SPECIAL FOCUS INSIDE

'CMAs can identify business risks and ensure its mitigation in infrastructure industries' PAGE 36

the MANAGEMENT ACCOUNTANT

THE JOURNAL FOR CMAs

MAY 2015 VOL 50 NO. 5 ₹100

50 YEARS 1966 ~ 2015 *the* MANAGEMENT ACCOUNTANT

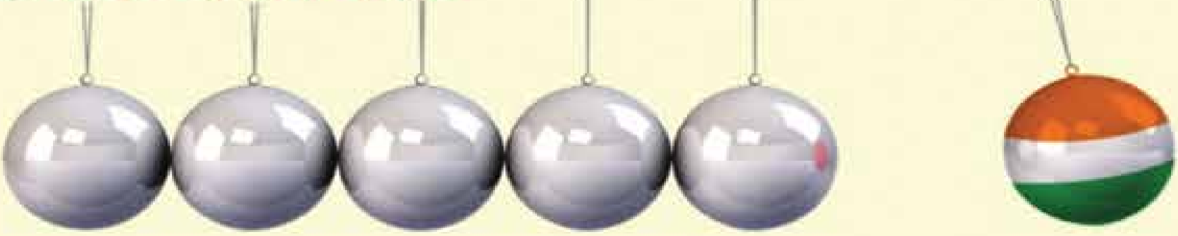
INTEGRATED REPORTING AND BUSINESS SUSTAINABILITY

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

www.icmai.in

COST & MANAGEMENT ACCOUNTANT's CONTRIBUTION TO NATION, ECONOMY & BUSINESS



The dream of "Make in India" and "Making India Cost Competitive" can be achieved with the support and skills of Cost and Management Accountants

ENABLING PERFORMANCE MONITORING & SUPPORTING RISK MANAGEMENT

Cost is an important measure of productivity, efficiency and resource utilization. CMAs support decision-making and managing the performance of any organization. This also contributes to the process of Identifying and mitigating business risks and support in developing and maintaining an **Early Warning System**, focused on Risk Management that support quick decision making for Risk Mitigation.

CRITICAL SECTORAL SUPPORT

The Institute has been constantly undertaking Research and Analysis and devising ways and means to make critical sectors of the economy cost competitive and efficient. Some of the critical sectors addressed are:

Helping to fine tune "Cost to Serve" Model for Power Sector:
An initiative on developing and fine tuning the power sector for arriving at a reasonable power tariff taking all the key components of generation, transmission and distribution that creates a viable business contributing to affordable power to all types of users. Support a ***centric methodology for energy power and resource tariff fixation*** and allow cost-effective utilization of nation's resources.

Affordable Health Care to common public – Managing Health Care Costs for Health Sector:
Supporting the Government's cause of providing affordable health care to the common public, based on the cost template by Ministry of Health and Family Welfare which will support a compensatory cost model for Government Health Schemes.

Reaching the Unreached – Making India a Skilled through affordable Higher Education:
Enabling a system of Cost Management for Higher Education to drive towards effectively provide employable skill to the youths, based on AICTE and UGC norms. Supporting a methodology by developing cost models exploring usage of Government educational facilities by private sector on a cost plus contribution model. Helping Central and State Government in robust Fee Fixation models for colleges for Higher Education.

Strengthening and making MSME's vibrant and cost competitive through a Cost & Performance Management Approach for MSME:
Enabling MSME's to develop an internal positive cash flow approach and drive them to sustain and grow thereby contributing to efficient supply chains and national building.

Right price for PPP and Infrastructure:
Supporting a process and model that provides critical inputs that aid in arriving at the right price for user charges in PPP and viability for infrastructure projects such as roads, transport, airports and ports.

Right Cost of Delivery and Efficiency – Government Schemes:
Supporting evaluation of various schemes launched by the government for public welfare from a cost of delivery standpoint and ensuring that the benefit is delivered efficiently at the ***right price***.

Make India Cost Competitive - Benchmarking productivity and efficiency for Manufacturing Sector:
As per parameters developed by productivity councils and developing a methodology for incorporating the cost factor as an incentive in appropriate government programs to revitalize the economy.

Reducing the NPA's and improving Efficiency in Banking Sector:
Supporting implementation of a methodology to go beyond the financial reporting mechanism of Delinquent borrowers and provide a ***methodology to segregate between viable and unviable Non Performing Assets (NPAs) in the Banking Sector.***

The Institute of Cost Accountants of India

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BEHIND EVERY SUCCESSFUL BUSINESS DECISION, THERE IS ALWAYS A CMA

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The Institute of Cost Accountants of India

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

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

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

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

MISSION STATEMENT

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

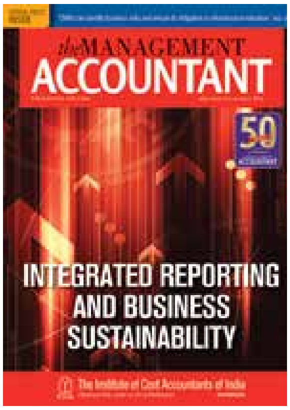
VISION STATEMENT

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

IDEALS THE INSTITUTE STANDS FOR

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

Behind every successful business decision, there is always a CMA



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DISCLAIMER

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

May 2015

Inside

COVER STORY

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FROM THE EDITOR'S DESK

Greetings!

Integrated reporting (IR) is a process which builds up the linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates. The aim of the integrated report is to give the stakeholders a holistic view of the company, its future and how it creates value. The two essential concepts of integrated reporting are capitals and the value creation process.

Integrated reporting is being adopted or explored by companies throughout the world. An increasing number of social reporting requirements driven by local regulatory bodies and stock exchanges have played a key role in continuing this momentum.

Capitals

In the IR framework, the capitals are the stores of value (or relationships) that are input into a company's business model. All organizations depend on various forms of capital for their success. The Framework describes six categories of capital. An organization is to use these categories as a benchmark while preparing an integrated report. The framework identifies the following six capitals that companies should include in their reporting:

- Financial (i.e., the pool of funds),
- Manufactured (i.e., manufactured physical objects, not necessarily owned by the organization),
- Intellectual (i.e., organizational, knowledge-based intangibles),
- Human (i.e., peoples' competencies, capabilities and experience, and their motivations to innovate),
- Society and relationship (i.e., relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being), and
- Natural (i.e., renewable and non-renewable environmental resources and processes that provide goods or services that support past, current or future prosperity of the company)

An integrated report includes eight Content Elements that are fundamentally linked to each other and are not mutually exclusive:

- Organizational overview and external environment: What does the organization do and what are the circumstances under which it operates?
- Governance: How does the organization's governance structure support its ability to create value in the short, medium and long term?
- Business model: What is the organization's business model?
- Risks and opportunities: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term and how is the organization dealing with them?
- Strategy and resource allocation: Where does the organization want to go and how does it intend to get there?
- Performance: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
- Outlook: What challenges and uncertainties the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
- Basis of presentation: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

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

SCOPE OF CMAs, SPECIALLY SMPs, REMAINS UNLIMITED DUE TO LARGE NUMBER OF MSMEs IN OUR COUNTRY

CMA Dr A S Durga Prasad
President, The Institute of Cost Accountants of India

*The best road to progress is freedom's road – **John F. Kennedy***

My Dear Professional Colleagues,

Devastating earthquake in Nepal

At the outset on behalf of the Institute, its employees, members, students and that of my own, I convey my heartfelt condolences to the people and government of Nepal for the tragic loss of life and destructions of property caused by the devastating earthquake that hit the Himalayan country last week. I pray to almighty for the peace of departed souls. I am confident that with the combined efforts of the Nepalese and Indian Government, rescue and relief efforts will be swift and that the people will be able to overcome this tragedy. I wish those injured a speedy recovery and hope that the affected areas will return to normalcy before long.

I urge upon all the employees, students and members of the Institute to come forward and contribute generously for the relief of the victims of this calamity.

Growth strategy for Small & Medium Practitioners /Firms (SMPs)

In today's dynamic and ever changing world of business, it has become essential to devise a strategy where the business gets value for every rupee spent. The emerging complex business environment has resulted in a situation where it is expected that instead of restricting themselves to conventional cost accounting and cost auditing, CMAs will increasingly contribute towards the management of scarce resources and help in strategic decisions for corporate sector with long term implications.

CMAs remain a driving force in the team of management while in employment or in practice. Contemporary environment demands that all business require relevant and appropriate information necessary to take business decisions and also to ensure sustainability. In order to ensure this, all businesses must have a Management Information System which may vary from simple to complex statistical information system and analytical system or decision support system according to the size and need of the organization. Such a system gives regular financial reports to management at all levels regarding performances measures in financial and non-financial terms. This enables the organization to understand and identify weakness. Since CMAs play a key role in every aspect of business process, it is inevitable for organizations to deploy a qualified CMA for meeting many challenges such as competition, sustainability, risk mitigation and MIS. It is in this context that organizations take CMAs either as full time cost and management accountant or take the services of practitioners who are experts in this field. Most of the organizations which are relatively bigger have inbuilt robust cost accounting system and use the services of CMAs in employment. However, there is equally large number of organisation such as Medium and small enterprises level (MSMEs) who are in need of the services of Professionals and especially CMAs.

The scope of practice of CMAs especially the SMPs remains unlimited due to large volume of MSME existing in our country. The areas of service that can be rendered ranges from Financial Advisory, Tax management including returns on a periodic basis, Pricing and tendering related issues;Internal Audit; Stock Audit; Concurrent audit; VAT audit; Preparation, Certification and E- Filing of compliance Report under statute; appearance as authorized representative in court of law; empanelment by companies and banks for their internal management requirements etc. which have increased due to enlargement of business tentacles in all areas of economy such as industry and service sector as well.

In order to lend a helping hand to this sector the Institute has initiated several measures including partnering with Industry Associations, Virtual Help Desk etc. Secondly, discussions with Top Bankers offering to provide these services through the Clusters financed by them; discussions with Health Care Providers to offers similar services to Hospitals and Nursing Homes. Apart from these, different proposals to Government for certification work have been made and are under consideration. We are hopeful these efforts will bear fruits shortly and provide a steady opportunity to SMPs for their growth and sustenance.

Seminars on Amended Companies (Cost Records and Audit) Rules 2014

For the purposes of providing clarifications and correct interpretation on the Companies (Cost Records and Audit) Rules 2014, as amended and to help and understand the intent & objectives of the Government with respect to these Rules, and to enhance the technical capability and to build the technical competency amongst the professionals, the Institute along with Trade and Commerce Associations in India is holding series of Seminars on these Rules. As informed in my previous communique that Institute in partnership with Industry associations has been organizing Seminars on Cost Rules. I am pleased to inform that these Seminars, being held on PAN India basis, are receiving overwhelming response from members. During the month of April 2015, Institute organized similar Seminars in partnership with ASSOCHAM at Hyderabad, Kolkata, Bangalore and Mumbai. On account of overwhelming response from members and industry and to provide an opportunity to all interested members to attend, Institute conducted one such Seminar at Mumbai on 25th April which was repeated on 26th April 2015.

I wish to mention that Shri R. Asokan, Advisor (Cost), Ministry of Corporate Affairs was the Chief Guest of the Seminar conducted by the Institute on 19th April 2015 at Bangalore on Cost Rules. Shri Asokan discussed several issues connected with the Cost Rules. I am thankful to him for being the Chief Guest and addressing the issues relating to cost rules.

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

Administration Department

Institute is organizing a seminar on 'Making MSMEs Sustainable and Competitive' at New Delhi and 'CMA Awards' including 'CMA–CFO Awards' and 'CMA- Young Achiever (Male/Female) Awards', as a part of the Annual day celebrations.For more details please visit Institute's website.

Advanced Studies Department

Examination notification for the Diploma Programs of Advanced Studies was hosted on the Institute's website and the candidates were sent individual mails. A two day Workshop titled "The Future CFO's" was organized by the Training & Placement Department with the Help of M/s Genpact India at HCE, for the Final Qualified students.

Coordination Committee meeting

A meeting of Coordination Committee of the three sister Institutes was held on 4th April 2015 at Indore. The Presidents of the three Institutes were present in the meeting and discussed issues of mutual interest and in particular the issues relating to Multi-Disciplinary Partnerships and issuance of certificate of practice to members who are members of more than one Institute. On the same day a program on 'Head to Head & Face to Face Meet' with three Presidents and a talk on 'Goods and Service Tax' was also organized.

CAT Department

CAT Course (Skill Development Course targeting the vulnerable sections of the society) has taken a strong root in the States of Rajasthan and Kerala thanks to the support received from the respective State Governments. In the State of Kerala, the Institute is able to organise internship for the CAT Students and first campus placement program for CAT Students was held in Kochi. Similar campus placement programs are being planned in different parts of Kerala. Similar proposals are made to different State Governments and some of them are under active consideration. I am fully confident that the Institute is fulfilling its Professional Social Responsibility through the CAT Course.

Continuing Professional DevelopmentDepartment

I wish to inform that the Institute associated with PHD Chamber of Commerce and Industry as an 'Associate Partner' for the 'Workshop Series on Indirect Taxes (with specific relevance to GST) & Annual Subscription Proposal For FY 2015-16' started from April 2015 to February 2016 at PHD House, New Delhi. There was active participation by members of the Institute in the first workshop. For details, visit website of the Institute. The Institute associated with PHD Chamber of Commerce and Industry for the continued '12 Week Workshop Series on Companies Act 2013' which covers the Act, Rules & Circulars from 13thMarch 2015 to 29thMay 2015 at PHD House, New Delhi. There is active participation by members of the Institute. For details, visit website of the Institute.

The Institute associated with the Institute of Directors as an 'Associate Partner' for 'Dubai Global Convention - 2015' on theme 'Leading 21stCentury Organization Through 'ICE' (Innovation, Creativity & Excellence)' during 20-22 April 2015 at Dubai. The CPD Department conducted webinar sessions on "Decoding the amended Companies Cost Records & Audit Rules, 2014" covering 'Practical Aspects of Cost Audit Report Including Performance Appraisal Report' and 'Practical Aspects of Maintenance of Cost Records and Cost Audit' were well received by members. The CPD Department is organizing seminar on "Decoding the amended Companies (Cost Records & Audit) Rules, 2014" on 2nd May 2015 at New Delhi and look forward for active participation from members in industry and in practice.

I am pleased to note the increasing initiatives by our Regional Councils and Chapters in organizing various programs, seminars and discussions on the topics of professional relevance and importance for members such as, Tax implications of e-commerce in India, Key Changes in Indirect Taxes in Union Budget 15-16, Role of CMAs In Internal Audit, FAQ-1 on Maintenance of Cost Records and Cost Audit & Central Excise Valuation Rules, 2001, New Concepts Under Companies Act2013 - CS & CMA Perspective, Internal Audit of Pharmaceutical Industry, Seminar on Decoding the Amended Companies (Cost Records and Audit) Rules 2014, A Talk on GST and so on. We are sure that our members are immensely benefitted with such programs. Look forward for active participation of our members to enhance professional knowledge and skills.

Cost & Management Accounting Committee

The Institute is organizing 'Higher Education Cost Summit' on theme 'Managing and Optimzing Cost of Higher Education' on 29th May 2015 at The Ashok, New Delhi. The Summit will provide networking platform to interact with Administrators, Senior & Middle Management, Academicians, Professionals in Higher Education and Practicing CMAs. Look forward for active participation from members. For details you may visit website of the Institute. Cost & Management Accounting Committee continued with the Webinars on 'Series on Cost Management" to reach members at large. These webinar sessions are well received by members. The recorded webinars can be viewed featured link at the Institute's website.

ICWAI MARF Programs

The program for the officers of Nepal Electricity Authority, Kathmandu was organized on 'Procurement and Office Management' during 12-19 April, 2015 at New Delhi/NCR, Agra and Jaipur. Another program for the officers of National Buildings Construction Corporation Limited was organized on 'Service Tax and VAT' during 27-28 April, 2015 at New Delhi.

Membership Department

I am happy to share with you that all members of the Institute who have become members of the Members' Benevolent Fund during the FY 2014-15 have been covered under "Group Personal Accident" Insurance Policy of New India Assurance Co. Ltd with sum assured of INR 100000 for a period of five years. There are about 780 members for whom this policy has been taken and individual intimation to each of these members is being sent by the Membership Department shortly. While it is our utmost belief and conviction that all our members should remain in the pink of their health, unforeseen events and acts of God cannot be ruled out and this policy is expected to insure the member against the risk of any accident. The renewal of membership for FY 2015-16 has fallen due on 1st April 2015 and I request members to clear their membership dues at an early date.

Professional Development Department

Practitioners' Kit

I am happy to inform that the Professional Development Department with the technical support from the Technical Cell constituted by the Institute on Companies (Cost Records and Audit) Rules 2014, in order to guide the Practicing Cost Accountants to follow the standardized procedures with respect to cost audit and appointment of cost auditor, issued a "Practitioners' Kit" on 23rd April 2015. Practitioners' Kit also includes specimen resolution of the Board of Directors for appointment of Cost Auditor, specimen agenda to be included in the "Notice of Shareholders' Meeting" for ratification of remuneration of Cost Auditor, suggested list of the documents, certificates and records as may be required by the Cost Auditors while conducting the Cost Audit. I am sure that Practitioners' Kit would be very much helpful to the Practicing Cost Accountants particularly to the new members of the Institute entering into the Practice. The Practitioners' Kit can be downloaded from the Institute's website.

CFC under ACES Scheme of CBEC and Extension of MOU thereof

I am also happy to inform that the Central Board of Excise & Customs (CBEC) has approved extension of MOU with the Institute for two more years effective from 1st April, 2015 to 31st March, 2017 for Automation of Central Excise and Service Tax (ACES) Scheme. The extension would enable Practicing Cost Accountants who have already registered with ACES through the Institute to continue with their services under ACES during the extended period without payment of any fee. The Cost Accountants in whole-time practice who would like to act as Certified Facilitation Centre (CFC) under ACES scheme may apply through the Institute.

Under the ACES Scheme of the CBEC, the Cost Accountants may offer their services on the fees prescribed in the MOU for services such as digitization of paper documents and on-line filing/ uploading of documents such as application for registration, filing of returns, refunds, accounting, disputes resolution, audit, provisional assessment, exports, claims, intimations and permission to assessees. For on-line application & modalities for Certified Facilitation Centre (CFC) under ACES Scheme of CBEC and for other related documents, members may refer to the Institute's website.

Research & Journal Department

The Department of Research and Journal of the Institute organized a program on the topic "Food Crisis and Sustainable Agriculture" on April 27, 2015 at EIRC Auditorium of the Institute. Shri Arup Roy, Minister-in-Charge, Agriculture Marketing, Government of West Bengal, being the Chief Guest noted various issues relating to agriculture in West Bengal. Shri Sandip Ghose, Director, NISM, Prof. (Dr.) A. Zaman, Agricultural Scientist and Former Director of Research in BCKB University were among the other eminent dignitaries being present on the dais and shared their valuable views on the concerned theme. A Research Study on the same topic has been released on the same day and I am sure this would provide a road map to give a boost to the agricultural sector in India.

Department also organized a National Seminar on "Capital Markets in India: Governance & Reforms" in association with National Institute of Securities Markets, an educational initiative of SEBI on April 28, 2015 at Rotary Sadan, Kolkata. Shri Sandip Ghose, Director, NISM, CMA N. K. Bhola, RD, Eastern Region, MCA, Shri S. Ramakrishnan, Regional Head, Kolkata, SIDBI, CMA Dr. Ashis Bhattacharyya, Advisor, ICAI& Professor, IICA were among the distinguished personalities in the inaugural session including Shri S. Raman, the Whole Time Member of SEBI as the Chief Guest. Quarterly publication of ICAI Research Bulletin, Vol.41, No.1, April 2015 issue got released during the inaugural session of the event. In the Panel Discussion I, Governance & Growth, Shri N. Hariharan, CGM, SEBI, Shri B.B. Chatterjee, Executive VP, ITC Ltd, Shri P.K. Choudhury, Former Chairman, ICRA, CMA Dr. Ashish Bhattacharya were among the key dignitaries present in the discussion and in the Panel Discussion II, Market Reforms, Shri R.N Kar, Regional Director, RBI, Kolkata, Shri B. Madhav Reddy, MD & CEO, CSE, CMA (Dr.) Sunder Ram Korivi, Dean, NISM, Shri Tamal Bandopadhyay, Consulting Editor, MINT were among the eminent personalities present in the discussion. Mr. Kevin Moore, Global Business Development Director, CISI, UK conducted a decision making special session on Integrity at Work. The event was participated by delegates from CSE, SIDBI, CRISIL, ICRA, CISI, NISM, corporate houses, banks and eminent professors and researchers of this field.

I wish prosperity and happiness to members, students and their family on the occasion of May Day, Budh Purnima, Hazrat Ali Birthday and Guru Rabindranath Tagore Birthday.

With warm regards,

(CMA Dr. A S Durga Prasad)
1st May 2015

ICAI-CMA SNAPSHOTS

ICAI-CMA SNAPSHOTS

1. Institute signs MoU with the Association of Chartered Certified Accountants (ACCA) on February 20, 2015

2. CMA Dr. A S Durga Prasad, President, ICAI, Shri G Srinivasan, CMD, The New India Assurance Co. Ltd, Mr. Rahul Khosla, MD, Max India Limited and Chairman, Max Healthcare, CMA A N Raman, PP, SAFA, CMA Hari Krishan Goel, CCM, ICAI at the Asian Summit on Health Care Cost Management.

3. CMA Dr. A S Durga Prasad, President, ICAI, CMA M Gopalakrishnan, PP and CCM, ICAI, CMA A N Raman, PP, SAFA, Shri G Srinivasan, CMD, The New India Assurance Co. Ltd, Mr. Rahul Khosla, MD, Max India Limited and Chairman, Max Healthcare at the Asian Summit on Health Care Cost Management

4. Meeting with CMD, Neyveli Lignite Corp. Ltd. President meets Shri B Surender Mohan, CMD, Neyveli Lignite Corp. Ltd. along with CMA M Gopalakrishanan, CCM & Former President.

5. Coordination Committee Meeting of three Professional Institutes held on April 4,2015 at Indore

6. From Left: CMA JK Budhiraja, Director, Professional Development of the Institute, CMA Chandra Wadhwa, CMA Kunal Banerjee, Past Presidents of the Institute, and CMA Dr. Debaprosanna Nandy, Director, Research and Journal of the Institute on the dais at the seminar held on 'Decoding The Amended Companies (Cost Records and Audit) Rules , 2014' organized by the Institute in partnership with the Associated Chambers of Commerce and Industry of India.

7. CMA M. Gopalakrishnan, CMA Chandra Wadhwa, CMA Kunal Banerjee, Past Presidents of the Institute and CMA S.A Murali Prasad, member of the Institute on the dais, in a discussion at the seminar held on 'Decoding The Amended Companies (Cost Records and Audit) Rules, 2014' organized by the Institute on March 27, 2015 in partnership with the Associated Chambers of Commerce and Industry of India and SIRC.

8. Release of the quarterly publication of the Institute's Research Bulletin, Vol.41, No. I, during the inaugural session at the National Seminar on 'Capital Markets in India: Governance & Reforms' held on April 28, 2015, in Kolkata, organized in association with NISM, an educational initiative of SEBI and the Institute.

From left: CMA Dr. Debaprosanna Nandy, Director, Research and Journal of the Institute, CMA Dr. Asish K. Bhattacharya, Advisor, ICAI-CMA & Professor, IICA, Shri Sandip Ghose, Director, NISM, Shri S. Raman, Whole Time Member of SEBI, CMA N. K. Bhola, RD, Eastern Region, MCA, Shri S. Ramakrishnan, Regional Head, Kolkata, SIDBI

9. Shri S. Raman, Whole Time Member of SEBI deliberating his valuable opinions on the dais at the National Seminar on 'Capital Markets in India: Governance & Reforms' held on April 28, 2015 in Kolkata, organized in association with NISM, an educational initiative of SEBI and the Institute.

10. Seminar on Decoding the Amended Companies (Cost Records and Audit) Rules 2014, held on April 19, 2015, Bangalore, inaugurated by Shri R. Asokan, Advisor (Cost), Ministry of Corporate Affairs, as Chief Guest.

11. Seminar on Decoding the Amended Companies (Cost Records and Audit) Rules 2014, held on April 25 and 26, 2015, organized by the Institute (WIRC) in partnership with the Associated Chambers of Commerce and Industry.

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PAPERS INVITED

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

Issue months	Themes	Subtopics
June 2015	Skill Development & Productivity	• Skill development for inclusive and sustainable growth • Enhancing skills and productivity through professional education • Rural & Women Entrepreneurship • CMAs and Skill Development • Empowerment through skill development • Government initiatives • Role of Financial Institutions • Role of Corporate Sector in skill development
July 2015	Microfinance and Self Help Group (SHG)	• Micro credit model in India • Empowering & Sustainability of SHGs • Role of Professionals • Financial Inclusion & SHGs • Role of Government • Performance of SHGs in India • Community audit and auditor
August 2015	Business Process Modeling (BPM)	• Mapping the Business Landscape • Business process management • BPM tools & techniques • BPM & IT applications • Improving Performance using Models • Role of CMAs in BPM • Case studies
September 2015	Securities Markets in India & Economic Growth	• Indian Financial system • Return, Risk & Performance Analysis • Regulation and Stock exchanges • Government support and Investor awareness • Public fund and its protection • Emerging areas • Role of CMAs

The above subtopics are only suggestive and hence the articles may not be limited to them only.
Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport-size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for publication anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st of the previous month.

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IR - A POWERFUL TOOL FOR GOVERNANCE, STRATEGY AND PERFORMANCE

Integrated Reporting helps the company manage processes and activities in a more effective way and, most importantly, build awareness of the heterogeneous capitals, resources, and relationships used and affected

Jonathan Labrey
Chief Strategy Officer
International Integrated
Reporting Council, London

Value to the board

Corporate reporting, and the thinking that has to accompany it, are boardroom issues. This is where strategy, performance and the development and communication of long-term value are best understood, aligned and led. This view is endorsed by the International Corporate Governance Network (ICGN) whose revised Global Governance Principles now include the recommendation that boards should produce an integrated report. Reporting is firmly placed among the responsibilities of top management.

Board members are best placed to ensure overall organizational and cultural alignment and to achieve the benefits that come from effective reporting practices. Investors may not yet routinely request integrated reports, but this should not be a reason for boards to delay starting their <IR> journey. Investors say they have more confidence in management when they gain a clear picture of the business from reporting. As PwC research shows, investors clearly want the benefits associated

91% HAVE SEEN A POSITIVE IMPACT ON EXTERNAL ENGAGEMENT WITH STAKEHOLDERS; 92% HAVE A BETTER UNDERSTANDING OF VALUE CREATION; AND 79% REPORT IMPROVEMENTS IN DECISION MAKING

with the broader reporting focus of <IR>. At the same time, boards are increasingly pursuing long-term strategies that integrate wider sources of value creation. This will incline them towards an <IR> approach; it will be a natural part of boardroom thinking to report organizational performance in relation to long-term value creation –a need and intent that is aligned with the International <IR> Framework.

There is increasing evidence too of the benefits boards can gain from adopting <IR>. The latest IIRC research conducted by corporate communications consultancy BlackSun identifies both external and internal benefits. Among organizations piloting the <IR> Framework, 91% have seen a positive impact on external engagement with stakeholders, including investors; 92% have a better understanding of value creation; and 79% report improvements in decision making.

In today's world, news travels fast. Big data, the internet and social media mean that hiding less favourable news is increasingly hard to do. We live in an age of transparency. <IR> is, at one level, a strategic response to the challenges of operating successfully within modern society. It is also about doing the right thing. The recent report tomorrow's Business Success, poses the question, "Why would a company not want to be trusted?" It reflects in part the need for boards to recognize that they have a wider purpose extending beyond delivering financial success for shareholders. Many leading companies already understand this, and are embracing <IR> as a practical means of telling a compelling story about how they are creating long-term value and so contribute to the greater good, not only in pure business terms, but also for society at large. Their leading practices will inspire others to follow.

Building trust and reputation

Following the global financial crisis, the need for boards to build trust in their businesses with all their stakeholders and demonstrate their contribution towards long-term economic stability has become a high priority. <IR> has an important part to play.

In the wake of the global financial crisis, huge effort has been spent on analyzing its causes, dissecting weaknesses in capital markets and governance frameworks, and seeking ways to prevent a recurrence.

Now market participants are increasingly focused on rebuilding trust. The trust-building challenge facing boards is particularly important in the light of post-crisis analysis that has identified a widespread loss of confidence in the current capitalist model as a force for good for everyone in society.

Dominic Barton, global managing director of McKinsey, has called on business leaders to rise to the challenge of reforming capitalism for the long term. However, as he outlines in the recent report Tomorrow's Business Success, there are three major challenges to be faced in achieving reform: the need for businesses to focus on the long term; for executives to ensure their organizations serve the interests of all major stakeholders (employees, suppliers, customers, creditors, communities and the environment); and for the boards of public companies to govern like owners. He believes<IR> can help business leaders meet these challenges, stating, "<IR> enables companies to set out how they create value and can provide the shared language which enables boards, business executives and investors to more effectively engage to unlock future wealth."

PwC has been considering the importance of trust for some years. Its 2010 paper, Trust: the overlooked asset, opened with this stark statement: "In an era of increasing connectivity and intensifying public scrutiny, trust is the lifeblood of any organisation – a critical asset in ensuring a business's long-term survival and success. The aftermath of the recent financial crisis has demonstrated both the vital importance of trust and the severe consequences to economic prosperity when it is undermined by perceived untrustworthy behaviour." But, as the report notes, because trust does not appear on the balance sheet, it is "widely overlooked". The paper poses some pertinent questions for businesses, such as:

- Do you focus solely on revenue growth or is it just as important to your organization how this wealth is created?
- To what extent do you look beyond financial performance to measure your stakeholders' experiences of your organization, through metrics such as employee engagement, customer loyalty and social responsibility?

Building blocks of trust

Building and sustaining trust in their organization is undeniably a core element of the board's role.

Public relations consultancy Edelman believes, "Unlike reputation, which is based on an aggregate of past experiences with a company or brand, trust is a forward facing metric of stakeholder expectation." The 2014 Edelman Trust Barometer, based on a substantial global survey, found that trust in business has stabilized (while trust in government has fallen), but since 2008, the factors seen as building trust in business have changed. Survey participants now place greater importance on engagement and integrity-based attributes such as treating employees well (59%), listening to customers (59%) and exhibiting ethical and transparent practices (56%). These factors now carry more importance than operational- based attributes, including financial performance (36%). Edelman's research suggests that CEOs can build trust in themselves and their companies by communicating clearly and transparently (82%), telling the truth regardless of how unpopular it is (81%) and engaging regularly with employees (80%).

One challenge in building trust concerns the need for businesses – many of which now have the financial power greater than some national economies – to be held accountable. Today's giant corporations have more power to affect employment, finance and society than government bodies. As their power has grown, so has the call for greater accountability of businesses – not just to their shareholders, but to the communities in which they operate and which provide their "licence to operate".

At the same time, however, there has been a general loss of confidence in the ability of corporate reporting to provide investors and wider stakeholders with the information they need in order to hold boards to account. A recent study, Understanding Investors: Directions for Corporate Reporting, by global accountancy body ACCA, revealed that more than two-thirds of investors have lost trust in company reports since the onset of the global financial crisis.

The board's response

How can boards respond? Many companies are already adopting <IR> as a means to build trust and communicate clearly with multiple stakeholders, with relevance to wider society as opposed to shareholders only.

As outlined in the September 2014 issue of Strategic Finance magazine, published by the Institute of Management Accountants (IMA), Japan-based convenience store franchise Lawson, Inc. produced its first integrated report in 2013, which "illustrates how the company's business model is tied to possible solutions to the social and environmental challenges of the local communities". Local issues (such as an ageing population) and global issues (such as climate change) "are connected to the multiple actions that Lawson, Inc. has implemented as part of its mission to realize a sustainable business growth in harmony with society and the environment".

<IR> is a key mechanism by which boards can present the full picture of their company's use of all relevant resources (or 'capitals'), and so help to address weaknesses in today's capital markets. In their publication, A Manifesto for Sustainable Capitalism, Al Gore and David Blood assert that Integrated Reporting encourages companies to integrate both their financial and environmental, social and governance performance into one report that includes "only the most salient or material metrics". They state, "This enables companies and investors to make better resource-allocation decisions by seeing how ESG performance contributes to sustainable long-term value creation."

Similarly, global insurer Aviva's white paper, A Roadmap for Sustainable Capital Markets, argues that capital markets do not incorporate companies' full social and environmental costs, and therefore that capital is not being allocated correctly. The paper states, "Integrated reporting by companies is fundamental to the ability to execute responsible investment strategies." It warns that without <IR>, investors cannot integrate the environmental, social and governance performance measures of corporate sustainability into their valuation work. "As a result, a company's cost of capital does not reflect its sustainability." Investors are not able to take account of a company's ability to continue as a viable business.

Widespread consensus

Regulators and other bodies are thinking along similar lines. The Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO), for example, are among those taking a greater interest in <IR> as a route towards achieving more cohesive reporting and financial stability.

The Brazilian National Development Bank (BNDES) has a keen interest in supporting financial stability. Vânia Maria da Costa Borgerth, senior advisor on market transparency to the bank's president, sees strong benefits from encouraging <IR>. In the IIRC Pilot Programme Yearbook, she said, "We understand that improving transparency will create more stable capital markets that are better prepared to grow," she says. "We're involved in Integrated Reporting because we think it is a much more transparent way to see a company as a whole, not just as a profit entity.

"As an accountant, I think financial information is no longer enough to provide the market and investors with information they need in order to make decisions. Investors, suppliers, clients and society will generally benefit; transparency reduces uncertainty. Having a more transparent way of presenting a company so that the whole market understands it better can help avoid drastic decisions and systemic risk, even during a crisis."

The ultimate aim is that by applying <IR> to achieve greater transparency of material information and present a clearer value creation story, boards can build and sustain trust not only in their own companies, but also in the capital markets as a whole.

Articulating strategy and the business model for better investor dialogue

Telling the company's performance story is an important part of the board's responsibilities. Explaining strategy and the business model is essential to present clearer and more complete information to investors and other stakeholders.

One problem with traditional investment decisions is that they are based on financial metrics alone. But according to global consultancy Interbrand's 2013 survey of brand values, Coca-Cola's brand value amounted to around 48% of its market capitalization.

This is no isolated example. Research in 2010 by US merchant bank Ocean Tomo, an intellectual capital specialist, looking at trends over four decades, found that net assets of S&P 500 companies represented only around 19% of market capitalization in 2009, compared to 90% in the 1970s. In other words, intellectual capital and other intangible assets not captured on the balance sheet now drive market value.

Boards need to address this information gap, to express clearly and concisely how their strategy creates value over time, and how they generate profits and manage risks. The process of <IR> enables organizations to do this by taking into account the relationships between different areas of a business, its use of capitals and the business model.

Holistic reporting

According to Bob Laux, Senior Director of Financial Accounting and Reporting at Microsoft Corporation, <IR> helps organizations to articulate their performance and future potential. He says, "<IR> provides a holistic method for explaining how the organization is doing, and how the management team thinks it will do in the future... It takes into account the connectivity and interdependencies between the range of factors that have a material effect on an organization's ability to create value over time."

Dimitris Lois, Chief Executive Officer at Coca-Cola HBC, also sees benefits. "Integrated Reporting reflects how our company thinks and does business," he says. "This approach allows us to discuss material issues facing our business and communities and show how we create value, for shareholders and for society as a whole."

It is precisely the board's view of how the organization's strategy, governance, performance and prospects – in the context of its external environment – lead to the creation of value in the short, medium and long term that investors want to know. A recent survey among investment professionals by PwC found that a large majority87%) of respondents felt that clear links between a company's strategic goals, risks, key performance indicators and financial statements was helpful for their analysis.

Nearly two-thirds (63%) believed that the quality of a company's reporting – including information about strategy, risks and other drivers of value – could have a direct impact on its cost of capital, according to the report – Corporate performance: What do investors want to know? However, substantial gaps are perceived between the importance of these topics and the effectiveness with which companies report on them. The PwC report concluded, "Developing more integrated reports could potentially better meet the needs of investment professionals, while also encouraging more cohesive decision-making within companies to support longer-term value creation."

Filling information gaps

Sonja Simon, Head of Group Accounting and Reporting at SAP, the enterprise application software company and a participant in the<IR> Business Network, believes <IR> can help investors to understand the business better, by filling some important information gaps.

"I have heard a number of times that analysts and investors don't have the necessary information and have to guess, which carries a risk premium," she explains. "The more transparent we are about how we plan to meet challenges, and provide information showing how we actively manage not only our short-term financial numbers but also take steps to safeguard the future, the less risk premium there will be. Integrated Reporting can help communicate this."

Considerable evidence has been amassed in recent years to indicate that traditional corporate reporting has not been meeting the needs of investors – it fails to provide them with the information they need to understand future value creation potential. For example, The KPMG Survey of Business Reporting, published in May 2014, looked at reporting by around 90 companies in 10 countries over a five-year period. It found that, while 56% of audit committees (surveyed separately) name customer focus as a top three value driver, only 7% of companies provide performance data on customer focus or satisfaction. The report notes that "boards have an essential role to play in ensuring that the content of their reports addresses what they consider to be the most important drivers of their business". It finds that "at present, the weight of reported information does not reflect the drivers of business value, and therefore could align better with investor perspectives of value."

Importance of the business model

KPMG's report makes a strong case for the importance of describing the business model. First, explanation of the model is the starting point for building a business-focused picture of the business – and should encourage the more complete provision of relevant operating performance measures. Second, the business model provides an essential context, helping readers to begin to assess the potential impact of future events.

Providing clarity on the business model, for both board members and external stakeholders, is one outcome of <IR>. "All stakeholders will benefit from<IR> because of its focus on future orientation and ensuring a clear understanding of the story of value creation through developing one organizational business model," comments Sandra Guerra, Chair, Instituto Brasileiro de Governança Corporativa and IIRC Council Member. "Investors alongside other stakeholders will benefit from <IR> as embedded in its Framework is a culture of transparency and stability."

Companies already adopting <IR> are seeing improved communication with their stakeholders. "<IR> enables us to better communicate how we are executing against our strategy and in doing so create value for our key stakeholder groups," says Mikkel Larsen, Managing Director and Head of Tax& Accounting Policy at DBS Bank Ltd.

Corporate reporting evolution

According to the Annual Report on Annual Reports 2014 by Report Watch, integrated reports represent the evolution of corporate reporting.

"Integrated Reporting is the logical consequence of the growth of sustainability and corporate responsibility as issues... One report out of three in the Annual Report on Annual Reports 2014 top50 may qualify, partly or fully, as "integrated"." Report Watch also notes that a third of investment decisions are based on non-financial attributes, commenting, "Companies must now report to a broader audience than shareholders – themselves often looking beyond numbers too – and speak to several categories of stakeholders. These expect more than accounts, financials and business indicators, and want to know why, where and how companies create and add value, and how they deal with responsibility and sustainability." The study also refers to a survey among buy-side investors worldwide by US-based Rivel Research showing "clarity of business strategy" and "growth potential" as the two major aspects considered for long-term investment.

Damien Walsh, Managing Director at Australia's bankmecu, sums up the views of many about the communications benefits of <IR>. "This approach to reporting recognizes that companies do not exist and operate in a vacuum – but rather in a complex interdependence between economic, social, cultural and environmental inputs, performance and impacts," he says. "Ultimately it is improved and more complete communication which will help forge stronger connections between our bank and its customers – and that's good business."

Enhancing the board's governance role

The modern corporate is increasingly seen as having a wider purpose in society beyond delivering value to shareholders. As the board's governance role expands accordingly, so <IR> is increasingly being used as a tool to understand and communicate value creation in its broadest context.

Recent business theory has been dominated by the idea that maximizing shareholder value is the only corporate goal. New thinking is now challenging this assumption, arguing the case for a far broader corporate role and with it the need for a broader governance perspective by the board.

Steven Pearlstein, in Social Capital, Corporate Purpose and the Revival of American Capitalism, a 2014 paper published by non-profit public policy organization the Brookings Institution, claims that there is little basis in history or law for the idea that the sole purpose of a corporation is to maximize profits for its shareholders. He argues that the idea only took hold in the 1990s – through a combination of hostile takeovers, increased stock-based compensation for executives, and quarterly earnings guidance. In contrast, he states, "well into the 1960s, corporations were widely viewed as owing something in return to the community that provided them with special legal protections and the economic ecosystem in which they would grow and thrive."

Social capital

Pearlstein writes of the lack of emphasis on 'social capital' in capitalist systems, compared with financial, human or physical capitals. His paper states, "Social capital is the trust we have in one another, and the sense of mutual responsibility for one another, that gives us the comfort to take risks, make long-term investments, and accept the inevitable dislocations caused by the economic gales of creative destruction.

The importance of social capital and creating value for wider society is being embraced by businesses implementing <IR>, as is the role that <IR> can play in supporting associated governance needs. Christie B. Kelly, Chief Financial Officer of Global real estate services provider JLL, a participant in the<IR> Business Network, says, "Our aim is to create value for our clients, shareholders, employees and the global community. At JLL, we recognize that this value creation story also includes a focus on environmental, social and governance issues."

Mervyn King, Chairman IIRC and Leigh Roberts, Project Director: Sustainability and Integrated Reporting at The South African Institute of Chartered Accountants (SAICA), explore the implications of the wider corporate role in their book, Integrate: Doing business in the 21st Century, suggesting that <IR> can help boards meet the complex governance challenges they face. The author's state, "Good corporate governance in the modern world is the understanding of the inseparability of the company's strategy, risks, opportunities and financial performance and the impacts it has on society and the environment.

"This requires effective leadership by the board with an integrated thinking approach to setting integrated strategy, performance and reporting. It requires an integrated and inclusive governance approach in considering the needs of key stakeholders. It requires that decision-making aims at making business judgement calls that result in the company continuing to create value in the long term."

Interconnected risks

Generating long-term value depends on effective risk management. As the World Economic Forum highlights in its Global Risks Report 2014, global risks are interconnected. It notes that to manage global risks effectively and build resilience to their impacts, "better efforts are needed to understand measure and foresee the evolution of interdependencies between risks, supplementing traditional risk-measurement tools with new concepts designed for uncertain environments."

As businesses operate in uncertain environments, so they increasingly need to understand the interdependencies that affect them. So do investors, who need a full understanding of the risks facing businesses in order to allocate capital appropriately, However, there is a lack of capacity within the established network of standards and legislation to "join the dots" in a meaningful, concise and comparable way. In this context, <IR> becomes a valuable risk management tool.

Integrated reports provide a more complete picture for investors and other stakeholders, and because<IR> requires business units and functions to communicate with each other, it challenges internal silo mentality, so management information becomes more cohesive. This provides an early warning system that alerts boards to significant risks earlier, and triggers decisions that otherwise may not have been taken. <IR> therefore plays an important role in strengthening governance frameworks.

Politicians and regulators are looking for ways to encourage long-term, stable growth for their economies. Increasingly, <IR> is being positioned as an important building block of an effective governance framework. For example, the July2014 report of the UK Commission on the Future of Management and Leadership, Management2020: leadership to unlock long-term growth makes a range of recommendations designed to enhance the quality of management. Corporate reporting is the focus of one key recommendation for government. The Commission's report calls on government to "encourage employers to expand annual reports to include both social purpose and broader people metrics." It specifically refers to the<IR> Framework as providing a good starting point for many organizations.

The Singapore Stock Exchange, together with professional bodies and other stakeholders, is also exploring avenues to enhance the quality of information available to the capital market. Magnus Bocker, Chief Executive Officer of the Singapore Stock Exchange, stated, "We support having a continued dialogue and discussion on Integrated Reporting as we want to participate to help shape the future."

Mutual benefits

The encouraging news for boards that embrace their broader governance role through <IR> is that corporate performance and investor support should both be strengthened.

A 2014 Harvard Business School report drew from a sample of 1,066 US companies practicing degrees of Integrated Reporting, and concluded that "more <IR> is associated with a more long-term investor base" and that "<IR> is positively associated with percentage of shares owned by dedicated investors and negatively with percentage of shares held by transient investors". This suggests that "firms practicing<IR> not only attract dedicated investors but also become unattractive for transient investors".

"Integrated Reporting is far more than just the process of publishing better annual reports," says Thomas Kusterer, CFO of EnBW. "Besides being a powerful communication tool, Integrated Reporting can be used as an effective governance tool for performance-oriented management."

Supporting better decision making through integrated thinking and <IR>

Integrated thinking is increasingly seen as a necessary requirement for delivering long-term value creation by businesses building connectivity across organizations, breaking down internal barriers and enhancing decision making.

The challenges facing company boards in terms of building trust, communicating strategy to shareholders and fulfilling their broadened governance role are significant. As companies grapple with these challenges, the need for integrated thinking is increasingly being identified.

In their book, Integrate: Doing business in the 21st Century, Mervyn King and Leigh Roberts consider the concept of integrated thinking. They explain that integrated thinking by the board involves "understanding the company's dependency on its various resources and relationships, along with the associated risks and opportunities". They state, "In the board's ongoing decision-making, integrated thinking means it will assess whether a considered action adds worth to the company, its effect on key stakeholders and company reputation, and its impact on the future availability and affordability of the resources the company relies on."

Integrated thinking can be contrasted with "silo thinking" in that it takes into account the connectivity and interdependencies between the ranges of factors that affect an organization's ability to create value over time. The more that integrated thinking is embedded into a company's activities, the more naturally will the connectivity of information flow into management reporting, analysis and decision making.

KPMG has studied the experience of applying <IR> in South Africa, including the need to develop integrated thinking. "Applying Integrated Reporting principles to identify and assess a consensus view of the material issues required "integrated thinking" through involvement of all relevant disciplines in the business," comments Mark Hoffman, Integrated Reporting, and KPMG in South Africa.

Integrated decision making

This experience appears to be replicated elsewhere. Many companies find that, as they move towards <IR>, they need to develop integrated thinking across the organization.

This leads to more integrated internal management reporting and is also having an impact on decision making, according to latest IIRC research conducted by Black Sun. The September 2014 report, Realizing the benefits: The impact of Integrated Reporting, notes, "Decision making is changing as organizations understand their own value creation processes differently, and make changes to the way that they measure and manage performance. Our research found that a large majority of organizations experienced improvements in decision making. In this case, significant improvements were seen at every stage of the reporting journey."

SAP's 2013 integrated report draws attention to the connections between the financial and non-financial performance of the business, as measured, for example, by revenue and margin, and customer loyalty and employee engagement. It explores the "cause-and-effect relationships" between the financial and non-financial indicators. Having studied companies already implementing <IR>, academics Cristiano Busco, Mark L. Frigo, Paolo Quattrone and Angelo Riccaboni note, "Understanding integrated cause-and-effect chains within the process of value creation... helps the company manage processes and activities in a more effective way and, most importantly, build awareness of the heterogeneous capitals, resources, and relationships used and affected."

SAP's report, supported by specific analysis, suggests that a company culture with engaged employees enhances the company's employer ranking, helping it to attract top talent, spurring innovation and ultimately boosting revenues.

Given the impact that <IR> can have on decision making; the benefits of its adoption clearly extend beyond pure reporting. This is certainly the view of Bertrand Badré, Managing Director and World Bank Group Chief Financial Officer. "Integrated Reporting does more for an organization than just facilitate the creation of a holistic report of overall performance," he says. "It fosters and embeds integrated thinking – everyone has a common understanding and speaks the same language.

"At the World Bank Group, in addition to being a global development institution we are also a financial institution, and see the International<IR> Framework as a tremendous tool to help us align our performance with our strategic developmental objectives." MA

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MANAGEMENT TOOLS THAT MAKE CORPORATE REPORTING KEY PART OF BUSINESS STRATEGY

Both IR and EPM can simultaneously serve the requirements of the entity and its stakeholders. If both these techniques can be merged and designated as 'Enterprise Pervasive Performance Reporting', it will represent a broader expression of the company's deliverables, its financial stability, readiness for achieving scalability and sustainability through riskier times

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BUSINESS eco-system across the world in general and of India in particular is more and more becoming volatile, uncertain, complex, ambiguous and unpredictable. This has further intensified the need for taking faster, effective and timely decisions to survive grow and sustain. Dissemination of relevant information with requisite analyses, including predictive ones for near future, has assumed super ordinate importance for stakeholders to position themselves vis-à-vis an entity. This requirement brought forth the advent of one specific concept called 'Integrated Reporting' (IR), by way evolution from yester years' corporate reporting.

The demand from management for providing more information with due analyses and effective mitigation measures for enterprise risk management (ERM) has increased manifold. In such a scenario effective Enterprise Performance Management (EPM) systems and procedures, coupled with pervasive management planning and control (MPC), has assumed critical importance as an imperative. Otherwise it will be extremely challenging for the leadership team to work on predictive modeling needed for IR.

Predominant objective of this paper is to understand and appreciate the nuances of IR while it is in its process of getting crystallized. It aims at exploring how an organization can achieve a state of readiness by using EPM as a tool for successfully embarking upon the process of IR and can transform corporate reporting into an essential element of long term corporate strategy.

Advent of Integrated Reporting and need for EPM

Integrated reporting in substance has been explained by the International Integrated Reporting Council (IIRC)1. It is all about bringing together material information of an organization's long and short term strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. All these are in addition to the contents of traditional corporate reporting. It is also intendeds to provide a periodic, clear and concise representation of how an organization creates and preserves values for all stakeholders now and shall continue to do in future. The stated mission of IIRC mission is to create the globally accepted IR Framework that will elicit pervasive material information in a clear, concise and comparable format. The Framework is intended to underpin and accelerate the evolution of corporate reporting, reflecting developments in financial governance, management commentary and sustainability reporting.

EPM is an inclusive tool to view, examine, and improve the key input elements and results from operations that distinguish an entity from the rest. Primarily it is simple to comprehend and as such the entire organization can effectively be involved. Secondly, this methodology is outcome-based, focusing on minimization of value destruction and optimization of value generation. It considers end to end operations of an entity in a closed-loop model, defines four disciplines and covers the six stages of the closed-loop EPM process model.

The four disciplines are strategy formulation, business planning and forecasting, financial management, and supply chain effectiveness. The six stages of the closed-loop are strategy development, strategy translation, organization alignment, operations planning, learning and monitoring, and finally testing and adaptation. The task of alignment keeps in view the value delivery continuum commencing from the vision statement and ends up with continuous elevation in standards for achieving all stakeholders' delight through improved value deliveries.

Evolution and Emerging Realities of Corporate Reporting

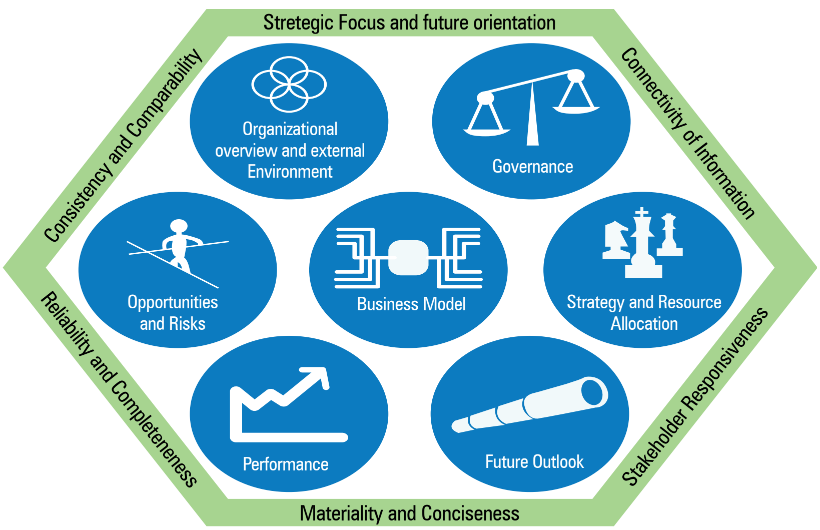
Across the world corporate reporting is undergoing huge metamorphosis. It is transforming from mere financial and governance related information to an initiative by which all forms of relevant information for examining and evaluating the firm's qualitative and quantitative performance and impacts thereof on society will clearly and comprehensively be reported. According to Peeva and Noetzel(2009)2 investors now want to combine the three key elements, viz., environmental, social and governance (ESG) into their analyses and decision making. The present authors wish to add unwavering focus on 4P bottom line. Those 4Ps are Product, Profit, Planet and People. The investors want to be liberated from their myopic view, as they choose to become long term value investors.

The process to integrate ESG is now being spearheaded by IIRC with the mission to create a globally accepted IR framework to meet the needs of a more sustainable global economy. IIRC proposes to demonstrate the linkages between an entity's strategy, governance, and financial performance vis-a-vis the social, environmental and economic context within which it operates. Objective is to enable managers to take effective decisions and facilitate all stakeholders to understand how an organization is actually performing.

The ultimate objective is to enable the organizations to continuously defining their own destiny instead of allowing Analysts and Stock Brokers at large to influence investors while forming their opinion about sustainable value generation ability of an entity. An Integrated Report should, therefore, strive to deal with the following key matters as illustrated in **Figure-1**:

- Organizational overview and external environment;

Figure: 1 - The guiding principles and content elements



Source: IIRC's Draft for Consultation, December 2013

- Governance structure that will facilitate value creation across time horizon;
- Opportunities and risks influencing the organization's short, medium and long term operational results and managerial measures for dealing with them;
- Strategies, tactics and resource allocation with specific focus on points emerging from periodical SWOT analyses for managerial focus;
- Present business model and its needful metamorphosis as the future unfolds itself; and
- Mapping performance and its impact on all sorts of capital, which translate into financial strength and stability, ranging from manufacturing, human and natural capital that facilitates the environment in which all the other capitals are placed.

An Integrated Report, published by an entity should capture strategic and future orientation, inform the inter-dependencies amongst the components which are of substance in creating values over time, responsiveness to stakeholders 'concerns and should be material, succinct, reliable, complete, consistent and comparable. The draft for discussion published by IIRC in December 2013 indicates that if the organization is unable to report any issue then it should indicate which information are excluded and reasons thereof. If any data is inaccessible, then specific steps being taken to attain it. Such a report will surely satisfy the needs of all the stakeholders and will provide a holistic view about the organization. This will in turn serve the grater cause for minority shareholders.

IR endeavors at better reporting and not more reporting. It demands that ultimately, business strategies should be designed in a manner that will facilitate both the business and the stakeholder to grow hand-in-hand. IR is expected to provide and shape up a concrete future of the business for all stakeholders. An Integrated Report should, therefore, be an organization's primary reporting vehicle.

EPM – An Imperative for Integrated Reporting

EPM is a subject matter of business intelligence area. Ariyachandra and Frolick (2008)3ranked EPM as one of the top ten technology trends that CIO's should have on their radar. It was considered useful by Schultz (2004)4to "keep a jump ahead of the competition". Bititci, Turner and Begemann (2000)5states that a performance measurement system should be a dynamic system in order to keep the integrity, alertness and responsiveness of the organization. In strategizing this way one can cope with variations in the internal as well as the external environment.

EPM system is the application of analytical information to ascertain sustainable effectiveness of operations in order to gain fully scrutinize, control, and administer the execution of strategic plans through tactics and action steps. It aims at combining the business strategy and technology enabled facilities to channelize the organisation towards achieving pervasive objectives with deployment of optimised resources. The intent is to continuously generate and retain competitive advantages.

The dynamic enterprise performance measurement system consists of monitoring systems for both external and internal factors, a review system to decide dynamic short term internal objectives and priorities, and an internal resource deployment system to position the revised objectives and priorities to critical parts of the system. The model is applied at different layers of the company, resulting in an integrated model. The EPM framework comprises of the following:

- Framing the strategic plans in conformity with the company's mission, vision, culture and corporate financial goals that cascades their implementation throughout the organization as well as various functional teams' roles and responsibilities.
- Establishing or revising the blueprint of the process flow, recognizing resources in order to achieve the target objectives, and identifying the output in comparison to preset goals. It becomes easy to identify the causal association between outputs, the work processes and their costs, and the financial resources, people, facilities, etc., which are essential to generate the work.
- Identification of continuous improvement opportunities and KPIs in all KRAs for ensuring accelerated profitability. Long-standing practices, resources, or results are thought to be unchangeable and hence are frequently not targeted. However, the management should endeavor at options for further improvement. It should strive for ways to bring better processes, technology to facilitate superior outcomes. It is imperative to understand KPI and KRA linkages such that actions are directed towards meeting targets.
- Aligning organizational objectives with people's objective ultimately leading to introducing a creditable system for incentivisation. This may be done by using the time tested tool Economic Value Addition.

Figure-2 Target mapping

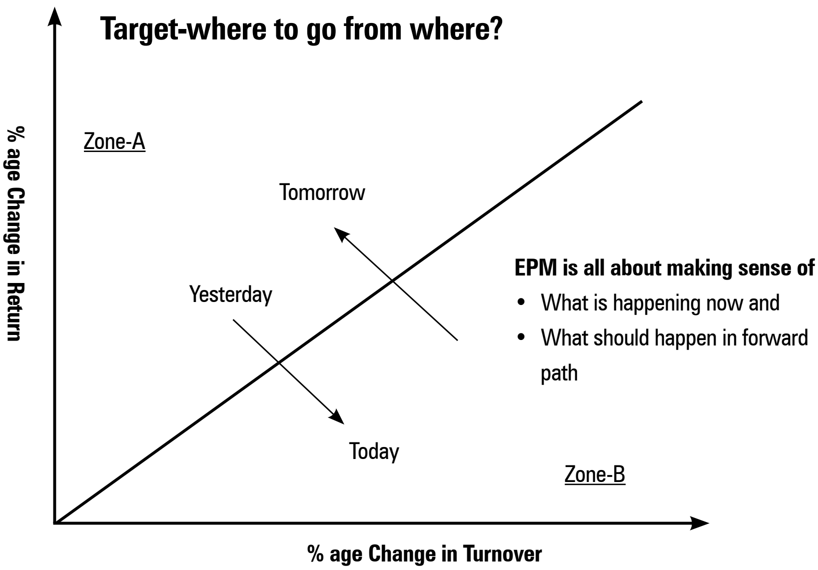


Figure-3 Win- win strategy for both enterprise and stakeholders

The Ultimate Criteria for Value Generation
The Factor for differentiating the product/ service offered to the society

Society / **Enterprise**	**Benefits**	**Harms**
Benefits	**Win-Win**	**Parasite**
Harms	**Martyr**	**Terrorists**

Parasite -Not be able to suck for long
Terrorists -Killed in no time
Martyr -Bleed to death
Successful Strategy -Create a sustainable win-win situation

Exclusive reliance on financial indicators promotes short term behaviour that sacrifices long term value for short term performance-porter

Source: Paper of Dr. Paritosh C. Basu [6].

For this it is essential to introduce EVA Center, EVA Drivers and an effective responsibility accounting and performance measurement system with a predefined score card for each functional team. For this it is also essential to objectively measure performance at every value generation unit level with break up for each functional area.

- Implementation of outcome-based change management, using more of managerial than operational control, for dealing with irritants that affect smooth organisation behavior.

In order to handle additional dimensions of transition and change management emanating from strategies for inorganic growth and / or accelerated organic growth, EPM uses the triangular framework of Objective, Advantages and Scope (OAS). EPM also take into consideration another tool called'7-S' Framework6. Those seven Ss are Strategy, Structure, System, Super Ordinate Goals, Style, Staff and Skill.

The essence of EPM can, therefore, be summarised in the following **Figure-2** using only two overriding operating variables, being dynamic indicators of business performance at all times.

The EPM should be structured in such a manner that it results into a win-win situation for both the enterprise and society as depicted in Figure -3. It is axiomatic that in today's business ecosystem no enterprise can survive with an entity-centric image for profitability without a service to the society on a sustainable basis. This phenomenon has graphically been captured in **figure 3**.

Thus it is evident that in today's increasingly competitive environment EPM as a tool results into a holistic and integrated representation of an entity's performance and delivers consistent information at all levels within the organisation for collaborative performance, standardization, on line data control and communication. It continuously assesses comparative performance and visualize enterprise-wide planning and budgeting in a single model. It consolidates financial data across the entire enterprise, optimises IT resources and helps realigning strategies required to achieve the organisational goals on a sustained basis.

Linkage between IR and EPM

There appears to be a very strong association between the IR and EPM as both these tools simultaneously serves the requirements of the entity and its stakeholders. If both these techniques can be merged and designated as 'Enterprise Pervasive Performance Reporting', will represent a broader expression of the company's deliverables, its financial stability, readiness for achieving scalability and sustainability through riskier times. Extensive use of EPM and IR will bring in its wake applications of other tools like, Life Cycle Costing for products and related capital assets, Activity Base Costing, Balance Score Card, EVA based incentivisation and so on.

This will in turn facilitate improved generation of costing information based on ground realities and analyses with more predictive capabilities, understandability, relevance, reliability, comparability, constructive review and initiating managerial actions for prosperity.EPM, when implemented and practiced with right earnest, will serve in extremely good stead for the management to use IR as a business strategy for all meaningful purposes to the benefit of the entity.

The community of investors and external stakeholders will not be required to depend upon the research reports of Analysts, who can only attempt to have an insight into an entity through financial numbers of the past and predicting the same for future based on their own understanding about the business from distance. However, it is still a major issue as to how to correlate the ESG aspects with financial performance for better understanding and adaptability.

Conclusion and Role for CMAs

Information is essential for the survival of any business. The time tested axiom called survival of the fittest validates the essential necessity of IR as a tool and its interphase with EPM. A close co-ordination between IR and EPM is essential to achieve one single goal i.e. benefit of all stakeholders at large. Unless one knows the analytical realities of the past, prediction for the future, with practical assumptions and reasonable certainty, seems to be extremely challenging.

It is essential to develop relational analyses of variables as it is difficult to distinguish and and link ESG related points to financial information. Nonetheless, there are plenty of risks and difficulties in integration and alignment of ESG data. External analysts also lack adequate knowledge about non-financial information, such as environmental and social aspects, which results in such information not being used for evaluation. Secondly, the difficulties to quantify non-financial information make judgments more complex. Hence, it is concluded that the reporting of the relationship between financial and non-financial information needs to be internally developed through EPM for visualising positive impacts where sustainability is core to any business model.

Further, IR through EPM could be useful to external value investors by providing a more comprehensive overview of opportunities and risks from the perspective of the economy, environment and society at large.IR through EPM is potentially one of the most significant changes towards corporate reporting in near future.

CMAs are very well equipped to bring all the above into reality. Their role should transform from score watchers to value integrators as EPM will essentially call for more management accounting oriented and analytically processed inputs for leadership team to navigate the business towards prosperity, winning the confidence and support of external stakeholders through Integrated Reporting.

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MA

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INTEGRATED REPORTING – WALK THE TALK

Even though the benefits of Integrated Reporting are largely understood, the development and acceptability of the concept is yet tardy. Unless the companies reach a level where they feel that the apprehensions are not insurmountable they will not be able to walk the talk

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The world is changing…Corporate Reporting too must change

HISTORICALLY, corporate reporting has been focused mainly on the financial performance of companies. It provided investors with basic insight into the historic performance of the companies evaluated on key financial indicators. This helped provide the readers with indication of the companies present and potential future performance. Of late increasingly, annual reports have attempted to include sections on the corporate strategies, social and environment concerns and actions being taken by the company to work responsibly in these areas to promote community well being.

Despite addition of information relating to social and environmental most financial reports still do not address the information needs of all company's stakeholders. In order to assess fulfillment of the environmental, social and governance responsibilities of listed entities SEBI mandate listed entities to submit Business Responsibility Reports, as a part of their Annual Reports, describing measures taken by them along the key principles enunciated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' framed by the Ministry of Corporate Affairs (MCA). To start with, this requirement is applicable to top 100 companies in terms of market capitalization and would be extended to other companies in a phased manner.

Integrated reporting is the integration of a company's financial report and its corporate social responsibility or sustainability report into a single document. An integrated report provides readers with a complete picture of how an organization is performing by including non-financial information on environmental, social and governance performance along with financial information. Integrated Reporting is based on integrated thinking involving consideration of various types of capital, their interaction and impact on short, medium and long term prospects of the company and linkage with strategy, performance and governance.

Integrated reporting framework is expected to :

1. Support the information needs of long-term investors, by showing the broader and longer-term consequences of decision making;

2. Reflect the interconnections between environmental, social, governance, and financial factors in decisions that affect long term performance and condition, making clear the link between sustainability and economic value

3. Provide the necessary framework for environmental and social factors to be taken into account systematically in reporting and decision-making

4. Rebalance performance metrics away from an undue emphasis on short-term financial performance; and

5. Bring reporting closer to the information required by management to run the business on a day to day basis.

Apprehensions impeding Integrated Reporting

Even though the benefits of Integrated Reporting are largely understood, the development and acceptability of the concept is yet tardy. Unless the companies reach a level where they feel that apprehensions are not insurmountable they will not be able to walk the talk. Following apprehensions if addressed appropriately shall pave the way for faster assimilation of Integrated Reporting

- How to identify what to include in the Integrated Report
- How to ensure credibility of information contained in the Integrated Report
- Who will own the process of development of the Integrated Report
- Professional assistance not available for compiling Integrated Report
- How to quantify non financial aspects of the business
- How to ensure that Integrated Report does not become a sales document
- How to ensure that both positives and negatives of the business are fairly reported
- How to ensure that Integrated Reporting provides a true and fair view of the business

Integrated Reporting – getting started

In spite of genuine apprehensions and concerns about Integrated Reporting , companies must realize that the benefits far outweigh the efforts and the stumbling blocks. Following is a suggestive approach for implementation of Integrated Reporting

- Top management must constitute an Integrated Reporting committee with cross functional representation
- Clearly communicate that the committee shall own the process of compiling Integrated Report
- Lay down materiality thresholds for reporting information on Economic, Social and Environmental aspects
- Involve professional content writer for clarity and conciseness in Integrated Report
- Involve a credible agency for assurance of Integrated Report
- Adopt a fair approach towards positive and negative aspects of in Integrated Reporting
- Set a time line for compilation of Integrated Report
- Look at the journey of other companies in the process of compiling Integrated Report and imbibe learnings
- Acknowledge and reward the efforts of the Committee in compiling Integrated Report

Integrated Reporting is not a matter of choice. The stakeholders will in future demand information on Social and environmental aspects of business and companies which rise to the challenge shall be rewarded with higher valuations and enhanced corporate image. MA

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A STUDY OF INTEGRATED REPORTING IN INDIAN BANKS

Indian banks should adopt and establish a sound reporting process for identifying its material issues and target audience, stakeholders before embarking on the integrated reporting agenda. The more they project their sustainability the higher their stakeholders' confidence

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"Business is the main driving force for resource efficiency in the economy, for technology deployment and development, for infrastructure construction and providing financial services. But business can fulfill its role only if the right framework conditions –including those for reporting and disclosure – are in place. Valuing and sustainability reporting must increasingly become a more integral part of economic planning and decision-making by society, government and business." Björn Stigson, Former President, World Business Council for Sustainable Development (WBCSD)

COMPANY annual reporting has undergone substantial changes in the last two decades with the explosion in information and technology. Ten years down the lane, annual reporting in Companies used to be just reporting about the financial data. The impetus behind issuing such reports is the rule that every company listed on a stock exchange is required to issue at least on an annual basis its financial performance report. These reports are based on a set of accounting standards i.e., International Financial Reporting Standards or Generally Accepted Accounting Principles—that define the information reported in a company's income statement, balance sheet, and notes to the financial statements. Now, a new trend had seen the light in the trends of reporting i.e., reporting non financial data along with the financial information.

Integration of Reports in the context of India

Ministry of Environment and Forests, Government of India issued a notification in 1993 requiring the submission of environmental audit reports by any industry, operation or process requiring consent to operate within the Water (Prevention & Control of Pollution) Act, 1974, the Air (Prevention & Control of Pollution) Act, 1981, or Hazardous Wastes (Management and Handling) Rules, 1989 published under the Environment (Protection) Act, 1986. Later, the term 'Audit' was replaced by 'Statement' and consequently Companies started submission of non financial data. Many companies started incorporating their corporate social responsibility initiatives, governance, environment, social and sustainability measures. The corporate world is now moving towards an analysis of the impacts and interconnections of material financial and non-financial opportunities, risks and performance across the value chain in the form of integrated reporting. Integrated reporting therefore can be considered as a combination of financial and non financial data which is needed by the company, stake holders and government. The information that would be included in an integrated report comprises the relationship between an organization's strategy, governance and business model.

Organisation Strategy: It describes objectives of the company, Mission, Vision and how those objectives compare to its strengths create and sustain value over time. It also includes a statement about the resources and relationships the organisation depends on.

Governance: A focus on the structure of governance and its ability to contribute to the achievement of objectives.

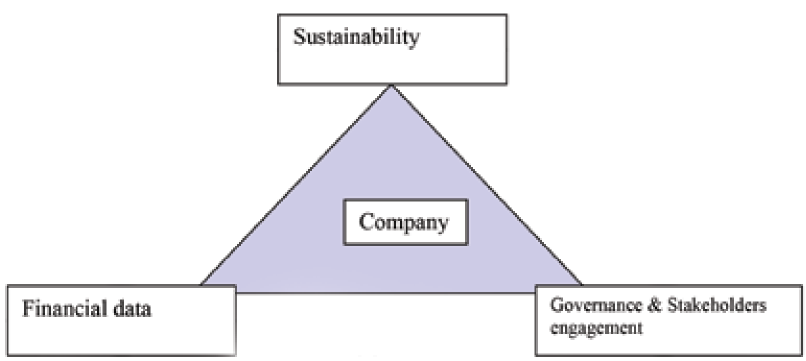
Business Model: Statements about business mode, its' key drivers and how it delivers a sustainable growth. In the context of integrated reporting, business model means considering all the relevant capitals on which performance depends, and explaining their role in how the company seeks to create and sustain value. The various categories of capitals that can be considered are; Financial capital, Manufactured capital, Human capital, Brand/customer capital, Natural/social capital and Intellectual capital.

In other words, integrated reporting brings together financial performance and sustainability of the company in one place. See figure below

Integrated Reporting

Integrated reporting results in better informed decisions in resource

Financial Data + Non-Financial Data = Integrated Reporting



allocation which in turn enhances the profitability and earning capacity of the company. It provides linkages and connectivity by identification of the factors which establish linkages between financial and non financial performance and their effect on the company's overall performance which helps in building up core principles and strategies. Continuous supply, evaluation of financial and non financial information helps a company in better regulation of risk.

Objectives & Research Methodology

The purpose of this paper is to analyze the extent of integration of financial and non financial data in reporting by Banks. The main objectives of the paper are:

(a) To explore the need for integrated reporting in Banks

(b) To give a sketch of elements of Integrated reporting

(c) To assess the integrated reporting practices of Indian banks against the foreign banks and suggest a model for integrated reporting for Indian Banks

The study is based on the secondary information collected from Annual reports of Banks, websites, Articles and reports of RBI.

Banks in India-Integrated Reporting

Banks and financial institutions are important multipliers for promoting responsible business behaviour. The business of banks is different from other businesses. Banks act as confidential partners of individuals and corporates who maintain relationship with them. Customers trust the Banks and keep their highly valued earnings which in turn are used by the Banks to further their business in the manner of credit grants to other customers. Banks help in economic growth and credit creation. If they fail, the entire financial system and economy fail. The consequences of failure of banks in USA affected financial systems of other countries too. The regulatory authorities therefore should not forget the importance of imposing standards in reporting practices and corporate governance of banks. Banks have to constantly keep informing the changes to the stakeholders with respect to ownership, remuneration to employees, fund utilisation, risk return combination, transparency, leadership, governance, strategies, competencies and ethics. Integrated reporting helps the stakeholders in assessing the banks in the above respects.

RBI had asked all commercial banks in December 2007 to integrate aspects of CSR into their operations. Since then, a growing number of banks have been identifying the need for integrated reporting in the backdrop of coordinated efforts made by the Indian government in its policy and legislative framework, coupled with initiatives of the industry and investors in this sphere. However, the overall reporting initiatives have been sporadic and incomprehensive. The Banks should realize the importance and accruable benefits of integrated reporting and change over to the integrated reporting practices. Integrating sustainability in Indian banks is an important driver. Banks can create market demand for their businesses by integrating environmental, social, corporate

Table-1

Stakeholders of a bank

Stakeholder	Main Interests	Power and influence
Shareholders and investors	Profit growth, Share price growth, dividends	Election of directors
Peer Banks , Regulatory bodies	Competition and regulation	Enforce strategies and competition
Directors and managers	Salary, share options, job satisfaction, status	Make decisions, have detailed information
Employees	Salaries & wages, job security, job satisfaction & motivation	Staff turnover, industrial action, service quality
Suppliers	Long term contracts, prompt payment, growth of purchasing	Pricing, quality, product availability
Customers and clients	Reliable quality, value for money, product availability, customer service	Revenue / repeat business Word of mouth recommendation
Community	Environment, local jobs, local impact	Indirect via local planning and opinion leaders
Government	Operate legally, tax receipts, jobs	Regulation, subsidies, taxation, planning
Credit Rating Agencies	Transparency, integrity and accuracy	Credit rating

and governance aspects with their business strategies.

Banks and their stakeholders

Integrated reporting includes stakeholders' engagement, sustainability, community initiatives, governance, environmental and social consciousness. Stakeholder power is an important factor to consider whenever one describes about the relationship between a business and its stakeholders. In the context of strategy, what is important is the power and influence that a stakeholder has over the business objectives. Each stakeholder exhibits a different interest and influence and impact the organizations with their power. The stake holders of a bank include shareholders, investors, peer banks, RBI, directors, managers, employees, customers, community, government and credit rating agencies. See **table 1**

Why Banks to follow integrated reporting?

1. The Banks are run on Government, public and corporate funds for the cause of public and corporate. More than any corporate it is the banks which deal with the public and their funds. Hence it is their duty to give adequate information about the various aspects which are material to the performance of the banksThe stake holders (mentioned in Table -1) must be given comprehensive information as to fulfill their main interests in the organization. Transparency is required so as to give total information pertaining to the functioning of banks.

2. A special mention may be made about the customers / clients without whom the banks may not survive. When Banks seek scores of particulars about the customers in the name of KYC Norms, then why customers be deprived of the information about Banks with which they want build up financial relationship?

3. Only when an institution measures what it has, it can strive to maintain and improve itself. Banks can report their history, brand value, customer satisfaction levels and socio economic impacts through integrated reporting. Integrated reporting is essential for the survival of Banks in the fiercely competitive environment.

4. It helps Banks to be in the frame work of accounting and other regulatory policies on par with the international banks and get appropriate credit ratings by the credit rating bodies.

What is being reported in Indian Banks? - Current Trends

On an analysis of annual reports of a few banks in India, it is found that they are able to integrate non financial data with financial data in a limited way. The analysis is based on 3 public sector banks, three private banks and two foreign banks.

Table-2
Sample Banks – Reporting Style

Bank	Extent of integration
Andhra Bank	Limited
SBH	Limited
Indian Bank	Limited
ICICI bank	Moderate
HDFC	Integrated
South Indian Bank	Limited
Stanchart Bank	Limited
Standard Bank, Africa	Integrated

Source: Websites of respective Banks

The banks reports have two distinct aspects i.e., mandatory disclosures and voluntary disclosures. It is observed that out of the eight banks whose reports are analysed, majority of the banks follow limited integration. All the banks have incorporated statements on CSR and corporate governance in addition to financial data. It is observed that Indian Banks have given a note on Basel II requirements which to some extent clarify on risk factors such as operational risk, market risk and investment risk. These initiatives have been taken on the basis of policy framework initiated by the RBI. HDFC is the only bank in India to comply the integrated reporting to a great extent. The best example for the integrated reporting by Banks can be Standard Bank, Africa.

What can be integrated reporting in Banks?

Banks overview and business model: The Bank's mission, principal activities, markets, products and services; its business model, value drivers and critical stakeholder dependencies; and its attitude to risk.

Operating context, including risks and opportunities: The commercial, social and environmental context within which the bank operates, organization's ability to create and sustain value in the short, medium and long term and the bank's key risks and opportunities.

Strategic objectives and strategies to achieve those objectives: It sets out how the Banks will measure achievement and target outcomes for the short, medium and long term. It includes risk management strategies, the uniqueness and core competencies of the Banks to convert the forth coming opportunities into reality.

Governance and remuneration: It explains the strategies of the Banks in employing key personnel and leaders. Recruitment of these leaders influence the organisational culture, relationships and ethical considerations which in turn become strategic issues in governance of Banks and realisation of different set of goals.

Performance: An Integrated Report includes qualitative and quantitative information, the bank's impacts (both positive and negative) on the resources and relationships on which it depends; the significant external factors impacting performance; and how the organization fared against its targets. Along with the external environmental factors, the Banks have to consider the social impacts and inclusive growth models.

Future outlook: Banks should provide information, built on sound and transparent analysis, about: how the bank is currently equipped to respond to the operating context that it is likely to face in the future, how the organization balances short- and long-term interests, potential repercussions of where the bank expects it will go in the short, medium and long term, the actions needed to get there, and the associated uncertainties.

Integrated reporting in Banks / Companies may be classified as in **table 3.**

Conclusion

The evolutionary course of integrated reporting is now taking shape as more companies move from informal statements to formal reporting. The standardized framework of the GRI, RBI and Government of India provide an incremental road map for widening the scope of disclosure aspects in case of Banks in India. It is also pertinent that Indian Banks should adopt and establish a sound reporting process for identifying its material issues and target audience, stakeholders before embarking on the integrated reporting agenda. The more they project their sustainability the higher their stakeholders' confidence.

The details of performance, business, brand positioning, competitive advantages, strategies, shareholders, corporate governance, remuneration etc., are some of the important aspects which should find place in the reporting. The Indian Banks now should move from limited or partial integration to full integration.

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Table- 3

Integrated Reporting - Elements

Business Over view	Sustainability	Annual Financial Statements	Shareholders information
1The year in review 2 Financial performance, share statistics and credit ratings 3.Non-financial performance 4. Awards and recognition 5. Highlights and challenges 6. Economic review 7. Chairman's report to stakeholders 8.Chief executive's report to stakeholders 9. Strategy 10. Sustainable competitive advantages 11. Key strategic deliverables 12. Business structure 13. global presence 14 strategy in action 15 history 16 brand 17. socioeconomic impact	1.Introduction 2.Executive committee 3. Financial review 4. Explanation of principal differences between normalised and IFRS results 5 Seven-year review 6. Business unit reviews 7. Personal & Business Banking 8. Corporate & Investment Banking 9. Wealth – Liberty 10. Corporate governance 11.Board of directors 12.Remuneration report 13. Sustainable development 14. Risk and capital management	1.Directors' responsibility for financial reporting 2.Group secretary's certification 3. Report of the group audit committee 4. Independent auditors' report 5. Directors' report 6. Financial statements 7. Accounting policies 8. Notes to the annual financial statements 9.Group/ Limited – company annual financial statements	1.Chairman's letter to shareholders 2. Notice to members 3. Proxy form 4. Directorate 5 Shareholder analysis 6. Share statistics 7. Shareholders' diary 8 Instrument codes 9. Credit ratings 10. Financial and other definitions 11. Acronyms and abbreviations 12. International representation 13. Contact details

COMMUNICATING VALUE TO THE STAKE HOLDERS: A CASE STUDY OF TATA STEEL COMPANY LTD.

The study finds that Tata Steel's outlook is to mitigate possible challenges and avail every opportunity. Long-term steel demand is expected to be slightly better off, driven by a steady construction sector due to the collapse of the Eurozone economies

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Tadepalligudem

THE value of an organization depends upon the number of factors, financial or tangible in nature and intangibles like people, natural resources, intellectual capital, markets and competition etc. It is easy to account of the financial or tangibles, where as it is difficult to measure the intangibles. Then the concept of integrated reporting was emerged. It facilitates to an organization to furnish the information with a transparency regarding utilization of its resources and relationships to generate, preserve and grow value in short, medium and long term. This information is useful to investors to manage risks and allocate resources most efficiently.

Objectives of the Study : After verifying the existing literature no author was disclosed the holistic approach for integrated reporting for this the following objectives adopted.

1. To examine the integrated reporting practices followed by the Tata Steel Company Ltd.
2. To offer a suitable suggestions to have a holistic approach or frame work to adoption of integrated reporting practices by the different organizations.

Methodology of the Study: The data collected from the secondary sources through the journals and website of TATA Steel company Ltd.

Case Study of Tata Steel Company: The Tata Steel Company adopts six step procedure for integrated reporting.

1.Organizational Overview of Business Model: The business of Tata Steel spread across the India, Europe and South-East Asia. The EBITDA 11,698 crore against 11,559 in previous year, best performance in hot metal, crude steel, saleable steel production and sales, installation of LD=3 furnace (1 million tonnes) ,introduction of TATA Astrum for same market, enhanced profit in Ferro Alloys and minerals division .The best performance of Tubes division as a SBU (Strategic Business unit) increased capacity by 0.6 million tones in the next 5 years to reach to 1 million tones, Green field steel project in Odisha as a new subsidiary of Tata Steel Odisha Limited with an amount of Rs 22 800 core, adopted

TQM in the year 2012 and under take the brown field expansion. Firm in Europe increased its sales by 20 percent over the past two years. It comprises of manufacturing hubs and integrated businesses. Nat steel consists of 66 percent of value added products,TSTH (Tata steel Thailand) increased its market share from 25 percent to 29 percent, due to strong construction growth in Thailand. It witnessed lowest ever lost time injury frequency rate (LTIFR) of 0.46 with zero facility. Ameliorated its EBITDA performance by 2.5 times

2.Operating contexts, Risks and Opportunities: The company increases the performance of mines by enhancing its productivity, improve the labour productivity per tonne base with same work force, establishment of training centre, prepare a successful entrepreneurs in the material supply, promotion of self help groups by women in green field project, jamshedpure. Global Wire Business (GWB) as a separate profit centre earned a revenue of US 496 million $ on sale of 535 ktp.Tata growth shop (TGS) a multi disciplinary engineering complex saves an amount of 100 crore through innovative solutions for both design and procurement. The agro division has been operating from 1923 to reach the Indian house holds.

3. Strategic Objectives and Strategies: The long-term value created through the Continuous Improvement Programme consists of six components involving TQM and statistical tools –Throughput, value- in -use, energy efficiency, opportunistic plays, logistics and supply chain. The company maintains the branded product portfolio..The 14 new products launched in 2012-13, collaborate with the university of war wick for research. The company applied Trakker" (known as project and portfolio management) to design the new products. The company's annual effective capacity will rise from 7.2 million tones to 7.7 millions of liquid steel. It has a greater responsibility towards environment, communities, employees safety and people, for this it takes a leading role in (EULCO) , and also it maintain a stability in terms of quality and availability and recognized reduce the risk against volatile prices, for this Bengal coal project.

4. Governance: The company follow the global practices in terms of code of conduct, appoint committees who review reports periodically and adopted the ethical and transparent governance approaches and zero tolerance towards corruption and unethical behavior. The company formulated management of business ethics comprises of four pillars : ie leadership, communication and awareness ,compliance structure and evaluation of effectiveness.

5. Performance: In this head the company projects a non financial performance indicators in terms of production and sales in million tones, capacity expansion volume in million tones p.a. awards and accolades, initiatives in (CSR Corporate Social Responsibility) health and safety, in terms of lost time injury frequency.

6. Outlook: The out look of the company is mitigate possible challenges and avail the every opportunity.The long steel demand is expected to the slightly better off, driven by a steady construction sector due to collapse of the eurozone economies. The south East Asia attract more demand for infrastructure projects, but there is a business risk with china likely to remain the largest exporter to South East Asia. The company plays its leadership position in Singapore and Thailand

7 Conclusion and Suggestions: Every company should follow the practices of integrated reporting to project the financial as well as non financial information which is useful to the stakeholders, investors, policy makers, government banks and financial institutions. The organization should include the following factors i.e. (environmental management, climate change, water use, hazardous waste management. Waste management, product formulations, waste savings, employment, human rights, ethics, financial risk, product development, consumer requirements, capacity expansion in million tones, sales and production in volume, health and safety, business model, risks and opportunities, strategies, performance and final out look) in frame work of integrated reporting to view the overall position of the concerned organization.

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'CMAs CAN IDENTIFY BUSINESS RISKS AND ENSURE ITS MITIGATION IN INFRASTRUCTURE INDUSTRIES'

Interview of **Mr. D K Sen**, Senior Vice President & Head - TI IC, Transportation Infra (Common), L&T Construction

MA L&T Construction is one of the largest construction companies in India with over 60 years ofexistence in this field and you are holding a key position of this prestigious company. Please share with us the experience of your journey.

I am an IIT Kharagpur graduate in Civil Engineering & MBA from XLRI. First four years of my career I worked in EPC Transmission line projects in India & Malaysia. Subsequently I worked in TISCO for four years in Steel Plant Design & Execution. Later I worked in M/s Development Consultants for Design & Material Handling Plants including long stints of working in Nowgong Paper Mill & Patalganga Project sites.

I joined L&T in 1989 in the Bulk Material Handling Design Office. In 2000, I moved to L&T's Construction Division & rose through various positions of Project Manager, Regional Manager, Project Director, BU Head, SBG Head and finally Transportation Infrastructure IC Head.

MA In which areas you would like to focus more to maintain a sustainable growth of your organization in this industry?

In the Transportation Infrastructure Segment we will be focusing specifically to Sizeable EPC Road Projects, Select DBFOT projects as EPC contractor with internal / external developers. In addition, we will be focusing on the MRTS, Large Railway Projects like DFCC, Rail linking Projects with private developer. Further, our continuous focus will be on Elevated Corridors,Airport Projects, Industrial corridors and opportunities in smart cities. In international arena, we will be focusing on select geographies such as OMAN, UAE, Qatar, Kuwait& Saudi Arabia.

MA What is your outlook regarding the performance of Infrastructure sector in India? What are the things that need to be changed?

• With a stable government in center and Government's strong focus in Infrastructure development, we are extremely bullish for the sector's business opportunities in the near future.

• Changes needed: Faster clearances by government in Land Acquisition, Forest and Environmental clearances, Railway Bridge clearances and facilitating in obtaining permits and approval for mining of earth, sand and aggregate, long term funding to Developers, state's support to projects, faster dispute resolution.

MA What are the biggest challenges of the infrastructure industry in India?

a. Non-availability of skilled workmen

b. Local interference in Construction

c. Delay in finalization of orders

d. Too many layers in approvals

e. Lack of support for innovative design & Value Engineering
f. Delay in approval of change of scope & variations

MA What are the key strengths that lead to the success of L&T's infrastructure business? What differentiates L&T from its competitors?
• Strong Balance Sheet, Presence across diversified segment of Infra business, multiple geographies, management bandwidth etc. are the strengths of L&T
• L&T is known for Scale & Speed, we have capability to do large and complex projects and timely delivery. In house design strength, State of Art Research Lab,large fleet of P&M, outstanding exposure badge are some of the factor which differentiates us from others,.

MA Over-estimation and under-estimation of project cost may hamper the viability of the project. What is the remedy to way out from this problem?
Sufficient time shall be given to prepare the Detailed Project Report and estimate correct cost at the Project approval stage. Government must provide unambiguous document to reduce scope of misinterpretation.

MA Brief us about your current and upcoming projects?
Transportation Infrastructure Segment will have an Order back log of Rs 36000crs at the end of FY 2014-15. We are bullish on the upcoming EPC Projects in Highway, few PPP road projects and Projects in Railways under DFCC. Our current major projects includes four Roads & two Airports

MA Project funding involves complex & challenging task, especially in these days of economic downturn. How do you manage it?
We do EPC/ Item Rate Contracts while funding comes from Authorities/ Developers. For our Working Capital Management we choose projects only with interest free mobilization advance & good payment terms.

MA Please give a brief outline on project risk management framework for infrastructure project.
L&T has a very rigorous Risk Management process , in Transportation Infrastructure Projects , the major risk to be addressed are risks related to Preconstruction activities like Land Acquisition , Tree cutting , Utility Shifting . Risks related to availability of Earth, Aggregate and other raw material

MA Do you consider the land acquisition process in the country is simplifiedenough? What suggestions do you have in this regard?
The present Land Acquisition act addressed some of the existing problems such as 4 times compensation in rural areas and 2 times in urban areas. However Land Acquisition and Resettlement is more to do with the emotional strains of the people who are replaced and it needs to be addressed with utmost care by government apart from addressing the compensation as the issues are sensitive in nature.

MA What is your message for the young aspirants who are searching opportunities to join in your esteemed company?
Our company has no owner. Ours is a completely professionally managed company. Our company is awarded best employer several years consecutively in the past. All the Directors on Board &senior management staff have come up through the ranks. Key to succeed in L&T is Passion, dedication, determination, ownership & entrepreneurship. . If one has the above qualities, L&T is your place.

MA What policy initiatives would you expect from the Government to boost up the infrastructure industry?
• Linking mining clearance with Environment clearance.
• Making state support agreement a must in Transportation Infrastructure
• Time bound, single window clearance of all necessary approvals
• Time Bound dispute resolution
• Giving Incentive for Value Engineering & Innovative Design
• Faster approval of scope changes & Designs.

MA Cost Management always plays a pivotal role to gain competitiveness in the infrastructure industries. Please suggest in what ways Cost and Management Accountants may offer their expertise more effectively in this quest?
• Evaluate operating efficiency and effectiveness of Project and Cost / Service management which will lead to reduction in operating costs and overheads.
• Minimize expenditure/ cost and ensure optimum utilization of resources.
• Identify Business Risks and ensure mitigation.
• Evaluating proposals on Design & Value Engineering which may lead to reduction in cost and time

OF HOLOGRAMS, FREE WARRANTY, UNJUST ENRICHMENT, FREIGHT ET AL: INSIGHTS FROM THE THICK OF LITIGATION

The more the government wants of tax revenues the more pronounced is the invasion of taxpayers' privacy and the toughness of enforcement. Nevertheless, citizens have to play the tax game and disputes between the two sides are endemic to taxation in India. Some interesting and significant recent decisions that have come out of the litigation woodwork

Dr. Ravindran Pranatharthy
Advocate – Indirect Taxes & IPRs

WILL Rogers, the amiable American humourist once said that he did not know if he was a martyr or a crook when he filed his income-tax returns. The tax law was too uncertain to know which was the case. The complex character of the tax law does not leave any scope for a clear judgment on the correctness of tax payment. Interpretations galore are the order of the day in taxation- be it a direct tax like the ubiquitous income-tax or the indirect tax such as the central excise, customs, Vat or the service tax. Even a local levy imposed by a municipality bristles with rules, forms and schedules. Reform, simplification, rationalization are the words bandied about from to time to reassure the suspecting public that tax administrations are engaged in the pursuit of making taxation better for the tax payers. But if the history of taxation all over the world is any guide, the tax systems have only tended to get more and more complicated. The more the government wants of tax revenues the more pronounced is the invasion of taxpayers' privacy and the toughness of enforcement. The recent imbroglio over the new income tax forms asking for details of foreign visits including expenditure and bank account balances is a pointer to the desperation of the government to get at additional revenues even if it involved curbing the economic and personal privacy of the citizens. Nevertheless, citizens have to play the tax game according to rules and ensure proper compliance as understood by them albeit with expert help. The disputes between the two sides are endemic to the taxation in India. In this Article, we will look at some interesting and significant recent decisions that have come out of the litigation woodwork.

Holograms – The doctrine of primary use

A Hologram is a special kind of picture that is produced by a laser. It is a three-dimensional image reproduced from a pattern of interference produced by a split coherent beam of radiation (as from a laser). Holograms are used for identity and security purposes. In the case of M/s HOLOSTICK INDIA LTD Vs COMMISSIONER OF CENTRAL EXCISE, NOIDA - 2015-TIOL-60-SC-CX, the department of central excise sought to classify the product under tariff entry in chapter 3920 as an adhesive whereas the appellants wanted the classification under tariff in 4901 for the security holograms as product of printing industry. The Court found distinction between the primary purpose and the incidental use of holograms. It was seen that the adhesive nature of the holograms was only incidental to its primary purpose of security identification. In this landmark decision, the Court laid down the following principles while upholding the stand of the appellants:

A. The argument that the expression "printing industry" which would refer to an industry which includes printing presses and nothing beyond, is not correct.

B. Security hologram part of the product in question is primary and the self-adhesive part only incidental insofar as the user of the said goods is concerned. Primary use would count in the determination of tariff classification.

The doctrine of primary use applied by the top Court is a welcome reminder that tariff classification in customs and central excise should be informed by the essential character of the product as revealed by its primary use. The temptation on the part of the department to take a discriminatory stand just because of differently taxed tariff classifications should be eschewed.

Vat on free warranty replacement

It is well-known that businesses are under a legal duty to provide warranty service and replace items free of cost during the free period of warranty. At times, the Dealers would provide the service and would likely get compensated by the manufacturers by credit notes or adjustment against payables. In the case of KATARIA AUTOMOBILES Vs STATE OF GUJARAT – TS-153-HC-2015(GUJ) VAT, the appellant dealer provided free warranty replacement and got compensated by the manufacturer. The VAT department demanded VAT on the transaction implying a sale of such parts. The demand was not proper since the transaction was not a sale and the compensation to the dealer was to reimburse him for his purchase and provision to the customer. The Manufacturer's original price would have taken into the consideration the need to provide free replacement during the period of warranty. The appellants relied on the judgement of High Court of Rajasthan in the case of C.T.O (AE) Vs. Marudhara Motors (2009) 12 VAT Reporter 17; RLW2009(2) Raj 1430. However, the Gujarat High Court disagreed with the Rajasthan High Court and citing the Supreme Court decision in the case of Mohd. Ekram Khan and Sons vs. Commissioner of Trade Tax, U.P. Lucknow (2014) 136 STC 51 (which had been distinguished in the said judgement of the Rajasthan) and held that supply of defective parts free of cost during free warranty would attract VAT if the dealer had been compensated by the manufacturer even though not by the customer.

The frequent interpretations on the law of taxation of fee warranty show that there is a requirement to amend the VAT laws to provide that free warranty replacements provided to the customers by dealers will not incur VAT even if the dealer is compensated by the manufacturer. This is because the manufacturer's original price had paid this tax in advance, so to say.

Unjust enrichment – Litigation gets richer

The concept of unjust enrichment has been deployed in the law of restitution of overpaid taxes as a tool of equity to deny tax refunds where justice to the claimant does not require it if the claimant has compensated himself already, say by passing on the tax burden to his buyer. The field of unjust enrichment often encounters interesting decisions by the judicial forums. Two recent decisions – one by the Supreme Court and another by the Madras High Court deserve mention. In the case of COMMISSIONER OF CENTRAL EXCISE, GRASIM INDUSTRIES LTD – 2015-TIOL-64-SC-CX, the issue before he Supreme Court was whether refund claim in respect of capital goods meant for captive consumption and not for further sale to any other person. Many people would have thought that the answer would have been against the Revenue. Surprisingly, the Apex Court ruled that the claimant has to prove that the duty being claimed in refund was not included in the cost of capital goods even though such capital gods was intended for captive consumption. The Court referred to its earlier signal decision in the case of UNION OF INDIA VS. SOLAR PESTICIDES PVT LTD (2000 (2) SCC 705 = 2002-TIOL-57-SC-CX-LB in which the Court broadened the bar of unjust enrichment even to cases where the claimant was not selling the goods in the nature of raw materials which he had imported but only consuming the goods captively in manufacture of final products. In the words of the Court:

"This case, therefore, makes it clear that the principle of unjust enrichment is applicable even when the goods are used for captive consumption. No doubt, in the said case the goods with which the Court was concerned was raw material, imported and consumed in the manufacture of the final product. The question is as to whether this principle would be extended to capital goods also, as it was in respect of raw material. This was left open in Mafatlal Industries case. As it falls for determination in the

present case, we are addressing this issue. To answer this issue, we may draw some sustenance from the judgment of this Court in the case of Indian Farmers Fertiliser Coop.Ltd. vs. C.C.E.Ahmedabad (1996 (86) ELT 177 (S.C.) = 2002-TIOL-146-SC-CX. Though that case is concerned with the exemption of Raw Naptha was used to produce ammonia which is used in effluent treatment plant. Notification No.187/61-CE provided for exemption to such Raw Naptha as is used in the manufacture of ammonia provided such ammonia is used elsewhere in the manufacture of fertilizers. The question was as to whether the ammonia used in the off-site plants is also ammonia which is used elsewhere in the manufacture of fertilizers. The court answered the question in the affirmative thereby holding that exemption provided under Notification 187/61-CE shall be available to the assessee.

9. However, what follows from the reading of the said judgment is that if a particular material is used for manufacture of a final product, that has to be treated as the cost of the product. Insofar as cost of production is concerned, it may include capital goods which are a part of fixed cost as well as raw material which are a part of variable cost. Both are the components which come into costing of a particular product. Therefore it cannot be said that the principle laid down by the Court in Solar Pesticides would not extend to capital goods which are used in the manufacture of a product and have gone into the costing of the goods. In order to come out of the applicability of the doctrine of unjust enrichment, it therefor becomes necessary for the assessee to demonstrate that in the costing of the particular product, the (tax) cost of capital goods was not taken into consideration. We, thus, are of the opinion that the view taken by the Tribunal is not correct in law".

In the other case of M/S SESCOT SHEET METAL WORKS LTD VS CESTAT - 2015-TIOL-1048-HC-MAD-CX, the Madras High Court grappled with the following issues of law:

"i) Whether in the facts and circumstances of the case, the 1st respondent Tribunal is right in holding the appellant is not a "State"?

ii) Whether the doctrine of "unjust enrichment" is applicable to "State undertaking" which also managed, controlled and administered by the State Government under the Policy and Programme evolved by the State Government?"

The High Court answered both questions against the Revenue. It pointed out that the appellant was a state government entity and was engaged in supplying things to the state public distribution system and it was funded, managed and monitored by the State and that under such circumstances it cannot be said that the entity is unjustly enriching itself to the detriment of the people. The Court cited the stirring observation of the Apex Court in the MAFATLAL INDUSTRIES VS UNION OF INDIA- 1997 (89) E.L.T. 247 (S.C.):

"The doctrine of unjust enrichment is a just and salutary doctrine. No person can seek to collect the duty from both ends. In other words, he cannot collect the duty from his purchaser at one end and also collect the same duty from the State on the ground that it has been collected from him contrary to law. The power of the Court is not meant to be exercised for unjustly enriching a person. The doctrine of unjust enrichment is, however, inapplicable to the State. State represents the people of the country. No one can speak of the people being unjustly enriched."

The Madras High Court judgment adds a new dimension to the status of state government undertakings especially when these are engaged in welfare activities or in supporting the state governments' systems for public welfare.

Justice for the interregnum between denial and restoration

It is often the case that the tax department would amend some provision in the nature of an exemption form tax or some tax benefit. There would be hue and cry at the injustice and the department would mollify the taxpayers by restoring the tax benefit. The wheels of government do not grind fast when it comes to tax justice and there would be a gap of time between the original denial and the subsequent restoration. The tax departments would generally not refrain from collecting the tax for the intervening period. In such cases, the taxpayers would be affected. In the instructive case of M/s RALSON (INDIA) LTD Vs COMMISSIONER OF CENTRAL EXCISE, CHANDIGARH-I - 2015-TIOL-32-SC-CX, the Supreme Court had to intervene to bring about justice for the interregnum. The Court held that such restoration is of a clarificatory nature and hence retrospective in effect by relying on its own decision in M/s WPIL LTD, GHAZIABAD Vs COMMISSIONER OF CENTRAL EXCISE, MEERUT - 2005-TIOL-51-SC-CX-LB. This kind of matter does not deserve to consume the precious time of the Apex Court of the country and it is not understandable as to what prevents the tax babus from gently conceding in the notification itself that they are restoring the benefit for the interregnum between the original damage and the rectification. The taxpayers are not responsible for the gap of time.

THE SITUATION CALLS FOR A RE-LOOK AT THE EXISTING TAX STATUTES TO REMOVE UNJUST AND DISCRIMINATORY PROVISIONS THAT WOULD NOT STAND THE TEST OF LAW IN A COURT

Time-tested central excise deduction for freight is running short

It has been an axiom in the law of central excise duty that freight is not liable to be added to the assessable value. This was the only concession to the nature of the levy as a tax on manufacture which ends at the factory gate. Nevertheless, central excise duty has now become a virtual sales tax in its sweep of dutiable valuation. Freight is the last bastion of the original intent behind the levy of central excise duty as a manufacturing impost. The Supreme Court allowed this deduction in the monumental judgment of BOMBAY TYRE INTERNATIONAL Vs UNION OF INDIA -1983 (014) E.L.T. 1896 (S.C.) when dealing with the issue of excisability of post-manufacturing expenses. However, the deduction began to lose some of its steam when in the guise of new-look Valuation Rules 2000 the department differentiated between primary freight and secondary freight (between the freight from factory to depot/warehouse and between depot/warehouse and the premises of the customer) and disallowed the former. Now in an unsettling verdict, the Apex Court in the case of COMMISSIONER OF CUSTOMS AND CENTRAL EXCISE, AURANGABAD Vs M/s ROOFIT INDUSTRIES LTD - 2015-TIOL-87-SC-CX has held that where the sale takes place at the premises of the customers (FOR-destination contracts) the deduction for freight cannot be valid. Though the case pertains to the period prior to July 2000 when the concept of transaction value was introduced, there is nothing in the law or in this judgment to prevent its application for the period after July 2000. An analysis of the implications of this caselaw will be taken up in a subsequent article.

Tax liability of successor businesses for the tax debts of the former entities- a lesson in due process

The tax laws fasten tax recovery on the businesses which are taken over from the previous entities. This tax risk must be kept in view when buying businesses. The tax liability cannot be excluded by contractual provisions. However, in the case of COMMISSIONER OF CUSTOMS, CENTRAL EXCISE AND SERVICE TAX, GUNTUR Vs M/s NARAYANA COACHING CENTER - 2015-TIOL-03-SC-ST, the Apex Court dealt with a scenario in which a proprietary concern was taken over by a private limited company and the tax department sought to recover the tax dues of the former from the latter entity by issuing show cause notice to the latter company on the tax dues of the previous business. The Court held that the successor company cannot be held liable for the tax dues of the previous entity when no show cause notice had been issued to the previous business entity. This case is a pointer that the tax department cannot ignore due process of law in recovery of alleged tax debts. It is hoped that emphasis on due process would be a check on executive arbitrariness in tax enforcement.

Conclusion

The cases discussed reveal that there is a long way to go before quality governance in tax management can be pleasantly experienced in India. The situation calls for a re-look at the existing tax statutes to remove unjust and discriminatory provisions that would not stand the test of law in a Court. The Courts especially at the top level are saturated with most avoidable litigation caused not in the least by poor tax-governance systems. Collection of tax is a legitimate goal but taxpayers deserve simple and clear taxation and which is fairly administered. The current preoccupation with introducing GST does offer some hope but a veritable revolution in tax management practices is required for the Indian economy to take off and leave most other countries behind. The ambition to do that without losing time is unfortunately not seen in abundance in our country. MA

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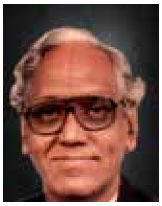
WIDENING THE TAX BASE

India's revenue base is one of the lowest in Asia. Just 3% of India's population pays income tax compared to over 20% in China and 45% in the USA. Is this a reasonable figure for a country with population exceeding 100 crores?



TCA Ramanujam
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TCA Sangeetha

IT is an accepted fact that resource mobilization through the levy of taxes has not been commensurate with effort put in. Direct Taxes have proved to be laggard over a period of years. Look at the following figures of Direct Tax to GDP ratio for the past five years and also as a percentage of Total Tax Revenue:

Year	Direct Tax to GDP Ratio(%)	As a percentage of Total Tax Revenue
2009-10	5.85	60.64
2010-11	5.82	56.43
2011-12	5.48	55.78
2012-13	5.53	54.07
2013-14	5.62	56.27
2014-15		

Even when the GDP growth rate was 18.84% as in 2010-11 and 17.4% in 2011-12, the Direct Tax GDP ratio did not improve.

To the extent that Direct Taxes have jumped the 50% ratio in the total tax collection, we should take satisfaction that we are moving towards a civilized tax regime. It is well known that Indirect Taxes are regressive in character. They can be passed on to the ultimate consumer. Direct Taxes are not easy to pass on.

Budget 2015 resulted in a Revenue loss of Rs8315 crores because of concessions given by way of Direct Taxes. Proposals in Indirect taxes are expected to yield Rs.23,383 crores. The net impact of all tax proposals would be a Revenue gain of Rs. 15,068 crores.

Low Revenue Base

Tushar Podar, Chief India Economist at Goldman Sachs, points out that India's Revenue base is one of the lowest in Asia and is the principal cause of the high fiscal deficit (see Economic Times dt.10.02.2015). Just 3% of India's population pays income tax compared to over 20% in China and 45% in the USA. What are the reasons?

Agricultural Income

As a matter of policy, successive Governments have chosen to ignore agricultural income from Central Income tax levy.This was an accident of more than a century back when Income Tax Act was modified by the then British Government. However high the agricultural income may be, it is not brought to tax at the Central level.This is just not acceptable. It is inequitable. It leads to taxation on the basis of occupation. It induces people to disguise taxable income as agricultural income and get away from central taxation. If Constitutional amendment is required to tax agricultural income, it should be done. Poor farmers can always be taken care of by suitable exemption.

Non-Filers and Under Filers

The number of effective taxpaying assesses is shown as 3,73,77,281. Individuals stand at 3,46,04,064. It is officially revealed in Parliament some 3 years back that only 42,500 individuals declared income of over Rs. one crore. Is this a reasonable figure for a country with population exceeding 100 crores?. Does it not show that people with taxable incomes are either not filing their returns or are understating their incomes? The Central Board of Direct Taxes should tackle non-filers with the huge mechanism for collecting data at its disposal.

Tushar Podal also highlights an important fact. He notes how India raised the income tax threshold five times in the last 10 years. China avoided raising tax thresholds through its high growth phase, thus allowing for a widening of the tax base as incomes rose.The Standing Committee on the Direct Tax Code pointed out that every one crore increase in Income tax payers would increase income tax Revenues by 0.6%. We have of-course to contend with popular expectations regarding slabs and rates.

The Problem of Black Money

The present Govt. has shown its earnestness with regard to the problem of tackling black money inside and outside the country. It is introducing a comprehensive new law to deal specifically with money stashed away abroad. With regard to generation of black money inside the country, the Finance Act, 2015 has introduced several measures to fight the menace.This is how the Memorandum explains the measures.

B. "MEASURES TO CURB BLACK MONEY

Mode of taking or accepting certain loans, deposits and specified sums and mode ofrepayment of loans or deposits and specified advances

The existing provisions contained in section 269SS of the Income-tax Act provide that no person shall take from anyperson any loan or deposit otherwise than by an account payee cheque or account payee bank draft or online transfer througha bank account, if the amount of such loan or deposit is twenty thousand rupees or more. However, certain exceptions havebeen provided in the section. Similarly, the existing provisions contained in section 269T of the Income-tax Act provide thatany loan or deposit shall not be repaid, otherwise than by an account payee cheque or account payee bank draft or onlinetransfer through a bank account, by the persons specified in the section if the amount of loan or deposit is twenty thousandrupees or more.

In order to curb generation of black money by way of dealings in cash in immovable property transactions it is proposed toamend section 269SS, of the Income-tax Act so as to provide that no person shall accept from any person any loan or depositor any sum of money, whether as advance or otherwise, in relation to transfer of an immovable property otherwise than by an account payee cheque or account payee bank draft or by electronic clearing system through a bank account, if the amount of such loan or deposit or such specified sum is twenty thousand rupees or more.

It is also proposed to amend section 269T of the Income-tax Act so as to provide that no person shall repay any loanor deposit made with it or any specified advance received by it, otherwise than by an account payee cheque or account payee bank draft or by electronic clearing system through a bank account, if the amount or aggregate amount of loans or depositsor specified advances is twenty thousand rupees or more.The specified advance shall mean any sum of money in the natureof an advance, by whatever name called, in relation to transfer of an immovable property whether or not the transfer takesplace.

It is further proposed to make consequential amendments in section 271D and section 271E to provide penalty for failureto comply with the amended provisions of section 269SS and 269T, respectively.

These amendments will take effect from 1st day of June, 2015.

In addition to these measures, the Finance Act also makes it mandatory for TAN to be quoted in respect of purchase or sale exceeding Rs.one lakh.

Third party reporting entities will have to furnish in-

THE PRESENT GOVERNMENT HAS SHOWN ITS EARNESTNESS ON TACKLING BLACK MONEY INSIDE AND OUTSIDE THE COUNTRY... WITH A NEW LAW TO DEAL SPECIFICALLY WITH MONEY STASHED ABROAD

formation about foreign currency sales and cross border transactions. Splitting of reportable transactions will be prevented. CBDT will leverage technology and have access to information on the data base of the CBEC.

TBS Rationalized

The Finance Act brings in provision for tightening Rules regarding Tax Deduction at Source and Tax collection at source. Section 195 of the Income Tax Act 1961 is amended. Person responsible for paying anysum whether chargeable to tax or not, to a non-resident shall be required to furnish information in the prescribed form and manner. A new provision has been introduced for levying a penalty of Rs.one lakh for non-furnishing of information or furnishing of incorrect information under Section 195(6). Section 194C is amended to lay down that exemption from tax deduction at source shall be applicable only to payment in the nature of transport charges made to a contractor engaged in the business of transport. Co-operative Banks are now covered under the provisions relating to TDS on interest payment on time deposits exceeding Rs.10,000/-. Govt. observed that there is no rationale for treating the co-operative Banks differently from other commercial Banks in the matter of deduction of tax and allowing them to avail the exemption meant for smaller credit co-operative societies. Section 194A has been amended w.e.f 1st June 2015 and time deposits are covered for purposes of TDS. The definition of time deposits will now include recurring deposits subject to the threshold limit of Rs.10,000/-.

Conclusion

While the Budget speech itself does not refer to the need for widening the tax base, the measures outlined above as taken from the Budget speech and the Finance Act will go a long way in widening the tax base. Tax administration requires radical reforms. It should be entrusted in the hands of specialized IRS Officers who have a field experience of 35 years. Govt. should do everything in its power to upgrade the Central Board of Direct Taxes to a more independent level so that it will not be hampered by instructions from political and non-political bosses. MA

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Black Money Bill

The Undisclosed Foreign Income and Assets (Imposition of Tax) Bill, 2015 is a horrendous piece of legislation with the intent to bring the black money stacked abroad to the mainstream. But this intent is sought to be achieved by giving a time limit for filing a voluntary declaration till date to be notified under section 59 of the Bill, apparently in the nature of amnesty. But the income that will be liable to tax is timeless, as it can be undisclosed income or assets either under 1961 Act or earlier. It seeks to override the generally accepted position that even a retrospective amendment cannot bring back dead or stale matters to life even as decided by the Supreme Court in S.S. Gadgil v. Lal & Co. [1965] 53 ITR 231 (SC); Govinddas v. ITO [1976] 103 ITR 123 (SC) and reiterated in K.M. Sharma v. ITO [2002] 254 ITR 772 (SC). How action beyond the normal time limit could be justified under this law is a challenge that have to be met by revenue.

To the extent to which a non-resident files the declaration, he will have all the immunities not only under the income tax law, but various other laws like wealth tax, Foreign Exchange Management Act and Customs Act by paying the normal tax and penalty equal to this tax, so that the liability is 60% with 40% available to the declarant. There is, however, no immunity from Prevention of Smuggling Act, 1974. Chapter IX and Chapter XVII of Indian Penal Code, Narcotic Drugs and Psychotropic Substances Act, 1985, section 3 of the Special Court (Trial of Offences Relating to transactions in Securities) Act, 1992 and Prevention of Corruption Act, 1988.

If there is no declaration forthcoming, time limit for assessment, reassessment will start from the time that the information about foreign income or holding comes to the notice of the Assessing Officer. The value of the asset to be reckoned will be the market value as on that date. The assessee will be liable to tax at 30% and penalty three times the income at 90% of such income with liability exceeding the income or value of assets amounting to a situation worse than confiscation.

There is also liability for prosecution. If the omission is wilful, the inference of wilfulness will be drawn on the presumption of culpable mental state on the part of the accused. Imprisonment on successful prosecution will be for a period not less than three years upto a maximum of ten years. There is a similar provision for prosecution for false verification, failure to respond to notices or failing to give information, with the imprisonment being limited to six months to seven years. Abettor is also punishable with similar imprisonment. In all cases of punishment by imprisonment, fine also may be levied.

Past experience would have shown that mere stiffening of the penalty or prosecution have not been successful in tackling tax evasion. It has to be remembered that high rate of tax, the uncertainty of law, the provisions like disallowance of legitimate expenditure as for exemption under section 40A(3) or penalty on borrowing or lending in genuine cases only because the transaction is in cash are some of the many outrageous provisions in the statute. There are a number of Draconian deeming provisions like section 40(a)(i) and (ia) disallowing payments from which tax is failed to be deducted, when there are ample provisions to enforce tax itself along with interest and possible penalty, besides recourse to recovery from deductee.

Non-resident taxation has always been riddled with uncertainties. The advance ruling, which was expected to be binding both on taxpayer and revenue is no longer final, thanks to the Supreme Court decision in Columbia Sportswear Company v. Director of Income-tax [2012] 346 ITR 161 (SC), so that it has lost its effectiveness to forestall disputes. This could have been easily remedied by making Authority for Advance Ruling a wing of the Central Board of Direct Taxes. But the uncertainty hangs fire till date.

While nothing has been done to make the law more humane, the black money bill is another law following the same ineffective policy just being a showcase on paper not capable of being enforced not likely to have any significant impact on revenue by way of expected voluntary disclosures. It will be used only by those who are already in the net on information in possession of the Income Tax Department.

The mere statement that India is not a tax haven or that its demands raised in regular assessment do not have terrorist character does not carry conviction in the light of astronomically untenable demands, which have been raised.

This black money bill has made amendments to Securities Transactions Act, Money Laundering Act and Foreign Exchange Management Act with the announcement of another bill to amend Benami Transactions Act all with the sole object of providing for confiscation under these laws, which have apparently been brought to back up black money bill. Law is not a solution in such cases. It is not businessmen alone at fault, if there is tax evasion. It is largely due to the law with loopholes as for example a law, which spares non-resident Indian from foreign exchange law while the odd category of a resident but not ordinarily resident being immune from tax or even duty to file return or furnish particulars, if he has no taxable income in India. These provide gaping loopholes with every family, whether in business or profession or in senior civil or other services having a member as non-resident Indian to facilitate dodging of not only tax in India but also other laws in India. Tax evasion has largely been with the connivance of the men in power either in service or politics.

Reform to be proposed by a committee of experts with participation from trade and industry, profession and administration is long overdue. The piecemeal solution by various amendments to law and new laws will only provide ammunition for abuse by unscrupulous law enforcement agencies without any positive benefit to revenue.

More on charities

The High Court in India Trade Promotion Organisation v. Director General of Income-tax (Exemptions) [2015] 371 ITR 333 (Del) has elaborately considered the validity of the proviso to section 2(15) inserted by the Finance Act, 2008 which withdrew right to exemption to charities with the object of general public utility with the exception under second proviso, if the business income does not exceed Rs.10 lakhs/ Rs.25 lakhs. A large number of charities including Government companies were affected. Constitutional validity of the amendment was challenged in this case. The High Court in this welcome decision has held that the provision has to be read down to accord with the Constitution. If it is so read down, the proviso would be ineffective, since there can be no discrimination against those trusts and institutions with the object of general public utility.

The Finance Bill, 2015 now proposes to substitute both the provisos by a single proviso, which would now exempt the business income, where the activity "is undertaken in the course of actual carrying out of such advancement of any other object of general public utility", so that it recognises all the activities consistent with the objects, where the objects are not prompted by profit motive, from the purview of liability bringing the law on par with exemption for other classes of objects, viz. relief of the poor, education and medical relief.

In another case, the Supreme Court in Queen's Educational Society v. CIT [2015] 372 ITR 699 (SC) reversing the decision of the High Court in CIT v. Queens' Educational Society [2009] 319 ITR 160 (Uttarkhand) has decided that the fact that the profit is large does not justify the inference that the educational institution is run for profit. It was also pointed out that the decision of the Supreme Court in S.RM. M.CT.M. Tirupani Trust v. CIT [1998] 230 ITR 636 (SC), that the plough back of profit for the same educational object makes it a charity "not for profit". In fact, the requirement of application of 85% within the permitted period of accumulation itself should avoid any adverse inference. MA

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IMPACT OF SERVICE TAX ON TELECOM SERVICES

Though the telecom industry is the highest contributor of service tax, a number of state governments have imposed heterogeneous taxes/charges on the operators. Although these taxes are not significantly high, they delay the rollout of networks. The myriad of taxes hopefully would go away with the implementation of GST

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Telephone service is among the three services brought into the service tax net with effect from the date of inception itself. The Telecom industry is monopoly in the hands of the Central Government. After the introduction of liberalization and globalization private operators were encouraged to enter into telecom sector. The technology in the telecom is changing frequently. The technology today will be obsolete within two years because of the introduction of new technology.

On introducing the mobile phone services the telecom industry has witnessed the rapid growth. Telecommunications services are a global market worth over US$ 1.5 trillion in revenue as on 22nd March 2012. Mobile services account for roughly 40 per cent of this, while mobile subscribers worldwide currently outnumber the use of fixed telephone lines by more than two to one. Over the past decade, the market has witnessed far-reaching changes, with the introduction of competition into a sector that was once principally a monopoly. The Telecom services, after the liberalization process reached the gross root level. As on 31.08.2014 the number of subscribers is as per the table below:

Table – 1 : Total subscribers as on 31.08.2014 (in million)

Sl. No.	Particulars	Urban	Rural	Total
1	Wireless	544.69	379.63	924.32
2	Wireline	21.91	5.61	27.52
	Total	566.60	385.24	951.84

Source: www.trai.gov.in

Total number of broadband subscribers as on 31.08.2014 is 74.31 million which includes 15.05 million of wired subscribers; 58.82 million by mobile users and 0.44 million by Fixed wireless subscribers (Wi-Fi, Wi-Max, Point to Point Radio & VSAT).

Initially only the telephone service is liable for service tax. There are various problems arised to the service providers as to the interpretation of the statute. The developments occurred in adding many of the telecom services in the service tax is discussed as below:

- Telephone service - introduced with effect from 01.07.1994;
- Pager Service – Even though the Department had not considered the pager as a service the same has been brought into the service tax net with effect from 16.07.2001;
- Telegraph service – This service has been mostly utilized by the people and this service has been brought into service tax net with effect from 16.07.2001;
- Facsimile - Facsimile service was introduced since there was a demand for fast transmission of data from one place to another, communication by fax was the order of that day. This results in the introduction of this service in the service tax net with effect from 16.07.2001;
- Leased circuit - The companies used to obtain leased line for transmission of data and speech and they opted for networking of various offices wherein the difference offices

are inter-connected through leased line or by VSAT. Therefore the Government brought the leased circuit service into the service tax net with effect from 16.07.2001.

- Internet telecommunication service – The increase in the use of internet by public leads to the inclusion of this service with effect from 16.05.2008.

Telecommunication

To avoid interpretation and enable all services of the telecom to be covered under service tax net, the term 'telecommunication' is defined covering more or less all the services rendered by the Telecom Industry.

Section 65 (109a) defines the term 'telecommunication' as service of any description provided by means of any transmission, emission or reception of signs, signals, writing, images and sounds or intelligence or information of any nature, by wire, radio, optical, visual or other electro-magnetic means or systems, including the related transfer or assignment of the right to use capacity for such transmission, emission or reception by a person who has been granted a licence under the first proviso to sub-section (1) of section 4 of the Indian Telegraph Act, 1885 (13 of 1885) and includes —

- voice mail, data services, audio tex services, video tex services, radio paging;
- fixed telephone services including provision of access to and use of the public switched telephone network for the transmission and switching of voice, data and video, inbound and outbound telephone service to and from national and international destinations;
- cellular mobile telephone services including provision of access to and use of switched or non-switched networks for the transmission of voice, data and video, inbound and outbound roaming service to and from national and international destinations;
- carrier services including provision of wired or wireless facilities to originate, terminate or transit calls, charging for interconnection, settlement or termination of domestic or international calls, charging for jointly used facilities including pole attachments, charging for the exclusive use of circuits, a leased circuit or a dedicated link including a speech circuit, data circuit or a telegraph circuit;
- provision of call management services for a fee including call waiting, call forwarding, caller identification, three-way calling, call display, call return, call screen, call blocking, automatic callback, call answer, voice mail, voice menus and video conferencing;
- private network services including provision of wired or wireless telecommunication link between specified points for the exclusive use of the client;
- data transmission services including provision of access to wired or wireless facilities and services specifically designed for efficient transmission of data; and
- communication through facsimile, pager, telegraph and telex,

but does not include service provided by —

➲ any person in relation to on-line information and database access or retrieval or both referred to in sub-clause (zh) of clause (105);

➲ a broadcasting agency or organization in relation to broadcasting referred to in sub-clause (zk) of clause (105); and

➲ any person in relation to internet telecommunication service referred to in sub-clause (zzzu) of clause (105); (with effect from 01.07.2012).

New Regime of service tax

With effect from 01.07.2012 the negative list was introduced. The services not covered under negative list, mega exemptions, exemptions notified by Central Government are automatically covered under service tax regime. As such all the services rendered by Telecom Industry would come under the purview of service tax. Many issues may come on the definition of service between the department and the service provider.

In 'State of Andhra Pradesh V. BSNL'- 2012 (25) STR 321 (AP) it was held that ring tones, music downloads, SMS, wall papers etc., involves transfer of data, (textual, audio, visual etc.,) and/or accessibility fell within the ambit of 'Telecommunication Services' as defined in Section 2(k) of TRAI Act, 1997 and Section 65 (109c) of the Finance Act, 1994 and not goods liable for VAT under AP VAT Act.

If the telephone instruments, mobile handsets, modem and caller ID instruments are procured by subscribers from suppliers other than the service providers or their distributors/franchisees monthly charges paid by the service provider would fall within the 'telecommunication service' liable to be service tax under Section 65 (105) (zzzx) of the Finance Act, 1994.

Non refundable deposits collected by service providers from their distributors, as security deposit for supply of the SIM cards etc., are not goods and not liable to tax under Andhra Pradesh VAT Act, 2005.

Non refundable deposit received by Telecom service providers against supply of telephone instruments, batteries, accumulators etc., as disguised form of consideration either for their sale or transfer of right to use. The High Court held that they form part of sale consideration subject to VAT.

Refundable deposit collected by Telecom service providers from post paid subscribers as security deposit for provision of STD or ISD facilities do not fall within the ambit of sale of goods and not liable to tax under the Act.

Place of Provision of Services Rules, 2012

The Place of Provision of Services Rules, 2012 was also introduced which defines the taxable territory. According to these provisions if a service provider is within the taxable territory he is liable to levy and pay service tax. The telecom operators in India receive services from foreign operators located outside India as well as the telecom operators in India rendered to foreign operators located outside India, the following services:

- International out roaming services;
- International private leased circuit;
- Multi protocol label switching services;
- International usage connectivity services;
- International long distance services.

The taxability of the above services is covered under the Place of Provision of Services Rules, 2012. The telecom operators in India receiving services from foreign operators are liable for the payment of service tax as the recipient of service. In respect of the services offered by Indian Operators to foreign operators are not liable to pay service tax since the same are rendered outside the taxable territory.

Payment of service tax

In respect of telecommunication services two types are available; one is pre paid and the other is post paid. There would be no problem in pre paid because the amount is being collected initially and there would be no problem in payment of service tax. In respect of post paid services the charges are claimed in arrears. Before 01.04.2011 the service tax is payable by the service provider on receipt basis. As such it had not been a problem for the service provider till 01.04.2011.

After the introduction of Point of Taxation Rules, 2011 the impact is high. The service tax is payable as that of the procedure in payment of central excise. The service provider has to pay the service tax for the bills raised. If any cancellation of the bills is there the same may be deducted. As such the work burden is more for the service providers in having constant checks and reconciliations etc., The new rules, however, create an anomaly in light of the corresponding amendment made in the Service Tax Valuation Rules, which specifically mandate Telecom companies to discharge service tax on the entire amount collected from the subscribers.

Service tax V. VAT

This is the major problem faced by the service providers. The sale of SIM card is considered as Sales of goods by the State Governments and began to levy VAT on the sale of SIM card. Utter confusion prevailed in those days in interpreting whether the sale of SIM is a service or sales. The following case laws discusses about the various problems arised in interpreting whether the telecom products are service or sales:

In 'BSNL V. Union of India' – 2006 (2) STR 161 (SC) the Supreme Court decided the principal question on the nature of transactions by which the mobile phone connections are enjoyed. Whether it is a sale or is a service or is both? The Supreme Court held that the same transaction may involve two or more taxable events in difference aspects. However this does not allow the state to entrench upon Union list and tax services by including cost of such service in value of goods. Even in composite contracts which are by legal fiction deemed to be divisible under Article 366 (29-A) of the Constitution of India, value of goods involved in execution of whole transaction cannot be assessed to sales tax.

In **'Bharti Airtel Limited V. State of Karnataka' – 2012 (25) STR 514 (Kar)** it was held that artificially created light energy (ACLE) was a form of electromagnetic wave used by telecom service provider as carrier of data or information in optical fibre broadband line. It was not marketable. It was not abstracted or consumed or delivered or stored or possessed. It was a case of conversion and not abstraction. It was not something available in abundance of which service provider abstracted a provision. It was not something manufactured or generated by service provider. It did not satisfy test of consumption as neither subscriber nor recipient of message of data, consumed any portion of ACLE. The service provider consumed as a tool to render service. It did not satisfy the test of delivery as subscriber sent and recipient received only data etc., and not any portion of ACLE. The essence of these networks was transfer of information and not energy transfer, which was only minimal. In that view it did not satisfy the tests prescribed to constitute 'goods' as defined in Section 2(15) of Karnataka VAT Act, 2003.

Commission
Recharge vouchers are used to supply to the subscribers through franchisees/distributors at a price lesser than MRP. Initially the service providers offered commission to the franchisees/distributors and the franchisees/distributors collected service tax on the commission amount from the service provider. Thereafter the service providers sold the same at the discounted rate to the franchisees/distributors with the option to sell the same within the MRP rate. The Revenue demanded service tax for this discounted rate also. The service provider is liable for the payment of service tax for the gross consideration received from the franchisees/distributors not the amount collected from the subscribers by the franchisees/distributors. This aspect has created many a litigation between the Revenue and the service providers.

In **'BPL Mobile Limited V. Commissioner of Central Excise (Service Tax), Coimbatore' – 2007 (8) STR 546 (Tri.Chennai)** the appellant sold prepaid SIM cards to dealers/distributors against payment of price below MRP which in turn sold by the later to subscribers at MRP. The Tribunal held that the amount charged by assessee (service provider) is amount received by them from dealers/distributors and nothing extra was charged by them. Where law prescribes value of taxable services to be the gross amount charged by service provider, service tax can be levied on that amount only.

CENVAT Credit
Problems also arise in availing and utilizing CENVAT credit. Here one case law is discussed on this aspect. In **'Idea Cellular Limited V. Commissioner of Central Excise, Customs & Service Tax, Cochin' – 2014 (8) TMI 896 - CESTAT BANGALORE** the appellant has taken the CENVAT credit of central excise duty paid on SIM cards. The CENVAT credit was denied by the Department on the ground that the SIM cards are capital goods classifiable under Chapter CETH 85 and therefore credit could not have been taken. The appellant contended before the Tribunal that the appellant has been taking credit on SIM cards treating them as inputs and that SIM cards are essential inputs for providing the output service namely the Telecommunication Service. The Tribunal considered the arguments put forth by the appellants. The Tribunal found that the appellants purchased the SIM cards, load the software and thereafter sell it through the dealers and after sale to a customer, the SIM card is activated and the process of provision of Telecommunications service commences. That being the position, the claim of the appellant that SIM card is an input for them and is used for providing the output service on a prima facie basis seems to be justifiable.

Contribution of Telecom industry to exchequer
The telecom industry is the highest contributor of service tax to the exchequer despite the various problems involved. The details of service tax payments made by the telecom industry are as detailed in the given table:

Table 2 – Service Tax payment by Telecom Industry In 'crores'

Year	Service tax paid by Telecom Industry	Total service tax collected	Percentage of contribution by Telecom Industry
1994 -95	205.05	410.61	49.32
1995-96	493.40	846.16	58.31
1996-97	580.94	1022.01	56.84
1997-98	716.38	1515.90	47.25
1998-99	834.65	1787.40	46.70
1999-00	1176.79	2071.83	56.8
2000-01	1087.17	2611.68	41.63
2001-02	1382.84	3305.44	41.84
2002-03	1578.21	4124.89	38.26
2003-04	2692.33	7889.97	34.12
2004-05	3934.36	14196.19	27.71
2005-06	4092.49	23052.94	17.15
2006-07	N/A	N/A	N/A
2007-08	N/A	N/A	N/A
2008-09	5853.97	60701.89	9.64
2009-10	4031.04	58336.36	6.90

Source: www.servicetax.gov.in

Conclusion
The industry suffers many a taxation problem because of the State Governments specific taxes. A number of state governments have imposed heterogeneous taxes/charges on the operators. These include property tax, stamp duty, right of way charge, fire tax, electricity duty on power consumption, sewage tax, water supply tax, state excise, entry tax etc., Although these taxes are not significantly high, they induce compliance cost and more importantly delay the roll out of the network by the operators. The myriad of taxes hopefully would go away with the implementation of GST regime. MA

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DIRECT TAXES

Case Laws

- **Cash award received by editor for excellence in journalism was tax-free as it was a capital receipt** - The assessee was Editor-In-Chief of a reputed English magazine. He claimed exemption of Rs.1 lakh received by him as an award from B.D. Goenka Trust for excellence in Journalism. His claim was denied by the department. Eventually the High Court allowed appeal of assessee by holding that such cash award was capital receipt and made following observations:

  1) The primary reason of giving award in the assessee's case was not directly related to the carrying on of vocation as a journalist or as publisher. The award for excellence in Journalism was directly linked with his personal achievements and personality.

  2) The payment had been made by a third person and not by an employer, who was not concerned with the activities or was associated with the "vocation" of the appellant.

  3) It, being a payment of a personal nature, had to be treated as capital payment, being akin to or like a gift, which did not have any element of quid pro quo. - *Aroonpurie* v. *Commissioner of Income-tax* [2015] 56 taxmann.com 80 (Delhi)

- **Application of income by trust for charitable purposes outside India doesn't lead to denial of Sec. 12AA registration -** Section 2(15) does not require that for a purpose or activity to be charitable in nature, such an activity should be performed 'in India' only. If activities of trust are otherwise charitable and fall in the definition of charitable purposes, then such a trust, subject to the fulfilment of other conditions, will be entitled to registration. It cannot be denied registration because of the fact that its activities have been extended outside India. Therefore, a trust would be entitled to registration under section 12AA even if it applies its income for charitable purposes outside India - *Critical Art & Media Practices* v. *DIT (Exemption)* [2015] 56 taxmann.com 118 (Mumbai - Trib.)

Statutes

- **CBDT mandates e-filing for individuals & HUFs claiming tax refund and for ordinarily residents earning overseas income -** The CBDT has notified amendment to Rule 12 of the Income-tax Rules which shall be applicable for the assessment year 2015-16.

  Till assessment year 2014-15, individuals or HUFs, who were otherwise not liable to file return of income electronically, could claim tax refund by filing return of income in physical form. However, the new provision makes it mandatory for every taxpayer to file return of income electronically so as to claim refund of tax from the department.

  Under the extant Rules, every super senior citizen (being an individual of 80 years or more) is required to file return of income electronically, if his total income exceeds five lakh rupees. The new Rules provide an option to the super senior citizens, whose total income exceeds five lakh rupees or who claim income-tax refund to file return of income in physical form, provided return is furnished in ITR- 1 or ITR- 2.

  As per the new provision every individual or HUF whose total income exceeds five lakh rupees or who is required to file return in Form ITR-3 or ITR-4 shall file return of income electronically. New provision also provides that residents and ordinarily residents having income from any source outside India shall be liable to file return of income electronically but they cannot file their return of income in ITR-1 and ITR-4S. - Notification No. 41/2015/ F.No.142/1/2015-TPL], Dated 15-04-2015

- **CBDT doubles exemption limit of conveyance allowance; revised limit notified -** The Hon'ble Finance Minister in his budget speech on February 28, 2015 had proposed to double the exemption limit of transport allowance. Now the CBDT has notified the revised exemption limit of transport allowance of Rs 3,200 per month for disabcled employees and Rs 1,600 for others. - NOTIFICATION NO.39/2015 [F.NO.142/02/2015-TPL]/SO 1002(E), DATED 13-4-2015

- **Black Money Bill tabled in the Parliament; provides for 300% penalty and flat tax rate of 30% on undisclosed income -** The Hon'ble Finance Minister, in his budget speech for 2015-16 had proposed introduction of Anti-black money Bill in the Parliament. Earlierthe Cabinet approved of this Bill. Now Undisclosed Foreign Income and Assets (Imposition of Tax) Bill, 2015 has been tabled in the Parliament. The Bill provides for separate taxation of any undisclosed income in relation to foreign income and assets. It provides that undisclosed foreign income or assets shall be taxed at flat rate of 30% without any exemption or deduction and, further, 300% of amount of tax payable is proposed to be levied as penalty. - CBDT PRESS RELEASE, DATED 20-3-2015

SERVICE TAX

Case Laws

- **Flooring/tile terracing inclusive of construction is eligible for abatement in respect of construction services -** Where assessee was providing construction services (inclusive of completion and finishing) and scope thereof was 'plinth levelling, slab casting, plaster work (inner & outer), flooring and tiles terracing', said services were eligible for abatement in respect of construction services – *CCE* v. *Saini & Company* [2015] 55 taxmann.com 458 (New Delhi - CESTAT)

- **Using expression 'inclusive of all taxes' in a contract doesn't mean that service tax was collected by assessee -** Expression 'inclusive of taxes' only means that there would be no further rise in value of contracts in case any demands stands raised against service provider; it does not mean that 'service tax' stands collected from service recipient so as to be payable under section 73A, despite fact that services are eligible for exemption - *Shirdi Sai Electricals Ltd.* v. *CCEC&ST* [2015] 55 taxmann.com 274 (Bangalore - CESTAT)

- **Service-tax law doesn't empower CAG to audit non-government cos. who aren't receiving aid from any Govt. -** There is no provision in service tax law or central excise law or CAG Act which empowers CAG to audit accounts of a non-government company, not in receipt of aid or assistance from any Government or Government entity - *Infinity Infotech Parks Ltd.* v. *Union of India* [2015] 55 taxmann.com 367 (Calcutta)

- **Goods having HSN classification under Kerala VAT cannot be classified as per common parlance test -** Based on HSN classification, 'Ujala Supreme' and 'Ujala Stiff and Shine' are classifiable as 'Synthetic organic colouring matter-Acid Violets' and 'Polymers of vinyl acetate' respectively under List A of Third Schedule to Kerala VAT Act (tax 4%); they cannot be classified under residual entry (tax 12.5%) based on common parlance or end-use based test - *M.P. Agencies* v. *State of Kerala* [2015] 55 taxmann.com 420 (SC)

- **No reversal on inputs issued from stores section to be used in manufacture of final product -** Inputs issued from store section to be used in manufacture of final product, have to be treated as inputs used in manufacture and no Cenvat credit reversal is required even if WIP is destroyed by fire; however, loss by fire of inputs lying in store as such is ineligible for credit - *Rako Mercantile Traders* v. *Commissioner of Central Excise, Lucknow* [2015] 55 taxmann.com 72 (New Delhi - CESTAT)

- **Prospective importers are interested parties; must be granted hearing prior to levy/non-levy of anti-dumping duty -** For purposes of anti-dumping duty, 'interested party' refers to a party who is interested in investigation and ultimate outcome of it; therefore, prospective importer of goods is also an 'interested party' and must be granted hearing prior to levy/non-levy of anti-dumping duty - *Bharat Solvent & Chemical Corporation* v. *Union of India* [2015] 55 taxmann.com 504 (Delhi)

A MANAGEMENT ACCOUNTING TOOL TO ANALYSE PROFITS BY CUSTOMERS

Activity-based Customers Profitability Analysis help in revealing that customers with the same sales value can generate significantly different profits. Accordingly, Activity-based Customer Profitability Analysis provide scope for developing a more market-oriented approach to management accounting

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IN the past, Management Accountants used to analyse profits by products. The scenario charged after Cooper and Kaplan emphasized in their Article [Copper R. and Kaplan, R.S.(1988) Measure Costs right : make the right decisions – Harvard Business Review, September/October 96-103] the need to analyse profits by customers, using and activity based costing approach, which is quite relevant in the present competitive scenario, where managers are faced with key strategic decisions.

Customer Profitability Analysis provides vital information and can be used to determine which classes of customers should be emphasized, or deemphasized and the price to charge for customer service. Cooper and Kaplan, used "Kanthal" – a Harvard Business School Case Study, to trace the merits of Customer Profitability Analysis.

Kanthal is a Swedish Company that sells electric heating elements. Kantha's selling costs, related to customers, account for 34% of its cost structure. In the past, Kanthal used to allocate the above mentioned costs on the basis of sales (in dollars) of each customer. However recently the management of Kanthal decided to allocate these costs by analyzing the activities required to service customers. Kanthal conducted a detailed customer profitability study and the study revealed two cost drivers :-

i) Number of orders placed:
Each order had a large fixed cost which did not vary with the quantity of items purchased. A customer who ordered 1000 units per month in 10 orders of 100 units, generated 10 times more ordering cost than a customer who placed a single order of 1000 units.

ii) The availability of the ordered item "in stock":
Kanthal incurred extra cost to produce

ordered item which was not in stock.

Kanthal made estimates of the per order cost (Say $ 350), the cost of handling in-stock item (say $ 150) and the cost of handling and out of stock item (say $ 1150). On the basis of the above estimates, Kanthal's Sales related cost for an in-stock order was

$ 500 ($ 350 + $ 150) and the sales related cost for and out of stock order was $ 1500 ($350 + $ 1150). The above mentioned cost figures were assumed to be purely variable in nature. Kanthal tried to ascertain Gross Margin earned for each customer in the most recent years.

Let us consider, Mr. X, a customer of Kanthal, who used to 40 orders to purchase $ 4,45,000 of goods with a manufacturing cost of $ 3,40,000. The 40 orders, can be broken up in 15 orders for in-stock items and 25 orders for out of stock items. The Gross Margin of Sales of Mr. X the customer is calculated below:-

NOWADAYS, FEW TAKE RECOURSE TO ACTIVITY BASED CUSTOMER PROFITABILITY ANALYSIS. QUITE NATURALLY, THESE FIRMS ALLOCATE CUSTOMER RELATED EXPENSES ON AN ARBITRARY BASIS

	$	$
Sales		4,45,000
(-) Costs :-		
Manufacturing cost of Goods sold	3,40,000	
In-stock order Cost (15x $500)	7,500	
Out of Stock Order cost (25 x $ 1500)	37,500	

Total Costs		3,85,000

Gross Margin		60,000
		========

From the above, we note that Mr. X's frequent purchase of out of stock items resulting in a big sales related costs.

From the Customer Profitability Analysis, based on Sales for the previous year, Kanthal found that 40% of it's customers were profitable and a further 10% lost 120% of the profits. In other words, 10% incurred losses equal to 120% of Kanthal's total profits.

Two of the most unprofitable customers turned out to be among the top three in total sales volume. These two customers made many small order of out of stock items.

The Kanthal Case study showed how Customer Profitability Analysis can be used to identify unprofitable customers. The firm should persuade unprofitable customers to modify their buying behavior away from placing numerous small order and/or purchasing non standard items. If the firm fails to persuade these customers to modify their behaviors, it should increase the selling prices to cover up extra resources consumed. The above Activity Based Analysis, highlighted the need to focus on reducing ordering costs and the cost of handling nonstandard items.

It would be wrong to conclude that we need to drop all customers showing negative gross margin, following Kanthal Case study. For example, some customers may be willing to change their buying behavior away from numerous small orders of out-of-stock items or some customer may be willing to pay extra to maintain their correct buying pattern or unprofitable customers of today may become profitable customers tomorrow, when they may order in larger volume.

Now a days, almost all prudent firms analyze profits by customers but few take recourse to Activity Based Customer Profitability Analysis. Quite naturally, these firms allocate customer related expenses on an arbitrary basis. Activity based Customers Profitability Analysis help in revealing that customers with the same sales value can generate significantly different profits. Accordingly, Activity Based Customer Profitability Analysis provide scope for developing a more market oriented approach to management accounting.

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EXPLORING MISSTATEMENTS

The proposed audit-model is simple, adoptable and innovative by applying indispensable statistical tools such as normal distribution to facilitate the cost auditor to derive his results on substantial testing

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THE examination and evaluation of financial objectionable cost misstatements among several thousands of the transactions is a herculean task. In many circumstances, verification of each and every transaction is practically impossible, as it requires lot of resources and time. Therefore, cost auditor necessarily to adopt appropriate sampling method, for deriving his results when one hundred percent of transactions within particular class of transactions or accounting balance could not be verified by him for expressing his opinion.

There are two major concerns for the cost auditor, who is applying statistical sampling. One being the cost auditor has to estimate how many samples to be selected and another being what are those samples for the detailed examination.

Heimann & Chesley (1977)[1] developed an audit sampling model by taking into consideration of various types of sampling risks. The model is useful in calculating the total cost that has to be incurred for auditing samples as well as to determine the alpha and beta risk levels. He pointed out that the classical statistical approach involves the use of the mean value estimator.

However, the mean-value estimator ignores some important additional information that the cost auditor would have used during audit sampling such as the actual recoded value of an account balance. Therefore, O´ Regan (2010)[2] suggested that the cost auditor have to consider confidence level, expected deviation rate, tolerance rate and population to determine the sample size.

However, no attempt was made so far to link the sample interval and the corresponding population interval for getting adequate additional samples for deriving useful conclusions on materiality and hence a preliminary attempt is made to develop an audit model to derive scientific results on the substantial testing with least efforts.

The proposed audit-model is simple, adoptable and innovative by applying indispensable statistical tools such as normal distribution to facilitate the cost auditor to derive his results on substantial testing. As in the case of any audit-sampling model, the proposed audit model also involves planning, performing and evaluation of audit samples. The professional judgment in planning, performing and evaluating sample and corroborating with

1 Heimann,S.R.,& Chesley,G.R.(1977).Audit Sample Sizes for Aggregated Statement Accounts. Journal of Accounting Research,15(2),193-206
2 O´Regan,D.(2010).Attribute Sampling Plans. Internal Auditor, 67(1),19-21.

other evidences is adopted without making any change. The proposed audit-model facilitates the cost auditor to derive his conclusions more precisely. The suggested audit-model is immensely useful to the audit community as it facilitate to identify the misstatements in order to direct the client for taking corrective steps. The proposed audit model is useful for checking Balance sheet, Income and expenditure account, Profit and Loss account or Revenue account.

The proposed audit-model is not susceptible to all auditing procedures. The general procedures for checking the records like Minutes, Contract documents or Judgments of Hon'ble Courts and the records which require complicated analytical procedures such as identifying the unusual and outlier items etc, the proposed technique, could not be adopted. The application of the proposed technique is also extremely limited, if the prime intention is to understand the nature of the entity operations or evaluation of the Internal Control Mechanisms.

Objective of the Study

The primary objectives of the study is to develop appropriate audit-sampling-model, by adopting the existing statistical tools which facilitates

- To identify the objectionable transactions as well as its monetary value within the accounting balance
- To estimate the monetary value of the accounting balance more accurately
- To confirm the efficiency of the proposed audit model.

Audit Model

The cost auditor expected to espouse compliance testing as well as substantial testing. The compliance test primarily aims to check whether the provisions of the Act, Rules framed thereon, Regulations and Executive Instructions are properly adhered by the entity. In the compliance testing, the cost auditor is interested in a specific characteristic of the accounting balance possesses the characteristic or they do not have it. On the other hand, the estimation of aggregate monetary error is the primary aim of substantial test of details. The error in the financial statements has to be treated as material, if the knowledge of the error would affect a decision of a reasonable user of the statements. If the error in the substantial testing exceeds the materiality, it becomes absolutely necessary to give directions to modify the financial statements. The primary concern of the proposed audit model is to check the substantial test of details.

The proposed model involves three phases, the first phase being identification of misstatements and the second phase to assist the cost auditor in estimation of the monetary value of the book balance and the last phase being the efficiency testing of the model proposed.

Phase I- Identifications of Misstatements

It is well known if the cost auditor did not check all the records and adopts statistical methods there is always audit risk. The extent of testing by the cost auditor depends upon the degree of reliability or assurance that cost auditor requires about the financial information recorded in the accounts. The risk for issuing the unmodified audit report due to non-detection failure may be further classified primarily into two categories i.e. risk of incorrect acceptance (Beta Risk) and risk of incorrect rejection (Alpha risk).

The proposed audit-model aids the cost auditor to reduce both alpha and beta audit risks to a maximum possible extent. The proposed model applies statistical methodologies, which arise in auditing where the distributions could be adopted.

THE PROPOSED AUDIT MODEL INVOLVES THREE PHASES, THE FIRST PHASE BEING IDENTIFICATION OF MISSTATEMENTS AND THE SECOND PHASE TO ASSIST THE COST AUDITOR IN ESTIMATION OF THE MONETARY VALUE OF THE BOOK BALANCE AND THE LAST PHASE BEING THE EFFICIENCY TESTING OF THE MODEL PROPOSED

The first step requires the selection of transactions randomly and confirms whether the selected transactions confirm with the consistency of Rules/Regulations etc. After incorporating the audited value in the transaction data set, the cost auditor has to apply $\chi 2$ to confirm whether the new transaction data set fit into the normal distribution.

If the new data also fit into the normal distribution, he need not proceed further and conclude his results. On the other hand if the transaction data did not fit into normal distribution, he has to make detailed audit on the samples selected. Cost auditor has to arrange the data transaction data set the after incorporating the admissible audited value.

After this, the cost auditor has to identify the interval in the sample, where the variation of $\chi 2$ is more. After identification of the interval in the sample, he can use the same class of interval in the transaction data set for selecting additional samples. The cost auditor may use any type of sampling method for selection of the additional sample including simple random method, monetary unit sampling method etc. If the sample is already selected, it should be avoided instead new transactions could be selected.

After selection of the additional samples, he has to take a in-depth detailed audit on the transactions selected and the cost auditor has to fix admissible value of the transactions after auditing.

The new transaction data set will be formed after incorporating the audited value. The cost auditor may apply either analytical procedures such as predictive analysis, regression analysis, business analysis etc or use system based approach or direct substantive testing approach or combination of all the techniques.

After completion of this, he can incorporate the items for which detailed substantial testing were made in the transaction set and form a new transaction data set after incorporating the audited value and apply $\chi 2$ test again for conforming the normality. If the transaction data set satisfies $\chi 2$ test, cost auditor may conclude his results.

If the new transaction data set did not satisfy the $\chi 2$ test, the cost auditor expected to continue his exercise till transaction set formed satisfies $\chi 2$ test or auditing of all transactions. By this exercise he could more accurate book value as sample increases. This procedure enables him to simplify the ways to identify the transactions which are likely to be misstated.

Phase II- Estimation of the monetary value of all transactions

In phase II, the total monetary value of the transactions which are likely to have audit observations in a particular accounting balance is evaluated. After satisfaction of the cost auditor as explained in the Phase I, the mean of the audit sample for each interval are calculated. On multiplying the mean of the sample by the number of transactions of in each interval of the entire account balance it is possible to derive the monetary value of the misstatements in the particular account balance which is in audit focus.

Though, there are many estimators, such as Mean-per-unit estimator, Ratio estimator, Regression estimator, PPS estimator, Felix and Grimlund estimator, Cox and Snell estimator are available to estimate the book balance in the population, the mean estimator is adopted in the audit model for simplicity.

Phase III: Efficiency of the Audit model

In the third phase, the efficiency of the proposed model is analyzed and proved that it is mathematically efficient.

The following step ladder could be used for audit process stated above.

Step Ladder

PHASE I – IDENTIFICATIONS OF MISSTATEMENTS

Step I-Vertical and horizontal consistency of account balance

In the first step, cost auditor has to ascertain the total book value of the transactions as mentioned in the account balance or in the particular class of transactions. He has to confirm the consistency of the account balance which he has to ensure the vertical and horizontal consistency with other financial statements.

Step 2- Selection of sample transactions

The second step is the selection of sample transactions from the account balance he had selected. The cost auditor has to identify the high value items, key items and he has to remove such items and the remaining items will form the transaction data set. The high value transactions and key transactions are to be necessarily audited by the cost auditor. The following procedure could be adopted in respect of the remaining items.

The cost auditor can adopt any type of statistical plan, which is in existence. The proposed model did not make any changes in the existing practice of the initial selection of the sample. The cost auditor could adopt attribute or variable or probability proportional to size sampling for the initial selection of the transactions.

Step 3 – Application of substantial testing on the selected transactions

The next step involves substantial testing on the transactions, which are selected for detailed analysis. Various principles of auditing including application of Act, Rules or Procedures as well as consistency of the monetary value with the other comparable entries within as well outside the entity's transactions, or any novel type of checking, if any available have to be applied in the selected sample. Utmost sincere efforts have to be made in this phase as the entire efficiency of audit model depends on this. This detailed exercise leads to the identification of the transactions which are having inconsistence with the Rules, Regulations, other transactions etc. If there are no deviations in the sample, the cost auditor has to go for another sample.

Step 4 –Tabulation of the results derived

In this step, information derived in step 3 are to be tabulated in a particular format which facilitates to make further analysis. While exercising the substantial testing of the transactions the cost auditor may accept the entire monetary value mentioned in the transactions or he may be reject the entire transactions. There are many circumstances where the cost auditor may admit partial amount of the financial transactions and disallow the remaining. After completion of the audit of all samples selected the results derived are to be incorporated into the transaction data set and form a new transaction data set.

Step 5- Frequency of Errors

After collecting the above information, error distribution has to be evaluated and the results derived are to be tabulated in a table containing error interval, actual frequency and cumulative frequency.

Step 6- Fitting in Normal distribution

The new transaction data set after incorporating the audited value has to be formed. The actual frequency and estimated frequency and the difference of the two are evaluated and the evaluated results are tabulated. If the new transaction data set satisfy $\chi 2$ test, then the cost auditor may conclude his results. On the other hand, if the new transaction data set did not satisfy $\chi 2$ test, the following steps may be adopted.

Step 7- Identifying Error Interval, which are likely to have more misstatements

The cost auditor may identify the error interval, where the $\chi 2$ variate is more. The cost auditor has to select the samples from the data transaction set in the same interval where the $\chi 2$ variate is more. Cost auditor may use any type of sampling method to identify the additional samples. By omitting the transactions already audited, he can select new transactions from the remaining transactions.

A detailed audit could be conducted in the samples selected and the form the new transaction data set after incorporating the audited value. The $\chi 2$ test will applied in the new transaction data set to confirm the normality. The exercise has to continue till transaction data set satisfies $\chi 2$ test after incorporating the audited admissible value.

PHASE II - EVALUATION OF MAXIMUM OBJECTIONABLE AMOUNT

The following common notations are used in this phase.

Ur = Reliability factor
A = Precision
SE= Standard error of mean
N= Population size
n = sample size
x = Mean
σ = Standard Deviation
SD = Standard Deviation
BV = Book Value of Accounting Balance under scrutiny
EV = EstimatedValue Accounting Balance under scrutiny
f= frequency, a positive number.

The next step is to evaluate the monetary value of the objectionable transactions within the accounting balance or in a particular class of transactions. The following steps are required to make the evaluation of the total monetary value of objectionable transactions.

Step I

Let Xi be audited (correct) value and Yi be the book value (recorded) of the ith transaction. The book balance and audited balance of the account under consideration will be

$$Y = \sum_{i=1}^{N} Yi$$

and

$$X = \sum_{i=1}^{N} Xi$$

The error amount of i^{th} item is defined as

D_i = Yi - Xi

When $D_i > 0$ it is overstatement and $Di < 0$ it is under-statement.

When $Yi \neq 0$ the fractional amount of i^{th} item

$T_i = D_i / Y_i$ is called tainting or taint.

The error of the *book balance and account is*

$$D = Y\text{-}X = \sum_{i=1}^{N} Di = \sum_{i=1}^{N} Ti\ Yi$$

The details of the samples audited are clubbed together and the accepted monetary value of the each item after auditing will be rerecorded in a table. The audited value of all of the transactions audited is analyzed and they are tabulated.

The first stage is to calculate the mean and standard deviation of the audited sample, which is evaluated by adopting the formula.

$$\text{Mean } \bar{x} = X \sum_{i=1}^{N} xi / N \qquad (4.1)$$

$$\text{Standard Deviation } \sigma = \sqrt{1/N \sum_{i=1}^{N} (xi-\square)^2 / N} \qquad (4.2)$$

The total monetary value of the objections in the sample, mean and standard deviation are to be tabulated.

Step 2 –Evaluation of the Precision Limit

The next step is to evaluate the Standard Error of the entire population of the accounting balance. This could be evaluated by the following formula

SE =SD/√ (n), where

Precision defines the maximum degree of misstatement, which will be acceptable. It can be expressed as monetary value or percentage. It is an estimate which describes the range of values less and more than the point estimate within which the true value is expected to fall. The lower and upper bounds of this range are referred to as precision limits.

Reliability is the probability that the precision interval contains the true value. It express the proportion of cases in which the precision intervals would contain the true value if the same estimating procedures were employed a large number of times. Precision is the degree of uncertainty in the cost auditor's estimate of error.

Cost auditor has to prescribe himself the reliability factors, which are normally about 95 or 99 percentages. The respective value for the reliability factor is 1.96 or 2.58 respectively.

Mathematically Precision is

A= Ur *SE* N √ (1-n/N) (4.3)

Step 3 –Estimation of misstatements

After evaluating the precision by the above formula the next step is to estimate the book balance, which could be estimated by adopting the various types of estimators.

The mean estimator $\dot{X}_m$ = N*x, could be adopted.

The mean estimator for each interval could also be adopted and the overall book balance could be derived. In this step, though there are many methods such as Mean-per-unit estimator, Ratio estimator, Regression Estimator, PPS estimator, Felix and Grimlund method, Cox and Snell method, Multinomial-Dirichlet method, Distribution-free method available the mean estimator could also be adopted for its simplicity. However, there is major scope for improving the results derived below by adopting other methods stated above.

The entire accounting balance will be analyzed and the frequency of the each interval is found and recorded in a table containing mid of interval, frequency and monetary value. By multiplying the amount in each interval with the frequency and summing all it is possible to get the estimated value of the accounting balance.

Step 4 – Deriving conclusions

From the estimated value of the accounting balance, decision interval could be evaluated i.e. (BV+A, BV-A) and finally cost auditor can conclude that Ur percent certain that the true account balance will be EV and falls within BV ±A. The chart on the next page explains the process involved in the model.

Phase III Efficiency of the Audit Model

The audit model said to be efficient, if the cost auditor is able to derive his conclusions more accurately and more scientifically. It is always possible to derive the more precise conclusions if sample size is more.

The precision (A) could be calculated by using the following formula

A = Ur *SE* N √ (1-n/N)

The width of the precision interval is

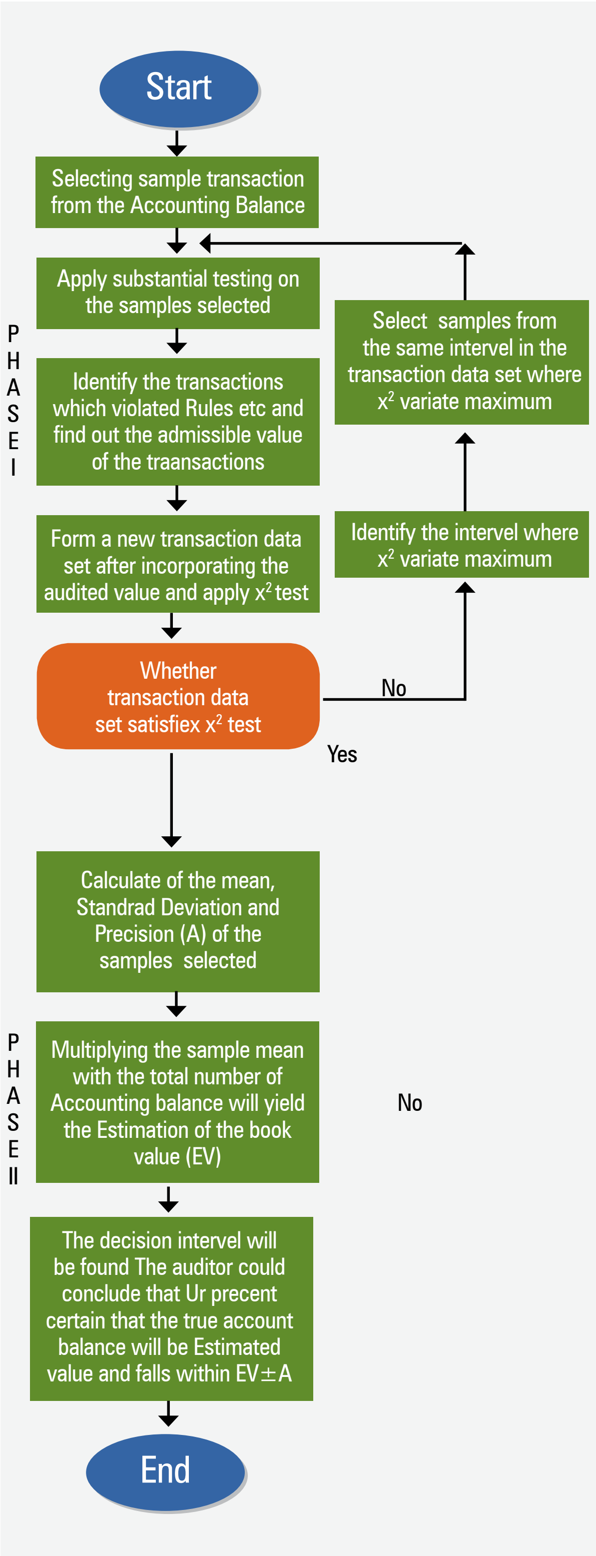
(BV-A, BV+A) (4.4)

Width of the precision interval will be

(BV+A – (BV-A)) = 2A

Therefore, if the precision value A is smaller it is possible to get very close interval so as to get more accuracy. The precision level could be narrowed down by increasing sample size.

In the above audit model, the cost auditor takes n1 samples initially and the precision in that case will be A1.



$A1 = Ur * SE * N \sqrt{(1 - n_1/N)}$

By substituting the value of SE = SD/√ (n1) in the above equation, the precision will be

$A1 = Ur * SD/\sqrt{(n_1)} * N \sqrt{(1 - n_1/N)}$

By simplifying the above equation the precision will become

$A1 = Ur * \sigma 1 * N^2 \sqrt{((N/ n_1) - 1)}$

Let the cost auditor takes additional samples n2.. The total number of samples will be n1+n2. Since the new admissible audited value is substituted Standard deviation of the book value will vary from the earlier, which is σ2. The new precision level A2 for all n1+n2 samples will be

$A2 = Ur * \sigma_2 * N^2 \sqrt{((N/ n_1+n_2) - 1)}$

$A2 / A1 = (\sigma_2/ \sigma_1) * (\sqrt{((N/ n_1+n_2) - 1)} / \sqrt{((N/ n_1) - 1)})$

$A2 / A1 = (\sigma_2/ \sigma_1) * (\sqrt{N/ (n_1 + n_2) - 1)/ ((N/ n_1) - 1)})$

$A2 / A1 = (\sigma_2/ \sigma_1) * (\sqrt{(N - (n_1 + n_2) / (N - n_1)) * n_1/ (n_1 + n_2))}$

Since $n1 < n_1 + n_2$

$n_1/ (n_1 + n_2) < 1$ (4.5)

On the other hand

$(n_1 + n_2) > n_1$

$-(n_1 + n_2) < -n_1$

$N - (n_1 + n_2) < N - n_1$

$(N - (n_1 + n_2) / (N - n_1)) < 1$ (4.6)

$\sigma_2/ \sigma_1 < 1$ (4.7)

$$\sigma_1 = \sqrt{1/N \sum_{i=1}^{n_1} f_i (x_i - \bar{x})^2}$$

$$\sigma_2 = \sqrt{1/N \sum_{i=1}^{n_1+n_2} f_i (x_i - \bar{x})^2}$$

Since $(n_1 + n_2) > n_1$

$$1/N \sum_{i=1}^{n_1+n_2} f_i (x_i - \bar{x})^2 > 1/N \sum_{i=1}^{n_1} f_i (x_i - \bar{x})^2$$

PRECISION IS NARROWED DOWN, IF ADDITIONAL SAMPLES ARE TAKEN AND THE WIDTH OF THE DECISION INTERVAL WILL BE NARROWED DOWN AND HENCE THE ESTIMATION OF THE ACCOUNTING BALANCE WILL BE MORE PRECIOUS

Dividing by N

$$1/N \sum_{i=1}^{n_1+n_2} f_i (x_i - \bar{x})^2 < 1/N \sum_{i=1}^{n_1} f_i (x_i - \bar{x})^2$$

Taking square root

$$\sqrt{1/N \sum_{i=1}^{n_1+n_2} f_i (x_i - \bar{x})^2} < \sqrt{1/N \sum_{i=1}^{n_1} f_i (x_i - \bar{x})^2}$$

i.e. $\sigma_2/<\sigma_1$

$\sigma_2/\sigma_1 < 1$

By combining all the equations (4.5, (4.6) and (4.7) as stated the above it is found that

$A_2 / A_1 < 1$ if additional samples are taken

Therefore, the precision is narrowed down if additional samples are taken and the width of the decision interval will be narrowed down and hence the estimation of the accounting balance will be more precocious.

$(n_1 + n_2) > n_1$

$1/(n_1 + n_2) < 1/n_1$

$1/\sqrt{(n_1 + n_2)}\ \sqrt{(n_1 + n_2)} < 1/\sqrt{n_1}$

$\sigma 2/\sqrt{(n_1 + n_2)} < \sigma 1/\sqrt{n1}$ since $\sigma_2 < \sigma_1$

Therefore,

$SE_2 < SE_1$

Therefore Standard Error of sample mean after inclusion of the additional samples is less the sample mean of the samples earlier selected.

As the standard error is an estimate of how closeness to the population mean and sample mean, it is concluded from the above results that standard error of the after adding the additional samples decreased compared the sample error of the samples selected originally. Therefore, the estimate of the population mean of the transaction data set improves and hence the book balance could be estimated precisely by including additional samples.

However, if more sample are selected, the time and resources required for auditing the transaction is more. The cost auditor is expected to optimize the required accuracy and available resources. The efficiency of the audit model wholly depends upon which sample the cost auditor selects for deriving his conclusions. By selecting the transactions in the same interval where σ2 variate is more will enable to deduce the results more precisely. In this particular case, cost auditor selects the additional sample from the population; violations are more, which enables the cost auditor to derive his conclusions more precisely with lesser efforts and cost.

Conclusions

Though there are many types of distributions, it is presumed that the transactions-data-set follows normal distributions, which is true in majority of the cases and

THE ESTIMATE OF THE POPULATION MEAN OF THE TRANSACTION DATA SET IMPROVES AND HENCE THE BOOK BALANCE COULD BE ESTIMATED PRECISELY BY INCLUDING ADDITIONAL SAMPLES.

IT IS PRESUMED THAT THE TRANSACTIONS-DATA-SET FOLLOWS NORMAL DISTRIBUTIONS, WHICH IS TRUE IN MAJORITY OF THE CASES AND RESULTS ARE DERIVED ACCORDINGLY IN THE MODEL PROPOSED. HOWEVER, THE PROPOSED AUDIT MODEL IS USEFUL, IF THE AUDITED VALUE OF TRANSACTION DATA SET FIT INTO THE NORMALITY PRINCIPLE FOR DERIVING USEFUL CONCLUSIONS WITH LEAST EFFORT

results are derived accordingly in the model proposed. However, in certain circumstances the normality principles may not be adhered by the transaction data set and in such circumstances the proposed model could not be adopted.

The audit model described above consists three phases one being to identify the area where audit objections likely to occur and another being the estimation of the total book value of the particular class of transactions or accounting balance and third being the checking the effectiveness of the model. The principle of normality was adopted in the first two phases. It is presumed that the data-transaction-set follows normality and in the many circumstances, it is true and in certain circumstances it could not be true also.

As an example, if the amounts in the data-transaction-set are uniform, the proposed audit model could not be adopted, as it could not fitted in the normal distribution and standard error and precision etc could not be calculated.

However, the proposed audit model is useful, if the audited value of transaction data set fit into the normality principle for deriving useful conclusions with least effort. MA

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INTERNAL AUDIT: ITS ROLE IN CORPORATE GOVERNANCE

The effectiveness of internal audit depends on audit independence and resources (quantity and quality) allocated to the audit function. It is in Board's interest to protect the independence of the internal audit and to allocate adequate resources to the internal audit function so that internal audit can be given its rightful place in the system of corporate governance

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Internal audit objectives and scope

Legal Provision

Internal audit has emerged as an important function that supports corporate governance. Perhaps that is the reason why the Companies Act 2013 (Act) has mandated appointment of internal auditor in certain classes of companies. Section 138 of the Act and Rules framed there under requires the following classes of companies to appoint an internal auditor or a firm of internal auditors:

- Every listed company;
- Every unlisted public company having paid up share capital of fifty crore rupees or more; or turnover of two hundred crore rupees or more; or outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees; or outstanding deposit of twenty five crore rupees; and
- Every private company having turnover of two hundred crore rupees or more; or outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees

The Act stipulates that the internal auditor shall either be a chartered accountant or a cost accountant, or such other professional as the Board may decide. It further stipulates that the internal auditor may or may not be an employee of the company. It requires that the Audit Committee or the Board shall, in consultation with the internal auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

Nature of Internal Audit

Internal audit, like any other audit, is primarily an assurance service. It is unique, as it has a component of consulting, which no other audit has. It is internal in the sense that it aims to support the management and the Board achieving the company's purpose and strategic objectives. The main differences between the external financial audit (often referred as 'statutory audit' as the law mandates the audit) and internal audit is that the financial auditor reports to shareholders, while the internal auditor reports to either the management or the Board; and while the scope of the external audit is defined by the statute (Companies Act 2013), the scope of internal audit is decided by the Audit Committee, a sub-committee of the Board. Another difference, which is not as evident as the above two differences, is that some of the procedures and techniques that the internal auditor uses are additional and different from the those that are being used by the external financial auditor.

Internal Audit Objectives

In a competitive environment all companies cannot be the leaders. There would be laggards as well. However, a company that develops appropriate strategy, executes it well, and re-invents itself on the face of changing environment survives and achieves its purpose and strategic objectives[1], if not fully, to a great extent. Strategic objectives cascade into operational objectives[2], compliance objectives[3] and reporting objectives[4]. Internal audit helps the management and the Board achieving the company's purpose, strategic objectives and other subordinate objectives. Therefore, the scope of internal audit is much wider than the external financial audit, which aims to provide reasonable assurance to shareholders that the financial statements provides a true and fair view of the financial position at the balance sheet date, and profit or loss and cash flows for the reporting period.

Internal Audit Scope

Internal audit is often said to be 'control of controls' because it provides a reasonable assurance that the controls established by the management are adequate and operating effectively. Management establishes control to mitigate risks that are retained by the firm, as a strategy or because those risks could not be avoided. The internal auditor evaluates controls in the context of changing internal and external environment to provide an assurance that controls are adequate. Assessing the adequacy of controls also involves evaluating the enterprise risk management (ERM) process to provide an assurance that risks have been identified properly, their impact has been assessed correctly and that risk responses have been designed based on the risk-appetite (acceptable risk level) established by the Board and to support the current strategy of the company. Ensuring that the controls are operating effectively is the responsibility of concerned managers. Internal audit monitors effectiveness of controls from an outsider's perspective to provide an objective appraisal of

1 Strategic objectives are high-level goals, aligning with and supporting the mission of the firm. Mission defines the core purpose of the firm.
2 Operational objectives are specific targets for effective and efficient use of resources to achieve strategic objectives.
3 Compliance objectives refer to goals for achieving compliance with applicable, laws, regulations and internal policies.
4 Reporting objectives refer to goals for achieving reliability of internal and external reporting.

the effectiveness of controls, as a feedback to managers (auditees) and the top management.

Labelling internal audit as 'control of controls' has the danger of restricting the scope of internal audit. For example, the Board is responsible for establishing the right culture across the organisation and the internal audit supports the Board in this task by evaluating that the 'code of ethics and conduct' is understood and implemented by all decision-makers across the organisation. This task of internal audit may be covered under the framework of 'control of controls', as the organisation culture sets the control environment. But the danger is that softer issues lose focus when the internal audit focuses on controls. Often focusing on controls results in keeping testing the ERM process outside the scope of internal audit. This is undesirable.

Internal audit comes in many avatars. It is termed 'management audit' when it audits strategic level decisions that are directed in achieving strategic objectives. For example, audit of the current strategy and market positioning to assess whether those are producing the desired results is a part of the management audit. Similarly audit of the adequacy and timeliness of resource[5] allocation to different activities for achieving strategic objectives is also a part of management audit. Audit of alignment of different activities, functions and subunits of the organisation to achieve strategic objectives is management audit.

Internal audit is termed as 'operational audit' when it audits decisions and controls directed towards achieving operational objectives. Operational audit aims to provide an assurance that resources are being used effectively[6] and efficiently[7]. 'Operational audit' audits 'standard operating procedures' (SOPs) to assess their adequacy on the face of changes in external and internal environment, compliance with SOPs to identify deviations and challenges in complying with them and resource utilisation to identify wastes[8] and reasons for the same. Operation audit also benchmarks operating procedures and processes with industry best practices; and operating standards with standards achieved by competitors and leaders in the industry.

Internal audit is called 'compliance audit' when it audit controls that ensure achieving compliance objectives. It aims to provide an assurance that that the firm complies with applicable laws and regulations and managers comply with the internal policies of the firm.

Internal audit is called 'information audit' when the internal audit audits controls established to achieve reporting objectives. It provides an assurance about the adequacy of the information system, which collates, analyses and disseminates external and internal information to support decision-making, and the reliability of reports presented before internal users (e.g., the Board, its sub-committees and management at different levels in the firm) and external users (e.g., shareholders and other stakeholders).

Internal Audit as Consultancy Service

Internal audit is well positioned to provided consultancy service to local managers (auditees) for achieving operating objectives. This is so because internal audit brings objectivity in the review process and is in a better position than managers to identify constraints and challenges in achieving operating objectives. It helps the managers in finding solution to problems by bringing its knowledge of industry best practices and understanding of activities in other segments of the firm.

Internal audit reports invariably contain a section on suggestions for achieving operating, compliance and reporting objectives. Providing suggestions may be viewed as consultancy service. It is rare that the internal audit provides higher-level consultancy services – for example, in formulating strategies.

Risk-based internal audit

The term risk-based internal audit connotes audit around ERM. Internal audit in firms, which have not implemented ERM, the term is often used to suggest an audit approach, which suggests allocation of internal audit resources to audit those controls that are likely to be stressed due to variety of reasons. For example, internal audit may focus on procurement of critical materials that are in short supply, as non-availability of the material might severely affect the production and managers may by-pass some SOPs to arrange the material on urgent basis exposing the firm to financial losses due to stressed bargaining position and reputation risk arising from compromising on quality of materials that might result in poor quality of finished

5 Examples of resource are financial resource, human resource and organisation support and top management attention.
6 Use of resources is effective when those are allocated to activities that are essential to achieve operational objectives.
7 Use of resources is efficient when optimal output-to-input ratio is achieved.
8 Waste arises from loss of assets, inefficient use of resources or use of resources in activities that do not create value.

products. Similarly, an incentive scheme that does not provide an incentive unless a stretched target is achieved and provides significant bonus for achieving results (say, production and sales) higher than the target creates stress on internal controls. Therefore, internal audit focuses on sales return and complaints on product quality (as quality may be compromised to achieve and surpass the target), particularly in years of subdued demand for the product.

The debate on whether the internal audit should work with or around ERM is yet to be settled. The main reason that has triggered this debate is that many firms are yet to establish a fully blown up ERM system. In an ERM system that has attained high maturity level, every decision-maker understands the risk-appetite established by the Board and risk management is embedded in decision-making. At a low maturity level, risks are managed in silos and enterprise-wide approach is absent. This has serious implications. Managers lack understanding of the risk appetite and the firm fails to develop risk-culture[9]. When risks are managed in silos, the combined impact of different risks in different segments are not assessed, and as a result the firm is exposed to high risks that deserve significant management attention. The concept of optimising 'portfolio of risks'[10] cannot be implemented resulting in difficulties in formulating risk strategy.

In view of different maturity levels of ERM systems that the internal auditor encounters, a pragmatic approach, although not the ideal solution, is to participate in establishing the ERM system in a firm where ERM system is at a low-maturity level and to plan audit around the ERM system where ERM system has attained a high maturity level.

Internal Audit With ERM

Internal auditor, because of the nature of his work, develops a clear understanding of risks that the firm is exposed to. Therefore, he is in the best position to support developing the ERM system. In the initial years of developing the ERM system, the internal auditor may get directly involved in identifying risks, assessing their impact, and developing risk responses(treatment) and designing controls, all in collaboration with managers. Although, this process has the danger of obscuring audit objectivity in audit of controls and other components of the ERM system, the benefits are more than the costs. Involvement of the internal auditor helps accelerating the process of developing the ERM system and achieving high level of maturity. The internal auditor can champion the ERM and help in developing the risk culture much better and faster than any other actor because of his understanding of business and risks, relationship with managers at all levels and superior communication skills. Of course, this is true, only when the internal auditor could build his image as a 'friend, philosopher and guide' and not as one who carries the policing function, and when the internal audit occupies a place of respect in the organisation.

Internal Audit Around ERM

In an ERM environment, the internal auditor aims to provide an assurance that the ERM system is adequate and operating effectively. Therefore, he should test the whole process by using random sampling technique. He should audit selected decisions to test whether risk management is embedded in decision models and whether decision-makers have understood the risk-appetite correctly. He evaluates the risk-identification and impact assessment process by using the interview technique, that is, by interviewing managers for collecting evidence (information). He also evaluates whether risk responses, including mitigation plans, are in sync with the risk strategy and whether they have been implemented effectively.

Social audit

Social Impact of Business

Social audit refers to the audit of the social impact of the strategy and operations of the firm. A firm's business has positive social impacts, for example, employment generation, augmentation of economic activities around firm's facilities resulting in community development through increase in purchasing power and development of social infrastructure. Firm's products and services may also have positive social impact. For example, when accompany makes hygiene products available at an affordable price to those who are at the 'bottom of the pyramid', it helps building hygiene culture and developing healthy communities. Other business strategies might also have positive impact. For example, Hindustan Unilever Limited's 'shaktiamma' project, which aims at achieving low-cost penetration

9 Risk culture refers to shared-understanding of risks.
10 ptimising 'Portfolio of risks' refers to the optimization of overall risks to which the firm is exposed, taking into account risks retained by different segments and strengths of various controls.

THE INTERNAL AUDITOR, WHO HAS AUDIT EXPERIENCE AND A CLEAR UNDERSTANDING OF THE BUSINESS, IS THE RIGHT PERSON TO COORDINATE WITH THE TEAM CONSTITUTED FOR EIA

in the rural market, empowers village women, which in turn moves the community towards gender equality. Firm's business might also impact the society negatively. For example, firm's processes and products might degrade natural resources (e.g., pure air and water), which are public goods, causing harm to the community. Similarly, firm's products and advertisements for products might have negative social impacts, such as, encouraging un-healthy food habits or habit of conspicuous consumption.

Social Impact of CSR

Corporate social responsibility (CSR) has evolved as an integral part of corporate governance. Companies spend money on community development as a measure to ensure availability and affordability of human and natural resources in the long run. For example, companies create facilities in rural areas to extend health and educational services to marginalised section of the society to ensure availability of healthy and skilled employees in future. The Companies Act 2013 (section 135) requires that every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more, or a net profit of rupees five crore or more during any financial year shall ensure that it spends at least two per cent of the average net profit (before tax) of the company made during the three immediately preceding financial years on corporate social responsibility (CSR) projects. The Board is required to form a CSR Committee, which will formulate the CSR policy, identify CSR projects and monitor their implementation. Only social audit can help the Board in monitoring the social impact of CSR projects.

Methodology

Social audit focuses on outcome rather than on output. It is difficult to audit social changes. Usually a team of social scientists drawn from various disciplines work together to assess how a proposed project will bring environmental and social changes. Social impact assessment (SIA) is a component of the Environment impact assessment (EIA). EIA is generally carried out before commencing work on a proposed project. However, environmental and social impact of business and CSR projects are assessed periodically while the business continues or the CSR project is in progress. This makes the task little easier, as it is easier to identify those who are or likely to be impacted by the business or the CSR project. Techniques are available for EIA and SIA. It requires collation and analysis of reliable public data. It is common to involve those who hear and feel the business or the CSR project in assessing the social change. For example, in case of CSR projects, target beneficiaries are involved in assessing changes in social and natural environment caused by intervention of the company through one or more CSR projects.

Companies constitute a team of reputed social scientists and other experts for EIA in order to enhance credibility of the social audit report. It uses the report for taking strategic decisions and for building reputation by circulating the same among various stakeholders. Internal auditor, who has audit experience and clear understanding of the business, is the right person to coordinate with the team constituted for EIA.

Internal audit and corporate governace

Long back internal audit objective was to prevent and detect financial frauds in locations away from the central operating location of the firm. Subsequently, internal audit was used to achieve another objective, which was to reduce the cost of mandatory financial audit by an external auditor. In order to achieve both those objectives, the internal audit's focus was on internal check and internal controls relating to financial transactions. It used to apply the same audit procedures and techniques that are used by the external financial auditor. Even today, as a service to the management, internal audit pursues the above two objectives. The external financial auditor designs his audit strategy and formulates audit plan and programme only after evaluating the adequacy and effectiveness of the internal audit.

Much later, the concept of operational audit emerged. Now, almost every firm includes operational audit in the scope of internal audit. However, internal audit continues to allocate major part of its resources in financial audit. Therefore, till recently, in most firms, the chief internal auditor (CIA) used to report to the CFO.

Contemporary internal audit is 'eyes and ears' of the Board, which is responsible for governing the firm. Whenever there is governance failure, the Board is held responsible for the same. The Board sets the 'tone at the top'. It provides strategic direction to the management. It is responsible for ensuring that the firm complies with applicable laws and regulations and that external reporting is correct and not misleading. The Audit Committee of the Board, among other things, is responsible for:

• Ensuring that the risk management system is adequate and operating effectively;
• Ensuring that internal controls[11] are adequate and operating effectively;
• Ensuring that financial statements provide true and fair view;
• Approving 'related party transactions'; and
• Evaluating the enterprise performance.

The Board sets the ethical policy and approves the 'code of conduct'. It depends on the internal audit for providing an assurance that every employee in the firm has understood the ethical policy and implements the same.

The management owns the strategy of the firm. The Board approves the same. It critically evaluates proposed strategies when the management presents a new strategy before it for approval. In some occasions, particularly when the firm is passing through a crisis, the Board and the management co-creates new strategy. Board periodically reviews the current strategy. The Board also oversees the strategy execution, including allocation of resources to different activities. In order to carry out this task effectively, Board needs deep insights into the business and its internal and external environment and this requires analysis of internal and external data. The internal audit provides assurance to the Board that the data and reports presented before it are reliable.

The Board expects the internal audit to provide an assurance that feed back mechanism to help managers to evaluate outcome of tactical decisions, for example decisions on debt, investment, product portfolio and target markets, which are based on certain assumptions, is adequate and effective. An effective mechanism helps managers to take corrective actions, if required, well in time and help them in reviewing assumptions.

The Audit Committee cannot perform its tasks effectively without the support of the internal audit. Independent monitoring by the internal audit is necessary for the Audit Committee to get an assurance that the risk management systems and internal controls are adequate and effective. The internal audit provides the assurance that all decision-makers understand the risk-appetite and risk management is embedded in the decision model. The Audit Committee depends on the internal audit to get an assurance that accounting estimates, particularly, judgement-based estimates are reliable and that financial statements provide a true and fair view. It depends on internal audit for initial evaluation of related party transactions. It also relies on internal audit for the integrity of data that it uses to evaluate the performance of the firm and the CEO.

It is high time that the internal audit should be considered as a service to the Board. Management audit should be included in the scope of internal audit. Internal audit should be made independent of the top management. Therefore, it should report to the chairman of the Audit Committee. One of the non-mandatory requirements of clause 49 of the Listing Agreement (SEBI Code of Corporate Governance) is "The Internal auditor may report directly to the Audit Committee." Ineffective internal audit exposes the shareholders and other stakeholders of the firm to the risk of corporate governance failure and exposes the directors to the risk of being held guilty for negligence.

11 Internal control means policies and procedures adopted by the firm for ensuring orderly and efficient conduct of business, the safeguarding of assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information. (Explanation to section 134 of the Companies Act 2013)

THE ENGAGEMENT OF THE INTERNAL AUDITOR WITH THE AUDIT COMMITTEE SHOULD BE MORE INTENSIVE AND HEALTHY SO THAT THE INTERNAL AUDITOR CAN SERVE THE BOARD BETTER

Internal audit and management accounting

Cotemporary internal audit's scope is very wide and it primarily serves the Board, although the management also benefits from internal audit services because both the board and the management work together to achieve strategic and subordinate objectives. The boundary of internal audit is no more confined to financial transactions and related internal controls. It covers all the decisions, including decisions by the top management, and activities of the firm. Therefore, internal audit draws professionals from diverse disciplines.

Management Accountant is the right professional to lead the team. Management accounting aims to improve decision-making in the firm by providing decision-relevant insights and analysis to every decision-maker within the firm. Management Accountants are trained to collate data (both internal and external), analyse the same at dis-aggregated level and provide insights to support formulation and execution of strategies and operating-level decisions. They are also trained in ERM and Enterprise Performance Management (EPM). They have understanding of audit techniques. Therefore, they can use their skills and knowledge in strengthening internal audit. A Management Accountant with adequate experience in the management accounting function or internal audit function is capable of providing leadership to the internal audit team.

Conclusion

The Companies Act 2013 requires the Audit Committee to decide the functioning, scope, periodicity and methodology of internal audit in consultation with the internal auditor. This provides a great opportunity to the internal auditor to up-grade the internal auditing function within the firm. It is the responsibility of the internal auditor to educate the Audit Committee about contemporary ideas in internal auditing and internal audit's potential in serving the Board and improving governance.

The effectiveness of internal audit depends on audit independence and resources (quantity and quality) allocated to the audit function. It is in Board's interest to protect the independence of the internal audit and to allocate adequate resources to the internal audit function.

The engagement of the internal auditor with the Audit Committee should be more intensive. A healthy relationship with the Audit Committee is important for internal auditor to serve the Board. The internal auditor, who interacts with the chairman of the Audit Committee regularly, clearly understands the needs of the Audit Committee, and that enables it to serve the Audit Committee better. Moreover, once the Audit Committee appreciates the value of internal audit services, it becomes easier for the internal auditor to bargain for more resource, particularly human resource, which is necessary for providing higher level of services. The Audit Committee discharges its duties better with the support of independent internal audit.

In India, the internal auditing profession is approaching an inflection point that will give internal audit its rightful place in the system of corporate governance. MA

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E-COMMERCE: A POWERFUL TOOL OF MODERN BUSINESS METHODOLOGY

E-commerce helps to improve organizational efficiency, optimize the supply chain, reach customers online and anticipate buying behaviour. But education and information on e-commerce has a very vital role to play especially in developing countries including India where most of the players are in the SME sector

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IN the era of globalization the recent trend of utilizing information technology in commerce has opened up an entirely new channel of trading where buyers and sellers never meet each other at any corner of the world, may not even be involved in setting up a dialog, in any possible manner, but the business takes place. The new concept of commerce in the area of business, trade, and financial service with the help of technology is called e-commerce. The aim of this study is to consolidate the key drivers, impact and models that have arisen from the new area of e-commerce and to provide an understanding of its application, importance and barrier to commercial activities. According to the editor-in-chief of International Journal of Electronic Commerce, Vladimir Zwass, 'Electronic commerce is sharing business information, maintaining business relationships and conducting business transactions by means of telecommunications networks'. According to Zwass, electronic commerce has been re-defined by the dynamics of the Internet and traditional e-commerce is rapidly moving to the Internet.

It is generally defined as a modern business methodology that addresses the needs of business houses, merchants and customers to optimize quality of goods and services at a lower cost with a high speed of delivery, through the use of network enabled technologies.

Besides developed countries, some developing countries, including India, have developed arrangements and mechanisms for governing e-commerce within their commercial activities. In India AICTE recommended to include Electronic Commerce as an essential part of every technical and management program and the Government has provided financial assistance for setting up Electronic Commerce laboratories. RBI norms and regulations has proved to a major handle for e-commerce even though VSNL India's monopolistic ISP does want to jump on to the electronic transaction bandwagon with the advent of private ISP's and India new and positive attitude towards IT and new IT policy

the future is very positive in India for doing e-commerce.

The process of Globalization has resulted in increased access of companies to worldwide markets. Customers too have a variety of options to select their choice. The world has shifted entirely to a buyer's market and most of the e-commerce models are turning to pull model rather than push model. This means any business of commerce model; the customer is now actually the king. It should, now be the time for the companies to tune themselves to capitalize the benefit of e-commerce for ensuring survival in the year to come.

Key drivers of E-commerce

It is important to identify the key drivers of e-commerce to allow a comparison between different countries. The criteria that can determine the level of advancement of e-commerce are categorized as:
i. Technological factors – The degree of advancement of the telecommunications infrastructure which provides access to the new technology for business and consumers.
ii. Political factors – including the role of government in creating government legislation, initiatives and funding to support the use and development of e-commerce and information technology.
iii. Social factors – incorporating the level and advancement in IT education and training which will enable both potential buyers and the workforce to understand and use the new technology.
iv. Economic factors – including the general wealth and commercial health of the nation and the elements that contribute to it.

Impacts of E-commerce

E-commerce is not solely the Internet, websites or dot com companies. It is about a new business concept that incorporates all previous business management and economic concepts. As such, e-commerce impact on many areas of business and disciplines of business management studies.

i. *Marketing* – issues of on-line advertising, marketing strategies and consumer behavior and cultures. One of the areas in which it impacts particularly is direct marketing. In the past this was mainly door-to door, home parties (like the Tupperware parties) and mail order using catalogues or leaflets. This moved to telemarketing and TV selling with the advances in telephone and television technology and finally developed into e-marketing spawning (customer relationship management) data mining and the like by creating new channels for direct sales and promotion.

ii. *Computer sciences* – development of different network and computing technologies and languages to support e-commerce and e-business, for example, linking front and back office legacy systems with the 'web based' technology.

iii. *Finance and accounting* – on-line banking; issues of transaction costs; accounting and auditing implications where 'intangible' assets and human capital must be tangibly valued in an increasingly knowledge based economy.

iv. *Economics* – the impact of e-commerce on local and global economies; understanding the concepts of a digital and knowledge-based economy and how this fits into economic theory.

v. *Production and operations management* – the impact of on-line processing has led to reduced cycle times. It takes seconds to deliver digitized products and services electronically; similarly the time for processing orders can be reduced by more than 90 per cent from days to minutes. Production systems are integrated with finance, marketing and other functional systems as well as with business partners and customers.

vi. *Production and operations management (manufacturing)* – moving from mass production to demand-driven, mass customization, customer pull rather than the manufacturer push of the past. Web-based Enterprise Resource Planning systems (ERP) can also be used to forward orders directly to designers and/or production floor within seconds, thus cutting production cycle times by up to 50 per cent, especially when manufacturing plants, engineers and designers are located in different countries.

vii. Management information systems – analysis, design and implementation of e-business systems within an organization; issues of integration of front-end and back-end systems.

viii. *Human resource management* – issues of on-line recruiting, home working and 'entrepreneurs' working on a project by project basis replacing permanent employees.

ix. *Business law and ethics* – the different legal and ethical issues that have arisen as a result of a global 'virtual' market. Such as copyright laws, privacy of customer information, legality of electronic contracts, etc.

How does E-commerce work?

The online consumer or customer enters the merchant's website through the internet. When the customer decides to purchase something, he is taken to the online transaction server, where all of the information he provides are encrypted. Once the order is placed, the information moves through a private gateway to a processing network, where the issuing and acquiring banks complete or deny the transaction. This generally takes place in no more than a few seconds. There are many different payment systems available to accommodate the varied processing needs of merchants, from those who have a few orders a day to those who process thousands of transactions daily. With the addition of secure socket layer technology, e-commerce is also a very safe way to complete transactions.

Types of E-commerce Applications (Business Models)

The applications spawning out of the e-commerce initiative can be broadly grouped into some categories on the basis of common business transactions. Some important models are:

Business-to-Business (B2B): The exchange of products, services or information between business entities. Most of the business transactions have done through this application in India and also in the global market.

Business-to-Consumer (B2C): The exchange of products, information or services between business and consumers in a retailing relationship. Some of the first examples of B-to-C e-commerce were amazon.com and dell.com in the USA and lastminute.com in the UK.

Business-to-Government (B2G): The exchange of information, services and products between business organizations and government agencies on-line.

Consumer-to-Business (C2B): This is the exchange of products, information or services from individuals to business. A classic example of this would be individuals selling their services to businesses.

Consumer-to-Consumer (C2C): In this category consumers interact directly with other consumers.

Government-to-Business (G2B): The exchange of information, services and products between government

IN THE NEWS THERE IS ONLY TALK OF DOWNTREND OF HIGH STREET SELLING AND AN UPTREND IN SELLING ONLINE... BUSINESSES THAT ADOPT E-COMMERCE IS INCREASING THEIR REVENUES

agencies and business organizations.

Government-to-Government (G2G): Government-to-government transactions within countries linking local governments together and also international governments, especially within the European Union, which is in the early stages of developing co-ordinate strategies to link up different national systems.

Reasons for growth of E-commerce:

The invention of faster internet connectivity and powerful online tools has resulted in a new commerce arena 'E-commerce'. E-commerce offered many advantages to companies and customers' business activities that are adopting e-commerce is growing. In the news there is only talk of the downtrend of high street selling and an uptrend in selling online. As more and more people are shopping online, businesses that adopt e-commerce is increasing their revenues. The following are the reasons for growth of e-commerce.

i. Faster buying/selling procedure, as well as easy to find products.

ii. Buying/selling 24x7.

iii. More reach to customers, there are no theoretical geographic limitations.

iv. Low operational costs and better quality of services.

v. No need of physical company set-ups.

vi. Easy to start and manage a business.

vii. Customers can easily select products from different providers without moving around physically.

Benefits of E-commerce

E-commerce has opened up new doors for business and commerce in the true sense of the phrase in order to provide the following benefits:

i. Cost reduction – due to increasing competition between suppliers who compete in an electronically open market place the costs to buyer have reduced.

ii. Reduction of time for business transactions – there is a reduction in time to complete a business transaction, particularly from delivery to payment.

iii. New market – there is much possibility of creation of new market through the ability to easily and cheaply reach to potential customers.

iv. Reduction of errors and overhead costs– it reduces errors, time and overhead costs in information processing by eliminating requirements for re-entering data.

v. Entry to new markets – there is an easier entry to new markets, especially geographically remote markets. It is most suitable for companies those are interested to enhance their size and location.

vi. Inventory control – there is reduced inventories and reduction of risk of absolute inventories as the demand for goods are electronically linked though just in time (JIT) inventory and integrated manufacturing techniques.

vii. Expansion of customer range – it helps the companies to reach more customers all over the world.

viii. Delivery, design and manufacturing costs – reduction in delivery cost, especially of goods that can be electronically delivered and also a reduction in design and manufacturing cost.

ix. Global programs – companies are able to undertake major global program in which fast and interactive services to the customers round the clock may be implemented.

x. Value added services – it helps to create value for the third party intermediaries who can earn transaction commissions and fees for value added services.

xi. Safe & secure – Customers can trust the process of going online and purchasing only when transactions are fast, convenient and secure. A high degree of integrity is possible only when the online electronic payment provider is reputable and trustworthy. In India, all payment transaction providers are required to comply with the security requirements laid out by the Reserve Bank of India making the system more robust and reliable.

Barriers in Progress of E-commerce

The progress of e-commerce has certain barriers to

smooth running of the applications as below:
i. High cost of setting up of e-commerce enabled sales platform on internet and even higher cost to maintain.
ii. Small units do not know where to start from, as most of the companies do not have a full-fledged EDP/IT department.
iii. Still, most of the customers/ buyers are ignorant of this internet technology.
iv. E-commerce is mostly dependent on customized products. No readymade products of a customer's choice are instantly availed.
v. It lacks standard payment structure.
vi. It does not have a catalog.

E-commerce in India

E-commerce in India is still in a nascent stage, but even the most-pessimistic projections indicate a boom. E-commerce in India is definitely going to grow huge. Taking into account of the rapid growth of internet in the country, it would not be long before India overtakes US regarding online sales.

As per the study of ASSOCHAM India's retail market is now pegged at Rs. 2700 Cr. (nearly 500mln US$) and projected to rise to Rs. 7000 Cr. (1.4 Bln US$) by 2015. To cash in on the vast opportunity, a number of e-commerce start-ups have mushroomed in last few years. Most of them have been attracting capital from angel, early stage and venture capital investors. In Indian context, we can say that success of ticketing websites like irctc.com and makemytrip.com paved the way for other online ventures like snapdeal.com, flipkart.com, naaptol.com etc. Though 70-80% of total e-commerce business is still coming from the ticketing sites, however, other categories like Books, electronics, high end gadgets and apparels are also generating a lot of revenue of late. A recent white paper by FDC and ICICI Merchant Services says "E-Commerce in India has been growing at a 2-3 percent rate on month on-month basis and almost 50% annually". Looking at these impressive figures, global players like Amazon.com is planning to the Indian market and that will make this sector more competitive and interesting.

It is interesting to consider whether the global economic downturn may have negatively impacted the growth of e-commerce or possibly accelerated it as consumers look to new online channels which can often deliver greater value than traditional stores. While many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce, critical challenges remain to be overcome before e-commerce would become an asset for common people. Today, even though there are less than 10 million internet users who are actually engaging in e-commerce activities, there are about 150 million internet users in India or around 75 million households that are ready for e-commerce. The growing reach in terms of internet connectivity to the interiors of India coupled with the positive experiences of end consumers when buying online beyond the metros and big cities are key drivers of the e-commerce boon in India. Some of the highlights of the domestic e-commerce scenario based on the findings of NASSCOM's survey include the following:

• Among user organizations, more than 90 percent expressed keen awareness about the increasing adoption of e-commerce and its potential benefits.

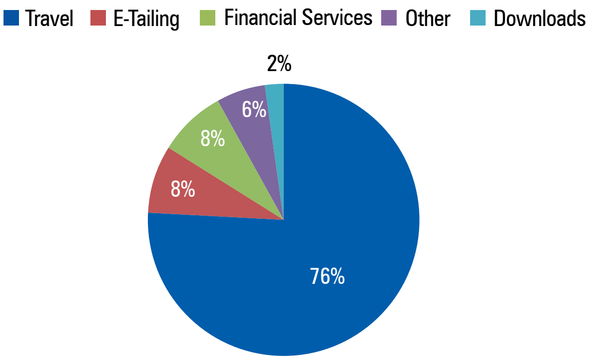
• More than 55 percent of corporate respondents said that e-commerce transitions were integral of their corporate plans. Of these, nearly 85 percent were industries which did not have direct or frequent contact with end consumption.

• About 23 percent of top 500 companies in India already have started some form of e-commerce. These have been facilitated through the up gradation of existing IT systems or fresh installations configured or e-commerce transactions.

Businesses in even the smallest towns and villages are becoming increasingly aware of e-commerce and are excited by the growth potential. The growing penetration of e-commerce along with positive consumer experiences is reflected in a trend towards higher value online purchases. Today, consumers across urban India are confident enough to make purchases that exceed Rs 20,000-25,000. Earlier, the same shoppers stayed in the Rs 2,000-5,000 ranges. According to a report by the IAMAI, the current e-commerce market in India is around US$ 10 billion. But with different levels of adoption, the market has the potential to grow anywhere between US$ 70 billion – US$ 150 billion under one scenario and at another level, it can grow between US$ 125 billion – US$ 260 billion by 2024-25.

Within the small percentage of people who buy online, the distribution is very one-sided. Online travel services with a market share of about 76% dominate the Indian online purchase space. This is followed by e-tailing with 8% share, financial services contributing 8%, digital downloads comprising 2% and other online services having 6%. Probably the major reason for the reluctance of people using e-commerce is that the responsibility of something being misused is on the consumer in India, while in the United States, it's on the credit card companies. In order to see real growth from the internet boom, this is the area that has to be worked upon. An entire new industry is about to take off if executed properly. The numbers could translate into real growth and then only can India have a bigger bite of the pie.

E-Commerce: Sector Wise Share



Government initiatives to push e-commerce activity

The Government of India has been taking key initiatives over the past few years to create an environment that is conducive to e-commerce activity.

i. Announcement of the Information Technology Act 2000 which put in place a cyber law regime in the country.

ii. Announcement of the ISP policy for the entry of private Internet service providers in November 1998.

iii. Permission to private ISPs to set up international gateways. Permission of Internet access provides through cable TV infrastructure.

iv. Initiation of the setting up of the National Internet Backbone.

v. Announcement of the national long distance service beyond the service area to the private operators.

vi. Complete non-monopolization of undersea fiber connectivity for ISPs on August 15, 2000.

vii. Free Right of Way facility, with no charge in cash or kind, to access providers to lay optical fiber networks along National Highways, State Highways and other roads.

viii. Permission for interconnectivity of Government and Closed User Group (CUG) networks.

ix. The establishment of Public Tele Info Centers (PTIC) having multimedia capabilities has been permitted.

x. Cent percent FDI has been allowed in B2B e-commerce.

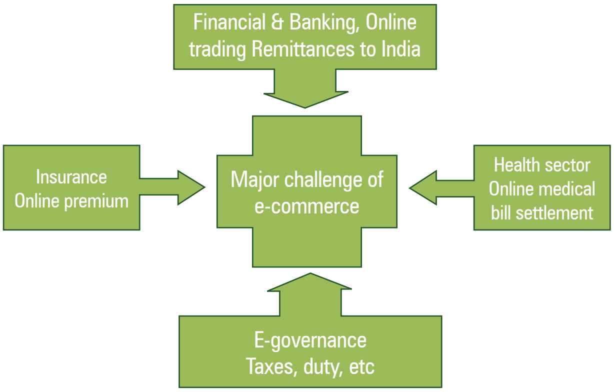


Figure: Major challenge of e-commerce

Major challenge ahead

Like any other business model, E-Commerce has also got few challenges pertaining to Indian market. Major challenges are:

- E-Commerce in India shall see a lot of action in the Employment, Travel, Matrimonial and e-learning arena.
- Online Travel Booking shall be the killer e-commerce application in India closely followed by online retailing websites.
- E-governance along with insurance and health services will be the next big thing in e-commerce.
- E-Commerce plays a vital role in the area of finance and banking as well as on line trading activities.

E-commerce in Global perspective

Global e-commerce sales grew 21.1 percent to top USD 1 trillion for the first time and are expected to grow to just shy of $1.3 trillion in the coming year, fueled by growth in North America and the Asia-Pacific region, according to a new report from e-Marketer North America sales increased 13.9% year-over-year to about $365 billion and Asia-Pacific sales increased by 33% to about $332 billion. While North America currently dominates for e-commerce sales, e-Marketer predicts this will change next year. E-Marketer projects that North America sales will grow at a slightly lower rate of 12.2% in 2013 to $409 billion. Asia-Pacific sales, on the other hand, will grow by 30% to $433 billion. "The rapid growth in Asia-Pacific sales is a result of several factors," e-Marketer notes in its report. "Three Asia-Pacific markets—China, India and Indonesia—will see faster B2C ecommerce sales growth

THE USA WILL CONTINUE TO HAVE THE HIGHEST E-COMMERCE SALES OF ANY COUNTRY... E-MARKETER PROJECTS THAT US E-COMMERCE SALES WILL GROW FROM $343 BILLION IN 2012 TO $385 BILLION IN 2013

than all other markets worldwide this year, while Japan will continue to take a large share of global sales."

However, the United States will continue to have the highest e-commerce sales of any country at least through 2016. E-Marketer projects that US e-commerce sales will grow from $343 billion in 2012 to $385 billion in 2013, more than double the sales of China, which is expected to grow to $182 billion in 2013 from $110 billion in 2012.

The recent "Global B2C E-Commerce Market Report 2013" by Hamburg-based secondary market research company yStats.com provides information about the global B2C e-commerce market. Among the many findings disclosed in the report is that the region of Asia is set to overtake North America in terms of total online sales. In the global scenario, China is fast emerging as the biggest player in e-commerce.

Conclusion

A developing country can become industrialized and modernized if it can extensively apply e-commerce to enhance productivity and international competitiveness in commercial activities. Many countries in Asia are taking advantage of e-commerce through opening of economies, which is essential for promoting competition. It helps to improve organizational efficiency, optimize the supply chain, reach customers online and anticipate buying behaviour. These are the challenges for any company including small and medium enterprises to survive in a fast-paced arena. E-commerce may be bread and butter for the survival of the enterprises under highly competitive commercial environment. So education and information on e-commerce has a very vital role to play especially in the developing countries including India where most of the players are in SME sector. Presently two main challenges before us are to provide the required numbers and improve quality to raise productivity and moving up the value chain. Governments jointly with private sector need to take adequate measures for the promotion and propagation of e-commerce to make trade and industry competitive in the global trade. The e-commerce world is changing rapidly in the digitized world. These e-commerce developments may have been accelerated by the global economic downturn which may be driving consumers to find new ways of reducing their costs of living.

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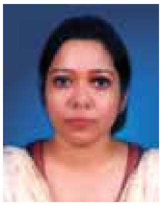
EMA FOR SUSTAINABLE DEVELOPMENT IN THE CORPORATE SECTOR: AN OVERVIEW

There is a need to raise the awareness of accountants and directors and other associated members of the company on the concept of Environmental Management Accounting (EMA), its general framework and accounting systems so as to enable them to achieve the desired benefits of its applications



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ENVIRONMENTAL issues are increasingly getting more space in the performance evaluation criteria of companies and organizations. Reason being, the environmental performance is increasingly demanded by the stakeholders and forcing many companies to innovate new and cost effective ways to manage and minimize environmental impacts. Growing norm/regulations/stakeholders'/citizens' demand to maintain environmental standards is leading to increase in direct and indirect costs. The need of EMA in a firm or why firms should separately account for environment or 'go green' has been emphasized in a number of studies (Parker, 2000; Bennett et al. 2003; UNDSD, 2001; IFAC, 2004; Jasch, 2003; Burritt et al., 2002), whereas the strategic competitive advantage of this approach has been identified by Parker (2000) and further endorsed in a number of professional literature (Gibson & Martin , 2004; Jasch, 2003; Savage, 2003). EMA has been used to benchmark environmental costs citing experience from four countries (Csutora& Palma, 2008); chemical management services (Kurdve, 2008); in an Australian University(Chang & Deegan, 2008); in metal finishing industry(Koefoed, 2008), to name a few.

To maintain competitive edge over other companies the environmental impact of products and services and their efficiency in the management of resources and emissions can be judged through Environmental Management Accounting (EMA). Companies can position their performance through environmental impact. Environmental Management Accounting (EMA) provides a tool and a method to help managers assess the impact of both corporate financial and environmental performance. In particular, it reveals financial benefits and cost saving potential that can be gained from addressing environmental considerations of business and achieve sustainable development , all at once. In this paper we discuss the concept of EMA in Section 2, its importance and benefits for an organization in Section 3. Section 4 presents a framework of

EMA that can be adopted by production units of various companies. The paper concludes with Section 5 where limitations of the study as well as some recommendations are provided.

Environmental Management Accounting (EMA):

There is no single unanimously accepted single definition in literature of EMA. International Federation of Accountants (IFAC), 2008, broadly defined EMA as "identification, collection, analysis and use of two types of information for internal decision –making.

1. physical information on the use, flows and densities of energy, water, materials and wastes.
2. monetary information on Environment related costs, earnings and savings. Thus, EMA provides quantitative physical information on one hand (as in kg, joules, meters, pounds and monetary information on the other [IFAC, 2005].

Such integrated information is of much importance because an organization must have accurate data on the amounts of wastes and emissions, both in physical and in monetary amounts if it wants to manage and reduce the environmental impacts of its products. A number of companies are reporting on the physical quantities of resources used and waste generated only. Nevertheless, it is only when the environmental matters are measured in terms of money that people take note of it. Herein lays the importance of EMA.

Importance and Benefits of EMA for an organization

The problems associated with conventional management accounting need to be addressed to understand the importance of EMA. Problems with conventional management accounting are:

➔ Performance appraisal techniques are short term in their focus;

➔ Lack of attention towards stock and flow accounting;

➔ A narrow focus on manufacturing.

These drawbacks or lack of recognition of environmental impacts have given way to the following problems:

➔ Environmental costs are assumed not to be important;

➔ Certain types of environmental costs are not identified or tracked;

➔ Indirect environmental costs are included with the general business overheads;

➔ Investment appraisal excludes environmental consideration;

➔ Little accounting for sustainability issues.

Amongst all the benefits of EMA, the most important one is that EMA helps the management to identify the various 'hidden' environmentally induced costs , for eg.

• energy cost of wasted materials (portion of input materials that end up as waste)
• purchase cost of wasted materials
• processing cost of wasted materials
• administration cost of processing waste and wasted materials
• cost of machinery abrasion caused by wasted materials
• labour cost of processing waste and wasted materials cost of additional storage space for waste [Centre for Sustainability Management, University of Luneberg, 2005]

EMA helps the companies to identify and keep a record of these hidden costs of products and process which are usually hidden as a part of general overhead cost items and the line managers are not even aware of them. For example minimizing the amount of wastes reduces the waste disposal costs along with reduction in total purchasing costs of materials , operating costs , labour and costs of handling materials and wastes and helps the organization to save money. Case studies undertaken by World Resource Institute (WRI) have shown that environmental costs can account for 20% of total costs (Ditz et al. 1995) .EMA reveals financial benefits and potential cost saving that can be gained from addressing environmental challenges facing the business. By identifying and reducing environmental costs, EMA can help to increase the profit margin and market share of the organization [Kurniati et al., 2010]. However, setting up a proper framework is a key issue in identifying and reducing environmental costs.

Framework for implementing EMA for a corporate entity

Literature survey and real life experience based on interaction with the companies in India it is felt that there is a need for this tool to help managers of the business to trace the environmental costs (transparent and hidden) caused by their production processes. This will help the managers to better understand what gives rise to costs and how they can be managed and further to understand the importance of investing in environmental management activities and cleaner technologies. Environmental accounting can track crucial indicators over time using information that is routinely recorded but rarely exploited, thus enhancing a firm's self-knowledge and its environmental accountability [Ditz et. al, 2000].

The EMA of an entity can be been done by following two methods of assessment:

1. preparation of eco-balance sheet.

2. assessment of total environment related costs of unit assessed on the basis of the cost data and translating them into the environmental performance in the "cost and savings" form as it has more relevance for a business.

This has been made by

- Quantifying the physical information on the one hand (as in kg, joules, meters, pounds) through the preparation of Eco Balance Sheet (with the help of input output data);
- Provide a better insight into the costs related to environmental activities so as to identify opportunities to decrease them (being a pre- requisite in calculating the savings potential);
- Quantifying the amount of finance involved in corporate environmental activities.

The Concept of Eco-Balance Account

"Eco – Balance" refers to the accounting for all energy, water, materials and wastes flowing into and out of an organization. All the materials purchased during a year either must leave the company as a product, as waste or emissions or are stored on site. The input – output balance at the corporate level is drawn on an annual or a monthly basis and should be linked to the bookkeeping, cost accounting, storage and purchase system All material flows should be listed with their values and amounts per year. Along with that, it should indicate whether materials are registered by material stock number and whether there is inventory management. Further, it should also indicate if there is consumption based stock withdrawal according to cost centers. At the corporate level, in setting up the materials input-output statement, quantitative data should be collected from the accounting and stock- keeping systems.

The Eco-Balance Account is a key tool for EMA. The Eco-Balance Account combines two control systems:

1. Traditional cost accounting
2. Environmental management

The difference between the two of the above systems is primarily that while the traditional cost accounting system focuses on costs (i.e. monetary values) environmental management concentrates on physical units [Epstein & Roy, 1997].

The collection of quantitative data or data in physical units is an important control tool as information about the resources consumed and wastes generated (both in monetary and physical terms) will help the employees and the managers of the organization to introduce activities for environmental as well as eco – improvements . Quantitative data can be converted into an Eco – Balance Account by using the following simple equation [Sulaiman & Ahmed, 2006]:

Material Inputs = Product Outputs (good in units produced) + Non-product Outputs

(waste + emissions).......1.1

The material inputs are any energy, water or other materials that enter an organization. Outputs are any products, wastes or other materials that leave an organization. Any output that is not a Product Output is by definition a Non – Product Output (NPO). All items are measured in physical units in terms of mass (kg, t) or energy (Mj, KWh). The term output however does not include capital items like equipment, buildings, land etc. as these items do not enter or leave the organization as frequently as other physical materials. The eco-balance account like one given above would provide the employees of the company an overview of the resources consumed and wastes generated. This type of information will create an awareness amongst the employees about the resources consumed and waste generated and they will be able to monitor and control resources efficiently. The following table provides an account of the input and output types. (Refer Table 1.1)

So far, discussions have been made on the environmental performance evaluations of the production unit on the basis physical information of input and output. However, another common way of presenting indicators is through the medium of showing the monetary value of hidden costs and the resultant environment-related costs and earnings.

Monetary Information and the resultant Environment - Related Costs and Earnings

As in the case of physical information the types of mon-

Table 1.1

Physical Materials Accounting: Input and output Types

Material Inputs	Product outputs	Non – product outputs (Wastes and Emissions)
Raw and Auxiliary Materials	Products & By - Products (including packaging)	Solid Waste & Hazardous Waste
Packaging Materials	"	"
Operating Materials	"	"
Merchandise	"	-
Water	-	Wastewater
Energy	-	Air Emissions

Source: International Guidelines on Environmental Management Accounting, the International Federation of Accountants, August 2005. pp.33 etary information relevant and collected under EMA, depends on the purpose for which it is to be used (for example, investment appraisal, assessment of total amount of costs or budgeting) and thus can be collected for an organization as a whole , or for particular sites, product or service lines etc. What ever may be the purpose of collection of such data it is essential that a link be established between the all physical inputs and outputs with appropriate cost categories. In the case study of paperboard & paper production unit an attempt is made to ascertain the total amount of the environment related costs and earnings based on the ideal framework prescribed for this purpose by Eurostat United Nations Division on Sustainable Development (UN – DSD) Working Group. A detailed account of the environmental cost categories are given in Table 1.2

Table 1.2
Environment-Related Cost Categories

1. Materials Costs of Non – Product Outputs
Includes the purchase (and sometimes processing) costs of raw materials and Auxiliary materials e.g. energy , water and other operating materials that become Non – Product Output (Wastes and Emissions).This includes the proportion of equipment depreciation and labour costs that have been used to generate waste and emissions and not the final product; Acquiring more efficient process equipment that generates less waste per unit product output.

2. Wastes and Emission Control Costs
Includes costs for handling, treatment and disposal of Wastes and Emissions; remediation and compensation costs related to environmental damage; and any control – related regulatory compliance costs. This category includes :
a) Depreciation of waste control equipments
b) Operating materials used for waste and emission control
c) for e. g. chemicals used in an on- site wastewater treatment plant.
d) Water and Energy-an organizations purchase cost of water and energy that becomes wastes and emissions rather than final product.
e) Internal personnel-salaries and benefits of both the full-time and part-time personnel involved in waste and emission control activities.
f) External service – cost of service provided by consultants, trainers, contractors, law firm etc. related to waste and emission control activities.
g) Taxes, fees and permits – examples includes solid wastes disposal fees, wastewater discharge fees, emission fees , eco – taxes; government imposed fines in addition, penalties, insurance related to accidental release of hazardous materials.

3. Prevention and Other Environmental Management costs
Includes the costs of preventive environmental management activities such as cleaner production projects. Also includes costs for other environmental management activities such as environmental planning and systems, environmental measurement, environmental communication and any other relevant activities.

4. Research and Development Cost
Includes costs of Research and Development projects related to environmental issues and initiatives.

Source: International Guidelines on Environmental Management Accounting, The International Federation of Accountants, August 2005 pp.39

The guidelines define environmental costs as resources which are consumed by activities to minimize environmental impact and to maximize eco – efficiency in a given period of time. The columns in Table 1.3 show the assignment of four categories of environment-related costs: material purchase costs of non - product output, waste & emission control costs, prevention and other environmental management costs and research and development costs. These four categories are classified according to environmental domains.

- Protection of Ambient Air and Climate
- Wastewater Management
- Waste Management
- Protection and Remediation of Soil, Groundwater and Surface Water
- Noise and Vibration Abatement
- Protection of Biodiversity and Landscape
- Protection against Radiation
- Other

Environmental domain categories are useful not only for compliance with external reporting requirements, but also can show interesting and useful results and trends for internal management purposes. The most widely used application is benchmarking environmental costs by domain from year to year and among multiple sites of the same organization.

The total environment related costs of an organization can be assessed on the basis of the cost data collected for the purpose that can eventually be translated into the environmental performance in the " cost and savings" form that have more relevance for a business.

Environment-related Earnings: are derived from sale from scrap or waste (for Reuse by another organization), subsidies, sale of excess capacity of waste treatment facilities, revenues from insurance for environment - related claims. Environment-related Savings: can be earned from reduction in use of materials and waste generation because of improvements in

Table 1.3 shows an ideal framework for Environmental cost assessment scheme developed for the UN- DSD EMA working group.

Table 1.3									
Ideal Framework for Environmental cost and earnings assessment									
Environmental Domain	**Air + Climate**	**Waste Water**	**Waste**	**Soil + Ground Water**	**Noise & Vibration**	**Biodiversity & Landscape**	**Radiation**	**Others**	**Total**
Environment related Cost Categories									
I . Material purchase costs of Non - Product Output									
Raw Materials									
Packaging									
Auxiliary materials									
Operating materials									
Energy									
Water									
Processing Costs of Non - Product Output									
Subtotal									
II. Waste & Emission Control Costs									
Equipment depreciation									
Operating materials and services									
Internal Personnel									
Fees, Taxes and fines									
Subtotal									
III. Prevention and Other Environmental Management Costs									
External Services for environmental management									
Internal personnel for environmental protection									
Subtotal									
IV. Research and Development Costs									
I - IV. Environment -related Cost total									
Environment - related Earnings Total									
Total Environment - related Costs & Earnings									

ENVIRONMENTAL DOMAIN CATEGORIES – USEFUL NOT ONLY FOR COMPLIANCE WITH EXTERNAL REPORTING REQUIREMENTS – CAN SHOW INTERESTING RESULTS FOR INTERNAL MANAGEMENT PURPOSES

efficiency; in-site recycling, cleaner production; green purchasing, green research and design; environmental planning and systems (for e.g. by implementing EMA) and finally from monetary savings by comparing reduced costs to the previous higher costs.

The **table (1.3)** shows the environmental cost assessment developed for EMA for assessment of total annual costs and earnings. Along with the environmental domains prescribed in the table above, organizations can also consider adding a coloum for health and safety issues, for product oriented prevention activities or other related issues. Again, several companies have also omitted the categories like noise , biodiversity and radiation, not been relevant for their respective business area. Thus this EMA framework can be adopted to fit company needs.

Observations and policy recommendations

The detailed format for EMA as suggested in (Table 1.3) is not readily available with the companies. Filling up the gaps in the said table with information of environmental costs according to its domain will help the production units in complying with external reporting requirements and also can show interesting and useful results and trends for internal management purposes.

Way Forward

There is a need to raise the awareness of accountants and directors and other associated members of the company on the concept of environmental management accounting, its general framework and accounting systems so as to enable them to achieve the desired benefits of its applications.

- Training of management personals and staffs, EMA tool development are recommended for monitoring and reporting of the companies.
- By establishing a system of incentives and various governmental tax exemptions and duty incentives companies should be encouraged to implement environmental management accounting.
- The physical and monetary accounting data can also be used in calculating the monetary savings achieved as a result of implementing EMA. This can be done by calculating the monetary savings for each materials input by applying the current year purchase prices to the physical reductions achieved over the period under survey. This will help in tracking efficiency gains in costs related to various environmental activities undertaken over a period of time thereby helping companies to keep an account of the environmental benefits of the time period during which EMA was implemented.
- Finally EMA can gradually become a part of macro planning process through that can help business organizations to gather information on core organizational processes such as planning and accounting.

Estimates of the total environment related costs through EMA can reveal the hotspots of such costs so that reduction of the same is possible through adoption of alternative improvement scenarios that can be developed by the businesses. However it is important to note that many factors affecting the amount of environmental costs are beyond the control of the company itself for which macro policy changes are needed. However, there are a number of actions that can also be initiated by corporate houses itself to reduce their environmental impact and contribute towards sustainability without impeding the company's goals or increasing environmental and other allied costs.

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The Institute of Cost Accountants of India

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Research Bulletin, Vol. 41, No. II (ISSN 2230 9241)

Call for Research Papers/Articles

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

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Guidelines to submit full Paper

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

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

- Environmental Accounting & Audit
- Infrastructure development & Management
- Community Audit
- Social Entrepreneurship
- Financial Inclusion
- National Food Security
- Innovation Economy
- Skill Development for Professionals
- Performance Management

Papers must be received **within1st June, 2015** in the following email id:
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OBITUARY

The Institute and its members deeply mourn the demise of CMA G R Kulkarni, a member of the Institute, who left for his heavenly abode on April 3, 2015. He had worked as senior executive in number of organizations like – Metal Box, Voltas etc. until 1984, the year he entered practice. He was also chairman of WIRC (1981-82) and had written a number of books.

May his family have the courage and strength to overcome the loss.

National Seminar on "Capital Markets in India: Governance & Reforms"

The Institute of Cost Accountants of India, a statutory body under an Act of Parliament and the National Institute of Securities Market (NISM), an educational initiative of SEBI jointly organized a National Seminar on "Capital Markets in India: Governance & Reforms" on April 28, 2015 at Rotary Sadan, Kolkata with the determination to put a solemn thought over governance and reforms development of the capital markets in India. The event was Co-sponsored and participated by CSE, SIDBI, CRISIL, ICRA, CISI and eminent professors and researchers of this field. We were privileged to have some eminent delegates across the globe. The keynote was delivered by Shri Sandip Ghose, Director, NISM who did not possess a second thought in mentioning the legendary character Yudhishtir for the essence of administration pulling an implicit ethical standard that had defined his rigidity. Moreover he reminded us that 'zero' though invented by us was re- distributed by others in Europe, which he thinks would not have happened, had we used it for technology instead of general science application. Distinguished personality Shri S. Raman, Whole Time Member of SEBI being the Chief Guest of the inaugural session in his address declared the issues of Non-Compliance and Corporate Governance. In the conclusion he reminded that for a long term gain, good business comes from good behaviour. CMA N. K. Bhola, RD, Eastern Region, MCA, rendered the special address. The same was deliberated by Shri S. Ramakrishnan, Regional Head, Kolkata, SIDBI who strictly advised the investors not to depend solely upon institutional findings. He also said SEBI is providing a platform for the SMEs and suggested the SME units to tap funds from the capital market. CMA Dr. Asish K. Bhattacharya, Advisor, ICAI-CMA & Professor, IICA in his inaugural address firmly stated that Corporate Governance creates the space for transparency in the Capital Market and this is the reason why the Institute should collaborate with NISM for a dual attachment process on Securities Market. The eminent dignitaries feel that one needs to have a specialized knowledge on Corporate Governance and there is no denying that Truth and Integrity will always remain untouched irrespective with the passage of time. The welcome address was given by CMA Dr. Debaprosanna Nandy, Director, Research & Journal of the Institute. Further, quarterly publication of ICAI Research Bulletin, Vol.41, No. I, April, 2015 issue got released during the inaugural session of the event. In the panel discussion-I– Governance & Growth, Shri N.Hariharan, CGM, SEBI, emphasised over the genuine importance of the views raised by CMA Dr. Bhattacharya and stated the few amendments made in Companies Act 2013. Shri B.B. Chatterjee, Executive VP, ITC Ltd made a serious note that the government has to be an enabler and good governance could provide the desired result in the desired approach. Though the panel discussions proved to be worthy, a relevant judgement was given by Shri P.K Choudhury, former Chairman, ICRA on the demerits of corporate governance and fetches the dark sides of this system that would mount the hill tops without the stones. To encircle the whole seminar with the duplex communication, Kevin Moore, Global Business Development Director, CISI, UK held a decision making session on "Integrity at Work" based on simple principles like Honesty, Openness, Transparency and Fairness for a good amount of time that too with a serious voting ballot. In the second panel discussion, on market reforms, Shri R.N Kar, Regional Director, RBI, Kolkata, Shri B. Madhav Reddy, MD & CEO, CSE, CMA Dr. Sunder Ram Korivi, Dean, NISM, Shri Tamal Bandopadhyay, Consulting Editor, MINT discussed on various market reforms, debt and capital market and created an impact all over the ones who carry good ear and aspires to give knockout punch to the capital market. The seminar ended with the summing up and valedictory address by CMA Dr. Latha Chari, Professor, NISM and vote of thanks by CMA Dr. Sumita Chakraborty, Jt. Director, Research of the Institute.

From the Research Desk

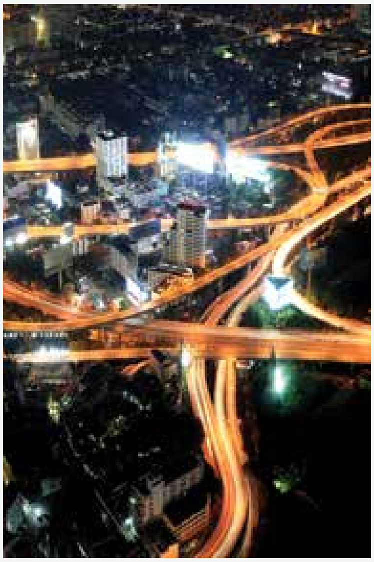
Integrated Reporting and Business Sustainability

Role of CMAs

- **Enterprise Performance Management:** An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long run. CMAs can play a pivotal role in preparation of IR report as they possess their expertise in the areas of efficiency assessment, enterprise performance evaluation, benchmarking, and evaluating the contribution of all forms of capital. They can identify the constraints faced by the organization and the gaps in information thus helping stakeholders.

- **Corporate Sustainability Report:** Integrated reporting is actively helping us to become a better and more accountable organization. It causes us to think beyond compliance and financial reporting to deeply examine all the ways in which we deliver sustainable value, and is a highly practical way of redefining how business is done. As an internal auditor, CMAs also play a crucial role in integrated reporting. The IR Framework requires that organizations address risk management and governance areas, here the CMAs can help to prepare an effective implementation of the IR Framework by meeting requirements in the Standards related to risk management and governance.

- **Value Creation and Maximization:** An Integrated Report provides insight into the organization's strategic objectives, and how those objectives relate to its ability to create and



sustain value over time and the resources and relationships on which the organization depends. IR is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation and maximization over time and related communications regarding aspects of value creation. The CMAs also can act as an advisor for an organization and can share their professional knowledge to prepare an effective IR.

- **Impact of IR on shaping the future of business:** Increasingly, businesses are expected to report not just on profit but on their impact on the wider economy, society and the environment. Integrated reporting gives a view of an organization's activities and performance in the broader context, which will enable more effective decision making at board level, improve the information available to investors and encourage more integrated thinking and business practices. The CMAs have a major role to play, in this respect through their expertise in the measurement and reporting of financial information. They need to broaden their content knowledge to include non-financial information, to implement integrated reporting both internally and externally.

- **Allocation of Resources:** Integrated Reporting results in a broader explanation of performance than traditional reporting. In particular, it makes visible all the relevant capitals on which performance (past, present and future) depends, how the organization uses those capitals and its impact on them. In this regard, the CMAs through Resource Mapping can assist in effective allocation of scarce resources for meaningful presentation of the organization's prospects for long term resilience and success, as well as facilitate the informational needs of, and assessments by, investors and other stakeholders.

- **Facilitating in Investor's awareness:** IR is needed by business and investors. Businesses need a reporting environment that is conducive to understanding and articulating their strategy, which helps to drive performance internally and attract financial capital for investment. Investors need to understand how the strategy being pursued creates value over time. The CMAs through their professional skill can prepare credible Integrated Report for better internal control and enable investors and other stakeholders to understand how an organization is really performing.

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

NOTIFICATION

Kolkata, the 12th February, 2015

Sub: CEP requirements for Members in Practice/Industry

No. CMA(2)/2015: As advised by the Quality Review Board, recommended by the Members' Facilities & Services Committee and approved by the Council at its 291st Meeting held on 30th January, 2015, the Institute is pleased to announce revised CEP requirements for members in practice & industry as follows:

For members in practice, the existing duration of minimum CEP hours of 35 hours is revised to 50 hours in a block of three years, which is mandatory and for members in industry, the minimum CEP hours, which is recommendatory, is revised from 20 hours to 25 hours in a block of three years.

The above CEP hours requirement shall come into force from 1st April, 2015.

At least 50% of the CEP hours of the members should be in respect of the subjects pertaining to the topics of professional relevance for the member such as:

(i) Role of CMAs in Risk Management
(ii) Forensic Accounting
(iii) Direct Tax Code
(iv) Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2001
(v) VAT
(vi) Role of CMAs Audit in Health sector
(vii) Role of CMAs in Education sector
(viii) Role of CMAs in Internal Audit
(ix) Role of CMAs in Banking sector
(x) Role of CMAs in Insurance sector
(xi) Role of CMAs in Capital Markets
(xii) Role of Independent Directors, Board members
(xiii) Valuation of assets - Role of CMAs

The above list is illustrative only and not an exhaustive one.

(Kaushik Banerjee)
Secretary (Acting)

INTRODUCTION OF PAYMENT BANK IN INDIA: PROSPECTS AND CHALLENGES

It is needless to say that there is a strong business case for payment banks in India because a sizeable portion of the country's population remains outside the ambit of formal banking

Dr. Goutam Bhowmik
Asst. Professor,
University of Gour
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THE last one and half decades witnessed a rapid development and proliferation of internet and mobile technologies which has profound impact on the payment system. The ability to connect different system participants securely, switch transactions online and settle funds accurately, combined with delivering a more convenient, cashless and superior customer experience have resulted in several innovations in retail payments. Traditionally, retail payments were the domain of banking services. In recent years, the role of non-banking institutions in retail payments has increased significantly owing to the increasing penetration of technology. Now, non-banking institutions are allowed to compete in what were previously near oligopolistic areas for banks. On the other hand, there have been a series of policy responses to the changing landscape of Financial Inclusion and Payments globally. The proliferation of non-bank participants in facilitating payment services, such as business correspondents (BC), Prepaid Payment Issuers (PPI) and Mobile Network Operators (MNOs) has generated different approaches to delivering financial services access to hitherto un-served and under-served populations.

Inspite of all these, a vast majority of the people living in the urban and semi-urban areas are still outside the reach of banking facilities. Differentiated banking structure is needed to respond to the difficulties faced by certain underserved segments of the population. It is because of these reasons, the RBI constituted Nachiket Mor Committee (2014) on "Comprehensive Financial Services for Small Businesses and Low Income Households" which proposed introduction of new class of bank called 'Payment Bank' (PB). The concept of PB is not a novel idea. It has been inspired by Kenya's M-Pesa, a company of Vodafone, which created a stir in the African country by transferring cash via mobile phone on a mass scale. A mini version of M-Pesa is already up and running in India through RBI licensed PPIs. In this backdrop, the present paper aims at capturing the con-

cept and functions of PB, restrictions imposed along with their implications, and prospects & challenges involved in the process of implementation of the scheme.

The Concept of Payment Bank and its Functions

The RBI issued final guidelines on Payment Bank on 27th November, 2014. The PB will be registered as a public limited company under the Companies Act, 2013, and licensed under Section 22 of the Banking Regulation Act, 1949, with specific licensing conditions. It is a move to directly regulate Non-Bank corporate entities, such as mobile phone companies, supermarket chains, existing Non-Banking Finance Companies (NBFCs), online e-commerce providers, BC and distribution agency organizations that provide customer banking and payment services. The concept of PB will be clear if we consider the **Table 1** which distinguishes the services of PB from other categories of the similar service providers:

Table 1: Difference between PB and Various Banking Service Providers

System	Extension of Credit	Acceptance of Deposit	Payment Facility
Payments Network Operator (like MasterCard, Visa)	No	No	Yes
Payments Bank (PB)	No	Yes	Yes
Scheduled Commercial Bank (SCBs)	Yes	Yes	Yes
White Label ATM (TATA/ Indica$h)	No	No	Yes
Digital Wallet	No	No	Yes (only if both party agree)

Table2: Restrictions on PB and their Implications		
Particulars	**Restrictions**	**Implications**
Scope of Activities (Deposit taking, Remittances, Payments, issue of ATM Card, Cross Broader Payment, selling of MF and insurance)	• Maximum deposit/balance Rs. 100000 • PBs can partner with existing card networks, banks as well as merchants in issuing card. • Compliance with information security risk management will be expected in mobile payments. • Based on RBI approval PB is to process transactions in foreign exchange. • Based on prior approval of RBI as well as the relevant sectoral regulator for the selling of mutual fund and insurance product.	• PB can accept deposits for current as well as savings account. Significantly unlike PPI issuers, PBs can cash out their customers. • Cash-out is also permitted at POS machines, which will allow prospective PBs to better leverage their non-Branch agent networks. • Adoption of security risk management in small value payment is a challenge to PB
Granting Credit Facilities	PB cannot lend but it can act as BC of Commercial Bank while lending fund	This may increase the scope of PB. It may provide a revenue stream depending on how customer friendly the process of appraisal, disbursal, and role of PB in loan repayment or collections and nature of remuneration by partner bank is, for the PB.
Eligible Promoter	• Existing non-bank PPI issuers; and other entities such as individuals / professionals, NBFCs, BCs, MNOs, super-market chains, companies, real sector cooperatives; that are owned and controlled by residents; and public sector entities • A promoter/promoter group can have a joint venture with an existing scheduled commercial bank. • Promoter/promoter groups should be 'fit and proper' with a sound track record of professional experience or running their businesses for at least a period of five years.	Conversion of PPI into PB will address the limitations of the PPI model like inability to pay interest on balances and contagion risk.
Deployment of Fund	• Minimum CRR with the RBI • Invest minimum 75% of demand deposit in Govt. Securities/ Treasury Bills with maturity up to one year. • Maximum 25 per cent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.	This mandatory requirement of parking fund in risk free instruments will minimize credit and liquidity risk of PB
Capital Requirement	• The minimum paid-up equity capital for PB shall be Rs. 100 crore. • PB should have a leverage ratio of not less than 3 per cent, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).	• Minimum capital of Rs. 100 crore will guarantee that only serious players will apply for the licence. • Leverage ratio will cut down the risk of over leveraging and ensure sufficient capital cushion to absorb various risk
Shareholding Pattern	• The promoter's minimum initial contribution to the paid-up equity capital shall at least be 40 per cent for the first five years from the commencement of its business. • Diversified ownership and listing will be mandatory within 3 years of reaching a net worth of Rs. 500 crore. • Maximum 74% Foreign Shareholding.	Minimum promoter holding norm guarantee that promoter's interest is involved in the operation during the initial phase.
Other Requirements	• At least 25% of physical access points including BCs in rural centres. • Fully networked and technology driven operations from the beginning.	• Ensures basic banking services to the low income households in the unbanked areas. • Technology leveraging for low transaction cost for the customer

As per RBI guidelines, PB refers to a private sector institution licensed under Banking Regulation Act which can accept demand deposit from the public and provides payment and remittance services to its customer through channels like internet, branches, BC and mobile in a convenient and cost effective manner. These banks cannot offer credit facilities directly but can choose to act as a BC of other bank for credit and other services. They will have to invest at least 75% of the deposits collected in securities (with maturity up to one year) considered eligible for statutory liquidity ratio (SLR) investments and can hold maximum 25% in current and time deposits with other scheduled commercial banks.

The primary objective of setting up of PB will be to further financial inclusion by providing (i) small savings accounts and (ii) payments / remittance services to migrant labour workforce, low income households, small businesses, other unorganized sector entities and other users, by enabling high volume-low value transactions in deposits and payments / remittance services in a secured technology driven environment. PB would provide deposit products to their customers and inculcate the culture of savings with a regulated institution among the unbanked population. They also provide remittance services useful for the migrant worker population and bring them in the domain of formal banking services. Thus, PB is a step towards financial inclusion. As per RBI guidelines, PB Bank will perform the following functions:

- Acceptance of demand deposit (no NRI deposits) covered under DICGC subject to the maximum limit of Rs. 1,00,000 per customer;
- Issuance of Debit or ATM card but not Credit card;
- Payment and remittance services through various technology driven platform (ATM, Mobile, branches and through BC);
- Act as BC for another bank;
- Sale of mutual funds, insurance products and pension products; and
- Undertake utility bill payment

Restrictions on Payment Bank and their Implications

As pointed out earlier, that PB will have to operate under certain restrictions in certain areas of operation, eligibility criteria of promoter, deployment of fund, etc. **Table 2** summarises the restrictions imposed on payment Bank along with their implications. See Table 2 on previous page.

Why Payment Bank?

A logical question that arises in this juncture is why we need PB when India has a decent structure of banking. The answer lies in the inability of the banking industry to reach a large section of the population. According to Naveen Surya, MD of ItzCash, "The banking model has worked for only 20 to 30 percent of the population". PB is needed because the so called mainstream banks are either unwilling or incapable to provide the basic services to the rural masses, migrant workers and poor households for the following reasons:

- Financial activity of Poor people is characterised by high volumes of low value transactions which is a nightmare for traditional bank.
- Traditional banks do not see the business proposition at the base of the pyramid or are too busy responding to more traditional high value, low volume opportunities offered by the burgeoning middle classes of India.
- It would take time for banks to make profit on digital financial services as doing so typically requires them to offer a suite of products on the digital platform.
- Mobile based system (as opposed to card based system) has attained limited success both in case of mainstream banks and leading PPI.
- Earlier business model for achieving financial inclusion through multiple financial institutions (Co-operative banks, RRBs, PSBs, SHGs and BC) failed to create any big impact.

On the other hand, the proposed PB will offer a host of convenience and cost effective means of delivering basic banking services to the rural people, migrant workers and poor households.

Payment Bank Aspirants in India and their Strength

The new license format under the "Payment Bank" tag saw more than 10 applicants filing in their applications to launch a Payment bank in India. The applicants include SBI with Reliance India Ltd, Oxigen plus RBL Bank, Paytm, Future Group, Idea Cellular plus Aditya Birla Nuvo, Vodafone plus Yes Bank, Vakrangee Ltd, GI Technology, Cholamandalam Investment & Finance and Fino PayTech. It is indeed a very interesting mix of profile that one can witness in the Payment Bank applicants. While it was expected that a MNOs would want to launch this, the fact that Vodafone & Idea Cellular have applied but Airtel is not. On the banking side, Yes Bank and RBL Bank amongst the new-age ones see value in this opportunity alongside SBI. If we closely look at the conditions of setting up PB, then there are five enterprises that would be capable of running the PB because of the intrinsic strength of their current business model. These are on next page.

PAYMENT BANKS WILL PROVIDE THE RURAL AND UNBANKED POPULATION ACCESS TO WEALTH CREATION AND REMITTANCE SERVICES THROUGH TECHNOLOGY DRIVEN LOW COST TRANSACTION MODEL

- Telecom Firms and MNOs: They have an advantage over other aspirants because they already have distribution infrastructure in rural areas and technology suitable to run the operation of PB. PB is somewhat tailor-made for Telecom firms. Leading operators are already offering 'M-Wallet' services for remittances. So, setting up PB will be a natural extension of business for telecom firms.
- Indian Post: The nature and character of PB as enshrined in the RBI guideline suit the Indian Post as it already has the branches in the rural areas and doing the similar sort of business for long. With the decline in handling post, Indian Post could see a big opportunity in converting their business model in favour of PB.
- Retail Chains: Retail chains get indirect benefits for more customer stickiness and higher wallet share. Those with a true experience of handling payments on a large scale using a strong technology backbone may get benefit out of the scheme.
- Large Business Correspondents of Banks: According to KPMG, large BC have an edge in running PB because of their experience in mobilizing deposits as agents of banks and they have a good understanding of local economy.
- Conglomerates: A captive PB can help the conglomerates like Reliance and AV Birla Group to process large number of payment transactions at their retail outlets and group companies in the form of payment to suppliers, salary to employees, dividend, interest, etc. They also have telecom arm which will facilitate the operation of PB model.

Prospect and Challenges of Payment Bank in India

The demographic pattern of India and its changing profile offer a host of opportunities for the PB aspirants. These are as follows:

- According to KPMG, about 40 – 50 percent of India's 1.2 billion populations is eligible to open a bank account but still unbanked. India's 937 million mobile subscribers, on the other hand, substantially outnumber those with bank accounts. Besides, the urban population is going to jump over the next 25 years – from the current 26% to between 36 – 50% of the total population. All these signify the big opportunity that PB aspirants are eying at.
- Secondly, payment and remittance market for semi-urban and rural areas offer a huge opportunity for the PB. According to a Crisil report Rs. 80000 crore to 90000 crore domestic remittances market for the low-income migrant population will grow at 11 – 13% CAGR in the next few years. This segment is expected to be among the early users of PB.
- Thirdly, the easy access, cost effective means and the comfort of operation arising out of simple and hassle free formalities will induce the large urban population to remit money to their family and relatives living in rural India.
- Fourth, there is also a big opportunity in the distribution of third-party products especially insurance and mutual fund schemes as the insurance market is ex-

pected to grow at 10-15% annually. This also offers PB to earn commission to boost up their revenue.

- Last but not the least, the utility bill payment market with annual growth rate around 20-22% and mobile recharge market with annual growth rate of 8-10% offer some opportunities for PB to generate revenue.
- Inspite of the massive opportunities that payment Bank would have, there are some challenges also as they are not full-fledged banks offering the whole gamut of product and services. Some of the challenges before the PB are underlined below:

Non-Lucrative for Non-Telecom Firms: Non-Telecom entities will be at a disadvantageous position compared to Telecom firms when it comes to setting up PB because they will have to make significant investment towards expanding their distribution network, technology infrastructure and brand building. The earnings from remittance services may not be sufficient for them to cover up distribution, marketing and technology related cost for at least few initial years.

Partial Fulfillment of Financial Inclusion: Financial inclusion is a wider term than mere "payment/money transfer". Financial inclusion means access to complete bouquet of financial services — banking, investment, insurance, pension – everything. But that's very difficult to achieve through Payment bank system as because the model does not allow PB aspirants to lend money for productive purposes.

Small Players Affected by Price Wars: Schedule commercial banks also permitted to run Payment banks through their subsidiaries. That defeats the whole purpose because big commercial banks with larger resource base and manpower are allowed to start a payment bank then other small player's cannot compete, and they'll bleed in price wars.

Stiff Competition: The PBs will face stiff competition both from the large players like commercial banks and other players who operate through a huge network of franchisees but not get the PB license. The competition will become more intense as commercial banks are expanding into semi-urban areas – a key market for payment banks.

Conflict of Interest: PB model can generate conflict of interest arising out of difference in mobile service providers and PB service providers. If the mobile service provider do not cooperate and charges higher for banking services for the account maintained in other group of service provider, then the whole PB model will fail to generate the desired result. But the problem of conflict of interest can be controlled if all mobile companies are compelled to provide Unstructured Supplementary Service Data (USSD) connectivity as per recent TRAI regulations (Rs 1.5 per 5 interactive sessions) and `to categories all SMSs related to banking and financial transactions as Priority SMS services (with reasonable rates).

Concluding Observations

The RBI guidelines on PBs are aimed at setting up institution that will help in achieving the broad objectives of financial inclusion. They will provide the rural and unbanked population access to wealth creation and remittance services through technology driven low cost transaction model. It will also offer an opportunity for NBFCs which already have operations in rural areas to convert into small bank to access low cost deposit to meet their funding requirement. It is needless to say that there is a strong business case for payment banks in India because a sizeable portion of the country's population remains outside the ambit of formal banking. Potential licensees would hope to capitalize on the synergies the payments bank business is likely to have with their existing businesses (exploiting already existing distribution network, providing a wider suite of services to customers, enhancing customer stickiness and brand recall, etc.). But the business is unlikely to be profitable on a standalone basis in the medium-term; profitability would kick in once business volumes gain traction. Given the challenges before the PB, it will not be an easy roadmap for the upcoming payment banks.

References

1. *Crisil (2014), "Payment Bank Tailor Made for Telcos", Crisil Research, Mumbai*
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3. *Mor, N. (2014), "Report on Comprehensive Financial Services for Small Businesses and Low Income Households", RBI, Mumbai.*
4. *Raman, A. (2014), "Payment Banks: Support Policy Framework for Enhancing Viability and Inclusion", Policy Paper, UNDP, New Delhi*
5. *RBI (2014), "Final Guidelines on Licensing of Payment Banks", Mumbai* MA

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The Institute of Cost Accountants of India
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12, Sudder Street, Kolkata – 700 016.

Kolkata, the 12th February, 2015

NOTIFICATION

No. CMA (3)/2015 : 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 makes the following Bye-laws to amend further The Cost Accountants' Chapters Bye-laws, 2013 namely :

1. These Bye-laws shall be called The Cost Accountants' Chapters (Amendment) Bye-laws, 2015.

2. They shall come into force with effect from 12th February, 2015.

3. In The Cost Accountants' Chapters Bye-laws, 2013 (hereinafter referred to as the said Bye-laws),

   (i) Sub-clause (1) of Clause 9 shall be substituted as below:

   Membership – 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 and each such person shall automatically become member of the Chapter on a written intimation by the person with a declaration that he is not a member of any other Chapter with a copy to the Institute without payment of any admission fee and annual fee to the Chapter. However, existing members of the Chapters shall not be required to provide such written intimation and shall continue to be a member till such time his residential or occupational address is within the area of the Chapter.

   Provided, however, that name of such members whose name has been removed from the register of members of the Institute or who has not cleared his dues shall not be allowed to continue the membership or be admitted as a member of the Chapter and the Institute shall, not later than 31st October every year, issue list of members who clears their dues within 30th September of the year and such list shall be valid till 30th September of the succeeding year.

   Provided further that the Institute shall, from time to time, provide details of addition/deletion of members based on new admission or change of address.

The Institute of Cost Accountants of India
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Provided further that any Member/Grad. CWA/Student member of a particular Chapter should intimate withdrawal of his membership from that Chapter if he becomes member of some other chapter or changes his residential or occupational address.

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.

(ii) Sub-clause (2) of Clause 19 shall be substituted as below:

Members eligible to vote and stand for 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 and whose respective entrance fees, annual membership fees and other dues to the Institute are not in arrears on the 1st day of October of the year immediately previous to the year in which the election to the Managing Committee of Chapter is to take place or student of the Institute, shall be eligible to vote in election and stand for election if such member complies with the provisions of Sub-clause (1) of Clause 9 within 31st day of March of the year in which the election to the Managing Committee of Chapter is to take place.

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

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,

(c) He is employed by or under the Institute.

(Kaushik Banerjee)
Secretary (Acting)

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

27th February, 2015
Sub: Clarification on Notification No. CMA(2)/2015 dated 12th February, 2015
Sub: CEP requirements for Members in Practice/Industry
Amendment in Para 5 of the Existing Guidelines
Applicability of the Guidelines w.e.f. 01.04.2015

Further to Notification No. CMA(2)/2015 dated 12th February, 2015 on CEP requirements for Members in Practice/ Industry, it is clarified that with effect from April 1, 2015, the requirement of CEP Credit Hours are as follows subject to the following exemptions:

(i) A member who has attained the age of 65 years.
(ii) For the first year for a member who is admitted to the membership of the Institute. A year in this context is to be considered as the period from April 1 to March 31.
(iii) A member who is having permanent disability and members who have been handicapped due to an accident for a prolonged period may be exempted from fulfilling the requirement of CEP Hours on submission of valid documents in support of the same.
(iv) A member who is resident outside India.
(v) In case of members residing outside India for a period of not less than 6 months may be exempted from the requirement for the particular year on submission of valid documents in support of the same. However, no such exemption/relaxation is available to a member who has obtained membership of the Institute in accordance with the MOU entered into between the Institute and any other foreign Institute and such member would be considered to have earned Credit Hours if the member has fulfilled the Credit Hour requirement of that foreign Institute.

The new block will be effective from 1.4.2015 and will supersede the existing block.
CEP Credit Hours requirements for the block of three (3) years starting effective April 1, 2015 to March 31, 2018, to be complied with by different categories of members.

Members holding Certificate of Practice
Below the age of 65 years: The member should undergo minimum mandatory training of 15 hours per year or 50 hours in a block of 3 years.
Holding Certificate of Practice for part of the year:
A member holding Certificate of Practice is exempt from the CEP requirement for the first year or part of the year.
Members not holding Certificate of Practice
It is recommended that a member should undergo minimum training of 7 hours per year or 25 hours in a block of 3 years.

Note:
- No carry forward is allowed for excess Credit Hours from block of three years to the next block of three years.

(Kaushik Banerjee)
Secretary (Acting)

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

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2015

	PROGRAMME FOR SYLLABUS 2008 (JUNE 2015 LAST TERM)		PROGRAMME FOR SYLLABUS 2012	
Day, Date & Time	**Intermediate – 2008** 9.30 A.M. to 12.30 P.M.	**Final – 2008** 2.00 P.M. to 5.00 P.M.	**Intermediate – 2012** 9.30 A.M. to 12.30 P.M.	**Final – 2012** 2.00 P.M. to 5.00 P.M.
Thursday, 11th June, 2015	-----	Capital Market Analysis & Corporate Laws	Financial Accounting	Corporate Laws and Compliance
Friday, 12th June, 2015	Financial Accounting	Financial Management & International Finance	Laws, Ethics and Governance	Advanced Financial Management
Saturday, 13th June, 2015	Commercial and Industrial Laws & Auditing	Management Accounting – Strategic Management	Direct Taxation	Business Strategy & Strategic Cost Management
Sunday, 14th June, 2015	Applied Direct Taxation	Indirect & Direct – Tax Management	Cost Accounting & Financial Management	Tax Management & Practice
Monday, 15th June, 2015	Cost & Management Accounting	Management Accounting – Enterprise Performance Management	Operation Management and Information Systems	Strategic Performance Management
Tuesday, 16th June, 2015	—	Advanced Financial Accounting & Reporting	Cost & Management Accountancy	Corporate Financial Reporting
Wednesday, 17th June, 2015	Operation Management and Information Systems	Cost Audit & Operational Audit	Indirect Taxation	Cost & Management Audit
Thursday, 18th June, 2015	Applied Indirect Taxation	Business Valuation Management	Company Accounts and Audit	Financial Analysis & Business Valuation

EXAMINATION FEES

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

1. (a) **Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Application Forms for Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of ₹50/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US $ 10 per form.
   (c) Students can also download the Examination Form free of cost from ICAI Website at www.icmai.in.
   (d) **Students can also pay their requisite fee through payfee module of IDBI.**
   (e) Examination fees can also be paid through **Bank Demand Draft** drawn in favour of **"The Institute of Cost Accountants of India"** and payable at Kolkata.
2. **Last date for receipt of Examination Application Forms without late fees is 31st March, 2015 and with late fees of ₹300/- is 10th April,2015. 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, 2015.**
3. Students may submit their Examination Application Forms (Hard copy) 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 the Examination Directorate at 12, Sudder Street, Kolkata – 700016.
4. **Finance Act 2014, involving Assessment Year 2015-2016 will be applicable for the Subjects Applied Direct Taxation, Applied Indirect Taxation and Indirect & Direct Tax Management under Syllabus 2008 and Direct Taxation, Indirect Taxation and Tax Management & Practice under Syllabus 2012 for the purpose of June 2015 term of Examination.**
5. **The provisions of the Companies Act 2013 and The Companies (Cost Records & Audit) Rules 2014 – are applicable in June 2015 Examinations. Supplementary Study Materials for both Intermediate & Final under Syllabus 2008 and Syllabus 2012 is uploaded in the website of the Institute. Students are requested to take a note of this and visit the students portal.**
6. **If a student obtains at least 60 per cent marks in any paper, the benefit of carry forward/exemption is allowed for the immediately successive three terms of Examination only.**
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,Erode, Faridabad, Ghaziabad, Guwahati, Hardwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, 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 fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
9. **Probable date of publication of result** : **Inter & Final – 23rd August 2015.**

A. Das
Director (Examination)

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

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2015

FOUNDATION COURSE EXAMINATION
(Multiple Choice Questions – Online Mode)

Day & Date	Foundation Course Examination	
	Syllabus-2012	
	Paper – 1 & 2 (100 Marks) Time : 10 A.M. to 12.00 Noon	Paper – 3 & 4 (100 Marks) Time : 2 P.M. to 4.00 P.M.
Saturday, 13th June, 2015.	**Paper 1** : Fundamentals of Economics and Management (50 Marks) **Paper 2** : Fundamentals of Accounting (50 Marks)	**Paper 3** : Fundamentals of Laws & Ethics (50 Marks) **Paper 4** : Fundamentals of Business Mathematics and Statistics (50 Marks)

Examination Fees

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

1. **The Foundation Examination under syllabus-2012 will be conducted in M. C. Q. Mode through Online only**.
2. Total Questions: 100 (Multiple Choice Questions) in each session, Maximum Marks: 100 (Each Question will carry 1 Mark) in each session. There will be no negative marking for wrong answers.
3. **Foundation Examination will be conducted under 2012 syllabus only.**
4. **Application Forms for Foundation Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**
5. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM**.
6. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**

   (b) Students can also pay their requisite fee through payfee module of IDBI Bank.
7. **Last date for applying for Foundation Examination of June 2015 term is 28th April, 2015.**
8. **Examination Centres**: Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Erode, Faridabad, Gandhidham, Ghaziabad, Guwahati, Hardwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nasik, Nellore, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Valsad, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat. **(If no examination centre is available at a particular location, examinees will be accommodated at the nearest Centre available)**
9. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
10. **Probable date of publication of result: 26th June, 2015.**

A. Das
Director (Examination)

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

ECONOMY UPDATES

Income Tax

CBDT Notifies Revised Transport allowance exemption limit

CBDT vide Notification No. 39/2015dated: 13th April 2015 has increased Transport allowance exemption limit for employees from Rs. 800 to Rs. 1,600 per month. In case the employee is blind or orthopaedically handicapped with disability of lower extremities the limit is increased from Rs. 1600 to Rs. 3200/- per Month. The revised exemption Limit is applicable from A.Y. 2016/17 /F.Y 2015-16.

Providing of Roll Back in respect of Advance Pricing Agreement (APA) - Extension of time

In exercise of the powers conferred by sub-sections (9) and (9A) of section 92CC read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes makes Income-tax (Fourth Amendment) Rules, 2015 further to amend the Income-tax Rules, 1962. In the Income-tax Rules, 1962 (hereafter referred to as the principal rules), in rule 10MA, in sub-rule (5), for the first proviso and the second proviso, the following provisos shall be substituted, that in a case where an application has been filed on or before the 31st day of March, 2015, Form No. 3CEDA along with proof of payment of additional fee may be filed at any time on or before the 30th day of June, 2015 or the date of entering into the agreement whichever is earlier: Provided further that in a case where an agreement has been entered into on or before the 31st day of March, 2015, Form No. 3CEDA along with proof of payment of additional fee may be filed at any time on or before the 30th day of June, 2015 and, notwithstanding anything contained in rule 10Q, the agreement may be revised to provide for rollback provision in the said agreement in accordance with this rule."

Source: Notification No. 33/2015/ F.No.142 /14/2014-TPL dated: 1st April, 2015

Read more at: http://www.incometaxindia.gov.in/communications/notification/notification33_2015.pdf

Capital gains in respect of units of Mutual Funds under the fixed maturity Plans on extension of their term

In case of mutual funds, the unit of a mutual fund constitutes a capital asset and any sale, exchange or relinquishment of such unit is a "transfer" under clause (47) of section 2 of the Act. The roll over in accordance with the aforesaid regulation will not amount to transfer as the scheme remains the same. Accordingly it is clarified that no capital gain will arise at the time of exercise of the option by the investor to continue in the same scheme. The capital gains will however arise at the time of redemption of the units or opting out of the scheme, as the case may be vide Circular No 6 of 2015 dated 9th April 2015.

Requirement of tax deduction at source in case of corporations whose income is exempted under Section I0 (268B8) of the Income-tax Act, 1961 - Exemption thereof

CBDT has decided that since the corporations covered under Section 10(26888) satisfy the two conditions of Circular No. 4/2002 i.e. unconditional exemption of income under Section 10 and no statutory liability to file return of income under Section 139, any corporation whose income is exempted under Section 10(26BBB) of the Act will also be entitled to the benefit of the said Circular. Hence there would be no requirement for tax deduction at source from the payments made to such corporations since their income is anyway exempted under the Act vide Circular No. 7 of 2015 dated April 23, 2015.

Computation of Income and Disclosure Standards u/s. 145 notified by Government w.e.f. 1st April, 2015

Government notified Computation of Income and Disclosure Standards for purpose of Section 145, w.e.f. 1st April, 2015. This notification described detailed information about method of Accounting and Income Computation and Disclosure Standard-I relating to Accounting Policies. The Central Government hereby notifies the income computation and disclosure standards as specified in the Annexure to be followed by all assessees, following the mercantile system of accounting, for the purposes of computation of income chargeable to income-tax under the head "Profit and gains of business or profession" or " Income from other sources". This notification shall come into force with effect from 1st day of April, 2015, and shall accordingly apply to the assessment year 2016-17 and subsequent assessment years vide Notification No. 32/2015, F. No. 134/48/2010-TPL dated: 31st March, 2015.

Foreign Trade

Highlights: Foreign Trade Policy 2015 -2020

A. SIMPLIFICATION & MERGER OF REWARD SCHEMES

Export from India Schemes:

1. Merchandise Exports from India Scheme (MEIS)

(a) Earlier there were 5 different schemes (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding

mer¬chandise exports with different kinds of duty scrips with vary¬ing conditions (sector specific or actual user only) attached to their use. Now all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS) and there would be no conditionality attached to the scrips issued under the scheme.
(b) Rewards for export of notified goods to notified markets under 'Merchandise Exports from India Scheme (MEIS) shall be payable as percentage of realized FOB value (in free foreign exchange). The debits towards basic customs duty in the transferable reward duty credit scrips would also be allowed adjustment as duty drawback. At present, only the additional duty of customs / excise duty / ser¬vice tax is allowed adjustment as CENVAT credit or drawback, as per Department of Revenue rules.

2. Service Exports from India Scheme (SEIS)

(a) Served From India Scheme (SFIS) has been replaced with Ser¬vice Exports from India Scheme (SEIS). SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider.
(b) The rate of reward under SEIS would be based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restrict¬ed to usage for specified types of goods but be freely transferable and usable for all types of goods and service tax debits on procure¬ment of services / goods. Debits would be eligible for CENVAT credit or drawback.

3. Incentives (MEIS & SEIS) to be available for SEZs

It is now proposed to extend Chapter -3 Incentives (MEIS & SEIS) to units located in SEZs also.

4. Duty credit scrips to be freely transferable and usable for payment of custom duty, excise duty and service tax

(a) All scrips issued under MEIS and SEIS and the goods imported against these scrips would be fully transferable.
(b) Scrips issued under Exports from India Schemes can be used for the following:-
(i) Payment of customs duty for import of inputs / goods includ¬ing capital goods, except items listed in Appendix 3A.
(ii) Payment of excise duty on domestic procurement of inputs or goods, including capital goods as per DoR notification.
(iii) Payment of service tax on procurement of services as per DoR notification.
(c) Basic Customs Duty paid in cash or through debit under Duty Credit Scrip can be taken back as Duty Drawback as per DoR Rules, if inputs so imported are used for exports.

5. Status Holders

Business leaders who have excelled in international trade and have successfully contributed to country's foreign trade are proposed to be recognized as Status Holders and given special treatment and privileges to facilitate their trade transactions, in order to reduce their transaction costs and time.

B. BOOST TO "MAKE IN INDIA"

6. Reduced Export Obligation (EO) for domestic procurement under EPCG scheme:

Specific Export Obligation under EPCG scheme, in case capital goods are procured from indigenous manufacturers, which is cur¬rently 90% of the normal export obligation (6 times at the duty saved amount) has been reduced to 75%, in order to promote do¬mestic capital goods manufacturing industry.

7. Higher level of rewards under MEIS for export items with high domestic content and value addition. It is proposed to give higher level of rewards to products with high domestic content and value addition, as compared to products with high import content and less value addition.

8. Online filing of documents/ applications and Paperless trade in 24x7 environment:

(a) DGFT already provides facility of Online filing of various applications under FTP by the exporters/importers. However, certain documents like Certificates issued by Cost Accountants/ Chartered Accountants/ Company Secretary etc. have to be filed in physical forms only. In order to move further towards paperless processing of reward schemes, it has been decided to develop an online procedure to upload digitally signed documents by Cost Accountants/Chartered Accountant / Company Secretary. In the new system, it will be possible to upload online documents like annexure attached to ANF 3B, ANF 3C and ANF 3D, which are at present signed by these signatories and submitted physically.

Read more at:
http://dgft.gov.in/exim/2000/highlight2015.pdf

Central Excise

CENVAT Credit (Second Amendment) Rules, 2015

Credit of Education Cess and Secondary and Higher Education Cess paid on inputs or capital goods received in the factory of manufacture of final product on or after the 1st day of March, 2015 can be utilized for payment of the duty of excise leviable under the First Schedule to the Excise Tariff Act.

Also the credit of balance fifty per cent Education Cess and Secondary and Higher Education Cess paid on capital goods received in the factory of manufacture of final product in the financial year 2014-15 can be utilized for payment of the duty of excise specified in the First Schedule to the Excise Tariff Act:

The credit of Education Cess and Secondary and Higher Education Cess paid on input services received by the manufacturer of final product on or after the 1st day of March, 2015 can be utilized for payment of the duty of excise specified in the First Schedule to the Excise Tariff Act."

Source: Notification No. 12/2015 - Central Excise (N.T.) dated: 30th April, 2015

Govt. exempts excise duty on goods cleared against Post Export EPCG duty credit scrip vide Notification No.18/2015-C.E dated 1-4-2015

The exemption shall be subject to the following conditions, name¬ly:- (a) that the conditions (1) to (14) specified in paragraph 2 of the Notification No. 17/2015 – Customs, dated the 1st April, 2015 are complied and the said scrip has been registered by the Customs authority at the specified port of registration (hereinafter referred as the said Customs authority); (b) that the holder of the scrip, who may either be the person to whom the scrip was originally issued or a transferee-holder, presents the said scrip to the said Customs authority along with a letter or proforma invoice from the supplier or manufacturer indicating details of its jurisdictional Central Excise Officer (hereinafter referred as the said Officer) and the description, quantity.

Read more at:
http://gst.taxmann.com/topstories/104010000000044665/govt-exempts-excise-duty-on-goods-cleared-against-post-export-ep¬cg-duty-credit-scrip.aspx

Service Tax

Implementation of Service Export from India Scheme (SEIS) under FTP 2015-2020

Central Government exempts the taxable services provided or agreed to be provided against a scrip by a person located in the taxable territory from the whole of the service tax leviable thereon under section 66B of the said Act.This notification shall be applicable to the Service Exports from India Scheme duty credit scrip issued by the Regional Authority in accordance with paragraph 3.10 read with paragraph 3.08of the Foreign Trade Policy vide Notification No. 11 / 2015– Service Tax dated: 8th April, 2015.

Read more at: http://www.servicetax.gov.in/st-notfns-home.htm

Implementation of Merchandise Export from India Scheme (MEIS) under FTP 2015-2020

Central Governmentexempts the taxable services provided or agreed to be provided against a scrip by a person located in the taxable territory from the whole of the service tax leviable thereon under section 66B of the said Act.This notification shall be applicable to the Merchandise Exports from India Scheme duty credit scripissued to an exporter by the Regional Authority in accordance with paragraph 3.04 read with paragraph 3.05of the Foreign Trade Policy vide Notification No. 10/ 2015– Service Tax dated: 8th April, 2015.

Read more at: http://www.servicetax.gov.in/st-notfns-home.htm

SEBI

Fine structure for non-compliance with the requirement of Clause 49(II)(A)(1) of Listing Agreement

The Stock Exchanges are advised to impose the following fine on listed entities for noncompliance with the requirement of Clause 49(II)(A)(1) of Listing Agreement. (See table below).

Compliance Status Fine Structure	Fine Structure
Listed entities complying be¬tween April 1, 2015 and June 30, 2015	Rs. 50,000
Listed entities complying between July 1, 2015 and September 30, 2015	Rs 50,000 + Rs 1000/- per day w.e.f. July 1, 2015 till the date of compliance
Listed entities complying on or after October 1, 2015 day from October 1, 2015 till the date of compliance	Rs 1,42,000/- + Rs 5000/- per
Source: Circular CIR/CFD/CMD/1/2015 April 08, 2015	

Banking

Export of Goods and Services – Project Exports

With a view to further liberalising the procedure and as the Working Group structure has been dismantled, it has been decided to withdraw the limit of USD 20 million for Buyer's credit which may be extended to foreign buyers in connection with export of goods on deferred payment terms and turn key projects from India Circular No.93 (RBI/2014-15/534) dated: 1st April 2015. Memorandum of Instructions on Project and Service Exports (PEM) has been revised accordingly.

Provisioning pertaining to Fraud Accounts

In reference to the guidelines compiled in paragraph 4.2.9 of Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2014, in terms of which, in accounts where there are potential threats for recovery on account of erosion in the

ECONOMY UPDATES

value of security or non¬-availability of security and existence of other factors such as frauds committed by borrowers, the asset classification, and consequent provisioning, depends upon the realisable value of security.

On a review, it has been decided to prescribe a uniform provisioning norm in respect of all cases of fraud, as under:

a. The entire amount due to the bank (irrespective of the quantum of security held against such assets), or for which the bank is liable (including in case of deposit accounts), is to be provided for over a period not exceeding four quarters commencing with the quarter in which the fraud has been detected;

b. However, where there has been delay, beyond the prescribed period, in reporting the fraud to the Reserve Bank, the entire provisioning is required to be made at once. In addition, Reserve Bank of India may also initiate appropriate supervisory action where there has been a delay by the bank in reporting a fraud, or provisioning there against.

Source: Notification No. RBI/2014-15/535 [DBR.No.BP.BC.83/21.04.048/2014-15] dated: 1st April 2015

Revision of interest rates for Small Savings Schemes

The Government of India have vide their Office Memorandum (OM) No.6/01/2011-NS.II dated March 31, 2015, advised the rate of interest on various small savings schemes for the financial year 2015-16. Accordingly, the rates of interest on PPF 1968, SCSS 2004, Kisan Vikas Patra & Sukanya Samriddhi Account Scheme for the financial year 2015-16, effective from April 01, 2015, on the basis of the interest compounding/payment built-in in the schemes. See table on the right side

Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) – Directions – Modifications

The captioned directions contained in the notification DNBS.PD.No.234/CGM (US)-2011 dated December 2, 2011 and subsequent modifications were issued to NBFC-MFIs in the backdrop of the Andhra Pradesh-MFI crisis. The sector has largely moved forward since then. Accordingly certain modifications as given below are being introduced.

In terms of para 3(ii)(a) of the aforesaid Notification, loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 60,000 or urban and semi-urban household income not exceeding Rs. 1,20,000 would be eligible to be defined as qualifying asset. In order to widen the scope, it has been decided that loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding Rs. 1,00,000 or urban and semi-urban household income not exceeding Rs. 1,60,000 would be eligible to be defined as a qualifying asset.

3. In terms of para 3(ii)(c) of the aforesaid Notification, NBFCs-MFI while disbursing loans were required to ensure that the total indebtedness of the borrower does not exceed Rs.50,000. In partial modification of the above, the limit of total indebtedness of the borrower has been increased to Rs.1,00,000. Education and medical expenses will be excluded while arriving at the total indebtedness of a borrower.

4. In terms of para 3(ii)(b) of the aforesaid Notification, loan amount should not exceed Rs. 35,000 in the first cycle and Rs. 50,000 in subsequent cycles. In light of the revision to the limit on total indebtedness, it has been decided to revise the limit on disbursal of loans. Henceforth, the loan amount should not exceed Rs. 60,000 in the first cycle and Rs. 1,00,000 in subsequent cycles.

5. In terms of para 3(ii)(f) of the aforesaid Notification, aggregate amount of loans given for income generation should constitute at least 70 per cent of the total loans of the NBFC-MFI so that the remaining 30 per cent can be for other purposes such as housing repairs, education, medical and other emergencies. The limits so prescribed are henceforth revised to 50:50 i.e. loans given for income generation should constitute at least 50 per cent of the total loans of the NBFC-MFI and the remaining 50 per cent can be for other purposes as stated above.

Source: Notification No. RBI/2014-15/544 [DNBR.CC.PD.No.027/03.10.01/2014-15] dated: Apr 08, 2015

Scheme	Rate of Interest w.e.f. 01.04.2014	Rate of Interest w.e.f. 01.04.2015
5 year SCSS, 2004	9.2% p.a	9.3% p.a
PPF, 1968	8.7% p.a	8.7% p.a
KisanVikasPatra	8.7% p.a	8.7% p.a
SukanyaSamriddhi Account Scheme	9.1% p.a	9.2% p.a
Source: Notification No RBI/2014-15/536 [IDMD(DGBA).CDD. No.4521/15.02.001/2014-15] dated: 1st April 2015		

Interest Rates on Deposits

In reference to circulars DBOD. No. Dir. BC.36/13.03.00/98 dated April 29, 1998, DBOD. No. Dir.BC.07/13.03.00/2001-02 dated August 11, 2001 and DBOD. No. Dir. BC.74/13.03.00/2012-13 dated January 24, 2013 in terms of which banks are allowed to offer differential rates of interest on term deposits on the basis of tenor for deposits less than 1 crore and on the basis of quantum and tenor on term deposits of 1 crore and above. In this connection, attention is invited to paragraph 29 of sixth Bimonthly Monetary Policy Statement- 2014-15 announced on February 3, 2015 whereby it was decided to introduce the feature of early withdrawal facility in a term deposit as a distinguishing feature for offering differential rates of interest. Accordingly, banks will have the discretion to offer differential interest rates based on whether the term deposits are with or without-premature-withdrawal-facility, subject to the following guidelines:

i. All term deposits of individuals (held singly or jointly) of 15 lakh and below should, necessarily, have premature withdrawal facility.

ii. For all term deposits other than (i) above, banks can offer deposits without the option of premature withdrawal as well. However, banks that offer such term deposits should ensure that at the customer interface point the customers are, in fact, given the option to choose between term deposits either with or without premature withdrawal facility.

iii. Banks should disclose in advance the schedule of interest rates payable on deposits i.e. all deposits mobilized by banks should be strictly in conformity with the published schedule.

iv. The banks should have a Board approved policy with regard to interest rates on deposits including deposits with differential rates of interest and ensure that the interest rates offered are reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.

Source: RBI/2014-15/554 [DBR.No.Dir. BC.87/13.03.00/2014-15] dated: 16 April 2015

Simplified procedure for opening of Currency Chests

A. Locations that are at/ close to the International Border/ Insurgency affected areas:

1. In case the place of the proposed location of a currency chest is within 80 kms from the international border and it is not a State Capital or a cantonment area, banks may approach Regional Offices (ROs) of the RBI for obtaining security clearance. Under no circumstance, construction can be commenced before receipt of the required clearance.
2. The banks may also note to obtain all necessary approvals from other agencies before beginning construction.
3. Strict adherence to the Technical Specifications of construction in terms of the circular DCM(CC) G-18/03.39.001/2008-09 dated November 14, 2008, must be ensured by banks.
4. Final Approval from the respective RO of RBI may be sought after construction is completed. No deviation will be permitted or considered and any construction falling short of specifications will not be approved.

B. All other locations:

1. Banks may construct new CCs at any place after informing the RO concerned of the RBI, under whose jurisdiction it is to be established.
2. The banks may also note to obtain all necessary approvals from other agencies before beginning construction.
3. Strict adherence to the Technical Specifications of construction in terms of circular DCM(CC)G-18/03.39.001/2008-09 dated November 14, 2008, must be ensured by banks.
4. Final Approval from the respective RO of RBI may be sought after construction is completed. No deviation will be permitted or considered and any construction falling short of specifications will not be approved.

Source: Notification No. RBI/2014-15/571 [DCM(CC)No.G-13/4553/03.39.01/2014-15] dated: 23 April 2015

Priority Sector Lending-Targets and Classification

An Internal Working Group (IWG) was set up in July 2014 to revisit the existing priority sector lending guidelines. The report of the IWG was placed in the public domain inviting comments. The recommendations of the IWG were examined in the light of the comments / suggestions received from Government of India, banks, and other stakeholders and revised guidelines are being issued in supersession of guidelines mentioned in the Master Circular RPCD.CO.Plan. BC10/04.09.01/2014-15 dated July 1, 2014 on Priority Sector Lending – Targets and Classification.

The salient features of the guidelines are as under:-

(i) Categories of the priority sector: Medium Enterprises, Social Infrastructure and Renewable Energy will form part of priority sector, in addition to the existing categories.

(ii) Agriculture: The distinction between direct and indirect agriculture is dispensed with.

(iii) Small and Marginal Farmers: A target of 8 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed for Small and Marginal Farmers within agriculture, to be achieved in a phased manner i.e., 7 percent by March 2016 and

ECONOMY UPDATES

8 percent by March 2017.
(iv) Micro Enterprises: A target of 7.5 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, has been prescribed for Micro Enterprises, to be achieved in a phased manner i.e. 7 percent by March 2016 and 7.5 percent by March 2017.
(v) There is no change in the target of 10 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, for Weaker Sections.
(vi) Target for Foreign Banks: Foreign Banks with 20 branches and above already have priority sector targets and sub-targets for Agriculture and Weaker Sections, which are to be achieved by March 31, 2018 as per the action plans submitted by them and approved by RBI. The sub-targets for Small and Marginal Farmers and Micro Enterprises would be made applicable post 2018 after a review in 2017. Foreign banks with less than 20 branches will move to Total Priority Sector Target of 40 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, on par with other banks by 2019-20, and the sub-targets for these banks, if to be made applicable post 2020, would be decided in due course.
(vii) Bank loans to food and agro processing units will form part of Agriculture.
(viii) Export credit: Export credit upto 32 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, will be eligible as part of priority sector for foreign banks with less than 20 branches. For other banks, the incremental export credit over corresponding date of the preceding year will be reckoned upto 2 percent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
(ix) The loan limits for housing loans and MFI loans qualifying under priority sector have been revised.
(x) The priority sector non-achievement will be assessed on quarterly average basis at the end of the respective year from 2016-17 onwards, instead of annual basis as at present.
Source: Notification No. RBI/2014-15/573 [FIDD.CO.Plan. BC.54/04.09.01/2014-15] dated: 23 April 2015

INDIAN ECONOMY NEWS

• Modi land bill delayed amid rising anger in rural India
NEW DELHI - Prime Minister Narendra Modi's government has delayed a bill that will make it easier for industry to buy farmland, following anger over rising rural distress and the suicide of a farmer in New Delhi.
Source: Reuters dated: 24 Apr 2015

• India struggles to woo retail investors to govt bonds
MUMBAI - The Reserve Bank of India's move this month to allow retail investors to buy government bonds has so far failed to lure savers, throwing into question efforts to deepen the country's debt markets and help cushion them from global volatility.
Source: Reuters dated: 23 Apr 2015

• RBI working on integration between e-commerce firms and banks
MUMBAI - India's central bank is working on improving the integration between e-commerce firms and the country's banking systems, a deputy governor of the Reserve Bank of India (RBI) said on Monday.
Source: Reuters dated: 20 Apr 2015

• India frets trade gains could unravel as deficit widens
NEW DELHI - India's trade deficit in March was the highest in four months, at $11.79 billion, as exports continued to fall, underscoring risks for growth prospects in Asia's third largest economy.
Source: Reuters dated: 17 Apr 2015

• RBI chief says MPC discussion not currently top of list - paper
MUMBAI - Talks between the Reserve Bank of India and the government have not yet focused on the composition of a planned monetary policy committee, a key plank of proposed structural changes, the bank's governor said in a newspaper interview on Friday.
Source: Reuters dated: 17 Apr 2015

• Modi's coal turnaround to ease chronic power cuts
NEW DELHI - Fewer power cuts are likely in India this summer after a surge in output at Coal India helped generators amass record stocks, a turnaround for NarendraModi who had to battle a power crisis within months of becoming prime minister last May.
Source: Reuters dated: 16 Apr 2015

• India eases rules for foreign investment in government bonds
MUMBAI - India's market regulator has allowed foreign investors to reinvest in government bonds the same day, according to a emailed circular seen by Reuters, hoping to sustain outside interest in the country's debt market.
Source: Reuters dated: 09 Apr 2015

(For further details on these issues, please visit the Institute's website: www.icmai.in for the complete CMA e-Bulletin, May 2015, Vol 3, No. 5, in the 'Research and Publications' section.)

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March 31, 2015

NOTIFICATION

No. EL–2015/19(W) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the names of persons whose nominations from Western India Regional Constituency for the next (Nineteenth) Election to the Council of the Institute of Cost Accountants of India to be held on 5th June, 2015, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Election to the Council – 2015.

WESTERN INDIA REGIONAL CONSTITUENCY

1. **Apte, Amit Anand**
   11/7, Laxminarayan Nagar,
   S. No 11 & 12, Erandawane,
   Pune – 411004.

2. **Bhattad, Pramodkumar Vithaldasji**
   General Manager (Finance),
   Western Coalfields Ltd. Coal Estate,
   Civil Lines, Nagpur – 440001

3. **Birla, Dinesh Kumar**
   A/3, Nirant Appartment,
   Opp: Townhall (River Side),
   Near Karnavati Hospital Ellis-Bridge,
   Ahmedabad – 380006

4. **Dalwadi, Ashwin Gordhanbhai**
   403, Ashirvad Complex,
   B/H Sardar Patel Seva Samaj,
   Nr. Mithakhali Six Roads,
   Ahmedabad – 380006

5. **Joshi, Vijay Prabhakar**
   302, Sham Tower, 164/2,
   R.N.T. Marg., Opp. Hotel President,
   Indore- 452004

6. **Narasimhan, Srinivasan G.**
   B-204, Runwal Pride,
   Behind R Mall, L B S Marg,
   Mulund West, Mumbai – 400080

7. **Nawal, Ashok Bhagawandas**
   701, Supriya Classic, Survey No.
   112/1/3, Baner Road, Baner,
   Pune – 411045

8. **Rakshit, Samir Kumar**
   "Shraddhanjali"
   Netaji Chowk, Pipe Factory Road,
   New Shantinagar,
   P.O. Sankar Nagar
   Raipur – 492007

9. **Thatte, Ashish Prakash**
   504, Juniper Everest World,
   Kolshet Road,
   Dhohali Naha,
   Thane (West) – 400607

10. **Vora, Rohit Jamnadas**
    1103, Raj Sunflower, Royal Complex,
    Eksar Road, Borivali (West),
    Mumbai - 400092

Kaushik Banerjee
Returning Officer

March 31, 2015

NOTIFICATION

No. EL–2015/19(S) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the names of persons whose nominations from Southern India Regional Constituency for the next (Nineteenth) Election to the Council of the Institute of Cost Accountants of India to be held on 5th June, 2015, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Election to the Council – 2015.

SOUTHERN INDIA REGIONAL CONSTITUENCY

1. **Ashok, I.**
   4, Madurai Road, Near Periyar Statue,
   Tirumangalam,
   Madurai - 625706

2. **Bhat, Vishwanath R.**
   Vishwanath Bhat & Co.,
   No.31, 2nd Floor,
   Rear Block, Opp Karanji,
   Anjaneya Temple,
   West Anajaneya Temple Street,
   Basavanagudi,
   Bangalore- 560004

3. **Iyer, P. Raju**
   17, (Old No. 8), Hasthinapuram Main
   Road, Nehru Nagar, Chromepet,
   Chennai – 600044

4. **Jagan Mohan Rao, P. V. S.**
   308, Himasai Gardens,
   Gulmohar Block, Jawahar Nagar,
   RTC Cross Road,
   Hyderabad- 500020

5. **Murthy, K. Ch. A. V. S. N.**
   8-3-976/29, Salivahana Nagar,
   Hyderabad – 500073

6. **Nageswara Rao, A. V. N. S.**
   H No 30-1569/2, Plot No 35,
   Anantanagar Colony, Neredmet,
   Secunderabad - 500056

7. **Padmanabhan, H.**
   Sr. Manager – Indian Overseas Bank,
   Sr. DGS, IOBOA, 763, Anna Salai,
   Chennai - 600002

8. **Sreshti, D. L. S.**
   Flat No. 204, Mount Santoshi
   Apartment, Mayuri Marg, Begumpet,
   Hyderabad – 500016.

9. **Sunkara, Papa Rao**
   40-7-31, Modern Academy,
   Jammichettu Center, Mogalrajapuram,
   Vijayawada – 520010

Kaushik Banerjee
Returning Officer

March 31, 2015

NOTIFICATION

No. EL–2015/19(E) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the names of persons whose nominations from Eastern India Regional Constituency for the next (Nineteenth) Election to the Council of the Institute of Cost Accountants of India to be held on 5th June, 2015 and 6th June, 2015 for Kolkata only and 5th June, 2015 for all other places, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Election to the Council – 2015.

EASTERN INDIA REGIONAL CONSTITUENCY

1. **Basu, Biswarup**
   261/14, Prince Anwar Shah Road,
   Kolkata – 700033
2. **Bhattacharya, Pallab**
   37, Gobindo Bose Lane,
   Kolkata – 700025
3. **Dasgupta, Saswata**
   Saswata Dasgupta & Associates,
   8/4, Banerjee Para Road, Behala,
   Kolkata – 700060
4. **Goswami, Avijit**
   68-C/1, Beleghata Main Road
   Kolkata - 700010
5. **Mishra, Niranjan**
   Niran & Co.,
   Cost Accountants,
   Esen Den, 475, Asiana Plaza Entry,
   Aiginia, Khandagiri,
   Bhubaneswar – 751019
6. **Mukherjee, Somnath**
   14E/5, Rajmohan Road,
   Uttarpara – 712258
   Dist. Hooghly, W.B.
7. **Paul, Tapash**
   Tapash Paul & Associates,
   66, Bidhan Road, Post Office Building,
   1st Floor, Siliguri - 734001
8. **Prasad, Meera**
   D/o Late Pramod Kumar Sahu,
   Argora, Near Shiv Mandir,
   Ranchi – 834002
9. **Sarda, Radha Krishan**
   A I/16, Mira Bai Road,
   A Zone, Durgapur – 713204
10. **Sikdar, Pranab Kumar**
    23-C, Ekdalia Place, Ballygunge,
    Kolkata - 700019
11. **Sonthalia, Shyam Sundar**
    S. S. Sonthalia & Co.,
    Plot No. 395/4688 & 172/4689,
    Padmavati Vihar, P.O. Shailashri
    Vihar, Bhubaneswar- 751021
12. **Srinivasa Prasad, T. C. A.**
    63 J, Charu Chandra Place East,
    Kolkata – 700033
13. **Thakur, Manas Kumar**
    22/4,Verner Lane,
    Belgharia, Kolkata -700056

Kaushik Banerjee
Returning Officer

NOTIFICATION

No. EL–2015/19(N) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the names of persons whose nominations from Northern India Regional Constituency for the next (Nineteenth) election to the Council of the Institute of Cost Accountants of India to be held on 5th June, 2015, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Election to the Council – 2015.

NORTHERN INDIA REGIONAL CONSTITUENCY

1. **Agarwal, Jitendra Kumar**
   5/505, Amar Colony, Near Girdher
   Palace, Sonepat – 131001
2. **Agrawal, Subhash Chandra**
   208-C, Pocket -1,
   Mayur Vihar Phase – 1
   New Delhi – 110091

3. **Bhalla, Rakesh**
House No 4551-C,
Sector 70, S.A.S. Nagar,
Mohali – 160059

4. **Gupta, Sanjay**
C-4E/135, Janak Puri,
New Delhi – 110058

5. **Jain, Baboo Lal**
General Manager (F&A), MMTC Ltd.
Core I, SCOPE Complex, Lodi Road,
New Delhi – 110003

6. **Sharma, Vijender**
11, (3rd Floor), Hargovind Enclave,
Delhi – 110092

7. **Singh, Balwinder**
F-125, Phase VIII-B,
Indl Area, Sector-74, Mohali,
Chandigarh – 160071

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
CMA Bhawan
12, SUDDER STREET, KOLKATA – 700 016.

March 31, 2015

NOTIFICATION

No.: EL-2015/20(W) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulation 118 of the Cost and Works Accountants Regulations, 1959 as amended, the names of persons whose nominations from Western India Regional Constituency for the next Elections to the Regional Councils of the Institute of Cost Accountants of India to be held on 5th June, 2015, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Elections to the Regional Councils – 2015

WESTERN INDIA REGIONAL COUNCIL

1. **Desai, Pradip Harilal**
121, Devpath Complex,
B/H Lal Bunglow, Off. C.G. Road,
Ahmedabad - 380006

2. **Deshpande, Harshad Shamkant**
1254, Sadashiv Peth, Sadbhav
Sadanika,Near Nimbalkar Talim,
Pune – 411030

3. **Deshpande, Mohan Dwarakanath**
VP - Finance, Shimnit Utsch India
Pvt. Ltd., 8th Floor Region
Chamber, Nariman Point
Mumbai -400021

4. **Gandhi, Kailash Ratanlal**
C-414, Venkateshwara Housing
Society, Station Road,
Bhayander (West), Thane –
401101

5. **Gore, Rajendra Prabhakar**
Bldg. E7/ Flat 604,Lake Town
Co.op. Hsg. Society,
Near Chaitraban Bibwewadi,
Pune – 411037

6. **Joshi, Neeraj Dhananjay**
'CMA Pride', 1st Floor, Plot No. 6,
S. No. 16/6, Erandawana Hsg.
Soc., Erandawana, Pune –
411004

7. **Joshi, Vaibhav Prabhakar**
Block A - 5, Parijat-Mrugendra Co-
op. Hsg. Soc. Ltd., Rokadia Cross
Lane, Pai Nagar,S V P Road,
Borivali West,
Mumbai – 400092

8. **Limaye, Varsha Shyamprasad**
AABHA, Plot No 16, Siddhakala
CHS, 134/2 Warje, Pune -
411058

9. **Mahankaliwar, Shriram Narayan**
Shriram & Co., A/15, NIT
Complex,
Opp. Sudama Theatre, Gokulpeth,
Nagpur - 440010

10. **Maiti, Mriganka**
Finance Manager (E5), South
Eastern Coalfields Ltd.
P.O. SECL, Bilaspur – 495006

11. **Mehta, Sukrut Kirit**
3/423, Ramjharukha,
71, S. V. Road, Andheri (West),
Mumbai – 400058

12. **Mitra, Debasish**
B/502, Mayuresh Srishty Park,
Off Lake Road, Bhandup (W),
Mumbai - 400078

13. **Mundra, Satya Narayan**
H. No. - F2, Lenox Co-op. Hsg.
Society, Nr. G I L Colony, G I D C.,
Ankleshwar – 393002

14. **Murty, Peri Appala Narasimha**
A-4 Rama Life City,
Opp Jain International School,
Sakri, P.O., Bilaspur – 495001

Nomination accepted subject to availability of photograph within 07.04.2015.

15. **Nimkar, Narhar Krishnaji**
3, Audumbar, Bhusari Colony,
Paud Road, Kothrud,
Pune – 411038

16. **Pawar, Laxman Digambar**
Pawar & Associates,
16, 1st Floor, Bhakti Complex,
Behind Dr. Ambedkar Statue,
Mumbai-Pune Road, Pimpri,
Pune – 411018

17. **Sathya Narayanan, Padmanabhan**
D 101, Sai Sthaan CHS Ltd.
Plot No. 4,5,6, Sector – 29,
Opp. CIDCO Office, Nerul (East),
Navi Mumbai – 400706

18. **Sawant, Pundalik Atmaram**
E 501, Consort Holi Cross Link
Road, I.C. Colony Extn., Borivali
(West) Mumbai – 400103

19. **Shastri, Niranjan**
108 Ramchandra Nagar (Main),
Airport Road,
Indore – 452005

20. **Talati, Ritesh Naimesh**
602, Matru Prabha Building
Cama Lane, Kirol Road,
Ghatkopar (West),
Mumbai – 400086

Nomination accepted subject to availability of photograph within 07.04.2015.

21. **Thakar,Yashodhar Shashikant**
Y S Thakar & Associates,
305, Ujjval Complex, 3rd Floor,
Near Akota Stadium, Akota,
Vadodara - 390020

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
CMA Bhawan
12, SUDDER STREET, KOLKATA – 700 016.

March 31, 2015

NOTIFICATION

No.: EL-2015/20(S) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulation 118 of the Cost and Works Accountants Regulations, 1959 as amended, the names of persons whose nominations from Southern India Regional Constituency for the next Elections to the Regional Councils of the Institute of Cost Accountants of India to be held on 5th June, 2015, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Elections to the Regional Councils – 2015

SOUTHERN INDIA REGIONAL COUNCIL

1. **Anegundi, Yankappa H.**
Anegundi & Co., No. 130,
Sainagar, Phase-I, Post:
Vidyaranyapura,
Bangalore – 560097

2. **Badrinath, A. R. V.**
Senior Manager Finance,
Indian Oil Corporation Ltd.
Marketing Division,
3-6-436 to 438, 3rd Floor,
Naspur House, Himayatnagar,
Hyderabad - 500029

3. **Garlapati, Shivannarayana**
69, Ist Cross, I Main, I Block,
Near Sai Mandir, Thyagarajanagar,
Bangalore - 560028

4. **Gunjalli, Suresh Rachappa**
No 10, 1st Floor,
Vinayak Apartment, Vinayak
Layout, Basaveshwara Nagar,
Bangalore – 560079

5. **Mahabaleshwara Bhatta, H. S.**
151, "MALAYA" 9th Cross,
3rd Main, Soudhamini
Layout, Konanakunte,
Bangalore – 560062

6. **Mohan, V.**
Flat A-1, 14, 4th Street, Balaji
Nagar, Roy Apettah,
Chennai - 600014

7. **Murali, V.**
Rain Tree, Flat No. 1A, Block-E,
21, Venus Colony, Second Cross
Street, Alwarpet,
Chennai – 600018

8. **Mayil Murugan, A.**
9, Kammalar Lane, North Car
Street, Thirupparankundram,
Madurai - 625005

9. **Murugesan, J.**
54 (Old No. 17/1), Selvanagar
Second Street, Ponnagar,
Tiruchirapalli – 620001

10. **Muthu Pandian, K.**
144, Anna Salai,
Chennai – 600002

11. **Panicker, Sankar P.**
64/768, Jaikunj, Chittoor Road,
Kochi - 682035

12. **Ramasubramania Raja, A. R.**
19, Third Street, Gokulam
Colony, P.N.Pudur,
Coimbatore - 641041

13. **Ramachandran, Srinivasan**
No. 7, 3rd Main Road, R.G. Nagar,
Bharathi Nagar Extn., Katpadi,
Vellore – 632007

14. **Sanyasi Rao, K.**
Flat No 503, VVRR Empire,
Door No 31-27-49,
Ward No 53, Kurmannapalem,
Visakhapatnam – 530046

15. **Satish, Jyothi**
No. 5, Thames, Pacific City,
Akshaya Homes, 62,
Guruswamy Road, Nolumbur,
Madhuravoyal, Chennai – 600095

16. **Singh, T. Ashok Kumar**
No. 4/114, 5th Street, Sayee
Nagar, Virugambakkam,
Chennai - 600092

17. **Selva Raja, V. G.**
205, Anand Block, 2nd Floor,
9, Choolaimedu High Road,
Chennai – 600094

18. **Sudhir Babu, Chalasani**
C S B Associate
3-6-481, Street No. 6,
Himayathnagar,
Hyderabad - 500029

19. **Sundar, S.**
AP 563, 4th Sector,
17th Street, K.K. Nagar,
Chennai – 600078

20. **Suryanarayanan, K.**
Flat 'A', Brindhavan Apartments,
No. 1, Poes Road, 4th Street,
Teynampet, Chennai - 600018

21. **Varghese, Benoy**
Mg. Partner, Benoy Abey &
Associates
Palm Plaza, YMCA Lane,
Beside Sastri Road,
Baker Junction,
Kottayam - 686009

22. **Venkateswarlu, Ch.**
11-45/A, Pragathi Nagar,
Gaddiannaram,
Hyderabad – 500060

23. **Zitendra Rao, Dendukuri**
H. No. 104, Praveen Residency,
2-2-14/2/104, D.D. Colony,
Hyderabad - 500007

Kaushik Banerjee
Returning Officer

March 31, 2015

NOTIFICATION

No.: EL-2015/20(E) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulation 118 of the Cost and Works Accountants Regulations, 1959 as amended, the names of persons whose nominations from Eastern India Regional Constituency for the next Elections to the Regional Councils of the Institute of Cost Accountants of India to be held on 5th June, 2015 and 6th June, 2015 for Kolkata only and 5th June, 2015 for all other places, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Elections to the Regional Councils – 2015

EASTERN INDIA REGIONAL COUNCIL

1. **Banerjee, Ashis**
Kalitala Road,
P.O Bara Bahera,
Dist: Hooghly (WB),
Pin – 712246

2. **Basu, Arundhati**
FE-130, Sector - 3, Salt Lake,
Kolkata – 700106

3. **Bhattacharjee, Shyamal Kumar**
8/4, S.P. Mukherjee Road,
Durgapur - 713204

4. **Bhattacharyya, Madan Mohan**
B 1/F, Ganpati Tower,
Gopalpur,
Assansol – 713304

5. **Bhattacharyya, Tapas**
15/2/1, Tantipara Lane,
P.O. Santragachi,
Howrah - 711104

6. **Chakrabarty, Pranab Kumar**
72/9, Saikhpara Lane,
Howrah – 711103

7. **Chhaparia, Sachin**
33/1, N. S. Road,
2nd Floor Room No. - 245,
Marshall House,
Kolkata – 700001

8. **Dutta, Niladri**
112-A, Salimpur Road,
Kolkata - 700031

9. **Farooque, Umar**
PGCIL, 6th Floor, Alankar Place,
Boring Road,
Patna (Bihar) - 800001

10. **Ghosh, Sanjiban**
1st Floor, Anila Mansion,
Phusbunglow, P.O. Bhaga,
Dist. Dhanbad – 828301,
Jharkhand

11. **Gupta, Gour Bandhu**
286/A, Sripally, Near Allahabad
Bank, (S.B. Gorai Road Branch)
Asansol - 713304

12. **Lenka, Manas Ranjan**
Qtr No : D-3, Gridco Colony
Bhoi Nagar,
Bhubaneswar – 751022

13. **Mukhopadhyay, Bibekananda**
B-20, Amarabati, Sodepur,
Kolkata – 700110

14. **Nandan, Sikha**
12, East End Park, 1st Road,
3rd Floor Kalikapur,
Kolkata - 700099

15. **Padhi, Shiba Prasad**
Plot No. N/1-163, IRC Village,
Nayapalli, Odisha,
Bhubaneswar – 751015

16. **Ray, Jagannath**
C-85, Sector-19,
Rourkela - 769005

17. **Ray, Sarbajit**
27 A & C, Amherst Street,
Kolkata - 700009

18. **Roy, Sabyasachi**
Proprietor, S.Roy & Associates,
C/o Bankanidhi Sahoo,
Plot No.- 1520, Friends Colony
Baramunda,
Bhubaneswar - 751003

19. **Roy, Shyamal Krishna**
BA 5/7, Salt Lake City,
Sector-1,
Kolkata – 700064

20. **Roy Choudhury, Dhiman**
C/40, Bapuji Nagar, P.O. Regent
Estate, Kolkata – 700092

21. **Singhal, Govind**
Singhal & Co., 13/3, K. P. Ghoshal Road, Belghoria, Kolkata – 700056

22. **Sinha, Rakesh Kumar**
Sector IC, Qr. No. 1206, Bokaro Steel City Jharkhand – 827001

23. **Venkata Ramana, Cheruvu**
C/o. Hotel Jyoti Residency, Opp. Old Bus Stand Dist: Ganjam, Berhampur – 760001 Odisha

Kaushik Banerjee
Returning Officer

March 31, 2015

NOTIFICATION

No.: EL-2015/20(N) : In pursuance of sub-rules (1) and (2) of Rule 13 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulation 118 of the Cost and Works Accountants Regulations, 1959 as amended, the names of persons whose nominations from Northern India Regional Constituency for the next Elections to the Regional Councils of the Institute of Cost Accountants of India to be held on 5th June, 2015, have been accepted as valid, are hereby published for information of all concerned.

List of Valid Nominations for Elections to the Regional Councils – 2015

NORTHERN INDIA REGIONAL COUNCIL

1. **Bansal, Chaman Lal**
CMA Plaza, SCO No 7, Chaura Bazar, CHD-Ambala Highway, Zirakpur – 140603

2. **Bhati, Rajendra Singh**
1st Floor, Plot No. 42, Hari Om Tower, Manji Ka Hata, Paota, Rajasthan, Jodhpur - 342001

3. **Bhatt, Sandip Kumar**
F-103, DAV Complex, Mayur Vihar, Phase-1, Opp. Samachar Apartment, New Delhi – 110091

4. **Chittora, Vinod**
C-77, Shyam Apartment, Sarojani Marg, C-Scheme, Jaipur (Rajasthan)

5. **Goel, Naresh Kumar**
31, Community Centre, Ashok Vihar, Delhi – 110052

6. **Goyal, Sumit**
SD -172, Shastri Nagar, Ghaziabad (UP) – 201002

7. **Gupta, Govind**
1272, Gali No. 6 B, Sawtanter Nagar, Narela, New Delhi – 110040

8. **Krishna Dasan, A.**
A. Krishna Dasan & Co., Shop No. 12 (First Floor), C 2C Block, Pocket-2 Market, Janak Puri, New Delhi – 110058

9. **Gupta, Mukesh Kumar**
F-125, Phase-VIII-B, Indl Area, Sector 74, Mohali, Chandigarh – 160071

10. **Jain, Navneet Kumar**
2-D, OCS Apartments, Mayur Vihar,-I Extn. New Delhi – 110091

Nomination accepted subject to availability of photograph within 07.04.2015.

11. **Jain, Sanjay Kumar**
S-40, Barkat Nagar, Tonk Phatak, Jaipur – 302015

12. **Khetrapal, Aniket**
Ircon Infrastructure & Services Limited, C-4, District Centre, Saket, New Delhi – 110017

13. **Kulshreshtha, Manoj Kumar**
S-2, 314 Gyan Khand-I, Indirapuram, Ghaziabad - 201014

14. **Kumar, Arvind**
Indian Farmers Fertiliser Co-op. Ltd. 2/10, Kali Mandir Enclave, Dehradun

15. **Mittal, Satya Narayan**
16/60 Krishna Nagar, (Rangbari)
Main Road,
Kota (Rajasthan) – 324005

16. **Nagarajan, Radhakrishnan**
PFC Limited, Urja Nidhi,
Barakhamba Lane,
Connaught Place,
New Delhi - 110001

17. **Paliwal, Shailendra Kumar**
5/474, Viram Khand,
Gomti Nagar, Lucknow – 226010

18. **Pasricha, Chander Shekhar**
A I I I / 174, Rachna, Vaishali,
Sahibabad, Ghaziabad –
201010

19. **Sahni, Ravi Kumar**
C-40, West Gorakh Park
Extension,
Shahdara, New Delhi – 110032

20. **Sanyal, Debjit**
D-223/118, Laxmi Chambers,
1st Floor, Laxmi Nagar,
Delhi – 110092

21. **Sharma, Anil**
232, Sector-3- A, FF,
Chandigarh – 160036

22. **Sharma, Rajesh Kumar**
367, Shastri Nagar,
Jammu – 180004

Nomination accepted subject to availability of photograph within 07.04.2015.

23. **Singh, Ajay Kumar**
1/26, 2nd Floor, Lalita Park,
Laxmi Nagar, Delhi – 110092

24. **Singh, Sunil Kumar**
SSCO Tower, D-2/28,
Vibhuti Khand, Gomti Nagar,
Lucknow – 226010

25. **Tara, Harkesh**
A-1-B/49-B, Paschim Vihar,
New Delhi – 110063

26. **Yadav, Ashish Kumar**
D-99, Saket, New
Delhi – 110017

Nomination accepted subject to availability of photograph within 07.04.2015.

(Kaushik Banerjee)
Returning Officer

Copy to: All the above candidates

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
12, SUDDER STREET, KOLKATA – 700 016.

April 13, 2015

No.: EL–2015/21

NOTIFICATION

Re : Withdrawal of Nomination for Elections to the Council and Regional Councils, 2015

In accordance with Rule 14 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, it is hereby notified that no application for withdrawal of candidature in respect of four Regional Constituencies for the Elections to the Council and four Regional Councils, 2015, has been received within the specified date.

(Kaushik Banerjee)
Returning Officer

Copy to : All candidates

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

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2015

Kolkata, Monday, the 13th April, 2015

NOTIFICATION

Presence of candidates and their authorised representatives at the polling booths

No. EL-2015/22: In pursuance of Rule 26 read with Rule 34 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulation 118 of the Cost and Works Accountants Regulations, 1959 as amended, candidates wishing to appoint authorised representatives for Polling Booths are requested to send to the Returning Officer by name, so as to reach him not later than 4th May, 2015 upto 6.00 P.M., an intimation of their intention to appoint such authorised representatives, the number of which shall not be more than two for each Polling Booth, clearly indicating the full name, Membership Number and address of each of the authorised representatives and the number of Polling Booth at which each of them will be present. Not more than one authorised representative shall be present at a time at each Polling Booth. An authorised representative must be a member of the Institute.

The authorised representatives who are voters for any constituency and who by reason of their being on duty at a Polling Booth, are unable to be present and to vote at the Polling Booth where they are entitled to vote, may send to the Returning Officer by name so as to reach him not later than 4th May, 2015 upto 6.00 P.M., application for permission to vote at the Polling Booth where they will be on duty.

Kaushik Banerjee
Returning Officer

Copy to: All candidates

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

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2015

Kolkata, Monday, the 13th April, 2015

CIRCULAR

Instructions on Election Code of Conduct

No. EL-2015/Ins-4: It has been observed that in violation of the Election Code of Conduct, Notifications, Directives, Instructions and Circulars issued by the Returning Officer from time to time for free and fair elections, some of the contesting candidates/members are reportedly using WhatsApp/Facebook/Twitter/other social networking sites/SMS, e-mails for getting visibility or enhancing their image or projecting themselves or making appeals to the Members/Voters to cast vote in their favour or trying to malign the personal image of other candidates by making references/defamatory statement against them. Such contesting candidates are advised to refrain themselves from such activities.

Further, it has been noticed that some of the contesting candidates are issuing election manifesto in violation of the Election Code of Conduct, Notifications, Directives, Instructions and Circulars issued by the Returning Officer from time to time.

Contesting candidates/their authorized representatives/members are advised to strictly abide by the Election Code of Conduct, Notifications, Directives, Instructions and Circulars issued by the Returning Officer. Contesting candidates/their authorized representatives/members are liable for disciplinary action for non-compliance with the Notifications/Directives/Instructions/Circulars issued by the Returning Officer in this regard in exercise of authority vested in the Returning Officer under Clause (viii) of Sub-Rule (4) of Rule 42 of The Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulation 118 of the Cost and Works Accountants Regulations, 1959 as amended.

Kaushik Banerjee
Returning Officer

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

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2015

Kolkata, Thursday, the 16th April, 2015

CIRCULAR

Instructions on Election Code of Conduct

No. EL-2015/Ins-5: Further to the Election Code of Conduct, Notifications, Directives, Instructions and Circulars issued by the Returning Officer for free and fair elections, it is hereby brought to the notice for information of all concerned that the candidates can send their manifesto and make appeal to the voters within the Region concerned by post, e-mail, SMS and fax in conformity with the Election Code of Conduct, Notifications, Directives, Instructions and Circulars issued by the Returning Officer from time to time.

Contesting candidates, their authorized representatives and members are liable for disciplinary action for non-compliance with the Election Code of Conduct, Notifications, Directives, Instructions and Circulars issued by the Returning Officer in this regard in exercise of authority vested in the Returning Officer under Clause (viii) of Sub-Rule (4) of Rule 42 of The Cost and Works Accountants (Election to the Council) Rules, 2006 as amended read with Regulation 118 of the Cost and Works Accountants Regulations, 1959 as amended.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
CMA Bhawan
12, SUDDER STREET, KOLKATA – 700 016.

Kolkata, Friday, the 24th April, 2015

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2015

Sub: Despatch of Postal Ballots

No. EL-2015/23: This is for information of all concerned that postal ballots along with connected papers have been despatched by Speed Post to all postal voters for Elections to the Council and Regional Councils, 2015 on 24th April, 2015.

Kaushik Banerjee
Returning Officer

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

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2015

Kolkata, Friday, the 24th April, 2015

NOTIFICATION

Submission of certified copy of Manifesto or Circular

No. EL-2015/24: In pursuance of clause (e) of sub-rule (3) of Rule 42 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, it is hereby notified that a certified copy of manifesto or circular should be sent by a candidate whose name has been included in the final list of nominations for Elections to the Council and Regional Councils, 2015 to the Returning Officer by speed/registered post within 15 (fifteen) days from of its issue.

Kaushik Banerjee
Returning Officer

Copy to: All candidates

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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CMA Bhawan
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ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2015

Kolkata, the 29th April, 2015

NOTIFICATION

Reissue of Postal Ballot Papers

No. EL–2015/25 : This is for information of all concerned that in pursuance of applicable provisions of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules), the postal ballot papers and other connected papers have been sent to the voters eligible to vote by post.

Further, in pursuance of Clause 2 of Schedule 7 of the said Rules, where a ballot paper and other connected papers sent by post are damaged in transit or are for any reason returned undelivered or the Returning Officer is satisfied that the ballot papers have been sent incorrectly by post, the Returning Officer may reissue the same by speed post or deliver them to the voter on his applying for the same, and submitting sufficient proof of damage or non-delivery.

Accordingly, in case of the non-receipt of the postal ballot papers and other connected papers, the voter concerned may apply for reissue of the same by sending a duly signed application along with proof of damage or non-delivery in pursuance of the said Rules, which may also be sent to fax no. +91-33-22527993.

(Kaushik Banerjee)
Returning Officer

For information of all concerned

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