another meeting on 14th August 2019, they also met and submitted the representation to Shri Akhilesh Ranjan, Member (Legislation) & Convenor of Task force on the Direct Tax Code, Central Board of Direct Taxes, Ministry of Finance and Shri Rajesh Kumar Bhoot, Joint Secretary to the Government of India, Tax Policy & Legislation Division, Ministry of Finance, Department of Revenue, CBDT.

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee along with CMA P Raju Iyer, Chairman, Internal Audit & Assurance Standards Board met Shri Yogendra Garg, Principal Commissioner, GST Policy, CBIC on 14th August 2019 and discussed about various recent initiatives of Tax Research Department of the Institute.

I am happy to share that I along with CMA Biswarup Basu, Vice President and other members of Strategic Advisory Group: Vision 2040 led by its Chairman CMA Chandra Wadhwa, Past President of the Institute met Shri Injeti Srinivas, IAS, Secretary to the Government of India, MCA on 16th August 2019 and discussed "Role of Cost & Management Accounting in Building US$5 Trillion Economy". Shri Devendra Kumar, Advisor (Cost), Cost Audit Branch, Ministry of Corporate Affairs was also present in the meeting.

I am pleased to inform that I along with CMA Amit A. Apte, Immediate Past President, CMA Neeraj Joshi, Council Member, CMA Dr. Sanjay Bhargave, former Council Member and representatives of WIRC & Pune Chapter of the Institute met Hon'ble Smt. Nirmala Sitharaman, Union Minister of Finance & Corporate Affairs and Hon'ble Shri Anurag Thakur, Minister of States for Finance & Corporate Affairs, GoI at Industry & Professional Institutes meet at Pune on 27th August 2019 and handed over representations relating to DTC & other professional interests.

UDIN (UNIQUE DOCUMENT IDENTIFICATION NUMBER) MADE MANDATORY

To enable the Regulators and other stakeholders to check the authenticity of reports & certificates issued by a practicing cost accountant, the Council of the Institute in its 322nd Meeting held at Hyderabad on 21st August, 2019 has made UDIN (Unique Document Identification Number) mandatory to be mentioned on the following reports & certificates:

- All Cost Audit Reports issued under Section 148 of the Companies Act 2013
- GST Audit Reports issued under CGST Act 2017
- All other Audit Assurance & Attest functions
- All certificates

However, use of UDIN will not be mandatory for any e-form signed or certified by a Cost Accountant. The use of UDIN will be mandatory for all the reports, certificates, etc. referred above, issued on or after 1st October, 2019.

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

ADVANCED STUDIES DIRECTORATE

I am pleased to announce that the Council of the Institute in its 322nd Meeting held at Hyderabad on 21st August 2019 has launched "SAP FICO - Power User Course" for the benefit of Students, Employees and Members of the Institute. The SAP FICO Power User Course will be conducted through Directorate of Advanced Studies of the Institute. The said course will commence from October 2019, while the online admission process has already been started with overwhelming responses from the stakeholders.

The SAP FICO - Power User Course will provide the candidates the basic idea of SAP and its Financial Accounting and Management Accounting processes. Students will learn concepts of how to use and operate SAP Finance and CO modules and will be introduced to SAP Finance integrations with other modules like MM, SD and Production.

CAMPUS PLACEMENT ACTIVITIES

I am pleased to share that the Placement Directorate of the Institute had organised CMA Summer Campus Placement Programme for the CMA Final qualified candidates of December 2018 term at Delhi and Kolkata in the month of August 2019. IRCON International Ltd. and Continental India Private Limited – Modipuram participated in the Campus Placement Programme at Delhi and McNally Bharat Engineering Company Limited had participated at Kolkata.

The Directorate had also organised CMA Extended Campus Placement Programme for the CMA Final qualified candidates of December 2018 term at Pune and Bangalore. CITCO Shared Services (India) Private Limited took part in the Campus Placement Programme at Pune and NRGC TVS MOTORS participated at Bangalore. Nearly 30 candidates have received job offers and few companies are yet to declare the final list of selected candidates.

The Directorate is continuously providing Internship Training facilities to the Intermediate qualified candidates at various organizations and firms. It has already announced schedule for 12-days Pre-Placement Orientation Programme across India followed by Campus Placements for June 2019 batch of qualified CMAs. I extend my best wishes to the students appearing in the forthcoming Campus Placement activities.

INTERNATIONAL AFFAIRS

SAFA Foundation Day Conference 2019

South Asian Federation of Accountants (SAFA) celebrated its Foundation Day for the first time and The Institute of Cost Accountants of India has successfully hosted this historic event by organising SAFA Foundation Day Conference 2019 on the theme "Emerging Challenges and Opportunities for Professional Accountants in South Asia" on 22nd August 2019 at Hotel Marriott, Hyderabad, India. Shri Bandaru Dattatreya, Hon'ble Former Union Minister of State (IC) for Labour and Employment inaugurated the SAFA Foundation Day Conference as the Chief Guest and during his speech, he congratulated the SAFA for its foundation day celebrations and appreciated the work of SAFA as a forum of professional accountancy bodies as committed to positioning, maintaining and developing the accountancy profession in SAARC Region countries. Shri Naraparaju Ramchander Rao, Sr. Advocate and Member of Telangana Legislative Council (MLC) was the Guest of Honour of the inaugural session.

Welcome address at the inaugural session was given by me as the President of the host Institute, followed by address from CMA Dr. P.V.S Jagan Mohan Rao, President SAFA. A presentation of the Journey of the SAFA was made during the inaugural session. CMA Biswarup Basu, Vice President of the Institute presented the formal vote of thanks.

The Panel Discussion by President/Representatives of SAFA Member Bodies, Technical Session cum CFO Meet on "Emerging Challenges and Opportunities for Professional Accountants in South Asia" and Technical Session on "Sustainability Development" were well attended and deliberated by the speakers and participants.

Meeting with ACCA Officials

I wish to inform that I along with CMA Vijender Sharma, Council Member of the Institute had a meeting with Ms. Lucia Real-Martin, Lead Market Director, Association of Chartered Certified Accountants (ACCA) on 28th August 2019 at CMA Bhawan, New Delhi and discussed about the important matters related to professional qualifications and professional development programmes offered by both the Institutes.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

- The Insolvency Professional Agency of the Institute organized various Round table Interactions, workshops and webinars during the month, i.e. :
- One Day Certificate Course on Individual Insolvency – 3rd August 2019
- 21st Pre- Registration Educational Course Kolkata – 5th August 2019 – 11th August 2019
- Roundtable on Forensic Audit – 6th August 2019
- Roundtable on Stake holders meet Delhi – 9th August 2019
- 3 days Preparatory Education Program Delhi – 17th August 2019 – 19th August 2019
- 22nd Pre- Registration Educational Course – 17th August 2019 – 23rd August 2019
- Roundtable on Stake holders meet Kolkata – 21st August 2019
- Roundtable on Stake holders meet Guwahati – 23rd August 2019

MEMBERSHIP DEPARTMENT

I feel pleasure to congratulate and heartily welcome all the 237 new members who have been granted Associate membership and all the 77 Associate members who have been upgraded to Fellowship during the month of August 2019.

While most of members have cleared their membership dues, we have observed that some members are still having dues. Members are kindly aware that their membership fee for the current financial year has become due on 1st April, 2019 and as per Regulations 7(6) & 7(7) of the Cost and Works Accountants Regulations, 1959, the dues are to be paid latest by 30th September, 2019. I call upon such members who have dues and request them to the clear their membership dues well before 30th September, 2019 and continue to enjoy all the benefits of membership of the Institute.

I shall urge members to make all membership related payments by availing the online payment facility by logging into their account at the link *https://eicmai.in/MMS/Login.aspx?mode=EU* available in the members section of the Institute's website.

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

I am glad to inform you that on the Institute's representation, Cost Accountants are considered for appointment as Arbitrator under "The Arbitration & Conciliation (Amendment) Act 2019" in the gazette notification of India, dated 09th August, 2019. This brings new professional avenues for Cost Accountants.

Further, on our request, Haryana Forest Development Corporation included Cost Accountants for GST Audit and Chandigarh Industrial and Tourism Development Corporation Limited (CITCO) included Cost Accountants Firm for E-Filing of GST Returns.

I am pleased to inform that Professional Development Directorate of the Institute had conducted a training programme for members of ICMA Bangladesh on "Practical Exposure to Cost Audit - Maintenance of Cost Records, Information Analysis and Preparation of Report thereof" during 3rd Aug to 8th Aug., 2019 at CMA Bhawan, New Delhi. The members of ICMA Bangladesh were also taken for Industry visit at National Fertilizer Ltd, Panipat and

NHPC Limited, Faridabad along with the technical sessions. I am delighted to share that the topics and contents of all sessions were highly appreciated by members of ICMA Bangladesh.

The Institute was associated with PHD Chamber of Commerce & Industry for conducting Conference on "Tax Aspects of Business Reconstructions & Acquisitions, Mergers-Demergers and Slump Sale" and Conclave on "Dispute Resolutions Scheme, Advance Rulings and GST New Return Systems" on 7th August and 26th August 2019 respectively.

Regional Councils and Chapters organized 48 programs, seminars and discussions on the topics of professional relevance and importance for the members such as, GST Annual Return & Audit, Introduction to Direct Tax Code, Private Equity and the role of CFOs in PE, Impact of IND AS on Cost Audit Report, Insolvency and Bankruptcy Code 2016, National Financial Reporting Authority (NFRA), Unique Document Identification Number (UDIN), Non-Banking Financial Companies and so on. I hope our members have been immensely benefited with these programmes.

Representation with Government, PSUs, Banks and Other Organizations:

PD Directorate is sending representation letters to various organizations for inclusion of Cost Accountants for providing professional services. Ramagundam Fertilizers and Chemicals Limited (RFCL), State Health Society Meghalaya , Gujarat Power Corporation Limited (GPCL), Punjab Bus Stand Management Company Limited , Indian Institute of Technology Kharagpur, Coal India Ltd., South Eastern Coalfields Limited (SECL), Central Mine Planning And Design Institute Limited (CMPDIL), Assam Power Distribution Company Limited, Central Coalfields Limited (CCL), Jharkhand Urban Infrastructure Development Company (JUIDCO) Limited, Chandigarh Industrial And Tourism Development Corporation Limited (CITCO), Jharkhand Urja Sancharan Nigam Limited, Assam State Transport Corporation , New Town Kolkata Development Authority , Madhya Pradesh Power Generating Company Limited, Noida Special Economic Zone Authority, Assam State Transport Corporation, UP Public Works Department (UPPWD), New Town Kolkata Development Authority etc., have included Cost Accountants in their Tenders/EOIs during the month of August' 2019.

TAXATION COMMITTEE

The Tax Research Department, in its contribution to the knowledge of the stakeholders, have conducted various webinars. They are on the topics 'New Return filing system under under GST' by CMA Vishwanath Bhatt on 23.07.19, 'GST Audit' by CMA Bhogavalli Mallikarjuna Gupta on 29.07.19, 'Recent Amendments to GST in the Finance Bill' by CMA Bhogavalli Mallikarjuna Gupta on 23.08.19 and 'The Finance (No 2) Bill 2019 by CMA Abhijit Khasnobis on 09.08.19. The 45th & 46th Tax Bulletin has also been released. Representations have been sent to the Government on

1. Inclusion of the Name of the Cost Accountants (CMA) on the screens being shown under "My Account – My CA/ERI" in www.incometaxindiaefiling.gov.in.
2. Representation sent to the Banks including the Nationalised and Private Banks intimating them about the role of Cost Accountants in GST regime and offering crash courses on GST for the bank officials.
3. Requesting to include CMA in the Tender Notice (Ref No. 12(48)/LC/GST/2016 dt. 5th August 2019) of Tea Board for E-filling of GST Returns, TDS, TCS Returns and other related work.
4. Proposal for extending support to the Govt. to assist the Taxpayers in filling the GST-9, 9A & 9C before the due date of 31st August 2019.
5. Intimation sent to Shri Yogendra Garg, Principal Commissioner - GST Policy on the initiative taken in assisting the stakeholders in filling the GST-9, 9A & 9C before the due date of 31st August 2019.
6. Representation for Requesting to extend due date of GSTR 9 and GSTR 9C to Shri Pranab Kumar Das, IRS Chairman Central Board of Indirect Taxes & Customs.

As of the courses, the examination for all the four courses, Certificate Course on GST, Advanced Certificate Course on GST, Certificate Course on Return Filing and Certificate Course on TDS will be conducted on 15.09.2019. Crash Course on Goods and Services Tax for colleges and Universities will be conducted in Mysore as well. Notifications and Recent amendments (Both Direct & Indirect Tax) are being uploaded in Website time to time for the benefit of Stakeholders & Members. The Institute has participated in a 6th India International MSME Expo & Summits 2019 organized by the MSME Development Forum at Pragati Maidan on 25th August 2019 where Taxation Experts have interacted with representatives of MSME units on their queries on GST. Initiative has been taken to work together with the Commissionerate for assisting in Filling GST Annual Return and letters have been sent to the Principal Chief Commissioners of Central Tax – Bangalore, Hyderabad, Pune, Bhubaneswar and Ahmedabad.

I wish prosperity and happiness to members, students and their family on the occasion of Ganesh Chaturthi & Onam and wish them success in all of their endeavours.

Thanking you,

Warm Regards,

CMA Balwinder Singh

1st September, 2019

CHAIRMAN'S COMMUNIQUÉ

CMA (Dr.) K Ch A V S N Murthy
Chairman
Journal & Publications Committee
The Institute of Cost Accountants of India

"All our dreams can come true, if we have the courage to pursue them"
– Walt Disney

Greetings!!!

I express my heartfelt thanks to the President, Vice President and the Council for giving me this great opportunity to serve the Institute as Chairman of the Journal & Publications Committee (2019-2020). The Journal and Publications department is committed to work relentlessly to meet the expectations of the members, students and other stakeholders.

Life is a continuous learning process and the Journal and Publications Department aspires to imbibe wisdom and human values across its various stakeholders through creation and dissemination of knowledge in pursuit of excellence in professional development arena.

Our mission is to establish this department as a premier research body in the country to raise public awareness about policy issues in business, trade, society and economy and to facilitate solutions that will contribute to national development.

Change in today's world is riding an accelerated pace and we need to pause and reflect it on the entire education system. That reminds me of the great words of wisdom by Aristotle, "Educating the mind without educating the heart is no education at all." Education is a dynamic process in which new-fangled thoughts are supplemented persistently to construct the education in progressive approach.

In today's era of communication and technology, people round the clock want to keep themselves abreast of the latest changes and developments happening around them. The core purpose of our Journal and Publications Department is to inform, educate and enlighten the masses on various issues revolving them.

The Journal & Publications Department of the Institute is dedicated to the goal of connectivity and focus on incorporating new features and relevant cover stories of national and global importance in the journal and providing best efforts to reach the unreachable through persistent value addition.

The following items are being published regularly by the Directorate of Journal and Publications:

- *The monthly journal 'The Management Accountant'*
- *Quarterly Research Bulletin*

Quality of articles has also improved immensely over the past few months. We have already progressed towards design improvement and have received accolades across the Globe. The articles are very informative and catchy enough to grab the attention of our readers.

September 2019 of the Journal *"The Management Accountant"* is based on the theme "Cost Governance" which consists of the set of policies, principles, processes, customs and laws paving the way to direct, administer or control the utilization of resources by an enterprise and is conducive to successful economic development.

I am glad to inform you that *"The Management Accountant"* Journal has gained its recognition worldwide and the readership has already reached 94 countries across the whole world. It is noteworthy to mention that the Management Accountant Journal is also indexed and listed at Index Copernicus and J-gate.

I also acknowledge the support and untiring effort of the office bearers of the Journal and Publications department to provide their assistance and best efforts and commit for its betterment.

We solicit your feedback, suggestions and concerns for the overall development of the Journal and Publications Department. Please send us mails at ***editor@icmai.in / journal@icmai.in*** for various issues relating to journal and publications.

With Warm Regards

CMA (Dr.) K Ch A V S N Murthy
1st September, 2019

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee and CMA Rakesh Bhalla, Chairman, Direct Taxation Committee extending greetings to Shri Anurag Thakur, Hon'ble Union Minister of State for Finance and Corporate Affairs during the meeting on 13th August 2019 to discuss Institute's representation submitted to the Ministry of Finance for Inclusion of Cost Accountant in the definition of "Accountant" u/s 288 of Income Tax Act, 1961

CMA Balwinder Singh, President and CMA Biswarup Basu, Vice President of the Institute participated in ICAS Day with Smt. Aruna Sethi, Chief Adviser (Cost), Department of Expenditure, Ministry of Finance, GoI along with teammates.

CMA Balwinder Singh, President, CMA Biswarup Basu, Vice President and other members of Strategic Advisory Group : Vision 2040 led by its Chairman CMA Chandra Wadhwa, Former President met Shri Injeti Srinivas, IAS, Secretary, MCA and Shri Devendra Kumar, Advisor (Cost), Cost Audit Branch on 16th August 2019

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee and CMA Rakesh Bhalla, Chairman, Direct Taxation Committee met Shri Rajesh Kumar Bhoot, Joint Secretary to the Government of India, Tax Policy & Legislation Division, Ministry of Finance, Department of Revenue, CBDT on 14th August 2019 to discuss Institute's representation submitted to the Ministry of Finance for Inclusion of Cost Accountant in the definition of "Accountant" u/s 288 of Income Tax Act, 1961.

CMA Niranjan Mishra, Chairman, Indirect Taxation Committee and CMA Rakesh Bhalla, Chairman, Direct Taxation Committee met Shri Akhilesh Ranjan, Member (Legislation) & Convenor of Task force on the Direct Tax Code, Central Board of Direct Taxes, Ministry of Finance on 14th August 2019 to discuss Institute's representation submitted to the Ministry of Finance for Inclusion of Cost Accountant in the definition of "Accountant" u/s 288 of Income Tax Act, 1961

CMA Balwinder Singh, President along with CMA Vijender Sharma, Council Member of the Institute welcomes Ms. Lucia Real-Martin, Lead Market Director, and Association of Chartered Certified Accountants (ACCA) on 28th August 2019 at CMA Bhawan, New Delhi.

CMA Balwinder Singh, President discussing strategies on "DTC – A Way Ahead" with the delegation who earlier in the day met Hon. Smt. Nirmala Sitharaman, Union Minister of Finance & Corporate Affairs and Hon. Shri Anurag Thakur, MOS for Finance & Corporate Affairs, GOI at Industry & Professionals Institutes meet at Pune on 27th August 2019 and handed over representations relating to DTC & other professional interests. Delegation included CMA Balwinder Singh, President-ICAI, CMA Amit Apte, IPP-ICAI, CMA Neeraj Joshi, CCM-ICAI, CMA Dr. Sanjay Bhargave, and former CCM-ICAI along with representatives of WIRC & Pune Chapter of the Institute.

Launching SAP - FICO Course during the meeting of the Council of the Institute on 21st August 2019 at Hyderabad.

CMA Balwinder Singh, President, CMA Chandra Wadhwa, Past President, CMA Vijender Sharma, Chairman (PD & Member's Facilities Committee) and CMA Neeraj D. Joshi, CCM at the Inaugural Ceremony of Training Programme for Members of ICMA Bangladesh at CMA Bhawan, New Delhi.

73rd Independence day celebration

Meeting of the Technical Cell of the Institute held on 15th July 2019 in New Delhi office of the Institute. CMA (Dr) Dhananjay V Joshi, Former President and Chairman, Technical Cell, CMA Amit A Apte, President and CMA Balwinder Singh, Vice-President of the Institute are seen in the center. Other attendees include (from Right to left): CMA Anil Sharma, CMA Ashwin G Dalwadi, CMA Niranjan Mishra, CMA (Dr) Ashish P Thatte, CMA Neeraj D Joshi, CMA Rakesh Bhalla, CMA Chandra Wadhwa, CMA DC Bajaj, Shri AK Patel, CMA Ravi Sahni, CMA Raju P Iyer, CMA Tarun Kumar and CMA Rashmi Gupta.

Glimpses of SAFA Foundation Day Conference on the theme "Emerging Challenges and Opportunities for Professional Accountants in South Asia" organised by the Institute on 22nd August 2019 at Hyderabad.


THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
SAFA


SAFA
SAFA FOUNDATION DAY


AFA FOUNDATION DAY
ONFERENCE 2019


SAFA FOUNDATION DAY
CONFERENCE 2019
Theme


SAFA FOU
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
SAFA


FA FOUNDATION DAY


THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
SAFA
SAFA FOUNDATION DAY
CONFERENCE 2019
Theme

INDIAN COST ACCOUNTS SERVICE DAY
9th of August, 2019

Indian Cost Accounts Service is a professional financial service of Government of India under the Ministry of Finance, Department of Expenditure. In 1978, Indian Cost Accounts Service (ICoAS) was constituted and recruitment rules were notified in 1982. The prime objective is to compliment the efforts of Central and State Governments / Departments in optimum utilization of resources through allocation and monitoring of funds, cost control, cost reduction and efficiency techniques, fixation of reasonable prices of goods and services etc.

The Indian Cost Accounts Service day is being celebrated on 9th of August every year. On 9th August 2019, CMA Chittaranjan Chattopadhyay, Council Member and Chairman of Banking & Insurance Committee of the Institute, met Ms. Abhra Sinha, Advisor (Cost), ICoAS at Kolkata and felicitated her on the occasion of Indian Cost Accounts Service Day.

The office of Chief Adviser Cost advises the Ministries and Government Undertakings on Cost Accounts matters and undertakes cost investigation work on their behalf. Generally Accepted Accounting Principles, Accounting Standards, Cost Accounting Standards and prevalent statutory laws are adhered to in arriving at cost / price of products / services. It is a prime professional setup, staffed by Accounting Professionals and deals with matters relating to costing and pricing, undertakes studies on cost reduction, cost efficiency, industry level studies for determining fair prices, user charges, Cost Benefit Analysis of Projects, Commercial Financial Management Analysis, appraisal of Capital Intensive Projects, Profitability Analysis and application of Modern Management Tools involving Cost and Financial Accounting etc. for the Ministries and Government Departments in respect of the matters referred to them.

Sources:

http://www.cac.gov.in/overview.aspx

http://pib.gov.in/newsite/mbErel.aspx?relid=148644

IBC-2016 & IMPACT OF RECENT AMENDMENTS THEREOF

A Programme Organized by

The Members in Industry Committee

Members in Industry Committee organised a program on 'IBC-2016 & Impact of Recent Amendments thereof' on 27th of August, 2019 at JN Bose Auditorium of the Institute Headquarters. The inaugural session was graced by CMA Harijiban Banerjee, CMA Amal Kumar Das, former Presidents of the Institute, Council Member CMA Chittaranjan Chattopadhyay and Vice President CMA Biswarup Basu who is also the Chairman of the Committee. This session was followed by two technical sessions. The first technical session was on 'Critical issues of IBC-2016' which was deliberated upon by CA Subodh Kumar Agarwal, former President of the Institute of Chartered Accountants of India and presently an Insolvency Professional. The second technical session was on 'Impact of recent amendments of IBC-2016' which was deliberated upon by CMA J K Budhiraja, former Sr. Director (Technical) and former CEO-IPA of the Institute. All the member delegates present in the audience showed their utmost eagerness to listen to the expert speakers on the valuable topic. The program was followed by Question and Answer session, wherein many of the listeners discussed their queries with the expert speakers.

COST GOVERNANCE - ROLE & IMPORTANCE OF COSTING STANDARDS AND PRINCIPLES

CMA H. Yuvaraj
Sr. DGM, TAFE
Chennai

Abstract

Cost Governance is very critical to achieve Corporate Governance. Governance Mechanism has come a long way from Companies Act 1956 to Companies Act 2013. Cost Accounting Standards, Cost Auditing Standards, Generally Accepted Cost Accounting Principles plays a key role in Cost Governance. Cost Conscious Indian Customers are forcing Market leaders to change their business models. With Continuous professional updates, CMA's can play a major lead role to achieve Cost Governance in their respective Organisations.

Governance refers to the act of managing an entity. It requires involvement of various stakeholders so that governance objectives are achieved in a time bound manner with optimum utilisation of available resources. Normally it calls for systems and processes so that consistency & equality can be ensured.

In the corporate world, Corporate Governance is critical due to separation of ownership from management. Governance is delegated to a management team, normally it is given to the Board of Directors. Corporate Governance, good or bad, is determined by its actions and implications to the entity & society at large. What may be good for the entity, may not be good for the society. Recent incidents involving top businessmen, bankers etc., has created huge imbalance in the commoner's minds and makes them to wonder, what has happened to our Governance. It also limits the Government ability to spend money towards various social schemes.

Companies Act 1956 was the start towards Corporate Governance and gained critical importance after the owners started raising money from the market. Public Money is involved as common citizens either participate directly in the primary market (open offers) or indirectly through exchanges, secondary market. Therefore, Companies Act, SEBI Regulations were frequently enhanced to meet the changing requirements. Various corporate episodes also contributed to the enhancement. India's corporate governance has come a long way from Companies Act 1956 to Companies Act 2013. Now, Listed Companies should have independent directors (1/3rd of the Board), appoint audit and nomination committees, disclose related party deals, disclose comparative metrics on managerial pay, requires CEO & CFO to sign off that the governance norms have been met in the financial statements. Companies Act also lays down the rules with respect to Public Offer, Private Placement, Public Deposits, Management and Administration which includes Annual Return, Annual General Meeting, and Dividend Payment. The act comprehensively covers Books of Account, Financial Statements, Schedules, Corporate Social Responsibility, Internal Audit & Auditors, Statutory Audit & Auditors, Appointment & Qualification of Directors, Board Meetings, Appointment & Remuneration of Managerial Personnel, Prevention of Oppression & Management, Winding up of Companies. A separate chapter exists for National Company Law Tribunal and Appellate Tribunal along with Special Courts.

Code for Professional Conduct of independent Directors is given separately. Adherence to these standards and fulfilment of their responsibilities in a professional and faithful manner will promote confidence in the investment community, particularly minority shareholders, regulators and companies, in the institution of independent directors.

CSR is covered in a separate schedule and corporates can disclose their policies towards Education, Poverty eradication, Women empowerment etc.

Cost Governance

It consists of set of policies, principles, processes to ensure resource utilisation in a productive manner. Cost Governance gained importance through Companies amendment bill 1965, which brought in Section 209 (1) d – Cost Accounting Records and Section 233 B Cost Audit. Almost 44 industries were notified under cost accounting record rules.

Cost Accounting Record Rules 2011 widened the scope and every company, which is required to maintain cost records, shall submit the compliance certificate, duly certified by a practising cost accountant.

Cost Accounting Records Rules 2014 along with Section 148 of the Companies Act, 2013 deal with provisions relating to maintenance of cost records. Requirement of compliance certificate has been dispensed with.

Cost Accounting Standards - Our Institute has so far released 24 cost accounting standards. It covers wide range of areas in the corporate world which has implications in the financial statements. These standards are expected to bring in uniformity, consistency in cost accounting so that it takes care of cost governance which will also improve corporate governance. In today's competitive scenario, top line to a large extent is determined by the market forces. Bottom line depends on how well cost management is done in the organisation. Cost Reduction, Savings, Avoidance etc., done in a structured planned manner impacts price, cost competitiveness. In this process, cost accounting standards plays a major role and ensures cost governance.

Cost Auditing Standards - Government has so far approved 4 cost auditing standards viz, Planning an audit of Cost Statements, Cost Audit Documentation, Conduct of Cost Audit, Business – Knowledge, Process & Environment. All the above are intended to ensure Cost Audit is done properly and addresses the key issues in Cost Governance.

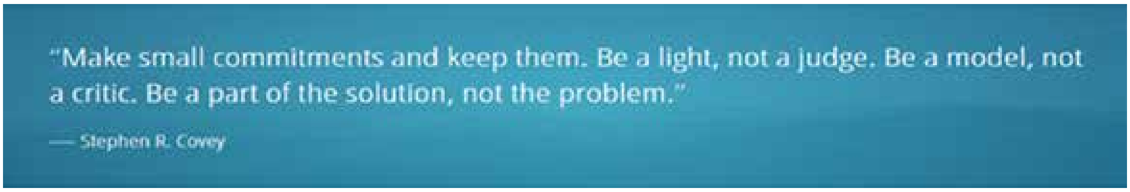
Generally Accepted Cost Accounting Principles - This is one of the major initiatives taken by our Institute. This is a comprehensive guide for all CMA's. Generally Accepted Cost Accounting Principles comprehensively covers our core domain viz. Various Cost Definitions, Principles applicable to cost elements, Presentation & Disclosure. It is strongly suggested that all CMA's go through the conceptual framework so that they can play a better role in cost governance in their respective organisations. Cost data is required both in a historical context as well as forward looking framework. Cost concept is always relevant with specific purpose. As business model changes in line with market situations, cost accounting systems should be flexible and get aligned so that the reports from cost accounting systems will continue to be relevant & considered in various business decisions. Materiality concept will determine the quantum of cost information. Value creation happens when the same is properly deployed in business decisions and strategies executed properly. 80/20 principle is commonly followed but cost accounting systems should be flexible enough to address the business requirement & context. Dashboard technology can be developed, deployed and delegated to functional managers. But, cost accounting systems should work within cost governance framework. Since there are various stakeholders (internal, external) to cost information, transparency should also stand the test of audit by different agencies.

Cost Consciousness

- Indian consumers are always price sensitive. Our Indian Auto Industry, dominated by small cars, is a classic case. Even multinationals have trimmed their products to meet the local demand. This includes launching of many cars at 3,995mm length to take care of sub-4 meter requirement and its associated tax advantages.
- Maruti - In the Auto Industry, market leader has decided to produce Diesel Cars till March 2020. There are many factors for this decision like narrowing fuel (Petrol Vs Diesel) cost difference, upgrade to BSVI is very high as compared to Petrol Engines etc., All this will put burden on margins and eventually will result in price increase. This move also has to be seen from the declining car sales in the past 12 months and also Young Gen's willingness to opt for Ola, Uber service rather than owning a car. Parking and Driving in congested cities has become a major issue. Maruti's Chairman has said that the onus to reduce prices is not on the Government, manufacturers must cost costs to lower prices.
- TVS – In his address to the shareholders during AGM, TVS Chairman mentioned that TVS has initiated a major cost reduction programme to meet uncertainties in the automobile sector. He further elaborated on this and said, "With all the uncertainties, lack of money availability, new norms coming in and costs being pushed up, monsoon being erratic, volatile inter-trade and tension in the Middle East, we do expect a volatile and an unpredictable year," and emphasized the need to be cost conscious.
- Hyundai – Recently launched its global electric vehicle Kona SUV in India and priced it around Rs.25 lacs. They also made another announcement that the Company is planning to introduce a new Rs.10 lac electric car with an investment of Rs.2,000 Crores.
- TCS – Company has decided to adopt the digital route for training fresh engineering recruits, to induct them into the job faster and save time lost in classroom training. Last year they launched TCS National Qualifier Test, which attracted nearly 2.2 lakh candidates. The process eliminated the need to visit each campus and cut down time needed for hiring from four months to six weeks. Similarly, online training is expected to accelerate shift towards digital requirements. Instead of teaching generic computing skills, this shift enables TCS to customise training as per individual strength and business requirement.
- SBI - In the banking segment, market leader has decided to link home loans to repo rate from July. This will alter the way floating rate housing loans are priced and revised. Instead of bank's internal benchmark, this external benchmark will remove ambiguity on whether banks will pass on RBI's rate revisions. Before this move, in May19, SBI decided to link savings and current account deposits of over Rs 1 lakh, cash credit and overdraft advances to repo rate as a precursor to a shift towards external benchmark for new retail floating-rate loans.

Cost Conscious Indian Customers are forcing Leading Companies to change their business models.

Role of CMA's



- Habit 7 Sharpen the saw – Continuous professional update is the need of the hour for CMA's. Knowledge of cost accounting standards, cost auditing standards, generally accepted cost accounting principles should be applied and displayed on a daily basis.
- Recently, a proposal has been made whereby Company Directors will have to sit for exams in India so that they stay up-to-date with various compliance requirements.
- Biggest challenge for CMA's, irrespective of their Professional life – Practice or Industry is to stay upto date and exhibit it in all the forums. ECG (Effective Cost Governance) always helps and can save many organisations, jobs.
- Professional Pride is the need of the hour. Passion towards CMA profession will automatically make the CMA's to deliver the services beyond stakeholder's expectations.
- Qualitative analysis and insights into cost behaviours will help the organisations to stay price, cost competitive.

> "There's a difference between interest and commitment. When you're interested in doing something, you do it only when it's convenient. When you're committed to something, you accept no excuses – only results"
>
> – Ken Blanchard

CMA's are well quipped to contribute and help the government to create a New Developed India. MA

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- CHAPTER NOTICE -

Ref.No.: G/82(21)/09/2019 September 02, 2019

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute in its 320th Meeting held on 21st July, 2019 by virtue of power conferred therein has decided to change the name of "The Institute of Cost Accountants of India, Mysore Chapter" to **"The Institute of Cost Accountants of India, Mysuru Chapter"**.

The Institute of Cost Accountants of India - Mysuru Chapter
CMA Bhawan, #1420, 7th Cross, Krishnamurthypuram
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Karnataka

(S.C.Gupta)
Secretary (Acting)

COST GOVERNANCE FOR EMPLOYEE STOCK OWNERSHIP PLAN: A STUDY ON ESOPs IN INDIAN INDUSTRIES

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Assistant Professor
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ICFAI Foundation for Higher Education (IFHE)
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Abstract

Cost Governance consists of the set of policies, principles, processes, customs and laws which facilitates utilization of resources by an enterprise and optimum resource productivity. ESOPs are the one of the factor which is helpful for the cost governance in terms of employee cost and effective utilization of human resources. ESOPs originally were created with the idea that employees, given an ownership portion in the company, would have the incentive to increase its productivity and performance. Now a day's companies are issuing ESOPs where human resources are significant. ESOPs found to be positively associated with the many companies performance specifically companies in computer Software Industry. ESOPs are useful for increase in productivity and development of company. Effective Stock ownership to employees is also one of the factor for the Cost governance because systematic human resources cost like compensation to the employees in terms of Stock ownership will increase the productivity and profit. Here taken many industries and considered where the ESOPs are playing vital role like Industries Computer Software industry, Drugs and Pharmaceuticals, Industrial Construction and Telecommunications industry. Specifically the percentage of ESOPs increased but there is no significant growth except computer software Industry. New Innovations, Research and Developments and upcoming Patents and Copyrights will lead the subsequent ESOPs in industries.

Introduction

Cost Governance gives boosting to things like productivity, cost structure, optimum resource productivity, cost competency and good cost governance is conducive to successful economic development. Effective utilization of human resource is a part of Cost governance where the employee based compensation is also found to be positively associated with the company performance, while the performance is measured through market measures. Allocation of ESOPs will impact on the firm performance many of the Indian companies has treated the providing of ESOPs is the systematic cost governance for employee cost. Cost governance relates to the ESOPs a successive formula to many of the Indian industries Specially in Computer software, Drugs & pharmaceuticals and Tobacco industry etc.

From early of the 21st Century Most of the individuals are turned into by establishing startups and desire to change from employee to entrepreneur. Hence, issuing of ESOPs are increasing year by year where many of the industries adapting issuing of ESOPs, to drastic change in productivity and to reach the certain benchmarks in cost governance. Cost governance facilitates identification of wasteful expenditure enabling the enterprises to augment cost competitiveness and profitability. Cost analysis is a good for the companies point of you. Stock ownerships popular compensation tool for startups. Employees are typically offered stock ownerships to enhance compensation packages or to retain talent which is the part of cost governance in terms of increasing productivity.

Objective of the Study

- To analyze the past trends in the growth of ESOPs in various Industries in India.
- To Study the Effective Cost Governance in terms of ESOPs.

Methodology of Study

Data

The data required for the study has been collected from CMIE Prowess database.

Period of the Study

The period of the present study is eight years from the year 2011 to 2018.

Sample Selection

The present study considers all the companies in Prowess Database which are belonging to manufacturing Sector. The Manufacturing sector is further sub-divided into various industries based on the classification followed by Centre for Monitoring Indian Economy (CMIE).

Analysis

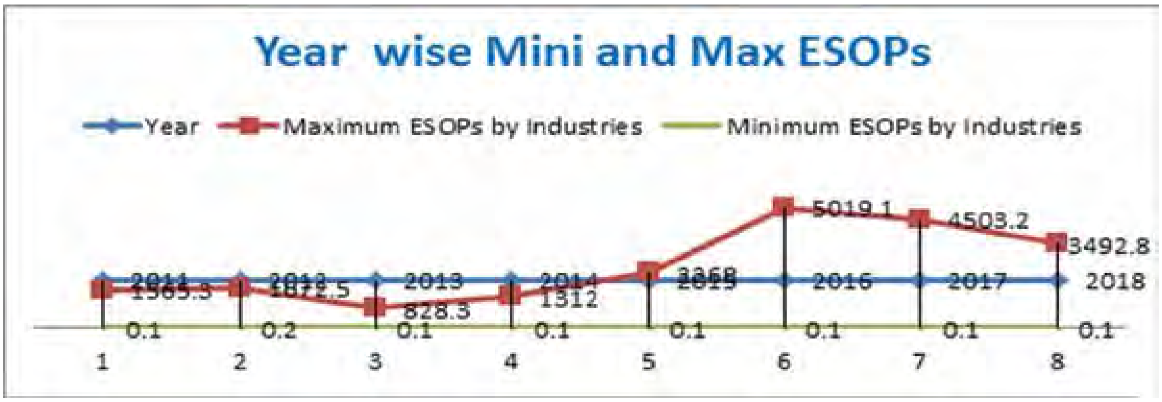
Result has been analyzed in the following way

Table 1: Year wise trends in ESOPs (in Rupees Millions)

Year	2011	2012	2013	2014	2015	2016	2017	2018
Maximum ESOPs by Industries	1565.3	1672.5	828.3	1312	2268	5019.1	4503.2	3492.8
Minimum ESOPs by Industries	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1

Source: Secondary Data Collected from CMIE Prowess Database

Chart: 1 Year wise trends in ESOPs



Source: Secondary Data Collected from CMIE Prowess Database

The Table 1 and chart 1 shows the trends in the year wise with minimum ESOPs and Maximum ESOPs held by the Indian Industries for the last eight years from the 2011 to 2018. The data reveals that ESOPs changed drastically from 2011 to 2018 but there is no continue growth in the Minimum and Maximum ESOPs. There was highest ESOPs allocation in the year of 2016 which was majorly driven due to ESOPs allocation from the ITC Ltd which is part of Tobacco industry. There was huge decrease in the year of 2013 where the total ESOPs value come down below the in Rupees 1000 millions. Drastic improvement from the year 2013 to 2016. From the year 2016 again there was falling which shows negative sign to the ESOPs in India. The Minimum issue value of ESOPs from the year 2011 to 2018 is Rupees 0.1 millions, Maximum ESOPs in the year of 2011 is Rupees 1500 millions and it has been increased to Rupees 3400 millions in the year of 2018 more than 50% growth in the span of 8 years with annual growth of more than 7%.

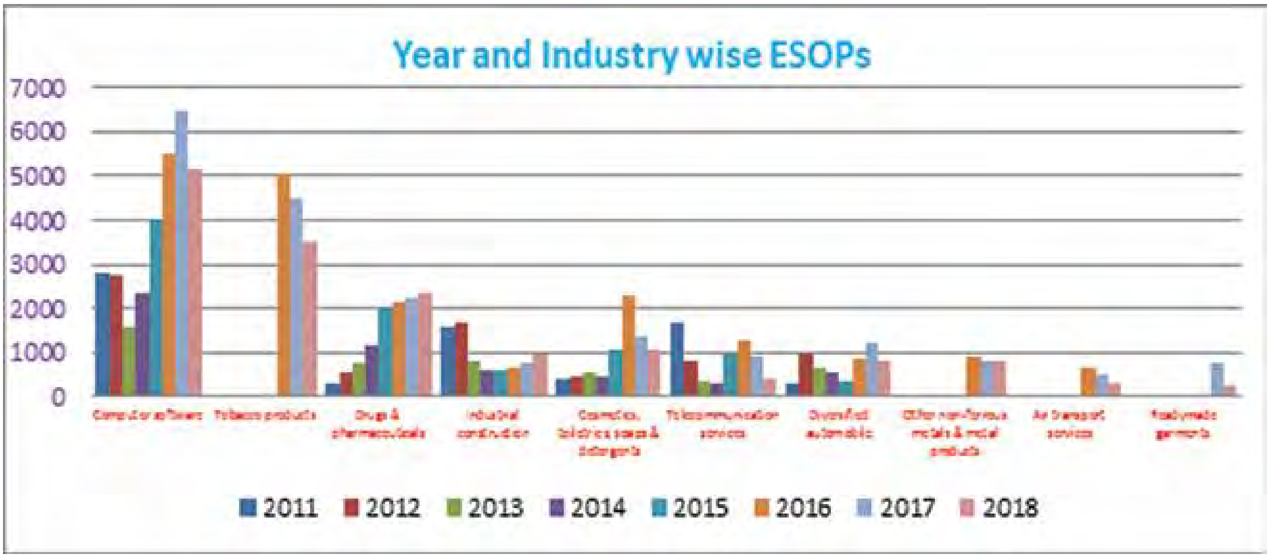
Table 2: Year and Industry wise ESOPs (in Rupees Millions)

Industry group	2011	2012	2013	2014	2015	2016	2017	2018	Grand Total
Computer software	2791.9	2769.2	1575.2	2337	4003.1	5508.8	6450.9	5134.9	30571
Tobacco products						5019.1	4503.2	3492.8	13015
Drugs & pharma.	294.5	542.8	775.1	1161.2	2051	2130.2	2260.5	2344.2	11560
Industrial construction	1586.8	1672.5	828.3	604.2	579.5	661.6	769.2	948	7650
Cosmetics, toiletries, soaps & detergents	414.3	457.1	527.8	454.2	1086.8	2266	1349.2	1075.8	7631
Telecommunication services	1670.7	796.3	351.1	285.1	947.3	1260.3	915.8	414.7	6641
Diversified automobile	293.7	979.7	670.6	561.4	350.7	841.2	1195.1	819.3	5712
Other non-ferrous metals & metal		4.8	6.8	6.5	2.6	914.1	815.6	813	2563
Air transport services		1.2				677.1	504.9	287.9	1471

Readymade garments		4.9	8	4.3			748.9	228.9	995
Grand Total	**7051.9**	**7228.5**	**4742.9**	**5413.9**	**9021**	**19278.4**	**19513.3**	**15559.5**	**87809.4**

Source: Secondary Data Collected from CMIE Prowess Database

Chart: 2 Year and Industry wise ESOPs



Source: Secondary Data Collected from CMIE Prowess Database

Table 2 and Chart 2 reveals that Industry and year wise allocation towards ESOPs. There was major contribution for ESOPs allocation in the year of 2016 and 2017 for every industry like Computer Software, Tobacco Products, Drugs and pharma, Telecommunications and Cosmetics etc. From the Tobacco Industry there is only one contributor towards ESOPs i.e ITC Ltd. Basically ITC Ltd is a conglomerate company with many of the manufacturing products as well as business in hotels. Similarly under Construction Industry L&T Ltd has been issued the ESOPs initially few of the companies in construction industry has been issued the ESOPs.

Chart: 3 Company and year wise ESOPs allocation

Company	2011	2012	2013	2014	2015	2016	2017	2018	Total
I T C Ltd.	0	0	0	0	0	5019.1	4503.2	3492.8	13015.1
Wipro Ltd.	1310	878	804	535	1296	1493	1687	1258	9261
Tech Mahindra Ltd.	69	412	500	1312	2268	1936	1066	713	8276
Larsen & Toubro Ltd.	1565.3	1672.5	828.3	591.4	542.1	603.4	617.7	697.7	7118.4
Mahindra & Mahindra	293.7	979.7	670.6	561.4	350.7	841.2	1195.1	819.3	5711.7
Bharti Airtel Ltd.	1094	536	242	195	549	564	455	349	3984
Hindustan Unilever	85	117.4	122	70	194.1	1270	940	790	3588.5
Dr. Reddy'S Laboratories Ltd.	268	403	421	472	519	442	372	454	3351
H C L Technologies Ltd.	1332.2	1352.9	149.7	309.2	0	62.7	0	0	3206.7
Lupin Ltd.	7.1	15.5	43.7	211	676.8	713.3	738	0	2405.4

Source: Secondary Data Collected from CMIE Prowess Database

Chart: 3 Company and Year wise ESOPs

Source: Secondary Data Collected from CMIE Prowess Database

Table 3 and chart 3 reveals that company wise ESOPs allocation from 2011 to 2018, considered top ten companies which are provided ESOPs in the study period. Most of the companies which are provided ESOPs relates to Computer Software industry only. Major portion of ESOPs contributed by the ITC ltd, Wipro Ltd, Tech Mahindra and L&T ltd etc. Companies under the Computer Software industry reducing the their share into the ESOPs from 2016. In a period of eight year all companies under various industries has issued major portion of ESOPs from year 2014 to 2016. Reputed companies has been issued the ESOPs regularly after considering the analysis on ESOPs for Cost governance to improve the accountability on ESOPs the role of Cost governance should have to increase by improving effective control on other areas, many companies under the various Industries will plan to systematic issuing of the ESOPs specifically to retain the valuable employees who will always helpful to increase the productivity as well as growth of the companies.

Findings and Conclusions

The Analysis of the data reveals that ESOPs issued by the Companies in different industries. An employee stock ownership plan gives workers ownership interest in the company. ESOPs are qualified in the sense that the sponsoring company, the selling shareholder and participants receive various tax benefits. Effective Cost governance will facilitate systematic managing of the ESOPs in the early of Twenty first century the issuing of ESOPs has been increased in many industries particularly where the management wants to retain its employees for longer period into their organizations. Computer Software industry issued around 40% of ESOPs in the total portion of ESOPs in Indian Industries. Apart from that where intellectual Properties and Human resources are playing vital role in terms of growth of the companies those companies are more concentrating for issuing of the ESOPs. For effective control on ESOPs the Cost governance importance is on priority and many of the Indian youngsters wants to start their own business instead of joining in an employment somewhere else by implementing the proper way cost governance companies productivity will increase.

With increasing effective Cost governance role other companies under the various industries will make sure to issue of the ESOPs. With the help and taking inputs form professional body like Institute of Cost Accountants of India (ICAI) the Cost governance role will change tremendously. Government as well as other professional bodies by conducting various cost governance programs widely in different educational institutions, Industries and awareness programs will facilitate the effective cost governance not only for ESOPs but also for various other variables as well. MA

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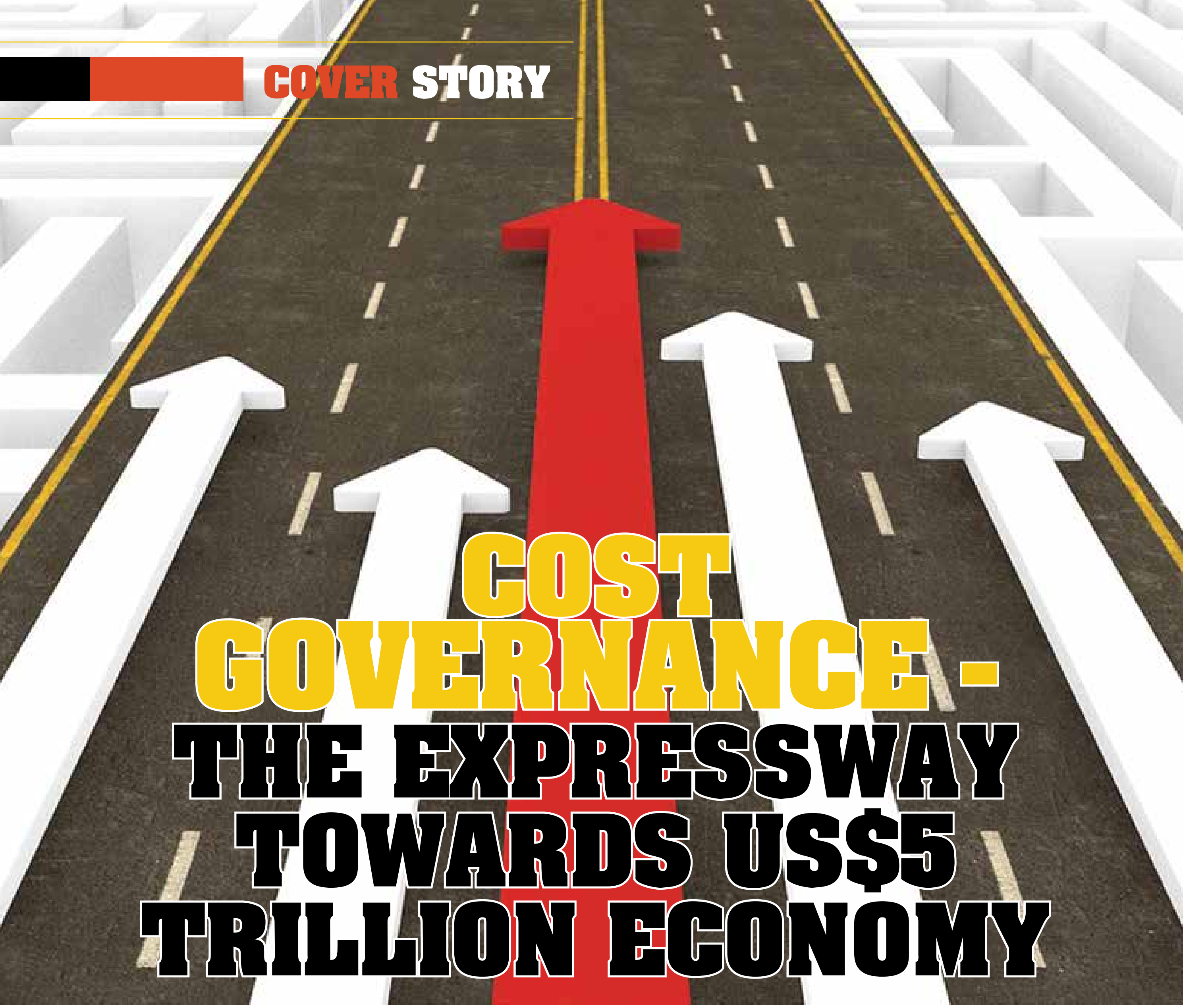

COST GOVERNANCE - THE EXPRESSWAY TOWARDS US$5 TRILLION ECONOMY

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Abstract

An attempt has been made in this article to present how 'Cost governance' is helpful as a powerful tool or weapon or as an ***'Expressway'*** *towards reaching the destination of USD 5 trillion economy by 2024-25. Cost Governance requires implementation of Cost Accounting Records; thus Cost Accounting Records empower Cost Competency, Cost Synergy and Cost Reduction with the ultimate goal of achieving Cost Leadership. Cost Governance can be adopted by any entity, it can be a Panchayat or the PMO or a big organization.*

A visionary statement 'to make India USD 5 trillion economy by 2024-25' made by hon'ble Prime Minister Sri Narendra Modi during NITI Aayog recent meeting. This statement draws much attention and throws open a number of debates, discussions and arguments across News channels, public, print media and professional bodies as well. The discussions are going on and on...whether it's achievable or not, some arguments are in favor and some arguments challenge the statement in present global context. Interestingly who argued in favor of and who challenge the vision statement both are taking their stand based on the same data inputs like growth rate, trends in GDP, present Global context and Indian economy performance. At this juncture an attempt has been made in this article to present how 'Cost governance' is helpful as a powerful tool or weapon or as an **'Expressway'** towards reaching the destination of USD 5 trillion economy by 2024-25. Starting our journey from the point of vision statement, moving on by studying various aspects of this goal, the blueprint provided by Economic survey, support from Budgets, various challenges on this way and then taking the expressway by getting insights of Cost governance and it's applicability to achieve the goal.

Introduction

Following the vision of hon'ble Prime Minister, the Economic Survey 2018-19 unveiled strategic blueprint for Indian economy to reach US$5 trillion by 2024-25. The survey identified ***'investment'*** as a key driver and suggested investment led growth model for India. Private investment drives the demand, creates ***capacity,*** enhances labor ***productivity,*** brings new technology and generates jobs. Higher ***savings*** boost up private investment driven by reduction in domestic consumption and that has to be driven to the ***exports.*** The survey also emphasized the need to bring change in economic thinking and mindset, stressed upon applying the principles of behavioral economics for desirable social change.

On 5th July 2019 the day after Economic survey presented, hon'ble Finance Minister said during Budget speech that the Government's actions are based on 'Reform, Perform and Transform'. Also mentioned that the economy has reached from US$ 1.85 trillion to US$ 2.7 trillion in last 5 years, so it's well within the capacity to reach US$ 5 trillion in the coming few years. Showing confidence on how major reforms took place in last five years particularly in indirect taxation, bankruptcy and real estate, committed for pursuing more structural reforms to achieve the goal. Also made it clear that the agenda would be *'minimum government and maximum governance'*.

Challenges on the way

1. The effect of Inflation: The IMF or World Bank measures GDP in dollar terms. At Rs.190 lakh crore India's 2018-19 GDP at current prices when it converts to US$ is US$2.71 trillion with an average of Rs 70/$. The other measure of GDP is 'real GDP' excluding the effect of inflation at constant prices. So it's very important to maintain a nominal GDP growth rate above 11 per cent or real GDP will be around 8 per cent and inflation stays at 4 per cent. The below tables presents the probability to reach the goal at different growth rates. India will be able to reach $5.36 trillion economy by 2024-25 if the nominal GDP growth rate keeps at 12 per cent per annum; $5.22 trillion with growth rate of 11.5 per cent and $5.08 trillion even GDP growth maintains at 11 per cent. This shows clearly the importance of cultivating ***Cost governance*** through application of Cost accounting techniques to sustain the growth and inflation both at expected rates.

Year	GDP in US$trn @ 12pc growth	GDP in US$trn @ 11.5pc growth	GDP in US$trn @ 11pc growth
2018 - 19	2.71	2.71	2.71
2019 - 20	3.04	3.03	3.01
2020 - 21	3.41	3.38	3.35
2021 - 22	3.82	3.76	3.71
2022 - 23	4.27	4.20	4.12
2023 - 24	4.79	4.68	4.58
2024 - 25	**5.36**	**5.22**	**5.08**

**(Source: Businesstoday.in)*

2. Achieving such a goal requires **strengthening the growth levers** in all three major sectors of agriculture, manufacturing and services. There should be radical shifts to take place right from budgeting, ***Cost tracing, allocation and measuring,*** profit computation and so on.

3. Rapid changes are taking place in **Global trade** and supply chains. The ratio of global trade to global GDP has been growing faster from around 10% at the beginning of the 20th century and reached around 50% by end of it. This clearly shows the importance of achieving ***Cost leadership*** and ***Cost competency*** by Indian firms for their Global presence, particularly in the light of recommendation of 'export driven market' model for Indian economy, by Economic survey 2018-19.

4. Emergence of **new value drivers** across industries by way digital technologies and growing of App applications in providing services at finger tips. These technologies are allowing new business models and start-ups to grow. Whether these new value drivers are grabbed by Indian firms or Global firms completely depends on ***Cost governance.***

Cost Governance

Cost is an energy that is being converted from one form to another. Cost reflects value and creates value addition at every stage of conversion; this is how the CMA profession treats the Cost for betterment of organization, government and society as a whole.

Governance can be defined as continuous monitoring of operations of an organization or a government body with the help of certain set of policies and rules; the primary responsibility is to enhance its prosperity. Governance sometimes associated with the type of activity like - 'public governance', 'corporate governance', 'project governance', 'social governance' and so on. Based on 'model' it is 'regulatory governance', 'participatory governance', 'collaborative governance'. It is'fair or good governance' based on its efficiency and transparency.

'E-governance' which is gaining momentum these days is nothing but governance through digital platform, which ensures faster service delivery and more efficient connectivity across locations wherever in the world.

Cost Governance is all about monitoring of costs on a continuous basis and consistent evaluation of costs that leads the pathway to cost governance, which helps to control the utilization of resources by following certain set of policies, customs and prevailing laws. ***Cost Governance requires implementation of Cost Accounting Records; thus Cost Accounting Records empower Cost Competency, Cost Synergy and Cost Reduction with the ultimate goal of achieving Cost Leadership.*** Cost Governance can be adopted by any entity, it can be a Panchayat or the PMO or a big organization. Cost governance enables the organizations to garner the global markets.

Various techniques of Cost Management have come up for an effective analysis to enable managerial decision making. Marginal Costing, Bud¬getary Control, Standard costing may be considered as valuable techniques which help from Medium Enterprises to big organizations for better decision making. Over the period, more methods of cost computing have been evolved in order to ascertain the costs in a more accurate manner. They are Job Costing, Batch Costing, Contact Costing, Process Costing, Operating Costing, and Activity Based Costing (ABC). Industries adopt one method or combination of methods as per their requirement to reap the benefits.

How Cost governance is helpful as an 'expressway' to reach US$5 trillion economy:

At this point it's essential to understand the share of GDP from different sectors of different countries and their rankings:

Rank	Country	GDP (trillion of US$)	Agriculture			Industry			Services		
			GDP (trillion of US$)	Rank	% of GDP	GDP (trillion of US$)	Rank	% of GDP	GDP (trillion of US$)	Rank	% of GDP
1	United States	19.36	0.174	3	0.90	3.660	2	18.90	15.530	1	80.20
2	China	11.94	0.994	1	8.30	4.720	1	39.50	6.230	2	52.20
3	Japan	4.88	0.048	13	1.00	1.450	3	29.70	3.380	3	69.30
4	Germany	3.65	0.021	31	0.60	1.100	4	30.10	2.530	4	69.30
5	France	2.57	0.051	11	2.00	0.517	7	20.10	2.000	6	77.90
6	United Kingdom	2.56	0.015	36	0.60	0.487	8	19.00	2.060	5	80.40
7	India	2.43	0.375	2	15.40	0.560	6	23.00	1.490	8	61.50

**(source: http://statisticstimes.com)*

From the above table, India is ranked 7th place in the world economy, clearly visible the need of improvement in Industry and Service sectors. Also it's visible how important to achieve Cost effectiveness in 3 major areas of Agriculture, Manufacturing and Service sectors and embrace technology for effective cost governance.

Below is a brief description on the application of costing techniques to achieve Cost governance:

a. It provides a structured approach to measure the costs in any manufacturing; service or government bodies.

b. Target costing is very accurate tool to apply in agri-sector basis which it becomes easier to track various expenses and to prepare budgets. Government created an online platform by adopting technology in this sector. The e-NAM portal provides all Agriculture Produce Market Committee (APMC) related information and services like commodity arrivals & prices, trading etc. This is an online network of mandis aimed for doubling the farmer's income by 2022. This requires more transparency in terms of better **cost management.**

c. Indian Railways which is the fourth longest network in the world should follow a cost and profit centre approach to ensure effective utilization of resources. Railways includes both manufacturing and services activities, Activity based costing is very much suitable to identify cost drivers and accurate allocations of costs to the activities. Thus enables to remove all non-value added activities from the manufacturing and services areas and achieve higher profits within the prices they offer for services.

d. The application of ABC in banking sector helps in fixing the charges for services in a more competitive way compared with private banks. Break Even Analysis is another handy tool for Banks in identifying loss making branches and work on either closure or turning them into break even.

e. Cost governance provides government departments, local bodies and trusts the guidance to enable accurate cost classification, measurement, assignment, and allocation where by allowing accurate fixation of prices for their products or services, enables them to earn good margin without hampering social benefit;

f. Meets the standards of legal and regulatory requirements;

g. Supports the government in bringing transparent economic progress;

h. Cost Sheet facilitates element-wise analysis of costs and revenues for each product and service. This information is very much vital to avoid any losses or instances of insolvency and bankruptcy in future; particularly useful for SMEs for their success and contribute more to GDP.

i. Analysis of **Cost Behavior.** Proper segregation of costs into variable and fixed elements and then analyze the behavior for efficient cost monitoring and control. Variable Costs can be monitored and controlled by way of setting up of standards at operational level. On the other hand, fixed costs are controlled through budgets at strategic level. Proper understanding and analysis of Cost behavior gives an idea on adoption of relevant Costing techniques to achiever overall ***Cost governance;***

j. Cost tracing is another significant tool in Costing by way of Activity based costing (ABC). The focus of ABC is tracing of costs to the products, services, activities, projects accurately.

k. Cost Synergy is another technique wherein input resources are utilized most efficient way by achieving least cost combination, thus realize savings in operating costs. Managing operating costs is critical for any organization, inefficient or mis-management drives to huge lose and even lead to company closure.

l. Sectors like Ports, Railways, Mining, Defense, Oil & Gas, Aviation contracts and Roads & highway projects are being funded by the central and state governments. Now they are open for private participation under 'Make in India' policy by way of disinvestment, foreign direct investment and so on. When they are funded by government the purpose is more of social interest. When funded by private participation the purpose would be profit oriented. Hence, these kinds of projects which are at interest of the Nation, Cost governance is a must by way of appropriate adoption of ***cost management techniques to bring transparency.***

Here it's worth to mention that CMA institute has published a knowledge study on ***'Cost Governance: The key success factor'*** which was released by the then hon'ble Minister of Finance and Corporate affairs Shri Arun Jaitley who mentioned that *"effective monitoring of costs on a continuous basis and concurrent evaluation may lead the pathway to cost governance, which may help to control the utilization of resources of an enterprises by following set of policies, customs and prevailing laws and imposing accountability to all* *concerned in the process. Govt of India is determined towards Good governance, which is the key to the country progress".* MA

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RELEVANCE OF ZERO-BASED BUDGETING (ZBB) TO COMMERCIAL BANKS IN ASIA UNDER PRESENT "SLOW ECONOMIC GROWTH" - A PERSPECTIVE ON COST GOVERNANCE

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Abstract

To arrest the deteriorating profitability performance of Asian Commercial Banks, the top management has to install such a planning and control systems as could force the executives to identify and analyse what they are going to do in total the "cost" involved in performing the activities, set objectives and goals, make requisite operating decisions and evaluate changing responsibilities and work load as an integral part of the monitoring system. This is done only under "Zero- Base Budgeting" (ZBB), the basic idea underlying this approach is not just to cut expenditure but to make the entire programmes more effective by a more purposive allocation of financial resources to various programmes under slow economic growth scenario(s).

Introduction

It is intriguing to observe that during the last two years (2017 & 2018), there has been a steady erosion of bank's profitability. While social orientation alone is not responsible for profit erosion as it is widely made out to be, the fact remains that bank's future march on the road to social digital banking will depend only on how effectively the resources are being carved. Among the various factors that contributed to the deplorable profitability performance of the banks lack of proper utilization of financial resources has been the major one. This is mainly due to ineffective planning and monitoring system.

Cost Factor

Further, the present budgeting system does not pay any attention to cost factor which is very important for a banking enterprise facing the problem of deteriorating profitability. The existing level of costs, which is generally based on a traditional "business as usual" position is hardly winnowed and the "unit cost" is presumed to be valid perpectually. It has become fancy for the bank managers to place entire blame on the Government for the continued decline in their profitability rate because the social responsibility function imposed on banks are generally not as remunerative as their traditional commercial activities. Although there is some truth in it, but to what extent social obligations adversely affect profitability of the bank has not been precisely determined because the costs involved in undertaking both traditional and non-traditional activities are not examined at every managerial level. In the existing budgeting system, where expenses are budgeted, the basis is the permissible extent of incremental growth depending on the activities undertaken by the branch totally out of focus and a "branch position" (which is after all only a composite entity) is relied upon.

Concepts of ZBB

According to Peter A.Phyrr1, who first introduced this system in a U.S. based firm, Texas instrument in 1970, ZBB is an operating, planning and budgeting process which requires each manager to justify his entire budget request in detail from scratch and shifts the burden of proof to each manager to justify why he should spend any money at all, ZBB implies constructing a budget without my reference to what has gone before, based on a fundamental reappraisal of purpose, methods and resources. It attempts to re-evaluate all programmes and activities in terms of cost-benefit. ZBB is not based on last year's budget but rather on ground zero, thus avoiding the common tendency in budgeting to look at changes from the previous period. Under this approach the entire banking business programme is divided into goals and activities and cost of each activity is then calculated from the ground up. Each expenditure is reconsidered from the very beginning. It is like assuming that a zero expenditure has been defrayed on an activity is being performed for a long period and may have already involve some expenditure.

Preparation of ZBB

Budget making exercise under ZBB involves the following:

a) Identification of "Decision Units"
b) Formulation and development of "Decision Packages"
c) Review and rank in the Decision Packages; and
d) Allocation of resources.

(a) Identification of "Decision Units"

Preparation of ZBB begins with identification of decision units. A decision unit is a full description of each individual activity which a manager undertakes, and the decisions made by him in respect thereof. These decisions pertain to the level of expenditure and the scope, direction or quality of work to be performed. The decision units are ultimately the modules which will be assessed for their achievements under ZBB. Identification of decision units calls for breaking down the conglomeration of operations at each managerial desk in to the relevant elementary activities(which are, of-course, inter-related to other activities). This can be done effectively if organization structure, management and objectives of the enterprises are known.

The benefit of this sort of analysis is that the relevance of each activity to the total role of that manager as well as to the corporate objectives is focused sharply. It also helps the manager to realize why he is performing a particular activity and also what resources, by way of manpower and other facilities like transport etc.,(which al involve expenditure) are necessary and whether there are alternative methods of performing the same activity at a lower cost.

(b) Formulation and Development of Decision Packages

Another vital exercise involved in ZBB is development of decision package is a budget request which lists the function or activity of the decision unit, goals and objectives of the activity, benefits to be derived from undertaking the activity/performance, financial consequences of not undertaking the activity, the estimated cost of the package and alternative ways of performing the same activity or achieving the same objectives. In addition, Manager is expected to identify alternative levels of efforts and spending to perform a specific activity. A minimum level of effort package, which is actually the grass root's funding level necessary to keep an activity/programme alive (usually 70-75% of the current operating level) must be established and additional levels of efforts with its costs and benefits must be identified in separate decision packages. Various levels of decision packages have different performance output and separate funding requirements. This analysis forces every manager to consider and evaluate a level of spending lower than his current operating level; gives management the alternative of eliminative an activity or choosing from several levels of efforts and allows tremendous tradeoffs and shifts in expenditure levels among organization units.

(c) Review and Rank of decision Packages

Once the decision packages are developed, they are reviewed and ranked in order of decreasing benefit. This stage, thus, entails prioritization of the various activities undertaken by each manager as well as by managers. The ranking has to be done at various levels starting from the lowest level of the managers who identify decision units and prepare decision packages. The ranking of decision packages requires to be done in the light of the corporate priorities laid down for the ensuing budget period, and cut-off point of the total permissible cost to be incurred in the next year. Each concerned manager will rank his own decision packages. These are then sent upwards through the management hierarchy where the decision packages are once again reviewed and ranked along with the other decision unit packages at select levels and a single, consolidated ranking for all the packages is produced.

In the process of ranking, the " Volume Problem" will emerge particularly at the highest levels where thousands of packages are to be reviewed and ranked. In a large banking organization problem of ranking a large number of decision packages can be handled by a committee at each of the higher levels.

(d) Allocation of Resources

Once the decision packages have been finalized, resource are allocated as among various functions for the ensuing year.

Difficulties in the formulation of decision packages

However, the bank managers have to face several problems in formulation and execution of this technique. The most important problem experienced by the management is in the area of formulation of decision packages. Determining activities, functions or operations to develop decision packages for establishing the minimum level of effort and identifying work measures and evaluation of each activity involve lot of subjective judgment on the part of each activity manager and are, therefore, subject to question. In ranking and reviewing the decision packages, the management faces problems of determining who will do the ranking, to what level within each organization packages will be ranked and what methods or procedure will be used to review and rank the packages.

Administrative Problems

There are certain fears and administrative problems which top management of a bank have to face particularly in the initial years of the implementation of ZBB. Branch Manager as well as regional managers may often be apprehensive of any process that forces decision-making and requires detailed scrutiny of their function for all to see. Administration and communication of ZBB process are likely to pose serious problems because more managers become involved in this process than in most budgeting and planning procedures.

Implementation of ZBB in a Commercial Bank

In view of the above, it is advisable to the bank management in Asia to select a pilot area where to implement it first and learn from it the difficulties experienced before extending it to all activities, areas, and branches. Thus, to start with, the top management may introduce ZBB in respect of certain vulnerable activities and regions where either the performance is not up to the desired level or the cost is suspected to be excessive. Even before the pilot implementation is taken in hand the management will have to ensure that extensive leg-work has been undertaken so that there is intellectual and emotional acceptance of the system at all managerial levels.

Monitored by a Centralized Staff Department

In the light of the experience, this system should be extended to other areas and activities so that ultimately the entire banking organization is covered in course of time. It is further advisable that the entire work of implementation of ZBB system is monitored by a centralized staff department under the supervision of the chairman/managing director of the bank. Such a staff department will serve the purpose of keeping the top management informed of progress and also help establish creditability lower down. In a large commercial bank having decentralized administrative set-up, each administrative office should have a staff department on the above pattern. Another decision which top management of a bank will have to take in regard to implementation of ZBB system is as to what should be the appropriate level of managers who will be asked to identifying decision units and prepare decision packages.

Time requirement

Time requirement is an important and vital factor to be considered while implementing ZBB approach. At present, annual performance budgeting exercise in a bank takes 14 and 16 weeks time. It will be possible to adopt a similar time frame for ZBB. Another moot question to be taken into account is how frequently ZBB exercise should be undertaken. Since ZBB exercise involves lot of cost, time and efforts and there may be radical changes in the decision units or the decision packages from year, the management is advised to undertake this exercise once in three years. In the intervening two years, if necessary, the decision packages may be updated. The ranking exercise may be undertaken every year.

Conclusion

Whatever be the frequency of implementation of ZBB system that may be decided upon, it would be in the interest of a bank to make a critical analysis of the first year's ZBB process upon completion, and then identify the problem prone areas and the remedial measures. Appropriate changes should be incorporated when the exercise is repeated. Soon after this, the bank management will be in a position to draw up a ZBB manual for use by corporate level of the organization. What is most important for effective implementation of ZBB approach in a bank is that the managers should be exposed to the basic concepts of ZBB and imparted adequate training. It would be useful to repeat capsular training programmes on location so that even potential managers may be appropriately oriented. Zero Based Budgeting practice would yield better results under slow economic growth scenario(s) as ZBB is an operating, planning and budgeting process which requires each manager to justify his entire budget request in detail from scratch and shifts the burden of proof to each manager to justify why he should spend any money at all under the scenario of 'slow growth of business' given a slow growing economy. MA

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SUSTAINABLE BUSINESS THROUGH COST MANAGEMENT AND CONTROL

Abstract

What does it take to create a great business model? It is surely nothing other than being sustainable and I believe you acquiesce to it. When we say sustainable, it simply means not violating the rules of nature but still very much in business. In business management, the control and management of "Cost" holds a position of profound and paramount importance. It is not just the "Cost", but the "Sustainable Cost" wherein a business organization operates and accommodates the cost of being socially and environmentally responsible in its cost and business model. It encompasses taking on board the best and highly skilled employees, ensuring employee safety and security, curbing environmental impacts, focusing on desired quality of product and services commensurate with price. Here, Cost Management comes as a handy tool in the hand of management which provides sustainable cost management for long-term sustainability of business. This paper tries to lay down a conceptual framework about how sustainable cost management can lead to sustainable business growth and development. This paper tries to prove its value relevance by analyzing and showcasing various cost management techniques which together can be used as an instrument of business sustainability. It is also an attempt to appreciate the concept of business sustainability through cost management at theoretical level.

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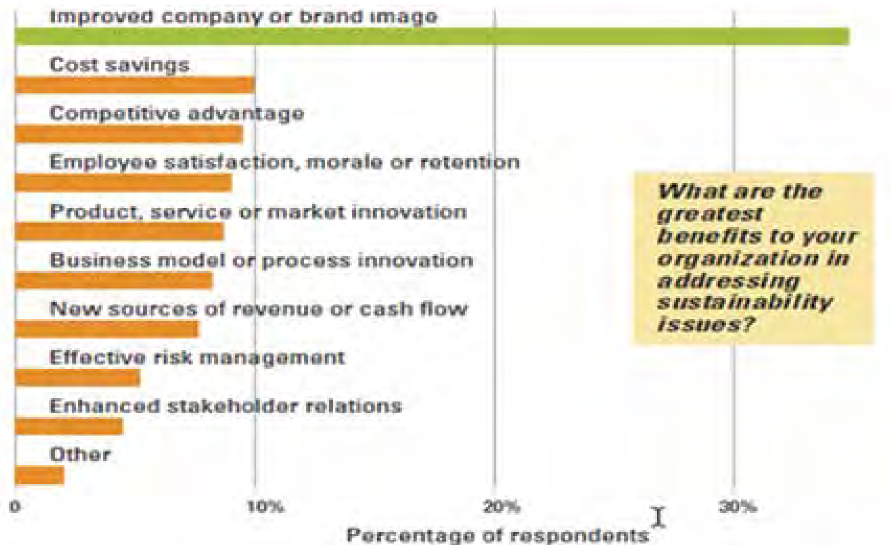
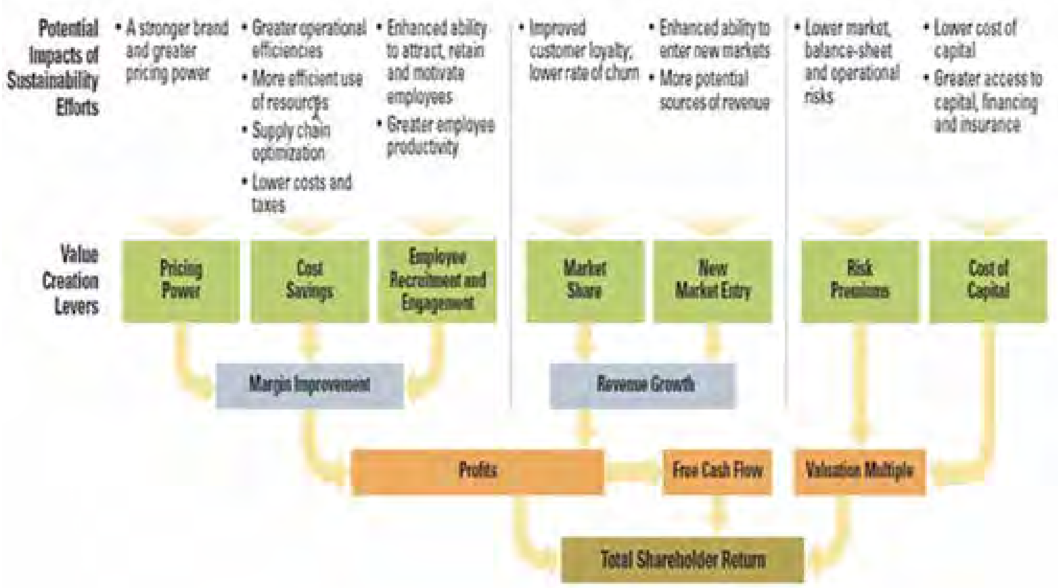
Cost Management and Sustainability: A Birds Eye View

With the passage of time, sustainability is gaining overarching importance in public sphere. The stakeholders' expectation is shifting from the "Only Profit" to "Sustainable Profit". There is increased awareness in the society to scrutinize and evaluate business entities in terms of achievement on social and environmental parameters in adherence to the "Triple Bottom Line Approach". It has been proved beyond doubts by various researches that sustainable profit accommodating social and environmental interests always accrued positively to the financial performance and other indicators based on a survey my MIT professors presented below (Berns et al, 2009).



It does not always happen like cost management and control leads to higher profitability and greater wealth maximization for stakeholders and sustainable business. But other way around is also equally a good proposition. Business enterprises operating pro-sustainable manner can be able to manufacture many benefits in terms of attracting and retaining top-notch talents, protecting environmental sensitivities, nurturing good health and safety of employees will certainly pave the way for improved productivity, less absenteeism, excellent product quality, greater market value and rising profitability which is nothing different from the objective of cost saving and cost control (Atkinson, Kaplan, Matsumura, Young, 2012). The latter approach has become the new horizon of cost management and control literature because this is an "All is well" proposition.

Sustainability and cost management go hand in hand in designing and delivering corporate vision and strategies that paves the way for long-term inclusive business growth and sustainable stakeholders' value creation by galvanizing the pervasiveness and importance of ecology and ethical social values the complex business model. Business sustainability concept is not a concept which is repugnant to cost control. Also, it is not something which is normally construed as being sustainable is going to increase the cost of doing business and reduces the profit margin. Rather sustainable business and cost management make a balanced value co-creation across the board for all the stakeholders which makes business a place of convergence of interest. A cost management and control from the perspective of only business finance is not a wholesome approach to business growth and prosperity as it leads to lopsided value creation looking only at the interest of a segment of stakeholders. The following depiction represent the value creation by sustainable business.



The primary motive of cost management and control is to contain the cost of a product with in the expected and potential value addition of a product or service delivery. When it comes to potential value addition of any product, it is not only to the customer, but it is to the society at large and the environment as well. The value addition by the business should be looked in the lenses of social responsibility, ethics, sustainability, employee motivation and goal congruence, respectively strategy evaluation, etc.

There are several cost management techniques can be suitably applied with an ultimate objective of business growth through sustainability some of which are discussed below:

I. Waste Reduction

The concept of waste reduction contributes more effective and efficient use of resources available which are considered generally limited and scarce. Cost management assists in identifying and avoiding the unnecessary and avoidable processes thereby saving the cost and resources used which in turn contributes to sustainability of business.

II. Motivation and Goal Congruence

Cost reduction and management achieves goal congruence by offering lucrative proposition to managers on saving on wasteful expenditures which in turn maximizes the objective of management and fetch them extra-remuneration for their effort in one hand and makes the business sustainable by conserving resources on the other hand creating ground for convergence of interest.

III. Aligning Cost management Strategy with Sustainability

Sometimes we find in business that the strategic executions differ from the expected line may be for instance on profitability front. As a matter of fact, to address this kind of situation we tend to resort to manage and reduce cost as a remedy to woo the financial revenue and performance. But going in favour of short-term profitability at an expense of long-term sustainability poses serious threats to organization's long-term growth, wellbeing and value creation. So, every time doing business for the sake of financial profitability is not a wise business proposition and more so in the realm of fast changing and aggressive environmental and ecological influence on business.

IV. Sustainability through CSR

India has got the distinction of being the first country to mandate eligible corporates to spend a nominal proportion of their profit on social cause and wellbeing. It is sometimes construed by corporates an extra-burden which is forcefully thrown upon them. At times, it has been observed that companies are resorting to nefarious activities in terms camouflaging and painting non-CSR expenses as CSR expenses in various ways. These activities of the companies are nothing other than cost control which they feel spending on CSR is something doing altruistic and accrues no tangible benefits in return. This may be roughly true on a short-term basis, but it has been strongly believed that it is highly rewarding on a long-term horizon in terms of expansion in revenues and uptick in the stock prices there are number of studies which look in to relationship of cost management with stock market returns and business sustainability (Eccles, Ioannou, & Serafeim, 2012). It has been studied that the companies ranked higher in socially responsible and sustainable index had generated abnormal stock market return to the tune of 4.8% in comparison to their counterparts (Pati, & Roh, 2011). So, what comes out of the analysis is sustainable cost management will definitely lead to long-term value co-creation and positive public perception for the business which clears the path of sustainable growth and prosperity for the business. Even it has been observed that businesses are prioritizing sustainability issues even at the time of economic misfortunes based on survey by MIT professors.

Conclusion

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action at global level to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. As a business entity, it would be the greatest tribute for the cause of "Millennium Development Goals" operating sustainable with an ambitious aspiration of creating a perpetual livable world.

This paper aims at chalking out an anatomy for substantiating the linear association between the cost management and business sustainability and how sustainable approach to business leads to greater and better way of attainment of organizational goals juxtapose to ecological and community goals. It is always good to run a business which has won the trust and confidence of the society. There is perhaps nothing better way to prove that business is "Of the society, For the society and By the society" other than making it sustainable and sociable. Cost management and control through its various mechanisms such as reducing waste, motivating employees, unifying company efforts to achieve desired sustainable goals, creating positive public perception can stand out in contributing to the most visionary goal of business that is making it all-encompassing, progressive and sustainable by creating long-term value for stakeholders across the board. MA

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COST MANAGEMENT IN CLOUD COMPUTING

Abstract

Historically, computing costs were tied to a quarterly or yearly hardware procurement investment. In a traditional on-premises world, cost management involves refresh cycles, datacenter acquisitions, host renewals, and recurring maintenance issues. One of the main reasons for the companies to migrate to the cloud is cost savings. However, managing cloud costs is becoming a huge challenge for organizations, one of the reasons being the huge investment made on public cloud services. Success depends more on the maturity of cloud management and governance practices than the nature of the workload. The paper attempts to understand the various aspects cloud cost management and governance.

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Introduction to Cloud Computing

The goal of cloud computing is to provide easy, scalable access to computing resources and IT services. Gartner group defines cloud computing "as a style of computing in which scalable and elastic IT-enabled capabilities are delivered as a service using Internet technologies" (Gartner 2018). These services are broadly divided into three categories: Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS). There are three kinds of cloud services.

Private	Public	Hybrid
A proprietary network or a data center suppling hosted services to restricted users.	A third-party provider offers computing resources over the internet to general public. It is not necessary to have a proprietary network	Is a mix of private, on-premises and public third-party cloud services with working arrangement between the two platforms
Characteristics: • Single tenant architecture • On-premises hardware • Direct control of underlying cloud infrastructure	Characteristics: • Multi-tenant architecture • Pay-as-you-go pricing model	Characteristics: • Cloud bursting characteristics • Benefits of both public and private environments
HPE, VMware, Dell EMC, IBM, RedHat, Microsoft	AWS, Microsoft Azure, Google cloud platform	Combination of both

A cloud service has three characteristics that differentiate it from traditional web hosting. It is sold on demand; it is elastic -- a user can use only as much of a service as they want at any given time; and the service is fully managed by the provider. Noteworthy innovations in virtualization and distributed computing combined with better-quality access to high-speed Internet, have enhanced interest in cloud computing.

Cost Management in Cloud Computing

Historically, computing costs were associated with a planned periodic hardware procurement investment. Cost savings and cost governance are some of the major reasons for the companies to migrate to cloud. For companies migrating to cloud computing, cost savings are experienced through increased productivity and efficiency. Some of the critical cost savings that can be achieved through cloud computing are:

1. Capital investment – Cloud computing eliminates the need for large investments or recurring investments for upgrades since the monthly fees of most of the cloud providers include these costs. Technology upgradation and IT support are also included in the cloud computing costs, thus ensuring consistency and predictability.

2. Quality: One of the major differentiators of cloud-based network over traditional network is the superior quality of infrastructure equipment. Since equipment failure can prove very expensive for the cloud solution providers, they choose to invest in high quality servers and network hardware.

3. Tax benefits: Under the cloud subscription model, the expenses on software and hardware become operational expense and not capital expense.

Cloud Cost Governance model and cost management are one of the five disciplines of cloud governance within the Cloud Adoption Framework. In terms of cost governance, a paradigm shift is created by cloud adoption. This is more relevant particularly during major business transformations which entails the balancing of performance demands, services costs and adoption pacing. Cloud computing offers numerous self-service competences, which empower businesses to become more agile and convivial towards new technologies adoption. The flipside is that there is a likelihood that the end users may unwittingly, exceed allocated budgets. Conversely, the same end users may not utilize the forecasted amount of cloud services. This probable swing in either direction justifies the need for a cost management discipline within the governance team.

Challenges to Cost Management

RightScale's 2017 "State of the Cloud" report found that 35% of decision makers waste their cloud spending budget because of unused assets and poorly selected contracts, among many other reasons. ZDNet's further analysis of the study revealed that 39% of companies struggle to put effective cost policies in place, while 37% face problems ratifying strong approval policies. Almost half the companies (52%) self-confessed to RightScale that they spent more than $1.2 million per year on cloud services and about 26% of companies spent over $6 million. The spending was likely to increase year on year, as 71% of enterprises planned to hike cloud spending by at least 20%, while nearly 20% of them propose to double their present cloud expenditures.

Another major challenge to cloud cost management is the difficulty faced by organizations in tracking and forecasting usage. The SoftwareONE 'Managing and Understanding On-Premises and Cloud Spend' report found that 37% of respondents felt that the erratic budget costs was one of the major cloud management pain points, while 30% of respondents expressed anxiety about lack of transparency and visibility. Similarly, 451 Research "Voice of the Enterprise: Cloud Transformation, Organizational Dynamics" report states that 40% of the IT decisionmakers surveyed felt that although cost savings was one of the primary motivations for them to move to the cloud, 53% of them opined that after their cloud migration, cost and budget were still a key pain point.

Weak financial management related to cloud costs have a negative impact on business. The two important cloud cost management challenges are:

- Prediction of cloud spending, internal chargebacks and subsequently allocating budgets
- Scattered usage leading to lack of financial transparency

Enterprises are looking for efficient ways to manage cloud costs. The Forrester Report found that 45% of enterprise IT decisionmakers surveyed have taken steps to reduce cloud spending, and another 37% have projects in the works.

Best practices in the Industry

Some of the industry best practices for managing cloud costs are

1. **Monitoring spending on a daily basis:** Experts recommend the use of a dashboard that would monitor cloud usage on daily basis. Some of the cloud vendors themselves offer monitoring tools like the cost and usage report of Amazon Web Service (AWS). This tool tracts usage on hourly or daily basis.

2. **Shutting down unused or unnecessary occurrences:** The RightScale survey found that enterprises are using both automated tools and manual processes to resolve this problem. For example, 72% of those surveyed had taken steps to eliminate inactive storage, 71% of organizations shut down workloads after hours, and 69% specify expiration dates for workloads.

3. **Involve tags company-wide -** Experts recommend that organizations should clearly communicate the need for accurate tags to all cloud users and run reports that show any workloads that are untagged. Organizations might also want to consider automation tools that require workloads to be tagged and issue immediate alerts or shut down untagged workloads.

4. **More reliance on automation rather than manual processes -** Automated solutions make it easier to track usage and enforce policies company-wide

5. **Contemplate a standalone cloud cost management tool.** For many enterprises, a standalone cloud cost monitoring and optimization (CCMO) tool type of automation solution would make a sensible choice. These solutions often cost just a fraction of the price of more complex hybrid cloud management tools. Larger enterprises which have more complex needs, they should invest in a hybrid cloud management (HCM) solution tools. These tools often combine monitoring and cost management capabilities with compliance, orchestration, etc.. HCM solutions are more expensive but also offer a much broader range of capabilities than CCMO solutions.

6. **Take a systematic approach to cloud cost management -** Cloud cost management requires much more than just technology — it also requires that organizations get the right people and processes in place.

The IT and Finance function cloud disconnect

Cloud Migration enhances the business's ability to scale and flex to the workload demands of the of the company. This flexibility has led to the shift of resource procurement function from finance team to other departments like IT, engineering, and other stakeholders, thereby initiating cost-consciousness amongst these stakeholders. They now have the responsibility for understanding, managing, and, ultimately, optimizing costs, thereby causing a shift in the way costs are understood, managed, and optimized.

Much of the cloud budgeting issues can be tracked back to a disconnect between IT and finance function. Often the IT department is unaware of the impact cloud budgeting has on finance. Collaboration between IT and finance in a formal reporting capacity is rare. Though the CIO and CFO play key roles in any organization, both have historically faced challenges while working together over budgets and technology investments. Budgets tend to be the largest point of friction, as those are not typically a strength of the CIO. Also, most of the times CIOs are investing in assets that may not have direct ROI. The cloud can bring many advantages to the business and a CFO needs a clear understanding of the cloud and how to get the leverage it so that there is no wastage of money and resources. The right type of could governance controls should be chosen and the effective management measure should be implemented.

Broadly speaking, an effective cloud governance framework would include policies and rules specifying the following:

- **Budgeting:** The companies need to lock down a firm budget else cloud spending will spin out of control. This would also compel decision-makers to thoroughly scrutinize their cloud contracts to determine precisely what they are paying for and compare offerings from different service providers.

- **Application deployment and lifecycle:** The authority and responsibility matrix for the deployment and maintenance of cloud assets need to be clearly documented.

- **Security and privacy:** One of the primary concerns with unchecked cloud deployment is the increased security risks. Strict policies need to be included regarding data security and privacy controls in the cloud.

- **Cloud management and monitoring:** A single company could have hundreds of deployments in its cloud environment. Cloud governance rules should define how each one is managed as well as provide mechanisms for IT teams to closely monitor every aspect of their activity.

Conclusion

Most of the businesses are inclined to take a more reactive approach to cost management for cloud solutions. Several organizations opt for cloud in order to reduce the spend on infrastructure or to avoid huge upfront costs for new investments. However, many have not achieved these goals. Success depends more on the maturity of cloud management and governance practices than the nature of the workload. Forrester analyst Lauren E. Nelson has noted, "With cost complexity continuing to increase alongside growing usage, users, accounts, and instance types, professionals increasingly depend on tools to enable visibility, consistency, and scalability of management practices." MA

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GOVERNANCE IN HIGHER EDUCATION INSTITUTIONS IN INDIA: STRIKING A BALANCE BETWEEN HUMAN CAPITAL AND CASH COWS

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Abstract

Higher Education in India is facing the ultimate challenge of gearing up to capitalize on its incredible demographic dividend slated to last for the next four decades while coping with the pitiful lack of quality in its institutes of higher learning. The paper attempts to analyze the present status of and the six 'C'challenges facing higher education in the country and suggest measures through appropriate Governance as well as accountability and autonomy, to enable India to regain its educational excellence of the past.

Introduction

"Education is an ornament in prosperity and a refuge in adversity." / "The roots of education are bitter but the fruit is sweet."

- Aristotle

This quote by arguably one of the world's greatest philosophers encapsulates and emphasizes the undeniable significance of education to any nation, but seems to have particular reference to India. Education, it is often said is not a preparation for life but is life itself. It is the passport to the future and history has shown, time and again, that the future belongs to those who prepare for it today. Education alone can contribute to social development and sustainability as it allows better access to employment and is therefore a fundamental solution to poverty. The spread of higher education in India can revamp the social order, break age old systems of caste based employment and provide the cornerstone for progress and upliftment. Thus education is the key catalyst of socio-economic transformation in a knowledge driven economy.

Early Rich History of Indian Education

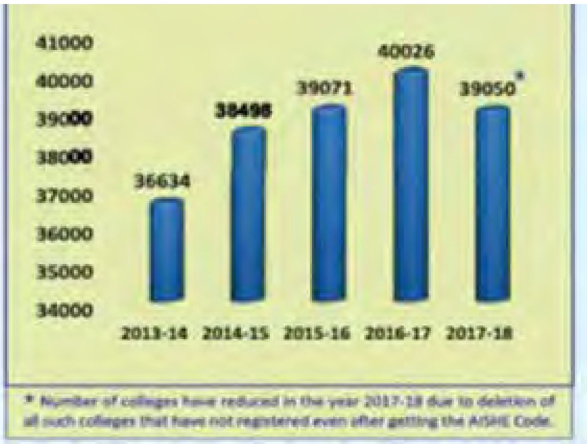
India has a rich history of education, going back to ancient times, with students coming from far and wide to imbibe both knowledge and values. The country boasted of several Universities and centers of learning across its length and breadth. Nalanda in Bihar, Varanasi in Uttar Pradesh, Nagarjunkonda in Andhra Pradesh, Kancheepuram in Tamil Nadu, Vikramshila in Bengal, Pushpagiri in Odisha, Takshishila in Gandhara and Vallabhi in Gujarat, to name but a few. Students came from countries like Babylonia, Greece, Syria, Japan, China, Tibet and Arabia to enroll in the universities, in the pursuit of knowledge and education ranging from philosophy, spirituality, language, grammar, commerce, accounting and management to dance, music, culture as well as astrology, medicine, surgery and warfare! India has taken a long, painstaking yet rewarding journey in the field of education from the ancient tradition of learning under a tree, at the feet of a teacher, the "Guru-Shishya parampara" to becoming the third largest in the world in the field of higher education, next only to US and China. We can now boast of over 40,000 colleges and 1000 universities. The country now stands on the brink of what is described as an "incredible demographic dividend", with 65% of its population under the age of 35 years. But the challenge facing our country is both basic yet very significant..... How do we harness this potential demographic dividend to take India back to her glory days as the premier destination of quality higher education and international excellence?

Present Status of Higher Education in India

India, the seat of knowledge and wisdom, known as "Vishwa-guru" in ancient times has lost its standing in educational excellence and has failed to sustain and integrate the values and standards it was known for. This fact has been proven repeatedly by the exodus of our young talented students, pursuing higher education abroad, rejecting the best domestic universities and institutes. Data from the All India Survey on Higher Education AISHE (2017-18) indicates key facts and figures relating to the performance of institutes of higher education including Universities, Colleges and Stand-Alone Institutions in the country. There are 903 Universities, 39,050 Colleges and 10011 Stand-Alone Institutions in India. There is 1 Central Open University, 14 State Open University, 1 State Private Open University and 110 Dual Mode Universities offering both regular and distance mode education.

Fig: 1 Number of Universities

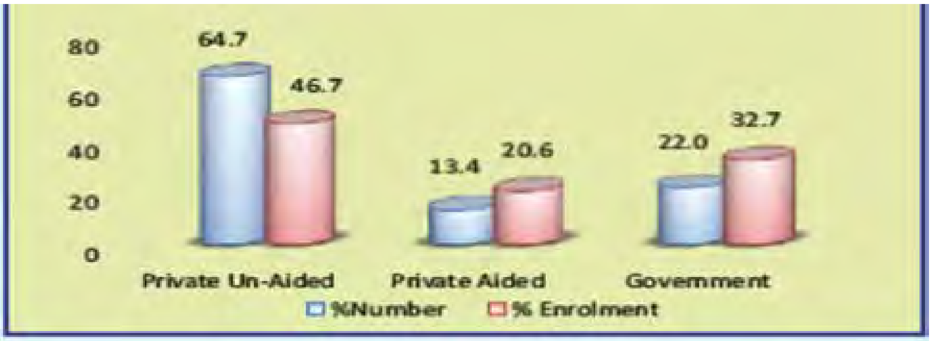
Fig. 2: Number of Colleges



Source: AISHE Report 2017-18

With respect to **Management of Colleges,** of the 39050 Colleges listed, 78% are Private, of which 65% are Private Unaided and 13% are Private Aided while 22% are Government managed.

Fig. 3: Enrolment in Private & Government Colleges



Source: AISHE Report 2017-18

Student Enrolment figures indicate that an overwhelming 79.19% are enrolled in undergraduate courses, 11.23% are engaged in post graduate courses and the 9.58% remaining, include diploma & certificate courses at UG and PG level, as well as Ph.D. Further, the maximum number of enrolments is for Bachelor of Arts at 36.4%, Bachelor of Science at 17.1%, Bachelor of Commerce at 14.1%.

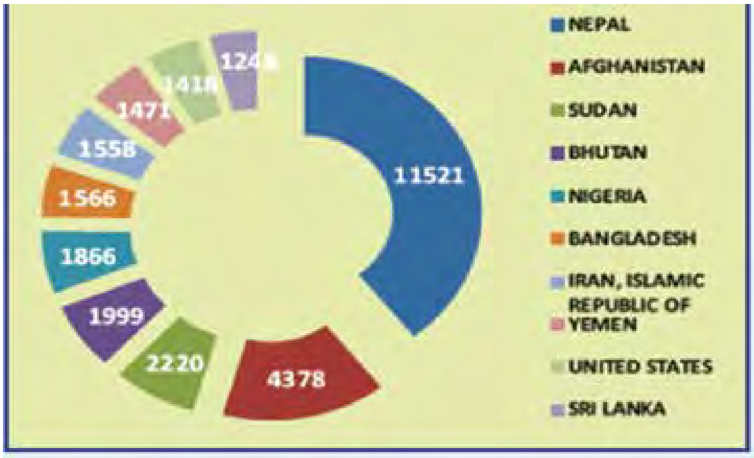
Fig. 4: Student Enrolment by Level

Source: AISHE Report 2017-18

Fig. 5: Stream wise distribution of Undergraduate enrolment

Total Foreign Student Enrolment in India stands at 46,144 out of which the largest share goes to Nepal at 24.9%, followed by Afghanistan at 9.5%, Sudan at 4.8%, Bhutan at 4.3% Nigeria at 4% and the US at a dismal 3.07% reflecting hardly any interest from developed nations in our education system.

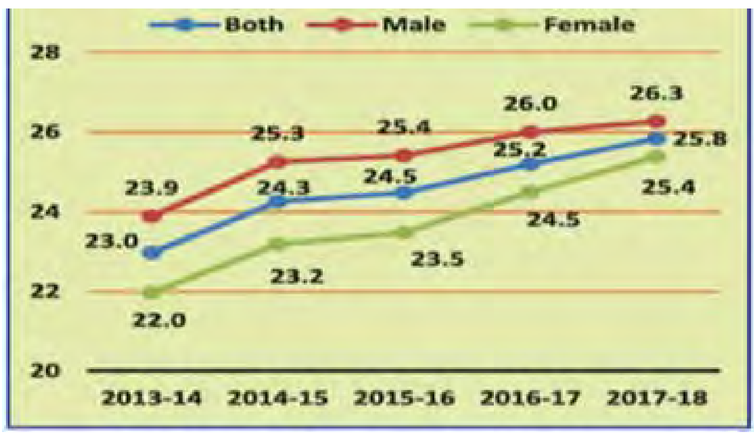
Fig. 6: Foreign Students Distribution in Top Ten countries



Source: AISHE Report 2017-18

Gross Enrolment Ratio (GER) in Higher Education in India is 25.8% which is calculated for the 18-23 year group, with GER for males being 26.3% and for females being 25.4.%. This, when compared to US at 85.8%, Russia at 81.3%, Brazil at 50.5% and China at 50% is pitiful. In contrast, as per Ministry of External Affairs statistics, the total number of Indian students enrolled for education abroad increased from 66,713 in 2000 to 7,52,725 in 2018. Indian students are enrolled for education in 90 countries of the world with US accounting for the largest number at 2,11,703. Most foreign universities and governments seem to have a more definite plan for Indian students than India.

Fig. 7: Gross Enrolment Ratio (GER)



Source: AISHE Report 2017-18

Challenges Facing Higher Education in India

As the humanities and liberal arts are downsized, privatized and commodified, higher education finds itself caught in the paradox of claiming to invest in the future of young people while offering them few intellectual, civic and moral supports.

- Henry Giroux

Higher education has expanded rapidly in India and the expansion rarely maintains the quality of faculty, research, infrastructure or process thus creating a situation that is inherently detrimental to the country's youth. The Six C challenge of Commercialization, Commodification, Compartmentalization, Corruption, Curriculum and Cash Cow facing higher education today needs to be addressed quickly and competently, if the system is not to face total collapse.

Commercialization of education may be broadly defined as the process of private ownership and management of educational institutes with investments in the same being made for the basic motive of making profits. With the mushrooming private educational institutes, the true agenda of education has been hijacked and they have now become more business and profit oriented. (Borgohain, 2016) With both developed and developing nations strongly pursuing the commercialization of higher education with the IMF's tacit approval, a serious consequence results in students thinking of themselves as consumers and of education as a product whose value lies not in itself but in what it can be used to gain. Commercialization prevents the developing of independent, organic thinkers and focuses on the production of skills as opposed to values in order to make it more marketable and thus reduces obligation to society.

Commodification. With ever increasing tuition fees and the removal of state funding to large extent, higher education is increasingly being viewed as a market transaction with students as consumers and universities as service providers, forcing universities to become money generating enterprises offering education as a commodity that individuals must purchase. The knowledge based economy has opened the doors for establishing education and its resulting degrees and qualifications as a resource that lends itself to commodification. The entire scenario has undergone a sea change from *'knowledge dissemination'* to *'economized knowledge'* making knowledge a valuable commodity subject to commercial transactions.

Corruption in the Education system manifests itself through capitation fees or donation for the reservation of seats in professional and non-professional colleges making admission for deserving yet economically challenged students very difficult. Private tutoring, faulty internal policies of the institutions to boost their pass percentage, cheating in examinations so widespread and well established in Indian educational institutes that it has almost become the traditional right of the student, securing of affiliation by bribery, nepotism and corruption without fulfilling eligibility criteria specified by affiliating bodies are other examples of rampant corruption in education. All these aspects prevent education from creating creative, disciplined and patriotic human assets for the advancement of the nation.

Compartmentalization in the Indian system of education tends to create narrow specialists whose knowledge and abilities are often not suitable for the understanding of the common man. It does not allow for a multi-disciplinary perspective to education with little or no cross fertilization thus stunting the quality of education, research acumen, innovation and ultimately poor quality academic outcome.

Curriculum is the means of the educational process which will help achieve set goals. It does not include only academic subjects taught but the sum total of all the experiences received on campus. This creates a huge gap in the quality of education received as curriculum today tends to foster further education as opposed to higher education. While further education tends to perpetuate and propagate rote learning and memorizing, higher education aims at developing a questioning and analytical attitude towards learning.

Cash Cow is defined as a product, business unit or consumer that generates unusually high profits, enough to keep less profitable aspects of the business afloat. Higher education today is an unbelievably lucrative business motivating increasing competition. Colleges and universities have always had a differential fee structure for their students depending on certain established criteria. However, the growth of "for profit" higher education, the easy, diverse, yet expensive financial aid options available today combined with pressures on state universities to raise more of their own revenue, is intensifying the competition for the students who will pay the most up front. Fees at private institutions are often more than double that of government or government aided institutions, which do so despite the restrictions on generating profit. However, this commercialization of education often results in a lowering of the quality of the education product and the value of the degree itself.

Dismal Performance of Higher Education in India

Higher education seems to have collapsed in India. Sadly, the rise in the number of educational institutions has not led to a commensurate improvement in the quality of education in the country. The current system of education fails to recognize and unearth each individual's innate talents and potential and consequently cannot provide the requisite education to create well rounded, employable people capable of independent, critical and rational thinking. The failure of the Indian education system is manifested in the statistics reflecting the number of Indian students who go abroad for higher education which is an outcome of the rest of the world viewing our failure in education as an opportunity to attract Indian students with their diversity in curriculum, their scholarships, language bridge courses, tuition waivers etc.

Indian universities are in a dismal state and lag behind the best in the world not only in terms of contemporary ranking systems but also in respect of the focus on learning. This is often believed to be the prime reason why our country is still in such a sorry state and still considered to be a “developing” nation. Further, for a country as vast and diverse as ours, very little original research is taking place in India. A case in point being the fact that the last time someone working in an Indian university was awarded a Nobel Prize (apart from the peace prize) was by C.V. Raman in 1930. A strong multi-disciplinary research system with high priority in the budget and a much larger allocation of the GDP towards research is required, if India is to become competitive.

With respect to three key variables of Employability, Innovation and Social values, it is an undeniable fact that employability of youth is a major challenge facing India’s academic planners, the government and other stakeholders. For this, Higher education should provide practical exposure along with employable skills and competencies, notably technical and soft skills. Further, governments and market forces alone cannot sustain an economy. Markets need innovation and governments need citizens to build and nurture social values. If patents are an indicator of innovation, it is disheartening that India has filed less than 5% of the patents that China filed in 2016, If social values are the criteria, one sees educated Indians littering the streets and public areas, easing themselves in public and showing scant respect for public resources and property, too often for comfort.

The Need to Reform, Perform and Transform Higher Education in India through Minimum Government but Maximum Governance

Governance refers to the process of making and implementing decisions as well as the mechanisms by which stakeholders control the implementation, outcomes and accountability of such decisions. Through its participatory, transparent, accountable and efficient nature it ensures a reduction in corruption and therefore India particularly, good governance, not governments to empower its people. If India is to fulfil its extraordinary potential and aspirations for economic and technological development, education in general and higher education in particular, needs to play a major role. Despite having the highest number of youth in the world India is suffering from a dearth of skilled manpower, increased unemployment and decreasing social values. Our universities must teach people to think, innovate and solve problems and if this young population is to meet the robust employability both globally and domestically, higher educational governance needs a major shift allowing it to bridge the gap between the acquired and desired skill set of employable youth. According to the recently published QS world university ranking 2019, among the top 10 universities in the world, five are in the US, four are in the UK, and one in the Switzerland. Only six Indian institutions have featured in the top 300 category, with IIT Mumbai ranked highest at 162, followed by IISC Bangalore at 170.

Table 1. Best Universities in the World

Rank 2018	Rank 2017	Name of University
1	1	Oxford University
2	2	Cambridge University
3	3	California Institute of Technology*
3	3	Stanford University*
5	5	Massachusetts Institute of Technology
251-300	201-250	IISC Bangalore**
351-400	351-400	IIT Mumbai
501-600	401-500	IIT Delhi
501-600	401-500	IIT Kanpur
501-600	501-600	IIT Kharagpur

Source: Times Higher Education (THE) World University Ranking 2018

**Caltech & Stanford were placed joint third*

*** IISC Bangalore is the top ranking Indian Institute in THE World University Ranking 2018*

****After top 200 ranks THE puts Universities in groups*

In the light of the unprecedented growth and diversification of higher education institutions in India, their governance and management is becoming increasingly complex, requiring progressive reforms and regulations such that a world class higher education system which is neither over-regulated nor under-governed exists. Educational governance refers to both the general daily administrative and institutional working of an institution and includes the two pillars of governance i.e. **Autonomy and Accountability.** Autonomy encompasses three key areas: **Academic, Administrative, and Financial. Academic autonomy** allows an institution to be the sole decision maker on various academic issues such as student admission, academic content, quality assurances language of instruction etc and aims at transforming the curriculum from being dogmatic to being dynamic. **Administrative autonomy** allows the institution to regulate itself by framing policies and management systems which are open, participative and accountable. **Financial autonomy** allows the institution the freedom to raise and use the funds according to its priorities and internal rules and to decide freely on its internal financial affairs. Despite universities being overburdened with huge number of affiliated colleges being attached to them, absolute autonomy is rarely allowed to institutions and if granted comes with such constricting conditions that the exercise becomes open to political interference and self-defeating in nature.

Accountability ensures that the actions and decisions taken are scrutinized by a governing authority such that initiatives fulfil the objectives set and respond to the needs of the community that they are intended to benefit, thus contributing to better governance. Absolute transparency in the working of universities and colleges is essential to proper accountability.

Academic, administrative and financial independence are prerequisites of and institutes must raise their own capital, design their own academic structure and appoint their own governing body. Excellence in quality of education requires transparency, research, innovation, entrepreneurship, employability, industrial collaboration and international competitiveness and these in turn require autonomy particularly because industrial and educational foreign collaboration, essential for experimental learning and joint quality research can be rendered fruitless by over regulation.

Conclusion

India with its impressive number of higher education institutes and it's incredible demographic dividend, is set to become the country with the youngest workforce in the world. The professional world is changing at a rapid pace, with new technologies, business processes and completely new perspectives influencing the ecosphere every day. If the Indian higher education system is to prepare its young work force to be global innovators and entrepreneurs, the education system needs an upheaval. Empirical evidence over time suggests that Higher Education when properly implemented, produces positive externalities in three major areas: economic, social and health. Higher education's contribution to the socio-economic development of a country is highlighted through the blending of the human capital theory and the knowledge economy. Ultimately, the market and the principles of economics must be allowed to r**eform, perform and thus transform** the higher education sector in India. The centralisation of authority to serve political ends is not only bad economics but bad politics too. A strong vision that replaces bad politics with good economics is desperately needed if India is to educate her young population and empower them for the jobs of tomorrow. MA

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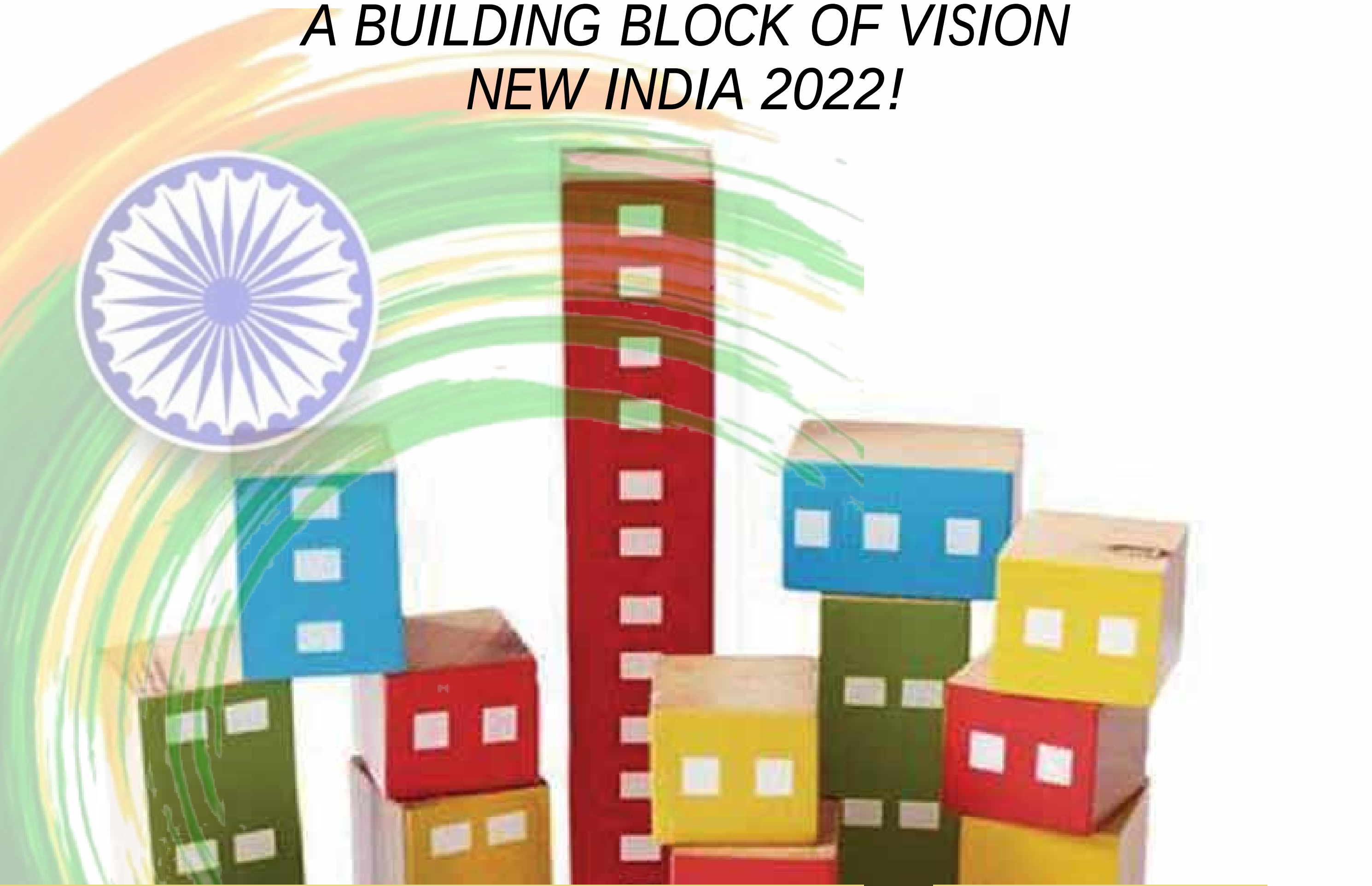
COST MANAGEMENT BY COST AND MANAGEMENT ACCOUNTANT - *A BUILDING BLOCK OF VISION NEW INDIA 2022!*



Abstract

"India is at the cusp of cardinal transformation. India will celebrate 75th anniversary of its independence in 2022. Our country targets to be a $4.0 trillion economy in the year 2022. DIPP states that India will be USD 5 trillion economies by the year 2025 and the annual GDP growth rate will be 11.7 percent. This target recalls for cost competitiveness and operational excellence at global platform. Cost competitiveness will make our country a dream destination for foreign players and it will enable to achieve the target of double digit growth in manufacturing sector. Cost and Management Accountant is playing a prominent role in achieving cost competitiveness with the plethora of tools like Least Cost Combination, Activity Based Management, Balanced Score Card, lean management and others. Cost and management accountant can act as an accelerator in the nation building with the implementation of cost controlling techniques and effective strategic management."

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> ***"Sankalp se Siddhi"*** was a clarion call made by our Prime Minister for cardinal transformation of India with Vision New India 2022. Cost and Management accountant can prove to be an integral part of this "sankalp" for making New India by 2022-23. The development state of India is guided by the philosophy of "sabka sath, sabka vikas and sabka vishwash". This article has been composed with the determination of ***"hamara sath*** (role of CMA), ***sabka vikas*** (development of nation), ***sabka vishwash."***

Costs of products and services act as denominator for measuring the performances and efficiencies of the factors of production. Generally, Indian products and services are less competitive as compared to other countries due to inefficient management of cost. In such scenario, reduction and controlling of cost will enable companies to pass the benefit to the society at large.

Cost and management accountant can act as an accelerator in the nation building with the implementation of cost reduction and cost controlling techniques and effective strategic management. He/she can play a vital role in the team for coming up with discrete techniques for improving the operating ratio. He/she can be the best resource person to make researches and suggest measures for cost control and other strategic management methods for enhancing operational efficiencies. Cost and Management Accountant can act as a building block for Vision New India 2022.

Vision New India 2022

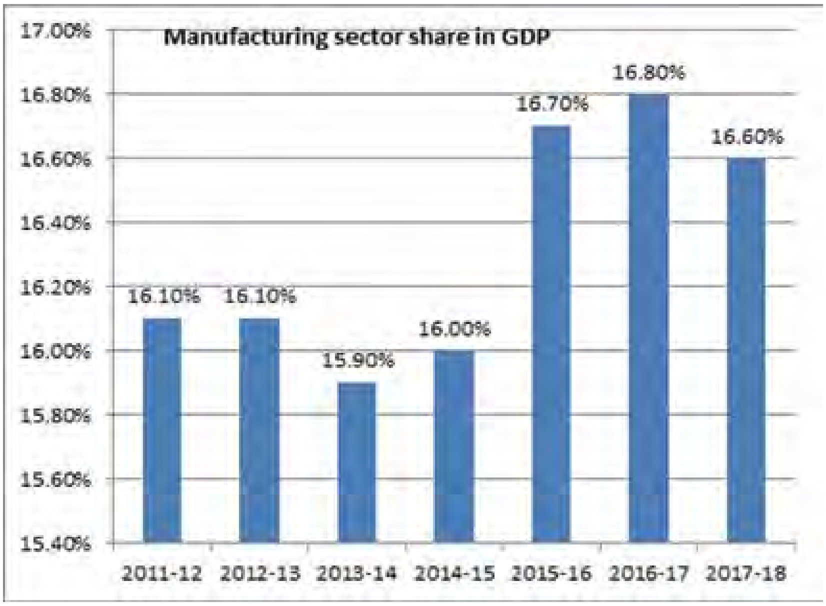
India is at the cusp of radical transformation. India will celebrate 75th anniversary of its independence in 2022. Our country targets to be a $4.0 trillion economy in the year 2022. Vision New India 2022 is based on three strategies. First, the development of country should be a mass movement where every Indian will recognise its role in the development. And, every Indian will experience the tangible benefit in the form of better ease of living. Second, the strategy for Vision New India 2022 is the achievement of balanced economic development across the country with the help of new technologies, modernisation and innovation. Third, the strategy will help to bridge the gap between the performances of private and public sector. It has been focussed to convert the soft state into the phase of development state. This transformation can be done with the help of efficient delivery of public services, eradication of corruption and black money, expansion of tax base, stopping leakages in direct benefit transfers, and improvement in ease of doing business.

Double Digit Growth in Manufacturing Sector

The report launched by Finance Minister asserted that the annual growth rate of 9% by 2022-23 is vital for generating sufficient jobs and prosperity of the country. However, the target growth rate of 8% was set to be achieved over the period of 2018-23. New India Vision 2022 strives for doubling the current growth rate of manufacturing sector and adoption of Industry 4.0. The double digit growth requires the integration with global market. The draft report of DIPP states that India will be USD 5 trillion economies by the year 2025 and the annual GDP growth rate will be 11.7 percent. This target recalls for cost competitiveness and operational excellence at global platform otherwise the vision of double digit growth rate will be a doable challenge. Governance refers to the process of governing through laws, norms, power and language. Cost governance refers to the set of policies, principles, and laws for controlling the utilization of resources for optimisation of productivity. Cost governance helps in economic development with cost competency. Cost competency denotes optimum utilisation of resources. It helps to achieve least cost combination leading to competitive advantage. Cost and Management Accountant is playing a prominent role in achieving cost competitiveness with the plethora of tools like least cost combination, Activity Based Management, Balanced Score Card and lean management and others. The cost competitiveness and cost synergy will create global leaders in India to penetrate the global market.

Manufacturing Sector in India at a Glance

Indian economy has been envisaged to be fifth largest manufacturing country in the world by the end of the year 2020. The gross value added of manufacturing sector at basic current prices registered a compound annual growth of 4.34 percent during the FY2012 and FY2018.



Source: MoSPI

Global Competitive Index 4.0, 2018 ranking:

Ranking	Country	Score
1	United States	85.6
2	Singapore	83.5
3	Germany	82.8
4	Switzerland	82.6
5	Japan	82.5
6	Netherlands	82.4
7	Hong Kong SAR	82.3
8	United Kingdom	82.0
9	Sweden	81.7
10	Denmark	80.6
58	India	62.0

Table 1: Global competitive index 2018 (Source: World Economic Forum)

Make in India recalls for the GDP of manufacturing sector to 25 percent and it strives for the creation of 100 million new jobs by 2022. India is on the way to become an international hub with Make in India. The cumulative value of foreign direct investment in manufacturing sector reached to USD 76.82 billion during April 2000 and June 2018. India anticipates becoming a largest research and development base within next three years. Cost competitiveness will make our country a dream destination for foreign players and it will enable to achieve the target of double digit growth in manufacturing sector. Some of the initiatives taken by Government of India for growth and development of manufacturing sector are as follows:

- Creation of USD 400 billion electronics manufacturing ecosystem by 2025.
- Removal of basic custom duty on 35 machine parts in September 2018 to promote mobile handset production.
- Increase in export incentives to labour intensive MSMEs by 2 percent.
- Phased manufacturing programme under Make in India initiative to promote domestic manufacturing.
- Increase in FDI in defense to 51 percent through automatic route.

Changes in Union Budget 2019-2020 for Manufacturing Sector

Union Budget 2019-2020 seems to boost the Manufacturing Sector in India. Major changes in Union Budget 2019-20 for promoting manufacturing sector can be seen as follows:

- Reduction of Corporate Tax to 25% for enterprises having turnover up to Rs. 400 crore (the limit was Rs. 250 crore earlier).
- Increase in custom duty on construction materials, precious metals, automobiles parts, CBUs (Trucks and Buses), plastic, and rubber to protect domestic industry.
- Zero custom duty on capital goods that are used for manufacturing of electronic items including Lithium-Ion Cell.

- It is proposed to provide tax exemptions under section 35 AD of the Income Tax Act and other indirect tax benefits to sunrise and advanced technologies such as semiconductor, Lithium storage batteries, and solar electric charging infrastructure.
- Custom duty on electronic vehicle components such as E-drive assembly, on-board charger and charging gun has been reduced to zero.
- It is proposed to insert a new section 80EEB in Income Tax Act. This section will provide deduction in respect of interest on loan taken for the purchase of an electric vehicle from any financial institution up to Rs. 1.50 lakh. The period of purchase should be from 1st April 2019 to 31st March 2023.
- Proposal for reduction in GST rate for Electric Vehicles from 12% to 5%.

Cost Management as an Enabler for Double Digit Growth

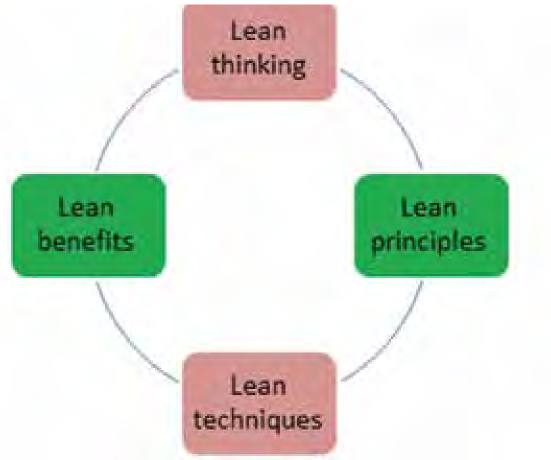
The sustainable high growth trajectory and inclusive development in India needs to reinvigorate the manufacturing sector. The team of Cost and Management Accountant can help to revive the manufacturing sector and increase the share of FDI with cost management and efficiency.

Lean Manufacturing

Toyota Motors is regarded as a leader of lean manufacturing and it started using this technique since 1950s. One of the country's largest auto component manufacturers, Sundaram-Clayton Limited, adopted lean manufacturing to reduce cost by 2.5–5 per cent. Other automotive manufacturers using lean manufacturing techniques are Ford Motor, General Electric, Chrysler, and Porsche.

According to Womack and Jones, "lean" connotes the utilization of all inputs in lesser quantities. Lean manufacturing refers to the reduction or ***elimination of waste*** (known as muda in Japan) or any activity which is supposed to be waste or not adding any value to the process with the help of lean manufacturing tools and techniques.

Lean manufacturing strives for better quality at lower cost at proper time with lesser efforts. It uses lesser cost, and helps to shorten the time lag between order from customer and shipment. The application of lean manufacturing helps to eliminate everything increasing time and cost of production and delivery of product and services. Lean manufacturing has been perceived as follows:



Lean thinking works on the philosophy of identifying and eliminating non value adding activities resulting in reduction of cost and improvement in input productivity and quality. Lean principle strives for the application of lean manufacturing to service industry and administration processes. Lean manufacturing uses the following lean tools and techniques:

1. KAIZEN (continuous improvement)
2. JIT (Just in Time)
3. Value Stream Mapping (VSM)
4. 5S
5. Andon
6. Gemba (real place)
7. Total Productive Maintenance (TPM)
8. TAKT Time
9. Single Minute Exchange of Die (SMED)
10. Supply chain management
11. Cellular layout

Total Productive Management is the tool used to increase overall equipment effectiveness with the involvement of employees. The research made on a company of printing industry in Malaysia showed that the overall equipment effectiveness can be increased with the application of Total Productive Management.

	Before implementation of TPM	After implementation of TPM
Break-down of machine A (in hours)	39	22.5
Break-down of machine B (in hours)	13	7.5

Break-down of machine C (in hours)	19.5	12.5
Break-down of machine D (in hours)	6.5	2.5
Total loss hours due to break-down	78	45
Total working hours (in hours)	312	312
Net loss (total working hours less total loss of hours)	(312-78) = 182	(312-45) = 267
Availability rate (net loss/total working hours)*100	58.33%	70.83%
Percentage of quality	75%	87.5%
Performance rate	78.57%	82.35%
OEE (product of availability rate, percentage of quality and performance rate)	**34.3%**	**60%**

Table 2: Increase in overall equipment efficiency (OEE) with TPM

Source: Research paper of Tang Saihong, Ng Tanching, Chong Weijian, Chen Kahpin

Cost Management in Japan

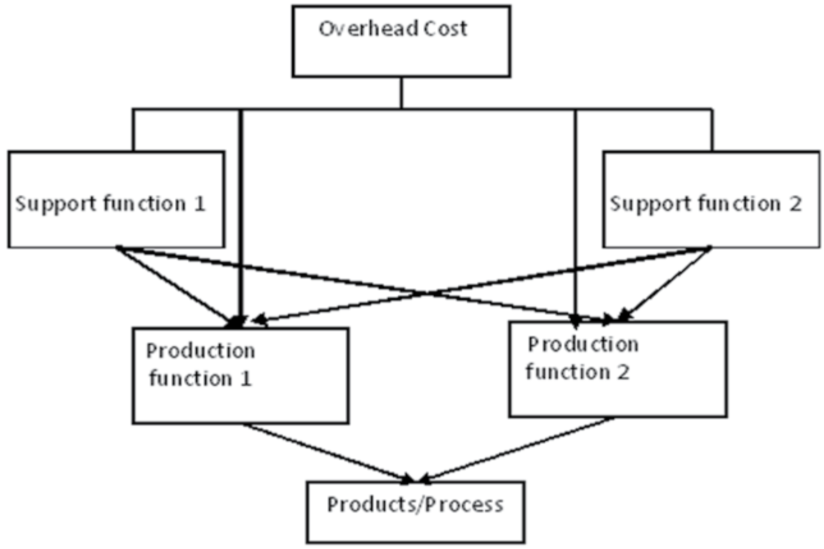
Target costing is an important costing technique contributed by Japan to management accounting. Japanese companies directly focus on overhead costs. The questionnaire survey of Shimizu made in 2014 showed that the overhead costs of Japanese companies are lower than US companies. This research also showed that 55.5% of companies in Japan used direct costing system, 42% companies adopted full costing and 24.1% companies adopted grouping step down system. Japanese companies have adopted direct costing system. However, with the increase in overhead cost, department costing system was adopted. Under department costing system, overhead costs are assigned to operating and support department. The costs of support department are allocated to operating and other support departments with the help of full costing techniques, direct, step-down, grouping step-down, and reciprocal. Japanese companies prefer cost management tools for management decisions over cost control. The management strategy for target costing with long and medium term target profit in Japanese companies work in the following manner: (See flow Chart)

Target costing in Japanese companies

(Source: Japanese Accounting Association)

Cost Management is France

The cost management in France is highly influenced by full costing technique. Two stage process of full costing system prevails in French companies. It is based on hierarchical vision of Henry Fayol. The indirect cost is allocated to jobs or products in two stages. In the first stage, indirect costs of production and service departments are identified. In the second stage, service department costs are allocated to production department.



Full costing technique in France

Comparative Study of Cost Audit at Global Perspective

"Prevention is better than cure." Cost audit being suggestive and helps to provide signals for appropriate remedial actions on to be taken at suitable time. India is the first country in the world to recognise cost audit under Companies law 1965. India has adopted cost audit on basis of turnover and net worth.

Cost is a vital detriment to foster competitiveness of the product in export market. Cost audit will help to boost the quality and cost competitiveness of the products in global and domestic market. The cost of production can be optimized with cost control techniques.

Country	Cost governance
Bangladesh	Cost audit was introduced in Bangladesh under Companies Act in 1994. The cost audit is mandatory for jute, sugar and oil and fuel industry in Bangladesh.
USA	National Association of Accountants was started in the year 1919 as a body of CMA which took the shape of Institute of Management Accountants. Foundation of Applied Research and Center of Excellence has five research practices in the area of Leadership strategies and ethics, Technology Enablement, Strategic Cost Management, Business Performance Management, Enterprise risk and control.
Korea	Institute of Chartered Accountants of Korea issues cost accounting standards after amending the accounting regulation in 1990.
France	There is no separate Management Accounting Institute in France. It is regulated by Government. Single version of cost analysis is applicable to all industries.
China	The accounting system for business enterprises (ABSE), 2006 states that the cost centres and cost calculation will be determined by the enterprises according to the production, operating process and need of management. Article 103 of ABSE mandates for the approval of shareholders for making changes in cost accounting structure.
Australia	Cost Accounting principles are laid by Certified Management Accountants of Australia.

Japan	Kaizen costing and target costing are two important costing methods contributed by Japan to management accounting techniques. Product cost accounting rule was established in November 1937. This was the first cost accounting standard issued is Japan on voluntary basis. The manufacturing cost accounting guideline was issued in April 1942 to control prices and it replaced the cost accounting rules of Army and Navy after the second world war.
Finland	The concept of variable costing in inventory valuation was introduced under Business Taxation and Accounting Act, 1973. New cost concepts like Activity Based Cost were initiated in 1992.
Canada	The premier body of CMA Canada was started in 1930. It has made lot of technical publications by way of Management Accounting Guidelines and Management Accounting practices. The two management bodies of CA and CMA have been merged as CPA Canada. The concept of management accounting and cost practices is used in internal and external reporting.
UK	UK ICWAI was started in 1919 which was later termed as ICMAI and now it is CIMA. It publishes in journal Financial Management. The accounting standards of UK has incorporated cost of sales and overhead reporting as a part of financial reporting.
Germany	Germany seems to be a veteran in adopting CMA practices. All German companies have strong management accounting departments which helps the management in public reporting. Cost of sales reporting and overhead reporting as a part of financial reporting has been adopted in Germany. The concept of cost center is intensively practiced in Germany and even a single machine might as cost center here. The concept of cost center helped to generate SAP system which was developed by Germany. GPK (Grenzplankostenrechnung) is a costing method which helps to take short term decisions.

Government of India has prescribed that a certificate with regard to cost efficiency from practising CMAs is to be attached with the project proposal under ''Make in India'' scheme and this is a welcome step. But why cost audit is not applicable for all Indian Industries irrespective of turnover is not clear. Do the companies below the statutory limit of cost audit are not contributing to the GDP of India? The applicability of cost audit to all companies can prove to be an effective tool for cost management and nation building. Cost audit can be helpful to the industries for making the product and services competitive on the global arena. Cost audit is forward-looking and diagnostic in nature. There is need to identify the scope, relevance and significance of cost audit by Indian businesses.

Conclusion

Vision New India 2022 toils for double digit growth of manufacturing sector. The operational efficiency can enable the industries to achieve double digit growth. The operational excellence can be achieved with the help of several digital and conventional strategies. Indian manufacturing companies tend to implement world class practices to manage costs and to be globally competitive. Lean manufacturing practices have helped the companies to reduce cost by 2.5 to 5 percent. Lean manufacturing practices enables the companies to manage cost at shop floor while the ERP has helped to reduce cost at the point of procurement. Total quality management leads to reduction of waste and improvement in profitability. The adoption of cost management methods by the manufacturing companies helps in reduction of waste, improvement in quality, and to enact operational efficiency. Indian manufacturing companies are harnessing technologies to achieve operational supremacy on global platform. ***Cost and Management Accountant*** plays an important role in the realization of operational excellence with the adoption of different management tools. CMA can analyse the operating expenses and revenues and can suggest the measures to improve the operating ratio and operational efficacy. Above all, the statutory implementation of cost records and cost audit will explicitly help to achieve double digit growth for manufacturing sector in Vision New India 2022.

"The prime objective of TCM division of CII is to facilitate national movement on total cost management in order to make Indian industry cost competitive." *- Confederation of Indian Industries.* MA

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Kolkata, the 19th August, 2019

NOTIFICATION

16-CWR (23586)/2019 : In pursuance of Regulation 16 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by sub-section (2) of Section 20 of the Cost and Works Accountants Act, 1959, the name of Shri Vadlamani Srinivas, MCOM, LLB, FCA, FCS,ACMA, "Saisri Nivas", H. No. 2-62/A, Block N/5, Road No. 3, Kakatiya Nagar, Habsiguda, Hyderabad – 500 007 (Membership No. 14306) has been removed from the Register of Members, with effect from 21st July, 2019 for a period of three (3) years i.e. till 20th July, 2022, in pursuance of Order issued by the Disciplinary Committee under sub-section (3) of Section 21B of Cost and Works Accountants Act, 1959.

(S.C. Gupta)
Secretary (Acting)

COST-CONSCIOUSNESS CULTURE AND COST-REDUCTION STRATEGIES TO CARRY ON BUSINESS SUSTAINABILITY

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Abstract

At present in the era of globalised economy, profit maximisation must not be considered as the sole objective of business. To survive in this competitive environment i.e. to maintain the sustainability, business is expected to relocate its focus on value maximisation instead of profit maximisation as the prime purpose, bearing in mind that 'price is what you pay, value is what you get' and to touch the target, each business should take heartiest initiative to bring down its costs. This mission can only be fulfilled with the generation of cost conscious culture throughout the entire business sector; as such culture crops up organisation's corporate values along with business strategy so that success of business is achieved. Creating sustainable cost alteration should not be considered as a change in process---it is a change in philosophy requiring complete organisational commitment and involvement. Various strategies, like implementation of ABB, ABC, Kaizen, standard costing etc. should be put into effect as the techniques regarding cost reduction.

Introduction

After a long interval of hedged economic escalation, variation regarding exchange rate, an acute cyclical balance as to payments as well as a sporadic disaster, Indian economy has gained an astonishing coherent and reliant position in the arena of global economy. Liberalization of a sheathed and largely socialist economy set India free from the edge of default and started off a spell of persistent fiscal escalation. Still, India is in need of reaffirmation for its vow to the improvements and exploitation of the boons of worldwide integration in a better way giving much emphasis on its outer commitments. In addition, it should be mentioned that there are some areas, governed by conventional rules and norms so long, demanded to be emancipated, accounted for and made strong to authorise buoyant and encouragable development and a profound integration of Indian economy with the global economy is the outcome of those restorations. With the upsurge of quota in trade of goods since 1991, a spectacular change in the field of services trade has brought to light that India can be regarded as one of the most appealing centres for FDI including a significant derivation for FDI outflows. Such a situation has brought about a revolutionary change in trade structure in terms of product formation and ultimate goal creating diversity in the economy and being advantageous to the extension in world trade and augmentation in competitive attitude.

Sustainability and organisational effectiveness

Organizational effectiveness can be described as the competence of an organisation to achieve its expected target of maximum profit by producing and selling its products employing minimum cost of energy, time, money, human as well as material resources and without any wastage. But in the context of globalised economy to ensure long term survival and growth, business should focus on value maximisation i.e. wealth maximisation objective, emphasizing on enhancement of share price in the market and maximise value for its shareholders. So, to survive and compete in the competing environment, cost reduction is an important criteria which can be possible by developing cost conscious culture within the business and selecting various strategies for cost control.

With respect to Organisational Sustainability, Colbert & Kurucz(2007) defined it as "keep the business going" or "future proofing" of business. As per the charter of the sustainability committee originated by The Board Of Directors at Ford explained that Organisational Sustainability means "the ability to meet the needs of present customers while taking into account the needs of future generations"(Ford, 2012).The assessment of CIPD,2012,described Organisational Sustainability as "the principle of enhancing the societal, environmental and economic systems within which a business operates."

Creation of Cost Conscious Culture-A Way to Sustainability

One outstanding aspect of India's coherence with the global economy is the development of cost-conscious culture within the trade territory by adopting several key values like trust, accountability, transparency, integrity, centralised control, decentralised administration, employee empowerment etc. To make the best use of aforesaid reforms as well as cost-conscious culture and to capitalize on the advantages of global integration, established enterprises have aimed at the improvement of crystal clear, assessable and influenceable communicated cost vision; establishment of Targets and Matrices derived from outermost specification; setting up an organisational structure having transparency, accountability& decision process; creation of strategic value generation methodology for cost benefit evaluation and constitution of efficient management to play the leading role for the process by manifesting commitment to cost.

As the linchpin of the administration is to create a culture and not a company, each and every firm is expected to be perceptive regarding to its entre value programme to breed such culture successfully. At the same time, to spark off competitive advantage by appending different distinctive projects as regards to its products and services for the gratification of the consumers and value initiation, augmentation of competence and output (yield), alteration as well as creativity should be given prime priority. Along with, exact leadership, pecuniary impetus, technical prowess should be afforded for the incitement of employees to make them realise themselves as the real wealth of the firm so that they can lay down their maximum effort for the gradual development of the organisation. As the terms 'cost' and 'value' are identical in respect of meaning and significance, a cost culture stands for the behaviour and assignments, carried out by each member of the firm in co-operation, to give rise to 'value' for the organisation. Since reposition of culture is more consequential rather than upgraded course of action, it calls for a modification in the perspective of employees. If such comprehension takes place among the employees, they will realise the assets of the firm as their own. Thus, the focal point of the firm makes its way in excess of price reduction from contributors to generate value for the products and services paid for.

Cost-consciousness may also be defined as the creation of an undergoing corporate culture based on strong and convenient cost discipline. In that case too, it needs comprehensive & untiring efforts to employ and stimulate the whole organisation to deal with that perspective.

Reduction, Reutilization and Recycling -these 3R abstraction is considered to be the base of Cost consciousness and culture in connection with cost consciousness, evolved by Wal-Mart to assist any company for its cost minimization by consistent removal of surplus outlays is used as the differentiation programme to achieve success by creating a product or services distinctive to consumers.

Various Cost Reduction Strategies

5 forces model of Competitive Position Analysis developed by Michael Porter of Harvard Business School in 1979 is a simple procedure for appraising and weighing up the competitive strength and position of a business.

The model is helpful to realise how strong the competitive position of an organisation is at present and how much competitive advantage it can attain. As per Porter's opinion, an organisation can achieve Competitive Advantage if, in comparison to its opponents, it can operate at a lower cost or command a premium price or both.

For proper generation of cost consciousness in business, Porter suggested five forces of competition structure among which three sources of "horizontal" competition i.e. competition from substitutes, competition from entrants and competition from established competitors and two sources of "vertical " competition –power of suppliers and power of buyers. The Porter model can be regarded as a supportive by which cost awareness and maintenance of stability can be fashioned. The model is also accommodating for determining Competitive advantages strategies. Competitive Advantages which promote the business firms to compete with other companies to survive & win, can come out from external sources of change like change in consumer imposition, change in prices and change in technology. Such changes can also be induced internally through alteration that contributes a basis for capsizing the Competitive Advantages of other companies. In this context, it is also to be mentioned that Reflection, Re-evaluation and Response are the important keys of Competitive Advantage. Competitive Advantage is generally originated from two aspects-Cost Advantage (similar product at lower cost) and Differentiation Advantage (Price premium from unique product).

As regards to cost advantage, to gain the position of cost leader in its industry or industry division is the main objective of the firm and to provide something unique, expensive and advantageous to customers, at a low price by implementing low cost strategy (cost Leader) i.e. economies of scale in production, learning curve effect, tight cost control, cost minimisation in service areas etc. It is expected that business must have to be globally cost competitive and very much sincere in going into their business models. Controlling authority must be careful in search of alternative scopes for the improvement of their cost structure while persisting to induce value for consumers.

Organisations, having **differentiation** opportunities take care of coming up with increased value not only with the attributes of the product like design, brand image technology, customer service and dealer network but also with services and added facilities not accessible from rivals. By empowering an organisation to charge an additional price, an auxiliary cost sustained by differentiation. Creation of strong corporate identity and customer allegiance is very much supportive to spark off more income and keeps up the goal for sustainability.

Diversification plays an important role in the sphere of a firm's long term growth and sustainability scheme to create long-run profitability, carry on or enhance the customer base, develop competitiveness, spread market share for its products & services, ensure organisational responsiveness in providing consumer value and satisfaction and above all to meet strategic aims.

Kaizen, a doctrine of consumer-motivated enhancement, based on housekeeping, waste removal and standardization, intends to build up an approach of sustained quality, cost and delivery augmentation across the value chain. Proper exercise of Kaizen philosophy enables to minimise cost through waste elimination and the intention of the business for survival is accomplished. Kaizen's aim is to reduce actual costs below the standard costs i.e. this is a cost reduction methodology throughout the entire value chain of the firm.

Besides, **Target Costing** method, by improving sales prospects as product development is focused on consumer demand, by reducing cost and effort of managing a profitable product lifecycle, too helps to bring off Cost awareness& cost competitiveness. Target costing procedure is strategic in nature as it assists to determine how much a product(service) should cost rather than how much it costs and thus leads to a culture of brilliance in the firm, a source of continuing strategic advantage by cost planning, cost management and cost reduction. Value engineering is a key to achieving target costs and minimise total life cycle cost.

A Firm should also focus on production of **Economic Batch Quantity** as it follows the principle of cost minimisation.

In this context, **Mc.Kinsey 7-s system,** originated in the late 1970s by Tom Peters & Robert Waterman is also remarkable for its identification of 7 inner components of a firm needed to be associated with it for opulence. The scheme plays a beneficial role for organisational motif, particularly for smoothing the way for organisational change, aligning the organisation to new strategy, assisting the merger or possession of organisations and making the performance of a company better and thus helps a firm to survive.

ABC is beneficial to give rise to cost consciousness in business by assigned based costs on resources demands; aiming at the cost management activities; pinpointing unproductive products, departments and activities; aiding to direct the costs at an individual level and track down unnecessary costs on a departmental level and lastly by fixing price of product or service in a scientific way. Proper implementation of ABC helps a firm to point out non-value-added activities, depleting resources without adding value to customer services. Furthermore, a business firm with the help of close monitoring and removal of these activities and with ABC can point out different problems of the customers and alert the executive to find out a solution. It also should be mentioned in this context that withdrawal of waste does not always mean the reduction of product costs, it may also modernise the quality of services provided. Besides, ABC influences on the nature of the decisions, drawn by the management of a firm by pivoting the management on two specific purposes- whether cost effective methods are used to produce modern products to present day consumers at a price, generating the maximum benefit.

Activity Based Management pays keen attention to the management of activities—the key pathfinder for the improvement of value to the consumers and takes in activity analysis including assessment of performance and thus helps a firm to improve by re-engineering or reorganising the mechanism by which the firm is being carried on and by continuous enhancement of the organisational potentiality. **Standard costing** aims to match between cost and standard effectively as a cost control system. Activity –Based budgeting also is helpful in cost reduction, because it focuses on the budgeted cost after justifying cost drivers of activities, necessary to produce and sell products and services.

The Life cycle cost analysis seeks to choose the most cost effective approach to attain the lowest long- term "cost of ownership". **Life cycle costing** is the process of managing all sorts of costs along with the value chain.

To develop a suitable competitive advantage, the company should follow both **SWOT** analysis and V**alue chain analysis.** The value chain is known as linked set of value creating activities of the firm. Value Chain analysis helps the organisation to understand key capabilities of business and identify areas for improvement through enhancement of efficiency and elimination of wastages, on value added activities. It enables the maximum possible value to be achieved for a given cost.

Benchmarking is a continuous improvement process. **Benchmarking** is being put into service in so many reputed business firms as a contraption for achieving a combative boon as it entitles the executives to find out the best practice; makeover prime concern to those opportunities, needed for refinement or development; augment the operational strategy for customers' satisfaction; win over the conventional pattern of alteration. Benchmarking also stretches out its helping hand to the managing authorities to make out the most precise and productive method for carrying out an activity; impart knowledge for the achievement of lower costs and to take proper steps for the improvement of cost competitiveness of any business organisation.

Conclusion

Along with different strategies conferred about so long, the organisations are expected to aim at SWOT analysis and to ally 4Cs with 4Ps of marketing in order to be more consumer centric. So, the survival and success of any business depend on a transformation i.e. radical change in competitive capabilities and underlying cost base. Creation of sustainable cost transformation isn't a modification in process—it may be a modification in thinking that needs complete organisational commitment and involvement. Focus should be given on identifying value generating activities, core potentiality, mission, vision of business. So proper leadership should be followed to create a culture of cost optimisation, continuous improvement in production procedure, casting out of useless expenditure, technical prediction, cost-benefit analysis, so that the survival strategy can be put into practice properly. MA

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COST GOVERNANCE IN EDUCATION SECTOR IN INDIA – A CASE STUDY OF A HIGHER EDUCATIONAL INSTITUTE

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Abstract

Indian education sector is almost the largest in the world. Due to demand of quality education private sector and foreign universities also have entered in this arena. For the existence and development of every institution cost governance is required for effective management because proper use of cost governance increase the cost compliance. Through a case study of higher education institute in Calcutta we have tried to review how the college authority voluntarily follows the 'Guidelines Note on Cost Management in Educational Institute' issued by the Institute of Cost Accountants of India' by properly utilizing expertise of a CMA (Associate professor).

Introduction

Cost and benefits are interrelated and are very important two components of any organisation either in education sector or in other sector. We need to give attention to the links between governance and data quality which are important for effective and efficiently running of an organisation. Globally, the Indian education sector is almost the largest with 1.4 million schools will over 200 million enrolled students, more than 850 universities and 40,000 higher education institutes. These figures have been rapidly rising as an effect of higher income level and growing demand of quality education. Education sector in India is run by both the Government and Private sector. So focusing on the specific aspect of cost governance needs to be reformed. Indian education sector has made a paradigm shift in recent times. Once education sector was primarily operate for a nation building activity, then it has been transformed into a 'sector in its own right'. Due to an increased competitive nature quality education with reasonable cost is very important. So cost governance in education sector is essential.

Governance

According to Business Dictionary 'Governance' is the "Establishment of policies, and continuous monitoring of their proper implementation, by the members of the governing body of an organisation. It includes the mechanisms required to balance the powers of the members (with the associated accountability), and their primary duty of enhancing the prosperity and viability of the organisation". It describes the structures and decision making processes that allow state, organisation or group of people to conduct affairs. It ensures the safety and efficiency of such organisation, where it is effectively followed. Though there are so many definitions of Governance but most of those have given importance of three dimensions: (i) authority, (ii) decision making and (iii) accountability. In our study, the working definition of governance reflects these dimensions. Governance makes it clear that who has power, which makes decisions, how other players make their voice heard and how account is rendered.

Cost Governance

The Institute of Cost Accountants of India describes: "Cost Governance may consist of the set of policies, principles, processes, customs, and laws paving the way to direct, administer or control the utilization of resources by and enterprise. The enshrined objectives is optimum resource productivity." (Cost Governance: The Key Success Factor). The Principal stakeholders of effectiveness of cost governance in education sectors are the students, management, universities, council/Board, University Grants Commission(UGC), both State and Central Governments and Community. Proper use of cost governance increases the cost competence. Education sector as a whole or any educational organisation may be able to use cost governance effectively then it will help the organisation for its economic development. Cost records are indispensable instruments that will enable the academic institutions to make their operations efficient and suit them in the present competitive environment. The education sector has attained strategic importance in the economy after opening up of the economy for private or foreign investment and collaboration. That's why the cost governance has got more importance in education sector in present days.

Overview of the Indian Education Sector

In India education sector is a Government-operated and privately operated educational institutions. All though there has been a significant increase in India's literacy levels, from 17% at the end of 1950 to 76% in 2018, yet it has the largest illiterate population in the world, with its literacy rate below the world average (86%). Moreover, a majority portion of graduates from the universities are not easily employed. Some selected higher education institutes like Indian Institutes of Management (IIMs) and the Indian Institutes of Technology (IITs) have become the successful institutes in Indian higher education sector. Due to worldwide competition the Indian education sector tries to increase the quality which in turn generates positively learning out comes. Indian education sector is slowly but steadily moving on the reforms.

Indian education sector comprised of School education – pre-school, primary and secondary education and higher education including professional and technical education. School education comprise K to 12 i.e. kindergarten to 12th class covering primary and secondary education then graduation and post-graduation studies regulated and funded by State and Central Governments. Now corporate have entered in school and higher education sector using a mix of franchisee and owned schools, colleges and universities as well as professional or technical educational institutes.

Importance of higher education is that, it provides specialised knowledge and skills that are used for national development. The higher education private institutions in India are expected to be run under a not-for-profit trust or society. So there is also a need for cost governance to provide quality education with minimum cost.

Trends in higher educational institutes are shown in T**able 1**

Table 1: Trends in Universities and Colleges

Year	No. of Universities	No. of Colleges
2013-2014	723	36,634
2014-2015	760	38498
2015-2016	799	39071
2016-2017	864	40026
2017-2018	903	39050

Source: All India Survey on Higher Education (AISHE) 2017-18. Govt. of India

It is observed from the Table that the number of Universities and colleges has been increased from 667 in 2012-13 to 903 in 2017-18 by almost 25% during the period. There has been significant increase in the number of universities and colleges during 2013-14 to 2017-18 from 36634 to 39050. The growth of the number of universities and colleges led to growth of number of students in higher education and recruitment of teachers.

Though India has made a significant improvement in relation to number of colleges and universities along with number of teachers and students, the overall picture of education development is mixed. There have been many persisting concerns and challenges relating to access and participation in education, quality of education, equity in education, system efficiency, governance and management, research and development and financial commitments to the development of education.

Many private players are now coming forward to invest in higher education. One the other hand Indian universities and technical institutions of India and the USA, Scotland, England, France etc. have collaboration for teacher-student exchange programmes, curriculum design etc. to strengthen mutual understanding and cooperation particularly in the area of knowledge and innovation. The Education Bill regulating the entry of Foreign Universities and set up their campuses in India. So day by day the importance of cost governance is increasing in higher education.

Cost Management and Cost Governance in Higher Education Section

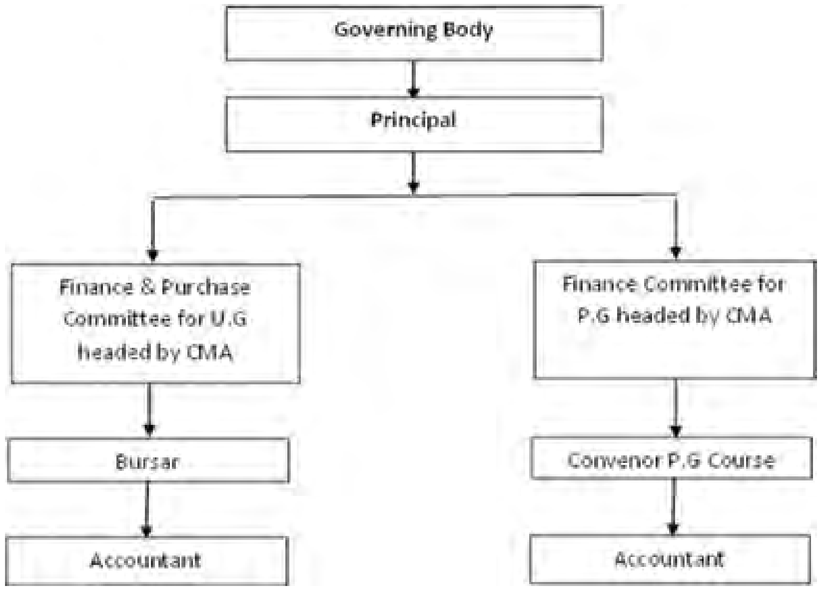
"Today, the aim of the top management of college and universities is to improve transparency into their services, operations and finances for their stakeholders and the public. There is also a growing interest among the institutions of higher education to enhance risk management through better controls over their entity systems, policies and procedures, and to promote the importance of accountability among professionals" (Guidelines Note on Cost Management in Educational Institutions – ICWAI) Cost review, performance management and management information system play a vital role in working with management, administration and boards to establish strong Cost Control system to get so many benefits in terms of organisational performance and cost efficiencies. The effective cost governance system used in higher educational institutions guide how the strength and opportunity will overcome its threats and weakness.

Now we turn our analysis towards a Case Study.

Case Study

We have selected the college situated in Kolkata – 'Naba Ballygunge Mahavidyalaya', a undergraduate & post graduate college affiliated to University of Calcutta to assess and evaluate its performance of cost effectiveness and how effectively uses the cost governance there. The college was established in 1985 as an evening college to teach arts and commerce students at graduation with HS curriculum. In 2005 H.S. curriculum was withdrawn by the Govt. of West Bengal along with all other colleges. In 2013 P.G. Courses in Commerce and Bengali were introduced as regular self-financed courses under C.U. Thereafter, this is the 1st college in West Bengal that got 3 UGC posts both in each Commerce and Bengali Departments. At present the P G Section is running by 1 full time teacher in Commerce and 2 full time teachers in Bengali and so many qualified and experience Guest Faculty. In this year 2 full time commerce teachers and 1 full time Bengali teaches likely to join in P G Section. No non-teaching staff post has been sanctioned to run the PG Courses. As and when the college got full time teachers from the Government the tuition fees of PG students have been reduced accordingly considering the cost of teaching has been less due to the fact that the salary of those teachers born by the Government. Though the P.G. Courses have been started as self-financed courses but now it is running as semi self-financed or semi government aided courses. Now we give the structure of cost and finance governance in this college by a chart.

Chart: 1 Cost Governance Systems in the College



The supreme authority of the college is the Governing Body. The Principal being the drawing and disbursing officer (DDO) and custodian of the college is completely accountable to the – Governing Body. In every year at least 4 Finance Committee meeting being held to supervise the cost and expenses, recommend and advise to the Principal about the cost expenses incurred or to be incurred over a certain amount fixed by the Governing Body. In this college for effective cost governance and control the convener of both the Finance Committee is a CMA & Professor of Commerce who has commendable knowledge on costing and finance also. Then the Bursar who looks after, supervise and advise day to day cash receipts and payments and accounting part of the college is a Assistant Professor in Commerce with M.Com and M.Phil degree. So day to day cost and expenses is governed by the bursar and cost and expenses more or less for a period of 3 months are governed by well qualified and effective Finance Committee where Government and University nominees remain in the committee. For every expenses over a certain amount needs the approval of such finance committee with expertise knowledge both in costing and finance. All grants received from the State Government and UGC and collection from students have deposited to college Bank Accountant. Salary to Teaching and Non-Teaching staff directly deposited to the concerned employee's bank account. All capital expenses and single expenses over Rs.20,000/- is governed by the Finance Committee. This college is NAAC accredited B+ Grade College and the UGC allotted for that a grant of Rs.2 crore. For effective utilisation of such amount a committee is formed as "RUSA 2 Fund Utilization Committee" headed by an Associated Professor with M.Com, MCA and Doctorate degree. As a result with expertise knowledge of cost governance and cost management that CMA will supervise, monitor and effectively use of cost governance for utilizing of such UGC Fund of Rs. 2 Cores.

Now, we review how far this college management voluntarily follow the ''Guidelines Note on Cost Management in Educational Institutions'' issued by ICMAI to evaluate and improve the effectiveness of risk management, cost control and governance processes:

1. **Systems Evaluation:** The Governing Body assesses and evaluates the system by approving all finance committee resolutions after seeking clarification, and if required changing it with adequate advice.

2. **Stock Evaluation:** Caretaker of the college maintains the stock of college furniture, IT equipments, office equipments, stationary etc under the supervision of the bursar of the college. Stock of library books, journals, periodicals, e-books and e-journals are is directly maintained by a well-qualified college librarian with the help of library assistant.

3. **Compliance Evaluation:** Compliance of uses normal UGC fund for construction of college building, purchase of library books, equipments, furniture, minor research project, national seminars as per UGC norms and guidelines are governed by the Governing Body through the well-equipped Finance Committee.

4. **Contract Evaluation and Cost Review:** In

this college before issuing work order for purchasing capital goods and signing a contract for construction of college building or purchase of equipments the Building Committee and Finance Committee take decision after evaluating the cost and review it. Finally the Governing Body approves it and then the Principal will be able to sign the contract on behalf of the college.

5. **Thematic Work Review:** Work of all academic departments of both UG and PG Sections and college library are reviewed by the Internal Quality Assessment Cell (IQAC) which is a significant administrative body that is responsible for maintaining long term quality standards. The IQAC is also headed by a CMA. The role of IQAC is to initiate, plan and supervise various activities that are necessary to increase the quality of education in this college. It guides to maintain the quality standard of teaching, learning and evaluation.

6. **Revenue Assurance:** The Principal being the DDO is accountable to the Governing Body about the revenue collection and submission of 50% tuition fee to the Government of West Bengal. The authority allows tuition fee concession to poor but meritorious students and the player students who participate in inter college tournament.

7. **Grant Review:** Salary grant received from the State Government need not to be renewed thoroughly since it is directly credited to the concerned employee's bank account. The Principal only has to submit the 'disbursement certificate' after signing on revenue stamp by the concerned employees. But review is necessary for other grants like Building Grant, equipment grant, seminar or conference grant, remedial coaching grant etc. This college make those grants review by the Finance and Purchase Committee headed by an Assistant Professor with CMA degree/diploma.

As per RUSA 2 guidelines the utilization of grant of Rs.2 crore must be reviewed by 'RUSA 2 Fund Utilization Committee'. Accordingly, expenses of first instalment of such grant of Rs.1 crore have been effectively reviewing by such committee there also exists a CMA whether the fund is properly used for the intended purpose or not.

Conclusion

It is observed from our study that the private players and foreign universities have been entered in the field of higher education. So, to maintain the quality of higher education all higher educational institutes have to effectively use the cost governance to reduce and govern the cost elements. Otherwise those institutes have to face tough competition from other players in this field.

It is also observed from our Case Study that the college authority rightly utilise the expertise knowledge of an Associate Professor who is also a CMA. That CMA holding the responsible post in cost management and cost governance always advise the college authority in right way by which the college is able to control the cost elements and run both the UG and PG Courses with minimum cost without compromising the quality of education.

On the basis of our observation we may recommend that there may be a CMA in all higher educational institutions who will advise and govern the cost elements to run the courses efficiently and effectively using cost maintenance model, fee fixation mechanism and designing practical costing system. MA

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Kind Attention !!!

UGC Approved List of Journals has been revisited by UGC-CARE (University Grants Commission - Consortium for Academic and Research Ethics) w.e.f. 14.06.2019. We are in the process of getting enlisted in it and will inform as soon as we get enlisted.

SHAREHOLDING PATTERN: A SKETCH OF DIVIDING CAKE UNDER SEBI's LODR-2015

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Abstract

Corporate Governance structure specifies the rules and procedures for making decisions on corporate affairs. The governance framework encourages the efficient use of resources and accountable for the stewardship of those resources. Shareholders are the true owner of any corporate house. As per SEBI's LODR-2015, status of shareholding pattern is one of the important disclosure. The main objective of this research paper is to focus light on the shareholding pattern in IT and Telecom sector companies in regard to SEBI's Listing Obligation and Disclosure Requirement 2015.

In this study four IT sector companies Infosys, TCS Ltd., Wipro Ltd. and Bharti Airtel Ltd. have been taken for the financial years 2014-15, 2015-16 and 2016-17. This study shows that all sampled companies comply the requirement regarding the categories of shareholding. It has also been observed that in all companies except Bharti Airtel have no foreign promoters' holding. Bharti Airtel has approx. 21% foreign promoter's holding during the study period. It is suggested that the companies should make efforts for foreign shareholding if it is beneficial to the company.

Introduction

The continuously spreading unethical and unfair business practices have been rampant in every facets of business organizations. Unethical and unfair business practices may not remain forever and after an extent destroy the fabric of corporate governance. It ultimately leads to corporate failure and not only hits the confidence of public but also harms the market sentiments. As a result good Corporate Governance Structure has become a buzzword and gets hardly missed in any discussion on corporate running. Corporate Governance structure specifies the rules and procedures for making decisions on corporate affairs. It also provides ethical standards for effective management and equitable distribution of wealth for the overall development of all stakeholders in a corporate house.

The term Corporate Governance has been defined by Sir Adrian Cadbury, the chairman of Cadbury committee as "Corporate Governance is defined as holding the balance between economic and social goals and also between individual and communal goal. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interest of individual, corporation and society."

Bahl, H.R., quoting Chanakaya writes- we need to understand what Chanakaya long back said. Chanakaya says, and I believe that this will give us complete understanding of where does prosperity come from...? Chanakaya said, **"Sukhasya Moolam Dharmaha, Dharmasya Moolam Artha, Arthasya Moolam Raajyam..."** This mean that prosperity originates from Rajya, the good governance.

According to Fernando A.C., "Shareholders are the owners of the company and such they have certain rights and responsibilities. A good corporate framework is one that provides adequate avenues to shareholders for effective contribution in the governance of the company while insisting on a high standard of corporate behaviour without getting involved in the day to day functioning of the company.

Present Corporate Governance norms for all listed companies are regulated by the Companies Act 2013. In India, there is the regulatory of the security market, therefore a listed company is also bounded to comply with the requirements of listing agreement. Now SEBI notified on 2/9/2015 in the extraordinary Gazette of India the Listing Obligation and Disclosure Requirement Regulations, 2015 (LODR). So, all the listed companies are now governed by LODR Regulations, 2015. Further, it is also necessary to mention that every listed company should comply with the stricter provisions of Companies Act, 2013 and SEBI LODR 2015.

As per Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015 issued by SEBI, listed companies shall make various disclosures and abide by its regulations. Status of shareholding pattern is one of the important disclosure. It deals with the disclosure of shareholding pattern and manner of maintaining shareholding in dematerialized form. The holding specified securities shall be divided into three categories viz., Promoters' holdings (Group A), Non- Promoters' Holdings (Group B), Shares held by custodian and against which Depository Receipts have been issued (Group C). Total shareholding for the purpose of calculating the public shareholding shall be calculated as (A+B+C) in line with the requirements of Depository Receipts Scheme, 2014, Securities Contract (Regulation) Rules, 1957 as amended up to Feb. 25, 2015 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014.

As per chapter II pint 4 (11) (a) of LODR, 2015, "The listed entity shall seek to protect and facilitate the exercise of the following rights of shareholders:

(i) Right to participate in, and to be sufficiently informed of, decision concerning fundamental corporate changes.
(ii) Opportunity to participate effectively and vote in general shareholder meetings.
(iii) Being informed of the rules, including voting procedures that govern general shareholder meetings.
(iv) Opportunity to ask questions to the board of directors, to place items on the agenda of general meeting and to propose resolutions, subject to reasonable limitations.
(v) Effective shareholder participation in key corporate governance decisions, such as the nominations and election of members of board of directors.
(vi) Exercise of ownership rights by all shareholders including institutional investors.
(vii) Adequate mechanism to address the grievances of the shareholders
(viii) Protection of minority shareholders from abusive actions by, or in the interest of controlling shareholders acting either directly or indirectly and effective means of redress.

Research Methodology

A. Research Questions:

(i) Has the total number of shares been divided into three categories viz. Promoters Holding, Non Promoters Holding and Shares held by Custodian?

(ii) Has promoters holding been divided into Indian Promoters and Foreign Promoters?

(iii) Has Non-Promoters holdings been divided into Institutions and Non-Institutions?

(iv) Has shares held by custodian been divided into two categories viz. Promoters and Promoters group and Public?

B. Scope of the Study

This research paper tries to investigate the share holding pattern and related disclosures of IT and Telecom Sector Companies included in BSE Sensex for the years 2014-15, 2015-16 and 2016-17 according to LODR 2015. Infosys Ltd., TCS Ltd., Wipro Ltd. and Bharti Airtel Ltd. have been taken for the study.

Review of Literature

Hope (2013) in his paper put stress on diversity of large shareholders and the role they play on various governance issues in different countries. Families, Institutions, Government and Employee ownership have been taken into consideration prominently. It has been opined that there are various issues like cut offs, ownership percentage versus voting rights, organizational form etc. are there in measuring the quantum of large shareholders. Also, as the matter of exercising their monitoring is concerned, large shareholders are having a seat on board and perhaps ensure constant involvement through routine meetings with managers and direct monitoring. It has been concluded that concentration of ownership predominantly exists in private firms as compared to publicly traded firms. It has been recommended to study beyond accounting by going in depth of practice in general to find methodological advances in accounting.

Rajput and Bharti (2015) highlighted the influence of ownership structure and corporate governance on the firm's performance. In order to achieve an aforesaid objective, a sample of non-financial 100 BSE listed firms have been taken and their annual reports have been studied from 2007 to 2014. Further, corporate governance index has been derived and relevant hypotheses have been developed. The data analysis and testing of hypothesis have been done by panel regression by taking variables like Tobin's Q, Return on Assets, Return on Equity and control variables such as age, size, debt-equity. The hypotheses which have been developed comprises of relationship of firm's performance to the ownership of retail investor, institutional investor, government, family, FII, corporate and board size. It has been concluded that family and FII ownership and age have a significantly positive impact on performance while government ownership, leverage and corporate governance index reflects significant negative impact on performance. Institutional, corporate and retail investor ownership have insignificant but positive relationship to the performance of firm. It has been recommended to have a larger board size to ensure efficient operation of company.

Tellidou et. al. (2016) in their paper studied the level of compliance with the Corporate Governance Code and delivered their recommendations on the grounds of corporate governance trends worldwide. The financial statements of 162 companies for the period 2011-12 have been analysed out of the population of 243 companies in order to study the diversified quantitative and qualitative variables. One of the considered variables was composition of shareholder i.e. division of shareholders into large and minority shareholders and quantum of shareholders from family and their respective participation in board. It has been depicted by statistical results shareholders holding more than 5% of voting rights, which includes major shareholders, institutional investors etc. holds 65.68% average percentage of control over operations. Moreover, many sampled companies which are listed have been ceased to be family company and are generally run by professional managers, but still there are many companies which are family owned and controlling right to the extent of 50% is being hold by family members.

Data Analysis:

Table - 1
Shareholding Pattern of IT and Telecom Sector Companies for the Financial Year 2014-15

S. No.	Categories	Infosys	TCSL	Wipro	Bharti Airtel
	Total Number of Shares in dematerialized form	1145986615	1957501545	2425290266	3991947414
A	Promoters' Holdings				

1.	**Indian**				
	Individuals / Hindu Undivided Family	13.08	73.81	3.86	-
	Central Government / State Government(s)	-	-	-	-
	Bodies Corporate	-	-	0.46	43.72
	Financial Institutions / Banks	-	-	-	-
	Trusts	-	-	-	-
	Any others (specify)	-	0.09	69.07	-
	Sub Total (1)	**13.08**	**73.90**	**73.39**	**43.72**
2.	**Foreign**				
	Individuals (NRIs / Foreign Individuals	-	-	-	-
	Bodies Corporate	-	-	-	21.44
	Institutions	-	-	-	-
	Qualified Foreign Investor	-	-	-	-
	Any Others (Specify)\	-	-	-	0.21
	Sub Total (2)	**-**	**00.00**	**00.00**	**21.65**
	Total (A)	**13.08**	**73.90**	**73.39**	**65.37**
B	**Non-Promoters' holding**				
1.	**Institutions**				
	Mutual Funds / UTI	5.29	0.88	2.41	2.70
	Financial Institutions / Banks	0.06	0.02	0.28	0.02
	Central Government / State Government(s)	-	0.03	-	-
	Insurance Companies	9.74	3.77	1.67	4.78
	Foreign Institutional Investors	37.96	14.94	10.71	15.94
	Foreign Portfolio Investors (Corporate)	-	2.01	-	2.00
	Foreign Venture Capital Investors	-	-	-	-
	Qualified Foreign Investor	-	-	-	-
	Any Others (Specify)	-	-	-	-
	Sub Total (1)	**53.06**	**21.64**	**15.07**	**25.44**
2.	**Non-Institutions**				
	Bodies Corporate	0.81	0.35	2.69	2.91
	Individuals				
	• Individual shareholders holding nominal share capital up to Rs. 1 lakh	5.71	3.29	2.00	0.73
	• Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	3.78	0.72	3.03	0.16
	Qualified Foreign Investor	-	-	-	-
	Non-Resident Indians/ Overseas Corporate Bodies	1.53	-	1.09	-
	Foreign Corporate Bodies	-	-	-	5.13
	Any Others (Specify)	5.83	0.10	0.77	0.26
	Sub Total (2)	**17.66**	**4.46**	**9.58**	**9.19**
	Total (B)	**70.72**	**26.10**	**24.65**	**34.63**
C	**Shares held by Custodians and against which Depository Receipts have been issued-m**				
1.	Promoter and Promoters Group	-	-	-	-
2.	Public	16.20	-	1.96	-
	Total (C)	**16.20**	**00.00**	**00.00**	**00.00**
	Grand Total (A)+(B)+(C)	**100.00**	**100.00**	**100.00**	**100.00**

Table - 2
Shareholding Pattern of IT and Telecom Sector Companies for the Financial Year 2015-16

S. No.	Categories	Infosys	TCSL	Wipro	Bharti Airtel
	Total Number of Shares in dematerialized form	**2289471639**	**1969267602**	**2444407958**	**3996024115**
A	**Promoters' Holdings**				
1.	**Indian**				
	Individuals / Hindu Undivided Family	12.75	73.34	3.86	45.09
	Central Government / State Government(s)	-	-	-	-
	Bodies Corporate	-	-	0.46	-
	Financial Institutions / Banks	-	-	-	-
	Trusts	-	0.08	-	-
	Any others (specify)	-	-	69.02	-
	Sub Total (1)	**12.75**	**73.42**	**73.34**	**45.09**
2.	**Foreign**				
	Individuals (NRIs / Foreign Individuals	-	-	-	-
	Bodies Corporate	-	-	-	21.66
	Institutions	-	-	-	-
	Qualified Foreign Investor	-	-	-	-
	Any Others (Specify)\	-	-	-	-
	Sub Total (2)	00.00	00.00	00.00	21.66
	Total (A)	**12.75**	**73.42**	**73.34**	**66.75**
B	**Non-Promoters' holding**				
1.	Institutions				
	Mutual Funds / UTI	6.63	1.09	1.95	2.48
	Financial Institutions / Banks	0.05	0.05	0.38	0.03
	Central Government / State Government(s)	-	0.04	-	-
	Insurance Companies	10.77	3.99	2.23	7.45
	Foreign Institutional Investors	22.65	10.16	10.94	-
	Foreign Portfolio Investors (Corporate)	-	-	-	-
	Foreign Venture Capital Investors	-	-	-	-
	Qualified Foreign Investor	-	6.67	-	16.78
	Any Others (Specify)	-	-	-	-
	Sub Total (1)	**40.10**	**22.00**	**15.50**	**26.74**
2.	**Non-Institutions**				
	Bodies Corporate	0.77	0.35	2.35	0.24
	Individuals				
	• Individual shareholders holding nominal share capital up to Rs. 1 lakh	4.90	3.34	2.26	0.68
	• Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	4.80	0.72	2.68	0.12
	Qualified Foreign Investor	-	-	-	-
	Non-Resident Indians/ Overseas Corporate Bodies	1.52	-	0.45	0.05
	Foreign Corporate Bodies	17.60	-	-	5.11
	Any Others (Specify)	0.78	0.17	1.45	0.31
	Sub Total (2)	**30.37**	**4.58**	**9.88**	**6.51**
	Total (B)	**70.50**	**26.58**	**24.69**	**33.20**

C	**Shares held by Custodians and against which Depository Receipts have been issued-m**				
1.	Promoter and Promoters Group	-	-	-	-
2.	Public	16.78	-	1.97	0.05
	Total (C)	**16.78**	**00.00**	**1.97**	**0.05**
	Grand Total (A)+(B)+(C)	**100.00**	**100.00**	**100.00**	**100.00**

Table - 3
Shareholding Pattern of IT and Telecom Sector Companies for the Financial Year 2016-17

S. No.	Categories	Infosys	TCSL	Wipro	Bharti Airtel
	Total Number of Shares in dematerialized form	**2292663376**	**1969303761**	**2410116833**	**3991948191**
A	**Promoters' Holdings**				
1.	**Indian**				
	Individuals / Hindu Undivided Family	12.75	73.31	3.93	45.48
	Central Government / State Government(s)	-	-	-	-
	Bodies Corporate	-	-	0.44	-
	Financial Institutions / Banks	-	-	-	-
	Trusts	-	-	-	-
	Any others (specify)	-	-	-	-
	Sub Total (1)	**12.75**	**73.31**	**73.26**	**45.48**
2.	**Foreign**				
	Individuals (NRIs / Foreign Individuals	-	-	-	-
	Bodies Corporate	-	-	-	-
	Institutions	-	-	-	-
	Qualified Foreign Investor	-	-	-	-
	Any Others (Specify)\	-	-	-	21.66
	Sub Total (2)	**00.00**	**00.00**	**00.00**	**21.66**
	Total (A)	**12.75**	**73.31**	**74.75**	**67.14**
B	**Non-Promoters' holding**				
1.	**Institutions**				
	Mutual Funds / UTI	8.33	0.94	2.52	3.21
	Financial Institutions / Banks	0.17	0.04	0.62	0.05
	Central Government / State Government(s)	-	0.05	-	-
	Insurance Companies	11.80	4.38	2.63	7.89
	Foreign Institutional Investors	-	1.81	10.19	-
	Foreign Portfolio Investors (Corporate)	-	-	-	-
	Foreign Venture Capital Investors	-	-	-	-
	Qualified Foreign Investor	38.31	15.09	-	15.22
	Any Others (Specify)	0.01	-	-	-
	Sub Total (1)	**58.62**	**22.31**	**15.96**	**26.37**
2.	**Non-Institutions**				
	Bodies Corporate	0.62	0.25	1.37	0.20
	Individuals				
	• Individual shareholders holding nominal share capital up to Rs. 1 lakh	5.15	3.20	2.31	0.62
	• Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	4.75	0.71	3.22	0.11

	Qualified Foreign Investor	-	-	-	-
	Non-Resident Indians/ Overseas Corporate Bodies	0.51	-	0.34	0.03
	Foreign Corporate Bodies	0.91	-	-	5.08
	Any Others (Specify)	-	0.22	1.54	0.45
	Sub Total (2)	**11.94**	**4.38**	**8.78**	**6.49**
	Total (B)	**70.56**	**26.69**	**24.74**	**32.86**
C	**Shares held by Custodians and against which Depository Receipts have been issued-m**				
1.	Promoter and Promoters Group	-	-	-	-
2.	Public	16.69	-	2.0	-
	Total (C)	**16.69**	**00.00**	**2.0**	**-**
	Grand Total (A)+(B)+(C)	**100.00**	**100.00**	**100.00**	**100.00**

Observations

1) It has been observed that all companies of this sector comply the requirement regarding the categories of shareholding.

2) Bharti Airtel has the largest number of shares and TCSL has the lowest number of shares except in 2014-15 where Infosys had the lowest number of shares among the sampled companies.

3) All sampled companies of this sector have Indian Promoters' holders but TCSL has highest number of holders.

4) It has also been observed that in all companies except Bharti Airtel have no foreign promoters' holding. Bharti Airtel has approximately 21% foreign promoters' holding during the study period.

5) It has been observed that all companies except Infosys have approximately 20 % holdings in Non-promoters. Infosys has the highest i.e. more than forty percent in Non-promoter holdings during three financial years while Wipro has the lowest non-promoters' holding.

6) In category C all companies except TCSL have minor holders in all three years.

Suggestions

1) The companies should make efforts for foreign shareholdings if it is beneficial to the company.

2) All the companies for the whole study period should disclose promoter and promotor group under the heading "shares held by custodian and against which depository receipt have been issued" to fulfil the requirements of SEBI's LODR 2015.

Conclusion

Corporate Governance is a system by which business corporations are directed and controlled in such a manner that it may lay the foundation for future progress of business. As per LODR 2015, all listed companies must disclose various information, shareholding pattern is one of the important disclosure. MA

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AN INSIGHT INTO THE STATUS QUO OF U.S. - CHINA TRADE WAR

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Abstract

This paper scrutinises the ongoing U.S. – China trade conflict. It further forks into various dimensions: the devaluation of Yuan, the enfeebled state of the Chinese economy, a glimpse of the Trump's election moves, taking cognizance of the agendas at the G20 summit and China's dauntless ambition to attain superiority. The staple idea focuses on analysing the dynamics of the two economies along with negotiating a way out of this imbalance.

Introduction

The vengeance formulation between the two world powers, U.S. and China, jogs our memory and reminds us of the Anglo-German rivalry of 1914.The tariff war has escalated at full tilt affecting both the economies in a detrimental manner. China slammed U.S. president Donald Trump quoting, that he is practicing 'Naked Economic Terrorism' as Washington increased tariff up to 25 percent on $200 billion of Chinese goods, envisioning 1 percent drop in China's GDP (The Economic Times, 2019).

Anxious to checkmate the U.S. tariff policy of 25 percent, China can further devalue Yuan to 8, which is extremely dubious as it will trigger the trade imbalance and cause capital account surplus to prevail. The trade war broil has emerged with quite an appetite, the brunt of which is inescapable. An indefinite and inconclusive brawl has left the Wall Street to breakdown in a cold sweat.

An anisotropic turbulence is being witnessed in the global economy. Putting a figure on the entire scenario, IMF reckons a palpable loss of $455 billion (South China Morning Post, 2019) by the next year, exceeding the size of South Africa's Economy. This trade friction has amplified insofar that the global GDP is envisioned to plummet by 0.5 percent in 2020, thereby warning that inaction will destroy the world economy. The imposition of intense tariffs on Chinese imports has proved to be detrimental for the East-Asian economies as they form the supply base for China; a dominant assembly centre in the GPN (Global production network).In stark contrast to this ,countries like Malaysia and Vietnam are reaping benefits of 'import substitution' from this mounting tension.

An insight into the diagnosis of this entire scenario gets us to our feet to uncover the following-

- Will the lust for power fan the flames of hostility and cause the world to pick sides?
- Is Trump trying to emerge victorious in election 2020 yet again under the aegis of 'protectionism'?
- Will China continue to look the other way as Yuan debases and the capital account surplus persists?
- Will the G20 summit give a comprehensive closure to this unsettled feud?

Trump's Island heading for the Rocks?

The US opened the Pandora's Box and couldn't foresee that it had pressed the self-destruction button. It erred and miscalculated the potentiality of the gargantuan Chinese economy, undermined the unscathed power of the communist party and that its regime had a secured foothold for years, their schemes, their primacies and their imperative necessity to drive their consumption driven economy along with their resoluteness to take over the globe. It assisted China's entry into the World Trade Organization (WTO). The backup wasn't conjectural; it was hyped by the proponents of Permanent normal trade relations (PNTR) (Lighthizer, R. 2010), who guaranteed that China's coming in the WTO would impel China to embrace an open market model. The proponents avowed, that it was a win- win situation for the US exporters as the entente would assist the wiping out of various tariffs. In a press conference in March 2000, Bill Clinton hilariously said "This is a hundred to nothing deal with America when it comes to the economic consequences." The US government found itself mired when the turn of events rolled out to be inimical. The expected benefit did not materialize as China showed no compliance to the various agreements it signed with the WTO. Contrary to the prediction, trade deficit grew exponentially and tripled. At the start of the détente, the U.S. started probing into the matter and called for a review of the spiking numbers of imports of steel and aluminum, crystalline silicon, photo- voltaic cells and large residential washing machines.

Office of the United States Trade Representative (USTR) was directed to team up with United States International Trade Commission to oversee and scrutinize the Chinese policies relevant to technology transfer, intellectual property innovation and account for how it is stirring up the U.S. commerce. The diagnosis bared a cosmic increase of imports which sparked off the US government's immediate action of imposing tariffs on Chinese imports as they say," It threatened to impair national security." The US also retaliated by pressing restrictions on the transfer of industrially significant technology (McLaughlin, D. Strohm, C. 2018). The Micron Chip scandal backs the fact that the analysis pertaining to Intellectual property theft is not exaggerated, Chinese recruits He Jianting and Wang Yungming stole various Micron trade secrets related to the design and manufacture of DRAM (Dynamic Random Access Memory) from the Micron subsidiary in Taiwan. To sum up, China's crafty scheming and strengthening Silicon Valley is a daunting prospect to the U.S.

The Killer Robot Instability

With the cold war being the offing between the two pacific giants, China looks as though it is the greater bearer of bad grudges. Despite the fact , that it is the second largest economy in the world with expansive power and ginormous military ,the foreseen repercussions of the trade dispute are ineluctable.

China, an export reliant economy, is being tormented by perpetual decreeing of the tariffs by the Trump administration. Consequently, to offset the punitive tariffs, the Chinese government did its utmost to recuperate by devaluing its currency. By selling short Yuan against Dollar, the Chinese imbibed the imposts and persisted with their overseas trade. Howbeit, they could not uphold this stratagem owing to the fact that it rattled the Chinese economy, sparking off a huge account surplus. Surplus capacity in the economy was encountered for the reason that spending power, to all its intents and purposes, tailed off. This devaluation exerted influence on the households, as it put forward a threat to the common man's pride and subsistence. People had to shore up the freight of the Non-Performing Loans (NPLs) that lay stagnant. This was overtly spelled out as the 'mess to be cleaned' by the populace. The limited investment arrangement twisted the sufferers' arms to entrust a fraction of their savings, on which they were proffered an even slighter interest rate.

Although the U.S. propounded the idea of joining WTO to China (with a clear perspective that China will ostensibly embrace open market trade regime), the Chinese still did not adhere to the agreement solely. With its ingress in the WTO (2001), the U.S. and other countries manifested their concerns in regards to China's malpractices and breach of ethics. In conformity with the report laid out by Office of the United States Trade Representative (USTR), China has been brow- beating the firms into joint ventures and denying the foreign companies to procure authority, also supporting intrusion of the insiders to unsheathe trade secrets. Prepending further, China has also been held answerable for an illicit technology transfer in exchange for the capital. In view of the embezzlement, China has walked away with unaccredited access to data and consequently, inciting contentious negotiations all over the world.

Metamorphosis in the Environment, a Virtue of Economic Infighting

With an incessant trade bullying cropping up, a colossal change is being observed in the trade spectrum worldwide. The tremulous trade imbalance in the autonomous territory of South East China, Hong Kong has grabbed our attention. The levying of tariffs by the Trump administration has impinged on this pre-eminent re-export hub of China (NG, T. Chung, K., 2018). This trade dissension has handicapped the Hong Kong's commodity-exporting community and has sparked off lay- offs in heterogeneous manufacturing units. The aggravating trade-conflict has left the investors edgy and defensive. The hiking up of the manufacturing cost has precipitated the venture-capitalists to slide their line of work to other countries with inexpensive production rates. Another draconian jolt was endured by the Asian economies, which were the prime providers of the significant integrants to be assembled in China. A paramount disruption in Asia's supply chain uncovered as a consequence of rising tariff levels.

Zooming in into the other economies- For the first time in 30 years, World's second largest garment exporter, Bangladesh is sensing a room to maneuver and dilate its market in the U.S. .The hoisting tariffs have rechanneled the trade and Bangladesh is determined to double its exports to \$72 billion by 2024 ensnaring China's \$41 billion share (Devnath,A., 2019). As the war rages on, the protection of investment sentiment has transformed into global distress. Singapore, with a prodigious reputation of its judicial system, is earnest to transfigure itself into a global mediation hub. It is working out the 'Singapore Convention' to straighten out International business disputation. In the support of its initiative, to establish a non-partisan milieu, law minister K. Shanmugam said "Dispute resolution is critical for anybody who is investing cross border" (The Hindu, 2019).

Not all the countries were bedeviled with the feud. There are sundry nations cottoning on to the aspect that this trade conflict is propitious in perking their economics up. Bearing in mind the Taiwanese economy, we surmise that magnification of the tariffs has allowed scores of units to relocate their substructures from Mainland to this self -ruled island ensuing an upthrust in its commercial locale.

Thinking on these lines, we glean from the scenario comprehensively, that the world economy can be subjected to a climacteric structural transmutation in terms of import and export. This may cause a shift in the trade hierarchy, concomitantly stirring up the convulsion of the economies and the trade alliances.

Economical Warping: An Empirical Analysis

An appreciable dissymmetry has been ascertained in the two economies since the trade conflict has begun. Anatomizing the situation, we are backing up our claims with the following analysis.

Figure 1.: Current Account Deficit as a percentage of Normal GDP of U.S.

Data source: CEIC (Census and Economic Information Center)
Note-Current account deficit as a percentage of nominal GDP of the U.S.(Quarterly)

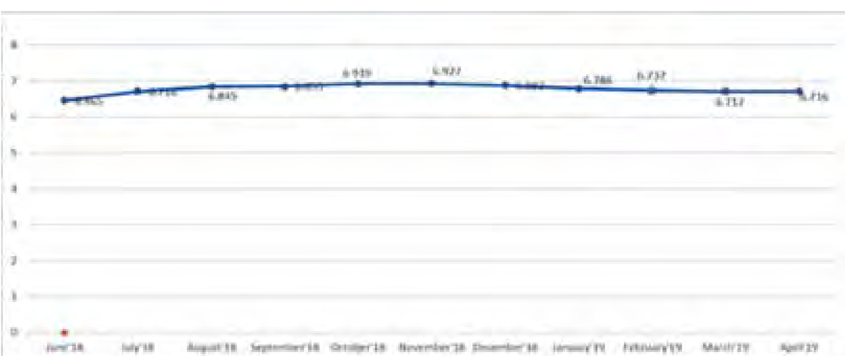
Figure1. presents a quarterly trend in the current account deficit of U.S. A report (December 2018) gauges that U.S. current account deficit now adds up to 134.4 USD billion which is 2.6 percent of the country's nominal GDP. Nominal GDP of the country was revealed to be 5164.8 USD billion (September, 2018).

Figure 2.: China's current account balance as a percentage of nominal GDP

Data source: CEIC (Census and Economic Information Center)
Note-Current account balance as a percentage of nominal GDP of China (Quarterly)

Figure 2. shows a trend in China's current account balance. A menu of whys & wherefores as itemized ; an intensifying trade-chasm, China's emergence as the epicentre of world export, rigid investment regime, overheard increase in domestic savings, undervaluing the currency (RMB) as a compensatory measure against whopping tariffs form a myriad of factors that have led to a draconian increase in China's current account surplus by 58.6 USD billion.

Figure 3.:China's Renminbi exchange rate against U.S Dollar



Data source: CEIC (Census and Economic Information Center)
Note-China's exchange rate against U.S.A. (RMB/USD)

In Figure 3, a trend in the China's Renminbi exchange rate against U.S Dollar is presented. A mild surge in the exchange rate (RMB/USD) from 6.716 (April 2019) to 6.852 (May 2019) was put on record.

This trade tussle is a double edged sword. The impact is far reaching but a little inclined – about 0.4 percent of GDP for China compared to about 0.2 percent for the U.S. and welfare losses of US$ 100 billion for China versus about US$ 50 billion for the U.S.

Aa Iffy Climax

U.S. President Donald Trump is giving his two pence worth about 'making America great again' ,so in addition to being neglectful of the weighty counsels , he is also impervious to the naked truth ; 'he is harking back to an era which was not great for everyone'. The era encompasses incalculable job losses, rampant economic inflation and an unanticipated trade deficit. Intimidated by China`s sinocentricism and vigorous technological aggrandizement, Trump took self-seeking incautious protectionist measures against China. Startling the giants across the globe, China set in motion, its new-fangled highly ambitious stratagem, 'Made in China 2025'.

The dragons are showing to acquire the space-age technology, with its focal point set on the progression of ten key commercial enterprises. China has set its heart on establishing itself as the prime contributor in the supply chain and the chief manufacturer of advanced integral constituents .China is in a position to explore its monumental capacity which is assisted by significant financing, subsidies and ample workforce.

China is concentrating on upgrading its high tech research. The next big thing that China is turning up with its 5G next gen superfast internet surpassing America, the tech pharaoh. Just as we chew over the looming snare, a span-new gambit of China, the Belt and Road Initiative is equivalently successful in enrooting fear of global dominance.

Trump and Xi, chief of the world's top two influential economic acceded to a cease fire at the hotly anticipated G20 summit in Osaka, Japan. U.S. committed to pause levying of further tariffs on Chinese import. He eased the tension with conciliatory remarks and said that two sides would continue to negotiate. As the unique solution to the trade war truce remains dialogue, the world has its eye on the next move.

From an equitable perspective, if Trump is genuinely doing his utmost to uncover China's malpractices, then he should carry it out for the world rather than taking up the cudgels for U.S.'s superiority owing to the fact that it has dismally affected the other nations, disrupting their trading links. As global dominions, China and U.S. must swear allegiance to the nations, slowly and surely finding fruition and reaching a gentleman's agreement. MA

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- CHAPTER NOTICE -

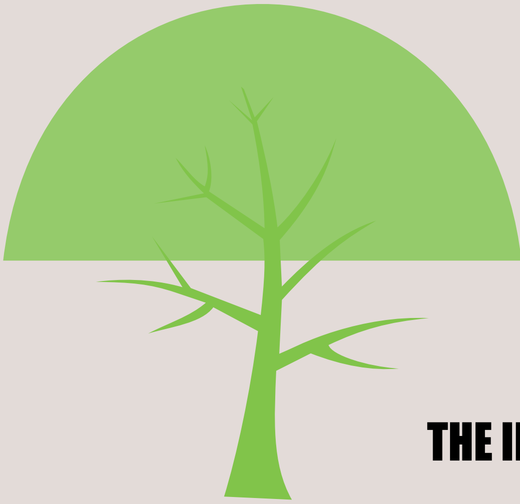
Ref.No.: G/82(120)/09/2019 September 2, 2019

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute in its 320th Meeting held on 21st July, 2019 by virtue of power conferred therein has constituted the following Chapter of The Institute of Cost Accountants of India covering the area of Singrauli District in the State of Madhya Pradesh.

The Institute of Cost Accountants of India – Singrauli Chapter
CETI Building, Singrauli
Pin – 486889
Madhya Pradesh.

(S C Gupta)
Secretary (Acting)



Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

FOR ATTENTION OF THE MEMBERS

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

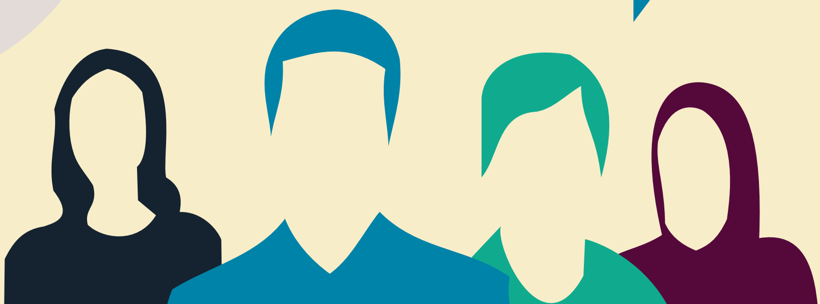
Outright Grant not exceeding ₹**3,00,000/-*** in each case to the beneficiary in the event of death of the member.

Outright Grant not exceeding ₹**1,50,000/-**** in each case to the member/beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.

Income Tax Benefit

Contributions to MBF qualify for section

80G Exemption



Procedure to become MEMBER of MBF

The prescribed fee for life membership is ₹7,500/-

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

** effective after 3 years from the date of enrollment in MBF and subject to regular payment of Membership fees. For any break in payment of membership fees within scheduled date, effective date will be calculated from the last payment date of payment of membership fees.*

*** effective after 1 year from the date of enrollment in MBF and subject to regular payment of Membership fees. For any break in payment of membership fees within scheduled date, effective date will be calculated from the last payment date of payment of membership fees.*

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

E-mail: ***mbf@icmai.in***

VALUE ADDITION IN COST AUDIT - NON FINANCIAL PARAMETERS FOCUS FOR MSMEs

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Abstract

This article explores the aspect of real value addition to Cost Audit, which is getting embroiled in the compliance mode, actively being pursued by the auditee and the auditors. This article is aimed at being a sequel to the article by our past President CMA. M Gopalakrishnan, who has spelt out his views on Future Proofing Cost Audit, which are thought provoking. The article details the approach for making cost audit effective from the auditee point of view and satisfying from the auditor point of view. While the non-financial parameters had only a brief reference in the said article, the author would like to share his personal experiences on the value addition thru non-financial performance metrics, which are vital especially to the MSME sector. The concept is equally applicable to non MSME sectors also.

Introduction

Although MSMEs are exempt from cost audit from the statutory perspective, the evaluation of whatever cost accounting system they follow, and feedback from an informal audit mechanism for improvement in performance reporting, is vital for sustaining the business. I find that the audit process described by CMA M. Gopalakrishnan in his article is equally applicable to the MSMEs, may be with a toned down approach. This triggers a thought process of voluntary cost audit for MSMEs, where the essence of value addition will be thru better resource utilization and efficiency improvement.

Industry Perspective: - The Role of Non Financial Parameters

The undersigned is running own manufacturing business for more than four decades and presently managing an auto ancillary business. As a CMA in business, I would like to add few of my thoughts on the above.

Definition of Management Accounting as such includes both monetary and non-monetary information for both Planning & Control as well as non-routine decisions. However non-monetary information which is available within the organization is not used to the fullest extent by CMA's and also in the Cost Audit reports which follow subsequently.

Nonmonetary information plays a vital role in the business and only CMA's have the capability to understand and audit the same in a meaningful way for evaluating the efficiency. In our automobile ancillary business, International Automotive Task Force (IATF) certification is a must now and it generates enormous amount of non-monetary information which could be used in the Costing Systems for improving quality, productivity and cost management of the business. Earlier also we were under ISO 9000 -2015 system which is being adopted by most of the non-automotive manufacturing companies even today and the same also generates substantial nonmonetary information. This alleviates the need for additional data collection, which may not be feasible in MSMEs.

The Role of a MSME Cost Auditor

I wish statutory Cost Audit also embraces the approach given in this article to evaluate, measure and report the performance of the units. Management will also like the above internal systems audited more frequently by an external CMA so that they benefit from the outcomes of the audit. This will also enable transfer of best practices from other units to the unit under audit.

Probably Cost Audit and internal audit could be merged into a system based independent performance audit by practicing CMA's only, as financial auditors will not have the competency to do this type of internal performance audit. While statutory financial audit could serve the purpose of external reporting for shareholders and others, the internal performance audit by practicing CMA's could be used for internal management as well as the Board of Directors. The internal performance Audit could be done on quarterly basis and reports can be submitted to the board within say one month after closing of the quarter.

What to Look at During Audit

Some of the major aspects of quality, productivity, capacity utilization and energy efficiency could form important aspects of the above audit.

1. Cost Management through quality

In quality, yield from each and every process of manufacturing including the waste generated could be captured. If internal rejection in a particular process is very high, the same not only results in wastage of scarce natural resources, but also increases cost of production. If a particular process involves lot of rework, it results in nonvalue added costs to the unit. IATF information is very useful for us to reduce wastage as well as rework in each and every process. The internal performance auditor need not be an expert on the processes but can just report the monetary costs of the wastage/rework by adopting an accepted frame work as suggested by our Institute guidelines. Probably standard costing could be applied for reporting the losses in monetary terms. The sum total of all these micro level costs could be added up and reported to the Board including the independent directors on quarterly basis with trends of previous quarters.

2. Cost Management through Equipment performance

Overall Equipment Effectiveness (OEE) – A Key Driver for Performance

There is a performance measuring technique available for each and every equipment namely **"Overall Equipment Effectiveness" (OEE).** Performance of each and every equipment in the unit is measured perpetually and OEE figures are captured. OEE is an important aspect of improving productivity as well as maintenance of each and every equipment which ultimately improves cost competitiveness.

The formula for OEE is as follows:

Availability of Equipment: (A) Availability take into account the actual total time of machine operating and calculated as the ratio of run time to panned production time.

- Availability = Runtime/Planned Production Time

Runtime came after deducting stop time from planned production time.

Performance of the equipment: (P) The performance takes into account anything that affects the manufacturing process. The manufacturing process is typically affected by slow cycles and small stops.

- Performance= (Ideal Cycle Time*Total Count)/Runtime

Performance should never be more than 100%. If it is, then it indicates ideal time set incorrectly.

Quality: (Q) Quality takes into account manufactured products that do not meet quality standards. Make sure quality is measured without any rework on the product.

- Quality = Good Count/Total Count

OEE = A*P*Q

In simple terms, Availability is the machine is operating or not, Performance is how fast machine is running, and Quality is how many products are final and meeting all specs.

Calculation of OEE is available online and one need not spend time and energy for the same. ERP systems mostly incorporate OEE calculations and whatever is explained above is only for understanding the formulae.

OEE Benchmarks: OEE benchmarks can vary from industry to industry. It will be set at the end of the year after getting the performance of every company in the industry. Usually, 100% is perfect which means manufactured only good products, as fast as possible, with no stop time. 85% considered as world class, and set for long-term goals. 60% is fairly typical but there is substantial room for improvement, and 40% is low which means companies are either coming on track or not working effectively.

3. Other Futuristic Non Financial Performance Measures

Energy conservation and environmental protection is another area where the internal performance auditor can play a vital role. Energy efficiency of countries are ranked globally in the following link

https://aceee.org/portal/national-policy/international-scorecard

It is our responsibility to make our country more energy efficient and the process has to start from every individual unit for the same. The internal performance auditor can report improvements achieved in energy saving on quarterly basis to the board.

4. Time related costs

Marginal Costing principles recognizes costs varying with time as well as volume. While volume related costs are measured with conventional costing systems, measuring Time related costs is a challenge from time immemorial. IATF suggests a hourly monitoring sheet which each and every employee fills in our factory on perpetual basis. It gives detailed analysis of targeted output (in costing terminology we can assume as "Standard output"), the actual output and reasons for shortfall in a simple format. Industrial engineering departments in most of the manufacturing units calculate the cycle time for each and every process. Unfortunately Costing departments are not making use of these information to calculate product costs in a scientific manner. Hourly monitoring sheets is a great boon for CMA's arrive at product costs after each and every process. Also micro level variance analysis is possible using standard costing principles which will enable enterprises to be more efficient. A sample Hourly monitoring sheet is enclosed in the annexure.

Both ISO as well as IATF have originated from Europe and Germans could have a played vital role in the same. German costing system (GPK) was developed by an Industrial engineer and he has recognized time as an important element of cost after Second World War, i.e almost 70 years back. Unfortunately global management accounting institutes and business management schools didn't recognize the existence of this costing system which is more scientific and aligned with non-monetary information systems available inside the organizations.

Opportunities available in MSME sector

According to the statistics of the Government of India, there are two crore registered MSME's in manufacturing sector alone in our country. Roughly 10% of these units, i.e 20 lakh units may have quality systems capturing non-monetary information on perpetual basis. These units will also have mini ERP systems where the information is already available. If our practicing members address this segment, there is enormous opportunity for introducing and maintaining an in house costing system for better planning & control as well as non-routine decisions making process. Even if a practicing CMA is able to service 20 units, it may require one lakh practicing CMA's in the field to service MSME sector alone. Probably they can visit the unit once in a month and discuss with the top management for improving all round efficiencies. If the software is cloud based, he need not have to even visit the unit and advice over phone.

Opportunities in bigger units

Probably if we convince Ministry of Corporate Affairs to include gist of all the above in the annual report, it can add value to the exercise as all the stake holders including shareholders and lending institutions can benefit from the quality, productivity, energy efficiency of the unit. Probably MCA can make it compulsory for all the listed companies as well companies with external barrowing of say Rs 50 crore or above to start with. It will protect the interests of investors as well as lenders to the company.

Better quality, productivity and energy efficiency will bring down costs and improve competitive strength of the businesses. It will also result in better export performance. I wish our Institute takes the above suggestions at the appropriate levels of Government agencies and try to implement the same at the earliest.

Roadmap for the Institute and Profession

The Institute can look at organizing Helpdesk, at its various chapters and Regional Council offices, which will bring the user of the profession and the profession together. The Practicing fraternity should become mentors of the MSMEs thru these help desks, which can rope in experienced PCMAs and CMAs from industry who can transfer their cost and management accounting knowledge to the other PCMAs and whose presence may be needed only periodically. The PCMAs involved with MSMEs can engage CMA students, who can regularly visit the MSMEs weekly once for collecting and processing cost data for use by MSMEs. This way the PCMAs with lean practice can become closely associated with a set of MSMEs for improving their performance, thereby opening up other professional opportunities. This can become a win win situation for both.

Institute can also organize a series of programs sharing the practical experiences of these mentoring initiatives and come out with SIMPLE COST manuals, which can act as a real guidance to MSMEs for performance improvement. In my personal view, this will open up a good window of opportunity for PCMAs, instead of chasing a limited number of cost audits in the corporate sector and getting them by quoting very low fees, which will again push the cost audit further into a compliance mode. MA

See annexure on next page

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ANNEXURE

WESTCOTT - STATOR LINE		DESCRIPTION OF LOSSES			PROCESS:		DATE :
Quality Losses		Availablity Losses				Performance Losses	
QL1:	QL6:	TL1:	TL6:	OL1:	OL6:	PL1:	PL6:
QL2:	QL7:	TL2:	TL7:	OL2:	OL7:	PL2:	PL7:
QL3:	QL8:	TL3:	TL8:	OL3:	OL8:	PL3:	PL8:
QL4:	QL9:	TL4:	TL9:	OL4:	OL9:	PL4:	PL9:
QL5:	QL10:	TL5:	TL10:	OL5:	OL10:	PL5:	PL10:

HOURLS TRACKING

TIME	arget (based on 100%OEE)		Actual		Type	Quality (Pieces)		Losses (Mins)						REMARKS
	Places	Cum	Places	Cum	Losses	Scrap	Rework							
06.30-07.30														
07.30-08.30														
08.30-09.30														
09.30-10.30														
10.30.11.30														
11.30-12.30														
12.30-01.30														
01.30-02.00														
02.00-03.00														
03.00-04.00														
04.00-05.00														
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11.00-12.00														
12.00-01.00														
01.00-02.00														
02.00-03.00														
03.00-04.00														
04.00-05.00														
05.00-06.00														
Total Per day														

Signature Shift-1 Shift-2

Down The Memory Lane

September 2009

Hon'ble Minister of State Mr. Salman Khurshid alongwith the ICWAI CCMs at New Delhi

Hon'ble Minister of State Mr. Salman Khurshid being welcomed by President, Shri G. N. Venkataraman; Vice President, Shri B. M. Sharma; Past Presidents, Shri Kunal Banerjee and Shri Chandra Wadhwa at ICWAI Bhawan, New Delhi

September 1999

President Mahesh Shah addressing the audience at the inauguration function of Kutch-Gandhidham Chapter. Sitting on the dais are R. S. Singh, Secretary; Janardan Rao, Vice-Chairman of the chapter; H.L. Kadlabju, Chairman, Kandla Port Trust; D.P. Dutta, Chairman, WIRC; Mahendra Morabia, Chairman, Bhuj Mercantile Co-operative Bank and Navin Pujara, Chairman of the Chapter

Significant contribution made by Trivandrum Chapter in the Kargil Relief Fund. The Students, faculty members, staff members and members of TCCA Kargil Fund expressed their heartfelt sympathies to the bereaved families of gallant martyred soldiers of Kargil War and together contributed Rupees Ten Thousand for this noble cause.

September 1989

"Drugs and pharmaceutical companies in small sector whose products are subject to price control under the Drugs Price Control Order will come under the purview of the Cost Accounting Records (Formulations) Rules 1988 as amended by the Department of Company Affairs." – The news published in Financial Express came out in September 1989 edition.

MOU between National Board of Accountants and Auditors of Tanzania (NBAA) and ICWA was signed on 10th September 1989 for the purpose of friendly relationship and business and economic ties between India and Tanzania in different fields of activity including education and training through their respective Accounting Institute.

A Costing Format Exhibition was held on 10 September, 1989 under the auspices of the Student's Forum of the Bangalore Chapter. The Exhibition included various formats used in the costing Departments of the various Industries; both public as well as private sectors intended to give an overall view of Costing System and its implications in various Industries.

Down The Memory Lane

Shri J.K. Puri, President, ICWAI; Shri V. Kalyanaraman; Shri N.K. Bose; and Shri P.D. Phadke with Mr. Rex Anderson, immediate Past President of CAPA (2nd from left), Mr. Tai Sekh (Centre), President Capa and Mr. Eduardo Villanueva (extreme Right). Past President, CAPA

ICWAI delegation at 12th CAPA Conference (Seoul)
L to R: Dr. G. B. Rao, Shri V. Kalyanaraman, Shri J. K. Puri and Shri P. D. Phadke

September 1979

Shri N. D. Bhatia along with Shri S. Suryanarayanan, Shri S. Ramanathan and Shri V. Kalyanaraman

Practising Members Meeting with Shri N.D. Bhatia, Director of Investigation and Inspection, Department of Company Affairs, Government of India was held at Madras on 05th September. Different issues connected with Cost Audit Reports, their improvements, objectivity reporting, Ordering Report, Cost Audit in the Industries already covered by such audit, etc. came up for discussion.

Down The Memory Lane

September 1969

Chief Minister Shri Ajoy Mukherjee arrives for the inauguration of Silver Jubilee

Shri N. N. Mukherjee Asst. Secretary and the Oldest Member of the Staff present welcomes the Chief Minister

Shri B.K. Shome, Chairman of the Association of Practising Cost Accountants presenting a memorandum of Cost Audit to the Prime Minister Smt. Gandhi at Calcutta on 13th September, 1969

The Institute has been informed by the Government that orders for the Cost Audit for the Companies manufacturing following products have been issued by the Central Government

- Caustic Soda in any form
- Rubber Tyres or Tubes or both for all types of vehicles;
- Room air conditioners
- Refrigerators
- Storage batteries used in Automobiles
- Electric Lamps or fluorescent tubes or both

The audit of Cost Accounts will be for the financial year of the respective companies commencing on or after the 1st September'69

Source: Extracted from the various issues of The Management Accountant Journal

EASTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA RAJPUR CHAPTER

The Chapter organized a seminar on 13th July at Kolkatato discuss Union Budget 2019. CMA Manas Kumar Thakur, past president was the chief guest on the occasion. Shri Ashis Sana, Head of Commerce, Calcutta University was the speaker who explained the proposals in details on solid waste management, on Infrastructure, new house construction, etc. However he expressed concern over effectiveness of hundred new clusters of traditional trades such as for artisans where there is chance of NPA rising. CA Hemant Jajodia, Director, Deloitte Haskins, the second speaker, mentioned about the amnesty scheme of the Govt.in indirect taxes and outlined the duties of the professionals in handling their clients' cases. The Chapter organized a program on occasion of Silver Jubilee celebration held on 15th June, 2019 at Hotel Peerless Inn. Chief Guest to the Programme was Dr. Jayanta Roy, Member of Parliament from Jalpaiguri constituency of West Bengal. Other guests were M. Khaled Aziz Anwar, IAS, Jt. Secretary, Fin. Deptt, Govt of WB, Shri Ajay Roy, ex-Director, IIT, Kharagpur and Principal, IIEST, Deemed University. CMA M.K. Thakur, Past President and CMA S.N. Das, chairman of the chapter were present in the dais in the opening ceremony. Chairman of the chapter welcomed the guests and gave his welcome address and narrated past twenty five years journey of the chapter. Dr.Jayanta Roy, MP, Chief Guest upheld the importance of social work towards prosperity of the nation. Shri Ajay Roy emphasized on coaching of science and technology along with the cost accountancy and requested CMA M. K.Thakur to take steps in this regard from ICAI side. Shri Anwar, Jt. Secy, WB, requested CMAs to come forward in implementation of GST and by this help in nation building. A commemorative postal stamp on silver jubilee of the chapter was released on the occasion. A knowledge bank as souvenir of the programme was also released on the occasion. Swami Ekchitanandaji Maharaj and Swami Gyanalokanandaji Maharaj of Ramkrishna Mission Ashram gave their valedictory address on ethics and society.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA GUWAHATI CHAPTER

The Chapter organized an inaugural ceremony of the Oral Coaching Classes for December 2019 term on August 11, 2019 at Guwahati. The occasion was graced by noted academicians, Professor Ranjit Narayan Deka, Ex. Vice Principal and HOD, Economics of Gauhati Commerce College and presently the Rector of AxomJatiyaVidyalaya and Dr. Hrishikesh Barua, Principal of K C Das Commerce College, one of the reputed Commerce Colleges in the state of Assam. The distinguished speakers addressed the students and motivated them to pursue the course with fill vigour and enthusiasm. CMA Rana Bose, chairman of the chapter spoke at length about the institute, the courses offered by it, the importance of the oral coaching classes and the professional avenues open to a Cost and Management Accountant. Immediate Past Chairman of the chapter, CMA Swapan Kumar Saha dwelt on how a student should prepare himself for tough examinations and come out with flying colours. CMA Rupom Sharma, secretary of the chapter elaborated on the entire syllabus leading to the professional qualification of Cost and Management Accountancy. CMA P L Kanoi, vice chairman of the chapter offered vote of thanks. The entire programme was conducted by CMA Arun Kumar, a member of the Managing Committee of the Chapter.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BHUBANESWAR CHAPTER

The Chapter, Vyasanagar Autonomous College and Odisha Commerce Association organised "JAJPUR COMMERCE CONCLAVE AND SEMINAR ON GST" at Auditorium of V N (A) College, Jajpur Road, Odisha on 28th July, 2019. Shri Ashok Kumar Bal, Hon'ble MLA, Korei Constituency, Jajpur inaugurated and graced the occasion as "Chief Guest" and he also praised the initiative taken by the organizers for the betterment of commerce profession of the State.CMA Saktidhar Singh, Chairman of the Chapter, CMA (Dr) Prafulla Kumar Swain, Professor in Finance, SOA University, CMA Mukesh Chaubey, Chairman, PD Committee of the Chapter, CMA Shiba Prasad Padhi, Past Chairman, EIRC , Major Dr. Sk Abu Taher, Principal, V N (A) College, Dr. Prabadha Ku Hota, President, Odisha Commerce Association, Dr. Arun Kumar Barick, Former Principal, V N (A) College, Dr. Sudhansu Sekhar Mishra, Programme Cordinator and ExHoD (Commerce), V N (A) College, Dr. Sudhansu Kumar Dash , Lecturer, V N (A) College, Dr Malaya Kumar Mohanty, Retd. Professor, Revanshaw University and Shri Bibekananda Mohanty, Advocate, Jajpur Bar Council were among other dignitaries who graced the occasion. CMA (Dr) Prafulla Kumar Swain, Professor in Finance, SOA University and CMA Shiba Prasad Padhi, Past Chairman, EIRC were the "Resource Person" in the technical session.On the Occasion CMA Saktidhar Singh, Chairman of the Chapter highlighted that, this joint initiative definitely will give a new horizon to the Commerce Profession and CMA Mukesh Chaubey, Chairman, PD Committee of the Chapter highlighted about the Career Prospects in Cost and Management Accountancy Course. The Chapter organized an Evening Talk on "Agricultural Costing" on 1st August, 2019 at CMA Bhawan, Bhubaneswar.CMA CA. D Zitendra Rao, Practicing Cost Accountant, Hyderabad delivered on the organized topic as "Resource Person". Discussion was held in detail on cultivator related price, Price Policy followed by the Govt. and the minimum support prices (MSP) for selected important crops. CMA Saktidhar Singh, Chairman of the Chapter delivered welcome and Key Note Address.CMA Mukesh Chaubey, Chairman, Professional Development Committee felicitated the seminar and CMA Tapas Ranjan Swain, Vice Chairman of the Chapter extended formal vote of thanks. On the Occasion, CMA Niranjan Mishra, Central Council Member and Chairman, Indirect Taxation Committee of the Institute, CMA Bibhuti Bhusan Nayak, Regional Council Member and Vice Chairman, EIRC and CMA Uttam Kumar Nayak, Regional Council Member and Secretary, EIRC had been felicitated by the Chapter.To get practical exposure and motivation, the Chapter organised a seminar on "Industry and Academic Interface" at its conference hall on August 4, 2019. CMA Saktidhar Singh, chairman of the chapter delivered welcome & key note address. CMA Krushna Chandra Samal, Ex-Director (Finance), NALCO Ltd. and CMA Dr. Kishor Chandra Meher, Professor (Accounts & Finance), DebreBerhan University, Ethiopia, South Africa interacted and shared their rich industry experience and academic experience within the country and abroad. They also guided the students how CMAs can be a global manager. CMA Himoj Mishra, Secretary of the chapter extended formal vote of thanks and CMA Ajay Kumar Samal, Chairman, Career Counseling and Students Training Committee felicitated the programme. The Chapter observed the 73rd Independence Day at its premises at CMA Bhawan. CMA Niranjan Sahoo, Past Chairman of the Chapter and Senior General Manager (Fin), Odisha Power Transmission Corporation Ltd. (OPTCL), Bhubaneswar unfurled the National Flag as "Chief Guest" and advised students about their role and responsibilities to build a vibrant India. To mark the auspicious occasion 73rd Independence day, one debate competition among students of the Chapter was also successfully organized by the Chapter. CMA Niranjan Sahoo, Past Chairman of the Chapter, CMA Prasanna Kumar Parida, One of the Founder Members of the Chapter, CMA Siba Prasad Kar, Past Chairman of the Chapter and CMA Damodar Mishra, Immediate Past Chairman of the Chapter were the Jury Members on the occasion. CMA Saktidhar Singh, Chairman of the Chapter moderated the programme. There was nice participation among the students. The Chapter has organised a Practitioners Meet on August 17, 2019 at CMA Bhawan to discuss various activities to be undertaken during the year 2019-20 for enhancement of scopes, avenues and visibility of Practicing Members.

NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA CHANDIGARH-PANCHKULA CHAPTER

Insolvency Professional Agency of the Institute in association with Insolvency & Bankruptcy Board of India and the chapter organised a programme on Insolvency and Bankruptcy Code, 2016 at hotel KC Residency, Chandigarh on 13th July 2019. GM IBBI was the chief guest. CCM Rakesh Bhalla and RCM & Vice Chairman NIRC, Anil Sharma were guest of honour. CMA KV Jain, IPA and Shri Anil Katia were the learned speakers.The program was attended by large number of gatherings amongst CMAs, CAs, CS, advocates and students.

SOUTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA VISAKHAPATNAM CHAPTER

The Chapter conducted an "Academicians Meet" on July 20, 2019 at CMA Bhawan. CMA S.Ramprasad, secretary of the chapter welcomed the gathering and delivered the details of Cost and Management Accountancy course to all the faculty members who attended the Meet. CMA M. Ramakrishna, chairman of the chapter appreciated the efforts put by the Institute in promoting the course volunatarily and requested the academecians of various colleges/ institutes, who attended the seminar, to guide the importance of this course to the students and take an active part in guiding the student's career. By addressing the gathering, CMA P.V.N. Madhav, Advisory of the Chapter also requested the Principals & Head of Department of Degree colleges to create awareness about the need and importance of CMA Profession to the budding students. CMA U. Prakash, CMA S. Siva Kumar, CMA S. Rama Rao, CMA T. Harinarayana, CMA V. J. Gupta and other members participated in the program.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
TRIVANDRUM CHAPTER

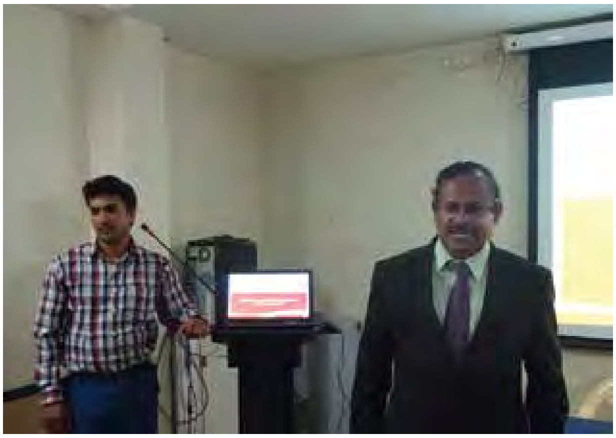
The Chapter organised a professional Development Programme on 17th July 2019 at the CMA Hall of the Chapter. The meeting was presided over by CMA Joseph Louis, Chairman of the Chapter. The subject of discussion was GST Audit & Annual Returns" and handled by CMA Raja Padmanabhan, Practicing Cost Accountant and member of the Chapter, The speaker explained each items of GSTR 9C and the relationship of Part A, Reconciliation Statement and Part B Certification with Annual Return GSTR 9. The programme ended with vote of thanks by CMA Ajith kumar A, Chairman, PD Committee. The Chapter celebrated 73rd Independence Day on 15th August 2019. CMA Joseph Louis, chairman of the Chapter hoisted the National Flag in the presence of Managing Committee Members, Chapter Members, Faculty Members, Students and Staff Members.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
TIRUCHIRAPALLI CHAPTER

The Chapter celebrated 73rd Independence Day on August 15, 2019. The function started with Flag hoisting by CMA K. Rajagopal, SIRC Member. After Flag hoisting, the Chief Guest addressed the students motivating them to pursue the course with dedication, devotion and hard work. A PD program was organized on the topic "FILING OF GSTR9 AND 9C". The resource person was CA. V. Alagappan,Trichy.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA HYDERABAD CHAPTER

The Chapter inaugurated ICMA RVO Course of Securities or Financial Assets by CMA Kasi Srinivas, DGM, State Bank of India on July 13, 2019 and a Study Circle Meet on Emerging Contours in Cost Audit for Management Accounting on July 18, 2019. The Chapter organized Career Counselling at A.V. College, Domalguda, Hyderabad on July 24, 2019 and GST Audit and understanding of GSTR 9C Form on July 27, 2019.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

The Chapter conducted a PD Programme on 3rd August, 2019 with two speakers. CMA Meena Ramji, Practicing Cost Accountant, Coimbatore spoke on "UDIN for Practising Cost Accountants" and CMA R.Sathish spoke on "GST Annual Return and Audit". The Insolvency & Bankruptcy Board of India in association with Insolvency Professional Agency of the Institute and Coimbatore Chapter of the Institute, ICSI and ICAI conducted an awareness programme on Insolvency & Bankruptcy Code – 2016 on 10th August, 2019. The programme was inaugurated by the Chief Guest, Mr.Vijaya Kumar, IES, Asst. General Manager, Insolvency & Bankruptcy Board of India. Dr S.K Gupta, MD & CEO of the Insolvency Professional Agency of the Institute was the Guest of Honour and addressed the audience. The speaker CMA G.N.Venkataraman, past president of the Institute gave a vivid lecture on the topic. A large number of members of the three professional Institutes attended the meeting. Chairman of the chapter, CMA K. Ravindran conducted career counselling programmes in different colleges on different dates of June, July and August 2019. Chairman, CMA K. Ravindran and Secretary CMA C. Sanjeevi inaugurated the new batch of Satellite Centre Foundation Oral Coaching Class at National Management College on 6th August, 2019. At the invitation of Hindustan College of Arts & Science, Chairman of the chapter inaugurated the first batch of Satellite Centre Foundation class on 13th August, 2019.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COCHIN CHAPTER

The Chapter celebrated the Nation's 73rd Independence Day at Centre for Excellence, CMA Bhawan, Chalikkavattom, Vyttila. CMA Anil Xavier, Chairman of the chapter along with CMA Padmakumar V.A. Secretary of the chapter, and CMA Sankar P. Panicker, Vice Chairman, SIRC hosted the National Flag. Managing Committee members & staffs attended the function. The function started with National Anthem and concluded with a closing speech by Chairman of the chapter and Vice Chairman, SIRC.

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BARODA CHAPTER

New 84th Session has been started for Oral coaching 24th June 2019 for intermediate for December 2019 term. The Chapter conducted a discussion session on GST Day at the Chapter office. Chairman of the chapter, CMA Hardik Diwanji addressed the session and Secretary of the chapter, CMA Mihir Vyas concluded the same. The Chapter celebrated International Yoga Day on 21st June 2019. CMA Hardik Diwanji, Chairman of the Chapter introduced the trainer and concluded the session. The Chapter organized an Evening Talk on 'Critical Aspects in GST Audit'. The speaker was CMA Dilip Athawale. CMA S. S. Puranik facilities the speaker and CMA Chetan Gandhi concluded the session. Vote of thanks given by CMA Mihir Vyas – Secretary of Baroda Chapter. The Chapter organized an Evening Talk on 'ITC, POS & GTA in GST Regime'. The speaker was Shri Sanjay Sarswat. CMA Mihir Vyas, Secretary of Baroda Chapter facilitate the speaker and CMA Kailash Sankhlecha has addressed the session. Vote of thanks given by CMA S S Puranik. Carrier counseling programme for T.Y. B.com students at M. S. University was conducted by the chapter. Around 500 students have attended the programme.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA INDORE DEWAS CHAPTER

GST Day Celebration was organized by the chapter on 1st July 19 at Hotel South Avenue, Indore on the theme 'GST Audit & Bird eye view on GST Returns'. CA Kirti Joshi was the speaker and CMA Aniruddh Gupta was the chairman of the chapter. The Chapter celebrated the 73th Independence Day on 15th August 2019 and also organized a flag hoisting ceremony at the Chapter Office Building campus in the auspicious presence of Mr Manish Verma, Joint Director, School Education Department, Indore and Dr. K N Chaturvedi, Retired Additional Director Higher Education, Indore Division and Former Principal Holkar Science College, Indore.

DIRECT & INDIRECT TAXES UPDATES - AUGUST 2019

CMA Rakesh Bhalla
Central Council Member
Chairman, Direct Tax Committee
Member, Indirect Tax Committee
The Institute of Cost Accountants of India

DIRECT TAXES UPDATES

Recent circulars/ notifications/ rules/ clarifications

- **CBDT has clarified that small start-ups with turnover up to Rs. 25 crore will continue to get the promised tax holiday as specified in Section 80-IAC of the Income Tax Act, 1961, which provides deduction for 100 per cent of income of an eligible start-up for 3 years out of 7 years from the year of its incorporation-** *Seeking to dispel confusion over the eligible turnover limit, the CBDT said there was no contradiction in DPIIT's February 19 notification (mentioning turnover of Rs. 100 crore) and the income tax provisions, as the notification clearly mentioned that a start-up shall be eligible to apply for the certificate from the Inter-Ministerial Board of Certification for claiming deduction only if they fulfil the conditions specified in Section 80-IAC* ***(Clarification dated 22.08.2019).***

- **In order to encourage investment in the capital market, enhanced surcharge levied on long/short term capital gains arising from transfer of equity shares/units u/s 111A & 112A has been withdrawn** ***(Finance Minister press conference dated 23rd August 2019).***

- **All tax notices will be issued from a centralised system. All old tax notices will be taken up by October 1 or will be uploaded again through a centralised system.** ***(Finance Minister press conference dated 23rd August 2019).***

- **Startups registered with commerce ministry get relief as angel tax provisions i.e.** *Section 56 (2)(viib) of the Income Tax Act shall not apply to startups registered with the commerce ministry.* ***(Finance Minister press conference dated 23rd August 2019).***

- **Additional 15 per cent depreciation on vehicles acquired from 23rd August 2019 till March 2020, taking the total to 30 %.** ***(Finance Minister press conference dated 23rd August 2019).***

- **All I-T notices will be cleared within three months of response.**

- **The due date of filling of Income Tax Return for the assessment year 2019-20 has been extended to 31st August 2019 from 31st July 2019 for certain categories of Tax payers** ***(Order u/s 119 dated 23rd July 2019)***

- **CBDT increases income tax appeal limit before Tribunal, High court and Supreme Court to 50lacs, 1 crore and 2 crores respectively** ***(Circular no. 17/2019 dated 8th August 2019).*** **Further, revised monetary limits is applicable to all pending SLPs/ Appeals** ***(Notification no. F. No.279/Misc/M-93/2018-ITJ dated 20.08.2019).***

- **CBDT takes steps to ensure Transparency in Tax Administration by bringing in concept of DIN** ***(Document Identification Number)*** **in Notice/ Order/ Summons/ letter/ correspondence issued by the Income-tax Department, It will be Effective from 1st Oct 2019** ***(Circular No 19/2019 Dt 14.08.2019).***

- **CBDT has issued Circular No. 18/2019 dated 8.8.2019 to clarify certain issues relating to ITRs**

of AY 2019 such as non-allotment of TIN *(Taxpayer identification number)* **in case of NRI, Pan related issues in case of director in foreign company etc (Circular No. 18/2019 dated 8.8.2019). Consequently, further circular no. 21 of 2019 dated 27th August 2019 has been released, issuing clarifications in respect of ITR forms for the Assessment Year 2019-20.**

- **CBDT has directed that, all validly filed returns up to Assessment Year 2017-18 with refund claims, which could not be processed under sub-section (1) of section 143 of the Act due to certain technical issues or for other reasons not attributable to the assesses concerned and have become time-barred, can be processed with prior approval of Pr. CCIT/CCIT by 31-12-2019.** This relaxation is not applicable in case where ITR is selected for scrutiny or there is demand payable or likely to arise after processing it. ***(Order u/s 119 dated 5th August 2019).***

- **Income Tax department launched 'e-filing Lite', a lighter version of online ITR filing facility, to facilitate the easy and quick filing of returns by taxpayers.**

- **CBDT notified that it is mandatory to quote your Aadhaar number while filing ITR unless specifically exempted. The notification further specifies that tax return cannot be filed either electronically or manually without quoting Aadhaar number. To quote your Aadhaar number in your ITR, additional spaces have been provided.**

- **CBDT has exempted, a non-resident, not being a company or a foreign company, from the requirement of furnishing a return of income under Section 139(1) of the Income Tax Act from Assessment Year 2019-20 onwards,** who have any income chargeable under the said Act during a previous-year from any investment in an investment fund set up in an International Financial Services Centre (IFSC) located in India ***(Notification dated 26th July 2019).***

- **Government notifies Multilateral Convention to implement Measures to prevent BEPS (Base Erosion and Profit Sharing)** *(Notification No. 57/20019 dated 9th August 2019).*

- **Launch of Income Tax Business Application (ITBA), wherein the functionalities for Refund Blocking/ Unblocking, Refund Revalidation and Refund Status in Refund Banker Module are available.** *(Notification no. ITBA- Refund Banker Instruction No.1 dated 07/08/2019).* **Further OLTAS function (The functionality for Search and Modify Challan) has been migrated to ITBA *(Notification no. ITBA-OLTAS Instruction No. 1 dated 07/08/2019).***

- **Extension of timeline for completion of assessments in OCM (Operation clean Money) cases where no return has been filed in response to notice u/s. 142(1) of the Income-tax Act,1961('Act') and the assessments have to be completed u/s.144 of the Act *(F.No.225/363/2017-ITA-11 dated 26.07.2019).***

- **CBDT reduces tax collection target by Rs. 45K crores for the FY 2019-20 i.e. from Rs. 13,80,000.00 crore to 13,35,000.00 crores.** *(Notification no. F.No. 380/03/2019-IT(B) dated 05.08.2019).*

- **CBDT rebuts incorrect reports about Income Tax notices to Durga Puja Committees in Kolkata** *(Press release dated 13.08.2019).*

- **Income Tax Searches in Tamil Nadu net more than Rs 700 crore** *(Press release dated 10th August 2019).*

- **Income Tax Department detects Benami business of running of petrol outlets in Meghalaya** *(Press release dated 10th August 2019).*

- **Search on a prominent Real Estate Group in Mumbai-** evade income aggregating to about Rs.700 crore *(Press release dated 2nd August 2019).*

- **CBDT issues clarification on perceived differential taxation of FPIs and domestic investors-** Differential regime between domestic investors *(including AIF category III) and FPIs existed even prior to the 2019 budget (Press release dated 28th August 2019).*

- **CBDT notifies the interchangeability of PAN with Aadhaar** *(Notification no. 59/2012 dated 30th August 2019)*

- **CBDT notifies protocol amending India-SpainDTTA** *(Notification no 58/2009 dated 27th August 2019)*

- **CBDT issues a clarification w.r.t. TDS on cash withdrawal above 1 crore from 1st September 2019- TDS @2% (Section 194N) to be deducted over cash withdrawals of Rs. 1 crore from Banks & post offices. Cash withdrawals before 1st September during FY 19-20, shall be considered counted for the limit of Rs. 1 crore, but would not be subject to TDS @2%**

- **CBDT constitutes a cell for redressal of grievances related to Startups** *(Press release dated 30th August 2019)*

Income Tax Compliance calendar – August 2019 & September 2019

For the month of September 2019

September 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

August 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Date	Things to remember
	September 2019
7th September	Due date for deposit of Tax deducted/collected for the month of August, 2019. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income-tax Challan
14th September	Due date for issue of TDS Certificate for tax deducted under section 194-IA (Payment on transfer of certain immovable property other than agricultural land) and section 194-IB (Payment of rent by certain individuals or Hindu undivided family) in the month of July, 2019
15th September	-Second instalment of advance tax for the assessment year 2020-21 -Due date for furnishing statement in Form no. 3BB by a stock exchange in respect of transactions in which client codes been modified after registering in the system for the month of August, 2019
30th September	-Audit report under section 44AB for the assessment year 2019-20 in the case of a corporate-assessee or non-corporate assessee (who is required to submit his/its return of income on September 30, 2019). -Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA& 194-IB in the month of August, 2019 -Statement by scientific research association, university, college or other association or Indian scientific research company as required by rules 5D, 5E and 5F (if due date of submission of return of income is September 30, 2019) -Application in Form 9A for exercising the option available under Explanation to section 11(1) *(exemption of income from property held for charitable or religious purposes)* (if the assessee is required to submit return of income on September 30, 2019). -Statement in Form no. 10 to be furnished to accumulate income for future application under section 10(21)*(exemption of any income of a research association)* or 11(1) *(exemption of income from property held for charitable or religious purposes)* (if the assessee is required to submit return of income on September 30, 2019) -Submit copy of audit of accounts to the Secretary, Department of Scientific and Industrial Research in case company is eligible for weighted deduction under section 35(2AB) *(Where a company engaged in the business of bio-technology or in any business of manufacture or production of any article or thing, not being an article or thing specified in the list of the Eleventh Schedule incurs any expenditure on scientific research (not being expenditure in the nature of cost of any land or building) on in-house research and development facility as approved by the prescribed authority)* [if company does not have any international/specified domestic transaction] -Due date for claiming foreign tax credit, upload statement of foreign income offered for tax for the previous year 2018-19 and of foreign tax deducted or paid on such income in Form no. 67. (if due date of submission of return of income is September 30, 2019).

All about the new Direct Tax Law to replace the Income Act 1961 - Key Expectations

The task force, under the Convenorship of senior IRS officer Mr. Akhilesh Ranjan and comprising of members representing different stakeholders, has submitted its report to the Finance Minister Ms. Nirmala Sitharam a *short while ago, though the same is pending to be made available on public domain. Below are the Key expectations-*

- **Simplification of law with lesser sections -** The current Income Tax Act, has over 700 sections, whereas the draft of the new income tax law is expected to be half the length, containing around 350-400 sections, with every attempt being made to word it in a simple, lucid manner and keeping the Provisos and Explanations that dominate the 1961 Act, at a bare minimum in the new law.

- **Direct Tax task force recommends new personal income tax slabs -** Recommended five tax brackets of 5 per cent, 10 per cent, 20 per cent, 30 per cent and 35 per cent, against the prevailing structure of 5 per cent, 20 per cent and 30 per cent.

- **Expected changes to the tax brackets that is likely to result in significant tax relief for middle class and upper middle class, i.e. those earning upto Rs. 45 - 55 lacs per annum.**

- **Common Corporate Tax Rate for Foreign Cos & Domestic Cos. -** 25% Corporate tax rate is expected for both Domestic as well as Foreign Companies, being a big slash in corporate tax rate for the foreign companies that currently are taxed at a whopping 40%. However, foreign companies will have to shell out a branch profits tax on the amount repatriated to their foreign headquarters.

- **Change in Tax Assessments Process:** The concept of "Assessing Officer" will be replaced by "Assessment Units." The big change in the new law however is the primacy being given to "Functional Units" that will be made up of IRS officers with Sectoral/Industry knowledge and expertise. Also envisages Separate Technical Unit of IRS officers to assist the Functional/Assessment Units. Interaction with the tax department is likely to get a boost and facelift with the possible introduction of video-conferencing in certain areas.

- **Litigation Management units -** A separate Litigation Management Unit to manage the entire tax litigation process, right from deciding in which cases the appeals ought to be filed, to devising the strategy to defend a case. In essence the officer who drafts the assessment order, will no longer be the one filing appeals.

- **Settlement Through 'Mediation' -** Introduction of the concept of 'mediation' for the first time in Indian tax law. Taxpayers will now be able to opt for a negotiated settlement before a Collegium of Commissioners once they receive the draft order. Assisting the negotiations will be mediators on both sides, that will be drawn from a panel. It will substantially reduce tax litigations time taken to resolve the cases.

- **Public Ruling Option for Taxpayers -** For the first time again a concept of 'public ruling' is being introduced wherein the taxpayers will have the option of approaching the CBDT for clarification on any important point of law, that shall not be case or fact specific.

- **De-linking of transfer pricing assessments from regular assessments -** The TP assessments will be carried out by a separate functional unit and they will be done for a block of 4 years. While there may be fewer TP audits based on risk profile of the MNE entities, they are likely to be more intense.

- **Dividend Distribution Tax Elimination -** DDT may soon be going and the dividends may be taxed in the hands of shareholders.

Important cases decided

- **Re-depositing funds in assessee's bank accounts by itself would not be taxable as per section 68, on the mere grounds that there is a gap in depositing the funds in Bank Account.** There is no law that funds withdrawn from the banks cannot be held/retained in cash by the parties. There can also be no blanket period which can be judicially considered to be a reasonable time. (IN THE ITAT CHANDIGARH BENCH 'SMC'- Baljit Singh v. Income-tax Officer, Ward-3(2), Ludhiana)

- **No Deemed Dividend [section 2(22)(e)] if Assessee was not a Shareholder when amount been advanced. (ACIT Vs M/s. Bhaawani Shankar Ginning Factory (ITAT Pune)).**

- **Expense on foreign scholarship to promote Professional Profile is allowable as expense -** Business expenditure – Allowability to be judged from mindset of the assessee (Shri Harish Narinder Salve Vs ACIT (ITAT Delhi))

- **Failure to issue notice u/s 143(2) renders assessment order void even if assesse participated in proceeding. (CIT Vs Laxman Das Khandelwal (Supreme Court))**

- **Interest payable u/s 234 A, 234 B & 234 C on delay in Tax Payment due to disclosure of STCG as LTCG (Tushin T. Mehta Vs CCIT (Madras High Court)**

- **Expense on valuation of Know-how allowable under section 37(1) (M/s. Theis Precision Steel India Private Limited Vs ITO (ITAT Mumbai)**

- **Interest awarded in Motor Accident claim cases not eligible to Tax (Shri Rupesh Rashmikant Shah Vs Union of India & Ors. (Bombay High Court))**

- **Notice u/s 142(1) to amalgamating entity after amalgamation is void (Pr. CIT Vs Maruti Suzuki India Limited (Supreme Court)**

- **Interest (notional) which is part of Purchase price is business income (AGR Matthey of Western Australia v. ADIT - ITA 1341/Del/2010, order dated 5-8-2019, ITAT, Delhi).** MA

***Information Source** - M/s Lks, Various internet websites including Income tax website, dailyhunt, related links and various notifications, circulars, orders, press releases etc.*

INDIRECT TAXES UPDATES
GST, Customs, Excise, Service Tax & VAT

GST

- **GST Compliance Calendar - Returns for the M/O Aug. 2019 to be filed in Sept. 2019**

Return		Last Date
GSTR-1	Outward supply for the month of August 2019	11thSeptember 2019
GSTR-5	Non-resident foreign taxpayers return for the month of August 2019	20thSeptember 2019
GSTR-6	Input service distributor for the month of August 2019	13thSeptember 2019
GSTR-7	Tax Deducted at Source for August 2019	10thSeptember 2019
GSTR-8	Tax Collected at Source by e-commerce operator for August2019	10thSeptember 2019
GSTR-3B	Summary return tax payment for the month of August 2019	20thSeptember 2019

Recent Notifications and Circulars

- **Due date for filing GST annual return for 2017-18 postponed to 30-11-2019:** Due date for filing GST annual return for the period from 1-7-2017 to 31-3-2018 has been extended to 30th November, 2019 instead of the earlier extended date of 31st August, 2019. (Order No. 7/2019-Central Tax, dated 26-8-2019).

- **Requirement to furnish declaration in FORM ITC-04** for the period July, 2017-March 2018 and FY 2018-19 waived off. (Refer Notification No. 38/2019-CT dated 31.08.2019).

- **State and Area Benches of Goods and Services Tax Appellate Tribunal in specified States and Union Territories notified:** Central Government has, on 21st August 2019, notified the creation of State & Area Benches of the Goods and Services Tax Appellate Tribunal (GSTAT). The notification also provides for GSTAT Benches for Union Territories of Andaman & Nicobar, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep, and Chandigarh.

- **GST rate reduced on electrically operated vehicles from 1-8-2019:** Electrically operated vehicles, including two and three wheeled electric vehicles and charger or charging station for such vehicles are liable to GST @ 5% from 1-8-2019. Further, exemption has been provided for hiring electric operated vehicle meant to carry more than twelve passengers by local authorities. (Notification Nos. 1/2017-CT (Rate) and 12/2017-CT (Rate) have been amended by notifications issued on 31-7-2019).

- **Composition scheme - Due date for Form CMP-08 extended till 31-8-2019:** Due date for furnishing the statement containing details of payment of self-assessed tax in Form GST CMP-08, for the quarter April, 2019 to June, 2019, has been extended till 31-8-2019. (Notification No. 35/2019-Central Tax, dated 29-7-2019).

- **Blocking of e-way bill generation for non-filers of returns, postponed:** Rule 138E of CGST Rules relating to restriction on furnishing of information in Part A of Form GST EWB-01 will now be effective from 21-11-

2019 instead of 21-8-2019. Hence, no person (including a consignor, consignee and transporter) will be allowed to furnish information in Part A of Form GST EWB-01 and generate e-way bill if he has not furnished the returns for two consecutive tax periods. (Not. No. 22/2019-Central Tax, 23-4-2019 amended by Not. No. 36/2019-CT, 20-8-2019.

- **GST on monthly subscription charged by RWAs, clarified:** Ceiling of Rs. 7500 per month per member for GST exemption is to be applied per residential apartment and not per person. If such ceiling is crossed and RWA's annual aggregate turnover exceeds Rs. 20 lakh, GST is payable on full amount and not on amount exceeding Rs. 7500.(Circular No. 109/28/2019-GST, dated 22-7-2019).

Important Cases decided

- **Classification of printing service by the assesse -** The applicant was engaged in providing printing services and used to print photographs in various sizes as per requirements of photographers or retail customers who shoot images using digital cameras and provide contents to applicant in Pen Drive, CD, memory card, or in any other storage media. The editing or processing is done by professionals or retail customers themselves. Issue involved was - whether activity of merely printing or reproducing content given by photographers/retail customers on pen drive, CD, memory card or any other storage media would be classifiable under Service Code 998912 or 998386? It is held that the activity of merely printing or reproducing the content given by the photographers / retail customers on pen drive, CD, memory card or any other storage media will be classifiable under Service Code 998386 and liable to tax @18%. (Case Reference - Colo Color [2019] 107 taxmann.com 383 (AAR - MAHARASHTRA).

- **GST applicability on membership fees of co-operative housing society -** Applicant is a co-operative housing society who is providing services to their members inform of facilities or benefits to members (for which they receive consideration). Applicant provides both, taxable as well as exempted services. Issue involved - Individuals who own flat/s in society but have opted not to become a member of the society, whether such members of society will be at par with the other individual flat owners who are not members? Observation/Ruling - AAR held that above issue does not fall within purview of Sec 97 of the CGST Act and therefore application for advance ruling rejected. (Refer case of Kabra Galaxy Star 3 Co-op Housing Society [2019] 107 taxmann.com 336 (AAR - MAHARASHTRA).

- **ITC availability on motor vehicles used for demonstration purpose:** The applicant is a an authorised dealer for Maruti Suzuki India limited for sale of motor vehicles and spares and for servicing as also for some other commercial vehicle manufacturers. Applicant show purchased vehicles as capital assets in his books and vehicles are used as demo cars for providing trial run to customers to understand features of vehicle and applicant held those vehicles for 2 years or 40000km whichever is earlier then sold. Issue involve was - whether ITC available on the motor vehicle purchased for demonstration purpose? It has been observed that Section 16(1) of the GST Act provides that every person shall be entitled to take input tax credit on every supply of goods or services or both which are used for intended to be used in course or furtherance of business. Section 17(5) of the Act states that no Input tax credit would be available in respect of motor vehicle except when they are used for making the taxable supply including the further supply of such vehicle. GST law does not prescribe any time frame within which such further supply shall be effected hence AAR held that ITC on the motor vehicle purchased for demonstration purpose can be availed as ITC on capital goods as per section 16(1) of the GST Act. [Chowgule Industries (P.) Ltd. [2019] 107taxmann.com 293 (AAR - GOA)].

- **Lapsing of ITC accumulated due to inverted rate structure on fabrics – Proviso in notification and circular quashed:** Gujarat High Court has quashed the relevant proviso (ii) in Notification No. 5/2017-Central Tax (Rate) asinserted by Not. No. 20/2018-Central Tax (Rate) and Cir. No. 56/30/2018-GST by which ITC accumulated due to inverted tax structure as on 31-7-2018 was to be lapsed for manufacturers of fabrics. It observed that Section 54(3)(ii) of Central GST Act, 2017 does not empower the department to frame rules for lapsing of ITC.[Shabnam Petrofils v. UoI - R/Special Civil Application No. 16213 of 2018, decided on 17-7-2019, Gujarat High Court].

- **Show cause notice is sine qua non to proceed with recovery under GST:** Karnataka High Court has reiterated that issuance of show cause notice is sine qua non to proceed with the recovery of interest payable under Section 50 of Central GST Act, 2017 and penalty imposable under CGST Act or the Rules. It observed that notion of the authority that Section 75(12) of CGST Act empowers them to proceed with recovery without issuing SCN is misconceived, as said section is only applicable to self-assessment and not to quantification or determination made by the authorities. [LC Infra Projects (P) Ltd. v. UoI - 2019 VIL 365 KAR]

- **Summons – High Court rejects plea that**

summons can only be issued after decision under CGST Section 73: Madhya Pradesh High Court has rejected the plea that proceedings under Section 70 of the CGST Act, 2017, relating to summons, can only be taken recourse to after decision under Section 73, relating to demand of tax. The High Court in this regard declined to quash the notice for personal hearing. [Om Shiv Associates v. UoI – Order dated 26-6-2019 in WP-11822-2019, Madhya Pradesh High Court]

- **Power of arrest to be exercised with lot of care and circumspection:** Gujarat High Court has reiterated that the power to arrest under Section 69 of the Central GST Act is to be exercised with lot of care and circumspection and that prosecution should normally be launched only after completion of adjudication. The Court directed that no coercive steps of arrest against the writ petitioner should be taken. [Vimal Yashwantigiri Goswami v. State of Gujarat - 2019 VIL 391 GUJ]

- **ITC on vehicle for carrying cash – AAAR Order declining ITC set aside:** Bombay High Court has set aside AAAR Maharashtra Order holding that ITC is not available on purchase of motor vehicles to carry cash by assessee engaged in cash management service. The Court was of the view that GST Council recommending ITC on vehicles used for transportation of money, would not by itself conclude that prior thereto, money was not included within definition of goods. The Court restored the question before the AAAR for fresh disposal. [CMS Systems Info. v. Commissioner – Order dated 9-7-2019 in Writ Petition No. 5801 of 2019, Bombay High Court]

- **ITC - Mere reflection of transitional credit in ledger is not an act of availment:** Patna High Court has held that mere reflection of transitionalcredit in the electronic credit ledger cannot be treated as an act of availment or utilisation, for drawing a proceeding under Section 73(1) of the Bihar GST Act. The Court noted that legislative intent reflected from reading of Section 140 alongside Section 73 and Rules 117 and 121 is that even a wrongly reflected transitional credit in the electronic ledger on its own is not sufficient to draw penal proceedings until the same is put to use. Supreme Court's judgement in Ind. Swift Laboratories was distinguished. [Commercial Steel Engineering Corporation v. State of Bihar - 2019 VIL 348 PAT]

- **Interest on delayed payment of GST & filing of returns – Larger Bench to consider scope of CGST Section 50:** Madras High Court has referred to Larger Bench the dispute as to whether interest under Section 50 of the CGST Act, for delayed filing of returns, arises automatically or on assessment and after considering the explanation offered by the assessee. The Court also put the question, as to whether at all the explanation by the assessee must be considered by the assessing officer and then pass further orders. While one Judge dismissed the departmental appeal, other Judge was of the view that the point requires deeper consideration of the scope of Section 50. [Asstt. Commissioner v. Daejung Moparts – 2019 VIL 387 MAD]

- **Seizure - Unaccounted goods at disclosed place of business are 'secreted':** Allahabad High Court held that once it was admitted that assessee had not recorded goods found stored at his disclosed place of business, in his books of account, a presumption of goods having been 'secreted' as per CGST Section 67 did arise. Upholding seizure of undisclosed goods found at disclosed place, it is observed that there was nothing to restrict meaning of words 'in any place' in Section 67 to only undisclosed place of business. Assessee had contended that goods found at disclosed place of business were not 'secreted'. [Rajeev Traders v. State of UP - 2019 VIL 356 ALH]

- **Anti-profiteering - Stay on suomotu notice seeking information on all products:** Delhi High Court has stayed the suomotu notice issued by the Director General of Anti-Profiteering (DGAP), seeking information on all products of the petitioner. The petitioner had pleaded that without a report of DGAP on the complained product followed by an order of National Anti-Profiteering Authority (NAPA) under CGST Rule 133(5)(a), DGAP cannot suomotu issue a notice requiring submission of information on all its products which were approximately 3500 in number. The Court held that the petitioner had made out a prima facie case for grant of limited interim relief. [Reckitt Benckiser India Pvt. Ltd. v. UoI – Order dated 19-7-2019 in W.P.(C) 7743/2019, Delhi High Court]

- **ITC need not be reversed in case of post purchase discount:** Appellate AAR of Tamil Nadu has held that ITC of full GST charged on undiscounted supply invoice is available to buyer and that proportionate reversal is not required to be done in case of post purchase discount given by supplier. Case involved issuance of commercial credit note subsequently through automated arrangement using software. Overruling the AAR ruling, Appellate AAR observed that the discount was not recorded in invoice or agreement, and hence value would continue to be the value as determined under CGST Section 15(1). It held that if GST charged and paid is not reversed, ITC need not be reversed. CGST Section 16(2) was held as not applicable. [In RE: MRF Ltd. - 2019-VIL-62-AAAR]

- **Valuation – Supply to distinct person – Applying 2nd proviso to Rule 28 directly not sustainable:** Tamil Nadu AAR has referred to Rule 28 of CGST Rules, 2017 and held that incase where 'open market value' as per Rule 28(a) was available in respect of supplies made to distinct person (branches), there is no necessity to go further down to Rule 28(b) or (c). Further, it was held that if the applicant does not use option provided under 1st proviso to Rule 28, he has to supply at 'open market value' as per Rule 28(a). The AAR held that both provisos were to be read together and not independently, and that the applicant cannot choose whichever proviso was favorable to it. [In RE: Specsmakers Opticians Private Limited – 2019 VIL 233 AAR]

- **Hotel accommodation booking service - GST payable @ 5% without ITC:** Observing that applicant is covered under the definition of agent, supplier and taxable person, AAR Delhi has held that the applicant, booking hotel accommodation in foreign countries for its Indian clients, is required to pay GST on value of hotel accommodation service. Option to pay GST @ 18% (with ITC) was held as not available. The AAR held that value of 'hotel accommodation' paid by client to them, which is remitted to foreign hotel / hotel aggregator, cannot be included in taxable value, provided conditions of pure agent are satisfied. [In RE: Tui India (P) Ltd. - 2019 VIL 230 AAR]

- **No composite supply if all ingredients are equally important:** Maharashtra AAAR has held that supply of electroink along with other consumables is not a composite supply. It observed that printing cannot take place with ink (contended to be principal supply) alone and products like developer or plate are equally important. The Appellate Authority in this regard observed that products may be supplied together initially but not subsequentlyand that providing customer an option of a tierprogramme is not an industry practice. It also noted that supply involved compulsion which should not be there in a composite supply. [In RE: HP India Sales – 2019 VIL 53 AAAR]

- **Supply of food at occasional events taxable @ 18% GST:** West Bengal Appellate AAR held that supply of food at events which are occasional in nature like social get-togethers in the premises of club is taxable under Serial No. 7(v) of Notification No. 11/2017-Cental Tax (Rate) @ 18% GST. Upholding AAR ruling, AAAR observed that social get-togethers & parties are occasional in nature & that services provided by the club at such get-togethers are not regular restaurant services. AAAR observed that provisions of Sl. No.7(v) are not restricted to exhibition or marriage halls and include all indoor and outdoor functions. [In Re Bengal Rowing Club - 2019 TIOL 59 AAAR GST]

- **No ban on separate GST registration to multiple firms in a co-working space:** Kerala AAR has held that separate GST registration can be allowed to multiple companies providing services only and operating from a 'co-working space'. It noted that there is no prohibition for registration to a shared office space or virtual office and that since GST registration is PAN based, identification of taxpayer is not difficult. The Authority observed that such companies need to upload rental agreement or sub-lease as proof of address of principal place of business showing respective suite or desk number. It also stated that in addition, the applicants can upload a copy of 'monthly utility bill' in connection with payment towards electricity charges, water charges or other common services availed by the respective suite or desk number. [In RE: Spacelance Office Solutions - 2019 TIOL 255 AAR GST]

- **GST liability on residential flats constructed partially before and partially after introduction of GST – Time of supply:** Karnataka AAR while referring to time of supply of service under Section 13 of CGST Act, 2017 on applicability of GST on works contract service pertaining to partially completed flats, has held that GST is not applicable if customers are identified post completion of flats and post issuance of completion certificate. AAR observed that in case customers were identified prior to implementation of GST, applicant would be liable to pay service tax proportionate to services provided prior to GST regime and GST proportionate to services provided under GST regime. In case customers are identified after introduction of GST regime, the applicant was held liable to GST. AAR, for this situation, also rejected the plea that the value of supply under GST shall be only the value of the work carried out after the appointed date. [In RE: Durga Projects & Infrastructure Pvt. Ltd. – 2019 VIL 236 AAR]

- **Valuation - Amortization cost not includable in transaction cost if tools on FOC supplied under contract:** On the question of applicability of GST on tools amortization cost where tools were received for free on returnable basis from the customer under contract, Karnataka AAR referring to Circular No. 47/21/2018-GST, has held that tools amortization cost need not be included in the value of supply of parts. It noted that as per contract/purchase order, the applicant was not under any obligation to use its own tools/moulds for manufacture of components supplied. The applicant was engaged in manufacture, sale and design of plastic moulds as per customers. The AAR also held that the ruling will apply to other contracts if the terms and conditions contained therein are the same. [In RE: Toolcomp Systems Private Limited - 2019 VIL 235 AAR]

CUSTOMS

Recent Notifications and Circulars

- **Re-import of goods earlier sent out for exhibition – IGST when not payable:** Relying on recent GST Circular holding that sending/taking goods out of India for exhibition, in the absence of consideration, is neither supply nor zero rated supply, CBIC has clarified that Sl. No. 1(d) of Notification No. 45/2017-Cus., requiring payment of IGST on re-import, is not applicable. According to the circular, Sl. No. 5 instead is relevant. Circular No. 21/2019-Cus., dated 24-7-2019 also observes that Sl. No. 5 will apply even in cases where exports are made to related/distinct persons or to principals/agents, for participation in exhibition or on consignment basis.

- **Re-imports – Recovery of export benefits taken under reward schemes:** Importers are required to provide a no incentive certificate from RA of DGFT at the time of re-import of exported goods on which benefit under Chapter 3 of FTP was availed at the time of export. CBIC Instruction No. 3/2019-Cus., dated 13-8-2019 clarifying so, reiterates that before allowing clearance in cases of such re-imports, a no-incentive certificate is to be ensured by Customs field formations. Instruction notes that Para 3.24 of Handbook of Procedures Vol.1 prescribes the procedure for obtaining such certificate.

- **IGST refund to exporters – Mismatch between GSTR-1 and 3B during FY 2018-19 – Verification procedure extended:** CBIC has clarified that the solution provided in Circular No. 12/2018-Cus., in case of payment mismatch between GSTR-1 and GSTR-3B during the period from July 2017 till March 2018, would also be applicable for the period from April 2018 till March 2019. According to Circular No. 25/2019-Cus., dated 27-8-2019, corresponding CA certificate evidencing no discrepancy between the amount refunded and actual amount paid, must be furnished by 30th of October 2019. Circular No. 12/2018-Cus. had provided for mechanism to verify IGST payments in such cases.

- **IGST refund in invoice mismatch issue – Officer interface facility extended:** Alternative mechanism with an officer interface to resolve invoice mismatches errors for IGST refund to exporters, has been extended for shipping bills filed till 31-7-2019. The mechanism was earlier available for shipping bills filed till 15-11-2018 only. Circular No. 26/2019-Cus., dated 27-8-2019, issued for thispurpose, notes that despite wide publicity and outreach programmes to make exporters aware about the need to have identical details in invoices given in shipping bills and GST returns, few exporters continue to commit such errors.

- **Fees for excess utilization of duty saved amount can be paid within 2 years:** Regional Authorities have been granted power to condone delay in payment of fee for excess utilisation of duty saved amount. As per the new provisions inserted in Para 5.16(a) of the Handbook of Procedures Vol.1, RA may accept additional fee to cover the excess imports, if the same is furnished beyond one month but within two years of the excess imports. This will however be subject to payment of composition fee of Rs. 5000/- per authorization. DGFT Public Notice No. 22/2015-20, dated 31-7-2019 has been issued for this purpose.

- **CBIC directs gradual relaxation in percentage of physical examination of exports:** CBIC has asked its field formations to gradually taper down the percentage of physical examination in cases wherever the earlier examination has validated the declaration made in the shipping bill. RMCC shall for this purpose consider the feedback received from field formations. Circular No. 22/2019-Cus., dated 24-7-2019 notes that CBIC has received representations wherein exporters have raised the issue of repeated opening of export containers for 100% examination related to risky exporters under the new procedure laid down in Circular 16/2019-Cus.

- **AIR drawback when not applicable for calculation of Brand Rate:** Observing that since central excise duty on inputs and service tax on input services used in the manufacture of export goods have been subsumed in GST for which input tax credit/refund is available, CBIC has clarified that contents of para 3(a) and 3(b) of Circular Nos. 83/2003-Cus. and 97/2003-Cus. are not applicable for exports made in post GST era. Para 3(a) and 3(b) of earlier circulars pertain to brand rate fixation for leather articles, complete bicycles and complete buses. Circular No. 24/2019-Cus, dated 8-8-2019 has been issued for this purpose.

- **Refund of IGST paid on imports by specialized agencies clarified:** Customs field formations will provide refund of IGST paid on import of goods by the specialized agencies notified by Central Government under Section 55 of CGST Act, 2017. Circular No. 23/2019-Cus., dated 1-8-2019 while clarifying so, observes that Section 3(7) of Customs Tariff Act, 1975 provides for a parity between the integrated tax rate attracted on imported goods and the integrated tax applicable on the domestic supplies of goods. It notes that in case of UN and specialised agencies, GST notifications envisage payment and then refund of taxes paid, and therefore, on this principle of parity, specialised agencies ought to get the refund of IGST paid on imported goods.

- **Global Authorization for Intra-Company Transfer (GAICT) of SCOMET Items/Software/ Technology – Procedure specified:** Para 2.79F has been inserted in theHandbook of Procedures Vol.1,2015-20 for laying down the procedure for issuance of Global Authorization for Intra-Company Transfer (GAICT) for SCOMET Items/ Software / Technology. Pursuant to the introduction of the said para, no pre-export authorization will be required for re-export of imported SCOMET items, software and technology (excluding SCOMET Categories 0, 1B, 1C2, 3A401, 5 and 6) subject to the conditions laid down therein.DGFTPublic Notice No.20/2015-20, dated 24-7-2019has been issued for this purpose.

Important Cases decided

- **Customs not to recover from legal heirs of deceased notices/assessees:** Customs Department cannot proceed against legal heirs of a deceased notice/ assessee against whom there may be proceedings for recovery of customs duty. The Delhi High Court while holding so, observed that there is no machinery provision in the Customs Act, 1962 whereby the dues owed by a proprietary concern or a partnership firm can be sought to be recovered from legal heirs of proprietor/partner of such concern/firm. The Court in this regard relied upon a Supreme Court judgement in the case of Shabina Abraham v. Collector which was related to Central Excise. [Amandeep Singh Sehgal v. Commissioner – 2019 TIOL 1693 HC DEL CUS]

- **Seizure, absence of SCN – Right to unconditional release when not available:** Delhi High Court has observed that second proviso to Customs Section 110(2), stating that in case of provisional release, period of 6 months for SCN would not apply, is to make sure that at least seized goods are provisionally released quickly. The Court held that 2nd proviso, insertedby Finance Act, 2018, did not take away what was already available to assessee and hence the proviso was not applied retrospectively. It also held that right for release of goods might have accrued if no provisional release order was passed before 6 months from seizure. [Wide Impex v. Pr. Commissioner - 2019 TIOL 1819 HC DEL CUS]

- **Classification of goods – Similarity of contents when not a criterion:** CESTAT New Delhi has observed that assorted birthday candles with Chlorate, Potassium, Aluminium, etc., (material for fireworks) only in material contents of the central wig, are not classifiable as fireworks. The Tribunal for this purpose, relied upon Rule 3(a) of Interpretative Rules and the essential use criteria. It observed that if similarity of contents is the criteria, even matchstick is a firework. The Tribunal also held that although CHA is obligated with CBLR Regulations but not every breach leads to revocation of license. [Jaiswal Cargo Imports Services Ltd. Vs Commissioner - Final Order No. 51004/2019, dated 7-8-2019, CESTAT New Delhi]

- **Classification of goods - No estoppel to raise dispute in subsequent import:** Mumbai Bench of CESTAT has held that there is no estoppel in raising classification dispute in subsequent import of a product and that in the absence of appropriate classification there was nothing binding to treat previous classification as the sole option. The Tribunal observed that Granola bar comprised of various products including oats and its character is altered post baking and mixing, and therefore it would not be appropriate to fit it in category of cereals or prepared food in the absence of coverage by residuary entry under Heading 1904. [General Mills India Ltd. Vs Commissioner - Final Order No. A/86392 / 2019, dated 13-8-2019, CESTAT, Mumbai]

- **Valuation - Declared value cannot be revised just because it is lower than in NIDB database:** CESTAT Chennai has held that the difference in the declared value and the value in the NIDB database does not constitute in itself a "reasonable doubt" needed to reject the transaction value under Rule 12 of Customs Valuation (Determination of Value of Imported Goods), 2007. It was held that simply because the value declared by the appellant is lower than the value found in the NIDB database, the value cannot be revised by the department. [Sai Exports v. Commissioner - Final Order No. 40992/2019, dated 1-8-2019, CESTAT, Chennai]

- **Effective date of STP approval cannot be amended to an earlier point of time, once imports made:** The petitioner was granted permission for setting up a 'Software Technology Park' and a communication dated 29-11-2005 was sent by the Ministry. Since their imports had already arrived during October-November 2005, an amendment of the effective date of approval to 4-4-2005 was sought, to avail the benefit under Notification No.153/93-Cus. Observing that the petitioner had jumped the gun and made imports even before approval, the Madras High Court held that having imported without any document with regard to approval of application for STP, the effective date of approval cannot be advanced to an earlier point of time. [Khivraj Tech Park Pvt. Ltd. v. Union of India – 2019 TIOL 1812 HC MAD CUS]

• **Demand of duty and interest when delay on part of authorities processing necessary redemption certificate:** The assessee was exempted from payment of customs duty by Notification No. 96/2009-Cus. subject to condition that evidence of discharge of export obligation was produced within sixty days of expiry of the period allowed for fulfilment of EO. However, the redemption certificates in proof of fulfilment of such export obligations were issued to the assessee belatedly. Allowing the writ petition, the High Court of Telangana and Andhra Pradesh held that the authorities should put in place a proper mechanism to see that certificates are issued promptly. [Hetero Labs Limited v. Assistant Commissioner - 2019 (8) TMI 339 Telangana and Andhra Pradesh High Court]

• **Denial of cross examination of Directors not violative of principles of natural justice in all cases:** Delhi High Court has held that statement of directors of company who were co-noticees cannot be in every case need to be cross examined under Section 9D of the Central Excise Act, 1944 or Section 138 of Customs Act, 1962. It was held that statement of directors cannot be called as statement simplicitor but a statement as that of the company. The Court also held that as these statements are made to the Customs officer, these are out of the ambit of Section 24 of Indian Evidence Act and are readily admissible as evidence. The High Court also held that the co-noticee, if his statement amounts to confession, cannot be compelled to be cross-examined and there would be no violation of principles of natural justice. [Silicone Concepts International Pvt. Ltd. Vs Principal Commissioner - 2019 VIL 511 DEL CU]

• **EPCG scheme – No interest payable on composition fee as same not duty under Customs Section 28:** CESTAT Bangalore hasheld that composition fee paid for extension in export obligation beyond two-years period is not duty under Section 28 of the Customs Act, 1962. It was held that the final duty under EPCG scheme was yet to be assessed and hence, the interest was not liable to be paid on it. The assessee, importing under EPCG scheme, could not fulfil export obligation within the stipulated time and requested for extension. JDGFT directed the assessee to pay 50% duty for unfulfilled export obligation as pre-condition to consider request for extension. The assessee paid the amount with interest on it but subsequently submitted application of refund which was denied holding it as applicable on delayed payment of duty. [Lulu Intl Convention Centre Pvt. Ltd. v. Comm – 2019 VIL 514 CESTAT BLR CU]

• **Cabling of various parts of agriculture machine is not 'manufacture' – Benefit available as full machine and not as parts:** CESTAT Delhi has held that mere cabling of various parts of agricultural machine (laser level transmitter, laser receivers, control boxes connecting cables and rechargeable battery packs) so as to let them function as a complete machine does not amount to manufacture and hence benefit of Sl. No. 399(A) of Not No. 12/2012-Cus. cannot be denied. Department's plea of putting the goods under Sl. No. 399(B) as parts was rejected.[SPL Technologies Pvt. Ltd. v. Principal Commissioner – 2019 VIL 529 CESTAT DEL CU]

CENTRAL EXCISE, SERVICE TAX & VAT

Recent Notifications and Circulars

• **Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019 effective from 1-9-2019 – CBIC clarifies on coverage of the scheme:** SabkaVishwas (Legacy Dispute Resolution) Scheme, 2019 will come into effect from 1st of September 2019. As per Scheme Rules a declaration under the scheme can be made on or before 31st of December 2019, electronically at https://cbic-gst.gov.in. Various forms to be filed electronically prescribed, constitution of designated committee and procedure for verification of the declaration by committeeprovided. (Notification Nos. 4 and 5/2019-C.E. (N.T.), both dated 21st of August 2019). Clarifying on various issues pertaining to the scheme, the Circular also lists type of cases which are excluded from the coverage of the scheme. The exclusions provided are :Cases in respect of goods still liable to Central Excise duty, Cases for which the taxpayer has already been convicted in Court of law, Cases under litigation where the final hearing has taken place before 30-6-2019, Cases of erroneous refund and Cases which are pending before Settlement Commission.

• **Central Excise and Service Tax – Monetary limit for departmental appeals before CESTAT, High Court and Supreme Court raised:** Monetary limits for the department to file appeals to the CESTAT, High Court and Supreme Court in cases relating to Central Excise and Service Tax has been revised. Rs. 50 lakh for CESTAT, Rs. 1 crore for the High Court and Rs. 2 crore for the Supreme Court and will apply to all pending cases as well. (Instruction issued on 22-8-2019)

Important Cases decided

• **Excise valuation – No basis for adopting cost inflation index of Income Tax:** CESTAT Delhi held that there was no legal basis for adopting cost inflation index of Income Tax deptfor determination of assessable value under Section 4 of CE Act read with the CE Valuation Rules, 2000, for valuation of captively consumed goods. The Tribunal also noted that cost of manufacture as certified by Cost Accountant in CAS-4 cannot be rejected based on vague reasons and that Commissioner (Appeals) should have provided tenable grounds for rejecting assessable value. [Shri KrsnaUrja Project v. Comm–2019 TIOL 2256 CESTAT DEL]

- **Commercial training or coaching service - Only institute issuing certificate for course recognized by law not liable to Service Tax:** CESTAT Larger Bench has held that merely because Principal of Junior College also signed the certificate with college stamp, it did not mean that the certificate was issued by the college. The Tribunal observed that the certificate was issued by the Board of Intermediate Education and not by the junior college of the assessee. It observed that emphasis on imparting education for obtaining recognized certificates was misconceived. [Sri Chaitanya Educational Committee v. Commissioner – Misc. Order No. 30344/2019, dated 23-7-2019, CESTAT Larger Bench]

- **Cenvat credit available on product liability insurance:** CESTAT Chennai has allowed Cenvat credit on product liability insurance availed by the manufacturer for covering the risk of manufacturing defect arising in finished products. The Tribunal for this purpose observed that the insurance was directly connected with manufacturing activity and was also an input service used in relation to manufacture of finished products. [Wheels India Ltd. v.Commissioner – 2019 VIL 455 CESTAT CHE CE]

- **Rebate on exports – No condition for export goods to be manufactured inside country:** Allahabad High Court has held that there is nospecification under Excise Rule 18 that for the purpose of rebate, goods need to be manufactured inside country. The Court held that the rule talks about any goods, which includes both manufactured inside the country and received from outside. The High Court observed that LCD panels and parts were specified in schedule to Central Excise Tariff and had suffered countervailing duty. [Samsung India Electronics v. Union of India – 2019 TIOL 1810 HC ALL CUS]

- **Refund of Cenvat credit – EOU unit is in DTA in respect of SEZ unit:** Observing that the definition of DTA under SEZ Act includes everything located outside SEZs, CESTAT Hyderabad has held that 100% EOU located outside SEZ, constitutes DTA as far as SEZ Act is concerned. It also observed that Section 51 of the SEZ Act makes it clear that this Act prevails over any other law. The Tribunal held that the appellant (EOU) is entitled to refund of Cenvat Credit under Cenvat Rule 5 in respect of the goods which they had sold to SEZ units. CESTAT Chennai Order in case of Orbis India (P) Ltd. was relied on. [Mylan Laboratories v.Commissioner – 2019 TIOL 2103 CESTAT HYD]

- **Leasing of work-wear – Maintenance does not mean effective control retained:** In a case where the assessee undertook to deliver, wash and service work-wear to his clients, CESTAT Chandigarh has rejected the department's contention that since goods always remained in the control of assessee, there was no transfer of effective control and hence the transaction is out of the purview of deemed sale and liable to service tax.It held that exclusive possession remained with the clients as use of goods was not controlled by assessee. [Lindstrom Service India v. Commissioner – 2019 VIL 524 CESTAT CHD ST]

- **GTA exemption for transport of fruit - Any produce of a tree as a result of ripened ovary is 'fruit':** CESTAT Hyderabad has allowed exemption under Notification No. 33/2004-S.T. to assessee taking service of GTA for transport of palm oil fruit. Contention of the department that anything which is not edible cannot be classified as fruit, was hence rejected. The Tribunal, relying on Stroud's Judicial dictionary of words, held that any produce of a tree which is a result of ripened ovary, is a 'fruit', irrespective of nature of it beingedible or not. [Nava Bharat Agro Products Ltd. v.Commissioner – 2019 TIOL 2111 CESTAT HYD]

- **Subsequent curtailment of an incentive scheme – Promissory estoppel:** Bombay High Court has allowed petition filed against curtailment of validity period of incentive scheme (New Package Scheme of Incentives, 1993). The scheme incentivised setting up of industrial unit in remote areas of Maharashtra. The Court observed that only liberty available with the State was to modify the Incentive Scheme in such a way that it is consistent with the new tax structure while not reducing or restricting the benefits under the scheme. [K. M. Refineries and Infraspace v. State of Maharashtra – 2019 VIL 377 BOM] MA

Information source *- M/s LKS, Nitya Tax Associates, Probability GST updates, PwC India Indirect Tax News Flash, cbic.gov.in and other sources-many thanks to all.*

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Digital Transformation – That's What's Happening

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Preamble

Overwhelming speed and 'innoventive' quality of technological developments are boldly disrupting corporates across industry sectors, touching lives of common people, and transforming their way of living life. Technologies like Blockchain, are expected to bring in foundational changes in a nation's economic and societal ecosystem. Remaining abreast of such developments is an imperative for every professional. This will help enduring with relevance and gain 'stragility' for contributing for attainment of competitive advantages.

This monthly column is an initiative of the Directorates of Journal & Publications and Advanced Studies of our Institute. Predominant objective is to share what all are happening in digital transformations both in India and abroad. The present author will make efforts to conduct extensive research for sharing his own views and inputs on the latest happenings, new use cases, initiatives of sovereign nations and multilateral agencies, etc. It is very difficult to restrain from writing about all but have to restrain by sharing only some major developments in recent past.

Digital Transformations

In following sections certain recent developments have been covered. Readers may visit *www.icmai-rnj.in* for webliogrphical references and get full inputs as available.

Artificial Intelligence: It is amazing to note how much friendly a technology AI is emerging to help people in quest for solving problems for society. Here is a story of a lady. She is using radiology in a hospital of Bhubaneswar to identify tiny bulges in human stomachs which are potentially cancer prone. She is not a doctor. Her effort is for teaching artificial intelligence to a machine that can help accurate diagnosis by a doctor.

Versatility of AI is transcending all areas of solution building. The most encouraging is that AI is emerging as a friend of all for keeping cyber criminals away. It is also acquiring self-propelling energies. More and more corporates, who were observing peers attaining competitive advantage using digital technologies, now plunging into the act of digital transformation, particularly using AI with IoTs and Blockchain.

Fintech: People's Bank of China (PBoC), as reported by its Dy. Director Mu Changchun, is ready with its prototype for 'China's Digital Currency' on a two-tier platform. Its layer one will be operated by PBoC and layer two by commercial banks. One should keenly watch this development keeping in view the USA's political groups criticizing facebook's initiative for cryptocurrency Libra.

Blockchain: Giant MNCs like Uniliver, Kellog, Pfizer, AT&T have become anchor brands for IBM's pilot consortium called 'IBM Mediaocean Blockchain'. This platform will bring transparency, trust, cost reduction and facilitate the process of reconciliation in their complex tasks of advertisements through digital media. Blockchain will create the trust verified chain from every dollar spent to the end user. It will have potentials to cut out several inefficiencies in marketplace. In a recent use case, a large HR hiring agency will deploy a blockchain enabled hiring platform to streamline internal processes such as secure uploading of job seekers' profiles and their distribution among various platforms. Efforts are multiplying for gainfully applying Blockchain to agriculture and environment management.

Robotic Process Automation: Will you believe that the next Russian Soyuz spacecraft will be navigated by a humanoid Skybot sitting in commander's chair? It is one of the latest versions of Russia's FEDOR series robots serving as all-purpose stand-in for humans in everything from rescue work to driving cars and now, flying into space. Such robots will be artificially intelligent and have cognitive skills almost like of a human astronaut.

Artificially intelligent Robots will soon be able to identify wrongdoers through face and outfit recognition ability and take actions, including killing if need be. This group of Robots will eventually be of help to security forces for surveillance and dealing with strategy execution in battlefields and curbing terrorism.

Robotists have successfully brought out the next genre of Robots called Cobots by applying DevOps concept. These are designed to interact and collaborate with human beings at a shared workspace. Cobots will ensure delivery with higher speed, quality and cost optimisation, yet will not cause much reduction in workforce.

Digitalisation of Sports: Cricket enthusiast will be happy to learn that a Smart Chip, planted in a ball, will now bring amazing advancements for umpires taking more accurate decisions and help trainers in training players more effectively. The moot question is, will it take away some fun from sports?

Internet of Things: The present author is thinking of a day when refrigerators will be able place orders on behalf of its owner the weekly / monthly requirements of vegetables and other eatables directly to the market aggregators through simultaneous applications IoTs and cognitive technology. 'Track & Trace' capability of Blockchain will help ensuring that spurious items are not delivered by tracing each item to its farmer or producer as appropriate.

Initiatives and Reforms

Despite symptoms of slowdown Indian startup ecosystem is marching ahead with a reported investment of $ 4.7 Bln. during the first half of 2019, which is 9% more than that of the same period of 2018. Government of India has withdrawn Angel Tax which will be a major booster for more funds flowing into technology based startups.

IMF in its recent publication titled 'The Rise of Digital Money' has expressed concern about implications of digital currencies, viz., Alipay. Libra. M-Pesa. Paxos. Stablecoins, WeChatPay, etc. Haunting questions are whether these are at all useful for mass as fiat currencies, are these financial instruments, what will be people's reaction in their adoption; how central banks will react and regulate for protecting interests of all, will the financial ecosystem of any country at all be benefitted and what are the consequential risks? All these have been dealt with in this paper.

Israeli Authorities are engaged in licensing and regulation of Fintech ventures, Digi-insurance, P2P credit providers, digital wallets, blockchain based and other payment services providers.

Interestingly Sophia, the most talked about artificially intelligent Humanoid, has officially been granted citizenship by Saudi Arabia. She(!) has started speaking in international conferences.

The reader may rightly get a feeling that very many new industrial activities have started being rolled out by digital transformations in Industry 4.0 era. Finance professionals and CXOs have a distinctive role to play in this era for both co-developing and making best uses of all the transformative solutions. MA

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2019

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
Tuesday, 10th December, 2019	Fundamentals of Economics & Management
Wednesday, 11th December, 2019	Fundamentals of Accounting
Thursday, 12th December, 2019	Fundamentals of Laws & Ethics
Friday, 13th December, 2019	Fundamentals of Business Mathematics & Statistics

Examination Fees

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

1. **The Foundation Examination will be conducted in Offline, descriptive (Pen & Paper) mode only**. **Each paper will be of 100 marks and for 3 hours duration.**
2. Application Forms for Foundation Examination has to be filled up through online and fees will be accepted through online mode (including Payfee Module of IDBI Bank).
3. STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.
4. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.

   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
5. **Last date for receipt of Examination Application Forms is 10th October, 2019.**
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, Bikaner (Rajasthan), Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.
7. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
8. **Probable date of publication of result**: **21st February, 2020.**

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

CMA S. C. Gupta
Secretary (Acting)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2019

PROGRAMME FOR SYLLABUS 2016

ATTENTION: INTERMEDIATE & FINAL EXAMINATION (DECEMBER - 2019 TERM) WILL BE HELD ON ALTERNATE DATES FOR EACH GROUP.

Day & Date	INTERMEDIATE (Time: 2.00 P.M. to 5.00 P.M.)		FINAL (Time: 2.00 P.M. to 5.00 P.M.)	
	(Group – I)	(Group – II)	(Group – III)	(Group – IV)
Tuesday, 10th December, 2019	Financial Accounting (P-05)	----------------	Corporate Laws & Compliance (P-13)	----------------
Wednesday, 11th December, 2019	----------------	Operations Management & Strategic Management (P-09)	----------------	Corporate Financial Reporting (P-17)
Thursday, 12th December, 2019	Laws & Ethics (P-06)	----------------	Strategic Financial Management (P-14)	----------------
Friday, 13th December, 2019	----------------	Cost & Management Accounting and Financial Management (P-10)	----------------	Indirect Tax Laws & Practice (P-18)
Saturday, 14th December, 2019	Direct Taxation (P-07)	----------------	Strategic Cost Management – Decision Making (P-15)	----------------
Sunday, 15th December, 2019	----------------	Indirect Taxation (P-11)	----------------	Cost & Management Audit (P-19)
Monday, 16th December, 2019	Cost Accounting (P-08)	----------------	Direct Tax Laws and International Taxation (P-16)	----------------
Tuesday, 17th December, 2019	----------------	Company Accounts & Audit (P-12)	----------------	Strategic Performance Management and Business Valuation (P-20)

EXAMINATION FEES

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

1. **Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.**
   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
4. **Last date for receipt of Examination Application Forms is 10th October, 2019.**
5. **The provisions of direct tax laws and indirect tax laws, as amended by the Finance Act, 2018, including notifications and circulars issued up to 31st May, 2019, are applicable for December, 2019 term of examination for the Subjects Direct Taxation, Indirect Taxation (Intermediate), Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016. The relevant assessment year is 2019-20. For statutory updates and amendments please refer to: http://icmai.in/studentswebsite/Syl-2016.php**
6. **Companies (Cost Records and Audit) Rules, 2014 as amended till 31st May, 2019 is applicable for December, 2019 examination for Paper 12- Company Accounts and Audit (Intermediate) and Paper 19-Cost and Management Audit (Final) under Syllabus 2016.**
7. **The provisions of the Companies Act 2013 are applicable for Paper 6-Laws and Ethics (Intermediate) and Paper 13-Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government up to 31st May, 2019 for December, 2019 term of examination. Additionally, for applicability of ICDR, 2018 for Paper-13-Corporate Laws & Compliance (Final) under Syllabus 2016 refer to relevant circular in website for December, 2019 term examination by following link: http://icmai.in/studentswebsite/Syl-2016.php**
8. **For Applicability of IND AS and AS for Paper 5 - Financial Accounting, Paper 12 - Company Accounts and Audit (Intermediate) and Paper 17 - Corporate Financial Reporting (Final) refer to relevant circulars and notifications in website for December, 2019 term examination in the given link: http://icmai.in/studentswebsite/Syl-2016.php**
9. **Pension Fund Regulatory and Development Authority Act, 2013 is being included in Paper 6-Laws and Ethics (Intermediate) and Insolvency and Bankruptcy Code 2016 is being included in Paper 13-Corporate Laws and Compliance (Final) under Syllabus 2016 for December, 2019 term of examination. Please refer to http://icmai.in/studentswebsite/Syl-2016.php**
10. **Examination Centres: Adipur-Kachchh (Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur (Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bikaner (Rajasthan), Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.**
11. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
12. **Probable date of publication of result: Inter & Final – 21st February, 2020.**

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

CMA S. C. Gupta
Secretary (Acting)

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