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The Management Accountant

The Journal for CMAs

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

Return on Talent

www.icmai.in

CMA D. Bandyopadhyay, Registrar of Companies, West Bengal at the Investor Awareness programme organized on 7th February2013 in Jadavpur University, Kolkata

Pro Vice Chancellor Prof. Siddhartha Datta, Registrar Dr. Pradip Kumar Ghosh, Finance Officer Mr. Gour Krishna Pattanayak of Jadavpur University and CMA Dr. D. P. Nandy, Director (Research & Journal) lighting the lamp at the Investor Awareness programme on 7th February, 2013

Shri S.K Das, Commissioner, Central Excise, Kolkata, Dr. Abhirup Sarkar Chairman of WBIDFCL, Shri R. Goel, Chief Commissioner of Income Tax, Shri Debmalya Banerjee, Co-Chairman ERDC, ASSOCHAM with council members in Post Budget Discussion 2013-14, at the Institute auditorium, Kolkata

CMA Manas Kumar Thakur, Council Member presenting a bouquet to Dr. Abhirup Sarkar, Chairman of WBIDFCL at the Post Budget Discussion at the Institute auditorium, Kolkata

"Glimpses of National CMA Practitioner's Convention - 2013 held in Chennai on Saturday the 23rd February, 2013"

CMA M. Gopalakrishnan, immediate past president of the Institute and Chairman of NCPC 2013 addressing the gathering at Hotel Accord Metropolitan

Past Presidents, Council Members, and member Practitioners at the inaugural session

The Vice President, the Secretary (Acting) of the Institute, the Chief Guest and the Guest of Honours on the dais in the inaugural session

Lighting of Lamp & Inauguration by Chief Guest, CMA R.S. Sharma, Chairman, Quality Review Board, ICAI & Former Chairman and Managing Director, ONGC Ltd. with other dignitaries.

The Management Accountant

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

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IDEALS THE INSTITUTE STANDS FOR

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

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MISSION STATEMENT

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

VISION STATEMENT

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

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Editorial

Greetings!

Talent is all about an individual's knowledge and skills, but it ultimately depends on the ability of the individual to leverage the resources of others as well–that is why social capital and structural capital are critical to talent development.

The organizational performance is determined by the performance of its employees. Talented employees are the agents of change. Talented people give birth to good and innovative ideas. Good ideas give birth to good products and processes. Innovative ideas also create new business opportunities and so on.

Talent development can have some very powerful return dynamics. The more rapidly a firm develops its talent, the more readily it can develop the next wave of talent. Talent is about the ability to deliver superior value, internally and externally. Talent is ultimately a function of human-capital, intellectual-capital, social-capital and structural-capital, working together to augment the value that can be delivered.

To focus a successful organization, managers must use a new tool called return on talent (ROT). Most organizations focus on return on investment (ROI), and fail to understand the key strategy of how to increase ROI by increasing ROT.

The value of knowledge generated increases with its effective deployment. Effective knowledge generated means high ROT. It leads to a creative workforce, innovations, smooth processes, continuous product improvements, and improved communications. It helps management to be flexible, to capitalize on opportunities, and to keep pace with the changing business climate. Talented people influence those around them, and their knowledge is shared over time. Top knowledge generators should be rewarded. If managers expect top talents to achieve their maximum performance and produce maximum return, they must not place them in routine jobs.

ROT measures the payback from investment in people; it shows whether managers are hiring the right people and how effectively they use them to achieve business success. It can be a quantitative or qualitative measurement, based on management's viewpoint. Talent generates knowledge, which is one of the greatest assets in the global economy. True knowledge brings creativity and innovation, and adds value to the company. Effective managers use ROT measurements to make their investments in talent more profitable. ROT measurements help monitor performance, forecast opportunity, and determine the profitability of their investment in talent. To make their investment more profitable, management must constantly measure ROT, continuously improve ROT, and nurture, develop, and refresh talent.

During the period of downturn an organization should employ its talent in a manner such that they address this strategic challenge. Only those who contribute significantly should be rewarded. Potential development and retention should be geared towards the best-performing talent. Thus, this approach helps improve ROT through managing costs, optimal utilization of talent and high involvement of top management.

Any organization operating in an environment of rapid growth will look to capture a large share of business. Rewards and benefits are liberal and aimed at retaining a large mass of the employee base to maintain high productivity levels and build capacity. ROT is enhanced through improved skill base availability, development of skills in line with business requirements, and building and maintaining talent capacity. Hence, the talent strategy and initiatives are geared towards enabling the firm to successfully meet growth targets.

We are glad to present few excellent articles on Return on Talent before you. We express our heartfelt thanks to all the contributors of this issue for their valued contributions. Hope you will enjoy reading the articles compiled in this issue.

Happy reading!

> *Arise, Awake and Stop not till the Goal is reached.*
> *—Swami Vivekananda*

CMA Rakesh Singh, President

Dear Professional Colleagues,

The month of March has begun and I hope you all must be very busy with your professional assignments. Inspite of this busy schedule, I am sure that you all must have already started planning for the next year.

We at Institute have also started this planning exercise. The idea is to develop new approaches for sustainable growth of the profession of Cost and Management Accountancy. Management Accountancy is a complex activity requiring knowledge of diverse fields. It is must for professionals like CMAs to meet the expectation of the society. We have to plan in advance about how to get ourselves updated and serve the society well. This is the key to be sustainable in the long run.

Sustainable growth as we all know calls for development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

For the past decade sustainability has been an important specialized issue. Corporate board members and Senior Executives are looking at sustainability as a critical business issue. This calls for a new approach. In my view the new approach in these challenging times should be that we must strive to engage in a sustainable manner for the sake of our future generation. We should bequeath to our future generations a world that is environmentally sound. For this to happen, both the Government and the private sector need to make relevant changes in the way they operate. There is a need for constructive collaboration between the business community with government and civil society. Nobody, even corporate houses can survive in isolation in today's interconnected and globalised world.

In this reference I am delighted to inform all of you that the Institute is organising an International Professional Summit on the theme "New Approach to Sustainable Growth" at The Leela Kempinski Hotel, Gurgaon on 26th & 27th April 2013. This Summit will provide a networking platform to interact with International Delegates as well as Board Members, CFOs, Financial Controllers, Senior Management, CMAs in industry, Practicing CMAs, Compliance officers etc.
I urge upon all the members to participate in the summit in great numbers so that the profession of CMA could be benefited from this and we could show the world the strength of CMA profession.

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

Placement Directorate

With the announcements of results of December 2012 Examinations, the campus placement initiatives for the December 2012 CMA qualified has also started in full swing. I am happy to inform that the Institute has added four more locations for organizing campus placement. Apart from Delhi, Kolkata, Mumbai and Chennai, this time Lucknow, Bhubaneshwar, Ahmedabad and Hyderabad have also been added. Orientation Program will also be organised in all these locations. I am sure that as happened in the past, the placement initiatives for December 2012 CMA qualified would also be successful.

CAT Directorate

I am happy to inform that on the lines of successful launch of CAT Course in the state of Kerala, the Institute could make a head way in the State of Rajasthan also. The revised CAT Course with more thrust on meeting the industries' requirements in terms of entry level accounting functions, would be able to develop the skills among the youth of this country. The Institute, I am happy to inform that, is in fore front to develop the skills and train the youth to handle the real life issues of Industries in entry level accounting through CAT Course.

Studies Directorate

It is a matter of pleasure for me to inform all of you that Studies Directorate has launched online registration portal for Postal students w.e.f 18th February 2013. Now, students can directly register from anywhere and make payments with their Debit or Credit Cards.

This year's Student Convocation and National Students' Convention will be held on 22nd March, 2013 at Kolkata.

Examination

I congratulate all the students who have passed the ICAI examinations for December 2012 term. The results for December 2012 examination was declared on 1st February 2013 for Foundation and 21st February 2013 for Intermediate/Final Examinations as scheduled.

Technical Directorate

I am happy to inform the members that the Technical Directorate has uploaded the following standards and Guidance Notes on the website:

1. Cost Accounting Standard on Selling and Distribution Overheads (CAS 15)
2. Guidance Note on Administration Overheads (CAS-11).
3. Cost Audit and Assurance Standard on Overall Objectives of the Independent Cost Auditor and the Conduct of an Audit in Accordance with Standards on Auditing (CAAS 103)
4. Cost Audit and Assurance Standard on Knowledge of Business, its Processes and the Business Environment (CAAS 104)

I request all the members to give comments on the Exposure draft of Cost Accounting Standard on Depreciation and Amortisation (CAS 16) which has been hosted on the website for comments. Last date for sending the comments is 5th April 2013.

Program Directorate

CEP 1

I am happy to inform the members that the Program Directorate CEP 1 Directorate has organized the following program during the month:

- An In-house training program for two batches of Punjab State Power Corporation Limited on `Finance for Non-Finance Executives' during 27th January – 2nd February, 2013 and 3rd – 09th February 2013 at Delhi NCR.
- Two in house training programs organised for Nepal Electricity Authority on "Internal Audit" during 29th January – 4th February 2013 and 5th – 14th February 2013.
- One in house training program for Inland Waterways Authority of India organsied on "TDS, IFRS and Revised Schedule VI" during 11th – 12th February 2013 at Noida.
- A program on `Updates on Corporate Governance and IFRS' on 9th February 2013 at Guwahati under the aegis of National Foundation for Corporate Governance (NFCG).
- Two programs on `Recent Trends in Financial Management' and `Service Tax – Issues and Problems' during 29th January – 1st February 2013 at Port Blair.
- Two programs on "Emerging Issues in Management of Taxation" and "Risk Based Internal Audit and Corporate Governance" during 19th – 22nd February 2013 at Puri.

CEP 2

During the month, CEP-2 organized a half day program on "Companies Bill 2012: Role of CMAs" on 1st February 2013 at New Delhi. I am happy to note that Overwhelming response was received and the sessions were quite interactive.

In the evening on 1st February 2013, the Institute organized a discussion on 'SME Listing: Multifarious Benefits' at New Delhi in association of Bombay Stock Exchange as the Exchange Partner and Sarthi Capitals, a SEBI registered category-I Merchant Bankers being the Knowledge Partner. Shri Ashish Chauhan, MD & CEO emphasized on multifarious benefits for SMEs and shared his outlook on the potential SME listings on BSE SME Platform. Keeping in view the critical importance of the SMEs in the Indian economy and the need to strengthen and improve their cost competitiveness, Cost Accounting Standards Board of the ICAI has initiated the process of development of a Cost Accounting Standard specifically to cater to the SMEs. The Standard is being developed in consultation with the representatives of the SMEs.

The Department has also organized a full day program on "Overview on Indian GAAR & Cost Records for Assessment under Tax Laws" on 13th February 2013 at New Delhi with an objective for effective implementation of the Tax laws by members in practice.

The Institute joined with ASSOCHAM for Industry-Media Interaction on Union Budget 2013-14 on 28th February 2013 at New Delhi and 01st March 2013 at Kolkata to obtain the reactions on Budget proposals of the Finance Minister and discuss the impact on the Industry and the professionals.

President's Communique

During the month around 30 program of professional relevance were conducted across country by our Regional Councils and Chapters such as at Delhi, Kolkata, Chennai, Cochin, Aurangabad, Ludhiana, Baroda, Bilaspur, Dhanbad, Lucknow, Trivandrum, Bangalore, Surat, Navi Mumbai, Bhubneshwar and so on.

Membership Department

It is heartening to share with all the members the initiatives undertaken by the membership department of the Institute. The members of the Institute are required to fill in various forms, each for a specific purpose without which the applications of the members are not considered by the Institute. These forms were in existence since long time and our members made use of these while making application for specific purposes. However, with change in time these forms needed a facelift so that the required and relevant information can be obtained from the members with least inconvenience to them. Hence, need was felt to recast these forms keeping in mind the relevance and probity of information required in these forms so as to meet the purposes for which they were intended. Accordingly all forms were re-designed and recast to make it more user friendly for the members. The members can view and download these forms by visiting the following link on 'Members Forms' portal of the Institute's website www.icmai.in:
http://182.71.171.59/External/PublicPages/WebsiteDisplay/PractitionersForms.aspx

Hyderabad Centre of Excellence

I am pleased to note that the construction work at Hyderabad Centre of Excellence is progressing at a brisk pace. The 4th Floor Slab was laid on Sunday, the 24th February.

The Directorate of Advanced Studies has started an Advanced Certificate Course on "Business Valuation and Corporate Restructuring" at Kolkata. 16 participants have enrolled in to the Program. CMA Manas Kumar Thakur, Central Council Member, Shri Aurobinda Das, IAAS, Principal Director of Regional Training-Institute of Indian Audit & Accounts Department, Dr. Ananda Mohan Pal, Associate Professor, Department of Business Management, University of Calcutta were on the dais.

HR Department

To hire competent executives for various positions at different levels, the HR Department Completed recruitment drives for the position of Officer till Assistant Director across India.

National CMA Practitioner's Convention – 2013

I am very pleased to note that National CMA Practitioner's Convention – 2013 of the Institute has been successfully held at Chennai on 23 February 2013 under close coordination with SIRC, Headquarters and Delhi office. In one of the firsts, a separate Practitioner's Convention has been dedicated to the major emerging segment of practice, enabled concentration by the delegates on their chosen area of interest in the various past, present and future segments of practice.

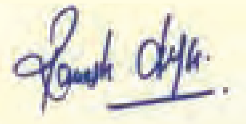
The welcome address was delivered by CMA M. Gopalakrishnan, Immediate Past President and Chairman, National CMA Practitioner's Convention. CMA S.C. Mohanty, Vice President had delivered the Presidential Address in a befitting way. The thought provoking address by the Chief Guest CMA R.S. Sharma, Chairman, Quality Review Board on the need for taking the practice to the next level through quality enhancement, quality review and capacity building was highly acclaimed for designing the policy framework for quality and capacity building. The Guests of Honour Shri C. Rajendiran, IRS, Commissioner, Export Commissionerate, Chennai and Shri. R. Periasami, IRS, Commissioner of Service Tax, Chennai also appreciated the pivotal contribution that can be provided by the CMA practicing fraternity.

The event covered six important concurrent sessions including:

- Procedural Aspects on Cost Audit – Experience Sharing
- New dimensions in Indirect Tax Practice
- New Horizons – Internal Audit & Management Consultancy
- Adding Value to Cost Audit Reports
- New Dimensions in Direct Tax Practice
- Strengthening available avenues

In the valedictory session, I delivered the key note address on the topic "Ethical Dimension to Profession". CMA M. Gopalakrishnan had summarized the views of all the concurrent sessions and the Special Guest address was delivered by CMA V. Kalyanaraman, Past President.

I wish all the members and their family on the occasion of Maha Shivratri and Holi.



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

CMA Amit Apte
Chairman, Committee
for Accounting Technicians

Dear Professional Colleagues,

This is my second communication to you after assuming the Chair of Committee for Accounting Technicians. In my earlier communication I had briefed about the various plans that we are trying to implement. In this communication I seek to share with you the progress that we have made so far.

Certificate in Accounting Technicians Course (CAT) was introduced by the Institute in the year 2009 in consultation with the Ministry of Corporate Affairs, Government of India. The major objective of the CAT has been to provide an opportunity to the students' community from rural and semi-urban areas who could not get the benefit of professional courses so far. "Reach the unreached" is the slogan that we have coined for this course. Another objective of the CAT has been to provide trained entry level accounting professionals to the Industry.

With these objectives in mind, it was imperative that the course in the offering had to be employment oriented rather than being just an academic course. With this objective, we have gone about and revamped the entire syllabus. The revised CAT syllabus has been structured keeping the expectation of the Industry from the entry level functionaries. The Course has two stages- Foundation (Entry level 1) and Competency Level. The CAT Students have to undergo 60 hours Computer Training in Tally ERP, 5 days Orientation Course and 3 months Internship with industry. The Institute has entered into an MOU with Tally and has developed a 60 hour Computer Training course for the students.

The examination pattern for CAT Level I has been successfully changed to Multiple Choice Questions (MCQ) to be answered in OMR sheets with effect from June 2012 attempt. Examination centres have also been established in remote locations like, Palampur in HP, Shajahanpur and Baduan in UP, Raigarh in Chatisgarh and Srinagar in J&K, for the benefit of the students. CAT Competency Level examination has also gone on-line from December 2012 attempt. The success of the MCQ pattern examinations is now being replicated to our foundation level examination as well with effect from June 2013 exams. The CAT examinations in the meanwhile will upgrade itself to "On-line" examination from the OMR pattern.

During August 2012 we have entered into a path breaking understanding with the Government of Kerala for implementation of Additional Skill Acquisition Programme (ASAP).

ASAP (Additional Skill Acquisition Programmed) is a Program being implemented jointly by the General Education and Higher Education Department of Government of Kerala to enhance the employability of students of Higher Secondary and Under Graduate Course in the State of Kerala by equipping them with Industry / Business relevant skills; Certificate in Accounting Technicians of our Institute will be one of the optional modules of the program. The course is being offered across 141 Higher Secondary schools in Kerala.

The program was officially launched at the auspicious hands of Hon. Chief Minister of Kerala Mr. Oomman Chandy on 6th November 2012. I must place on records the extra ordinary efforts put in by Mr. H. Padmanabhan, Secretary SIRC for coordinating the entire activity with the Kerala Government. We are hopeful that the Kerala project will help us set a foundation for similar projects in various other states as well.

The Institute has in the mean while entered into an MOU with FISME (Federation of Indian Small and Medium Enterprises) so that our CAT students can be offered the internship options in the member organisations.

Following the footsteps of Kerala's success story in terms of collaborating with the State Government I am happy to inform that head way has also been made in the State of Rajasthan. The entire process started when our President met Hon'ble Minister for State Ministry of Corporate Affair, Shri Sachin Pilot when he assumed office. President briefed him about the active involvement of the Institute in the Skill Development Programme of Kerala, the Hon'ble Minister immediately desired to have such Programmes in States like Rajasthan.

Further Director (Higher Education) of Rajasthan called a meeting of Colleges authorities from 26 Colleges across the State of Rajasthan on 11/2/2013. I was able to deliberate with these officials and the concept of launching CAT Course along with B.Com in the Colleges of Rajasthan was discussed. After detailed discussion, the Director of Higher Education and the participants agreed in principle to the introduction of CAT Course in all the Government Colleges of Rajasthan. The final and official decision of Government of Rajasthan is now awaited about the further course of action.

I assure you that these partnerships with various state governments will also help in the Brand Building exercise of our Institute where the recognition to our courses is received from across the society.

I wish to state here that all this would not have been possible but for the sincere efforts put in by the CAT directorate who have strived to bring the CAT course to the new trajectory. The support I have received from my council colleagues and the President is also of paramount importance.

With warm Regards,

CMA Amit Apte
1st March 2013

Return on Talent

Shyamal Banerjee
Former President, ICAI (formerly ICWAI)
Ex-Sr. Professor, IIM-Calcutta
Member of Indian Defence Acccounts Service (IDAS)

There is a sloka in Sanskrit which runs something like–

> "*Amantram aksharam naasti*
> *Na udbhijam anausadhim*
> *Ayogyah purushah naasti*
> *Abhaabam khalu yojakam*"

Paraphrased freely, yet faithfully, it proclaims–

> "There is not a letter in the alphabet *sans* the power of *mantram*,
> No plant or herb that lacks the healing power,
> There is no man, ever, who is incompetent,
> What is wanting, for sure, is the One,
> Whose job it is to unite and blend".

The sloka talks about the power of *mantram. Mantram* is a hymn or mystic word that, mostly through repetition casts a spell or brings about mutation that goes beyond the reach of ordinary human endeavour or ingenuity.

Why do we begin our Essay that concerns '*talent*' with a Sanskrit sloka that postulates almost with the conviction of an oracle that even the most ordinary things around us (such as a letter in the alphabet, any herb or plant that grows on the earth or any ordinary human being) are bestowed with some latent power, yet, which mostly remains unrevealed or unharnessed. The reason is, the sloka talks indeed about the universality of *talent*. Superficially, we, straightaway, commit a contradiction. In our everyday casual reading, of newspapers and magazines, or of more erudite papers of scholars and writers, we find umpteen references or hints about the scarcity of talent, about talent–search and so on. The very mention of the word *talent* raises some kind of awe and wonder in us. When we hear someone say,–'he is a talented speaker or writer' or just merely that 'he is a talent'–a picture comes to our mind of someone very powerful, someone highly gifted, and of course someone very different from us, humble ordinary beings,–and, thus, evidently, quite scarce and rarely to be found.

The contradiction is coming clear. When the sloka talks (or suggests) the universality of *power or puissance*, it refers to the potential, latent, mostly unrevealed. Indeed, it says as much. Without the '*Yojaka*'–the one who unites, reveals,–the talent or the potency of the letter of the alphabet, the herb that grows by the wayside or the human being that walks the street everywhere,–they all remain dark and dormant, not of any use at all. Thus talking about talent, the sloka talks about the *potential* which only blossoms when it chances upon the *Yojaka*. In this sense, the sloka says,–talent is everywhere, it is universal. But when we read or talk about talent, about talented men (or women) in different walks or fields, we refer, willy nilly, to symptoms of the talent which are already visible, not of talents which, yet, have given no hints of its existence. The apparent contradiction or paradox is now removed.

Talent: Potential Revealed

But then, if *talent* is a mere potential without any external evidence, presence or existence how does one know it, identify it, measure it and then work out the returns on it? To simplify our analysis we may even permit ourselves a latitude. We may widen the meaning and scope of the word "Return" quite some further. A return may be measured in terms of money or a ratio of which the two terms are expressed in money; or, it may be a social return on a talented worker devoting his talent in the socio-economic field–persons like Jai Prakash Narayan or Kurien who brought about the white revolution. The Return may be on intellectual talents–scientists such as Newton or Einstein (along with a host of others); even spiritual talents (if we may call such savants and exceptional men talents) like Sri Ramakrishna or Vivekananda. Tagore was a literary talent and generations of men and women have reaped and will continue to reap *returns* of joy and solace from the works that he has left behind.

We have just picked up a few at random from different fields of talent for sheer illustration. And this, even after widening the scope of our key word 'Return', from its immediate focus as financial or monetary return on business talents to other fields of human life such as social, intellectual, emotional and spiritual.

Even so, our problem remains largely unresolved. We need to discuss and debate *Return on Talent*. And we started with the remark that talent is a potential, a likely possibility. But we have loaded our space with the names of some great talents, who are not mere potentials but who delivered rich dividends which made it much easier to measure the *return* (benefit), albeit with some abstractions and non-quantitative terms. Yet, Talent, almost by definition is a potential. The COD defines talent as a "natural aptitude or skill for something." Aptitude is further defined as "a natural ability or propensity". And propensity is an inclination or tendency.

Thus the balance of semantic evidence compels us to recognize the unrevealed (potential) nature of what we call Talent. And, unhappily, we have further evidence that the bulk of *talent* that a nation or society possesses lies unseen and unrevealed seldom seeing the light of day. Poet Gray lamented–

> "*Full many a gem of purest ray serene the dark unfathomed caves of oceans bear*"

Even Swami Vivekananda is on record with the astonishing statement that we quote below. And mark it, Swamiji was speaking in the context of his exposition of Karma-Yoga. And what he says applies to all fields of human work and life albeit some names that he names for illustration are taken from the spiritual world. In the context of discussing Talent and its contribution (return or benefit) the words of Swamiji are so relevant and masterfully decisive that they demand to be quoted at some length.

The French Savant, Romain Rolland, in his book–'*The Life of Vivekananda–and the Universal Gospel*', quotes and interprets Swamiji's views of the great workplace of life and how work must be done and the task of the guide or leadership. The talents that they all search for in our workplace–business houses and institutions–they should listen, for it is a lesson for them all.

Converting Talent to Fruition

Our task is to seek out highest return on our talents. And we started with a Sanskrit sloka which avowed that talent is in everyone, everywhere,–and you need to find that one who can turn the talent to its fruition, to its highest consummation–where it yields the most return. Among many others one advice of Swamiji to accomplish the task of the *Yojaka*, is to work without any motive, neither for money, nor for fame, nor for anything else, and when a man can do that then out of him will come the power to work in such a manner as will transform the world.

Swamiji defines the way a leader–a person with a high level of talent–should work to secure the highest return on the talents that the people working with him possess. He repeatedly avers that the highest principle of work–the principle which alone can give the highest yield or return–is "to work freely", "to work for freedom", "to work as a master and not as a slave". That is why it can never be a question of working at the command of a master. The master's word can only be effectual if he forgets himself in the one whom he is counseling, if he espouses his disciple's nature and helps it to discern and accomplish its own destiny by the power (talent) innate in every man.

Such is the real duty of all great organizers of human work. Only that way talent can achieve its highest return. In the entire hierarchy of Karma-Yoga-of which any business or institution, however big or small–is only a small living cell–different types and forms of associated labour work, each in its own place, at the one great task. But this hierarchical system of the workplace must be understood to be an arrangement according to the relative nature and importance of the work and not implying any idea of superiority or inferiority among the different kinds of workmen. The yield of a workplace is bound to degenerate when its workers are arranged in castes; only, there will, and ought to be differences in the tasks allotted to each according to his ability and talent.

Talents that Yield Most are Seldom Known

It was only Swamiji who could assert a truth which on the surface looks so perverse to the faith of millions across the world and so unorthodox. In speaking of levels of workers along the path of Karma-Yoga Vivekananda puts on a higher pedestal, not those great names with the halo of glory and veneration–no, not even the Christs and the Buddhas, but rather the nameless, the voiceless ones–the soldiers who are unsung and unknown. We quote–"the greatest men in the world have passed away unknown. The Buddhas and the Christs that we know, are but second-rate heroes in comparison with the greatest men of whom the world knows nothing. Hundreds of these unknown heroes have lived in every country working silently. Silently they live and silently they pass away; and in time their thoughts find expression in Buddhas or Christs; and it is these latter that become known to us. The highest men do not seek to get any name or fame from their knowledge. They leave their ideas to the world; they put forth no claims for themselves and establish no schools or systems in their name. Their whole nature shrinks from such a thing. They are the pure Sattvikas, who can never make any stir but only melt down in love. In the life of Gautama Buddha we notice him constantly saying that he is the twenty-fifth Buddha. The twenty-four before him are unknown to history although the Buddha known to history must have built upon foundations laid by them. The highest men are calm, silent, and unknown. They are the men who really know the power of thought; they go into a cave and close the door and simply think five true thoughts and then pass away, these five thoughts of theirs will live throughout eternity. Indeed such thoughts will penetrate through the mountains, cross the oceans, and travel through the world. They will enter deep into human hearts and brains and raise up men and women who will give them *practical expressions* in the working of human life…….. The Buddhas and the Christs will go from place to place preaching these truths …….These Sattvika men are too near the Lord to be active and to fight, to be working, struggling, preaching, and doing good, as they say, here on earth to humanity……"

Having lived with Swamiji's thoughts for a little while and listened to his words, which have the molten ring of the Oracle, it takes quite some efforts to climb down to our more mundane thoughts of searching for, and then locating the abode of *talent* and then to take a measure of it. Swamiji, of course, was talking at the higher level of the power of thoughts–which indeed are the highest form of actions–yet, its relevance to our everyday world is unmistakable and, with a little thought, easy to discern. Nelson, Napoleon and Eisenhower are said to have won wars and are recorded in history as symbols of the highest *Talents* in war-strategy. Yet, could we dissent that their role was that of *Yojaka* (of our Sanskrit sloka)–which itself is a great talent; but, their talents must have been founded on the "*letters of the alphabet*", "*the multitudinous herbs that lie so hidden*", and "*the million men*" who fought and died, besides some, perhaps, who survived, maimed and crippled–all unknown and forgotten by history.

Talent, Skill and Purity

We noted that talent, as defined in the lexicon, is a natural (inborn and intuitive) skill for something. A rigid acceptance of this definition takes us to the position that talent cannot be created or developed. Training, counselling, environment–in fact all tools of human development are powerless to add to, enhance or improve the existing stock of *talent* with which a race or society has been endowed and blessed. This position sounds contrary to the theory of evolution or the role of knowledge. Civilizations are observed to have grown–reached higher levels–across millenniums. Also, talent is a potential; it remains unrevealed, unfurled till it is blessed by the golden touch of the "*Yojaka*"–the *guru*, the mentor, the enlightened tutor. In the whole of the Cosmic Universe there is no absolute creation–only transformation. Matter is now accepted as massed energy, and with this two-way transmission between matter and energy, the total of the stock and flow of Talent–conceived over the time–horizon of eternity must be limitless. We refrain from moving further into more abstract thoughts of "primal energy"–*Mahashakti*, or what John Milton implied when he addressed Light–

> "*Hail, Holy Light, offspring of Heaven,*
> *Of the Eternal, co-eternal beam!*"

Suffice it to conclude, that we recognize Talent as a potential and before we can think of "*Return on Talent*" we need some conversion of this '*potential*' to 'actual'–so that we have some more tangibililty to the '*asset*' that we call talent. We must retrieve the 'gems' from down below the deep ocean caves; or, the precious fuel–oil, gas, coal–from beneath the earth.

On this conversion process we shall talk some more, a little later on. But what about the "Purity" of the *Talent* on which we seek return. When Swamiji spoke about the mere 'five thoughts', thought silently by the unknown savant in some far-away unknown caves, he never worried or had occasion to worry about the "purity" of such thoughts. What, then is Purity? The purity of thought, speech and action happens when there is a unison–no hiatus–between the three. There is utter transparency. No deceit or counterfeit, no concealment or suppression and full disclosure. Purity is there when work is done, the word is spoken, and a thought is thought–just as it leaves its womb–without mutation or distortion.

We need not labour our exposition of what or how we perceive purity. I can fancy the reader wearing a mocking smile, at this stage, and asking a question,–"What are you doing here? Preaching idealism like a priest, or dealing with real life?" Yes, I am conscious, such absolute "purity" is very like *Utopia* in real life. Even so, we need to set the standard high, so we can scale our position against the yardstick. Yes, we know, we fall short. But the answer to that is not to shorten the 'Yard' or the 'Meter' that lies ensconced in some sacred vault. The answer is to try and abridge the gap. Remember, what Poet Robert Browning said,–"*Our reach must exceed our grasp; or what is Heaven for?*" Or, what Swamiji exhorted–Never lower the ideal because you cannot reach it; only strive, and strive on!

Talent is a power. When in potential form it can explode any time. Power is neutral. It can save and it can destroy. A razor can give a smooth shave or it can cut the throat. The same talent that found the know-how of atomic fission and actually destroyed a million lives and maimed many more, can provide life-giving energy to millions if harnessed with ethics and supplied with purity.

When Talent is divorced from purity and careens from the path of ethics it is a threat. It is a menace and an evil with huge potential for harm.

Returning to 'Return on Talent'

Throughout our discussions, so far, we have postulated several points:

1. Talent as a potential is universal and found in unsuspected spots. Examples are everywhere in every walk of life and one need not look very far. Owen and Lara and even our own Swamiji, who could tell that Naren, of all kids would end up in Swami Vivekananda?
2. The noblest of talents abide and pass away silently, unknown and unsung, but leave their puissant marks on the sands of time.

3. In our mundane world of ordinary living, we need to spot the talent in its potential form and convert it into some actual shape in order to measure its return both in the macro field of Society and in its micro level of business or institution.

For the remaining part of this essay we need to shift our focus and dwell on the last issue above–set about our task of divining in some visible, measurable form the "*return on talent*"–which somehow happens to be the theme of this dissertation. We devote the following sections to devising a structure or process which will or ought to, help us, step by step, to spot, develop, and then make the most of talent, ending up with measuring its contribution or return, whether in the macro or micro field, to society or to the business or institution, which may be its field of work.

Spotting Talent

We recall that Talent is an aptitude, and thus a potential. It must be unleashed and then its power harnessed, so it may be put to some use for visible, measurable benefit. Off-hand and frequently we come across the phrase talent-search or talent scouting in all kinds of human resource literature. Talent is a property of a person. As a person behaves, acts in or responds to situations–conflicts, contradictions, threats and opportunities–his talent or aptitude shows. How he acts or how he responds is a resultant of his attitude and character–moulded and reshaped in varying degrees and manner by his knowledge, experience and environment. The talent-spotter or the mentor must rely on his own observation. And his own observation will lead or mislead in proportion to his (the mentor's) own level of wisdom; insight and detachment. That is why the worker's talent cannot show or flower unless the *guru* (mentor) or master is in possession of a superior talent. Vivekananda would be doubtful without Sri Ramkrishna, Rabindranath owed immensely to his father, the host of talents that turned out of the House of Infosys looks like would have been a far cry without the persona of Narayana Murthy. This is not to say that the talent spotter can create–out of trash talent in the worker. It is just to postulate that the latent talent of the worker were seldom spotted without the beneficent glow of insight of the mentor. There has to be a reciprocity. On Macbeth falling victim to the wicked words of the witches, while Banquo remaining unruffled by a similar temptation, Professor Dowden made an illuminating remark–"*There is a reciprocity between evil within and evil without. Macbeth is caught, Banquo passes free*." This law of reciprocity works indeed, not merely in the realm of evil. The law is universal. There must be a latent spark in the candle which is why it is lit up, so avidly, by the slightest touch of the flame. The talent (the power to illumine) that sleeps inside the candle is woken by the mystic touch of the lighted stick. Swamiji spoke about the unknown Buddhas (huge talents) working silently and then passing away silently, yet leaving behind their imprint (return) on the living world; Dowden spotted the law of reciprocity. Ralph Waldo Emerson christened the same principle or law as the *Law of Compensation*. His avowal "*Napoleon was Napoleon because every man in France was a little Napoleon*"–couches the same truth that talent, anywhere and in any form, is revealed only on the pedestal of heaps of silent talents that ceaselessly work all the time, unknown and unsung. Emerson hints about the ubiquitous existence of *'talent'* when he says,–"*he that is once born into the right of reason is a free man of the whole estate*".

Therefore, our suggestion to whomsoever it may apply, (and it applies to most of us who hold a position, in some field or the other) is that you never lack your required human resource; you have only to spot them, and then, perhaps, do some development. And if you cannot do that, then, look inside and let your workers have the sense of freedom, make them "*a free man of the whole estate*".

Developing Talent

We promised our reader, a little earlier, that we would try and present a step by step process by which we would arrive at a stage when we are in a position to measure the talent (in our workers) and put a *Value* on its contribution or *Return*. By now we have done our penance and introspection and prepared ourselves as the competent mentor from which position we have watched and observed our workers as they act, work, behave and respond to forces at play in their workplace. We have spotted our workers with promise and potential–in short with talent. We now need to define their development needs. In this there is no better way to start than with the mandate left to us by Swamiji. Let them–the workers–have a feel that they are free, they are not slaves and subordinates, they are masters in their fields. All workers–all of them–are equals. There are no high or low, superiors and inferiors,–they are all allottees of defined tasks. They are accountable but their accountability is to themselves. Try and let them feel that work is not a duty; it is not a burden which they, perforce, must carry just for earning their wages. Let them change. Let them perceive, from the bottom of their heart, that the work they do is a joy. The workplace is a place of fulfillment. That there is no misery as dark and dismal as worklessness. We are all familiar with Western Theories of Motivation–Abraham Maslow's Theory of Need Hierarchies, Frederick Herzberg's Hygiene Theory and a host of others. Yet, the record of workers motivation and labour productivity in Western advanced societies is nothing to crow about. We find something close to the teachings of Swamiji in the findings of the Harvard team of Elton Mayo. For the first time in the Western world in the literature of entrepreneurial management of the human team the supreme importance of in-plant interpersonal relationship in business success was recognized. Just as a flower-plant needs the right bed–air, light and moisture to blossom so does talent want the right relationship and wholesome ambience. Maslow harped on this same chord when he talked about the higher order needs of the worker. Talent flowers only when these higher order needs are addressed and the ambience is not merely supportive but highly appreciative of deviance and singularity of the workers' thoughts and action. Japan's psyche and culture, in perfect unison with the *zen* religion has succeeded in putting this principle in place everywhere in their life and society. Reports and evidence all confirm that most of their innovative thoughts about talent development have their roots in the workplace, more than in the boardrooms of business or Senate halls of Universities and Institutions. That is how a small country of four islands, with difficult communication, strewn with rocks mountains and volcanoes, poor in soil and arable lands, victim of nature's hostility in the shape of storms and tsunamis has done so well among the comity of nations of the world. In GDP, the US of course leads with nearly 18 trillion US dollar, followed by China with 6.5 trillions with Japan closely behind with 6 trillions $US. Japan has been second in the world for a long time, overtaken only the other day by China, a huge country with a massive workforce driven hard by a (still) coercive political and economic system. For a perspective, India comes far lower down struggling with a GDP around 1.7 trillion US $, albeit with a population of 1.2 billion (and still counting) nearly ten times that of Japan. And all this in just over half a century. In 1945–46, at the end of World War II, Japan was a devastated country maimed and mutilated by the aftermath of Hiroshima and Nagasaki. We ask about the Return on Talent. Japan is a living example of this Return on a national scale. In between, of course, Japan has suffered and fought quite some massive earthquakes, storms and tsunamis at the worst tectonic levels.

Sustaining Talent

Talents exist often dormant. Talents grow and flower. Talents can also wither. Talents need nourishment. Sustainability is a universal problem and sustaining talent is no exception. Off and on we read and hear laments–sometimes anxious, sometimes specious–in every form of media and from every forum about brain drain and talent-exodus. Erudite analyses of why it so happens, are also not lacking. Most such analyses claim–partly rightly–that among the major reasons are lack of equipment, facilities, research atmosphere, laboratories, budget and of course reward and remuneration. Yet, at the top of the Table is 'lack of freedom', too many incompetent seniors (mentors) who are placed as heads of Institutions through the process of nepotism–as bonus for loyalty to the political figurehead. The ubiquitous overburden of bureaucracy–the ruinous red tape, the pompous interference of the vision-less, penny-saving, power-puffed administrative Deputy do the rest. Talent is hurt. If it is in its infancy it may be killed. Talent, by nature, is deviant. It is impatient of tradition. It is scornful of precedents. Talent seeks new ground to tread on–to break a new path. Talent is tired of thoughtless repetition. Talent is restless. It is ceaselessly in search of change–KAIZEN–continuous improvement. Talent is mad about a new idea till it yields a product; and, as soon as the product is born Talent is madder to kill it–to work for its obsolescence. Talent is personified Experimentation.

If talent is something like how we have just described it, it is easy to see why it has so few takers. Most people are born followers, they feel safe in continuity. They are happy to tread on the trodden path. Newness is risky. Pioneering is dangerous. 'Precedent' is a life-saving buoy. Fear of Death is universal. This is so as death is a break with continuity. Francis Bacon said–"*Men fear death as children fear darkness*". We said earlier, talent is universal, as postulated by the *Sloka* with which we started this write-up. Yes, the call of the unknown is asleep inside of everyone just as the unknown stirs a fear. Yet, without change, unless with one foot into the unknown (with the other one holding fast to the trodden earth), one is likely to stay put, still and stagnant, as the world moves on leaving you behind in a moribund cesspool, breeding pests and pestilence.

Breeding talent, ceaselessly, and then sustaining it, must be taken up as a serious project, lest we, in India, should fall behind in the world race for power and prosperity; lest we should be counted out in the final reckoning.

India's Strength in Talent

India has a talent pool second to none else among the countries of the world. Let us try a rapid reckoning.

India has a large population. Talent is housed in men,-not in money, material or machinery. These three are inert resources of a country, built over a period by men–with the help of the talent of men which is a created pool of varying size and quality. To mould the talent latent in men into a shape which is ready for use in the reality world of activities, one needs some basic properties in the pool of manpower that we possess. First and fundamental, of course, is some health which keeps him (or her) fit for mental and physical efforts that his job demands. Second, and perhaps more important for talent to flower, is education of the proper kind and quality, which alone can propel him to think–to act and respond to forces and demands of the environment. In short, the pool of potential talent needs to be upgraded to a level where it is ready for use. Unless this primary preparation is accomplished the vast human pool becomes a burden. The human resource of our country may turn into an intractable problem. China had this same problem which, by now, they have largely solved by adopting and, more important, implementing the *one-child* policy. Thereby they have created a different kind of problem, but that is another matter at which we shall have a look presently.

Studies have shown that, as of now, India confronts a huge problem with regard to its population pool. There is a huge mismatch and a wide disconnect between the working–age population and the job-skills they need. If this persists for too long problems in the employment field could very likely turn intractable. Recent movements in Delhi which turned tumultuous because of huge youth support, have shown that young India is becoming increasingly vocal. It could spell trouble if job-education mismatch should reach beyond the tolerance-threshold. Overpopulation and underemployment would coexist to set a trap to developing India. A recent study by FICCI says. "Despite having a favourable demographic profile, labour and skill shortage continues to be one of the key concerns for Indian industry." To measure Talent and put a value (index) to its return it must be harnessed and put to use in the reality world. Else, return on dormant, silent talent will remain as pervasive and as elusive as "Return on Sunshine." It so happens that almost all across the world, there is a serious disconnect between Education and Employment. Education–Universities and Institutes–are where dormant talent is supposed to be tailored and moulded *ready for use*; and Employment is the arena where finished talent is *actually put to use*. A study by the McKinsey Centre for Government titled–"Education to Employment: Designing a System that Works" is revealing in its finding of this *disconnect*. This disconnect is presented by the Chart that follows.

What does this hiatus show? It shows that the Educator is poorly aware as to what kind of talent is needed in real-life economic activities, and thus, how best to maximize Returns on Talent. It shows wastage of manpower resources and creates avenues of wider unemployment or underemployment.

The McKinsey Chart

Difference in the Education Provider and Employer Perception of Job Readiness of Graduates (%)

Country	Education Provider	Employer
Germany	83	43
US	87	49
Mexico	77	40
Brazil	67	31
Morocco	53	20
India	83	51
UK	61	36
Turkey	70	50
Saudi Arabia	70	55

Source: Education to Employment: Designing a System that Works (A Study by McKinsey Centre for Government)

In this perverse world of Education, Talent development and Employment, India has a different kind of strength. The strength lies in its youth. While the rest of the world is ageing India is growing young. The following Chart (based on International Monetary Fund data) shows the projected average age of the population of some selected countries.

Average Age of Citizen in 2020 AD (Based on IMF Data)

Country	Average Age of Citizens
China	37 years
India	29 years
Japan	48 years
US	37 years
Western European Countries	45 years

Thus, among the major countries of the world India would provide the youth power. Talent spotting and talent development is best done when a person is young. The adage–"Catch them young" is most apt in marking out the talent and its cultivation in a society. The earlier the talent is marked out, hewn, sharpened and put to use, the Return on it would obviously be the longest and the most.

Framing a Formula for Return on Talent

We cannot put an end to our Essay without finally, attempting an algebraic Index for Return on Talent (ROT). The word "*algebraic*" is significant. For, unlike Return on any physical asset, which is a scalar quantity, ROT is a vector. It has both *magnitude* and *direction*. A high or huge talent, directed to a wrong or low-priority direction–say at the macro level, will yield return which may be unimportant or even irrelevant for a society. This was hinted, almost unnoticed, by Amartya Sen, in a recent interview with Sharmila Tagore in Kolkata Literary Meet. With his wonted subdued sarcasm he threw a poisoned dart at the misapplication of Talent by India. He remarked,–"The country (India) seems much more engrossed in space travels and missiles than in toilets. I think this has remained an oddly backward country in a way that we don't recognize." This urbane barb–which causes internal bleeding without so much as leaving a stain on the surface, comes at the close of some dismal statistics, which cannot be unknown to the Authorities which control the budget for talent development. Prof. Sen is worth quoting, albeit with brevity. We quote,–"Let me take another example. India is a country where there is more open defecation than any other country for which data exists. Forty-eight percent of households in India do not have toilets. That's larger than any other country. Chad comes slightly close but no other country. The percentage of homes without toilets is 1 percent in China; it is only 9 or 10 percent even in Bangladesh."

Taking Talent as a wider surrogate of "efforts, expense, intelligence and ingenuity", it looks patent that India should not spend a penny at space or atomic research before it has built a toilet in every household and perfected its bicycles and bullock carts.

So before we attempt to build our Index of ROT, at least at macro level, we ought to set our direction right for propelling our talent with its concomitant costs.

We now set about building the Index for ROT with the assumption that the Authority that commands the resources have set the direction of the *Talent-at-work* reasonably right. That is to say, we assume that the return on resources should take for granted that the resource allocation has been right.

The Elements of the Index

Now we spell out the elements that we need to construct the Index along with hints how to go about putting a monetary value to each element.

1.	Return (Benefits) on Talent (ROT)	= R
2.	Cost of spotting Talent (CST)	= Cs
3.	Cost of Developing Talent (CDT)	= Cd
4.	Cost of Required Environment in which talent can work (CET)	= Ce
5.	Cost of Rewarding (Sustaining) the Talent (CRT)	= Cr
6.	= 2 + 3 + 4 + 5 (Total Cost)	= Tc

Then $ROT = \dfrac{R - Tc}{Tc}$

Computation of the Elements

1. ROT

The benefits (return) of Talent can vary from minimal to huge, spread over a limited to a wide undefined area and remain effective for a relatively short to a long length of time. Having penned this sentence and then read it carefully, we find that we have almost cheated the reader and most certainly confused him. We have brought in three new variables:

a. Size of the benefit (return);
b. Area of the benefit (return; and
c. Duration of the benefit (return).

All three are difficult variables for assigning a quantified value to. How do we go about it? One way, we suggest, to approach the problem is to proceed through surrogates or opportunity cost. We may ask the question, –"*what would we lose if the talent that we have and that is at work, were not there?*" That is to say, in order to set a value to the benefit of sunshine, we ask the question, what would we have lost if there were no sunshine? If the answer is–"the loss would be enormous and infinitely overwhelming",–then that is the *quantitative value* of the *Benefit of Sunshine*. This is the logic, and the way about to evaluate and put a money value to the Element. We should remember, we are not writing a book on book-keeping. We are dealing with Talents; and it is in dimensions and that is what is needed or possible.

2. Cost of Spotting Talent (CST) = Cs

This cost is the cost of change in culture in government, business or institution. For example, it is common knowledge and a wide-open secret that bureaucracy stifles innovation–and experimentation with newness. Change is the wing on which Talent flies. And change is anathema to red tape. New ideas are seldom hatched without the warmth of appreciation. This change is difficult, yet fundamental, and even entails new structure and replacement of manpower.

3. Cost of Developing Talent (CDT) = Cd

Any good marketing text book will tell that a new product development is costly. Kotler says, one or two ideas out of a hundred succeeds in finally coming out as a competitive brand. A pharmaceutical molecule may cost billion US dollars to develop, but may vouchsafe return by way of curing some million patients from a lethal disease and earning billions for the patent holder. Talent is an asset which falls in the same category. Jamshedji Tata is now a legend as a business talent. Amartya Sen, on the same occasion, made a remark, which should not escape notice. He said, "When Jamshedji Tata was setting up Jamshedpur, he felt it's not only an industry, it's a municipality. He felt I have to provide free education, free healthcare for everyone, not only my employees, but anyone in the neighbourhood." This attitude, nearly a century and half ago, was astounding. If Tata would have a bureaucrat Financial Advisor to rely on, the very idea would have been laughed out. Yet, it was so sensible to Jamshedji and, since he was his own master he did it. And that is why he is now a legend among business talents; and that is why the Tata House has produced a host of talents over more than century, and it is still counting.

Therefore, the Cost of developing Talent must be counted high breaking barriers of prudence and convention.

4. Cost of Required Environment in which Talent can Work (CET) = Ce

The environment was created by Jamshedji. What he did–must be with high cost–was not just a business decision but a Light house and a Torch that guided and lit up a business culture that has continued to create, nurse and house Talents. It is not our aim here to sing a paean of the Tata House. There are many others, all across the world. Tata has been named merely as a ready illustration of the point that we needed to make.

The Cost of Environment, thus, must include the Cost of Policy that looks far ahead, that goes much beyond counting coins, that views itself as a young Banyan plant that is set to grow into a giant Tree, spreading a thousand roots with a wide canopy over its head on which a thousand birds will build their nests and beneath which a million wayfarers will enjoy their shade and shelters over a period of centuries. The Cost of environment will be the one cost of this vision which need to be assimilated into the culture–whether of a nation or of a business house.

5. Cost of Rewarding (Sustaining) the Talent (CRT) = Cr

Like any other asset talent has its maintenance cost. Since talent is housed in manpower, employees must be fairly treated and rewarded by way of wages and facilities. The remuneration need *not be competitive*. It ought to do if it is only *satisfying*. It is more important that there is no palpable disparity, no obvious discrimination. Some of us must have knowledge of cases where, in a private business house, scions of the Owners' family, mostly underqualified, are put in high offices with remunerations in the highest permissible brackets, while senior qualified professionals are placed as subordinates, running the show within the four corners of the Law, doing tight rope-walking, accommodating, all the time, the interests, often out of turn, of the owners group. Salaries are set (and sustained) just at levels where the incumbent is in a fix, all the time, whether "to be or not to be." Some of course quit, at the first chance that comes their way, but others find their market value dwindling as they vacillate and grow older in the company, too fearful of taking the leap. Such institutions are the burial ground of Talent.

Let us not labour the point. We recall the words of Swami Vivekananda and conclude that the growth and sustenance of talent, and its cost, demands freedom, fairplay, respect, warmth and appreciation of the workers as rewards of fostering talent besides a fair wage system.

Yet, Talent is like oxygen, a breath of fresh air. Without it a nation or a business house is set to wither way, sooner or a little later.

At The Helm

Mr. P. Mohan Rao, a Fellow Member of the Institute of Cost Accountants of India, has been elevated to the post of General Manager (Company Affairs) and Company Secretary of Rashtriya Ispat Nigam Ltd. (RINL), Visakhapatnam, a Navratna Company of Government of India. He has been with RINL for 20 years in the Finance and Accounts department since 1984 and has worked in various capacities up to the level of Asst. General Manager (F&A) covering such functional areas like Internal Audit of various departments of the steel plant including branches and liaison offices. Later, he took over as the Company Secretary in April 2004 and for the last nine years has been the head of the Company Affairs department and is responsible for, among other things, corporate governance compliances, functioning of the Board and its Committees, statutory compliances etc.

Our heartiest congratulations to Shri Rao.

Return on Talent Measurement– Practical Issues

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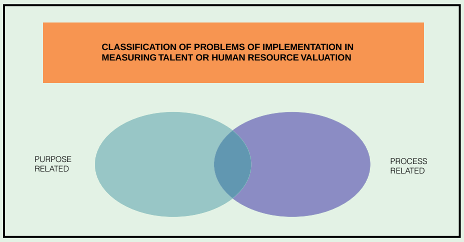
Introduction

Importance of talent hardly needs any introduction. Particularly, in this information era where knowledge is the key asset, talent management is vital. Talent is an attribute of human beings and therefore one can equate talent management with human resource management. In the context of our discussion, the terms return on talent or human resource valuation, can be taken as synonymous. It is said that what gets measured gets managed and hence academicians are increasingly attempting to introduce some kind of valuation or measurement system for human resource. However, in practice not much has been achieved. Very few companies in India like Infosys, SAIL, BHEL[1] are seen doing this exercise in India on a regular basis. So what is that is preventing implementation of the concept? Is it too ideological? Is it too complicated? Is it too vague? Is it lacking utility? Or is it theoretically weak? When I was a student, this particular topic was a part of our Financial Accounting syllabus. My friends used to simply avoid this topic for it sounded to them a totally misplaced one. They use to enjoy problems of holding company accounts, amalgamation, reconstruction etc. But when it came to human resource valuation they used to show some kind of allergy and found it very boring. This article is an attempt to relook at the concept in terms of some fundamental issues that are acting as hindrances in its practical implementation.

Classification of Problems of Implementation

For the sake of simplicity the problems have been divided into 2 groups–Purpose related and Process related. Purpose related problems are mindset or attitude problems that block the conviction about the utility of the concept itself. Unless organizations are basically convinced that it is in their interest to measure return on talent or to do and monitor human resource valuation, how would they move ahead in terms of actually attempting to execute the measurement. Process related problems are about the various technicalities like the measurement methods, assumptions, approximations etc that act as hindrances in the measurement despite the conviction that talent needs to be measured. Put them in other words–purpose related problems are conceptual problems and process related problems are application problems. It is not the case that these 2 problems are entirely different. Rather, they influence each other. The following diagram attempts to depict the problems–



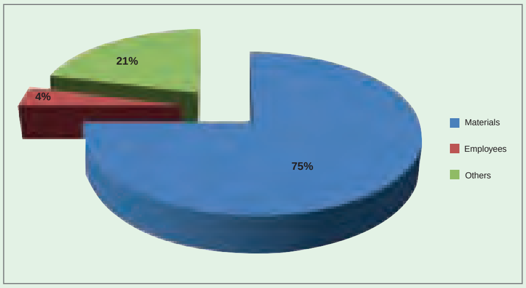
There is an area that is overlapping which shows a relationship between these 2 categories of problems. Complexity in the measurement model quite often gets converted into a disguised fear and creates a negative attitude about the concept itself. If the Manager is not very comfortable with the valuation method, he will be seen finding faults with the utility of the concept. And obviously failure to appreciate the purpose negatively impacts the process. If a Manager is forced to do the measurement without being convinced about the purpose, he will do it with lot of casualness. A detailed discussion on the 2 issues is as under–

Purpose Related Problems

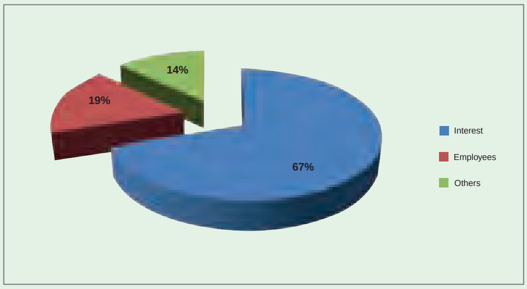
1. *Lack of mass appeal*–"Our employees are the most valuable assets of our organization. It is their talent that matters most." Such sweetly worded sentences are more of a fashion. Beyond words, they hardly matter. After all giving a good speech or writing a good article demands niceties and such types of sentences galore when it comes to dealing with talent or human resources.

And academicians from HR do get carried away with such artificial rhetorical garlands. But let us face it. Practically speaking, very few organizations are actually seen admitting that human resources are extremely important for them. Their stand is simple. For most of the products and services, there are number of factors that contribute. All the contributors are important and importantly they are all equally important. There is nothing really to admit that only human resources are something very special even though they are the ones who are managing all the other resources also. Let us see some numbers from a macro perspective. Based on cost analysis of top 10 Indian companies by revenue[2] for FY 11/12, following percentages of costs (based on share in total expenses) emerge for the 8 in the manufacturing sector and the 2 in the service (banking) sector[3]–

Average element-wise cost share in total expenses of top 8 Indian manufacturing companies for FY 11/12



Average element-wise cost share in total expenses of top 2 Indian banking companies for FY 11/12



Thus, on an average the employee costs of the top 8 manufacturing companies is 4%, whereas the top 2 banks is 19%. Compare this with the non-employee costs percentages. From a purely functional point of view, there would emerge an argument in favor of not according any special status to human resource management. A few at the top in such organizations display the most extraordinary qualities of entrepreneurship, risk-bearing, visionary leadership, resource mobilization etc. One needs to accept the fact that the rest others have to operate within a relatively narrow framework with reference to the overall size and scale of the entire organization. In short, generally the conventional businesses really fail to provide much of an opportunity for any special human talent that can lead to some kind of extraordinary difference. So in such an environment, one really is kept pondering over the question–What is the big thing that is going to be achieved in measuring talent or valuing human resources?

2. *What lies beyond measurement and quantification*?–Business executives spend a lot of their time in analyzing numbers on various efficiency and effectiveness parameters. Internal MIS reports are full of statistics and calculations but at times not much happens on the basis of these numbers. Unless the business environment is thoroughly professional, the MIS and the quantification exercises are perceived and performed as more of "form-filling" activities than anything else[4]. Thus, the advocates of talent measurement and human resource valuation have to take-up this call of addressing very clearly as to what lies beyond measurement and quantification? Or is it the case that, the exercise of measurement and valuation is more of an academic activity for a change in the otherwise hectic schedule of the corporate world?

Process Related Problems

1. *What is the right method?*–There are different types of methods and models that have been developed for human resource valuation[5]–

   a. Historical cost method
   b. Replacement cost method
   c. Opportunity cost method
   d. Behavioral model
   e. Economic model etc

   Each of these methods/models has some limitations. Even if one takes the relatively popular model like Lev & Schwartz, the same can be criticized on the grounds that it uses earnings of the employees as the basis for valuation which is only a cost for the company. But wont Management more interested in knowing the value of the employees in terms of their output?

2. *Availability of data for calculation*–Even if one decides to choose a particular method or model, it is not so easy to get all the data requirements for the calculations. Return on Talent or Human Resource Valuation calculations are relatively complicated and sophisticated that often use estimates. It is seen that some organizations in India are using the Lev and Schwartz model that is based on estimation of the future earnings of the employees and discounting these earnings at the cost of capital. When we refer to the valuation done by Infosys using Lev and Schwartz model[6], we come across things like discount factor. How many organizations would be able to get this number of the cost of capital or discount factor. For an organization like Infosys that is a listed company, it can easily calculate the cost of equity using the popular CAPM formulae that even uses a variable called as "Beta."

But what about most of the organizations that are not-listed companies? How they will calculate their betas?

3. *Other issues*–Should the measurement or valuation happen at the corporate level or even at the divisional level? Should the same be done for individual employees or group of employees? If it is to be done for all the employees, how will we measure valuation of people in administration or the support activities?

In the light of the above discussion, it is felt that following ground level factors are important in implementing the concept of talent measurement or human resource valuation–

1. *Right culture*–Unless the business culture is highly professional, one can't expect much to happen on issues of human resource valuation or talent measurement. An organizational culture that subscribes to the following beliefs will only succeed–
   a. Human resources are indeed a key to organizational effectiveness.
   b. Employees are willing to accept challenges, to innovate and to excel.
   c. Valuation of employees or measurement of their talent will not be misused by the employees. Rather it will have a positive impact on their performance.
   d. Participative and positive oriented style of management ultimately benefits the customers and the organization.
2. *Some level of standardization and practical guidance*–One would generally agree that the issue of talent measurement or human resource valuation is a relatively complex exercise more so in absence of some kind of standardization and practical guidance on the methodology of calculation. But of late, complicated calculations using estimates and assumptions are quite a regular feature of the books of accounts and they are based on clear accounting standards. Take the case of gratuity calculations as per Accounting Standard 15 issued by the Institute of Chartered Accountants of India. A novice or a layman in this matter would get bogged down by the number of elements in the calculation, the use of things like present value and actuarial valuation, the estimates or assumptions etc. Yet, the standard does provide a logical and standardized manner of accounting for gratuity benefit. On similar lines, there is a need of some kind of standardization in the area of talent measurement or human resource valuation. Having too simplified calculations with the use of number of assumptions and gross level approximations for the sake of academic purposes is one thing but to provide acceptability of the measurement in the corporate, accounting and legal framework is a different thing.

Practical Approach for Implementation

1. Here I would like to refer to implementation of another such recently introduced concept of Activity Based Costing (ABC). Despite being accepted as a superior concept than traditional costing, world-wide adoption rates of ABC are relatively low and it is further claimed that the rate of new adoptions is on decline.[7] ABC as a concept was introduced in the manufacturing industry where its application could immediately prove tangible benefits. Later its application was extended to services like banking that had multiple services (also called as products.) On similar lines, it is felt that, academicians and those in practice should identify most appropriate segments of industry where they can implement the concept of talent measurement or human resource valuation with some ease in terms of acceptance. For instance, IT industry is one such segment, where there is some kind of general agreement that talent measurement or human resource valuation is most relevant. There is no doubt that human resources are important and its measurement in terms of valuation or return on talent is relevant for all the organizations. Yet, the right ground for some kind of visible practical implementation would be the one where really human resources have a clear, quantifiable and significantly bigger role. Thus, it is felt that for practical success, a specific segment approach instead of a universal approach might be more feasible.
2. Management Accountants and Human Resource professionals across the globe should come together and bring about a consensus on the various technical issues involved. Perhaps an Institute like ours (The Institute of Cost and Management Accountants of India) can take a lead in providing a platform for building standards, working out a largely acceptable methodology etc.

Conclusion

However good a concept might be, its practical implementation is not so easy. Same is the case with measurement of talent or human resource valuation. In practice it has been seen that even superior concepts like Activity Based Costing have faced stiff challenges when it came to adoption. Mere academic discussion on talent measurement won't help much. There is a need for some practical approach to bring about implementation that should address both the problems–purpose related and process related.

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Return on Talent And Its Accounting—Role And Challenge For Cost And Management Accountants (CMAs)

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Importance of Human Talents in Today's Business Scenario

Often we see in Director's report **'Our employees is our greatest asset for being a fantastic success of our company. We have to retain them at any cost'.**

If you look at auditor's report of a company, the statement given by an auditor is **'We have audited the annexed Balance Sheet of ABC Ltd., as on 31st December 2010 and also the annexed Profit and Loss Account. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the true and fair view of the state of affairs of the business and that profit and loss account reflects a true and fair view of profit or loss for the financial year'.**

In the first case, directors are not able to give contribution of the employees in terms of money.

In the second case, auditor gives his audit report without giving state of affairs regarding human resources.

Owners of any business have some positive expectations be it is a sole proprietorship or partnership or Joint Stock Company or any other profit seeking entity. They are interested to know that profit is the main driver or key for success and growth. They are also interested to know that how their hard capital are utilized for earning maximum profit and maximization of wealth.

But behind the scene of growth and success there is an interesting fact i.e. human resources and their role which is almost neglected in the annual report of the corporate. Human resources are the engine or talent for sustainable growth of any business corporate. Wealth maximization, value maximization, growth in market share, efficiency, competitiveness, good management, vision, mission, achievement of goal, corporate image, corporate governance, brand management, supply chain management, reputation, developed research and development, value management, time management, continuity of success all depends on human talents.

Intangibles i.e. human resources are more valuable than tangibles e.g. land, building, plant and machinery, computer etc. You may have good infrastructure, centrally air conditioned building, many number of computers, high technology machine, many number of cars but in absence of good talents that may failed to give a substantial growth. Employees are the drivers whose efforts, mentality, imagination, belongingness, morale, leadership, creativity, co-operation, group efforts can boost up success.

Thanks to globalization, we are now passing through knowledge based economy where human resource has a significant contribution for the growth and success of the businesses and the society. Shifting from physical asset growth economy to knowledge based growth economy reveals that it is only the human resources (intangible assets) which can bring the success of business and it is their endeavor to maximize wealth of the firm and the society by proper using the physical and financial assets like land & Building, Plant & Machinery, Infrastructure etc. Presently, any growth and success story of corporate are due to the efficiency, creativity, intellectuality, behavior, attitude, knowledge and skill of the intangible asset i.e. human beings

The Importance of Human Resources is

i. Like any other physical and financial asset they have value creation ability. The remarkable difference between physical assets and human resources are human resources not only create value but also appreciate over time. A company with its worst situation may revive again only due to the contribution made by human resources.

ii. Increase in market value of share as compared to book value is not only due to its physical and financial assets. It is the human resources who are the driver for success.
iii. In today's competitive business world where right decision in right time is the key for success it is human resources who give their best effort for being success of a company.
iv. Human resources through its effort and value creation ability can judiciously use physical and financial resources so that market can be retained.
v. When we talk about capital employed of a business we calculate it taking fixed assets, current assets and current liability by ignoring the value of human resources. Is capital employed calculated under traditional method reflects the true view of the state of affairs so far as allocation of asset is concerned. Time has come when every organization has to consider the paramount importance of human resources.
vi. If two companies have same capital employed and technology it is only with the human resources which may be used as a barometer for comparison.
vii. Today, employees are the focus of success story. Development, growth, opportunities, brand name, prosperity all depends on human capital which is the most valuable asset in any organization. When some key employee's leaves organization the loss which arises can not be filled up. Human resource is floating rather than fixed. To retain employees an employer must understand the need and value of employees due recognition must have to be given so that they can be motivated to get loyalty.

Concept and Study of Human Talents Accounting and its Benefits

According to **American Accounting Association** "Human resource accounting is the process of identifying and measuring data about human resources and communicating this information to the interested parties".

HRA is the process of quantifying cost and value of human resources of an organization to know their contribution for the achievement of organizational goal and also to the management for the betterment of their services so as to get their best value till retirement.

The importance and value of human assets started to be recognized in the early 1990s when there was a major increase in employment in firms in service, technology and other knowledge based sectors. In these sectors, the intangibles assets, especially human resources, contributed appreciably to the building of shareholders value.

The Advantages of Human Talent Accounting are

i. HRA provides useful information to the management regarding human resource capital which helps them to take valuable decisions for recruitment, training and development, promotion, retrenchment, remuneration etc.
ii. It is used as a very valuable tool to assess the efficiency of HR policies and practices. The strength and weaknesses of the human resources can be revealed.
iii. It helps to judge the value of human resources utilized by an organization. If two companies are offering the same rate of return on capital employed assuming using same technology, HRA by providing information on their human resources can help the potential investors to judge which one company should be selected to make investment.
iv. The information provided by HRA helps management to control various types of human resource costs and as a result, help to improve profitability of the organization.
v. HRA helped the management to disclose the value of its human resources. Such information is more valuable and reliable than the conventional system of accounting where 'Return on Capital Employed' is the benchmark for measuring success.

Problems for Valuing Human Talents

In spite of leading contribution made by the human resources, only a few business firms have taken initiative to show their value and contribution in the annual report of the company. Many researches have been made so far regarding valuation of human resources but in no case human resource has been shown in the balance sheet as an asset i.e. long term investment. The problems of valuing human talents are:

i. Like other physical assets, human resources can not be owned by the organization.
ii. Human resources are not recognized by the Income Tax department.
iii. Some qualities of human resources can not be measured into monetary terms such as leadership quality, praise, honesty, sincerity, motivation, mood, sentiment, loyalty etc.
iv. No assurance of certain benefit given by human resources in future time period.

Different Valuation Model For Intangible Human Resources Introduced so Far

i. Historical Cost Method: This method was introduced by **Brummet** to measure the value of firm's investment on human resources. Here investment in human resources reflect the present sacrifice for getting future benefits and hence all expenditure on recruitment, selection, training and development for the employees will be capitalized and to be shown as asset in the balance sheet. Under this method capital expenditure on human assets are amortized over an expected life of human assets. If any employee leaves early then unamortized portion of capital expenditure will be treated as loss and charged to Profit & Loss A/c.

However, it is a very difficult task to find out the effective life of human assets and determine the rate at which cost should be amortized.

ii. **Replacement Cost Method:** This was developed by **R. Likert** and **E. G. Flamhottz**. Under this method, all the costs of replacement are considered when an employee is replaced (i.e. recruiting, training, placing etc) with a person of same ability. However, it is difficult to determine the replacement cost of an employee and replacement cost does not reveal the competency of an employee.

iii. **Opportunity Cost Method:** This method was developed by **Hekimian and Jones**. Under this method human resources are valued on the bidding cost. Only rare work force or employees are considered under this method. The value of human assets is determined by capitalizing the total bid prices of all the scarce employees within the company.

iv. **Rewards Evaluation Model:** This model has been suggested by **Flanholtz**. Under this method major variables are identified to determine an individual's value to an organization, i.e. his expected realizable value. The expected realizable value of an individual is the present value of future services he is expected to be given in the service period remain in the organization. Flanholtz presumed that a person's value to an organization depends upon the position to be occupied by him in the organization. The changes in the role of an employee in an organization in different position are a stochastic process with rewards. As people move and occupy different organizational roles, they give services (i.e. rewards) to the organization.

v. **Economic Model (earning approach): Lev and Schwartz** developed this model which estimates the future earning of an employee during the remaining life of his service and determine the present value by discounting the estimated earnings at the employee's cost of capital. The Lev & Schwortz model shows that the human resource of a company is the summation of value of all the Net Present Value (NPV) of expenditure on employees. The human capital embodied in a person of age r is the present value of his earning from employment. This method has recognized by many companies all over the world. Still this method is not free from limitations such as under this method training expenses, productivity of employees, attrition rate etc has not been considered.

Model: How to Value Human Resources

Details	2009	2010
Profit after Tax	60,00,000	70,00,000
Less: Normal Return on Capital Employed (Rs 500 lakhs × 10%)	50,00,000	50,00,000
	-----------	-----------
Super Profit	10,00,000	20,00,000
	-----------	-----------
Increase in Earnings (Rs 20,00,000–Rs 10,00,000)		10,00,000
Capitalized at 10% rate		
Rs 10,00,000 × 100 ---------------------Rs 100,00,000 10		

From the above calculation it is seen that with the same capital employed a company has earned Rs 10,00,000 more in the year 2010 as compared to 2009 (100% increase) due to training and development of the employees. Capitalized value at 10% normal rate of return is Rs 100,00,000. This reflects the value of human resources and can be shown in the Balance Sheet.

Position of Human Talents Accounting in India

The concept of human resource accounting was not new in India. HRA was introduced by public sector companies like Bharat Heavy Electricals Ltd. (BHEL), Steel Authority of India Ltd (SAIL) way back in the 1970s. However, the concept did not gain much popularity and acceptance during that time. In the financial year 1995–96, Infosys Technologies became the first software company to value its human resources in India. The company used **Lev and Schwartz Model** and valued its human resource assets at Rs 1.86 billion. Infosys had always given utmost importance to the role of employee in contributing to the company's success.

Though the concept of human resource accounting is in the early stage of development in our country it has take place in the annual report as a separate section of Indian companies like Steel Authority of India Ltd. (SAIL), Bharat Heavy Electricals Ltd. (BHEL), Minerals and Metals Trading Corporation Ltd., Oil India Ltd. National Thermal Corporation Ltd., Hindustan Copper Limited, TATA, Birla, Wipro, Infosys Technologies, Satyam Computer and other companies.

Role and Challenge of Professional Accountants in this Perspective

The Institute of Chartered Accountants of India has not issued an accounting standard for the measurement and reporting of cost and value of human resources of an organization. The Indian Company's Act, 1956, is also silent regarding furnishing of any significant information about human resources in the Balance Sheet. According to the money measurement concept of accounting only those transactions can be recorded under double entry accounting system which can be expressed in monetary term. Human qualities (i.e. honesty, loyalty, sincerity, wisdom, skill, attitude etc) can not express in monetary term, therefore, there is no standard method which can be followed to capitalize the investment on human assets.

At this juncture, the qualified Cost and Management accountants(CMA's) are questionable for not raking their brains to reflect the true picture regarding recognition of human capital and they have to take an active role to find out the clear methods of valuation of human resources and also how it is to be shown in the balance sheet as 'long term investment'.

Recommendations and Suggestions Based On Findings of the Study

Traditional accounts which records all the tangible assets and to some extent intangible assets like goodwill, patent etc but altogether ignore to show the value of human resources in the balance sheet. Due to this insufficient reflection in the annual accounts the shareholders do not get the real picture regarding contribution made by the human resources for the success of the company. Traditional accounts can not give a clear vision unless it takes into consideration the value of human resources out of total value of the firm.

Accounting Professional bodies of every country must give due attention to find out the way of valuation of human resources of the businesses so that a uniform measurement and accounting policy can be found out all over the world. Time has come when more and more researches are required in this field otherwise the true value of human assets remains unearthed.

Return on Talent: the Underpinned Aspect of Innovation

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Semantic Issues

Three words come to the fore in the context of determination of return on talent, which has engaged continuing attention of the human resource managers, especially in labour-scarce economies of the western world–first of all, in assessing, recruiting and retaining talent; secondly, seeking benefits from such people for the organization through provision of all possible, or feasible, facilities; and lastly, in ascertaining, in both physical and financial terms, the differential benefits that the enterprise has derived or is poised to derive during a given time. The three words referred to earlier are: (1) *mentation*, signifying mental activity; (2) *intellection*, underlining the action or process of understanding; and (3*) ideation*, meaning forming ideas. Superscribing these three is what is termed, *mentalism,* underscoring the theory that physical and psychological phenomena are ultimately explicable only in terms of a creative and interpretative mind. Creativity is a kingbolt of talent while it flourishes in congenial conditions marked by provision of an atmosphere which is calm and quiet and which is equipped with all required gadgets and appliances for use in experiments or simply an encouragement for going deeper into the ideation processes before it leads to the specifics of maybe formulas, working processes that may eliminate old ones or introduce new ones to make products more market-savvy, or products and their contents intended for new end-uses or new customers in different markets or market-segments within the country and abroad.

Changing Face of Organizations

There is hardly any dispute that people create organizations, which are also defined in many quarters as structures of relationships. Organizations not only do cash in on the talents of the people who are appointed for looking after various specific jobs–both tangible and intangible–they also provide for individuals without any specific job assignments–those who have shown their knack and taste for doing something new, previously unthought of; they may already have patents the contents of which are there for sharing and use. There are also people who have shown their high calibre capacities for innovation in various lines of activities in which the organization may not have been engaged at the moment. Intellectual capital is not a tangible matter at the formative stage; it becomes visible only when the process of intellection has taken some shape, towards development of specific or general skills. Often an organization comes to know of hidden talents of employees either by accident or only casually. Almost every organization in this country has employees of various ranks who have hidden talents in various lines unrelated to the jobs they are supposed do or for which they were appointed. Talent is defined in the present context as skill or aptitude that may remain dormant most of the time or come in the open rather accidentally in the face of a challenging situation. Gifted and talented people may or may not know of their skill or aptitude or the external world may not accord recognition to them. Ramanujam, the mathematician, had to wait for a long time for recognition, which came not in this country but in England. Several agricultural scientists of the ICAR committed suicide in utter frustration when their bosses attempted to usurp the credit that accrued from their research. In an article in *The Statesman*, Calcutta Dr Punyasloka Ray reported a case of a scientist in Calcutta who prepared necessary papers regarding his research on his chosen subject and submitted his paper to his boss for permission for sending it to a scientific journal abroad through proper channel. Instead of giving the permission, the boss pushed the paper in his drawer. After some years, the **Nobel Committee** declared the prize for the same findings on the same subject but the award went to a European. The story of a brilliant doctor named Dr Subhash Mukherjee who committed suicide when his highly innovative method of preserving sperms for impregnation was rejected by doctors in authority in the West Bengal Government in c1977, a method which was recognized and acknowledged later in this country and abroad. On the other hand, artists, poets, singers, novelists and actors are widely known to have worked for organizations where their talents had gone unspotted and unrecognized, leave alone recognized and rewarded. In fact, what happens is that such employees are usually treated as eccentric, irregular and individualistic–not team men. Many a time such people are discredited and laid off at the earliest opportunity. Usually it is believed that such people are time-wasters who seek excuse to idle away their allotted time during the course of work. It is widely believed that such people mar the prospects that an organization holds, in supplying goods or rendering services on time, delays to deliver causing wrath of the customers. In a labour-surplus economy top managements are not interested in knowing and judging the qualities of the people offering themselves for recruitment, considering that some jobs would be better than none, howsoever low graded such jobs may be. It is usual in our country, a labour-surplus economy, that compensation packages are minimal and the bosses are particular to extract as much work from the employees as possible. It is forgotten that when people are not given the recognition they deserve they lose interest in their work and any incentive scheme is just not enough to recharge their energy. What more, like in a jail, they are known by numbers and are placed in jobs which overtly undervalue their capabilities. This happens generally in cases where the really good, employable people are scarce, or even in those where they outnumber the available jobs. The result of this is that the resources available to the organization remain underutilized. The sub-optimal level of operations is not far to seek nor is its span limited to a particular country of the south or a line of activities. In these countries, organizations–big or small–do not operate to their potential; most of the time this potential goes unspotted, unmeasured and unutilized. One particular reason for such dismal showing is that the organizations do not generally recognize their potential and are quite happy with their current levels of operations or the existing product-market configuration.

Kainotophobia

Kainotophobia or fear of change is widespread and any thought about change is looked with suspicion. Wherever it shows up, it is nixed in the bud before long. Apparently, one could divide the organizations in two classes, namely, thrusters and sleepers (1). The thruster companies continuously look for innovation and improvement, while the latter prefer to rest on oars. Investment on innovation is perceptibly more in the former class but here again, the emphasis is more on technology, products and markets rather than on people who are in fact the source of all this, irrespective of whether the country of operation is labour-scarce or labour-surplus. The major driving force behind an organization's success is the people, both inside and outside and, this being a fact, it is incumbent on aspiring managers to locate and recognize what people think, what are the problems that they perceive as inhibiting factors and what are the ways to get over them, according as what they visualize. Management's tasks and responsibilities are in such cases to recognize, appreciate and act upon these factors by way of effectively and productively dealing with them and creating conditions for application of possible correctives. Commodification of people no longer holds good in view of the rather drastically changing footholds that organizations face today and tomorrow. One major change in this context relates to a growing emphasis on knowledge and its main source, namely, people–imagineering, rather than engineering, holds the key, for example in Disneyland in the USA where the engineers are indeed called imagineers. Incidentally, managers of corporations generally forget that intellection is a typically human quality and its capacity is unlimited, given the right direction and scope. The last two are however not very easy to come by. However, this standpoint has been changing albeit at a slow pace almost as a matter of compulsion under the shadow of globalism.

Knowledge Management

There are three issues that warrant consideration in the context of the much vaunted knowledge management but scant reference is made to them in the scholarly discussions on the subject. First of all, it has become imperative to debunk what goes by the brand name of knowledge. For instance, datum is the singular of which data are the plural; when data are analyzed for a particular use, the result is information for that use only, meaning that the same data may serve the purposes of different information needs of managers. The question of information overload just does not arise in such cases, as it is ruled out in the first place. Second, information culled and collated from inside and outside data over time and at a point of time and analyzed for condensation and storage becomes knowledge. Now, knowledge may be both overt and covert in the sense that, apart from the derived and recorded knowledge stated earlier, it may be in the minds of the people either based on experience in other types of work or in other organizations or even derived from their latent intellectual skills accumulated from their education, training and friendly, formal or informal conversations with known or unknown people, in the organization or outside, or simply observation of what is happening in the outside world. Third, knowledge derived from different situations mentioned above by different persons and subjected to rigorous reasoning may give rise to what one would like to call realization, a form of generalization leading to formulation of rules, as was the wont of the sages of old, belonging to different religions. Curiously, most of the formulations in the scriptures of all the religions would be found relevant even today as they answer several questions that one might ask, having stood the test of time. To scoff, ignore or undermine the teachings of the religious scriptures is many a time considered modern, while the trials and errors with same ideas or indications reaching the same or similar conclusions have been costly, time-consuming and cumbersome. With many doors of perception open before them, albeit centring on religion, umpteen words of wisdom might be found in them that organizations and the people therein could put to good effect, provided that the indications, often involving inexactitude, were deciphered for making them more practicable in everyday life. And these pointers encompass many fields of application that confront organizations and their managers concerning both general and functional issues. Knowledge management, for example, is an area of expertise that utilizes many of these approaches in an attempt to give new thrusts towards innovation, seeking to make the best of a situation in an intensely competitive world of business.

Recognition of Talent

There are many people in several organizations whose talents go unrecognized and unutilized in very large measure due basically to managerial ineptitude and arrogance. Many such people show their talents at moments of crises which to managers figure almost as serendipitous but many others with huge talents spend their time in only routine jobs, boring them from head to foot. It is thus relevant to quote what Professor Jeffrey Pfeffer of the Stanford Business School mentioned in his book, *The Human Equation* (2), that 'Companies that manage people right will outperform companies that don't by 30 per cent to 40 per cent'. Recognition or non-recognition of the talented people would spell the difference in no uncertain manner. While it is not important to consider the percentages seriously; the moot point is the highlight on the issue of people management. It is on this count that many organizations are known to have faltered as they had to remain satisfied with substandard levels of performance. After all, people can, given the right opportunity and necessary encouragement, accomplish the impossible! In the new emphasis on people, some management thinkers(3) consider it more appropriate and effective to have more 'peoplistic' communication in the organization irrespective of the line of activities in rather overt contradistinction with the individualistic systems of communication. Not only that such a communication better the performance, it also helps achieving unison of the organization as one body. Under such a communication system, a pervading friendly atmosphere is created in which everyone communicates quickly, embracing both good and bad news. It is stressed that effective communication may help to break down traditional organizational hierarchy in practical terms. The PC, Laptop, Internet and Intranet, Iphone, Ipod, Galaxy Tab and a whole series of Mobile Phones make it possible to reach out to people at all levels in practically no time. In terms of talent, the hierarchy loses its meaning and significance, especially because rapid developments in technology and the advent of new products and services have made it possible that the lowest-rung executive may be a great deal more knowledgeable in particular areas of concern than the bosses. Effective and fast communication systems have practically enhanced people's emotional commitment to sort out problems, to rectify the errors and to innovate. Ideas do have wings and they move at supersonic speed, as events have proved beyond any doubt! In the circumstances, ideation and intellection have seemingly carved a niche for themselves, albeit the fact that recognition therefor has come rather slowly. Misplacement of credit or reward has remained a general phenomenon in organizations especially of the south.

Ideation

Ideation finds fruition easily and it spans effectively not only the entire organizational canvas but also the externalities in their entirety. In competitive conditions, all this has a crucial role though scarcely recognized. It is, however, not that everybody remains busy either writing or talking all the time in the name of communication; it is that the atmospheric congeniality allows everyone to know and judge what is going on and if there is any other way to perform these tasks and whether the tasks themselves could be replaced by others for better results. This brings in the discreteness as between efficiency and effectiveness. 'Making the future today'(4), that decision making underscores, is no mean task and for making this worth the while, teamwork has to be cemented, everybody moving ahead literally in unison. Team work implies togetherness, energizing, actuation and measurement, all of which command significance in conditions in which different types of people with different background, training and education, ethnic origin, modes of living, culture and tastes, and above all, outlook and vision that bind together for giving shape to what is being done today and what is in store for tomorrow, making way for future series of activities seeking to push the organization from the existing levels to those higher, better and brighter. Talent differentials may be quite significant in such a team but the leader of the team in practice has to have the responsibility of bringing out the best in everybody. The task in such a case may not only be better performed, it may also emerge as a totally different one. Talent provides the key in such a case and may take the team to much greater heights while the benefits accruing therefrom are there to be reaped by the organization. All this requires that the selection process is sensitive, on the job training is responsive to requirements and a free play of ideas and unbound imagination is ensured. Leadership, camaraderie, patience and necessary wherewithals complement one another in such a scenario, particularly because at the initial stages people may not move in concert. On the contrary, forging togetherness in typical organizational situations requires top-level leadership qualities, may be coming from the bottom rather than the top as Marvin Bower put it in his book on *Leadership*(5).

Return on Talent

At some point on the spectrum, management would show interest in measuring the return on various resources expended both in harbouring talent and the results obtained. It is therefore appropriate, from the standpoint of management that the returns over time are in consonance with the objectives in view. People in the organization have been recognized as 'assets' by Professor Rensis Likert(6) and later, human resource accounting has attracted worldwide attention both in labour-scarce and labour-surplus economies(7). Different models are now in place for measuring the human resources and a whole specialism has evolved on the subject on the basis of country-specific studies. Despite the inherent transient features, attempts at measuring talent and assessing the returns thereon are not without rewards, both apparently indicate the broad directions and changes over time. In any organization, the methodical search for appropriate talent appears relentless and only occasionally do organizations come up with real trump cards; even in this context, there are people who show early promise but somehow do not figure in terms of cognizable results. Modern organizations are therefore very choosy in selecting people and modern selection processes are at once lengthy and multi-pronged. However, even after all these the turnover continues suggesting that though one may not have delivered in one organization, one may be successful in another. It is also not for nothing that recruiters for different managerial positions increasingly emphasize on multiple skills and multi-disciplinary specialization which makes it possible for an individual to size up the reality in appropriate terms. While the recruiting organizations are quite liberal as regards salary and perks, they insist that the incumbents deliver, if not immediately, at least over a reasonable period of time. Subir Chowdhury(8) sums up the arguments succinctly. He mentions logically that return on talent measures the payback after analysis and processing effective use is made of them to achieve business success.

Simply stated, ROT can be shown as a formula as below:

$$\text{ROT} = \frac{\text{Knowledge generated}}{\text{Investment in talent}}$$

NB. [*The generation of knowledge is the culmination of the thought processes giving rise to something specific, tangible and sharable. These thought processes pass though a whole series of mentalism with creativity as the kingbolt. Initially, thoughts are carried by individuals in a formative stage, may be half-baked and nebulous; after all the 'ifs and buts' are sorted out, knowledge emerges. The hierarchy of mentation processes calls for collection and collation of data, duly processed for particular uses such data become information and after analysis of the information for particular uses and development of skills therefor, knowledge is generated. But if no use is made of the skills, the whole process rebounds to the data stage. In improper hands, the results may find distortion in different ways such as misinterpretation of the results, assignment of overtly or covertly wrong prices, desire for immediate results in this pretext or that, miscalculation of the gestation period, lack of proper planning for full utilization of the findings, miserly allocation of resources and gross inadequacy of planning for garnering resources, of proper power and authority for deploying resources, assignment of routine jobs undermining the innovative capabilities and the accompanying zeal denying the nurturing of congenial atmosphere and several other factors*]

Quantitative and Qualitative Measures Possible

Depending on management's viewpoint, ROT can be both a quantitative and qualitative measure; for quantitative measurement pricing of knowledge generated in the form of skills would be required, based on results while qualitative measures may be in terms of what Professor Rensis Likert called *organizational profiles* drawn on the basis of opinions of the peers, superiors and subordinates. ROT measurement in practice would assist managers to monitor performance and forecast opportunities in a congenial atmosphere. The valuation problem involved is, however, quite tricky and this may imply multiple measures involving the valuation of both the numerator and the denominator especially before any tangible result has ensued. The multiple measures may relate to accounting for investment called for and the gestation period involved for valuing investment meaningfully. When results have been visible, the organization may apply for patents and/or copyrights as may be applicable in particular cases. The market value of patents may be an acceptable guide for calculation of return. To make the exercise more effective and investment profitable, management must measure ROT on a regular and systematic basis, continuously plan to improve the ROT and reshuffle and acuminate talents turned into skills, according as the organization requires from time to time to combat competition and to acquire predominance. Needless to emphasize, value of knowledge, nay skill, generated increases with its effective deployment, which in turn pushes ROT. Talented people influence those around them and their knowledge will be there for sharing not only when something cognizable has come about but also when it is still at a formative stage especially when talented people are more than one. Knowledge generated and turned into skill and investment in talents are at the core of ROT which depends on a regular and methodical talent management system. Talent management system has four elements, namely, attracting talents, keeping talents, managing talents and identifying talents. Usability of the findings within the organization or selling them are the moot questions, more so when results ensue from serendipity but may not be relevant for use in the organization. Strategic management of talent is likely to generate the maximum return. This is, however, not a bed of roses all the way; there may be failures but such failures should be taken in one's strides as they offer valuable lessons that can be used with benefit in future. He mentions that India does have a tremendously talented workforce and plenty of leaders but what the country badly lacks is a talent management system(9). One must think big, dream and put legs to the dream and go whole hog after it for turning it into reality. Unfortunately roadblocks put on one's way to dreaming in this country are far too many and it is rarely that someone shows enough and courage and gumption not only to dream but also to make it a reality. The dream-blocks, so to say, are caused by family-run business, overtly uneconomic scale of operations and absence of a spirit that encourages innovation. Not that talents are absent even in such a situation, but that talented people are made to waste their time in routine jobs. Rarely does one come across companies which seem to pass the test though there are indeed such companies which seem to stand out amidst mediocres.

Exceptions

Some such recent examples of entrepreneurial verve are the building up of the Ambani Empire i.e., Reliance Industries, TCS, Infosys, Wipro, Satyam, Cipla, Dr Reddy's Laboratories, Biocon, and the entrepreneurial skills behind, for example, Amar PC, seeking to brush shoulders with the big names in the computer world, as yet not unsuccessful at all. The moot point is, however, that in a country of one hundred and twenty crore–plus people, such courage and thrust are only occasional, which can be counted practically on fingertips. The Tatas, ITC, and Arcelor-Mittal are exceptions that prove the rule. A laidback attitude–tradition winning over modernity–continues unabated. The effects of such an attitude may not be apparent till it is too late. In a labour-surplus economy like India, waste of talent is rampant that implies working at levels much below capacity, both theoretically and practically. All this also underlines that most Indian companies are happy working at a level much below their potential. They did not realize that such an attitude could spell their undoing. These corporations apparently did not allow their managers and men to prepare themselves for facing the belligerent externalities that globalism implied. In all likelihood, the highly potent ideas of talent measurement and talent utilization could have literally jerked the numerous sleeper corporations to a new level of consciousness in facing competition as *de facto* equals of the up-and-coming, thruster corporations, on surer grounds. Infusion of new talented people and devising ways of keeping them in the organization have demanded the best in HR managers. Though rather late in the day, many organizations in this country and abroad have introduced, as a regular practice, Yoga and ideation exercises for their top and functional managers for purposes of relaxation and concentration to do away with fatigue and to ensure good health, fresh approaches or more concentration at work. The outcome thereof, naturally, would not be visible immediately, except perhaps in the minds of these people. This may literally imply beginning at the beginning, though not entirely without avail. For, attitudinal handicaps may cause staleness, which in its turn, may overcome innate capacities. Ridding oneself of such a state requires effort of various kinds embracing both physical and psychological, jointly and severally. Ideation and practicing the art and science of concentration seek to do precisely that. Such organizations have not been hesitant to incur large expenditure in this behalf, apparently on counts of demonstrated results.

Summation

Summing up the contentions in the foregoing paragraphs, it may be underscored that the return on talent is a calculable measure both in quantitative and qualitative terms. In typical organizational situations, this concept can do wonders though it must be said in the same breath that differentiation among people in the organization, especially those belonging to the same ranks may create problems related to camaraderie. Development of the right attitudes and enduing managers and people with required powers can bring forth results several times higher than the expenditure that may be incurred in finding talents, harnessing them and deploying them not only for the purposes of today but also of tomorrow. Change being the buzzword of business, it is essential that talents for affecting such change are found out, hidden talents among existing personnel unearthed and put to right use. In a competitive world of business, not only that talents are found out but also that they are constantly under focus. It is not that return on talent is a matter of concern only for the labour-scarce economies, it is equally applicable in labour-surplus economies though the points of emphases could be different in the two cases. While in the former case, getting the best out of the scarce resource is of primary concern, in the latter case, employment creation and disciplined utilization of people would demand the utmost care and attention. While in countries of the developed world, managers do toy with several new ideas and approaches with an impressive record of success, in the developing countries the corporations are hesitant to try new ideas and remain satisfied with sub-optimal returns even though the possibilities are immense. The predominance of sleepers has got to give way to the thrusters who itch for something unusual, something new and something that would bring name, fame and money to the organization. General Electric was voted as the best corporation of the twentieth century and the corporation had several thousand patents to boot. Such possibilities are indeed not always invariably linked with technology, at least not as much as stepping into new areas of production and services as exemplified by ITC in non-tobacco lines of activities What made the difference was vision and values, coupled with a *never-say-die* attitude. Time, something was done in our country to turn the tide and give organizational resources, embracing both material and human resources, and talents of the people, adorning the rank and file, a lot more free play. A new attitude and orientation would warrant deliberate sponsorship and effective support for the people in organizations who have shown promise. As long as the cost of failure is less than the returns from success, management may not be unduly pessimistic or miserly. It must also be recognized that innovators do not always submit themselves to routine, meant more for mediocres. Directing in such cases acquires a different meaning altogether.

End Notes and References

1. **Thrusters and Sleepers–A PEP Study**, George Allen & Unwin, London, 1965.
2. Jeffrey Pfeffer, **The Human Equation: Making Profits by Putting People First**, Harvard Business School Press,1998.
3. Cf. Subir Chowdhury, **Management in the 21Century**, Pearson Publications Ltd., Edinburgh, 2000, p.2. This book is a collection of essays of some of the major thought-leaders in the area of organization and management, seeking to indicate the shape of things to come in the present century. This book also provides critical insights into what the manager in the 21st century would be up against. The highly readable book emphasizes that people in the organization would occupy the centrestage and people management in the organization would be the major concern, especially the overt and covert talents that they have, which would call for conscious cultivation and nurturing.
4. Peter F. Drucker, **Managing for Results**, Pan Books, London, 1967. There is a separate chapter in the book with the heading, 'Making the Future Today' that discusses how important it is to look into the future rather than exulting over the current achievements. Decision making is basically a futuristic exercise and in this, the groping continues because of the risks and uncertainties that envelop a manager's predictive calculations. See also his other book entitled, **Managing in a Time of Great Change**, Penguin Group, New York,1985 which deals with the externalities in the main.
5. Marvin Bower**, The Will to Lead: Running a Business with a Network of Leaders**, Harvard Business School Press, 1997.
6. Rensis Likert, **New Patterns of Management**, McGraw-Hill Book Company, New York, 1961 and **Human Organization: Its Management and Value**, McGraw-Hill Book Company, New York, 1967. Professor Likert in his masterly exposition on managerial types and systems, explains his 'System 4 management as the most participative, managers having complete trust and confidence in subordinates in all matters, always get ideas and opinions from subordinates and constructively use them, give economic rewards on the basis of group participation and involvement in such areas as setting goals and appraising progress toward goals, engage in much communication down and up and with peers, encourage decision making throughout the organization, and otherwise operate with themselves and their subordinates as a group.' In his scheme of things, teamwork provides the key, insofar as leadership of a team may even pop up from the bottom rung people having had previous experience, expertise and vision for accomplishing a task. After all, it is the proverbial wearer who knows where the shoe pinches.
7. In fact it was Professor Rensis Likert who ideated on putting values to human assets in the organizations. He called them human assets and presented a format for human asset accounting. His efforts were a precursor to the later developments on human resource accounting. While Professor Likert's ideas did not attract wide and continuing attention, considerable merits may be traced in his ideas especially the organizational profiles that he presented in the above books. His orientation was, however, the labour-scarce economies, especially the USA. Human resource accounting came later. See Eric Flamholtz, **Human Resource Accounting,** Dickenson Publishing Co. Inc., Encino, California, 1974. It was really a forerunner to a series of other publications on the subject coming from the USA, India, Bangladesh and other countries. The central government company, SAIL, publishes in its Annual Report the company's human resource accounting information according to the Lev & Swartz model. Dr. Dilip Kumar Sen of Independent University, Dhaka did his probing and highly commended research for the D.Litt. degree from Rabindra Bharati University, Kolkata on the basis of human resource data pertaining to banks in Bangladesh. This is a comprehensive study providing a searching analysis of the concept and application of human resource accounting. A number of other studies and theses have also appeared in India from different Universities, for instance, the empirical research study by Dr D. Prabhakara Rao of Andhra University, Vishakhapatanam.
8. Subir Choudhury, loc.cit, pp 10–13.
9. ibid. p 14.
10. loc. cit.

Return on Talent: A New Measure For The New Economy

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Introduction

The accounting profession has been the subject of many unkind remarks, both from outside and within its own discipline (See, for example, Kulasreshta, 1966). The accountants have also been nicknamed, with disparaging overtones, as the 'bean counters' because of their fetish for quantification, especially to the exclusion of other matters. Missing from the critique, however, is the acknowledgement to the fact that modern accountancy is coeval with the Renaissance and stands witness to the progress of the capitalistic system since its most ancient beginning. A three hundred year old commercial revolution that was spawned by the Renaissance in the Mediterranean zone probably could not have been supported without the double-entry system underlying our present-day accounting system (Roy, 1999). Unbeknownst to most of its critics, the profession had its fair share of glory, in its own right. The German scholar and writer Jonathan Wolfgang Goethe (1749–1832) in his treatise, Wilhelm Meisters, eulogised the spirit of this Renaissance marvel, the double-entry system, as 'one of the finest discoveries of the human intellect', and a mark-stone of a cultural event worthy of comparison with the achievements of Columbus, Copernicus, Galileo, Descartes and Newton (cited in Mattessich, 1964: 101–02). The propulsive effect of the double-entry system on the emergence and success of capitalism was apotheosised by Werner Sombart, the noted German scholar on accounting history. The broad proposition of the Sombart thesis, published early in the twentieth century (1902), was that "... double-entry bookkeeping clarified the aims of acquisitive business; moreover, it provided the rational basis on which the capitalist could choose the directions in which to employ his capital to best advantage; and finally, it made possible the separation of the business firm from its owners and hence the growth of large joint-stock businesses" (cited in Yamey, 1964). Double entry marked a radical change not only in the method, but also the information content of accounting. Warner Sombart thus succinctly pointed out that the part of Germany where double entry book-keeping did not make inroad was lagging behind in economic prosperity compared to other part of Germany in the sixteenth century. For Sombart, double entry book-keeping and capitalism are like form and content–one is incomplete without the other. In essence, Sombart in his thesis pointed out that double-entry was the causal factor in the development of capitalism because it endowed the capitalist with accuracy, knowledge and system.

No doubt, double-entry bookkeeping has served capitalism quite well. But five hundred years since the development of this highly useful system of accounting, the changing socio-technological revolution seems to have rendered the system kaput. Accountants claim their discipline to be concerned with dissemination of economic information to the investors, creditors and the policy makers. But now they are finding that their tool of measurement is quite blunt for the purpose at hand. Financial accounting that they use is appropriate for the bricks-and-mortar economy of the industrial age that followed another mark-stone of human civilization, the Industrial Revolution. But this is hardly the tool to report on the changing dynamics of the information age which runs on the currency of intellectual capital–the sum total of knowledge, information, softwares, brands, patents, rights, research and innovation and many such intangibles created by talented people. The balance sheet of Microsoft looks entirely different from the successful companies of some fifty or sixty years ago. Such companies of the information-age incur huge capital expenditure on information, research and development and other intangibles. Capital in all its forms represents a claim to future benefits. In this information-age the intangibles are the catalysts that generate value. The rules of the industrial age accounting, however, do not recognize them as assets. Instead, they are expensed like any other consumables. The result of such mismatch, however, becomes glaring when the results of the accountants' measurements of corporate value are compared with what market put on them. The problem is not just an accounting issue at the micro-economic level. The economists concerned with the measurement of national income also find that there is a similar mismatch in the economic measurement of the nation. The experience of some developed nations as well as the emerging economies is that expenditure on R&D and information related assets are ballooning and somewhere these expenses are either equal or even ahead of the expenditure on physical assets. This has necessitated revision of the US system of National Income Accounting (SNA), as others might follow soon, to incorporate these spending as assets (Corrado and Hulten, 2010). With such recognition of intangibles in the economic accounting in the macroeconomic segment of the economy, demand for change will also be felt in the micro-economic counterpart of the economy to make it compatible with the needs of the new knowledge-based economy.

The Ubiquitous Knowledge Economy

The fact is that evidence of the knowledge economy is all around us except, however, in the accountant's archaic balance sheet. Expenditure on R&D, product design, marketing and organisational developments–the results of the work of brilliant people who make it and strive for excellence–are treated as current consumption and thus excluded from the balance sheets. There is, however, well-documented evidence (Corrado and Hulten, 2010) showing a positive correlation between various types of intangible capital and firm value. With the widening of the Knowledge economy, the phenomenon is not only confined to the developed economies, its wave has hit our shores as well. For instance, in a recent longitudinal study (Roy, 2012) of the top 50 companies (based on market capitalization) in India, it was found that in keeping with the trends elsewhere in the developed economies (See Exhibitt 1 showing composition of the companies in the Dow Jones 30 in 1928 and 1999), there is a commensurate change in the composition of India's top 50 private sector companies. As many as 25 companies in this list are either in the service sectors or in the sunrise industries-comprising Air transport (1)[1], Banking and Finance (6), Computer/ software services (7), Drug and pharmaceuticals (8) Media broadcasting (1) and Telephone services (2). Decomposition of the financial data of these companies shows that compared to Reliance Industries (RIL), (ranked #1 with a total market capitalization of Rs. 88,281 crores, total assets of Rs. 78,223 crores and net profit of Rs. 5,137 crores), Tata Consultancy Services (TCS), ranked # 2, had a market capitalization of Rs. 62,462 crores (about 71% of that of RIL), but with lesser amount of total assets (Rs. 4,759 crores or only 6% of the total assets of RIL). The third largest company in the group, Infosys Technologies, had similar statistics. For example, the total market capitalization of the company was about 68% of that of RIL with a capital base of about 8% compared with RIL. The figures for "net profit to total assets" for these companies were about 10%, 38% and 29% for RIL, TCS and Infosys respectively.

Exhibit 1: Comparison of Companies Comprising Dow 30

October 1,1928	November 1, 1999
Allied Chemical & Dye	Alcoa
American Can	Allied Signal
American Smelting	American Express
Atlantic Refining	AT&T
American Sugar	Boeing
American Tobacco	Caterpillar
Bethlehem Steel	Citigroup
Chrysler	Coca-Cola
General Electric	DuPont
General Motors	Eastman Kodak
General Railway Signal	Exxon
Goodrich	General Electric
International Harvester	General Motors
International Nickel	Hewlett-Packard
MackTrucks	Home Depot
Nash Motors	IBM
North American	Intel
Paramount Publix	International Paper
Postum Inc.	Johnson & Johnson
Radio Corp.	McDonald's
Sears Roebuck	Merck
Standard Oil (NJ.)	Microsoft
Texas Corp.	Minnesota Mining (3M)
Texas Gulf Sulphur	J. R Morgan
Union Carbide	Philip Morris
U.S. Steel	Procter & Gamble
VictorTalking Machine	SBC Communications
Western Electric	United Technologies
Woo I worth	Wal-Mart Stores
Wright Aeronautical	Walt Disney

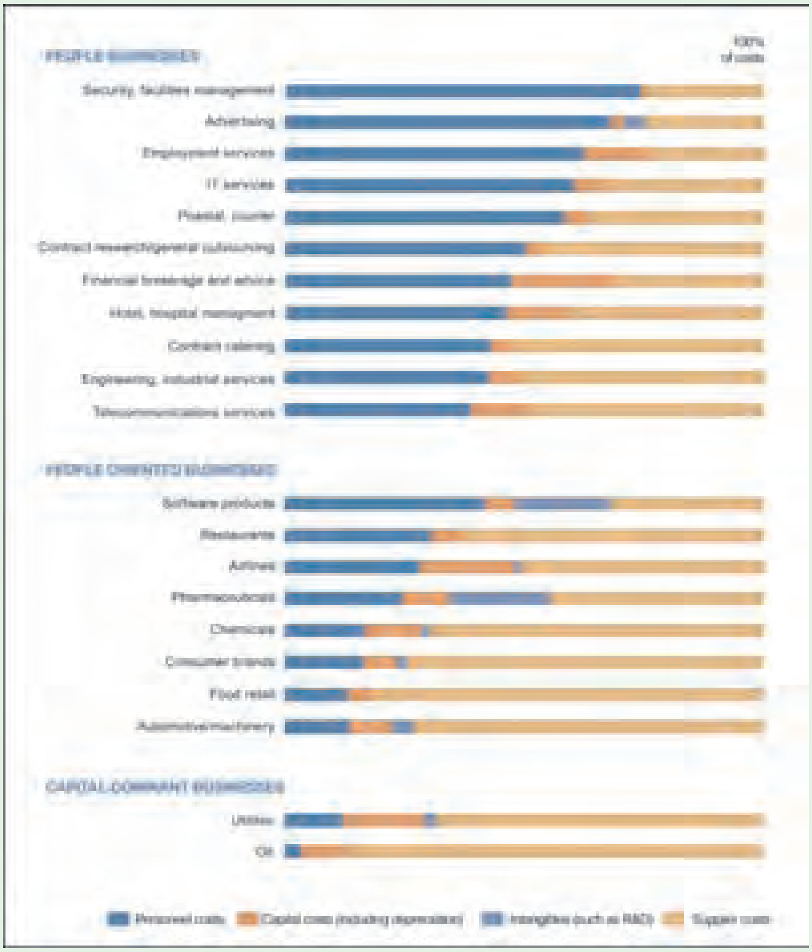
Five years later, in 2010, companies in the service sector steadily trended upwards. For example, **Business Today** survey of India's most valued private sector companies for 2010 showed that, amongst the top ten, eight companies are in the IT and Banking/financial services sectors. In this list, while RIL continues to occupy the top rank with a market capitalization of Rs. 3,36,778 crores, the company ranked # 2 (Infosys; TCS slipped to the 3rd rank) had a market

[1] Number in the parentheses indicate No. of companies in the sample.

capitalization of about 47% of that of RIL with an asset base as small as 10% of the asset base of RIL. The corresponding figures of "net profits to total assets" in the case of these two companies are 6% and 22% respectively.

A perusal of the companies under investigation shows that capital is no longer the lingua franca of the business landscape of the information and knowledge society. The success of business in the New Economy revolves largely around the talent of the people and large investment in R&D (See Exhibit–2 below).

Exhibit 2: The Changing Dynamics of Investment



Unlike the brick and mortar economy, where capital used to enjoy a pride of place, people are the cynosure of the New Economy. Steve Jobs and Bill Gates, two iconic figures of the New Economy, had propelled the course and the shareholder value of their respective companies through their sheer talents, not by the inherited capital from their forebears.

Indeed, for the information-age companies, talent is the edge. Jeffrey Pfeffer(1998) in his *The Human Equation* thus pointed out that companies that manage people right will outperform companies that don't by 30 percent to 40 percent.

The message is getting louder that the catalyst for value creation is not the physical assets, as they used to be the case in the industrialized society. At this age, hailed by many as the **New Economy**, companies are investing phenomenal sums in assets that are not visible.

Nakamura (2003 p. 19) reports that between 1993 and 1998 Gillette Inc. has invested US$ 700 million to develop its famous Mach3 razor blade to become the top seller in the USA–securing 10 percent of the entire razor blade replacement market. A similar feat was achieved by AOL/Time Warner that spent around US$100 million for the celluloid version of J.K. Rowling's *Harry Potter and the*

Sorcerer's Stone, which had grossed US$ 100 million at the box office in just a week's time.

Most recently, in 2011, when the **Fortune 500** list was perused for the most valued company, it came as no surprise that out of the first 20 companies in terms of market value, 6 were representing the IT sector, 5 came from pharmaceutical sector and 3 from banking and financial services sector. In this list, the Apple Computers topped the list, although it had a far lower rank, 17 out of 500, in terms of revenue earnings.

Examples galore, there is indeed new value driver in the new economy–where the growth basis is not as much influenced by investments in bricks and mortar or physical machinery as by knowledge that heralds the advent of knowledge economy (K-economy). Prior to this K-economy, the world had an industrialized or production economy (P-economy). In the P-economy, the wealth production factors are physical assets such as land, labour, money, machines, etc. The use of knowledge as a production factor was quite small. In K-economy, however, knowledge assets as wealth production factor takes precedence over physical assets (Seetharaman *et al*. 2002). For instance, in 2000, private firms in the United States have invested at least US$ 1 trillion in intangible assets–a level of investment that roughly equaled to the gross investment in corporate tangible assets in the United States (Hand and Lev 2003, p.4). A similar picture worldwide is indeed the mark of an unmistakable trend of the twenty-first century business and economy, which is about investments in information, IT, Internet, e-commerce, software, brands, patents, rights, research and innovations, product breakthroughs, globalisation, global reach, and global customer-base and worldwide network. These are the people-centric capital–also taken as a synonym for knowledge capital–embodied in the skills, knowledge and experiences of people and in organizational procedures, systems and routines.

ROI: Relevence Lost

Throughout the history of financial accounting, performance measurement has remained an arcane science. Managers have used, in addition to financial measures, a host of other measures. However, during the second Industrial Revolution led by the vast expansion of giant corporations in the US, General Motors, DuPont and General Electric had developed and vastly improved the method performance to facilitate and monitor efficient allocation of financial and physical capital. At the centre of all those measures were the return on investment (ROI)/ ROCE (return on capital employed) to direct a company's internal capital to its most productive use and monitor the efficiency of the deployment of financial and physical capital by the operating divisions for creating value for the shareholders (Kaplan and Norton, 1996: p. 3). Unfortunately, this financial accounting model has not been extended to incorporate the valuation of a company's intangible and intellectual assets, which are now the principal value driver for the information age companies. Kaplan and Norton (1996: p.7) thus asserted that "if intangible assets and company capabilities could be valued within the financial accounting model, organisations that enhance these assets and capabilities could communicate this improvement to the employees, shareholders, creditors and communities."

The result of the systematic undervaluation of the intangibles is now well-documented. Baruch Lev and his co-author Zarowin (2003, p. 508) have put forward compelling evidences on the steady decline in the usefulness of financial information to the investors over the past twenty years in terms of a weakening association between capital market values and key financial variables like earnings, cash flows and book values. Lev and Zarowin have ascribed such loss of usefulness to a nexus among business changes, intangible assets and inadequate accounting treatment for the changes. Behind their analysis Lev and Zarowin have the support of a robust database of 3700–6800 firms spanning over 1977–1996 (Ibid, p.489). A subsequent analysis by Lev (2001, pp. 8–9) has shown that in the case of top 500 US companies the values of net assets recorded in the accounts constituted only 17 percent of the market value. The hiatus between the market value and book value becomes pronounced in view of the restrictive accounting standards around the world, which do not recognize much of what is commonly regarded as knowledge capital. When such a large portion of the firm value is outside the balance sheet, this not only trivializes accounting information into a joke (Sveiby 1997), but the information asymmetry created as a result of "reporting gap" has been responsible for many a social ill, including the following (Lev and Zarowin 2003, Leadbeater 2000):

First, the accounting profession has a negative view of money spent on intangibles. Rather than seeing it as a "productive investment" for future innovations and growth, they see it as a loss and the more a company spends for its development, the greater the loss would be. As a result, the stock of the companies with high R&D relative to market value show strong signs of under pricing.

Second, in consequence of the first, firms spending more on technology, knowledge and other intangibles tend to have a high cost of capital imposed on them by the capital market, thereby impeding their investment and growth.

Third, as Lev and Zarowin have demonstrated, the commonly used performance measure like return on equity, or ROI becomes less effective in intangibles-oriented firms, because major investments are missing from the denominator. Likewise, human capital assets of the firms–their reserve of skills, competencies, and know-how and the resources being expended to sustain them–

are beyond the spectrum of information that is typically available to the investors.

Fourth, a corollary of the above is an information asymmetry between the managers/ insiders and the investors. For instance, in a biotechnology company, with several drugs under development it is far easier for the executives to assess whether trials will be successful than outside investors who may be ignorant of the science involved. As a result the insiders may be able to trade on this information which is not available to outsiders. This kind of information asymmetry is harder to sustain in companies which depend more on tangible, observable assets.

Fifth, the current approach to accounting for intangible assets makes it difficult to unravel the contribution that different people and occupations make to a business. As a result it is difficult for knowledge workers to assess their true worth to a business and assess what rewards they should be paid.

Return on Talent: The New Metrics of Corporate Performance

The upshot of the arguments of Lev and his co-author is that the traditional financial accounting tools used to measure corporate performance are geared to the needs of the 20th century manufacturing companies. Corporate annual report is replete with information about how capital has been used, but it fails to reflect sufficiently on the use of thinking-intensive assets that drive corporate value in this information age. On the contrary, ROI or any variant of this (e.g. Return on equity) becomes a misnomer in the case of people-heavy organisations due to a low capital base. Boston Consulting Group, a famous management consultancy firm, which has been adjudged as one of the best employers in the world by the 'Fortune 100 Best Companies to Work' (4th rank in 2013), would be rather left with a negative equity if goodwill is subtracted. A return on equity in this case is clearly misleading. The problem of using an ROI–type of measures in the case of people-heavy organisations becomes manifest in the case of, say for example, an advertising company or a software company, which may show an impressive ROI notwithstanding its eroding bottom line. Since these companies have a low capital base, the ROI can be made to look impressive with slight manoeuvring in the capital base or a small improvement in productivity. For example, if employee costs in these organisations are five times the assets, then it takes merely a five percent either reduction in capital invested or improvement in employee productivity to increase ROI by 25 percent (see Barber and Stark, 2005).

The problem of using a monolithic measure to gauge organizational performance has been brought into sharper focus by Robert Kaplan and David P. Norton (1996), who espoused their famous Balanced Scorecard methodology, using the metaphor of a pilot who is navigating an aeroplane with the help of a solitary instrument that measures neither the altitude nor the fuel stock but only the airspeed. No doubt it is a metaphor, as such a pilot who would navigate an aircraft under this condition would not be found. But however absurd it might sound, for our business enterprises–small or big, technology-oriented or tangible capital oriented–a performance measure based on only financial signal is the lodestar of organisational decision-making.

The Balanced Scorecard methodology is an improvement upon this monolithic measure because it considers a combination of financial and non-financial measures organised around four distinct perspectives: financial, customer, internal and innovation and learning. By focusing not only on financial aspects but also on the other value drivers balanced scorecard provides a comprehensive view of business. Notwithstanding its virtues, an important limitation of the approach *vis-a-vis* the people-centric organisations is that its central premise is not people-based. For organisations where performance of people is of importance, the balanced scorecard is unlikely to focus on people-related inputs on the overall performance. Even when organizations adapt the system to suit the needs of the people-centred business, a variety of approaches arising from lack of any specific standard may impede its relevance and objectivity. This particular problem of the balanced scorecard explains the *raison d'etre* for other methods like the HMC scorecard.

Since employee costs in some cases exceed 40 percent of the overall corporate expenses, the need for a metrics that describe the cost and productivity of this investment and offer insight into the drivers of the cost in clear terms cannot be overemphasised. While accounting misses on that point, the stock market recognition of market value far in excess of the book value is perhaps an indirect recognition of the contribution leveraged by the talent-driven intangible assets. There are examples galore: Back in 1999, when the listings for the IPO of Gladman Sachs was opened, it drew a market value of $36 billion, which was four times higher than its tangible assets. The excess of the market value over the tangible assets, divided by the number of employees at the time of the IPO (adjusted for the puffery, if one likes), is a clear recognition of how the market appreciates the worth of the talent pool in the company.

It is no more a secret that business success now-a-days revolve around people, not by capital. But one would be surely surprised to know that, even in the aviation indudtry, despite the costly aircrafts and other equipment, employee costs far exceed the capital costs–one-and-a-half times more by some estimates (Barber, 2010). To our surprise, Barber brings out further evidences that even in a heavy-industry like the autobile sector, employee costs usually exceed capital costs. When employee-intensive activities like sales and customer services are taken into count over and above their normal employee costs, most companies will show similar trends.

Ram Charan and Bill Conaty (2012), management gurus, once remarked, "Talent is the edge. No talent, no numbers." The adage is exemplified quite well from a study of the top 30 of the very largest companies in the world carried out by L.L. Bryan (2007) in between 1995 and 2005. Bryan (2007) has shown how well these companies have created great wealth by using their best assets–people, not capital. On average, these companies have witnessed their profit per employee going up from $35,000 to $83,000, while the number of employees had grown from 92,000 to 1,98,000. The return on investment (ROI) had increased from 17 percent to 23 percent and the median market cap of these companies went up from $34 billion to $168 billion. The driver of this dramatic rise in the market capitalisation was a fivefold increase in average profits–which was brought about by the 100 percent jump in profit per employee and doubling in the number of employees. By comparison, the ROI of these companies had increased over this period by a measly one-third.

In the past two decades, accounting has witnessed some major breakthroughs like EVA and Balanced Scorecard. Baruch Lev's Knowledge Capital Value (KCV) has also drawn admirable attention from the financial community.

Lev suggested that the value of the knowledge capital is the capitalized value of the earnings from the knowledge assets.

At the heart of Lev's knowledge capital valuation formula lies the calculation of Knowledge Capital Earnings (KCE), which is the result of the difference between total company earnings and the amount of earnings attributable to tangible and long-term financial assets. This calculation results in a range of non-financial measures, for example, Knowledge Capital Margin (KCE/Sales) and Knowledge Capital Operating Margin (KCE/Operating income). In this way, companies can estimate the contribution of knowledge capital to their performance and to their ability to generate profits.

However, in the case of business involving high employee costs but low capital investments and limited spending on R&D, both capital-oriented measures of performance or innovative methods like Lev's KCV would fail to capture the dynamics.

But financial measure focusing contribution of people is not all that difficult to contrive. The EVA measure, defined by its apostle–Stern Stewart–as *net operating profit after tax minus the cost of capital,* attempted to home in on how management has added economic value not only after paying all expenses, including taxes, but also after subtracting the cost of invested capital. A human perspective to the EVA methodology has been offered by Fitz-enz (2000), which he called Human Economic Value Added (HEVA):

$$\text{HEVA} = \frac{\text{Net operating profit after tax–Cost of capital}}{\text{FTEs}},$$

Where FTEs is the full-time equivalent of human labour. Human Economic Value Added is a simplistic form of profit per employee. But its sophisticated form, as given below, has been popularised by a Harvard Review article (Barber and Strack, 2005):

A New Way to Calculate Economic Profit

The standard calculation for economic profit can be reformulated-by substituting some basic components and by using standard algebra-to focus on the productivity of people rather than capital. This equation yields the same result but highlights the employee-related performance drivers of a people-investment business.

Start with the calculation of economic profit from a capital-oriented perspective:

$$\textbf{ECONOMIC PROFIT} = [\underbrace{\textbf{ROI}}_{\text{\% Return on Investment}}–\underbrace{\textbf{COC}}_{\text{\%Cost of Capital}}]\ \underbrace{\textbf{IC}}_{\text{Invested Capital}}$$

Replace "return on investment" with its equivalent, "earnings divided by invested capital":

$$= [\underbrace{E/IC}_{\text{Earnings/ Invested Capital}}–COC]\ IC$$

Use algebra to arrive at:

$$= E–[COC\ X\ IC]$$

Replace "earnings" with its equivalent, "revenue minus personnel costs minus supplier costs minus depreciation":

$$= \underbrace{R}_{\text{Revenue}}–\overbrace{PC}^{\text{Personnel Costs}}–\underbrace{SC}_{\text{Supplier Costs}}–\overbrace{D}^{\text{Depreciation}}–[COC\ X\ IC]$$

Use algebra to factor in a key people-oriented elements, the number of people employed, and introduce two metrics, namely, employee productivity and average personnel cost are person employed:

$$=\left[\underbrace{\frac{R-SC-D-[COC\ X\ IC]}{P}}_{\text{Employee Productivity}} - \underbrace{\frac{PC}{P}}_{\text{Avg. Cost/ Person}}\right]\underbrace{P}_{\text{People Employed}}$$

The result is a calculation of economic profit that is meaningful to people-intensive business:

$$\text{ECONOMIC PROFIT} = [\underbrace{EPR}_{\text{Employee Productivity}} - \underbrace{ACP}_{\text{Avg. Cost/ Person}}]\ \underbrace{P}_{\text{People Employed}}$$

Barber and Strack's people-oriented equation builds on the conventional capital-oriented one. In this equation employee productivity is substituted for capital productivity or return on investment. The average personnel cost per person employed corresponds to the cost of capital. The number of people employed corresponds to the amount of invested capital.

Barber and Strack (2005) suggested that an organization was a perfect candidate for this people centred metric and practices when: (i) there were high employee costs; (ii) a high ratio of employee costs to capital costs, and (iii) limited spending on R&D.

Some argue that such employee-centred formula can be used even when there is high intangible costs, in which case profit per employee shall be taken as a proxy for earnings on intangibles. The method suggested by Barber and Stark is not without its pitfalls. But the advantage of the formula lies in the fact that all the elements of the formula are grounded in hard assumptions that can be gleaned from the books of the organization, without being subjected to the vagaries of accounting definition of the related elements. The merit of defining Return on Talent in this way is best appreciated from the fact that it requires few, if any, adjustments for accounting conventions. Since the method honours the accounting conventions and also excludes expenses on intangibles that are not to be capitalized under the rules of accounting, it paves way for using it as a tool to benchmark against comparable results of competitors and other companies (Bryan, 2007).

Conclusion

Corporate annual reports are replete with catchwords like "employees are our best assets". But as yet we have neither a credible means of measuring its value nor do we have a method to find a return on that precious asset that would satisfy all its critics.

The limitations of accounting in addressing issues beyond the realm of money is well-known. The so-called monetary value orientation of accounting was bitterly criticized by Sorter (1969), who had proposed his Events Approach to accounting theory. A similar proposal was mooted by Prof. Yuji Ijiri (1967), who had proposed his famous 'multidimensional accounting', to address the diverse information needs of the users. More recently, Peter Drucker (2001) has exhorted the for measuring the productivity of the knowledge workers. But on a reality check, he reminded us about its problem: Work on the productivity of the knowledge workers has barely begun. In terms of actual work on knowledge worker productivity we are, in the year 2000, roughly where we were in the year 1900, a century ago, in terms of the productivity knowledge worker" (p.142). Barber and Stark's efforts in this regard may be regarded as a small, but vital, step forward.

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Talent Acquisition and Talent Management—A Strategic Tool for Business Turnaround

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"Intellectual Capital as a Talent Pool creates Competitive Excellence"

Introduction

Accounting for human resource and their contributions towards the organization has been considered today as one of the important challenges both by the domestic as well as international business centers. Each and every organization today strives to realize their competencies in the environment where they operate–by overseeing the challenges posed by well established organizations, carrying greater market share and enjoying superior responsiveness by their customers. The factors that are considered very essential in creating such competencies are–customer value, customer price, customer satisfaction; which are considered to convert their customer into life time value deliverers. This becomes strategically relevant as they help them in creating life time value for the organizations. Further, for the organizations to be successful in having sustained growth and realizing optimal value from their operations it becomes essential for them to carry highly motivated workforce, who can help the organization in realizing the potential competencies in the market place. It is well said that a well socialized and motivated workforce acts as the essence for realizing and creating strategic assets for the organization while operating in a highly hostile and fragmented market place.

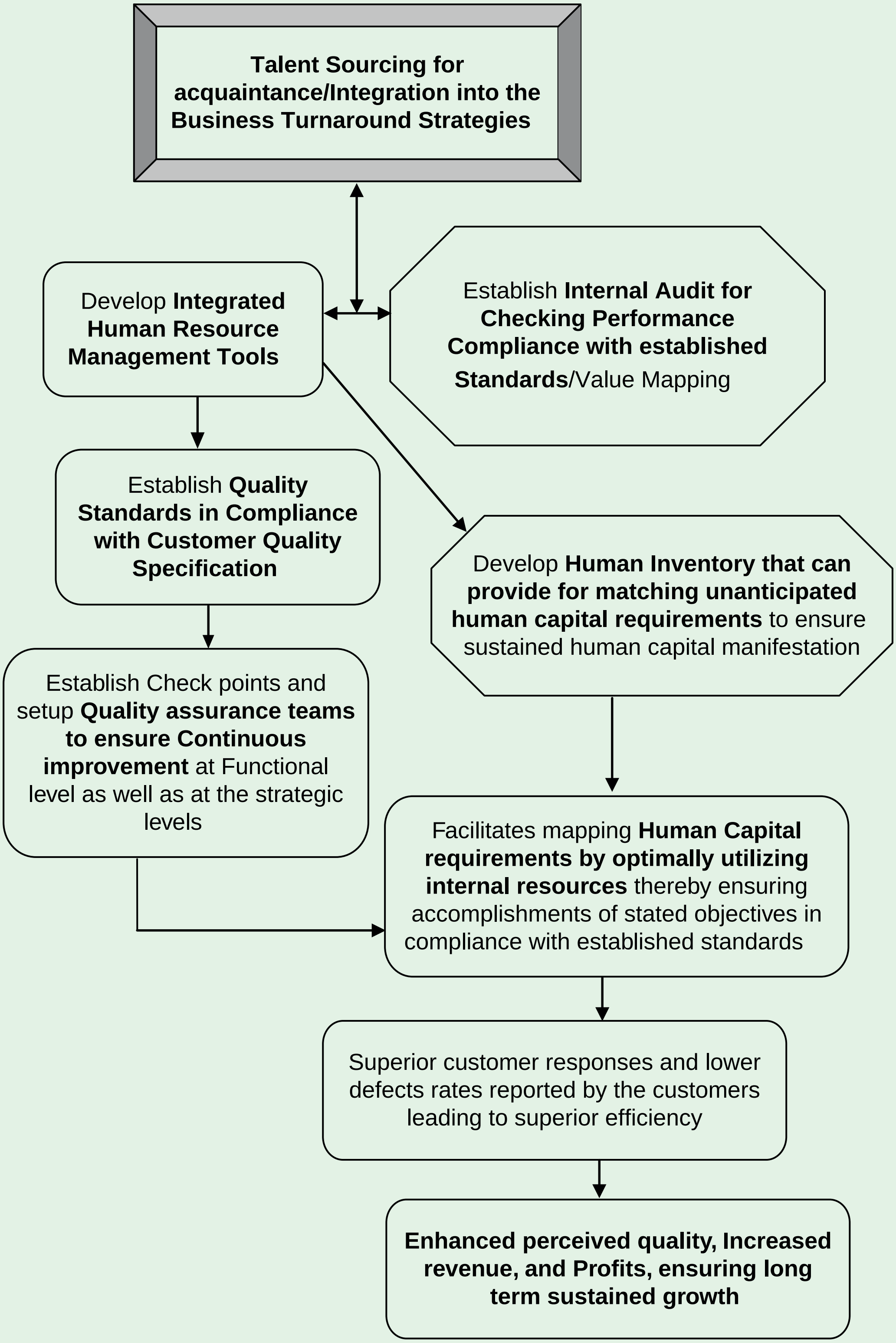
Human Resources as an Integral Part of Realized Competencies

Each and every organization as a part of initiatives to **create strategic competencies both internally and at the external market place tries to explore all the plausible opportunities for integrating their resources (primarily their human resources) ensuring them with opportunities to create strategic assets which can provide for sustainable competitive positions**. One of the *major contemporary issues concerning the organization is, increased labour turn over, as an outcome of lack of opportunities for internal growth which is expected by all the employees as an integral requirement for their continued association with the organization*. Tough the organization will be successful in attracting quality resources towards them, to create a sound and efficient talent resources (human inventory) they fail to sustain/retain them for the long run especially when they fail to create opportunities for them to grow internally by identifying their significant contributions to the organizations growth or their contributions in creating strategic assets for the organization.

Some of the major challenges which act as hindrances for management of Talent by the Organization

Human resources of the organization will have to be considered as intellectual resources or intellectual capital, as they invest a huge amount of money on, acquiring, training, developing and retaining them. The intellectual capital of the organization acts as the very essence, for creating competitive strategic assets for delivering optimal value by their operations. In the process, the organization tries to develop such strategies which can help them to create competitive intellectual inventory or talent resources that can help the organizations to accomplish their primary (to have optimal market share) as well as secondary objectives (to earn the optimal reward for their efforts). Some of the important aspects that the organization will have to necessarily keep in mind while creating intellectual inventory are depicted in the following diagram, followed by a brief evaluation of the same.

Figure 1: **Accounting for Internal Capabilities for Realizing Potential Market Opportunities**



A close observation of the above model reveals the following:

1. The organization will have to appraise their existing talent to realize the efficiency and capabilities that they carry within the organization so as to utilize the same most optimally
2. They will have to develop **human resource management strategies in integration with the functional strategies for developing intellectual**

resources or inventory and provide for continued supply of most efficient resources to realize the potential opportunities around

3. Develop control measures or integral audit system in line with the established organizational policies to ensure quality in compliance with the stated expectations of the market
4. Focus on optimally utilizing internal resources rather than acquiring new resources which can help them to **create more integrity among the existing resources by creating promising opportunities for growth within the organization**. This will help them to develop **Human Inventory that can provide for matching unanticipated human capital requirements** and ensure sustained human capital manifestation to grow as a integral part of integrated development initiatives.
5. With an objective of delivering optimal value to the customers, the organization will have to develop QAS (Quality Assurance Systems); but mere establishing of such system will not ensure the organization in realizing their objective, but demands the organization to provide for integration of all their resources both at the functional as well as at the strategic levels (decision making), and requires the organization to account their human resources and their skills (by which they contribute towards creating strategic assets significantly).
6. Mere acquisition of the required talents will not provide strategic competencies for the organization, but requires them to seek ways and means by which they can map **Human Capital requirements** to the stated objectives in compliance with established standards.
7. Finally, the objective of the organization will have to be to provide for **enhanced perceived quality in the minds of the customers, to earn Increased revenue, and Profits, and realize the objective of long term sustained growth.**

By establishing these strategies, the organization will be in a position to realize their objectives in the most efficient manner. For the purpose of appraising how accounting for the human resources and optimally utilizing the same can provide for realized competencies in the market place, let us appraise few of the significant research contributions in the past which have highlighted the role of intellectual capital or talent pool in realizing strategic competencies by the organizations.

Intellectual capital[1] has to be considered as knowledge resource which has to either created or acquired from the most competitive resources that can help the organization in transforming their internal resources and directing them towards accomplishment of their goals. This requires the organization to create distinguished position for their human resources on their balance sheet and accounting them as intangible assets and all such expenditure incurred for recruitment, selection, training, induction and their development has to capitalized and see how much of such value created can he written off or how much of the value has been added to the goodwill of the company by such resources are also to be accounted scientifically.

Brooking (1997)[2] identified the importance of human capital to the organization and claimed organization will have to take all the necessary steps to protect his interest accounting for his contributions to the organization if not the organization will lose them and when the human capital leaves the company it will lose all the competencies that it gained due to him.

Wall et al. (2004)[3] identified the need for development of structural capital base to incorporate the value of their human capital as a part of their corporate culture which necessarily carry a higher value than their material value and identifies the need for development of measures for creating basis for such valuation scientifically. Roos et al. (2005)[4] shows how human resources/capital of the organization carry higher value along with other intangibles such as goodwill, copyrights, patents (Created with the help of superior R&D), and shows how motivated manpower can create value to their operational process which in turn creates value to the organizations defined stakeholders. Tayles et al. (2007)[5] in his study identifies how human intelligence created as a part of organization strategy to create intellectual capital base with the help of harmonious relationship within the organization can help them in fostering to the dynamic needs of the industry and help them in creating customers loyalty as an outcome of relationship building initiated by them to convert their stakeholders in networking partners. Marr and Moustaghfir (2005)[6] in their study show how accounting for intangible stock, i.e. intellectual and knowledge resources by the organization acts as very vital resources for achieve organisational objectives, for which he calls every organization to bring in transformation in their attitude towards their intellectual capital base that they carry with them in the organization.

Philip et al. (2001)[7] in their study identified the perception towards Intellectual Capital by Irish organizations in light of market volatility experienced by them, and showed how they are considering their intellectual capital (human resources) as a vital resource for creation of organizational value, and further, identifies that these organization had consistently demonstrated a composition of the human, internal and external components of intellectual capital, especially to match with the global competencies that threatened their operations when unmatched to global players. Lilly, S Martha and Reed, O Ronald[8], in their study identifies the flaws in the accounting standard for recording intellectual capital on their financial statements, either to treat such expenditure incurred for creation of their intellectual asset base as revenue expenditure or capitalize the same. The study suggests, regardless of acquiring their intellectual capital internally or externally they will have to be valued using comparative values (pre and post acquisition) as the stakeholders most of the times evaluate the performance and assign credit worthiness based only on the organizations reported financial facts. Hence organizations while valuing their intangibles (including the human assets) will have to have scientific basis of evaluation as undervaluing such assets will make the companies real value understated, and suggest for development of efficient accounting standards that can help them in realizing optimal value for their operations and create value for the stake held by their stakeholders with the organization. Moolman, Sindiswa[9] in his dissertation work titled ***Intellectual Capital: Measurement, Recognition and Reporting***, identified the problems faced by the organization in measuring and recognizing intellectual capital in their financial reports and opined that it should not be limited as a requirements in respect of Statutory Disclosures, and only Discretionary and Contextual Disclosures are recommended for organizations operating on any scales, and concluded based on the content analysis that companies are using discretionary and contextual disclosures for communicating information regarding their intellectual capital, which is unscientific.

Cleary, Peter et al. (2007)[10] in their study developed conceptual framework for identifying, developing and integrating the intellectual capital into the financial statement using structural equation model, and identified need for putting it on the agenda of management accounting systems. This will help the organization to identify the coefficient relationship existing between the management accounting systems present in the organization, development of structural capital to incorporate human assets on the financial statements and its contribution to business performance, though the coefficient of relationship established by the study showed statistical insignificance, it strongly support the claim that identification and valuing for real value of the human assets will significantly contribute to organizational competence as shown by a number of earlier works.

A close observation of the above studies reveals that tough they have highlighted the need for developing intellectual capital resources and account the same, none of the studies have identified the need for the organization to manage their internal intellectual resources and also have failed to develop the strategies than can help them to identify, acquire, develop, and retain such resources which can create long term sustainable competitive positions. The following model helps in identifying and developing an Integrated Human Resource Management System (IHRMS) which can help the organization in realizing their objectives in future, and highlights the important factors to be considered while setting up such system.

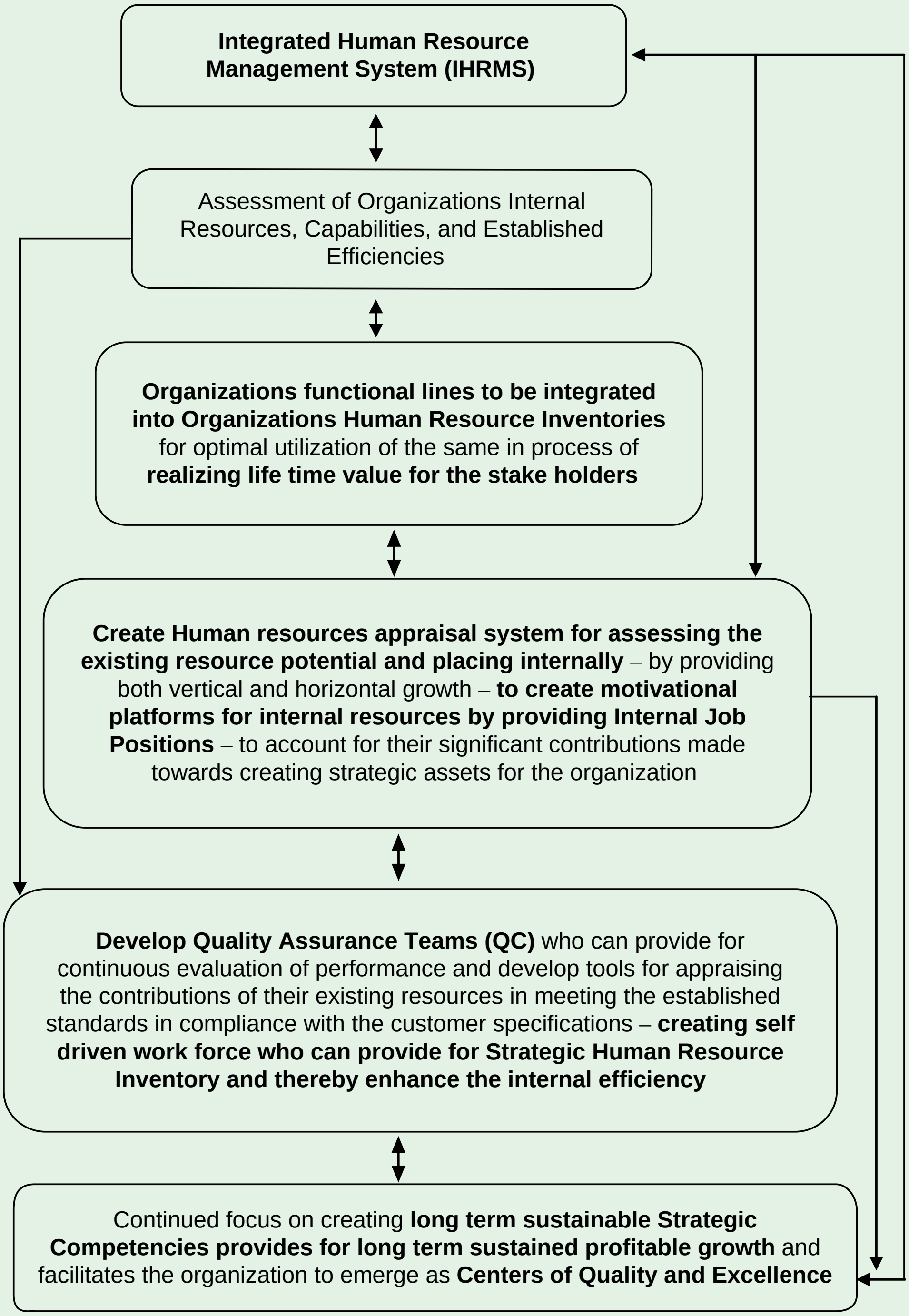
A critical observation of the above model makes the following very apparent;

1. The organization with an objective of creating long term competitive sustainable strategic assets will have to establish IHRMS–which aims at providing continuous appraisal and development of existing resources within the organization to facilitate the organization in providing efficient resources to the functional departments and help them in accomplishing the established responsibilities most effectively and efficiently.
2. There lies a requirement to integrate the functional requirements into the existing human resource inventory, which would ensure the organization to realize strategic human resource management platforms which in turn facilities to have the right resources discharging the right responsibilities at the right time.
3. With an objective to have self driven and highly motivated human resources it is very crucial for the organization to appraise them and provide them with all the opportunities for both vertical and horizontal growth within the organization so that they can sustain the most competitive resources with them for the long run.
4. With an objective to emerge as centers of quality and excellence it is further very essential for the organization to develop IQAT (Internal Quality Assurance Teams) who can provide them the platforms for assessing, developing and propelling opportunities within, and carry a self driven human resource inventory that creates strategic opportunities and help in realizing long term sustainable competitive positions.

Conclusion

In a nutshell it can be concluded that what is important for the organization is not to acquire quality human resources, but it is important for them to realize optimal value for them which requires them to develop such strategies to appraise-develop-retain the intellectual resources for creating long term sustainable competitive positions in the competitive or highly fragmented market conditions. Acquiring the right talent and sustaining them for long term would always ensure them with all the advantages of realizing strategic turnaround to the operations.

Figure 2: **Factors to be Considered While Establishing Integrated Human Resource Management System**



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Tax Titbits

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Transfer Pricing of Shares

Arm's length price under the Transfer Pricing Rules are required to be determined by any one of the five prescribed methods with the sixth method yet to be notified. Methods are not illustrative, so that it is for the assessee to choose the most appropriate method among the listed methods and for the Chartered Accountant to certify the computation of arm's length price according to the method chosen by the assessee.

Where the subject matter of a transaction as between associate enterprise was company shares, the Tribunal found that, none of the five prescribed methods under transfer pricing rules was suitable. In fact, the method prescribed under Schedule to Wealth Tax Act or the methods recognised under Rule 11U and 11UA read with section 56(2)(vii) and (viia) of the Income Tax Act were also not found suitable. The Securities and Exchange Board of India, where its approval is required in respect of a transaction in shares, would leave the matter of valuation to be decided by "a reputed firm of Chartered Accountants" recognising a new classification as between Chartered Accountants, who are reputed and who are not! In the case before the Tribunal in respect of international transaction between associated enterprises in Ascendas (India) P. Ltd. v. Dy.CIT (2013) 21 ITR (Trib) 665 (Chennai), Discounted Cash Flow Method was chosen by the Assessing Officer in preference to the price computed by a Chartered Accountant on the basis of guidelines issued by Controller of Capital Issues. The method prescribed by Controller had number of variables as regards cost of debt and cost of equity depending upon the risk factor, which makes the working of weighted average cost of capital susceptible to different perceptions. It was felt, that in absence of a suitable method among the listed ones, it was free to adopt any other suitable method. The expression used in section 92C for adoption of prescribed method is "may" and not "shall", so as to permit according to the Tribunal any other method.

Discounted Cash Flow method was accepted as the most suitable one for ascertainment of value of shares, which fluctuates from day to day. This method is based upon discounted value of future profits or cash flow. Such a method adopted worldwide, no doubt, involves estimates as regards a number of factors for arriving at a fair valuation. But as long as variations in such estimates are within reasonable limits, the result should be acceptable. The Tribunal in this case having accepted discounted cash flow method wanted the components of such valuation to be relooked in the light of assessee's objections. Once it is so adjusted, it decided that there can be no further adjustment as for illiquidity as contended by assessee in this case, since this method does not permit any such adjustment.

Cer Certificates / Carbon Credits–Tax Treatment

Kyoto protocol is an international agreement to encourage investments world-wide in environment-friendly efforts for reduction of carbon emission by ensuring rewards for such reduction by carbon credit certified by Carbon Emission Reduction (CER) certificates. These certificates can be marketed either directly to those, who cannot contain production within limits by paying for such certificates or those dealing with such bonds, securities or instruments. CERs, therefore, help to finance desirable development project, the faster adoption of new technology and liquidity in investments for those who reduce their carbon output. They have become an attractive financial product.

The question of taxability of sale proceeds of CER had come up before the Tribunal in My Home Power Ltd. v. DCIT (2013) 21 ITR (Trib) 186 (Hyd). The Assessing Officer inferred such proceeds to be taxable as income, as it arises in the course of business. Assessee argued, that the receipt is independent of business in the nature of capital subsidy for a desired public objective and that, at any rate, it should qualify for deduction as an incentive under section 80IA. The alternate claim for deduction under section 80IA was found not admissible, since the conditions, therefore, were not satisfied. There are no direct decisions on this point. It was noticed that guidance note by Institute of Chartered Accountants of India would expect the CERs to be treated as part of inventories to be valued at the cost or market value, whichever is less as a method required by the Accounting Standards. The Tribunal accepted assessee's argument, that in absence of any special provision to treat it as business income as for DEPB licences, etc. under section 28(iiia to iiie), such sale proceeds cannot be brought to tax.

In view of the expected increase in such transactions with the use of renewable energy making carbon credit available in a larger measure and global interest in curbing pollution, CERs will assume greater importance. Exemption for income or capital gains from such transfer by those entitled to CERs would be another incentive, which is well-merited in the light of benefit for the economy as a whole. At any rate, tax implication is better clarified by law, so as to avoid litigation.

Social Responsibility

In view of the social responsibility expected for corporate citizens, expenses in discharge of such responsibility should be deductible. New company Bill, which might have well become law by the time this issue of Management Accountant reaches the hands of readers, expects a specified percentage of the income to be utilised for this purpose by companies with capital above the benchmark. The importance of corporates setting apart a part of its profits for discharging its public responsibility has been the concern of many economists and reformers. The income tax precedents, thus far, expect the return for the contributions by way of business advantage, so that donations to schools and hospitals were allowed as a deduction in a few cases, only when they were made subject to preferential treatment for employees and their children. The Madras High Court in CIT v. Madras Refineries Ltd. (2004) 266 ITR 170 (Mad) came out with a proposition that expenses on public works of charitable nature should be deductible for the following reasons:

> "The concept of business is not static. It has evolved over a period of time to include within its fold the concrete expression of care and concern for the society at large and the people of the locality in which the business is located in particular. Being known as a good corporate citizen brings goodwill of the local community, as also with the regulatory agencies and the society at large, thereby creating an atmosphere in which the business can succeed in a greater measure with the aid of such goodwill. Monies spent for bringing drinking water as also for establishing or improving the school meant for the residents of the locality in which the business is situated cannot be regarded as being wholly outside the ambit of the business concerns of the assessee, especially where the undertaking owned by the assessee is one which is to some extent a polluting industry."

This decision was heralded as a welcome judgement recognizing the corporate responsibility and social accounting forming integral parts of modern business. Unfortunately the Supreme Court in (2009) 313 ITR 334 (SC) practically reversed the decision and remitted the matter for a fresh consideration in the light of benefit for the business of the company.

The amended company law would probably give an added argument for the claim, that it will be deductible expenditure under section 37 of the Income Tax Act. Deduction under section 80G may be admissible in some cases, but such deduction is limited and subject to conditions.

The matter of such donations came up before the Supreme Court in Sandur Manganese and Iron Ores Ltd. v. CIT (2012) 349 ITR 386 (SC), where deduction was claimed by a company engaged in mining manganese and iron ore for contributions and reimbursement for running a school. The payment was claimed to be for welfare of employees, because of the preference of admission to employees' children. The authorities felt that such contributions to a trust running the school was covered by disallowance under section 40A(9). The Supreme Court felt that if it were reimbursement of expenses, it will not be covered by section 40A (9), so that the matter was remitted back to the Income Tax Appellate Tribunal to consider the matter on merits *de novo*. But then, it follows that deduction for direct contribution, not in the nature of reimbursement will be inadmissible. Such payments to organised charitable institutions may at best, qualify, for limited deduction under section 80G as donations.

The issue came up again before the Supreme Court in Kennametal India Ltd. v. CIT (2013) 350 ITR 209 (SC), wherein the Supreme Court reiterated the difference between reimbursement and contributions and remitted the claim to the Tribunal to be decided on the same lines as in Sandur Manganese and Iron Ores Ltd.'s case (supra). The payment in this case was made to a Mutt, which was running a school in which the children of assessee's employees would be preferred for admission. The image, which such companies, would have for any good work done by way of provision for drinking water or improving the public utilities in the area or helping education and medical institutions should merit deduction with the possible advantage for assessee's business and a larger benefit to economy as a whole.

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Reimbursement of Extra–Contractual, Collateral Costs: The Delhi High Court Invalidates Service Tax Valuation Rule

One of the most litigated and vexatious issues in Service Tax Valuation has been the question whether incidental or collateral costs incurred by a Service Provider and reimbursed by the client in the course of rendering the Service are liable to be included in Service Tax Assessable Value. The issue has had to arise because such collateral costs will generally not be a part of the agreed price for the Service rendered or to be rendered. Examples of such ***'local'*** costs are many and some of them may be listed here:–

- Travel
- Transportation
- Hotel Accommodation
- Parking Charges
- Books and Stationery
- Site Visit
- Food etc.

Service Providers generally incur this collateral expenditure as a typical modern commercial reality and many of these costs would have been incurred at the insistence of or as an extra-contractual need of the clients. By their very nature, these costs cannot be anticipated and built into the agreed contract price for the Service to be given. Therefore it is perfectly logical that as a Business Practice these expenditures are incurred by the Service Providers on the understanding that the clients would reimburse the expenditure. Generally speaking, these collateral costs will be insignificant as compared to the contract price. The scope for overvaluation of such collateral costs is minimal since such costs have to be backed up by necessary bills of expenditure. Clients may not pay up inflated expense bills.

The Service Tax Law as regards inclusion or exclusion of such collateral costs is neither clear cut nor comprehensive enough. The Service Tax Valuation consists of two major Divisions–one vide section 67 of the Finance Act, 1994 and the other vide Service Tax (Determination of Value) Rules, 2006. The Service Tax Valuation Rules provide for certain costs to be included or excluded from service tax assessable value. There have been conflicting decisions of the Tribunal on the issue. It is in this context that all stakeholders will welcome with visible relief the seminal decision reached by the Hon'ble High Court of Delhi in ***'Inter Continental Consultants and Technocrats Private Ltd., Vs. Union of India–2013 (29) STR 9 (Delhi)***. The Hon'ble Court has invalidated the provision in the Service Tax Valuation Rules requiring the inclusion of collateral costs (which do not count as part of the price agreed) in the service tax assessable value. Before discussing the ratio established by the Delhi High Court, it will be instructive and useful to look at the relevant valuation provisions of interest to our discussion of the issue.

67. Valuation of Taxable Services for Charging Service Tax:–

1. *Subject to the provisions of this Chapter, service tax chargeable on any taxable service with reference to its value shall,—*
   - i. *in a case where the provision of service is for a consideration in money, be the gross amount charged by the service provider for such service provided or to be provided by him;*
   - ii. *in a case where the provision of service is for a consideration not wholly or partly consisting of money, be such amount in money, with the addition of service tax charged, is equivalent to the consideration;*
   - iii. *in a case where the provision of service is for a consideration which is not ascertainable, be the amount as may be determined in the prescribed manner.*
2. *Where the gross amount charged by a service provider, for the service provided or to be provided is inclusive of*

service tax payable, the value of such taxable service shall be such amount as, with the addition of tax payable, is equal to the gross amount charged.

3. *The gross amount charged for the taxable service shall include any amount received towards the taxable service before, during or after provision of such service.*
4. *Subject to the provisions of sub-sections (1), (2) and (3), the value shall be determined in such manner as may be prescribed.*

Explanation.—For the purposes of this section,—

a. ***"consideration"*** *includes any amount that is payable for the taxable services provided or to be provided;*
b. *Omitted.*
c. ***"gross amount charged"*** *includes payment by cheque, credit card, deduction from account and any form of payment by issue of credit notes or debit notes and book adjustment, and any amount credited or debited, as the case may be, to any account, whether called "Suspense account" or by any other name, in the books of account of a person liable to pay service tax, where the transaction of taxable service is with any associated enterprise.*

Service Tax (Determination of Value) Rules, 2006

5. Inclusion in or exclusion from value of certain expenditure or costs.—

1. *Where any expenditure or costs are incurred by the service provider in the course of providing taxable service, all such expenditure or costs shall be treated as consideration for the taxable service provided or to be provided and shall be included in the value for the purpose of charging service tax on the said service.*
2. *Subject to the provisions of sub-rule (1), the expenditure or costs incurred by the service provider as a pure agent of the recipient of service, shall be excluded from the value of the taxable service if all the following conditions are satisfied, namely:—*

    i. *the service provider acts as a pure agent of the recipient of service when he makes payment to third party for the goods or services procured;*
    ii. *the recipient of service receives and uses the goods or services so procured by the service provider in his capacity as pure agent of the recipient of service;*
    iii. *the recipient of service is liable to make payment to the third party;*
    iv. *the recipient of service authorizes the service provider to make payment on his behalf;*
    v. *the recipient of service knows that the goods and services for which payment has been made by the service provider shall be provided by the third party;*
    vi. *the payment made by the service provider on behalf of the recipient of service has been separately indicated in the invoice issued by the service provider to the recipient of service;*
    vii. *the service provider recovers from the recipient of service only such amount as has been paid by him to the third party; and*
    viii. *the goods or services procured by the service provider from the third party as a pure agent of the recipient of service are in addition to the services he provides on his own account.*

Explanation1.–For the purposes of sub-rule (2), "pure agent" means a person who—

a. *enters into a contractual agreement with the recipient of service to act as his pure agent to incur expenditure or costs in the course of providing taxable service;*
b. *neither intends to hold nor holds any title to the goods or services so procured or provided as pure agent of the recipient of service;*
c. *does not use such goods or services so procured; and*
d. *receives only the actual amount incurred to procure such goods or services. Explanation 2. For the removal of doubts it is clarified that the value of the taxable service is the total amount of consideration consisting of all components of the taxable service and it is immaterial that the details of individual components of the total consideration is indicated separately in the invoice.*

Illustration 1. X contracts with Y, a real estate agent to sell his house and thereupon Y gives an advertisement in television. Y billed X including charges for Television advertisement and paid service tax on the total consideration billed. In such a case, consideration for the service provided is what X pays to Y. Y does not act as an agent behalf of X when obtaining the television advertisement even if the cost of television advertisement is mentioned separately in the invoice issued by X. Advertising service is an input service for the estate agent in order to enable or facilitate him to perform his services as an estate agent.

Illustration 2. In the course of providing a taxable service, a service provider incurs costs such as traveling expenses, postage, telephone, etc., and may indicate these items separately on the invoice issued to the recipient of service. In such a case, the service provider is not acting as an agent of the recipient of service but procures such inputs or input service on his own account for providing the taxable service. Such expenses do not become reimbursable expenditure merely because they are indicated separately in the invoice issued by the service provider to the recipient of service.

Illustration 3. A contracts with B, an architect for building a house. During the course of providing the taxable service, B incurs expenses such as telephone charges, air *travel tickets, hotel accommodation, etc., to enable him to effectively perform the provision of services to A. In such a case, in whatever form B recovers such expenditure from A, whether as a separately itemized expense or as part of an inclusive overall fee, service tax is payable on the total amount charged by B. Value of the taxable service for charging service tax is what A pays to B.*

Illustration 4. Company X provides a taxable service of rent-a-cab by providing chauffeur-driven cars for overseas visitors. The chauffeur is given a lump sum amount to cover his food and overnight accommodation and any other incidental expenses such as parking fees by the Company X during the tour. At the end of the tour, the chauffeur returns the balance of the amount with a statement of his expenses and the relevant bills. Company X charges these amounts from the recipients of service. The cost incurred by the chauffeur and billed to the recipient of service constitutes part of gross amount charged for the provision of services by the company X.

The Hon'ble High Court squarely confronted the Section Vs Rule conflict in the service tax valuation as follows:

Quote:

10. The contention of the petitioner that Rule 5(1) of the Rules, in as much as it provides that all expenditure or costs incurred by the service provider in the course of providing the taxable service shall be treated as consideration for the taxable service and shall be included in the value for the purpose of charging service tax goes beyond the mandate of Section 67 merits acceptance. Section 67 as it stood both before 1–5–2006 and after has been set out hereinabove. This section quantifies the charge of service tax provided in Section 66, which is the charging section. Section 67, both before and after 1–5–2006 authorizes the determination of the value of the taxable service for the purpose of charging service tax under Section 66 as the gross amount charged by the service provider for such service provided or to be provided by him, in a case where the consideration for the service is money. The underlined words i.e. "for such service" are important in the setting of Sections 66 and 67. The charge of service tax under Section 66 is on the value of taxable services. The taxable services are listed in Section 65(105). The service provided by the petitioner falls under clause (g). It is only the value of such service that is to say, the value of the service rendered by the petitioner to NHAI, which is that of a consulting engineer, that can be brought to charge and nothing more. The quantification of the value of the service can therefore never exceed the gross amount charged by the service provider for the service provided by him. Even if the rule has been made under Section 94 of the Act which provides for delegated legislation and authorizes the Central Government to make rules by notification in the official gazette, such rules can only be made "for carrying out the provisions of this Chapter" i.e. Chapter V of the Act which provides for the levy, quantification and collection of the service tax. The power to make rules can never exceed or go beyond the section which provides for the charge or collection of the service tax.

11. In the aforesaid backdrop of the basic features of any legislation on tax, we have no hesitation in ruling that Rule 5(1) which provides for inclusion of the expenditure or costs incurred by the service provider in the course of providing the taxable service in the value for the purpose of charging service tax is ultra vires Section 66 and 67 and travels much beyond the scope of those sections. To that extent it has to be struck down as bad in law. The expenditure or costs incurred by the service provider in the course of providing the taxable service can never be considered as the gross amount charged by the service provider "for such service" provided by him. The illustration 3 given below the Rule amplifies what is meant by sub-rule (1). In the illustration given, the architect who renders the service incurs expenses such as telephone charges, air travel tickets, hotel accommodation, etc. to enable him to effectively perform the services. The illustration, therefore, says that these expenses are to be included in the value of the taxable service. The illustration clearly shows how the boundaries of Section 67 are breached by the Rule. Apart from travelling beyond the scope and mandate of the Section, the Rule may also result in double taxation. If the expenses on air travel tickets are already subject to service tax and is included in the bill, to charge service tax again on the expense would certainly amount to double taxation. It is true that there can be double taxation, but it is equally true that it should be clearly provided for and intended; at any rate, double taxation cannot be enforced by implication. A Constitution Bench of the Supreme Court in Jain Brothers v. Union of India–(1970) 77 ITR 107 observed as follows, expounding the principles relating to double taxation:–

"It is not disputed that there can be double taxation if the legislature has distinctly enacted it. It is only when there are general words of taxation and they have to be interpreted, they cannot be so interpreted as to tax the subject twice over to the same tax (vide Channell J. in Stevens v. Durban-Roodepoort Gold Mining Co. Ltd.). The Constitution does not contain any prohibition against double taxation even if it be assumed that such a taxation is involved in the case of a firm and its partners after the amendment of section 23(5) by the Act of 1956. Nor is there any other enactment which interdicts such taxation. It is true that section 3 is the general charging section. Even if section 23(5) provides for the machinery for collection and recovery of the tax, once the legislature has, in clear terms, indicated that the income of the firm can be taxed in accordance with the Finance Act of 1956 as also the income in the hands of the partners, the distinction between a charging and a machinery section is of no consequence. Both the sections have to be read together and construed harmoniously. It is significant that similar provisions

have also been enacted in the Act of 1961. Sections 182 and 183 correspond substantially to section 23(5) except that the old section did not have a provision similar to sub-section (4) of section 182. After 1956, therefore, so far as registered firms are concerned the tax payable by the firm itself has to be assessed and the share of each partner in the income of the firm has to be included in his total income and assessed to tax accordingly. If any double taxation is involved the legislature itself has, in express words, sanctioned it. It is not open to any one thereafter to invoke the general principles that the subject cannot be taxed twice over."

Unquote

The Court has unambiguously read *consideration* agreed in the contract for the service as the *gross amount charged* therefor and that alone has been held to be taxable. Not the collateral costs. The Delhi High Court Judgment in the *Inter Continental case* has exposed the diffuse drafting and injudicious overreach manifest in Indirect tax valuation provisions. The fundamental principle that policy matters in any given branch of the Taxation should be determined by the Provisions in the Act of Parliament and that procedural measures alone may be left to be taken care of in the subordinate legislation, which is what the Service Tax Valuation Rules amount to, is often ignored by the Tax Administrations. A typical case in point is the CENVAT Credit Rules which are an unwelcome jumble of Policy and Procedure with no policy guidelines in the main Acts of Parliament, viz., the Central Excise Act, 1944 and the Finance Act, 1994. The Delhi High Court has drawn attention to the time-tested but often ignored legislative distinction between Act and Rules by stating that Rules are a delegated legislation and they cannot add any greater force than what is laid down in the Main Act.

The Hon'ble Court has interestingly referred to the possible Double Taxation of collateral costs, for example, expenses on air travel tickets which are already subjected to Service Tax. The Court agreed that the Government can impose Double Taxation, if it wants to, but that it should be clearly provided for and intended. The Court went on to hold, citing the Principles laid down in the case of ***Jain Brothers Vs. Union of India*** decided by the Hon'ble Supreme Court and reported in ***(1970) 77 ITR 107,*** that Double Taxation cannot be enforced by implication. To recapitulate from the *Inter Continental Case,* the following ratios have been set up:–

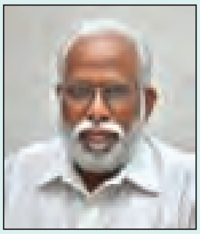
a. The quantification of value of the Service can never exceed the gross amount charged by the Service Provider for the Service provided by him. (Para 10)
b. The Power to make Rules can never exceed or go beyond the section which provides for the charge or collection of Service Tax. (Para 10)
c. Double Taxation cannot be enforced by implication. (Para 11)
d. In the light of Explanations given in the Statutory Provisions, out of pocket expenses such as travel, hotel stay, transportation, etc., are not included in expressions namely '*consideration in money*' and *'the gross amount charged'*. (Para 12)
e. Rule 5(1) of Service Tax Valuation Rules runs counter to and is repugnant to sections 66 and 67 of the Finance Act, 1994 and to that extent it is *ultra vires*. It purports to Tax not what is due from the Service Provider under the charging section, but it seeks to extract something more from him by including in the valuation of the taxable service the other expenditure and costs which are incurred by the Service Provider in the course of providing Taxable Service. What is brought to charge under the relevant sections is only the consideration for the Taxable Service. By including the expenditure and costs, Rule 5(1) goes far beyond the charging provisions and cannot be upheld. It is no answer to say that under sub-section (4) of Section 94 of the Act, every rule framed by the Central Government shall be laid before each House of Parliament and that the House has the power to modify the rule. As pointed out by the Supreme Court in *Hukam chand vs. Union of India*, AIR 1972 SC 2427:–

"The fact that the rules framed under the Act have to be laid before each House of Parliament would not confer validity on a rule if it is made not in conformity with Section 40 of the Act."

Thus Section 94(4) does not add any greater force to the Rules than what they ordinarily have as species of subordinate legislation. (Para 18)

Conclusion

The service business is distinct from a manufacturing industry and an agricultural operation. The service line is complex and multifaceted. It requires stages and levels which are not seen in manufacture and sale types of transactions. The nuances of trade practices in the service arena have to be appreciated. It is here that the Hon'ble High Court has supported the *integrity* of the *contractual consideration* for the service between the consenting parties as the bedrock of taxability and differentiated it from the incidental and collateral costs which are *'local'* in nature, extra-contractual and reimbursed at cost. Incurring these *'local'* costs is unavoidable in the service business. These may indeed be better kept out of the smothering embrace of the service tax levy. It is not as if such collateral costs escape service tax. Transportation, catering and hotel stay etc all are subjected to service tax already. Hence there is no real moral imperative for the Revenue to seek to enlarge the scope of assessable value by such nit-picking. Of course, inflating such costs should not be permitted. Documentary support for such expenditures may be insisted upon as well as establishing suitable principles for separating collateral costs from the contract price. Such an even-handed approach of law would play fair by both sides in this loveless litigation.



Network of Bank Branches—A Historical Perspective and Way Forward

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Introduction

Banking is the life line of economy and India is no exception. It is well nigh impossible to conduct trade and economic activity with there being no Banking Institutions. The gradual increase in the level of globalization of trade and commerce warrants enhanced global Banking activity. To understand the concept of globalization in simple terms, it would be appropriate to say that the globalization is about sourcing the finance and human capital where it is cheapest, producing the goods and services at a place where it is most cost effective and selling the product where it is most profitable. Thus the contours of geographical economies have almost blurred or disappeared in the wake of globalization during last 20 years. The trade and commerce have become seamless in today's economic context. Constraints of national boundaries are no longer a hurdle. But the rural India accounts for about 65% of the population which also needs to be catered to by the Banks. To meet these two extremes of remote rural population and the global clientele, we need a very comprehensive and exhaustive infrastructure of Bank branches. India has kept pace with global developments to provide the requisite Banking facilities across the country and abroad, which can be seen from the following networks institutionalized in the country.

1. Nationalized Banks –19 Nos.
2. State Bank of India & its Associates –6 Nos.
3. IDBI Bank Ltd. –1 No.
4. Private Banks : Old Generation –14 Nos.
   New Generation –7 Nos.
5. Foreign Banks –36 Nos.
6. Urban Cooperative Banks –53 Nos.
7. Regional Rural Banks –71 Nos.
8. Non-schedule Commercial Banks/ Local Area Banks –NIL

This kind of broad based infrastructure takes care of different segments of business of Banking in the country. Rural penetration has been on the rise in last 2–3 years and it augurs well for the social Banking as well as the hitherto neglected sectors of our society. But the Banks should not get distracted and lose their focus on growing trade and industrial activity in Banking space, global recession notwithstanding.

Reserve Bank of India is the Competent Authority in the country to ensure a healthy expansion of branch network. There are two important dimensions viz., regulatory comfort and public interest, which are evaluated by analyzing the following before deciding to grant a new branch license:

a. Quality of Corporate Governance
b. Proper Risk Management Systems
c. Internal Control Mechanism

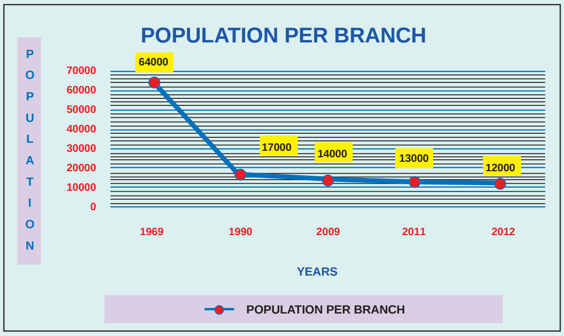
Statutory Basis

Section 23 of Banking Regulations Act, 1949 provides the Statutory basis to Reserve Bank of India to regulate the branch expansion activity in the country. Section 23(2) lays down the criterion to be fulfilled. It should satisfy RBI so as to assist in the social development of Banking activity in the country. It should also be capable of meeting the growing requirement and changing conditions of the economy. The following specific requirements should be considered by Reserve Bank of India.

1. Financial condition and history of applicant Bank
2. General character of its Management
3. Adequacy of its capital structure
4. Whether opening of new branch / office will serve public interest

Reserve Bank of India has been performing this function very appreciably over the last about 6 decades. The very fact that Average Population Per Bank Branch Office which was 64000 at the time of Nationalization i.e., 1969 got progressively reduced as shown in the following table/ graph:

YEARS	POPULATION PER BRANCH
1969	64000
1990	17000
2009	14000
2011	13000
2012	12000



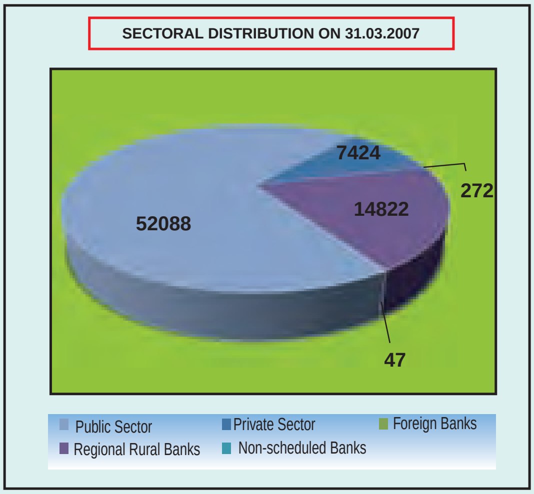
Similarly the number of branches of Public Sector Banks which were 6955 at the time of nationalization has now grown to 68902 as on 31.3.2012. Such a phenomenal growth of branch network is unparallel anywhere else in the world. RBI is entitled to a major share of credit for accomplishing such a growth.

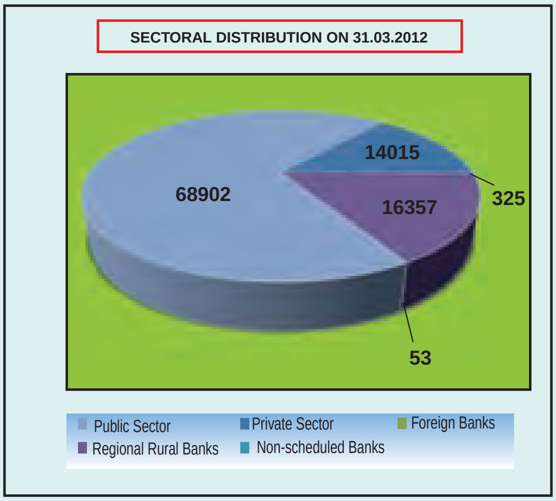
The growth of Bank branches in the country between 2007 & 2012 is furnished below:

Sector–Wise Spread of Branches of Commercial Banks:

Sector	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12	% growth between 2007–12
Public Sector	52088	55083	57831	61653	64673	68902	32.27
Private Sector	7424	8324	9240	10452	12001	14015	47.03
Foreign Banks	272	279	295	310	319	325	19.48
Regional Rural Banks	14822	15054	15484	15740	16034	16357	10.36
Non-scheduled Banks	47	47	47	48	53	53	12.77
TOTAL.	74653	78787	82897	88203	93080	99652	33.48

NUMBER OF BRANCHES





Aggregate growth of bank branches in the country between 2007 and 2012 has been quite impressive at 33.48%. A comparision of the figure shown in the above table and pie-chart would exhibit that the expansion of branch network of Public Sector Banks between 2007–12 has been about 33.27% whereas in respect of Private Sector Banks the expansion has been of the order of 47.03%. The reason behind such a vast variation can be explained by manpower constraint faced by the banks in Public Sector as against the freedom to **'recruit and outsource'** enjoyed by the banks in Private Sector. The growth in other sectors has been moderate.

Sector-wise annual growth of bank branches is shown below for a better understanding:

The important events in the growth trajectory of Indian Banking are mentioned hereunder:

1.	Changing Imperial Bank to State Bank of India	1955
2.	Nationalization of 14 Major Banks	1969
3.	Nationalization of 6 more Banks	1980
4.	Introducing Lead Bank Scheme	1970
5.	Setting up of Regional Rural Banks	1975
6.	Self Help Groups & Bank Linkages Programme	1992
7.	Introduction of Kisan Credit Card Scheme	2001
8.	Introduction of '*No Frill Accounts*'	2005

Historical Perspective of Licensing Policy

RBI has classified the centres into five categories for the purpose of granting license for opening new branches:

1. Rural
2. Semi Urban
3. Urban
4. Metropolitan
5. Port Town

RBI stipulated conditions for granting licenses to open branches in Urban and Metro Centres. It was linked to opening new branches at Rural / Semi Urban and unbanked centres. Upto 1962 to get one license for metro centres, the commercial Banks were required to open a branch at unbanked centre. During the period 1962–1970, the stipulation was made more stringent by mandating opening of two branches at unbanked centres to get one license for metro/ urban centres. In the year 1971 the Licensing Policy again underwent change thereby a Bank was entitled for one license to open a branch at Metro centres only if it opened three branches at rural / semi urban centres. From 1977 RBI again modified its Policy and stipulated that for getting one license to open a branch at Metro or a Banked Centre, the applicant Bank was required to open four branches at unbanked rural centres. But after

1990 RBI stopped setting such targets. It only laid down broad policy guidelines which empowered the Banks and gave them freedom to identify the centres for opening of new branches. The Banks were advised to identify centres after proper and independent assessment of the need to open an additional branch for which the following factors were required to be taken into account:

✓ **Business Potential at the proposed centre and**
✓ **Financial Viability of the proposed branch.**

It was a subtle shift in the approach of RBI with regard to branch licensing policy. It was a policy departure indicating a tilt from social objective to commercial objective. It is pertinent to note that such an important policy shift had preceded the Liberalization of New Bank Licensing Policy, whereby New Generation Banks were given Licenses to set up Banks. It had helped the new generation Banks to open their branches at urban profitable centres without any social obligation attached. Consequently new generation Banks in Private Sector looked relatively more profitable. The following years witnessed more urbanization of Commercial Banking in the country. This approach continued for a full decade from the year 1995 to 2005.

RBI liberalized the Branch Licensing Policy in September 2005. The salient features of Liberalized branch Expansion Policy are as follows:

1. The Policy encourages Banks to open Branches in unbanked Districts and Rural Centres. RBI also sent a list of such Districts to the Banks with a view to help them do the needful at their end.
2. New Private Sector Banks are required to open 25% of their new branches in Rural and Semi-Urban centres.

These two important provisions have their genesis in the ultimate objective of the new Branch Authorization Policy which continues to be leveraged towards inclusive growth through financial inclusion. The Banks have eventually adjusted their Medium Term Strategy in a manner which is in tandem with Policy of RBI. Apart from such a liberalized approach on the part of RBI, the regulator is also continuing to accord aggregate approval of Annual Branch Expansion Plan of the Banks by adopting a consultative and interactive process. This shift in the Policy has witnessed opening of 32% of new Branches in Rural and semi-urban centres during the year 2005–2006 going upto 51% during the years 2008–09.

A study group set up by the RBI under the Chairmanship of Mr. P. Vijay Bhasker, Chief General Manager had identified 356 Districts in the country as Financially Excluded using the following benchmarks:

1. The Districts where Average Population Per Branch Office was more than 19272 as on 31.3.2009.
2. The Districts where the credit gap was more than 95% during the year 2005.

The study group also identified un-banked centres under each Tier as follows:

Category	Population Band	No. of un-banked centres as on 31.03.2009	Un-banked Centres
Tier–1	1,00,000 & above	NIL	–
Tier–2	50,000–99,999	NIL	–
Tier–3 Tier–4	20,000–49,999 10,000–19,999	1,499	22 %
Tier–5	5,000–9,999	8,497	54 %
Tier–6	Villages	5,54,059	96 %
	TOTAL	**5,64,055**	

The details furnished in the above table are a clear indicator of the huge potential of business which needs to be tapped by the commercial Banks by taking the Banking services to the doorsteps of the needy population in the country-side.

Current Initiatives

With a view to helping the Commercial Banks to exploit such a huge untapped potential, the RBI further liberalized its Branch Authorisation Policy whereby empowering the Banks to open new branches at the centres falling under Tier 3–6 without obtaining prior approval of the RBI. In its second quarter monetary review during October 2011 the Tier–2 centres were also brought under the scheme of general permission for the Commercial Banks to open new branches. Even at these centres, the Banks could open new branches without obtaining prior approval of RBI for each case individually. This relaxation is aimed at bringing in 80% of Indian Population / House-hold into formal Banking System / Network from the existing coverage of 47% household (as on October 2011) in next 5 years.

Regional Rural Banks (RRBs) had also been authorized to open branches from November 2010 at Tier 3–6 centres without prior approval of RBI, subject to post-facto reporting of such openings to RBI. For availing of such freedom to open branches, the RRBs are expected to fulfill the following conditions:–

a. CRAR of atleast 9%
b. Net NPA should be less than 5%
c. There should be no default in maintenance of CRR / SLR during last year
d. Net Profit in last Financial Year

RRBs were allowed to open branches also at Tier–2 centres under general authorization scheme provided they were 100 percent CBS compliant as on 30.09.2011. Those RRBs which did not meet the above criterion were expected to continue to apply for prior approval of RBI for opening branches even at the centres covered under Tier 2–6. Opening of branches at Tier–1 centres would continue to require prior approval of RBI as is the case with scheduled Commercial Banks. In addition to submitting their application for opening new branches to RBI wherever necessary, RRBs are also required to submit a copy of their application to NABARD.

Under the General Authorization Scheme of RBI the RRBs are required to report opening of new branches within a fortnight from the end of the quarter of opening of the Branches for the purposes of RBI's post facto approval. On receipt of such application, RBI would issue the License. Such license is required to be displayed by the concerned Bank in the branch premises to instill confidence in the customers that the branch is authorized to conduct the business of Banks by RBI.

With a view to expedite the process, RBI has decentralized the decision making by empowering its Regional Offices to grant permission on the application of RRBs for opening, shifting, merger or conversion of a branch without any reference to the Empowered Committee. Regional Offices of RBI may however, consult the State Government wherever felt necessary.

The recent move on the part of Government of India to merge 19 RRBs into 9 despite reservations expressed by Reserve Bank of India has added to escalate the rifts which existed between them on certain core policy measures pertaining to macro-economic management. The displeasure expressed by RBI has been rebutted by Government on the ground that Regional Rural Banks' Act did not mandate consultation with RBI on such merger. This merger has reduced the number of RRBs to 71 as against 82 at the end of financial year March 2012. The road map laid by the Government shows that the number will be further reduced to 64 by March 2013 and to 48 over a longer period. These experiments indicate the intentions of the Government to attempt merger of other Public Sector banks in due course of time.

RBI also provided incentive to the Banks for expansion by providing a license for Tier–1 centre for each branch proposed to be opened at centres falling under Tier 2–6 of the under-Banked Districts of the under-Banked States. The objective of such an incentive was to take the Banking services to 72800 villages by 31.3.2012 and thereafter to all the villages in a phased manner. After success of the branch expansion programme and meeting the March 2012 target, RBI has advised the Banks to cover the villages with a population of 1600 to 2000. In a further move, RBI has permitted the Banks to open branches in 7 North-Eastern States under General Authorization Scheme even at Tier–1 Centres.

It would be quite interesting to have a look at the following table which provides the details of average population per Branch Office (APPBO) in different states in the country as on 31.03.2009.

S.No.	Name of the State	Average Population Per Branch/Office
1	Andaman & Nicobar Island	11,000
2	Andhra Pradesh	12,000
3	Arunachal Pradesh	16,000
4	Assam	21,000
5	Bihar	24,000
6	Chandigarh	3,000
7	Chattisgarh	19,000
8	Dadra Nager Haveli	11,000
9	Daman & Diu	11,000
10	Delhi	8,000
11	Goa	4,000
12	Gujarat	13,000
13	Haryana	11,000
14	Himachal Pradesh	7,000
15	Jammu & Kashmir	13,000
16	Jharkhand	17,000
17	Karnataka	10,000
18	Kerala	8,000
19	Lakshdweep	6,000
20	Madhya Pradesh	17,000
21	Maharashtra	14,000
22	Manipur	33,000
23	Meghalaya	12,000
24	Mizoram	10,000
25	Nagaland	25,000
26	Odisha	15,000
27	Pondicherry	8,000
28	Punjab	8,000
29	Rajasthan	16,000
30	Sikkim	8,000
31	Tamil Nadu	11,000
32	Tripura	16,000
33	Uttar Pradesh	20,000
34	Uttara Khand	9,000
35	West Bengal	17,000
	NATIONAL AVERAGE	**14,000**

The estimates of the Current National Average Population per Branch Office indicate that the population per branch has now come down to 12000. It speaks a great deal about the success of the liberalisation of branch Authorisation Policy of RBI in the last 5 years. Response from the Banks has also been an overwhelming enthusiasm.

Challenges / A Way Ahead

One of the important considerations for opening new branches is the financial viability of the new branch. The financial viability is a dynamic concept and varies from branch to branch depending on the following:

1. centre/ location,
2. infrastructure & establishment cost,
3. manpower cost & productivity,
4. nature of business–retail or whole sale,
5. Cost of Funds,
6. Yield on Advances,
7. Fee Based Income etc.

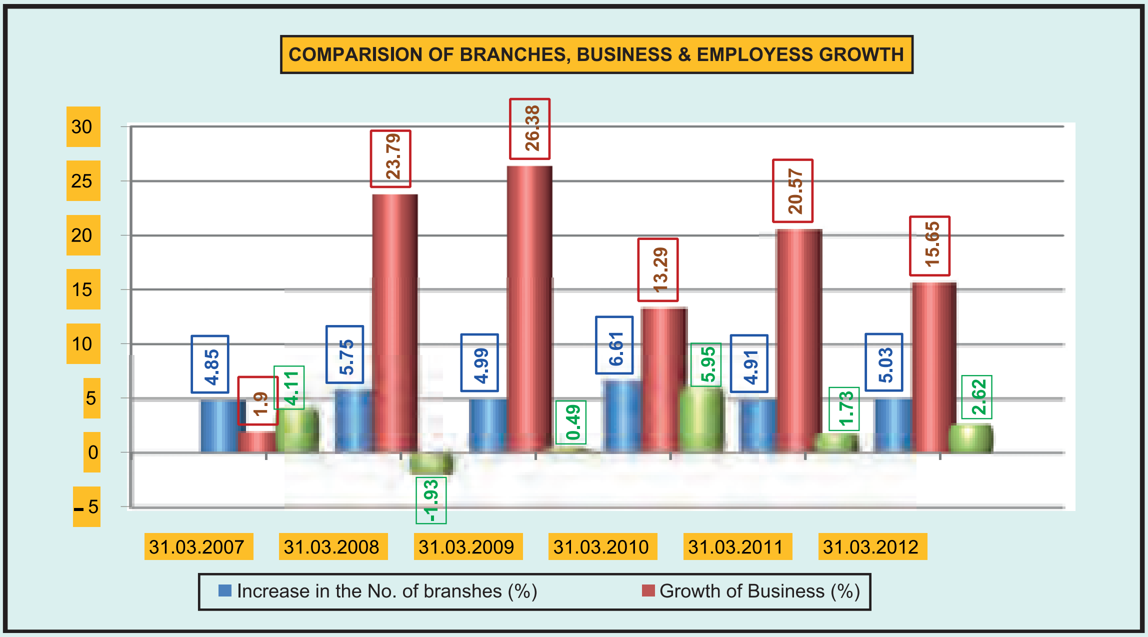
It is therefore difficult to generalize the financial viability Benchmarks. However, the response from the Banks to open new branches at Tier 2–6 Centres had been tremendous in last 2 years. But such new branches are opened in a hurried manner and often under ***'Soft launch category'***, i.e., without providing adequate space, infrastructure and manpower. A study of new branches at different Banks revealed that to achieve the targets of opening new branches, the Banks did soft launch in a ridiculous manner where more than one branch were housed in one premises which sometimes could even be an existing branch or Regional Office. Branches with Core Banking Solutions (CBS) were opened at such centres where there was no telephone connectivity. To overcome this handicap, the branches were provided with an internet data card. The Government needs to look into this vital aspect and ensure adequate provision of Tele-infrastructure not only from the view point of convenience but also from the point of view of customer data security. When Government and RBI plan to cover all the villages to achieve inclusive growth, provision of such infrastructure, would be a tough challenge and is certainly beyond the control of Banks.

Another challenge before the Banks is the inadequacy of manpower. The Bankers, who are worried about Assets & Liabilities mismatch on a regular basis, do not seem to be equally worried about the mismatch between staff on one side and growth of business & expansion of Branch Network on the other. The study revealed that the recruitment plans of the Banks are not in tandem with the expansion of network and growth of business. Most of the Public Sector Banks have lost sight of the fact that the Human Resources in the Banks cannot be treated as a mere commodity or a number game. When a new branch is opened, we need to provide atleast 4–5 employees with varied level of grooming and seasoning in different cadres. Opening of branches and simultaneous recruitment do not provide the required solution. Under pressure from the Government & RBI to open branches, the Banks are exposing their Human Resources prematurely which in the process is exposing the Banks and their business to different kinds of risks. Meeting the challenge of inadequacy of manpower poses a big challenge to Bankers who are not able to fill up the identified vacancies from open market. A study of the recruitment pattern for the last 5 years reveals that only about 65% of the declared vacancies are filled up. It is quite an intriguing fact that in a country where unemployment rate is in double digit, the Public Sector Banks are struggling to get their numbers. This paradox can be explained as a phenomenon of job not able to attract the required talent. To overcome this challenge the Bankers have to put their heads together and evolve packages–both economic & non-economic to make the job in the Bank an attractive proposition. Unless we are able to make the job appealing to the younger generation, we will continue to suffer from the quality and quantity gaps on HR Front. There is need to stagger the pace of Network expansion to ensure a healthy growth. The financial inclusion of such a huge population cannot be accomplished over night. The current pace of inclusive growth should be made a sustainable proposition.

There are two important variables to be factored to assess the requirement of the manpower in the Banks. These variables are the quantum growth in the business and increase in the number of branches. These are in addition to the normal attrition by way of retirements, voluntary retirements, resignations, termination through penalty, death, etc. Though there is yet no accurate formula to establish a perfect link between these variables and requirement of manpower, still it is fairly possible to establish a relationship by using a sense of proportion.

The following table will show a dismal picture of actual increase in the number of employees during the last six years in Public Sector Banks in India.

Year	No. of PSB Branches	Increase in the No. of branches (%)	Growth of Business (%)	Increase in No.of employees (%)
31.03.2007	52,088	4.85	1.90	4.11
31.03.2008	55,083	5.75	23.79	–1.93
31.03.2009	57,831	4.99	26.38	0.49
31.03.2010	61,653	6.61	13.29	5.95
31.03.2011	64,673	4.91	20.57	1.73
31.03.2012	67,923	5.03	15.65	2.62



This Bar Chart depicts a meager increase **(even decrease)** in the number of employees as compared to the increase in the Branch Network and growth of business during last 6 years.

Yet another challenge before the HR Managers of Public Sector Banks would be to train a good number of old & new recruits in the rapidly changing environment. A study of training infrastructure of Public Sector Banks reveals that there is no enhancement in training systems' infrastructure during last several years. As new branches are being managed by newly recruited officers, there is an urgent need to evolve and administer new branch specific programme especially to manage the risk which new branches managed by new staff carry. Branch expansion and inclusive growth agenda will be successful if these challenges are addressed in right earnest.

Conclusion

Branch expansion is one aspect of the Challenges before Banks. Another and bigger Challenge in near term would be to cope up with brain drain which will ensue soon after grant of new Banking Licenses to Business Houses as contemplated by RBI. Draft guidelines for new policy were put by RBI in public domain for response from the people. As it appears, the restricted clauses of the said policy guidelines may deny Banking Licenses to public entities like Post offices, LIC Housing Finance Ltd., Power Finance Corporation, etc., which were intending to open new banks. The Gen-next Banks would look to Public Sector Banks as a hunting ground for the manpower requirements at Middle and Senior Management Levels. Public Sector Banks which are struggling to fill up their identified vacancies need to prepare themselves to create manpower buffer to feed the new entities which are likely to hit the Banking space sometime around next year without derailing their manpower planning. With such an initiative of new Bank Licensing Policy in offing, shall we be moving towards pre-nationalization era of Industrial Houses Owned Banking Institutions in the country?

Probably 'Yes'!

It is high time the Public Sector Banks put their heads together to formulate HR Policies for effective Talent Acquisition and Retention and create more positive exit barriers to maintain a healthy talent pool to take care of network expansion, business growth and attrition.

Negative Working Capital and its Impact on Profitability

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"A Case Study of Hindustan Unilever"

Introduction

The management of Working Capital is one of the most important and challenging aspect of the overall financial management. Only more effective and efficient management of working capital can ensure survival of a business enterprise. Working Capital Management is concerned with the management of the Current Assets and Current Liabilities and the interrelation that exists between them, so to minimize the risk of insolvency and to maximize the return on assets. The ultimate objective of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short term debt and upcoming operational expenses. Working capital management calls for addressing two basic issues how much of current assets an organization should hold and how to finance the investment in them. It is observed that organizations which could tackle these two issues reasonably are able to combat liquidity and its related problems comparatively more efficiently.

However, a great deal of controversy exists over the issue whether the working capital of a firm, as determined by its financing and investment decisions, affects its profitability or not. On this issue academicians are sharply divided into two schools of thought (Mallik et al., 2005). One school of thought argues that working capital is not a factor of improving profitability rather it may be negatively associated with earning capability. The other school of thought opines that investment in working capital plays a vital role in enhancing corporate profitability and unless there is a minimum level of investment of working capital, output and sales cannot be maintained. They argue that inadequacy of working capital keeps fixed asset inoperative.

In the present scenario some companies are using negative working capital and getting a good amount of profits and good return on capital also Hindustan Unilever is one of them. Earlier negative working capital is considered as a risk of insolvency of the organizations but at present negative working capital is a sign of managerial efficiency in a business. Earlier it was considered that the companies should avoid under-investment in working capital if they wanted higher profits margins as stated in the following studies.

Chakraborty (1976) evaluated the association between working capital turnover and profitability in Indian cement, sugar and fertilizer industries and found a positive relationship between them.

Saha (1987) made an attempt to assess the relationship between profitability crisis and working capital management in the Indian public sector. The study concluded that the profitability of the selected public enterprises suffered due to inefficient management of working capital.

Jain (1988) considered 10 manufacturing, trading and service industries from the state of Rajasthan in his study and concluded that the companies should avoid under-investment in working capital if they wanted higher profit margins.

All the above studies are very important for the present study because all studies focuses on the sufficient positive working capital in the organizations. But in the present studies there is an attempt to prove that a company with the negative working capital can also do well and it doesn't adversely affects the profitability as stated by Jain (1988) above.

Research Gap

Though there are too many researches has been conducted on the topic working capital management and its impact on profitability, but there is no major research has been done for the negative working capital and its impact on profitability. All the studies on working capital generally states that for the improvement in profitability we should manage our working capital effectively and most of the studies recommended to have good amount of working capital in the organization. As the above stated researches concludes that the companies should avoid under-investment in working capital if they wanted higher profit margins, with this paper there is an attempt to study the profitability of an organization which generally operates in the negative working capital zone. Does it have any negative impact on the profitability or on the Sales? This is a very crucial topic because liquidity and solvency are directly related to each other. With negative working capital there can be a danger of insolvency but it is not true forever. If the company is having a good image in the market and good relation with their creditors it can get the benefit from the negative working capital also.

Objectives

The basic objective of the study is to analyze and evaluate the impact of negative working capital on the profitability of the organization. The secondary objective is to know the answer of the question that the companies should avoid under-investment in working capital if they wanted higher profit margins as stated by the several researchers is essential for all the organization.

Research Methodology

The present study is basically based on the secondary data. The data for the study has been taken from the published annual reports of Hindustan Unilever. The study covers a period of 5 years viz, 2007–08 to 2011–12. For the purpose of analysis the data, both financial tools as well as statistical techniques have been used. The ratios relating to working capital management, which have been used in this study, are: Current Ratio, Liquidity Ratio, Inventory turnover ratio, Debtor turnover ratio. For the profitability measure I have taken Profit Before Interest and Tax Margin, Return on capital Employed, Net Profit Margin. The degree of relationship between working capital components and profitability has been assessed through correlation coefficient analysis and for testing its significance t–test has been used.

Analysis and Discussion

The present study analysis is arranged in the following four parts as given below:–

1. Structural Analysis of components of working capital in absolute and relative terms
2. Ratio Analysis
3. Compound Annualized Growth Rate Analysis
4. Correlation Analysis

1. Structural Analysis

The structural analysis includes the study of the components of the working capital in Hindustan Unilever. It includes inventory, receivables, cash and bank, loans and advances fixed deposits and current liabilities and provisions. The analysis is given below–

- **Net Working Capital:** The Net working capital in HUL (as shown in Table–1) is not having a certain trend. In the year 2007–08 it was(1621.2) crores and it become positive in the year 2008–09 and reach to 71.99 crores and after this it remains negative for all the years. On an average it stood (1010.96) crores with a high standard deviation of 640.99 and a high negative coefficient of variation of 63.40%. It shows that the company normally uses negative working capital in its operation.

Table 1: Working Capital Structure (in Rs. Cr.) HINDUSTAN UNILEVER

Year	Inventory	% in GWC	Receivables	% in GWC	Cash & Bank	% in GWC	Loan & Advances	% in GWC	Fixed Deposits	% in GWC	GWC	C.L.& Prov.	NWC
2007–08	1953.60	53.07	443.37	12.044	200.11	5.44	1083.28	29.43	0.75	0.02	3681.11	5302.31	–1621.20
2008–09	2528.86	41.87	536.89	8.8888	190.59	3.16	1196.95	19.82	1586.76	26.27	6040.05	5968.06	71.99
2009–10	2179.93	37.46	678.44	11.659	231.37	3.98	1068.31	18.36	1660.84	28.54	5818.89	6935.52	–1116.63
2010–11	2811.26	43.29	943.20	14.524	281.91	4.34	1099.72	16.93	1358.10	20.91	6494.19	7589.19	–1095.00
2011–12	2516.65	39.69	678.99	10.709	510.05	8.04	1314.72	20.74	1319.99	20.82	6340.40	7634.36	–1293.96
Total	11990.30		3280.89		1414.03		5762.98		5926.44		28374.64	33429.44	–5054.80
Average	2398.06	43.08	656.18	11.57	282.81	4.99	1152.60	21.05	1185.29	19.31	5674.93	6685.89	–1010.96
S.D	334.30		189.02		131.94		103.63		677.95		1144.92	1025.60	640.99
C.V. %	13.94		28.81		46.65		8.99		57.20		20.18	15.34	–63.40

- **Inventories:** There is no certain trend measured in the inventory of the company (as shown in Table–1). In the year 2008–09 it has increased to 2528.86crores as compare to 1953.60crores in 2007–08. Then it decrease to 2179.93crores in the year 2009–10 and again it increase to 2811.26crore in the year 2010–11 and then it decrease to 2516.65crores in 2011–12. Overall average of the inventory during the period of study was 2398.06crores with a high standard deviation of 334.30 with a low coefficient of variation of 13.94%. It constitutes a high average of 43.08% of gross working capital which is the highest component in gross working capital. In absolute terms (in terms of sale) it is showing a decreasing trend except for the year 2010–11 there is a slightly increase measured for the year.

- **Receivables**: There is an Increasing trend except in the year 2011–12 (as shown in Table–1). It increased to 536.89crore in the year 2008–09 from 443.37crores in the year 2007–08 and for the year 2009–10 it increased to 678.44crores and further increase thereafter to 943.20crores in 2010–11 and then decrease to 678.99crores in 2011–2012. On an average it is 656.18crores with a standard deviation of 189.02 and a coefficient of variation of 28.81%. It constitutes an average of 11.57% of gross working capital.
- **Cash and Bank balance**: There is an increasing trend except for the year 2008–09 (as shown in Table–1). It decreased from 200.11crores to 190.59crores in 2008–09 after this it start increasing and reaches to 231.37crores in 2009–10 to 281.91crores in 2010–11 to 510.05crores in 2011–12 with an overall average of 282.81crores with a standard deviation of 131.94 and with a coefficient of deviation of 46.65%. It constitutes only an average of 4.99% of gross working capital.
- **Loans and Advances**: It has an increasing trend with an exception in the year 2009–10 (as shown in Table–1). It increased to 1196.95crores in the comparison of 1083.28crores in 2008–09 and then it decreased to 1068.31crore in 2009–10 and then it increased to 1099.72crores in 2010–11 and to 1314.72crores in 2011–12. On an average it is 1152.60crores with a standard deviation of 103.63 and a very low coefficient of variation of 8.99%. It constitutes an average of 21.05% of gross working capital which is the second highest component in gross working capital.
- **Fixed Deposits**: In the initial three years it shows a increasing tendency and after three years it starts decreasing (as shown in Table–1). It increase to 1586.76crores in 2008–09 from 0.75crores in 2007–08 and increases to 1660.84crores in 2009–10 and then decrease to 1358.10crores in 2010–11 and then decreases to 1319.99crores in 2011–12. On an average it is 1185.29crore with a high standard deviation of 677.95 and a high coefficient of variation of 57.20%. It constitutes an average of 19.31% of gross working capital.
- **Current Liabilities and Provisions**: It has an increasing trend throughout the period of study (as shown in Table–1). From 5302.31crores in 2007–08 it increased to 5968.06crores in2008–09 to6935.52crores in 2009–10 to7589.19crores in2010–2011 to 7634.36crores in 2011–12. On an average it is 6685.89crore with a very high standard deviation of 1025.60 and a coefficient of variation 15.34%. It shows a compound annual growth rate of 9.54% during the period of study. In absolute terms (in terms of sale) there is no certain trend overall it is around 36% of the sale price.

2. Ratio Analysis

The various ratios are used in the study it includes inventory turnover ratio, inventory conversion period, debtor turnover ratio, debtor collection period, current ratio, quick ratio, working capital turnover ratio, return on total assets, profit before tax ratio.

- **Inventory turnover and conversion period**: A low inventory turnover ratio results in blocking of funds in inventory which may ultimately result in heavy losses**.** In the present study (as shown in table–2) the average inventory turnover ratio is 8.66times with a low standard deviation of 1.09 and low coefficient of variation of 12.61. The average inventory conversion period is 42.72 days.

Table 2: Ratio Analyses of HINDUSTAN UNILEVER

year	ITR times	ICP Days	DTR times	DCP Days	CR	QR	ROCE in %	PBITM in %	WCTR	N.P. Margin in %	Net Sales	NWC	N.P.	No. of Days in working capital	Operating profit
2007–08	7.20	50.69	31.41	11.62	0.68	0.25	138.72	13.78	–8.56	12.58	13880.56	–1621.2	1769.06	–42.05	2076.43
2008–09	9.26	39.42	41.83	8.73	0.92	0.51	118.59	13.39	284.82	12.09	20504.28	71.99	2500.71	1.58	2964.94
2009–10	8.99	40.60	29.24	12.48	0.84	0.46	106.78	14.59	–15.91	12.29	17769.12	–1116.63	2202.03	–22.62	2797.70
2010–11	7.91	46.14	24.28	15.03	0.86	0.43	102.47	12.25	–17.98	11.56	19689.91	–1095	2305.97	–20.02	2664.49
2011–12	9.93	36.76	27.27	13.38	0.83	0.45	93.08	13.94	–17.09	12.07	22118.64	–1293.96	2691.40	–21.06	3325.20
Average	8.66	42.72	30.81	12.25	0.83	0.42	111.93	13.59	45.05	12.12	18792.50	–1010.96	2293.83	–20.83	2765.75
S.D.	1.09	5.62	6.70	2.34	0.09	0.10	17.56	0.87	134.09	0.37	3161.22	640.99	348.14	15.46	458.01
C.V. %	12.62	13.15	21.74	19.10	10.75	23.69	15.69	6.37	297.61	3.08	16.82	–63.40	15.18	–74.22	16.56

- **Debtor turnover ratio and debt collection period**: Higher the debtor turnover ratio, the better it is, since it would indicate that debts are being collected more promptly. In the present study (as shown in table–2) it is not having any certain tendency of DTR. Overall it is having an average of 30.81times with a very low standard deviation of 6.70 with coefficient of variation of 21.74%. For debt collection period we know that an increase in period will result in greater blockage of funds in debtors. In the present study the average is 12.25 days i.e. the company recovers from his debtors within 13 days.
- **Current ratio**: The ideal current ratio is 2:1. In the present study it is always below this level with an

average of only 0.83 with a very low standard deviation of 0.09 and a coefficient of variation of 10.75% (as shown in table–2).

- **Quick ratio**: The ideal ratio is 1:1. In the present study it is always below this level with an average of only 0.42 with a very low standard deviation of 0.10 and a coefficient of variation of 23.69% (as shown in table–2).
- **Working capital turnover ratio:** A high working capital turnover is considered good as it indicates that the company is generating good sales compared to the funds invested in operations, i.e., the company is very efficient. A working capital turnover ratio of 6 indicates that the company is generating Rs.6 for every Rs.1 of working capital. Generally a high ratio indicates efficient utilization of working capital. In the present study for the 4 years out of 5 it is negative with an overall average of 45.05 and a standard deviation of 134.09 and a very high coefficient of variation of 297.61% (as shown in Table–2).
- **Return on capital employed**: Return on capital employed indicates the percentage of return on capital employed in the business and it can be used to show the overall profitability and efficiency of the business. In the present study it has a decreasing trend throughout the period of study (as shown in table–2). It has an overall average of 111.93 with a low standard deviation of 17.56 and a low coefficient of deviation of 15.69%.
- **Profit before interest and tax margin**: This indicator gives information on a company's earnings ability. PBIT margin is most useful when compared against other companies in the same industry. The higher EBIT margin reflects the more efficient cost management or the more profitable business. In the present study it has no uniform trend (as shown in Table–2). It decreased to 13.39% in 2008–09 from 13.78% in 2007–08 then increased to 14.59% in 2009–10 and thereafter decreased to 12.25% in 2010–11 and then there is an increase to 13.94% in 2011–12. It has an overall average of 13.59%. It has a very low standard deviation of 0.87 and a low coefficient of variation of 6.37%.

3. Compund Annualised Growth Rate

The compound annualized growth rate is year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

In the present study the compound annualized growth rate in sales turnover is showing an increase of 12.35% which is a good growth rate during the period of study (as shown in figure–1).

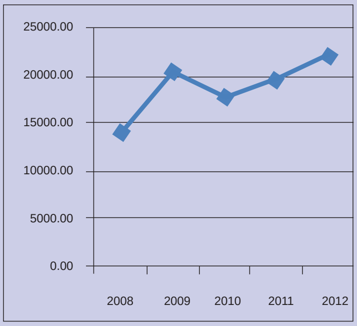

Fig. 1–Sales turnover: CAGR of 12.35%

For the net profit the compound annualized growth rate is 11.06% again which is a very good from organization point of view (as shown in figure–2).

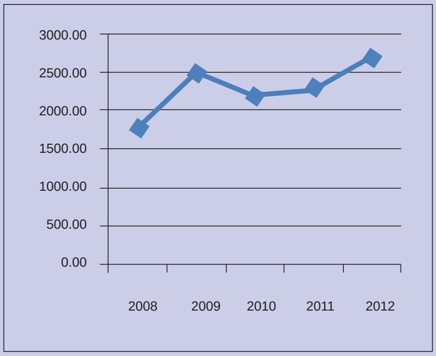

Fig. 2–Net Profit: CAGR of11.06%

For the operating profit margin annualized growth rate is 12.49% which is again a very good for the organization (as shown in figure–3).

Fig. 3–Operating profit: CAGR of 12.49%

4. Correlation Analysis

Correlation analysis is the mathematical tool that is used to describe the degree to which one variable is linearly related to the other. It therefore, is directed towards measuring the degree of association of the two variables. The presence of correlation between two variables does not necessarily mean that there is a cause and effect relationship between the two, for this we have to use significance test also.

- *Correlation between Net Working Capital and Net Profit*– The correlation coefficient between these two is 0.49 which shows that there is a positive association between these two variables but the association is not significant because the t value is 0.973 which is less than the table value i.e.3.182 at 5% significant level.
- *Correlation between Net Working Capital and Net Sales*– The correlation coefficient between these two is 0.49 which shows that there is a positive association between these two variables but the association is not significant because the t value is 0.973 which is less than the table value i.e.3.182 at 5% significant level.
- *Correlation between Net Working Capital and Operating Profit*– The correlation coefficient between these two is 0.41 which shows that there is a positive association between these two variables but the association is not significant because the t value is 0.817 which is less than the table value i.e., 3.182 at 5% significant level.
- *Correlation between Net Working Capital and Return on Capital Employed*– The correlation coefficient between these two is –.055 which shows that there is a very low negative association between these two variables but the association is not significant because the t value is –0.095 which is less than the table value i.e., 3.182 at 5% significant level.
- *Correlation between Current Ratio and Net Profit*– The correlation coefficient between these two is 0.78 which shows that there is a high degree positive association between these two variables but the association is not significant because the t value is 2.16 which is less than the table value i.e., 3.182 at 5% significant level.
- *Correlation between Liquidity Ratio and Net Profit*– The correlation coefficient between these two is 0.84 which shows that there is a high degree positive association between these two variables but the association is not significant because the t value is 2.68 which is less than the table value i.e., 3.182 at 5% significant level.
- *Correlation between Inventory Turnover Ratio and Net Profit*– The correlation coefficient between these two is 0.89 which shows that there is a very high positive association between these two variables but the association is significant also because the t value is 3.38 which is more than the table value i.e., 3.182 at 5% significant level.
- *Correlation between Numbers of Days in Working Capital and Net Profit*– The correlation coefficient between these two is 0.74 which shows that there is a positive association between these two variables but the association is not significant because the t value is 1.904 which is less than the table value i.e.3.182 at 5% significant level. It interpreted that negative working capital days are positively associated with the profitability.

Major Findings of The Study

On the basis of above analysis, certain findings and conclusions were made which are as follows:

- It has been observed that the company normally follows a pattern of negative working capital.
- The inventory in absolute terms is showing decreasing trend which is directly contributing in the reduction of working capital.
- Debt collection period is very low that is only 13 days which shows the efficiency of the company in collecting its debts. It also contributing in the decrease of working capital of the organization.
- The Current Ratio of the company is noticed constantly lower than the standard norms throughout the period of study.
- The Quick Ratio of the company also noticed less than the standard level throughout the period of study.
- Working capital turnover ratio shows a negative tendency throughout the period of study.
- Return on capital employed is showing a decreasing trend which is not good but the standard deviation and coefficient of variation is very low which is good.
- On the basis of study of compound annualized growth rate it is found that sales turnover, net profit, operating profit margin are showing positive growth rate of more than 10% which is quite satisfactory from companies point of view.
- The study of correlation analysis states that there is a positive association between the Net Profit and Net Working Capital, Net Profit and current ratio, Net Profit and Liquid Ratio though the association is found not to be significance. It shows a high degree positive significance association between Inventory turnover ratio and net profit.
- The study showing with the negative Number of Working days that there is a positive relationship with the net profit.

Conclusion

On the basis of the above findings we can concludes that the company is managing their current assets very effectively. Due to the improved inventory turnover ratio and better working capital management cycles, the company is enjoying the wide gap between the days of cash receipts from their debtors to payment days to their creditors. With the negative working capital the study is showing positive relationship of net working capital and net profit and with net sales. The company is doing too well and having a very good return on capital employed. It is to be noted that it can't be considered that the positive association can be due to the positive working capital position for the year 2008–09 because when we exclude this year the degree of correlation increased to 0.58 from 0.49. With negative working capital the company sales, net profit and operating profits are showing positive growth rate which indicates that company is doing well and profitability is not adversely affected by the negative working capital. It has been proved by the study that as stated by Jain (1988) that the companies should avoid under-investment in working capital if they wanted higher profit margins is not correct always.

Limitations of The Study

The analysis and interpretation are based on secondary data contained in the published annual reports of Hindustan Unilever for the period, so it is subject to all limitations that are inherent in the condensed published financial statements. Due to the limited time available the study has been confined for a period of 5 years only. The study of financial performance can be only a means to know about the financial condition of the companies. Ratio itself will not completely show the company's good or bed financial position.

Abbreviations Used

GWC	= Gross Working Capital
NWC	= Net Working Capital
C. L & PROV.	= Current Liabilities and Provisions
ITR	= Inventory Turnover Ratio
ICP	= Inventory Conversion Period
DTR	= Debtor Turnover Ratio
DCP	= Debt Collection Period
CR	= Current Ratio
QR	= Quick Ratio
ROCE	= Return On Capital Employed
PBITM	= Profit before Interest and Tax Margin
WCTR	= Working Capital Turnover Ratio

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Testing Weak form Efficiency of Indian Stock Market–an Empirical Study on BSE

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Introduction

Ever since the organized exchanges came into existence to facilitate trading in securities, investors are always on the lookout for developing effective trading rules to consistently beat the market and to earn above normal return. However in most of the cases these trading rules prove to be inadequate as markets are efficient in some form or other. Hence the issue of market efficiency has been the most popular subject of study over the last 100 years, if not more, among the researchers across the globe. But with the recent financial turmoil around the world, this issue of market efficiency has again got momentum among the researchers, as existence of an efficient market can do a lot to curb this turmoil by ensuring flow of capital to the most efficient alternative.

Like its foreign counterparts, Indian stock market is also affected badly by the financial crisis of recent times. Last five years have seen several crashes in the stock market followed by unprecedented volatility. Millions of the investors' money have wiped out in seconds. In this context, the issue of efficiency of the Indian stock market has again become relevant at all levels.

With this backdrop, the present study attempts to reinvestigate the true level of information efficiency of Indian stock exchanges, with a special reference to Bombay Stock Exchange being the oldest stock exchange of the country.

Plan of the Study

For a clear and in depth analysis and understanding, the present study has been divided into several sections as follows.

1. "Market Efficiency–Conceptual Aspects"–to narrate the conceptual aspects of market efficiency.
2. "Literature Survey"–to conduct a brief survey of literature on the issue.
3. "Objectives"–to document broad and specific objectives of the study.
4. "Why Bombay Stock Exchange"–to make a brief assessment of Bombay Stock Exchange to justify the reason for considering it as a representative of Indian stock exchanges.
5. "Empirical Methodology"–to explain sample and data used and test techniques applied.
6. "Empirical Results"–to incorporate empirical findings.
7. "Conclusion"–to make an overall judgement.

1. Market Efficiency–Conceptual Aspects

1.1. Definition of Market Efficiency

Market efficiency, in its true sense can be operational, allocation or informational. However the one most interesting and debatable is the Informational Efficiency. An efficient capital market is defined as one in which security prices always adjust instantaneously and in an unbiased manner to any new information becoming known to the market, thus leaving no scope for any market participant to earn above normal return on a consistent basis over a long period of time.

1.2. Forms of Market Efficiency

Depending upon the information set that is fully reflected in security prices, Eugene Fama (1970) classified efficient capital markets into the following three forms:

a. Weak Form Efficiency:

The information set available in such a market is past sequence of security prices. Since past price data cannot be used to predict future security prices as these are already impounded in the stock prices, evidences on random walk hypothesis (i.e. independence of successive price changes) would generally confirm the weak form of efficiency in capital markets.

b. Semi-strong Form Efficiency:

The semi-strong form of efficient capital market hypothesis says that stock prices adjust to all information, both past information and also all other publicly available information such as annual earnings announcements, stock splits, interim dividend etc. This implies that using publicly available information investors will not be able to earn superior risk adjusted returns.

c. Strong Form Efficiency:

The information set available in such a market is all information both publicly available and inside information and a strong form of efficiency will imply that the stock price will incorporate all those information.

Since different forms or levels of efficiency require progressively more amount of information impoundment, various customized test techniques are applied to confirm such forms.

1.3. Implications of Market Efficiency

The concept of market efficiency is useful in different ways.

a. An Analyst's Perspective-

- Technical analysis based on the chartist techniques is completely useless if the market is efficient in the weak form.
- If the market is efficient in the semi-strong form, trading strategies based on even publicly available price sensitive information will yield no excess return.

b. An Investor's Perspective:

- If market is efficient chance of gain and loss is 50:50. Therefore, so long the efficiency is maintained an average investor should simply select a suitably diversified-portfolio, thereby avoiding costs of analysis and transactions.

c. A Corporate Manager's Perspective:

- If the market is efficient any manipulation in accounting treatments will be properly interpreted by the investors and analysts. Hence earnings management will be of no use.
- If the market is efficient the timing of security issues does not have to be fine-tuned.

d. Societal Perspective:

- An efficient market will always ensure capital flow to the most optimal use.

2. Literature Review

The history of researches on market efficiency is almost a century old. Innumerable studies had been conducted around the world on this issue. In India also a systematic endeavor was seen in this respect as early as 1970s. Since then the issue of market efficiency has been researched in India providing considerable evidence that Indian Stock Market, if not in semi-strong form, is efficient in weak form. In this respect Barua (1980, 1987), Sharma (1983), Ramchandran (1985), Sharma and Kennedy (1977), Gupta (1985) are in favour of weak form efficiency. However there have been a few studies also, for example, by Kulkarni (1978) and Choudhury (1991) which did not support the weak form efficiency.

In the light of the above evidence, the results of Bhat and Pandey (1987) appear paradoxical. On the basis of questionnaire survey, they conclude that the users and preparers of accounting information in India do not believe that the market is efficient in any of the three forms.

Two more literatures in this regard by Sunil Poshakwale and Hari Om Chaturvedi validated the weak form efficiency. Similar evidences were obtained by Anand Pandey (2003) in his study on weekly returns of NSE indices.

However, in a few recent studies P. Srinivasan (2010), Das and Pattanayak (2011), P.K Mishra and Gupta & Siddiki argued that advanced test results of a few well known indices showed considerable departure from randomness.

The issue of semi-strong form of efficiency was taken up for research from mid 1980s. The evidences on this issue, however, are mixed. Ramchandran (1985) and Srinivasan (1988) found that the market is by and large efficient in responding to the information content of bonus issue and right issue respectively. Dixit (1986) showed that dividend is the most important determinant of the share prices. However, Barua and Raghunathan (1990), Sundaram (1991), Obaidullah (1991), Sinha (1992) cast doubts on whether the observed price earnings ratios are consistent with the fundamental factors like dividend growth and payout ratios. Moreover Barua and Raghunathan (1986) provide evidence of the systematic mispricing of the convertible securities in violation of the risk-return parity and argue that this represent an arbitrage opportunity.

On strong form efficiency there is hardly any notable study as Indian stock market can hardly be expected to be efficient in the strong form mainly because of its limited size, less stringent regulations to avoid insider trading mechanisms etc.

Thus it appears that there is no consensus among the researchers regarding the true level of market efficiency achieved by the Indian stock market. Further the recent turmoil and resultant increased volatility of stock exchanges have put a question mark on the efficiency of Indian stock exchanges to a great extent. This provides us the impetus to reinvestigate the issue of market efficiency of Indian stock market.

3. Objective of the Study

The overall objective of this study is to assess the true level of efficiency of Indian stock market. However, in this process the study will try to address the following specific objectives.

a. It will critically assess the role of Bombay Stock Exchange in Indian Stock Market to justify the decision to consider it a significant representative of Indian Stock Market.
b. It will try to identify whether BSE is efficient in weak form considering a long period data and applying detail statistical analysis.

4. Why Bombay Stock Exchange

Bombay Stock Exchange Limited (Popularly known as BSE) is the oldest stock exchange in Asia with a rich heritage. It was established as "The Native Share & Stock Brokers Association" in 1875. It is the first stock exchange in the country to obtain permanent recognition in 1956 from the Government of India under the Securities Contracts (Regulation) Act, 1956. The Exchange's pivotal and pre-eminent role in the development of the Indian capital market is widely recognized and its index, *SENSEX*, is tracked worldwide. Earlier an Association of Persons (AOP), the Exchange is now a demutualised and corporatised entity incorporated under the provisions of the Companies Act, 1956, pursuant to the BSE (Corporatisation and Demutualisation) Scheme, 2005 notified by the Securities and Exchange Board of India (SEBI). The Exchange has succeeded the business and operations of BSE on going concern basis and its recognition as an Exchange has been continued by SEBI.

With demutualisation, the trading rights and ownership rights have been de-linked effectively addressing concerns regarding perceived and real conflicts of interest. The Exchange is professionally managed under the overall direction of the Board of Directors. The Board comprises eminent professionals, representatives of Trading Members and the Managing Director of the Exchange. The Board is inclusive and is designed to benefit from the participation of market intermediaries.

The Exchange provides an efficient and transparent market for trading in equity, debt instruments and derivatives. The BSE's On Line Trading System (BOLT) is a proprietory system of the Exchange and is BS 7799–2–2002 certified. The surveillance and clearing & settlement functions of the exchange are ISO 9001:2000 certified. Around 5000 companies are listed on BSE making it world's No. 1 exchange in terms of listed members. The companies listed on BSE Ltd command a total market capitalization of USD Trillion 1.06 as of May 15, 2012. BSE Ltd is world's fifth most active exchange in terms of number of transactions handled through its electronic trading system. It is also one of the world's leading exchanges (5th largest in May 2012) for Index options trading (Source: World Federation of Exchanges).

BSE has a no. of indices to suit the needs of the varied kinds of investors. The popular indices are SENSEX, BSE National Index (BSENI), and BSE 200 etc. All these indices are well trusted and provide useful guidance to the investors in their investment decisions.

For all these characteristics BSE is considered as the most significant stock exchange of India and for the same reason we have taken BSE as the representative of Indian Stock Market in this study.

5. Empirical Methodology

5.1. Sample and Data

For the purpose of this study, we have considered three well known BSE indices–BSE SENSEX, BSE 100 and BSE 500. The reason for selecting these three indices is that they can sufficiently capture the mood of the market, here the exchange. For each index under study, we have considered a sample period starting from its inception up to 31.03.2011. Daily closing index values for each index under study have been collected for the above sample period using the database of BSE.

The return is calculated as the logarithmic difference between two consecutive prices in a series, yielding continuously compounded returns. The reasons behind considering logarithmic returns are justified by both theoretically and empirically. Theoretically, logarithmic returns are analytically more tractable while linking returns over longer time intervals. Empirically, logarithmic returns are more likely to be normally distributed which is a prior condition of most standard statistical techniques. Daily index returns ($R_{m,t}$) are calculated as:

$$R_{m,t} = \text{Ln}\ (It / It - 1)$$

Where, R t = return at period t, I_t = index at period $t-_1$ and I_{t-1} = index at period $t - 1$. Further,

$$\text{Ln} = \text{natural log.}$$

Statistical test techniques are applied on the return series using various statistical packages like SPSS 11.5, E-views 7 and Minitab 15 in addition to Excel 2007.

5.2. Test Techniques Applied

Since weak form efficiency necessarily imply that past price information cannot be used to predict future security prices as these are already impounded in the stock prices, evidences on random walk hypothesis (i.e. independence of successive price changes) would generally confirm the weak form of efficiency in capital markets. Therefore tests of randomness of return series have been considered as extremely useful over the years in assessing weak form of market efficiency. In this study we have used both parametric Serial Correlation Test and non-parametric Run Test to judge the random behavior of index returns under study.

- **Serial/Auto Correlation Test**

Serial correlation (also called Auto-correlation) measures the correlation between price changes in consecutive time periods. Hence, a serial correlation that is positive and statistically significant could be viewed as evidence of price momentum in markets and would suggest that returns in a period are more likely to be positive (negative) if the prior period's returns were positive (negative). Similarly a negative serial correlation, which is statistically significant, could be an evidence of price reversals. But if the serial correlation is found to be zero or statistically insignificant, it will confirm independence of successive price changes and will evident weak form efficiency of the market.

In this study, we have used serial correlation test with null hypothesis that the autocorrelation coefficients are equal to zero (implying that BSE is efficient) against the alternative that they significantly deviate from zero (implying that it is inefficient).

Serial/Auto correlation function for the series Y_t is measured by the formula:

$$ACF(k) = \frac{\sum_{(t=1-k)}^{n}(yt-\bar{y})(yt-k-\bar{y})}{\sum_{(t=1)}^{n}(yt-\bar{y})^2}$$

The standard error of ACF (k) is given by:

$$Se_{ACF(k)} = \frac{1}{\sqrt{(n-k)}}$$

When n is sufficiently large i.e. n≥50, it is reduced to

$$Se_{ACF(k)} = \frac{1}{\sqrt{(n)}}$$

To test whether ACF (k) is significantly different from zero, we have used t statistic where

$$t = ACF(k) / Se_{ACF(k)}.$$

Further to test the joint hypothesis that all autocorrelations are simultaneously equal to zero, the Ljung–Box portmanteau statistic (Q) is used. The Ljung–Box Q statistics are given by:

$$Q^* = T(T+2)\sum_{k=1}^{m}\frac{\hat{\tau}_k^2}{T-k} \sim \chi_m^2$$

where τ_k(k) is the k th autocorrelation, T is the number of observations and m is the maximum lag. Under the null hypothesis of zero autocorrelation at the first *m* autocorrelations ($r_1 = r_2 = r_3 = \ldots = r_m = 0$), the Q-statistic is distributed as chi-squared with degrees of freedom equal to the number of autocorrelations (k).

- **Run Test**

The Run Test is a non-parametric test in which the number of sequences of consecutive positive and negative returns is tabulated and compared against its sampling distribution under the random walk hypothesis. A run is defined as the repeated occurrence of the same value or category of a variable. Stock price runs can be positive, negative, or have no change. The length is how often a run type occurs in succession. Under the null hypothesis that successive outcomes are independent, the total expected number of runs is distributed as normal with the following mean (μ) and S.D:

$$\mu = \frac{N(N+1) - \sum_{i=1}^{3} n_i^2}{N}$$

$$\sigma_\mu = \left[\frac{\sum_{i=1}^{3}[\sum_{i=1}^{3} n_i^2 + N(N+1)] - 2N(\sum_{i=1}^{3} n_i^3 - N^3)}{N^2(N-1)}\right]^{\frac{1}{2}}$$

where n_i is the number of runs of type *i* and N stands for total number of price changes. The test for serial dependence is carried out by comparing the actual number of runs, a_r in the return series, to the expected number μ. The resultant z statistic is: $Z = (a_r - \mu) / S.D.$

In this study, Run test has been applied on the index return series with cut off point k = median and k = 0. The hypothesis is that actual number of runs does not differ significantly from expected number of runs, thereby confirming the presence of weak form efficiency.

6. Empirical Results

6.1. Serial/Auto Correlation Test

The results of serial correlation test have been incorporated under Table 1. Our analysis reveals that auto-correlations are significant at 5% level in quite a few cases for the three indices. For SENSEX auto-correlations are significant for 1, 6, 8, 9, 17, 19 and 30th lag while for BSE 100 the same are significant for 1, 9, 10, 14, 19, 20, 24, 29, 30 and 31st lag. Again, for BSE 500 the same are significant for 1, 6, 8, 9, 10, 14, 17, 20th lag. Thus almost 23% of the 108 auto-correlations calculated are significant at 5% level. It also appears that all the three indices under study are having significant auto-correlations at lag 1 with magnitude crossing 0.08 marks. At lag 1 the magnitude of auto-correlation is the highest for BSE 100 (around 0.129). For higher lags also, all the three indices exhibit significant correlations which is in clear contradiction of our assumption of zero and insignificant auto-correlation of returns at different lags. However, the results are not conclusive enough as all lags do not show significant auto-correlations for all the indices. Hence, as a confirmatory analysis, findings of Ljung–Box portmanteau statistic (Q) can be considered useful in this respect. Our analysis shows that Q statistic is significant (with p value=0) at 1% level for all the three indices and for all the 36 lags. This clearly rejects the joint hypothesis that all the auto-correlations are simultaneously zero and insignificant. Thus the results exhibit clear departure from the random walk assumption. Hence, BSE can never be considered efficient in the weak form.

Table 1: Results of Serial Correlation Test and Q Statistic

	BSE SENSEX			BSE 100			BSE 500		
LAG	AC	Q STAT	PROB.	AC	Q STAT	PROB.	AC	Q STAT	PROB.
1	**0.089***	38.79	0**	**0.129***	80.34	0**	**0.114***	39.208	0**
2	–0.023	41.459	0**	0.004	80.422	0**	–0.009	39.471	0**
3	0.022	43.831	0**	0.04	88.286	0**	0.016	40.27	0**
4	–0.009	44.224	0**	0.006	88.488	0**	0.02	41.463	0**
5	–0.002	44.241	0**	0.022	90.766	0**	–0.005	41.545	0**
6	**–0.033***	49.474	0**	–0.017	92.097	0**	**–0.038***	45.828	0**
7	–0.01	49.949	0**	–0.008	92.439	0**	0.016	46.65	0**
8	**0.034***	55.618	0**	0.028	96.226	0**	**0.039***	51.236	0**
9	**0.042***	64.171	0**	**0.062***	115.06	0**	**0.05***	58.723	0**
10	0.014	65.18	0**	**0.054***	129.41	0**	**0.052***	66.811	0**
11	0.01	65.659	0**	0.021	131.55	0**	–0.006	66.906	0**
12	0.01	66.15	0**	0.024	134.43	0**	–0.004	66.951	0**
13	–0.001	66.153	0**	0.019	136.27	0**	0.032	69.982	0**
14	0.027	69.718	0**	**0.041***	144.56	0**	**0.051***	78.052	0**
15	0.022	72.17	0**	0.026	147.91	0**	–0.01	78.36	0**
16	0.008	72.518	0**	–0.006	148.1	0**	0.001	78.364	0**
17	**0.042***	81.066	0**	0.038	155.27	0**	**0.039***	83.024	0**
18	–0.003	81.112	0**	–0.002	155.28	0**	0.008	83.199	0**
19	**–0.037***	87.653	0**	**–0.045***	165.13	0**	–0.027	85.475	0**
20	–0.026	90.995	0**	**–0.026***	168.52	0**	**–0.057***	95.247	0**
21	0.008	91.329	0**	0.019	170.3	0**	0.013	95.76	0**
22	0.001	91.331	0**	0.008	170.62	0**	0.005	95.84	0**
23	0.008	91.678	0**	0.005	170.77	0**	0.002	95.857	0**
24	0.016	93.001	0**	**0.013***	171.63	0**	0.023	97.455	0**
25	–0.004	93.075	0**	–0.011	172.27	0**	0.017	98.325	0**
26	0.012	93.78	0**	0.022	174.58	0**	0.009	98.596	0**
27	0.019	95.589	0**	0.005	174.72	0**	0.013	99.089	0**
28	–0.017	97.003	0**	–0.018	176.35	0**	–0.004	99.135	0**
29	–0.025	100.17	0**	**–0.037***	183.05	0**	–0.028	101.57	0**
30	**–0.032***	105.2	0**	**–0.038***	189.94	0**	–0.025	103.49	0**
31	–0.017	106.69	0**	**–0.014***	190.96	0**	–0.009	103.73	0**
32	0.012	107.45	0**	0.011	191.58	0**	0.015	104.39	0**
33	0.004	107.54	0**	0.002	191.59	0**	–0.011	104.77	0**
34	–0.013	108.43	0**	–0.014	192.52	0**	–0.01	105.1	0**
35	–0.006	108.62	0**	–0.005	192.63	0**	–0.014	105.67	0**
36	0.006	108.81	0**	0.002	192.66	0**	0.001	105.68	0**

** Significant at 5% level*
*** Significant at 1% level*

6.2. Run Test

The results of Run Test have been incorporated under Table 2. Our analysis shows that the number of runs is highest for SENSEX and least for BSE500. This may be considered consistent because broad based indices with large number of stocks experience dampened reaction when average is done, as compared to indices with relatively small number of stocks. As a result, broad based indices are less prone to reversals. However this phenomenon could not affect the ultimate results at all as z value is significant for all the three indices and for both the cut off points. This suggests that actual number of runs for all the three indices differ significantly from the expected number of runs and that index returns do not show any resemblance to a truly random series of the same size. Hence the hypothesis of index returns to follow random walk is convincingly rejected implying that BSE is not efficient in weak form.

Table 2: Results of Run Test on BSE Indices

	K = MEDIAN			K = 0		
INDICES	Runs	Z VALUE	p VALUE	Runs	Z VALUE	p VALUE
BSE SENSEX	2210	–6.272	0**	2190	–6.604	0**
BSE100	2130	–8.569	0**	2072	–9.936	0**
BSE500	1384	–4.901	0**	1318	–6.486	0**

*** Significant at 1% level*

7. Conclusion:

The assumption of random walk is central to the existence of a weak form efficient market. This study has attempted to test such phenomenon in Bombay Stock Exchange being a representative of Indian stock market with the help of Serial correlation test (along with Q statistic) and non-parametric Run test. But the results of both the tests clearly indicate that the return series from the selected indices from BSE do not show any sign of random behavior and significant dependence do exist among the returns of various time periods. Thus it will not be wrong to conclude that BSE in specific and hence Indian stock market at large are inefficient in the weak form of market efficiency implying that it is not impossible for investors to consistently earn above normal return with the help of any properly designed trading strategy based on past price movements.

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Regions & Chapters News

EIRC

EIRC for the first time had participated in the 37th International Kolkata Book Fair from 30th January, 2013 to 10th February, 2013 which a major event is considering the average number of visitors which is more than two lakhs per day and our stall having a prominent location was visited by many.

A short film narrating about the CMA Profession was run in the Book Fair in front of the stall and was appreciated by all who have seen it. A Quiz Contest was also organised on 9th & 10th February, 2013 at Kolkata Book Fair. CMA S.P. Padhi, Regional Council Member, EIRC conducted the quiz in a lively manner which was responded very warmly.

A Panel Discussion on "Inclusive Growth – Prospects and Challenges Ahead" as also organised on 9th February 2013 at SBI Auditorium. Eminent panellists like Dr. Abhirup Sarkar, Chairman, WBDIFC, CMA Dr. Asish Bhattacharyya, Director, Board of Advanced Studies of the Institute, and Dr. Partha Ray, Professor of Economics, IIM-Calcutta had participated with scholarly deliberations and enriched the programme.

CMA S. P. Padhi conducting quiz at the book fair

Queries at the EIRC stall in the book fair

Students visiting the stall in the book fair

CMA Dr. Asish Bhattacharyya addressing a gathering at the book fair

Cuttack-Bhubaneswar Chapter of Cost Accountants

The Chapter had organized series of Career Awareness Programs in different colleges at Bhubaneswar and nearby during the month of January, 2013 by making quiz programs amongst the shortlisted students at their Campus. Quiz Competition had been held at Ramadevi Womens College, Bhubaneswar on 8th January, 2013. Thirty shortlisted students actively participated in the program. Out of them best four students consisting of two teams were selected for Mega Quiz Program. Apart from the shortlisted students there were around 100 other students participated the same from the audience and they had been awarded some prizes also. CMA Soumya Ranjan Singh, member of the Chapter conducted the quiz in a nice manner. CMA Sudhansu Kumar Sahu, Chairman of the Chapter coordinated the same. All the participants were distributed certificate of participation.

Another quiz programme was held at Prananath College at Khurda on 10th January, 2013, Hundred and eighty (180) candidates actively participated the program. Out of them 06 students consisting three (03) teams shortlisted for mega quiz. CMA B.K. Das, Member, Coaching Committee coordinated the same.

Guwahati Chapter of Cost Accountants

A seminar on "Corporate Governance & IFRS" was held at Hotel Brahmaputra Ashok, Guwahati on 09.02.2013. The welcome speech was by CMA Rana Bose, Chairman of the Guwahati Chapter of Cost Accountants. Others present were CMA Swapan K. Saha, Vice Chairman of the Chapter. Dr. S. K. Gupta, Director (Technical), Delhi office was the Faculty for the Seminar.

NIRC

The first induction programme was organised for CAT qualified students from Northern Region. The programme was held in New Delhi on 17th February, 2013. CMA Amit Apte, Chairman of Committee for Accounting Technicians and CMA L. Gurumurthy, Directory – CAT had addressed the students on the occasion.

Lucknow Chapter of Cost Accountants

The Lucknow Chapter organized Convention 2013 for CMA students on the theme of "SMALL OPPORTUNITIES ARE THE BEGINNING OF GREAT ENTERPRISES" on 3rd February, 2013 at Indira Gandhi Pratishthan Vibhuti Khand, Gomti Nagar. Hon'ble Minister of State, Shri Narendra Singh Yadav was the Chief Guest of this CONVENTION 2013 FOR CMA STUDENTS. The President of the Institute, CMA Rakesh Singh, Council Member CMA Sanjay Gupta and CMA Saurabh Srivastava Regional Council Member were also present to grace the occasion.

In the speech, the Chief Guest Hon'ble Shri Narendra Singh Yadav had deliberated the importance of Cost and Management Accountants (CMA) as a profession and as a career and that the CMAs are competent to pace the Indian economy & control the inflation of our nation.

Eminent speaker Shri S. B. Agarwal, Secretary General, Assocham explained about the Foreign Direct Investment in India to the CMA member and students. CMA Sanjay Gupta, Council Member of the Institute briefed about the Cost Accounting Records Rules to the members and students present at the occasion. CMA Sunil Singh, Chairman of Lucknow Chapter briefed the students of about the importance of cost and management profession and its future. He explained the demand for cost and management accounting services in all the sectors of economy. A large number of new & old students of Lucknow Chapter were present for the occasion.

SIRC

A faculties' meet to deliberate on the new syllabus, exam registration etc was held at the SIRC. About 28 oral coaching faculties participated in the interactive session with CMA T.C.A. Srinivasa Prasad, Council Member and CMA Chiranjib Das, Joint Director Studies along with CMA H. Padmanabhan, Secretary SIRC. A communication and soft skills training program was also arranged attended by around 155 inter students of SIRC.

Ukkunagaram & Visakhapatnam Chapters of Cost Accountants

Ukkunagaram & Visakhapatnam Chapters of The Institute of Cost Accountants of India in association with Rashtriya Ispat Nigam Limited (RINL), Visakhapatnam Steel Plant had organised a Seminar on "COST AUDIT IN STEEL INDUSTRY" on 11th February, 2013 at Nagarjuna Hall, HRD Center, Ukkuhouse, Ukkunagaram.

CMA Rakesh Singh, President of the Institute had been invited as Chief Guest and he emphasized on the role of Cost

& Management Accountants in the changed scenario of new Companies Bill, 2012. He termed the new Companies Bill as the intent of the Government in view of the experiences of the Indian Corporate world. The CMAs have greater opportunities as well as responsibilities in the new system of Cost Accounting Records maintenance as well as in the Cost Audit Reports.

CMA S. C. Mohanty, Vice President of the Institute had been invited as Guest of honour. He has advised the CMA professionals to update their skills to cater the needs of the industry. The seminar was presided over by Shri G. N. Murthy, Executive Director (F&A), RINL. He appreciated the efforts by the Institute in bringing out the management perspective in the functions of the Cost Accountants in his opening remarks. CMA T.C.A. Srinivasa Prasad, Council Member & Chairman, Training & Educational Facilities Committee of the Institute highlighted the importance of the Performance Appraisal Report to be given by the Cost Auditors in his Cost Audit report. He explained the need for better corporate governance, raising financial literacy and the need for ensuring confidentiality of cost data. CMA A. S. Durga Prasad, Council Member and Chairman of Infrastructure and Information Technology Committee of the Institute congratulated the Ukkunagaram Chapter for laying down the foundation stone for 'Management Accountants Hall' on CMA Bhavan of Ukkunagaram Chapterand he also informed that the Institute is spending about Rs. 20 crores in various parts of the country for the development of infrastructure at Regional councils and chapters. CMA Dr. P.V.S. Jagan Mohan Rao, Council Member and Chairman of Corporate Laws Committee, explained the proposed changes in the Companies bill 2012 and the need of the CMAs in taking up the challenges like accepting the posts of Independent Directors in the Companies.

CMA Kunal Benerjee, Past President, of the Institute explained in detail about the provisions of Cost Accounting Record rules and the intricacies of the Cost Audit report rules relating to Steel industry. The session was very interactive. CMA G.V.S. Subrahmanyam, Chairman, SIRC informed about the various initiatives taken by SIRC in promoting the professional developmental activities in the region and about conducting of Industry specific seminars. The session was facilitated by CMA P. Mohan Rao, GM (Company Affairs) & Company Secretary, RINL, and CMA B.R. Prabhakar, immediate Past Chairman of SIRC.

WIRC

Indore-Dewas Chapter of Cost Accountants

A program was organized by Indore-Dewas Chapter of Cost Accountants on 9th January 2013, at Jagdale School, Indore. Chapter Chairman CMA Dr. Niranjan Shastri welcomed all the students and introduced the scheme of oral coaching provided by Indore-Dewas Chapter along with furnishing formal introduction of the faculty members. CMA Vijay P. Joshi (Ex Chairman WIRC) elucidated the facilitating role of chapter in the learning process of students. He also highlighted the growing opportunities and challenges for CMAs in the changing world of business. Treasurer CMA Ashish Jain expressed vote of thanks. The program was covered by local media.

Advisory for Renewal of Certificate of Practice 2013–14

The members of the Institute holding Certificate of Practice having validity upto 31st March, 2013 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. The following changes consequent to amendment of the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India may be noted:

- The validity of a Certificate of Practice (COP) is for the period 1st April to 31st March every year unless it is cancelled under the provisions of the Cost and Works Accountants Act and Regulations, 1959 as amended.
- The Certificate of Practice issued shall automatically be renewed subject to submission of prescribed Form M-3 and payment of renewal fee and annual membership fee.
- From the year 2011-12 onwards, no renewal Certificate of Practice would be issued. However, the members concerned may download the renewal status from the Institute's website www.icmai.in.

2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, both the **Annual Membership Fee** and **Fee for Renewal of Certificate of Practice** falls due on 1st April each year.

3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on **31st March** each year unless it is renewed on or before the date of expiry in terms of amended Regulation 10 of the Cost and Works Accountants Regulations, 1959. Hence, a member shall be required to renew his certificate within **31st March** every year.

4. **If the Certificate of Practice of a member is not renewed within 31st March, 2013, his/her status of COP from 1st April 2013 till the date of renewal would be "Not Active" and he will neither be able to affix his digital signature on any cost audit report or compliance report nor will he be able to get approval of Form 23C or Form 23D and the forms will get rejected on the MCA Website.**

5. Subject to what is mentioned in Sl. No. 4 above, a member can get his/her Certificate of Practice for 2013-14 renewed within **30th June, 2013**.

6. It may please be noted that mere payment of fees alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form M-3 (New Form from 2013-14 onwards to be used) for Renewal of Certificate of Practice duly filled in and signed is **mandatory**. Soft copy of prescribed Form M-3 for Renewal of Certificate of Practice can be downloaded from Institute's website www.icmai.in.

7. The Institute has introduced a scheme of Continuing Education Programme (CEP) and the same is mandatory in accordance with proviso to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959, as amended, whereby no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum number of hours of such training.

   As per the said scheme, the following should be complied with:

   i. The member should undergo minimum mandatory training of 10 hours per year.
   ii. The certificate of attendance for training will have to be enclosed with the application for renewal of Certificate of Practice.

   The detailed guidelines in this connection are available on Institute's website www.icmai.in.
   The requirement specified above does not apply to a member in practice who has attained the age of 65 years as on 1st April 2013.

Other relevant issues for Renewal of Certificate of Practice are as follows:

- Application for renewal of Certificate of Practice upto **31st March 2014** has to be made in prescribed **revised Form M-3** which may be filed online or through hard copy of form duly filled in and signed on both sides together with Renewal Certificate of Practice fee of Rs.2,000/- and all other dues to the Institute on account of annual membership fees and entrance fees.
- The annual membership fee for Associate and Fellow members are Rs.1,000/- and Rs.1,500/- respectively. The entrance fee for Associate and Fellow members is Rs. 1,000/- each payable at a time at the time of application for admission to Associateship or advancement to Fellowship, as the case may be.

- The fees may be paid online or by Demand Draft/Pay Order/Cheque payable at Kolkata if remitted by post to the Headquarters of the Institute. In case remittance is made through outstation cheque, Rs. 30/- is to be included towards bank charges. The fees may also be paid directly by cash at the Headquarters, Kolkata or by Cash/Demand Draft/pay Order/Cheque at the Regional Councils or Chapters of the Institute.
- Members should note that the **renewal of Certificate of Practice can be effected only after receipt of the prescribed fees along with duly filled in form and CEP credit hours certificate at the Headquarters of the Institute** and mere submission of the same at the Regional Councils or Chapters will not be sufficient. Members are advised to make payment directly to the Headquarters or use the online facility of submission of application and payment to avoid any delay.

All practicing members are advised to send their application for renewal of Certificate of Practice for the year 2013-14 along with other requirements as indicated above immediately so as to reach the Institute's Office at Kolkata by 27th March 2013 to enable the Institute to issue the renewal certificate by 31st March, 2013.

Renewal of Part-time Certificate of Practice

1. For renewal of part-time Certificate of Practice, it is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practising member has undertaken any employment or there has been a change in employment:

   "Shri/Smt ....……………………………………………….. is employed (designation) …………..……………………………………and (name of Organisation) …………………………………he is permitted, notwithstanding anything contained in the terms of his employment, to engage himself in the practice of profession of Cost Accountancy in his spare time in addition to his regular salaried employment with us.

   Signature of Employers with seal of Organisation"

2. It may be noted that members holding Part-time Certificate of Practice (COP) are not eligible to undertake statutory assignments like Cost Audit, Central Excise Audit, Certification of Compliance Reports etc.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2013

FOUNDATION COURSE EXAMINATION
(Multiple Choice Question Mode)

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

Examination Fees

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

1. **The Foundation Examination will be conducted in Multiple Choice Question Mode.**
2. Total Questions : 100 (Multiple Choice Questions), Maximum Marks : 100 (Each Question will carry 1 Mark). There will be no negative marking for wrong answers.
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US $ 10 per form.
   (c) Students can also download the Examination Form from ICAI Website at www.icmai.in.
4. **Last date for receipt of Examination Application Forms without late fees is 31st March, 2013 and with late fees of ₹300/- is 10th April, 2013. In case of online Examination Application with payment gateway by using Credit/Debit Card, the late fees of ₹300/- will be waived if applied within 10th April, 2013.**
5. Examination fees to be paid through **Bank Demand Draft** of requisite fees drawn in favour of **"The Institute of Cost Accountants of India"** and payable at Kolkata.
6. Students may submit their Examination Application Forms along with the fees at ICAI, CMA Bhawan, 12 Sudder Street, Kolkata – 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed to Examination Directorate at 12, Sudder Street, Kolkata – 700016.
7. **Examination Centres**: Adipur-Kachchh(Gujarat), Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.
8. **A candidate who is completing all conditions will only be allowed to appear for examination.**
9. **Probable date of publication of result : Foundation – 16th July 2013.**

A. Das
Director (Examination)

NOTIFICATION

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

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

A. Das
Director (Examination)

FOR ATTENTION OF MEMBERS

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

At The Helm

Shri P. N. Shankar has taken over as the Chief Financial Officer (CFO) of Madras Medical Mission, Chennai, with effect from December 1st, 2012. Prior to this he was serving as General Manager – Finance & Accounts in the organization. He is a fellow member of the Institute of Cost Accountants of India. Shri Shankar has about 35 years of professional experience in the area of Accounting, Finance and Internal Audit. He has worked in various industries such as Paper and Projects, Polymer, Infrastructure, Pharmaceutical, Packaging, Electronic, Bulk Drugs and Automobile. He has also been a part-time faculty member in SIRC, an examiner and paper setter of Financial Accounting additional charge as Director (Finance)-I/C of the company from Dec 13, 2011 to Oct 14, 2012.

Our heartiest congratulations to Shri P. N. Shankar.

NOTIFICATION

CHAPTER BYE-LAWS, 2013

No. CMA (11)/2013: Kolkata, the 20th February, 2013

In exercise of powers conferred by Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute of Cost Accountants of India hereby issues The Cost Accountants' Chapters Bye-laws, 2013 with effect from 20th February, 2013 modifying the earlier Bye-laws called The Cost Accountants' Chapters Bye-laws, 2013 issued with effect from 1st January, 2013 as follows:

1. **Short Title**—These Bye-laws may be called "The Cost Accountants' Chapters Bye-laws, 2013".
2. **Definitions**—In these Bye-laws unless there is anything repugnant in the subject or context—
    a. 'Council' means the 'Council of the Institute of Cost Accountants of India'.
    b. 'Chapter' means the 'Chapter of Cost Accountants' constituted under Regulations 146 of the Cost and Works Accountants Regulations, 1959.
    c. 'Regional Council' means the Regional Council constituted under the Cost and Works Accountants Act, 1959, having territorial jurisdiction over the Chapter.
    d. 'Student' means a Registered Student of the Institute studying for the examinations conducted or undergoing training under the Cost and Works Accountants Regulations, 1959, and not admitted as a Member of the Institute.

    Explanation:

    e. For the purpose of these Bye-laws, a student shall also include a "Grad. CWA"
    f. 'Managing Committee' means the governing body of the Chapter constituted in accordance with Clause 2 (b) of these Bye-laws.
    g. The definition of words and phrases given in the Cost and Works Accountants Act, 1959 and the Rules & Regulations, 1959 made thereunder shall apply to these By-laws also.
3. **Extent and commencement**—These Bye-laws shall come into force from 20th February, 2013 and shall apply to all Chapters of Cost Accountants constituted under The Cost Accountants' Chapters Bye-laws.
4. **Removal of difficulty**—If any difficulty arises in giving effect to any of the provisions of these Bye-laws, the Council may make such provisions or give such directions as appear to be necessary for the removal of the difficulty.
5. **Objects and functions**—The functions of the Chapters shall include -
    1. The Chapters shall advice and assist the Council through the Regional Council in carrying out the provisions of the CWA Act, 1959 and Regulations framed there under;
    2. In particular the functions of the Chapters shall include—
        i. Organizing classes, refresher courses, lectures, meetings, debates, seminars, workshops, training, visits and excursions, study circles, research groups and other means of attainments towards meeting the needs of students and Members of the Institute of Cost Accountants of India.
        ii. Provide facilities for interacting among the members and students of the chapter by regular meetings, arrangement of lectures, talks and for the acquisition and dissemination of useful information in connection with progressive developments in technology, trade, commerce and industry generally and

with reference to Cost and Management Accountancy in particular.

iii. Establishing and maintaining libraries and reading rooms for the benefit of its members and students.

iv. Developing social contacts and a spirit of fellow feeling among its members and students and those of other Chapters as well as other bodies interested in Cost and Management Accountancy and other allied disciplines.

v. Promoting social, cultural and intellectual development of the students and Members of the Institute and providing opportunities for exchange of ideas amongst them and for the acquisition and dissemination of useful information connected with the profession.

vi. Making representations to the Regional Council concerned and through the Regional Council to the Council on matters concerning the standard and status of the profession.

vii. Advising the Council/the Regional Council concerned on all matters referred to it by the Council or Regional Council, as the case may be, and offering such other suggestion as may be required.

viii. Maintain a Register of Members and Students of the chapter and carrying out all other incidental, supplementary and consequential matters and such other functions as may be entrusted from time to time by the Council or by the Regional Council concerned for the attainment of the above objectives.

ix. Arrange and/or assist the Regional Council and Council for the Practical Training of the Registered Students of the Chapter.

ix. Arrange and/or assist the Regional Council and Council for the Practical Training of the Registered Students of the Chapter.

x. Maintain a data base for the qualified Cost Accountants for securing suitable employment.

xi. Maintain contacts with the various departments of the Governments and other bodies within the State in which the Chapter is operating with a view to enlisting their support in the furtherance of the interest of the members and students of the Institute.

6. Constitution of Chapter—

1. A Chapter may be constituted by the Council on the recommendation of a Regional Council operating in its area and the Chapter so constituted shall be governed by these Bye-laws. The Chapter so constituted shall operate within the area specified by the Council.
2. No Chapter shall be constituted -

   a. within the municipal or corporation limits of a city where a Regional Council of the Institute is having its headquarters: or

   b. within a radius of 20 km of any Chapter constituted under these Bye-laws provided however a chapter can establish extension centers with the prior approval and concurrence of the Council to meet the needs of the students and members of the locality, and

   c. unless there are at least 50 Members in the Chapter of whom at least 25 should be Members of the Institute and at least 25 should be students, provided, however, that the Council may specify different minima for the number of Members and students of the Institute for different Chapters.

   Provided however minimum number of members of a proposed Chapter shall not include members under Clause 9(2).

3. Notwithstanding anything contained hereinbefore under sub-clauses (1) and (2), the Council may recognize formation of Chapter, under Regulation 146 of the Cost and Works Accountants Regulations, 1959 based on merit on case to case basis by relaxing the conditions laid down hereinbefore as necessary and in the opinion of the Council such constitution would be conducive to the fulfillment of the objects of the Institute.

7. Name and Address of the Chapter—

The Chapter shall be known by such name and shall operate from the address as shall be specified in the notification in the Journal of the Institute at the time of constitution of a Chapter by the Council and the same shall not be changed without the prior approval of the Council. The name of the Chapter should be 'The Institute of Cost Accountants of India -………….. Chapter.

8. Financial Year—

The financial year of the Chapter shall be the period commencing from the first day of April of any year and ending on thirty-first day of March of the succeeding year.

9. Membership—

1. Membership of the Chapter shall be open to every Member, Grad. CWA and student of the Institute of Cost Accountants of India whose residential or occupational address fall within the area of the Chapter: provided that such Member or student of the Institute is not a member of another Chapter.

   Provided however that name of such members whose name has been removed from the register of members of the Institute shall not be allowed to continue the membership or be admitted as a member of the Chapter.

   Provided further that a Chapter may, with written approval of the Secretary of the Institute, admit to its membership such members of the Institute whose address falls beyond the area of the Chapter and such member has no other chapter operating in the area of his address.

2. Membership of the Chapter shall also be open to eminent persons belonging to other business and profession, industrialists, educationists, representatives of trade, commerce, research and business organizations interested in the profession of Cost and Management Accountancy, its promotional activities and its utility for business community, production and trading operations and such persons shall have residential or occupational address within the area of the Chapter.

3. Register of Members :

   a. The Chapter shall maintain in the prescribed manner a Register of the members of the Chapter.

   b. The Register shall include the following particulars about every member of the Chapter, namely:-

      i. Membership number/Student Registration Number for such members of the Chapter admitted to membership under Clause 9(1)

      ii. his/her full name, date of birth, domicile, residential and professional address

      iii. the date on which his/her name is entered in the Register

      iv. his/her qualifications

      v. Any other particulars which may be prescribed

   Provided further that every member at the time of admission as a member to the Chapter shall give a declaration that he/she is not a member of any other Chapter.

   Provided further that no member can be granted the status of a Life Member of any Chapter

4. Register of Students: The Chapter shall maintain a Register of Grad CWA/Students which shall contain all the particulars indicated under sub-clauses (i) to (v) of Clause 3(b) above as applicable.

10. Fees—

1. Every person admitted to the membership of a Chapter shall pay an admission fee of Rs.300/- and shall also pay an annual fee of Rs. 300/-.

2. The annual fee shall become due and payable at the time of admission and thereafter on 1st day of April every year.

   Provided however, a member of the Institute shall not be eligible to be admitted as a member of the Chapter or continue to be a member of the Chapter unless the member continues to be a member of the Institute and is not a defaulter as on 1st day of April every year.

Provided further that the annual fee of the Chapter shall become due and payable at the time of admission and thereafter on 1st day of April every year.

3. A member or a Grad. CWA failing to pay his/her annual fee, Institute's membership fee & other dues for a year on or before 30th of September of that year shall be deemed to have vacated his/her membership or Grad. CWA respectively.
4. A member may restore his membership with the Institute and upon restoration of his membership with the Institute in prescribed manner, he may take fresh membership of the Chapter.
5. A student failing to pay his/her annual fee for a year on or before 30th of September of that year shall be deemed to have vacated his/her membership of the Chapter. However, a student may restore his/her membership of the Chapter by paying the prescribed annual fee in arrears and a restoration fee of Rs. 10/-.

11. Managing Committee—

a. There shall be a Managing Committee for the management of the affairs of the Chapter and for discharging the functions assigned to it under these Bye-laws.

b. The Managing Committee shall consist of not less than 5 and not more than 10 members of the Chapter elected from Members and students of the Institute as hereinafter provided.

c. The Managing Committee shall be elected every two years at the Annual General Meeting of the Chapter.

d. The number of students to be elected to the Managing Committee shall at no time exceed one-fifth of the total membership of the Managing Committee provided that at least one student shall be elected to the Committee.

e. Students and Members of the Institute to be elected to the Managing Committee shall be elected by the students and Members of the Institute respectively, provided they are members of the Chapter.

f. There shall also be included in this Committee one Member each of the Regional Council operating in the area of the Chapter and/or of the Council, so long as, one such Member of the Regional Council and/or of the Council is available within the limits of the Chapter and is a member of the Chapter concerned and is willing to act and who shall be nominated every two years for the purpose by the concerned Regional Council and of the Council respectively.

g. A member of Chapter under Clause 9(2) shall not be eligible to be a member of the Managing Committee.

h. The members of the Managing Committee shall hold office for a period of two years from the conclusion of the Annual General Meeting of the Chapter, which shall in no case extend beyond 31st May of the second year.

12. Office-Bearers—

1. Every Managing Committee of a Chapter at its first meeting to be held on the same day and immediately after the Annual General Meeting shall elect from among the elected members a Chairman, a Vice-Chairman, a Secretary and a Treasurer thereof for not exceeding one year' tenure, and so often as any of these offices becomes vacant, the Managing Committee of the Chapter shall elect another person from among its members to hold that office for remaining tenure only.

   Provided that the Chairman, the Vice-Chairman, the Secretary and the Treasurer shall be Members of the Institute;

   Provided further that a Member of the Council or Regional Council shall not be elected to any of these offices.

   Provided further that retiring office-bearers shall be eligible for re-election to any of the offices if they continue to be a member of the Managing Committee subject to the condition that no office bearer shall be elected to any of the offices for more than two consecutive years of office.

2. In the absence of the Chairman, the Vice-Chairman shall act in his place. The Chairman may at any time resign his office by writing under his hand and signature addressed to the Vice-Chairman and the Vice-

Chairman or Secretary or Treasurer may like-wise do so addressed to the Chairman. If the office of the Chairman, Vice-Chairman, Secretary or the Treasurer becomes vacant, the remaining members of the Managing Committee shall elect within one month thereafter another person(s) from amongst its members to hold that office.

3. Functions and Duties of Office Bearers :

   i. Powers and Duties of Chairman of a Chapter:

      a. The Chairman of a Chapter shall exercise such powers and perform such duties as are conferred or imposed on him by the Chapter Bye-laws, or as may be delegated to him by the Managing Committee of the Chapter from time to time.

      b. The Chairman may direct any business to be brought before the Managing Committee or any Committee for consideration.

      c. If the office of the Chairman is vacant or if the Chairman is unable to exercise the powers or perform the duties of his office, the Vice-Chairman shall act in his place and shall exercise the powers and perform the duties of the Chairman.

   ii. Functions of Secretary: The Secretary of the Chapter shall be responsible for the performance of general duties of the Chapter under the guidance of the Chairman or in his absence, the Vice- Chairman.

   iii. Functions of Treasurer: The Treasurer shall cause proper accounts to be maintained and prepare Annual Accounts as per Accounting Policies as approved and communicated by the Council from time to time under the guidance of the Managing Committee.

13. Vacancies—

1. Any member of the Managing Committee may at any time resign his membership by writing under his hand and under his signature addressed to the Chairman and the seat of such member shall become vacant when such resignation is accepted by the Management Committee.

   Provided however the Chairman shall communicate the decision of the Management Committee of either accepting or rejecting the resignation of the member in writing under his hand and under his signature within 15 days from the date of receipt of such letter of resignation by the member of the Managing Committee and the seat of such member shall become vacant when such resignation is accepted and communicated.

2. A member of the Managing Committee shall be deemed to have vacated his seat if he is declared by the Managing Committee to have been absent without sufficient cause for three consecutive meetings of the Committee or if his name for any cause has been removed from the membership Register of the Chapter or if the member is for any reason disqualified to be a member under Clause 9 or Clause 10 of these Bye-laws.

3. Any casual vacancy in the Managing Committee shall be filled by co-option by the Committee from amongst the members of the Chapter or by nomination by the Regional Council or the Council as the case may be, according as the vacancy is caused by the resignation or the vacation of the seat by a member elected or nominated. The person co-opted shall continue as a member of the Managing Committee until the completion of tenure of existing managing committee subject to a maximum of two years.

   Provided however that no such casual vacancy shall be required to be filled in if the vacancy is caused before 90 days of the completion of tenure of two years of managing committee of the Chapter.

14. Term of Office—The Chairman, Vice-Chairman, Secretary and Treasurer shall hold office for a period of one year from the conclusion of the Annual General Meeting of the Chapter, which shall in no case extend beyond 31st May of the second year. The retiring office-bearers shall be eligible for re-election subject to Clause 12 of these Bye-laws.

15. Sub-Committees—

1. The Managing Committee may constitute from amongst its members such sub-committees as it deems necessary for carrying out its activities and for effectively discharging the functions of the Chapter.

2. A sub-committee so constituted may co-opt with the approval of the Managing Committee any of the

members of the Chapter, provided that at no time the total number of co-opted members shall exceed one-third of the elected members of the sub-committee.

3. The sub-committees shall exercise such functions and subject to such conditions in the exercise thereof as may be decided by the Managing Committee.

16. Functions of the Managing Committee—

1. The Managing Committee shall prepare a Quarterly/Half-yearly/Yearly budget, both for Revenue Expenses and Capital Expenses and place the same before the Finance Committee of the Council for their approval for the incoming year and shall also send copies thereof to the Regional Council concerned for their information. However, any expenditure in excess of 10% of the approved Budget shall be placed again before the Finance Committee of the Council with approval of the Managing Committee of the concerned Chapter.
2. The Managing Committee shall meet all other Revenue Expenses & capital Expenses of the Chapter in accordance with the Revenue Budget & Capital Budget of the Chapter duly approved by the Finance Committee of the Council.
3. The Managing Committee shall advise and assist the concerned Regional Council in carrying out provisions of the Act, in particular, the Chapters may:

   i. Provide facilities for interaction among members of the Chapter by regular meetings, arrangement of talks and lectures and for the acquisition and dissemination of useful information in connection with the profession of accountancy

   ii. Advise the Regional Council on all matters referred to them by the concerned Regional Council and offer such help as may be required.

   iii. Make representations to the Regional Council concerned in connection with matters of professional and business interest in the area where the Chapter is operating and offer for suggestions for raising standard and status of the profession;

   iv. Maintain Register of Members belonging to the Chapter and the Register of Students, both oral and postal, in the area of operation of the Chapter.

   v. Propagate among the members the advisability and necessity of observing the rules of professional etiquette and the provisions of the Act and Regulations;

   vi. Collect news from the members of the profession for publication in the Journal of the Institute and forward the same to the Regional Council concerned.

   vii. Arrange for coaching of students subject to the approval of Directorate of Studies for organizing classes and to strictly adhere to the norms of coaching as directed by the Directorate of Studies from time to time.

   viii. Run study-circles and refresher course camps for the benefit of the Registered Students and members of the Chapter.

   ix. Carry out such other functions as may be entrusted from time to time by the Council and/or the Regional Council concerned.

4. The Managing Committee or any Member of the Chapter shall at no time make any direct or indirect communication with the Central Govt. or any of the State Govt. or any Statutory Authority, unless the same is specifically authorized by the Council in writing.

17. Meetings of Managing Committee—The Managing Committee shall meet at least once in every three months. A copy of the minutes of each meeting shall be forwarded to the Regional Council operating in the area within 15 days from the date of the meeting.

18. General Meeting—

1. The Managing Committee shall convene every year an Annual General Meeting to be held not later than 31st May each year to transact the following business:

   i. To consider and receive the report of the Managing Committee.

ii. To consider and adopt annual accounts of the Chapter on or before 31st May positively which shall include audited Income & Expenditure and Balance Sheet drawn according to the approved Accounting Policy prescribed by the Council from time to time.

iii. To appoint an auditor and fix his remuneration.

iv. To elect a Managing Committee every two years at the Annual General Meeting.

v. To transact any other business as may be brought before the meeting with the permission of the Chair.

2. The Managing Committee may also convene an Extraordinary General Meeting as often as it may consider necessary.

3. An Extraordinary General Meeting shall be convened by the Chairman of the Managing Committee within four weeks of the receipt of a request in writing stating the purpose of the meeting, signed by not less than 8 members or one-fifth of the total membership of the Chapter having voting rights, whichever is higher.

19. Election to the Managing Committee:

1. Date of Election –

a. The election to the Managing Committee shall be held on or before 31st May every two years.

b. The Managing Committee in its last quarter meeting just before the Annual General Meeting of the second year shall appoint an Election Officer, who shall be the Executive Officer of the Chapter by whatever name called or any other full time employee of the Chapter concerned, who is at least a Graduate but who shall not be a member of the Managing Committee.

c. Chapters not having any full time employee as defined in sub-clause (b) above shall appoint some other competent person of repute with prior approval of the Secretary of the Institute or in the absence of the Secretary, any such officer as designated in this behalf by the Council.

d. Notwithstanding anything contained above, the Council shall have the power to appoint any of its full-time employees, not below the rank of Deputy Director to act as Election Officer and/or observer even when the Chapter is having a full-time employee and has appointed an Election Officer.

The Managing Committee in its last quarter meeting just before the Annual General meeting of the second year shall further decide and cause to notify on notice board of the Chapter the following dates and list related to the election of the Chapters, namely:-

i. List of voters eligible to vote in the election on or before 31st May, which shall indicate in alphabetical order the names, membership number/student registration number full address with e-mail and a voter serial no.

ii. the last date and time for receipt of nominations, which shall not be less than 21 days from the date of the notification;

iii. date or dates and place of scrutiny of nominations within the area of the Chapter, the last day of which shall not be more than ten days from the last date for receipt of nominations fixed under sub-clause (ii);

iv. the last date and time for withdrawal of nominations, which shall be seven days from the last date for scrutiny of nominations fixed under sub-clause (iii);

v. the date of polling, which shall not be less than 60 days before the date of publication of list of voters eligible to vote in the election on or before 31st May.;

vi. the date of counting;

vii. the date of declaration of results.

2. Members eligible to vote and stand in election.- Every member of the Chapter who is a member of the Institute and who is otherwise not disqualified to continue as a member under Clause 9 or Clause 10 of these

Bye-laws or student of the Institute and whose respective entrance fees, membership fees, annual fees of the Chapter and other dues are not in arrears as on 30th September of the previous year in which the election of the Chapter is to take place, shall be eligible to vote in the election and stand in the election.

Provided that each candidate for election shall submit his nomination duly proposed and seconded by a member who is eligible to vote at the election of the Chapter

Provided further that his name has not been removed from the Register of members of the Chapter on the date of publication of the list of voters;

Provided that no person shall be eligible to stand for election to the Chapter, if

a. he has been found guilty of any professional or other misconduct and his name is removed from the register or he has been awarded penalty of fine,

b. he has been auditor of the Institute during the last three years.

Explanation: A member of the Chapter not being a member or student of the Institute shall have no voting right.

3. Nomination Form.- A candidate for election shall file a nomination form in the Annexure I or Annexure II as applicable duly signed by the candidate and by one proposer and one seconder, both of whom must be a valid member of the Chapter concerned and shall be persons entitled to vote in the election. The maximum number of nominations that can be submitted by a candidate shall be ten only.

4. Fee for election.-

   1. A candidate for election shall pay a nomination fee as mentioned below:

      a. Member of the Institute: Rs 1,000/- irrespective of the number of nominations.

      b. Student of the Institute: Rs.500/- irrespective of the number of nominations.

   2. The fee shall be paid by a demand draft drawn in favour of the Chapter and payable at the office of the Chapter concerned.

   Explanation : (1) The fee payable and method of payment of such fee shall be included in the notification issued and displayed on the notice board of the Chapter.

   (2) A candidate whose nomination is held to be invalid shall be entitled to receive refund of fifty percent of the fee payable.

5. Scrutiny of nominations.-

   a. The Election Officer appointed by the Chapter shall scrutinize the nomination papers of all the candidates.

   b. The Election Officer shall have the power to regulate the procedure including the designing of forms and ballot papers to be used for the purpose of election in such manner as he considers just and expedient.

   c. The Election Officer shall scrutinize the nomination papers of all the candidates and shall endorse on each nomination paper his decision, whether he accepts or rejects the nomination.

   d. The Election Officer shall record a brief statement of reasons if he rejects a nomination.

   e. The Election Officer shall reject a nomination if it is satisfied:-

      i. that the candidate was ineligible to stand for election under these Bye-laws; or

      ii. that the proposer or the seconder was not qualified to subscribe to the nomination of the candidate; or

      iii. that the signature of the candidate or of the proposer or the seconder is not genuine; or

      iv. that there has been a failure to comply with the Bye-laws and instructions issued in this behalf.

Explanation I. - The Election Officer shall not reject a nomination paper on the ground of a technical defect which is not of a substantial character.

Explanation II. - The rejection of the nomination of a candidate by reason of any irregularity in respect of that nomination shall not be a bar to the acceptance of another nomination submitted and is also valid in respect of the same candidate.

Explanation III. - If a proposer or a seconder incurs a disability by reason of the operation of the provisions of the Cost and Works Accountants Act, 1959 and the Rules & Regulations made thereunder subsequent to the date of signing the nomination, it shall not invalidate the nomination.

6. Preparation of list of valid nominations.-

   1. On completion of the scrutiny of the nominations, the Election Officer shall forthwith prepare a list of valid nominations and cause a copy of the list to be displayed on the notice board of the Chapter and also submit a copy of the list to the Secretary of the Institute or in the absence of the Secretary, to any such officer as designated in this behalf by the Council:

   Provided that such list should be displayed at least three days before the last date of withdrawal of nominations as provided under these Bye-laws.

   2. The list shall contain full names in alphabetical order and the addresses, as published in the list of voters, of the validly nominated candidates.

7. Withdrawal of candidature.-

   a. A candidate may withdraw his candidature by giving a notice in his own hand and duly signed by him and have it delivered to the Election Officer any time before 6.00 p.m. of the last date notified by the Managing Committee.

   b. No candidate who has given a notice of withdrawal of his candidature under sub-rule (1) shall be allowed to cancel or withdraw that notice.

   c. A candidate who has withdrawn his candidature shall be entitled to the refund of fifty percent of the fee paid by him under these bye-laws.

8. Intimation of final list of nominations to candidates and voters.-

   The Election Officer shall omit from the list of valid nominations the names of candidates who have withdrawn their candidature and display the final list of nominations on the notice board of the Chapter and also submit a copy of the list to the Secretary of the Institute or in the absence of the Secretary, to any such officer as designated in this behalf by the Council.

9. Appeals and Election Code of Conduct.-

   With a view to maintain a healthy and peaceful atmosphere during the election process for ensuring a free and fair election, the Election Officer, shall receive the appeals and complaints with regard to election and forward it by Speed Post to the Secretary of the Institute or in the absence of the Secretary, to any such officer as designated in this behalf by the Council within 3 days of receipt of the appeal or complaint for disposal. The decision of the Secretary of the Institute or in the absence of the Secretary, any such officer as designated in this behalf by the Council, shall be final in this regard.

   The time limit for filing appeal or complaint on any matter relating to the conduct of election shall be 7 days from the date of occurrence of an incident pertaining to the election.

10. Mode of election.-

    a. The election shall be held in accordance with the system of simple majority.

    b. Every election where a poll is taken, vote shall be given by secret ballot and every voter in any election, shall cast his vote personally in the booth provided for the purpose.

    c. A voter shall put a tick (✓) mark against the name of the candidate(s) not exceeding the number of candidates to be elected, in whose favour the vote is cast and may put a cross (✗) mark against the names of candidates in whose favour the votes are not cast.

11. Appointment of Election Observers.-

The Council may appoint such number of election observers as may be required, who shall not be members of the Institute, for all or any of the polling booths and for counting venue or venues, as may be deemed appropriate and such observers shall perform such duties as may be decided by the Council.

12. Secret Chamber.-

a. There shall be a secret chamber or chambers in each polling booth.

b. The chamber shall be so arranged that no person may be able to see how a voter has recorded his vote.

13. Ballot paper.-

a. The ballot paper shall contain, in alphabetical order in English, a list of the candidates validly nominated for an eligible post of the office and shall be printed on one side only

b. Each such ballot paper shall contain the Institute's emblem printed in such manner, as may be decided by the Election Officer having regard to the security considerations of the ballot paper. (A specimen of ballot paper is annexed as Annexure III).

14. Grounds for declaring ballot papers invalid.- A ballot paper shall be invalid :-

a. if a voter signs his name or writes any word or figure upon it or makes any mark other than a tick (✓) mark against the name of the candidates more than the number of candidates to be elected in whose favour the vote is cast and not being a cross (☒) mark put against the name of the candidates in whose favour the votes are not cast, by which the ballot paper becomes recognizable or by which the voter can be identified; or

b. if it is not printed by or under the authority of the Managing Committee of the Chapter or it is different in any manner from the ballot papers printed; or

c. if it is unmarked or the marks made are void or cannot be unambiguously determined; or

d. if it is so damaged or mutilated that its identity as a genuine ballot paper cannot be established.

15. Presence of candidates at the time of counting of votes.- A candidate for election shall be entitled to be present in person or to appoint a member of the Chapter concerned as his representative to be present on his behalf at the time of counting of votes.

16. Counting of votes.- The counting of votes shall be made by the Election Officer and for this purpose he may depute one or more assistants, who shall not be members of the Managing Committee.

17. Declaration of results.- The names of the candidates declared elected shall be notified and displayed on the notice board of the Chapter by the Election Officer. A copy of such notification shall be forthwith sent by Speed Post to the Secretary of the Institute or in the absence of the Secretary, to any such officer as designated in this behalf by the Council.

18. Election Officer to decide on certain matters.- If any question pertaining to or incidental to the procedure for conduct of election including matters not specifically covered in these Bye-laws arises, it shall be decided by the Election Officer.

20. Notice of meetings—

1. In the case of a General Meeting at least fourteen days' notice of the meeting specifying the date, place and hour of the meeting and in case of special business, the general nature of such business shall be given. Copies of notice of all General Meetings shall be sent to the Regional Council concerned at the same time as they are sent to the members of the Chapter

2. In the case of a meeting of Managing Committee or of any sub-committee, at least seven days' notice specifying the date, place and hour of such meeting shall be given to the members.

21. Quorum— The quorum shall, in the case of a General Meeting, be eight members, and in the case of a meeting of Managing Committee or sub-committee, one-third of the total membership of the Managing Committee or the sub committee, as the case may be. If the quorum is not present within half an hour of the time fixed for meeting, the meeting shall stand adjourned to such date, time and place as may be fixed by the Chairman of the General Meeting, Managing Committee or sub-committee, as the case may be:

Provided that where a meeting has been adjourned for want of a quorum, any business which was intended to be transacted at the original meeting may be transacted at such adjourned meeting, notwithstanding that there is no quorum.

Provided however in case a Chapter is constituted by relaxing the minimum requirement of members by the Council under Clause 6 of these Bye-laws, the Council may allow a lower quorum in writing on an application made in this respect by the Chairman of the Managing Committee.

22. Notice of Proposals—Every member of the Chapter shall be entitled to table any proposal(s) or resolution(s) for the consideration of the General Meeting or Annual General Meeting:

Provided that such proposal(s) or resolution(s) shall be sent so as to reach the Secretary of the Managing Committee at least seven days before the date of the meeting. Any such proposal(s) received after the specified time will be treated as proposals for the next following meeting unless admitted by the Chairman of the earlier meeting.

23. Chairman of General Meeting—The Chairman of the Managing Committee shall be the Chairman of the General Meeting and in the absence of the Chairman, the Vice-Chairman. In the absence of both, the members may elect any one of the members present, having voting right as Chairman of the meeting.

24. Decisions to be by majority—At all meetings, in the event of difference of opinion, the vote of the majority shall prevail and in case of equality of votes, the Chairman of the meeting shall have a casting vote in addition to his original vote.

25. Finance and Accounts—

1. There shall be established a fund under the management and control of the Managing Committee into which shall be paid all monies received by the Managing Committee by way of membership fees, grants, donations, subscriptions and other incomes of the Chapter and out of which shall be met all expenses and liabilities properly incurred by the Managing Committee;

   Provided that funds of the Chapter shall be applied only as per the approved budget by the Finance Committee of the Council and any fund required to be spent outside the budget shall be spent with the approval of the Chairman and any expenditure in excess of 10% of the approved Budget shall be placed again before the Finance Committee of the Institute with approval of the Managing Committee of the Chapter.

   Provided that no funds of the Chapter shall be applied, either directly or indirectly for payment to the members of the Managing Committee of the Chapter except for reimbursing them for any expenses incurred by them in connection with the business of the Chapter.

2. The Managing Committee shall be responsible for the funds of the Chapter. The surplus funds of the Chapter shall be invested in the securities prescribed by the Council only. Any withdrawal from the fixed deposit or long term investment by the Chapter lying to the credit of the Chapter shall be placed before the Finance Committee of the Institute by the Managing Committee of the Chapters with due justification for its approval.

3. The banking account shall be maintained in the name of the Chapter and operated by any two members of the Managing Committee one of who shall be the Treasurer who may be authorized by the Committee in this behalf.

26. Accounts and Audit—

1. The Managing Committee shall cause to be prepared an Income and Expenditure account and a Balance

Sheet as at 31st March every year in accordance with the Accounting Policy and form prescribed by the Council.

2. The accounts of the Chapter shall be audited every year by the auditor who shall be a cost accountant in practice appointed for the purpose. The auditor should not be a member of the Managing Committee.

3. The auditor shall submit his report along with audited Income and Expenditure Account and Balance Sheet as at 31st March every year as per format prescribed by the Council.

4. Copies of the audited accounts, auditors' report and the report of the Managing Committee of the Chapter shall be sent to the members of the Chapter at least fourteen days before the date of the Annual General Meeting and shall be placed for adoption before the Annual General Meeting.

5. Members of the Managing Committee shall be jointly and severally responsible to forward copies of the audited accounts, auditor's report and the report of the Managing Committee of the Chapter to the Council and to the Regional Council concerned latest by 16th May every year in compliance of the provisions of Regulation 93 and Regulation 97(B) of the Regulations.

27. Quarterly Report of Chapter—The Managing Committee shall forward to the Council as well as to the Regional Council concerned a quarterly report about its functioning and activities within ten days of the end of each quarter.

28. Restriction on making representations etc.—

The Managing Committee or any member of the Chapter shall at no time make any direct or indirect communication with the Central Government or any of the State Governments or any statutory authority unless the same is specifically authorized by the Council in writing.

29. Directions of the Council—A Chapter shall at all times function subject to the control, supervision and direction of the Council including such directions that may be exercised through the Regional Council concerned and shall be governed by such directions as may from time to time be issued.

30. Dissolution of Chapter—If, in the opinion of the Council, any Chapter and its Managing Committee has persistently made default in giving effect to the directions of the Council, the Council may, after giving opportunity to the Managing Committee to state its case, by order, dissolve the Chapter or take action against the members of the Managing Committee as per sub-clause (2) of Part III of the First Schedule of the Act.

Explanatory Note I: All the provisions of these Bye-laws will come into effect from 1st January, 2013. However, for the purposes of members to be eligible to vote and stand in the election, the cut-off date for making payment of fees shall be 31st March 2013 instead of 30th September, 2012 for the election to be conducted on or before 31st May, 2013.

Explanatory Note II: "Annual General Meeting of the second year" shall be counted from 2013 and would mean Annual General Meeting to be held in 2015, 2017 etc., i.e. every second year starting from 2013.

Explanatory Note III: The revised fee of Rs 300 for Membership of a Chapter as mentioned in sub-clause (1) of Clause 10 shall not be applicable in respect of election to be conducted on or before 31st May, 2013. The earlier applicable fees shall be considered for this purpose.

Explanatory Note IV: The time frame of 60 days mentioned at sub-clause (1)(d)(v) of Clause 19 shall be read as 40 days for the election to be conducted on or before 31st May, 2013.

(Kaushik Banerjee)

Secretary (Actg)

Annexure I

FORM OF NOMINATION OF A CANDIDATE (MEMBER) FOR THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
……………..CHAPTER ELECTION

[See the Chapter Bye-laws clause 3,4 & 5 and other applicable clauses of Chapter Bye-laws 2013 as amended]

NOMINATION

We, the undersigned members of The Institute of Cost Accountants of India,………………Chapter not being in arrears on this day in respect of our respective annual membership fee of the Institute as well as of the ……………… Chapter concerned for the current year and being eligible to vote under Sub-Clause (2) of Clause 19 in the Election of the Managing Committee of ………………Chapter to be held during the calendar year ………..-………. do hereby nominate ____________________________ who is a ………..Member of the Institute and also the member of Chapter concerned, as a candidate for election in accordance with the provisions contained in the Chapter Bye-laws 2013 as amended.

1.	Signature of Proposer :	
	Name :	
	Membership No of the Institute : Membership No of the Chapter :	
	Address :	
	Date :	
2.	Signature of Seconder :	
	Name :	
	Membership No of the Institute : Membership No of the Chapter :	
	Address :	
	Date :	

CONSENT

I,…………………………being a ………….. Member of the Institute on the ……….day of ………………., 20……, belonging to the …………….Chapter and not being in arrears of my entrance fees, annual membership fees of the Institute as well as ………………..Chapter and other dues on this ……….day of ……….., 20…, and having my name borne on the Register, agree to stand as a candidate for Managing Committee election notified to be held for the calendar year 20…& 20…...

I declare that I am eligible to stand for election to the Managing Committee of ……………Chapter in accordance with the Sub-Clause (2) of Clause 19 of the Chapter Bye-laws 2013 as amended.

*I…….……………………send herewith / I have already sent nomination fee of Rs. 1,000/- (Rupees One Thousand only) by demand draft No…..……………… dated ………………… drawn on …………………………………………………...(Bank) in favour of The Secretary, The Institute of Cost Accountants of India, ……………..Chapter, payable at ………………
I agree to abide by the provisions of the Chapter Bye-laws 2013 as amended & the Cost and Works Accountants Act, 1959 and the Cost and Works Accountants Regulations, 1959 and amendments thereof and other applicable Acts, Rules and Regulations as well as the decisions taken by the Council / Election Officer in regard to the Managing

Committee Elections from time to time.

Signature of the Candidate (Member)

Name in Full:

Membership No of the Chapter:

Membership No of the Institute:

Address :

Dated……………....day of……………………….20….

Annexure II

FORM OF NOMINATION OF A CANDIDATE (STUDENT) FOR THE INSTITUTE OF COST ACCOUNTANTS OF INDIA ……………..CHAPTER ELECTION

[See the Chapter Bye-laws clause 3,4 & 5 and other applicable clauses of Chapter Bye-laws 2013 as amended]

NOMINATION

We, the undersigned students & members of The Institute of Cost Accountants of India,………………Chapter not being in arrears this day in respect of our respective annual membership fee of the ……………… Chapter concerned for the current year and being eligible to vote under Sub-Clause (2) of Clause 19 in the Election of the Managing Committee of ………………Chapter to be held during the calendar year …………-………. do hereby nominate ____________________________a student of ………… Chapter who is also a Member of the Chapter concerned, as a candidate for election in accordance with the provisions contained in the Chapter Bye-laws 2013 as amended.

1.	Signature of Proposer :	
	Name :	
	Membership No of the Chapter :	
	Address :	
	Date :	
2.	Signature of Seconder :	
	Name :	
	Membership No of the Chapter :	
	Address :	
	Date :	

CONSENT

I,………………………….being a student & Member of the ………………Chapter on the ……….day of ………………., 20……, belonging to the …………….Chapter and not being in arrears of my entrance fees, annual membership fees of the ………………..Chapter and other dues on the ………..day of …………, 20…, and having my name borne on the Register, agree to stand as a candidate for Managing Committee election notified to be held for the calendar year 20…& 20…...

I declare that I am eligible to stand for election to the Managing Committee of ……………Chapter in accordance with the Sub-Clause (2) of Clause 19 of the Chapter Bye-laws 2013 as amended.

*I…….……………………send herewith / I have already sent nomination fee of Rs. 500/- (Rupees Five Hundred only) by demand draft No…..……………… dated ………………… drawn on …………………………………………………...(Bank) in favour of The Secretary, The Institute of Cost Accountants of India, ……………..Chapter, payable at ………………

I agree to abide by the provisions of the Chapter Bye-laws 2013 as amended & the Cost and Works Accountants Act, 1959 and the Cost and Works Accountants Regulations, 1959 and amendments thereof and other applicable Acts, Rules and Regulations as well as the decisions taken by the Council / Election Officer in regard to the Managing Committee Elections from time to time.

Signature of the Candidate (Student)

Name in Full :

Membership No of the Chapter :

Address :

Dated……………..…..day of………………………20….

Annexure III

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
……………………….CHAPTER ELECTION

SPECIMEN BALLOT PAPER

NUMBER OF CANDIDATES TO BE ELECTED
(USE SEPARATE BALLOT PAPERS FOR ELECTION OF MEMBERS AND STUDENTS)

Serial No	**Name of Candidate**	**Please put (✔)**	**Serial No**	**Name of Candidate**	**Please put (✔)**
1			9		

2			10		
3			11		
4			12		
5			13		
6			14		
7			15		
8			16		

Cost Accounting Standards Board

The Council has approved the release of following documents as recommended by Cost Accounting Standards Board, the standard setting body of the Institute :

- Cost Accounting Standard on Selling and Distribution Overheads (CAS 15)
- Guidance Note on Cost Accounting Standard on Administrative Overheads (CAS 11)

Both the documents have been uploaded on the website of the Institute.

Cost Audit and Assurance Standards Board

The Council has approved the release of following documents as recommended by Cost Audit and Assurance Standards Board, the standard setting body of the Institute :

- Cost Audit and Assurance Standard on Overall Objectives of the Independent Cost Auditor and the Conduct of an Audit in Accordance with Standards on Auditing (CAAS – 103)
- Cost Audit and Assurance Standard on Knowledge of Business, its Processes and the Business Environment (CAAS – 104)

Both the documents have been uploaded on the website of the Institute.

CALL FOR PAPERS

Three Day National Conference
On
"Contemporary Issues of Cooperative Societies in India with Special Reference to its North Eastern Region"

19-21 April, 2013

Organized By

Department of Commerce
Tripura University
(A Central University)

In Collaboration with

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

Tentative Sub Themes:

- ✓ Resource Management, Governance, Law and HRD in Cooperatives;
- ✓ Cooperative Production, Marketing and Branding;
- ✓ Cost and operating efficiency, Finance and Financial Management in Cooperatives;
- ✓ Accounting and Control in Cooperative; Training, Research and Development in Cooperatives.
- ✓ Any other theme not mentioned in the above but relevant to the broad purpose of the conference is most welcome.

Venue: Department of Commerce, Tripura University
Paper submission: Abstract having maximum 300 words should reach at commerce.tu@gmail.com

Important Dates

- **Submission of Abstracts of the paper: 10th March, 2013**
- **Submission of Full Paper: 25th March, 2013**
- **Review and Communication of confirmation of papers: 3th April, 2013**
- **Last Date of Registration for Participants and Authors: 12th April, 2013**

For more details please visit the Institute's website: www.icmai.in

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

www.icmai.in

Call for Research Papers/Articles for ICAI's Research Bulletin (ISSN 2230 9241)

With pleasure we invite you to contribute research paper/ article for "**Research Bulletin**", a peer-reviewed Bi-Annual Journal of **The Institute of Cost Accountants of India**. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publish high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Guide lines to submit full Paper:

- Soft Copy of the full paper should be submitted in double space, 12 fonts, Times New Roman, keeping a margin of 1 inch in four sides, MS Word 2003 (.doc) format.
- Each paper should be around 15 typed pages and preferably within 5000 words including all.
- An abstract of not more than 150 words should be attached.
- The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.

Papers are invited on the following topics, but not limited to:

- Corporate Sustainability
- Corporate Governance
- Financial Inclusion
- Strategic Cost Management
- Cost Competitiveness
- Micro, Small & Medium Enterprises
- International Trade
- Corporate Taxation
- Modern Business Reporting
- IFRS
- Emerging Issues in Finance and Management

Papers must be received within 30 April, 2013 in the following email id:

research@icmai.in

NOTIFICATION

Kolkata, the 11th February, 2013

18-CWR (1675-1689)/2013 : It is hereby notified in pursuance of amended Regulation 18 of the Cost and Works Accountants Regulations, 1959, that in exercise of the powers conferred by Regulation 17 of the said Regulations, the Council of the Institute of Cost Accountants of India has restored to the Register of Members, the names of :

1. Shri P.B. Ramanujam, BSC, ACMA, Temple Trees-GD, 20/37, Venkatanarayana Road, T. Nagar, Chennai – 600 017, (Membership No. 4956) with effect from 8th January, 2013,
2. Shri Shomnath Ray, BCOM, ACMA, Anandam Apts., GF-10, G.T. Road (West), Barabazar, Chandannagar – 712 136, (Membership No. 6699) with effect from 21st January, 2013,
3. Shri K.S. Vasudevan, BSC, ACMA, Anu Apartment, Flat No. 8, 39C, South Boag Road, T. Nagar, Chennai – 600 017, (Membership No. 7145) with effect from 5th February, 2013,
4. Shri Rohit Kumar Shah, MCOM, ACMA, 23/112, Swarn-Path, Mansarovar, Jaipur – 302 020, (Membership No. 8104) with effect from 9th January, 2013,
5. Shri B. Hariharan, BSC, ACA, ACMA, D-2/3, Paschimi Marg, Vasant Vihar, New Delhi – 110 057, (Membership No. 9363) with effect from 28th January, 2013,
6. Shri Kamal Kumar Ghosh, BSC, ACMA, Flat No. B2, Karunamayee Apartment, Masper Para, Hirapur, Dhanbad – 826 001, (Membership No. 9607) with effect from 1st February, 2013,
7. Shri Subhasish Dasgupta, BCOM(HONS), ACMA, Flat No. F (3rd Floor), 28/18, James Long Sarani, Kolkata – 700 008, (Membership No. 9794) with effect from 11th February, 2013,
8. Shri Satyanarayan Das, BSC, ACMA, 39, Rakhal Ghosh Road, P.O. Rajpur, Kolkata – 700 149, (Membership No. 11574) with effect from 4th February, 2013,
9. Shri Gagan Bihari Maharana, BA(HONS), FCMA, AGM (Finance), Upper Kolab Hydro Electric Proj., OHPC Ltd., At/P.O. Bariniput, Jeypore – 764 006, (Membership No. 16439) with effect from 2nd February, 2013,
10. Shri T.S. Sankar Raman, BSC, ACMA, F-3, Block 'C', Vishnuchakra Apartments, Srirangam, Trichy – 620 006, (Membership No. 16880) with effect from 29th January, 2013,
11. Shri Sunil Kumar Bhardwaj, MCOM, ACMA, Asstt. General Manager, F&A Dept., Bokaro Steel Plant, Main Admn. Bldg., Bokaro Steel City – 827 001, (Membership No. 18252) with effect from 11th January, 2013,
12. Shri Vivek Damani, BCOM, ACMA, Q. No. 3/R 31, Hind Motor Colony, Hind Motor – 712 233, Dt. Hooghly, W.B., (Membership No. 19164) with effect from 31st January, 2013,
13. Ms. M.S. Sudha, MCOM, ACMA, Flat No. 3, Plot No. 1, PRR Homes, Ganesh Nagar Main Road, Adambakkam, Chennai – 600 088, (Membership No. 28161) with effect from 1st February, 2013,
14. Shri T. Raj Kumar Jain, BCOM, ACMA, 31/16, Chakrapani Street, West Mambalam, Chennai – 600 033, (Membership No. 29318) with effect from 1st February, 2013, and
15. Shri Tapash Senapati, BCOM(HONS), ACMA, 44, Bibek Park, 2nd Floor, Kamdahari, Garia, Kolkata – 700 084, (Membership No. 29540) with effect from 31st January, 2013.

Kaushik Banerjee
Secretary (Actg.)

NOTIFICATION

Kolkata, the 21st February, 2013

18-CWR (1690-1721)/2013 : It is hereby notified in pursuance of amended Regulation 18 of the Cost and Works Accountants Regulations, 1959, that in exercise of the powers conferred by Regulation 17 of the said Regulations, the Council of the Institute of Cost Accountants of India has restored to the Register of Members, the names of :

1. Shri Radha Krishan Sarda, BCOM, LLB, ACMA, E.D. (F&A), SAIL, Bokaro Steel Plant, Bokaro – 827 013, (Membership No. 6514) with effect from 12th February, 2013,
2. Shri Kolli Vidyasagar, BCOM, FCMA, C.G.M. (F&A), NCC Ltd., NCC House, Survey No. 64, Madhapur, Hyderabad – 500 081, (Membership No. 8161) with effect from 7th February, 2013,
3. Shri R. Sethumadhavan, MCOM, FCS, ACMA, "Gangothri", Ramanunni Crossing, Krishnan Nair Road, Karuvasseri P.O. Karaparamba, Calicut – 673 010, (Membership No. 10561) with effect from 7th February, 2013,
4. Shri Siddhartha Chatterjee, BSC, LLB, ACMA, Vice President, IFB Industries Ltd., 16, V.I. Estate, Mahadevapura, Bangalore – 560 048, (Membership No. 11379) with effect from 11th February, 2013,
5. Shri Subhabrata Pal, BSC, ACMA, SAP Consultant, IBM India PVT. Ltd., Esteem Asrani, No. 3K, Sharjapur Road, Koramangala, Bangalore – 560 034, (Membership No. 11927) with effect from 13th February, 2013,
6. Shri Birendra Nath Paria, ACA, ACMA, Sr. Manager (Finance), Bharat Coking Coal Ltd., P.O. Koyla Nagar, Saraidhela, Koyla Bhawan, Dhanbad, (Membership No. 12038) with effect from 14th February, 2013,
7. Shri Udoy Shankar Sinha, MSC, LLB, ACMA, "Amropali Apartments", 52/1, K.M. Naskar Road, Tollygunge, Kolkata – 700 040, (Membership No. 12070) with effect from 14th February, 2013,
8. Shri Hari Gopal Dutta, BCOM, ACMA, CFM, Indian Oil Corporation Ltd., P-68, Karl Marx Sarani, Paharpur, Kolkata – 700 043, (Membership No. 12150) with effect from 18th February, 2013,
9. Shri Pravat Kumar Sahoo, BSC, ACMA, Dy. General Manager (F&A), Nuclear Power Corporation of India Ltd., Kaiga Generating Station, Via Karwar, Kaiga – 581 400, Karnataka, (Membership No. 12517) with effect from 4th February, 2013,
10. Shri Pramod Sharma, MCOM, ACMA, 49, Surya Nagar, Budh Singh Pura, Near IIHMR College, Airport Road, Sanganer, Jaipur – 302 011, (Membership No. 12924) with effect from 12th February, 2013,
11. Shri Badal Bagri, BCOM, ACMA, Chief Finance Controller, Bharti Airtel, Gurgaon – 122 004, (Membership No. 14012) with effect from 8th February, 2013,
12. Shri K.G. Nath, MCOM, ACMA, Financial Advisor & Chief Accounts Officer, Cochin Port Trust, Willingdon Island, Kochi – 682 009, (Membership No. 14468) with effect from 7th February, 2013,
13. Shri Rajeev Gupta, BCOM, MBA, FCMA, House No. 66, Block C, Rajguru Nagar, Ludhiana – 141 012, (Membership No. 16072) with effect from 12th February, 2013,
14. Shri Biraj Kumar Saha, BCOM(HONS), ACMA, Officer, The W.B. State Co-op. Bank Ltd., 24A, Waterloo Street, Kolkata – 700 069, (Membership No. 16234) with effect from 13th February, 2013,

15. Shri V. Nandakumar, BCOM(HONS), ACMA, Director Finance, Saba Software India Pvt. Ltd., Level 5, Mutha Tower, Don Bosco Road, Yerwada, Pune – 411 006, (Membership No. 16985) with effect from 13th February, 2013,
16. Shri Sabitabrata Pal, BSC, ACMA, Senior Manager (Finance), Bharat Heavy Electricals Ltd., Power Sector, Eastern Region, WBPDCL, Sagardighi, P.O. Monigram – 742 237, Dt. Murshidabad, W.B., (Membership No. 17200) with effect from 13th February, 2013,
17. Ms. Daisy M. Alexander, MSC, ACMA, Senior Manager, Indian Bank, Central Tower, Cross Junction, Thiruvalla – 689 101, (Membership No. 18108) with effect from 11th February, 2013,
18. Shri K. Poothapandi, BCOM, ACMA, Sr. Deputy Chief Accounts Officer, Finace Dept., Cochin Port Trust, Willingdon Island, Cochin – 682 009, (Membership No. 18179) with effect from 7th February, 2013,
19. Shri V. Devendiran, MCOM, ACMA, No. 16, West Kodambakkam Road, West Mambalam, Chennai – 600 033, (Membership No. 18292) with effect from 15th February, 2013,
20. Ms. Kirti Sinha, BCOM, FCA, ACMA, #6-3-1099/1/6, 1st Floor, Hotel Katruja Lane, Somajiguda, Hyderabad – 500 082, (Membership No. 19344) with effect from 6th February, 2013,
21. Shri Vinod Mittal, BCOM, ACMA, A.G.M. – Accounts, Tata Chemicals Ltd., K-2, Somdatt Tower, 6th Floor, Sector 18, Noida, U.P., (Membership No. 21469) with effect from 11th February, 2013,
22. Shri Anup Selot, BCOM, ACMA, Manager (F&A), Chhattisgarh State Power Transmission Co. Ltd. (CSPTCL), Room No. 217, 2nd Floor, SLDC Building, Dangania, Raipur – 492 013, (Membership No. 21484) with effect from 11th February, 2013,
23. Shri Ajay Kumar Sharma, MCOM, MBA, ACMA, Manager (F&A), Chhattisgarh State Power Transmission Co. Ltd. (CSPTCL), Ground Floor, Vidyut Sewa Bhawan, Dangania, Raipur – 492 013, (Membership No. 22022) with effect from 14th February, 2013,
24. Dr. Jitendra Kumar Jain, MCOM, PHD, LLB, ACMA, General Manager Accounts, Arch Pharmalab Limited, Vill : Pathreri, Bilaspur Tauru Road, Gurgaon – 122 001, (Membership No. 22951) with effect from 14th February, 2013,
25. Shri Suneel Kumar Munaga, BCOM, ACMA, Business Controller, ABB Limited, Nelmangala Industrial Estate, Bangalore, Karnataka, (Membership No. 23119) with effect from 15th February, 2013,
26. Shri Ravi Kumar Saw, BCOM(HONS), ACMA, Junior Manager (F&A), MSTC Limited, Head Office, 5th Floor, 225C, A.J.C. Bose Road, Kolkata – 700 020, (Membership No. 25922) with effect from 14th February, 2013,
27. Ms. Era Bhardwaj, MCOM, LLB, FCS, ACMA, A.G.M. (Legal & Secretarial) – Company Secretary, Orient Craft Limited, 7D, Maruti Industrial Area, Sector 18, Gurgaon – 122 015, (Membership No. 26230) with effect from 18th February, 2013,
28. Shri Ravishankar Krishnamurthy, BCOM, ACMA, Plant Controller, Par Formulations (P) Ltd., 1/58, Pudupakkam Main Road, Pudupakkam, Kelambakkam, Chennai – 603 103, (Membership No. 27760) with effect from 12th
29. Shri Ajit Batra, BCOM, ACMA, DGM-Accounts, United Spirits Ltd., F-44, South Extension Part I, New Delhi – 110 049, (Membership No. 28663) with effect from 18th February, 2013,
30. Ms. Sheelu Mittal, MCOM, ACMA, 300, Jai Narain Vyas Colony, Air Force Road, Jaisalmer – 345 001, (Membership No. 29047) with effect from 8th February, 2013,
31. Shri Sanju Edappattu Varkey, MCOM, ACMA, Sr. Executive-Finance, CIMAC FZCO, P.O. Box 61314, Technopark, Jebel Ali, Dubai 61314, U.A.E., (Membership No. 30966) with effect from 17th February, 2013,

32. Shri Deep Dutta, BCOM, ACMA, 9/3, Netaji Nagar, Kolkata – 700 092, (Membership No. 31943) with effect from 18th February, 2013.

Kaushik Banerjee
Secretary (Actg.)

NOTIFICATION

Kolkata, the 26th February, 2013

18-CWR (1722-1737)/2013 : It is hereby notified in pursuance of amended Regulation 18 of the Cost and Works Accountants Regulations, 1959, that in exercise of the powers conferred by Regulation 17 of the said Regulations, the Council of the Institute of Cost Accountants of India has restored to the Register of Members, the names of :

1. Shri Raju Purushothaman, BSC, FCMA, No. B-4, BEML Apartments, 6th Main, Jayalakshmipuram, Mysore – 570 012 (Membership No. 8050) with effect from 21st February, 2013,
2. Shri Venkatasubramanian Ramachandran, MCOM, ACMA, Flat 43, Block C28, Kendriya Vihar, Sector 38, Nerul West, Navi Mumbai – 400 706 (Membership No. 11491) with effect from 16th February, 2013,
3. Shri Arup Das Gupta, MSC, ACMA, Sr. Divisional Manager, Life Insurance Corporation Ltd., KMDO-I, 16, C.R. Avenue, Kolkata – 700 072, (Membership No. 11493) with effect from 22nd February, 2013,
4. Shri Jagannath Rao Parinam, BCOM, ACMA, Plot No. 27, Chandrapuri Colony, ECIL Post, Hyderabad – 500 062, (Membership No. 11732) with effect from 22nd February, 2013,
5. Shri Surajit Das, BCOM(HONS), MBA, ACMA, Manager (Finance), Western Coalfields Ltd., O/o. The General Manager, Pench Area, Parasia – 480 441, Dt. Chhindwara, M.P., (Membership No. 14663) with effect from 17th February, 2013,
6. Shri Arup Kumar Chatterjee, BCOM(HONS), ACMA, B 3/5, Labony Estate, Salt Lake City, Sector 1, Kolkata – 700 064, (Membership No. 14879) with effect from 25th February, 2013,
7. Shri Ramachandran Ramanakumar, BSC, ACMA, Block No. 3B, 1st Floor, Kamalalaya Enclave, Near AWHO Ved Vihar Back Gate, Trimulgherry, Secunderabad – 500 015, (Membership No. 15537) with effect from 14th February, 2013,
8. Shri Shaju P.T., BCOM, ACMA, Pattathuparambil House, Sreevilasom Road, Edapally, Kochi – 682 024, (Membership No. 18210) with effect from 23rd February, 2013,
9. Shri Sabyasachi Bagchi, MCOM, ACMA, Finance Superintendent, ITC Limited, India Tobacco Division, Easter District Office, 2, Lee Road, 1st Floor, Kolkata – 700 020, (Membership No. 20285) with effect from 21st February, 2013,
10. Shri Konakanchi Bhaskar Rao, BCOM, ACMA, H. No. 269/3RT, D. No. 07-01-621/306, Flat No. 4, Sri Sai Apartments, S.R. Nagar, Hyderabad – 500 038, (Membership No. 20300) with effect from 5th February, 2013,
11. Shri Tirthankar Basu Roy, MCOM, ACMA, 1/2A, Kalipur, Biren Roy Road (West), Sakuntala Park, Kolkata – 700 061, (Membership No. 20853) with effect from 22nd February, 2013,
12. Shri Naveen Jain, BCOM(HONS), ACMA, B-2/103, Mayur Apartments, Plot No. 53, Sector 9, Rohini, Delhi – 110 085, (Membership No. 25670) with effect from 20th February, 2013,

13. Shri Sibsankar Das, MCOM, ACMA, C/o. Kalipada Das, 170/1, Kalipur Road, Haridevpur, Kolkata – 700 082, (Membership No. 25839) with effect from 22nd February, 2013,
14. Shri P. Satish Babu, BBM, ACMA, C/o. P. Narayana Rao, Plot No. 375, Netaji Housing Colony, Near Radio Station, SAP Camp Post, Kurnool – 518 003, A.P., (Membership No. 28076) with effect from 5th February, 2013,
15. Shri Manish Kumar Sinha, BCOM, ACMA, C Type Quarter, Near Jain Mandir, Babu Line, Parasia – 480 441, Dt. Chindwara, M.P., (Membership No. 30935) with effect from 22nd February, 2013,
16. Shri Manas Ranjan Sahoo, MCOM, ACMA, Dy. Manager, BHEL, BHEL-HERP, Tarna, Shivpur, Varanasi – 221 003, (Membership No. 31125) with effect from 18th February, 2013.

Kaushik Banerjee
Secretary (Actg.)

Announcement

The Institute's Convocation and the National Students' Convention will be held on Friday, the 22nd March 2013, at Science City Auditorium, Kolkata. This is for the information of all concerned.

ICAI invites entries for participation in 10th National Award for Excellence in Cost Management-2012

A Questionnaire is designed to obtain information on Cost Management Practices and to assess performance of companies engaged in the manufacturing or service operations. We solicit your participation in the 10th National Award for Excellence in Cost Management-2012. Companies are welcome to participate in the Award Scheme only for company as a whole. Application(s) for unit(s) of companies cannot be submitted. The award categories are as follows:

- **A) Public Sector- Manufacturing**
  Small,Medium and Large
- **B) Private Sector-Manufacturing**
  Small, Medium and Large
- **C) Service Sector**
  Small, Medium and Large

The Questionnaire can be downloaded from Institute's website: www.icmai.in

Duly filled-in and signed Questionnaire, alongwith all the enclosures and the prescribed fee should be sent to Mr. T.R.Abrol, Asst. Director, The Institute of Cost Accountants of India, Delhi Office: CMABhavan, 3, Institutional Area, Lodi Road, New Delhi-110003, latest by **31st March,2013**. Any queries relating to the Questionnaire/Cost Management Award 2012 may kindly be addressed to Mr.S.C.Gupta, Director. He can be contacted on telephone nos. (o) 011-24641230,24622156-58, Fax: 011-43583642, Mobile: 09313375254 email: admin.gupta@icmai.in

Your company is invited to participate in 10th Edition of the National Award for Excellence in Cost Management. Share your success story with the world, and win the prestigious national recognition through the award.

Admission to Membership

The Institute of Cost Accountants of India Advancement to Fellowship

Date of Advancement : 31st January 2013

M/2500
Mr Samir Kumar Dutta,
BSC, FCMA
13/2, Balak Dutta Lane
KOLKATA 700007

M/2607
Mr Shri Krishan Bansal,
BCOM(HONS), MCOM, FCMA
Partner M.K. Singhal & Co.
Panchvati Opp. M.M. College
MODINAGAR 201204

M/4646
Mr Subhankar Seth,
MCOM, LLB, FCMA
General Manager (Internal Audit) Steel Authority of India Ltd. Steel Authority Of India Ltd. Scope Minar (18th Floor) Laxmi Nagar, Dist. Centre
DELHI 110092

M/5592
Mr Asit Kumar Ganguly,
BSC(HONS), FCMA
Sr Vice President (Commercial) Reliance Industries Ltd B 501, Hermes Centre, Sector – 17, Vashi,
NAVI MUMBAI 400703

M/6809
Mr Bishwanath Choudhary,
MBA, ACS, FCMA
President (Finance & Co. Secretary SPML Infra Ltd. 22, Camac Street A Block, 3rd Floor
KOLKATA 700017

M/7196
Mr Koteswara Rao Gutta,
BCOM, FCMA
Vice President (Cost Audit) Gayatri Projects Limited B, 6–3–1090 T.S.R. Towers Rajbhavan Road, Sonajiguda
HYDERABAD 500082

M/7242
Mr Satish Kumar Sharma,
BCOM, MSC, ACS, FCMA
Adviser (Cost) Department of Commerce, Govt. Of India 278, Udyog Bhavan
NEW DELHI 110011

M/7291
Mr Sankar Prasad Paul,
MCOM, FCMA
Chief Manager Central Coalfields Limited C C L., EPR Department, Darbhanga House,
RANCHI 834001

M/7952
Mr Ashok Gupta,
BCOM(HONS), FCS, FCMA
Proprietor (Practising Cost Accountant) A. Gupta & Co. A–57, DDA Sheds Okhla Industrial Area Phase II
NEW DELHI 110020

M/8437
Mr Debajyoti Roy,
BA(HONS), FCMA
Chief Manager (Finance and Accounts) Lubrizol India Pvt Ltd Flat no C503, Moraj Prithvi Park CHS Ltd Plot no 4,5 & 6, Sanpada Vashi, Sector–30 Navi Mumbai
NAVI MUMBAI 400705

M/8445
Mr Debajit Sen,
BSC, FCMA
Director – Finance Marathon Electric Motors (I) Ltd. 58, Taratala Road
KOLKATA 700024

M/8701
Mr Timir Haran Mukherjee,
BSC(HONS), FCMA
Manager (Health Insurance) Life Insurance Corporation of India KMDO–1 Jeevan Prakash 16, C.R. Avenue
KOLKATA 700072

M/8761
Mr Bharat Bhushan Sharma,
BA(HONS), FCMA
Cost Accountants B S & Co F–223A Laxmi Nagar
DELHI 110092

M/8939
Mr Sat Narain Sharma,
BA, FCMA
Manager Finance Centre For Development of Technology C-Dot Campus Mandi Road Mahrauli
NEW DELHI 110030

M/9135
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The Management Accountant — April, 2013 will be a special issue on

'COST COMPETITIVENESS – ROLE OF CMAs'

Articles, views and opinions on the topic are solicited from readers/authors along with their passport size photographs to make it a special issue to read and preserve. Those interested may send in their write-ups by e-mail to **editor@icmai.in**, followed by hard copy to the Journal Department, 12, Sudder Street, Kolkata-700 016 to reach by 8th March, 2013.

The Management Accountant — May, 2013 will be a special issue on

'EMPOWERING SMEs FOR SUSTAINABLE GROWTH'

Articles, views and opinions on the topic are solicited from readers/authors along with their passport size photographs to make it a special issue to read and preserve. Those interested may send in their write-ups by e-mail to **editor@icmai.in**, followed by hard copy to the Journal Department, 12, Sudder Street, Kolkata-700 016 to reach by 8th April, 2013.

International Professional Summit—New Approach to Sustainable Growth

at

The Leela Kempinski Hotel, Gurgaon, India on 26th & 27th April 2013

Chairman's Message

Sanjay Gupta
Central Council Member and
Chairman, WTO & IA Committee
The Institute of Cost Accountants of India

Dear Members,

As we all know that sustainable business is an enterprise that has no negative impact on the environment, community, society or economy. It incorporates principles of sustainability into each of the business decisions. For the past decade sustainability has been an important specialized issue. Corporate board members and Senior Executives are looking at sustainability as a critical business issue. Some companies are transforming the entire business to be more sustainable. Because sustainability is in varying stages of maturity in an environment of regulatory uncertainty, many organizations cannot tell whether they are on track or falling behind.

I am happy to inform you that the WTO & International Committee of the Institute has taken the initiative to organise the **International Professional Summit-New Approach to Sustainable Growth** at The LeelaKempinski Hotel, Gurgaon, India on 26th & 27th April 2013 to throw more focus on the emerging trends on Sustainability.

In this summit, renowned speakers form International professional bodies, academics, industry, management consultants, foreign & national delegates are expected to participate.

The summit will start at 1900 hours on 26th April 2013 with registration. Thereafter a brief session on theme presentation will be organised. A cultural evening followed by dinner will be the highlight of the event on day one.

The second day will start with Technical Session one on **New Sustainability trends and opportunities**. The world-wide movement toward sustainability has made significant progress over the past few years as companies and cities have pursued strategies that balance future and current societal needs. Now, sustainable development is entering into a new phase, characterized by greater alignment within and between the public and private sectors.

Business organizations have realized that their partnerships and collaborative initiatives are often the best way to overcome obstacles to sustainability. These partnerships will help in satisfying the green goals of both the partners through carbon reduction and energy generation.

Today many companies disclose their sustainability information in sustainability reports. This encourages others who are not following sustainability practices to undertake it to have good public image. But the challenge for the public is how to measure the effectiveness of these activities. What are the standards needed to be developed, whether they should be having international acceptances or they should be regional. The issues are also about the verification of this sustainability information. The session will address these issues in detail.

In the second session the emphasis will be on **Integrating Sustainability into Strategy.** "Integrating sustainability" means environmental, social and broader economic factors, as well as more traditional financial factors are incorporated into business decision-making, actions and performance. Companies are increasingly integrating sustainability into their key business processes for different reasons, whether to manage new risks, gain business opportunity, or extend their role in society. They are integrating their strategy into the corporate governance and operating frameworks to have sustainability in their strategy.

Social and environmental risks are identified as business risk and formally embedded into enterprise risk management processes. As a result, sustainability decisions become an integral part of business decision making, commercialization and capital management processes, the business planning cycle, and customer and supplier relationships. They use standard business processes to run every aspect of their business.

But there are various issues to be considered before integrating sustainability into the strategy like: Level of integration, maintaining a balance between the profit and sustainability issues etc. The session will address these issues.

The third technical session will start after lunch and it will be on **Sustainable practices with case studies**. Sustainability-focused companies outperform their peers. They are more stable in times of crises. This is the conclusion of many studies done so far. So enterprises should learn about the good sustainable practices followed worldwide. This will help in incorporating sustainability in the enterprises strategy more effectively. It also helps in learning about the technical issues faced by following sustainability practices. The session helps in learning sustainability practices worldwide.

I am confident that the participants will take with them the following after attending the seminar:

- Ways to create, enable, preserve, and report sustainable value for their organizations.
- Examining their roles through organizational sustainability, and requirement to deliver economic, environmental, and social performance.
- Drivers of sustainable organizational success to consider how they can be positioned to support their organizations, and the professional skills and competences they will need.
- The sustainability strategy for improving investor relations, risk management, procurement, facilities, IT, human resources, supply chain, and more.

All the necessary details of the summit will be available to all of you very shortly on the website.

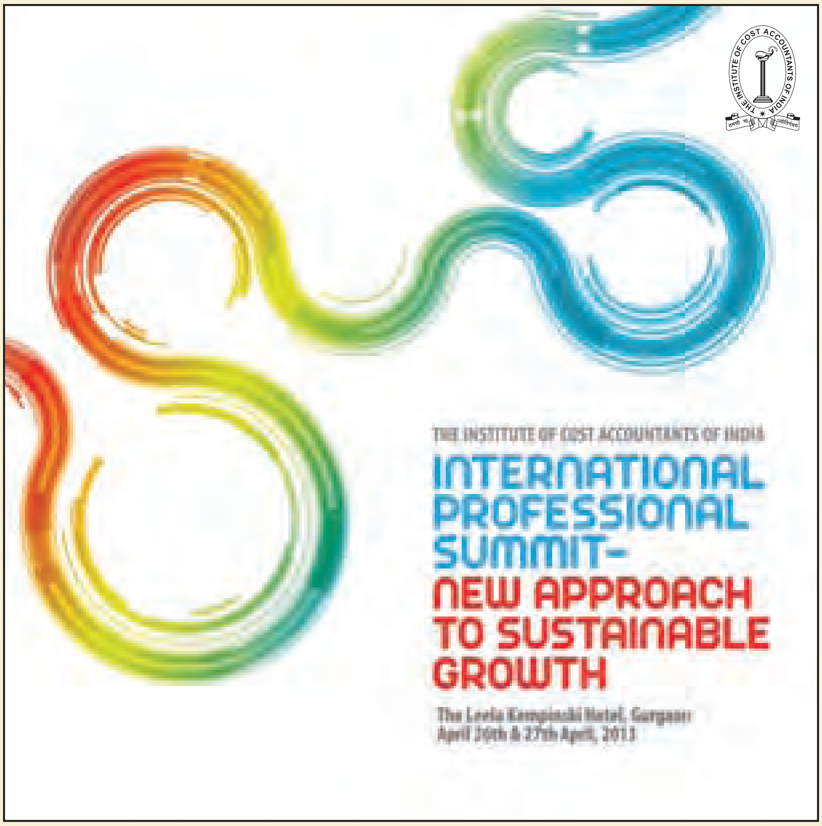
I request all the members to come forward and participate in this prestigious Summit of the Institute and make it a grand success.

Look forward to welcoming you at the Seminar.

With regards

(Sanjay Gupta)

Chairman, WTO & IA Committee



Program Schedule

26th April 2013, Friday	
18:30 – 19:00 Hours	• Registration
19:00 Hours onwards	• Theme Introduction, Cultural Program and Dinner
27th April 2013, Saturday	
10:00 – 10:45 Hours	• Inauguration
10:45 – 12:00 Hours	• First Technical Session – New Sustainability trends and opportunities
12:00 – 12:15 Hours	• Twitter Break
12:15 – 13:30 Hours	• Second Technical Session – Integrating Sustainability into Strategy
13:30 – 14:30 Hours	• Networking Lunch
14:30 – 15:45 Hours	• Third Technical Session – Sustainable practices with case studies
15:45 – 16:00 Hours	• Partnering Break
16:00 – 17:00 Hours	• Open Session & Valediction

"Glimpses of National CMA Practitioner's Convention - 2013 held in Chennai on Saturday the 23rd February, 2013"

CMA S.C. Mohanty, the Vice President of the Institute, addressing the gathering

The Chairman of NCPC 2013, CMA M. Gopalakrishnan presenting a memento to the President CMA Rakesh Singh

CMA Kaushik Banerjee, the Secretary (Acting) if the Institute, addressing the gathering

CMA Rakesh Singh, the President, delivering the keynote address in the valedictory session

Release of the 'Cost Audit and Assurance Standards' by the dignitaries on the dais

The Guest of Honour, Shri C. Rajendiran, Commissioner, Export commissionerate, Chennai addressing the gathering

The Guest of Honour, Shri R. Periasami, Commissioner of Service Tax, Chennai addressing the gathering

The Chief Guest, CMA R.S. Sharma, Chairman, Quality Review Board, ICAI & Former Chairman and Managing Director, ONGC Ltd. addressing the gathering

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"Glimpses of National CMA Practitioner's Convention - 2013 held in Chennai on Saturday the 23rd February, 2013"

CMA Rakesh Singh, the President, CMA S.C. Mohanty, the Vice President and CMA M. Gopalakrishnan, the immediate Past President at the press conference

Gathering of CMA Practitioners in various concurrent sessions in the Convention

Concurrent Session 1 in progress

Concurrent Session 2 in progress

Concurrent Session 3 in progress

Concurrent session 4 in progress

Concurrent session 5 in progress

Concurrent session 6 in progress

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