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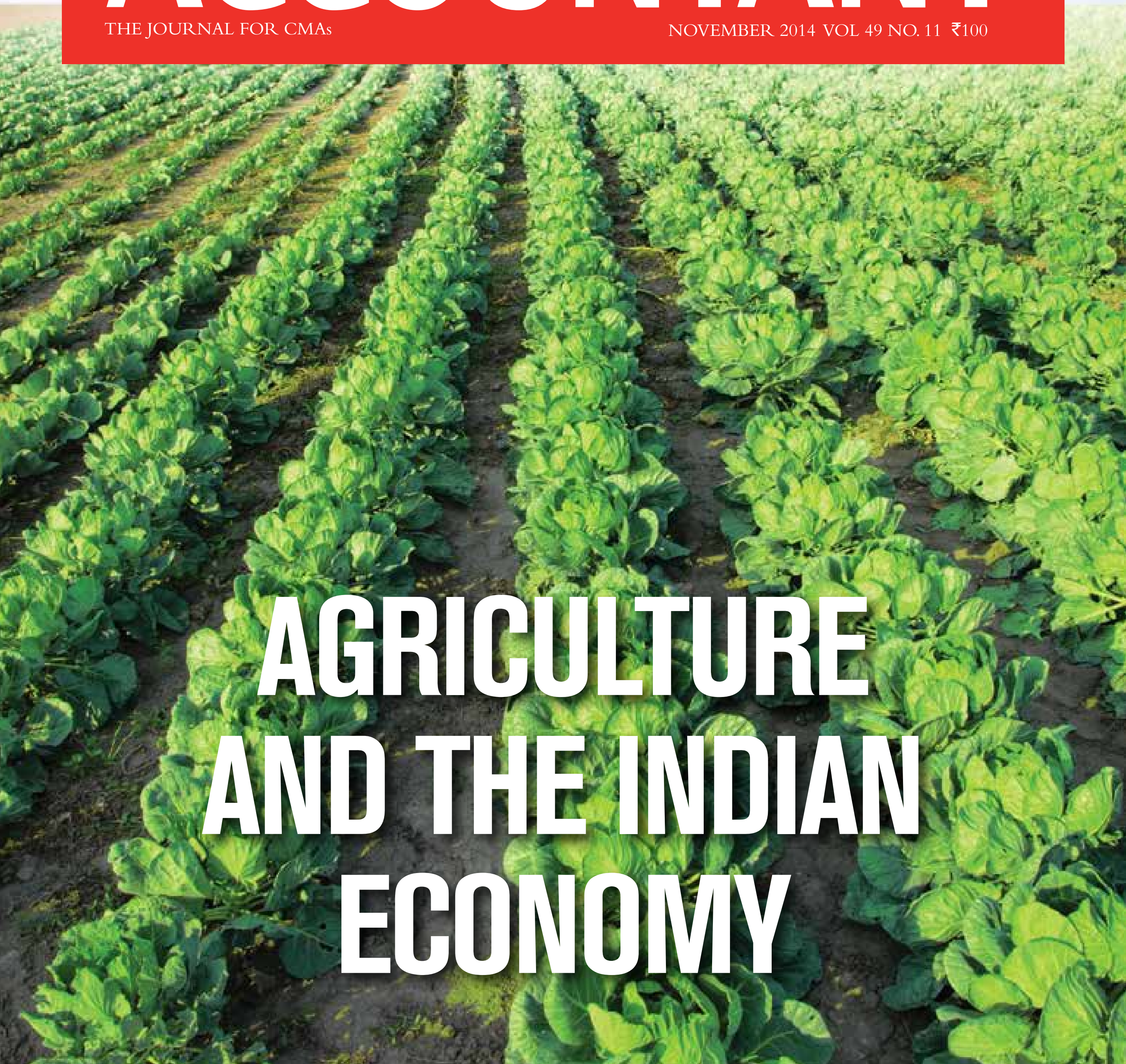
the MANAGEMENT ACCOUNTANT

THE JOURNAL FOR CMAs

NOVEMBER 2014 VOL 49 NO. 11 ₹100



AGRICULTURE AND THE INDIAN ECONOMY

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

www.icmai.in

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.

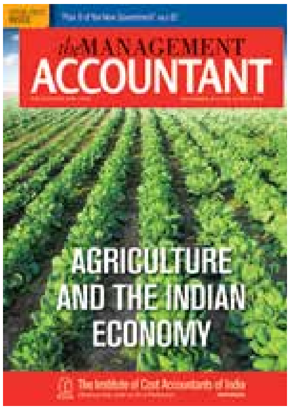
VISION STATEMENT

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

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November 2014

Inside

COVER STORY

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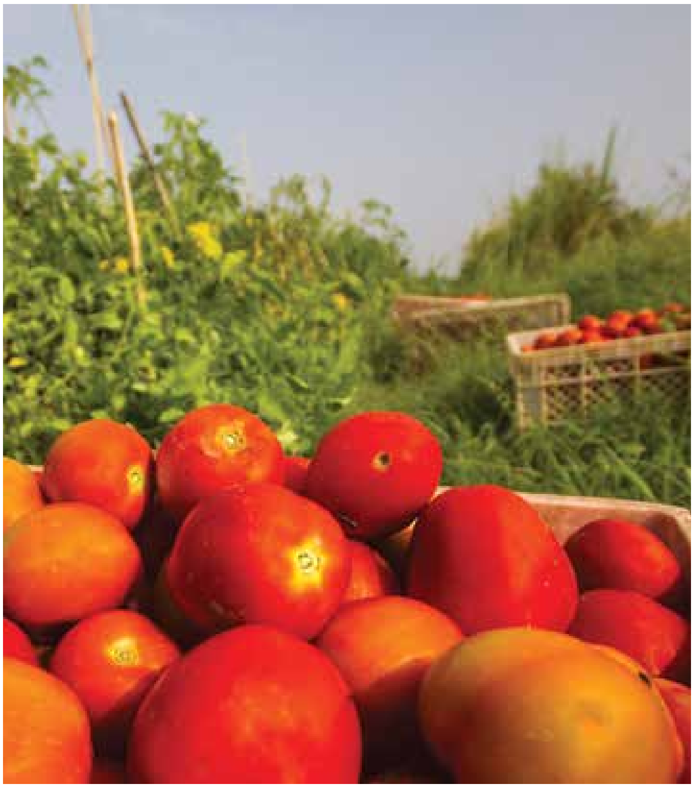
FROM THE EDITOR'S DESK



Greetings!

India is principally an agro-based country. Agriculture, with its allied sectors, is unquestionably the largest livelihood provider in India. Most of the industries also depend upon this sector for their raw materials. Steady investments in technology development, irrigation infrastructure, emphasis on modern agricultural practices and provision of agricultural credit and subsidies are the major factors contributed to agricultural growth in India.

Indian agriculture has undergone a rapid transformation in the past two decades. The policy of globalisation and liberalisation has opened up new avenues for agricultural modernisation. This has not only led to commercialisation and diversification, but also triggered various technological and institutional innovations owing to investments from corporate entities.

More and more of prime agricultural land is getting diverted to non-agricultural uses in India due to huge demand of industrial and infrastructural development. Sometime, due to huge loss the farmers are selling their agricultural land at good prices to the industrialists and promoters. If it is continued for a long time then supply of food grain will face a real threat.

Though there is a positive growth of output and productivity in the agricultural sector but it is not enough for the growing population in India. There is a huge difference between population growth rate and the growth rate of production of all principal crops. As per record in India the population growth from 2001 to 2011 was 17.64 % where as growth rate of Principle crops was only 2.76% only during this period.

On the other hand average life expectancy in India has climbed to 65.5 years in 2011 from 42.3 years in 1960 which leads to excess demand of food intake and would also cause food crisis in near future if production cannot be increased substantially.

During the last few decades the availability of food grains remained more or less stagnant. Per day net availability of cereals and pulses in 2011 to an Indian for cooking, comes out to be 453.6 grams. The level of per capita net availability of food grains per day is lower than the minimum nutrition requirements of 594 grams per day, as specified by the Indian Council of Medical Research (ICMR).

CMAs can provide their professional knowledge in agriculture sector in the following cases:

- Raising agricultural productivity per unit of land
- Minimizing inputs costs
- Subsidy management
- R & D cost analysis
- Resource mapping
- Price setting
- Marketing Strategy building
- Supply Chain management

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

LETTER TO THE EDITOR

At the outset, hearty congratulations on transforming the look, feel and content of our Institute's Journal 'The Management Accountant' – the most visible and tangible form of our brand equity.

CMA Sudhir Raikar

OBITUARY

The Institute and its members deeply mourn the demise of CMA Sripati Das, Fellow member and Past Chairman of EIRC, who left for his heavenly abode on October 2, 2014. He was also Chairman of Howrah Chapter of Cost Accountants during 1989-93. He worked as Marketing Manager of Jute Corporation of India; thereafter he was Consultant Accountant to National Jute Board till the last day of his life. He has been the mentor of the Howrah Chapter and made valuable contribution to the members of the chapter in every sphere of all professional activities.

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

Attention please – Members in Practice

Members in practice can now view their validity of Certificate of Practice by following the procedure as laid down below:

1. go to the home page of the Institute website, ie www.icmai.in
2. go to the members' log in on the top of the Home page by using your membership number as 'User ID' and a combination of your DoB (in dd-mm-year format) and Membership number as your 'Password'
3. immediately you will be led to the 'Membership Management System' page
4. go to the 'Certificate of Practice' menu on that page
5. view the validity of 'Certificate of Practice' which is the last item on that menu

KIND ATTENTION!

Members are hereby requested to intimate the Transaction ID, Date of payment, amount deposited and membership number to membership@icmai.in and finance.arijit@icmai.in for membership fee payments made through Bank by NEFT.

In case of payments made directly by organizations to the Institute's bankers on behalf of the members, the details of the same may also be intimated to the above mentioned mail IDs as soon as the payment is made by the organization concerned.

AT THE HELM

CMA S.V.Ramana

Our heartiest congratulations to CMA S.V.Ramana, A Fellow member of the Institute of Cost Accountants of India for joining Vijayavisakha Milk Producers Company Ltd as Managing Director. Prior to this, he worked as CFO in the same company for about 7 years. He has good exposure in the areas of Policy & Planning, Finance & Accounts, Risk Management, etc. He had also been Associate Vice President in ING Vysya Bank at their Corporate office in Bangalore and also worked for other banks prior to that.

We wish CMA S.V.Ramana the very best in all his future endeavours.

CMA Bharat Bhushan Gupta

Our heartiest congratulations to CMA Bharat Bhushan Gupta, a member of the Institute of Cost Accountants of India, on his elevation as Controller of Finance in Haryana Power Generation Corporation Limited, Panchkula.

We wish CMA Bharat Bhushan Gupta the very best in all his future endeavours.

MAINTENANCE OF COST RECORDS IN THE HEALTH CARE SECTOR IS OF PRIME IMPORTANCE

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

Financial Accountants who discussed standard costing during the Interwar decades rarely considered how managers could use variances between actual and standard costs to control manufacturing. Instead their main concern was how to properly classify variances and in particular how to dispose of them in published financial reports.

Robert Kaplan

My Dear Professional Colleagues,

Cost Management of Healthcare Services

Harvard Business School professors Robert Kaplan and Michael Porter have admitted in their recent article that the proper goal for any health care delivery system is to improve the value delivered to patients. Value in health care is measured in terms of the patient outcomes achieved per rupee expended. It is not the number of different services provided or the volume of services delivered that matters but the value. More care and more expensive care is not necessarily better care.

The health care sector is growing at a 15 per cent compound annual growth rate (CAGR) and grew from US$ 45 billion in 2008 to US$ 78.6 billion in 2012 and is expected to touch US$ 158.2 billion by 2017. India's per capita healthcare expenditure has increased at a CAGR of 10.3 per cent from US$ 43.1 in 2008 to US$ 57.9 in 2011 and is expected to rise to $88.7 by 2015. The aging of populations and the development of new treatments are behind some of the increase. Reckless incentives and third-party payers reimburse for procedures performed rather than outcomes achieved, and patients bear little responsibility for the cost of the health care services they demand.

The most fundamental source of escalating costs is the system by which these costs are measured. There is a lack of understanding of how much it costs to deliver patient care, much less how those costs compare with the outcomes achieved. Instead of focusing on the costs of treating individual patients with specific medical conditions over their full cycle of care, providers aggregate and analyze costs at the specialty or service department level.

Poor costing systems have disastrous consequences. It is a well-known management principle that what is not measured cannot be managed or improved. Since providers misunderstand their costs, they are unable to link cost to process improvements or outcomes, preventing them from making systemic and sustainable cost reductions. Instead, providers turn to simplistic actions such as across-the-board cuts in expensive services, staff compensation, and head count. But imposing arbitrary spending limits on discrete components of care, or on specific line-item expense categories, achieves only marginal savings that often lead to higher total systems costs and poorer outcomes.

This has also led to huge cross-subsidies across services. Providers are generously reimbursed for some services and incur losses on others. These cross-subsidies introduce major distortions in the supply and efficiency of care. The inability to properly measure cost and compare cost with outcomes is at the root of the incentive problem in health care and has severely retarded the shift to more effective reimbursement approaches.

Finally, poor measurement of cost and outcomes also means that effective and efficient providers go unrewarded, while inefficient ones have little incentive to improve. Indeed, institutions may be penalized when the improvements they make in treatments and processes reduce the need for highly reimbursed services. Without proper measurement, the healthy dynamic of competition—in which the highest-value providers expand and prosper—breaks down. Instead we have zero-sum competition in which health care providers destroy value by focusing on highly reimbursed services, shifting costs to other entities, or pursuing piecemeal and ineffective line-item cost reductions. Current health care reform initiatives will exacerbate the situation by increasing access to an inefficient system without addressing the fundamental value problem: how to deliver improved outcomes at a lower total cost.

The healthcare services are now under the purview of Cost Records and the Ministry of Health and Family Welfare has taken initiatives to have a Standard Cost Template for smaller hospitals to large hospitals. With rising prices and increased competition, service companies are finding that knowing the costs of their products and services is vital to their health, if not to their existence. So the maintenance of Cost Records in the healthcare sector is of prime importance. The costing techniques can change the state of affairs of this sector. It simply requires a new way to accurately measure costs and compare them with outcomes.

Cost Rules 2014

The Expert Committee on Cost Rules is expected to submit its report this month and we have submitted our representation and other clarifications sought for and are hopeful of a positive outcome. Our representation for postponement of the Cost Rules 2014 is under consideration of the Ministry and are following up with the Ministry for early concurrence on the matter.

Techno-Economic Viability (TEV) by an Independent Evaluation Committee (IEC)

Reserve Bank of India vide its circular issued in February 2014 mandated that in respect of all borrowing arrangement exceeding Rs. 500 crores, an Independent Evaluation Committee (IEC) would carry out an evaluation of the Techno-Economic Viability (TEV) and the proposed restructuring package. RBI has also indicated that IEC should have members as institutions engaged in promotion of accounting, finance and industry professions, to ensure unbiased and objective evaluation in each case. The constitution of the IEC consisting of independent experts would be decided by Indian Banks' Association (IBA) in consultation with RBI. Our Institute will assist IBA and will make available the expert database of CMAs will be provided to them. For this purpose the Institute has already invited Expression of Interest from interested members of the Institute having adequate experience in dealing with the project evaluation of different sectors and are competent to carry out an evaluation of the Techno-Economic Viability (TEV).

MSME Sector Initiatives

I am pleased to inform you that based on our discussions with the Chairman, State Bank of India, on evolving a system of cost efficiency monitoring as well as performance appraisal in select financially stressed key segments of the MSME sector, the bank has identified four centers from different regions having MSME Clusters, for doing a Pilot study by the Institute. We are expecting the data relating to these units shortly and based on the data we will move forward with the assignment. I hope this will open up fresh avenues to the members in the area of Performance Appraisal and Monitoring.

Training and Educational Facilities Services:

I am happy to announce that some major policy decisions have been taken by the Council, on the recommendations of the Training and Educational Facilities Committee. I am encapsulating the same below:

- Revision of Policy and Procedures relating to CMA Support Centers;
- MoU with Universities for Ph.D and reciprocal subject exemptions;
- Reaching the technology Institutions in order to bring in engineering students into the CMA fold;
- Spreading the CMA education access thru Post offices with a Pilot study in SIRC;
- Introduction of One Fee One Course concept to restructure the Coaching Policy;
- Provide extensive coaching support to postal students through webinars by Board of Studies to Reach the unreached:
- Introduction of Full time CMA Course with Pilot study shortly.

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

Advanced Studies Directorate

The second batch of IS audit and control will be launched from January 2015. Applications were received for the Diploma in Management Accountancy (Dip MA) examination to be conducted in the month of December 2014. The webinars in the three diplomas viz, Diploma in Business Valuation, Diploma in IS audit and Control and Diploma in Internal Audit are being conducted as per the schedule.

CAT Directorate

CAT is not also far behind in terms of campus placement. The first campus placement exclusively for Rajasthan students is scheduled during the last week of October. To provide quality resource persons for CAT ASAP Program in Kerala 3 Training of Trainers Program were conducted in Kochi and Kozhikode. CMA TCA Srinivasa Prasad, CCM conducted the Program in Kozhikode and interacted with the faculty members. This is part of the ongoing initiative of the CAT Directorate to improve delivery model of CAT.

Continuing Professional Development Directorate

The Institute organized a session on 'Role of CMAs in Compliances under Income Tax Act' on 10th October 2014 at New Delhi. The session was quite interactive and well received by the large number of CMAs. During the month, webinars were organized on 'Process Based Internal Audit' and 'Challenges of Cost Ascertainment in Process Industry viz. Petroleum Refining'.

I am happy to inform that during the month our Regional Councils and Chapters actively organized many programs, seminars and discussions for the members on the topics of professional relevance such as on Management Accounting Perspective to Risk Management, Costing in Construction Industry, Service Tax-Issues and Problems, Overview on Recent development in Direct Taxation, Productivity Enhancement - CMA as Catalyst, Transfer Pricing under Income Tax ACT, 1961, Forensic Audit, Stock Audit in Banks - Role of CMAs, The Companies Act 2013 & Emerging Role of CMAs, Stochastic Processes and Applications to Mathematical Finance, Contractual Practices in Construction Industry, Corporate Restructuring, Workshop on Service Tax Returns, Tax Audit Reports and its Co-Relation with Cost Records, Tax Audit under Income Tax Recent Development, Joint Ventures, E-filing of Income Tax Returns for Salaried Class - Precautions to be taken, Strategy through Cost Management, Indirect Taxation - Impact of Finance Bill 2014, and so on.

I will be failing in my duty if I do not point out the good work done by SIRC Team in organizing maximum no. of programs for the past three months. Apart from the regular PD Meetings, they have also taken the step of reaching out to different states in the Region by organizing State Level CMA Conclaves, in each state, which will be culminating in the Regional Conference to be held at Trivandrum on 19th and 20th Dec 2014. Initiatives like this will go a long way in reaching out to the public as well as serve as a tool for highlighting the role CMAs can play in service to the public at large. I also understand that good number of public representatives have been invited as Guests of Honour for these programs, which will also provide recognition for our profession in the Government initiatives.

ICWAI MARF Program

The 'Certified Accountant Program' was organized exclusively for Mahindra Finance Academy during 07-11 October, 2014 at Mumbai which was attended by different officers of Mahindra & Mahindra. The 12 Weeks Specialized Certificate Course on 'Finance, Accounting, Costing, Project and Contract Management' has been organized for Indian Navy from 13th October, 2014 at CMA Bhawan, New Delhi. The program on 'Service Tax-Issues and Problems' was organized during 14-17 October, 2014 at Goa which was attended by senior officers from different organizations.

International Affairs Department

Institute of Directors, India organized 14th London Global Convention on Corporate Governance and Sustainability during October 28-31, 2014 at London on the theme "Boards to Lead: Effective Corporate Governance & Sustainability"and also presented Golden Peacock Awards. On invitation of IOD, I attended the convention as a panelist for one of the Technical Session. The convention was inaugurated by Ms. Nirmala Sitharaman, Hon'ble Minister of State for Commerce and Industry, Corporate Affairs and Finance.

The Institute of Chartered Accountants of India organized the SAFA events and IFAC-SAFA SMP Forum at New Delhi during 9-11 October at New Delhi. The Institute's representatives attended the events and a session on the forum was taken by CMA Dr. S.C. Mohanty, Immediate Past President of the Institute.

Institute is organizing next SAFA events at Bhubaneswar, Odisha on 4th December 2014. Apart from SAFA Board meeting, there will be an International Seminar on Integrated Reporting. The SAFA Best Presented Annual Report Awards & SAARC Anniversary Awards for Corporate Governance Disclosures Ceremony 2013 will also be organized in the evening on 4th December 2014 at the same venue.

The next IFAC Council Meeting is scheduled on 7th November 2014 at Rome. The next CAPA events are also scheduled at Rome on 8-9 November 2014. IFAC is also organizing the World Congress of Accountants (WCOA) at Rome during 10-13 November 2014. The events will be represented by the Institute.

Membership Department

In my previous communiqué, I had mentioned about the benefits of online facilities being offered to the members for making things easier and simpler for them. The launching of 'E-Services' for members is a step in this direction. I am pleased to share with you that the application process for Members Benevolent Fund has been made online (with offline facility still in existence) whereby our members can apply for the membership of the Members Benevolent Fund by a simple click of the mouse and become members of the said Fund. Members are requested to make increasing use of online facilities which would go a long way in saving their valuable time and efforts.

Placement Directorate

I am happy to share that the first round of campus placement for June 2014 final qualified is just complete and around 130 students have been placed. The highlight of the current placement has been participation by diversified employers - manufacturing, IT, Consultancy and E-commerce showing wide acceptance of CMAs by different sectors. The Institute could attract new corporates like Flipkart, Honeywell, Michelin for the campus placement program. The campus placement for June 14 qualified will continue and I am sure that maximum number of companies would find their future managers from CMAs.

Professional Development Directorate

The Institute endeavors to bring out Sector Specific Guidance Notes on Internal Audit in view of empowerment of cost accountants vide Section 138(1) of the Companies Act 2013 for internal audit of class of companies for the purpose of Capacity Building of the members. Towards this endeavor the Institute has already published two Guidance Notes on Internal Audit for Pharmaceutical Industry and Stock Brokers & Depository Participants. Three Guidance Notes on Internal Audit for Power, Telecommunication and Mining & Metallurgical Industries have already been exposed to public and the Institute will release the final version of these Guidance Notes shortly.

The directorate has also been taking up the matter of inclusion of CMA qualification in the recruitment criteria with various public and private sector organisations. As a result, many organizations have modified their criteria and included the CMA qualification in prescribed qualification. The directorate will continue to make representations in this regard.

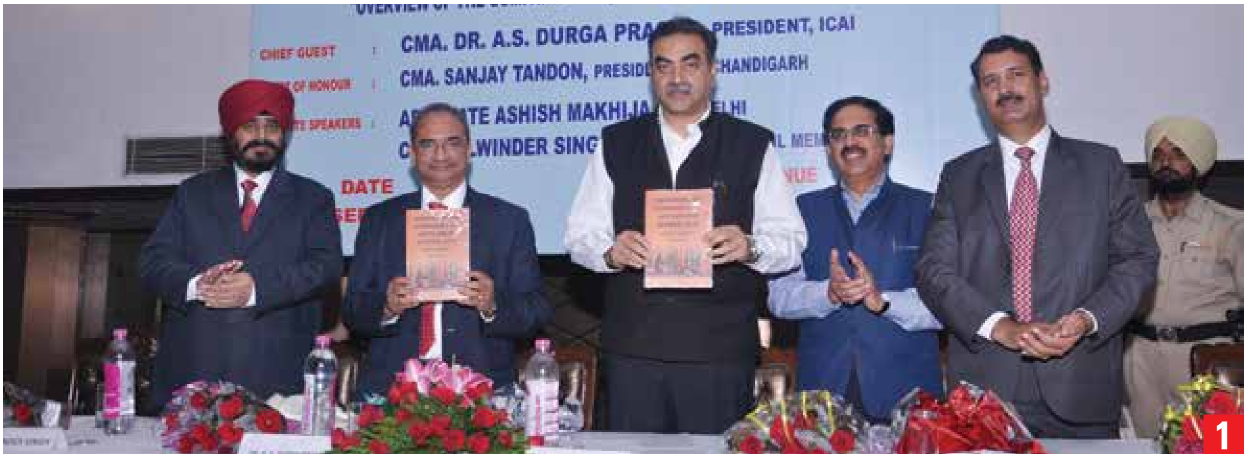
Further, Professional Development Committee of the Institute has approved two more Exposure Draft Guidance Notes on Internal Audit of Engineering and Plantation Industries, which are available on the Institute website and Professional Development portal of the Institute. Members are requested to offer their view/ comments/ suggestions on these exposure drafts within stipulated time as notified on the Institute's website.

I wish prosperity and happiness to members, students and their family on the occasion of Kartik Poornima.

With warm regards,

(CMA Dr A S Durga Prasad)
3rd November 2014

ICAI-CMA SNAPSHOTS



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1. CMA Dr. A S Durga Prasad, President of the Institute, CMA Sanjay Tandon, President BJP, Chandigarh releasing the 'Handbook on Company Law Settlement Scheme 2014' at the conference on 'Overview of the Companies Act, 2013 and rules framed there under' held in Chandigarh on September 7, 2014. Others seen are CMA Vijendra Sharma, Chairman NIRC, and CMA Balwinder Singh past Council Member of the Institute

2. Shri Pradip Kumar Amat, Hon'ble Cabinet Minister, Department of Finance & PE, Govt. of Odisha addressing the students and members during inaugural function of e- library organized by the Bhubaneswar chapter on August 23, 2014. On the dais from left CMA Srikanta Kumar Sahoo, Chairman, EIRC, CMA Manas Ranjan Lenka, Chairman of the chapter, CMA Dr A.S. Durga Prasad, President of the Institute and CMA Damodar Mishra, Secretary of the chapter

3. CMA Dr S C Mohanty, Immediate Past President of the Institute addressing the gathering at a programme on 'Role of CMAs in Compliances under Income Tax Act' held on October 10, 2014 at CMA Bhawan, New Delhi. CMA Nisha Dewan, Joint Secretary of the Institute and Prof. S Sampath, Tax Consultant are others on the dais

4. A Round Table Discussion organized by the Directorate of Research & Journal of the Institute was held on the theme 'Education in India, Today & Tomorrow' at EIRC Auditorium on September 5, 2014. From the left CMA Manas Kumar Thakur, Chairman, Research, Innovation and Journal Committee, CMA Bibekananda Mukhopadhyay, Secretary, EIRC, Dr. Ashoke Ranjan Thakur, Vice Chancellor, Techno India University, Professor S.K Chakraborty, Mentor Emeritus, Rabindranath Tagore Centre for Human Values, Shri Jaynarayan Sen, retd. Civil Engineer, Educationist and Social Activist are the eminent dignitaries on the dais

Glimpses of 'Telugunadu CMA Convention' held in Visakhapatnam on 19 - 20 September, 2014

the MANAGEMENT ACCOUNTANT
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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
December 2014	Strengthening Human Resource – Building the Nation	• Human Resource Accounting • HRIS for strategic decision making • Ethical HR and Governance for sustainable growth • Cross-cultural issues in HRM • Industrial relations and challenges in the new era • Compensation and benefits for effective talent management • Performance management for strategic goal setting • Case Studies
January 2015	NPA Management and Corporate Debt Restructuring (CDR)	• Cost of Risk & Risk Based Internal Audit • SARFAESI Act & Vigilance • Risk mitigation techniques and models • Basel norms and stressed assets • CDR / ARC / DRTs and redressal structure • Cost implication of NPAs • Role of Independent Evaluation Committee (IEC) • Credit appraisal & its Audit
February 2015	Cost Competitiveness through Leadership	• Economic development through effective leadership • Strategic cost management • Leadership and organizational competitiveness • Essentials of cost leadership • Differential leadership strategy • Related case studies
March 2015	Infrastructure Development & Economic growth	• Infrastructure investment • Risk Management • Social infrastructure • Sustainable growth • PPP Model • Global trend • Role of Government

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

Directorate of Research & Journal
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REACH YOUR CUSTOMERS THROUGH THE MANAGEMENT ACCOUNTANT

The Institute of Cost Accountants of India

The Institute of Cost Accountants of India (ICAI) is a statutory body set up under an Act of Parliament in 1959. The Institute, as a part of its obligation, regulates the profession of Cost and Management Accountancy. The Institute also believes that cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting are the key drivers of the profession. ICAI is headquartered in Kolkata. It has four Regional Councils in Kolkata, Delhi, Mumbai and Chennai and 96 Chapters in important cities in India and nine Overseas Centres. The Ministry of Corporate Affairs, Government of India, has administrative control of the Institute.

the MANAGEMENT **ACCOUNTANT**

The Institute publishes ***The Management Accountant*** Journal for Cost and Management Accountants (CMAs). The magazine, which touched its 49th year of publication in 2014, has insightful and informative articles on current developments and changes in the global and national financial scenarios. The wide circulation and inputs from academicians, researchers and industry stalwarts are the keys to the success of this journal.

Circulation and content

- The magazine reaches about 40,000 members, students, non-members, Government departments and organisations, corporates, educational institutions and libraries
- It has a target set of readers and therefore is more visible
- Articles and case studies on various subjects like Cost & Management Accounting, Taxation, Audit, Financial Reporting, Banking, Governance and Ethics.

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Ordinary half page	12,000	20%	9,600	2,400	28,800
Ordinary quarter page	7,500	20%	6,000	1,500	18,000

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ECONOMY UPDATES

Income Tax

Clarification regarding allowability of deduction under section 10A/10AA on transfer of Technical Man-power in the case of software industry

CBDT had issued Circular No.12/2014 dated 18th July, 2014 to clarify that mere transfer or re-deployment of existing technical manpower from an existing unit to a new SEZ unit in the first year of commencement of business will not be construed as splitting up or reconstruction of an existing business, provided the number of technical manpower so transferred does not exceed 20 per cent of the total technical manpower actually engaged in developing software at any point of time in the given year in the new unit.

On 8 October 2014, CBDT issued a fresh circular no. 14/2014, where it has superseded its earlier circular no.12/2014 dated 18th July, 2014. The new circular clarifies that the transfer or re-deployment of technical manpower from existing unit to a new unit located in SEZ, in the first year of commencement of business, shall not be construed as splitting up or reconstruction of an existing business, provided the number of technical manpower so transferred as at the end of the financial year does not exceed 50 per cent of the total technical manpower actually engaged in development of software or IT enabled products in the new unit.

Further, in the alternative, if the assessee (enterprise) is able to demonstrate that the net addition of the new technical manpower in all units of the assessee (enterprise) is at least equal to the number that represents 50% of the total technical manpower of the new SEZ unit during such previous year, deduction under section 10A/10AA would not be denied provided the other prescribed conditions are also satisfied. The taxpayer will have a choice of complying with any one of the above given two alternatives.

This circular shall be applicable only in the case of taxpayers engaged in the development of software or in providing IT Enabled Services in SEZ units eligible for deduction under Section 10A or under Section 10AA of the Act.

Section 119 of the Income-Tax Act, 1961 - Extension of last date of filing of TDS/TCS Statements for second quarter of financial year 2014-15 for deductors/collectors In states of Andhra Pradesh, Jammu & Kashmir, Odisha and Telangana. - Order-Instruction - dated 17-10-2014 - Income Tax

Considering the recent natural calamities in the States of Andhra Pradesh, Jammu & Kashmir, Odisha & Telangana, CBDT, in exercise of powers conferred under section 119 of the Act hereby extends the due date for filing the TDS/ TCS Statements for the 2nd Quarter of Financial year 2014-15 by the deductors/ collectors in the States of Andhra Pradesh, Jammu & Kashmir, Odisha & Telangana as under:—

(i) from 31st October, 2014 to 7th November, 2014 in case of Government deductors/collectors that are mapped to a valid Accounts Officers Identification Number (AIN);

(ii) from 15th October, 2014 to 31st October, 2014 in case of all other deductors/collectors.

Arm's length pricing determined under section 92C

Central Government hereby notifies that where the variation between the arm's length price determined under section 92C and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed one percent of the latter in respect of wholesale trading and three percent of the latter in all other cases, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price for assessment year 2014-15 vide notification no. 45/2014/F.No.500/1/2014-APA II, dated: 23rd September, 2014. Explanation: For the purpose of this notification, "whole trading" means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:-

i. Purchase cost of finished goods is eighty percent or more of the total cost pertaining to such trading activities; and

ii. Average monthly closing inventory of such goods is ten percent or less of sales pertaining to such trading activities.

Central Excise

Guidelines regarding Structure, Administrative set up and Functions of Audit Commissionerates

On implementation of cadre review there would be 23 Central Excise Zones and 4 Service Tax Zones with each zone having one or more Audit Commissionerates. Each Audit Commissionerate would cover assessees registered under the jurisdiction of 3 to 5 Executive Commissionerates. Principal Chief Commissioner and Chief Commissioner shall assign the jurisdiction of Audit Commissioner in the zone, decide the location of Audit Commissionerates and its subordinate offices. Following guidelines may be followed while finalizing the location and organizational structure of Audit Commissionerate and its subordinate offices, subject to deviations needed to cater to the local requirements.

- **Location of Audit Commissionerate:**

The headquarters and the subordinate offices of the Audit Commissionerates could be co-located in metropolitan city based zones. In non-metropolitan city based zones, Executive Commissionerates are spread over different cities therefore the headquarters of the Audit Commissionerates may be located in the city where zonal office is located, and at least one of the Circles (subordinate office explained later) may be located in the city where Executive Commissionerates are located. In cases where there is more than one Audit Commissionerate in the Zone, the location of the second or third Audit Commissionerate and its subordinate offices may be decided based on the geographical concentration of the taxpayers. However, the Headquarters of the Audit Commissionerate may be in the city where the Executive Commissionerate is located. This is to ensure that audit officers work in close coordination with the Executive Commissionerates and are accessible to the assessees.

- **LTU Audit**

Two LTU Audit Commissionerates have been created. LTU Audit Commissionerate at Delhi shall have jurisdiction over assessees registered with LTU Delhi, Kolkata or Bangalore whereas LTU Audit Commissionerate at Mumbai shall have jurisdiction over the assessees registered with LTU Mumbai or Chennai. The assigning of audit to the subordinate offices of these Commissionerates may be carried out taking into account the location of cluster of assesses. While assigning assessees to the subordinate office, assessees with same PAN number should be assigned to one subordinate officer.

- **Configuration of Audit Commissionerate:**

Audit Commissionerate would comprise of a Headquarters similar to an Executive Commissionerate and subordinate offices propose to be called Circles similar to a Division. The Circles would be headed by a Deputy or Assistant Commissioner. The Circles would comprise of Audit Groups equivalent to the Range offices which would have Superintendents and Inspectors. Audit Commissioner would be Head of the Department and the headquarters would have two Additional or Joint Commissioners, who are in turn would be supported by two Deputy or Assistant Commissioners each.

Source: Circular No. 985/09/2014-CX dated: 22rd Sept. 2014

SEBI

Corporate Governance in listed entities - Amendments to Clause 49 of the Equity Listing Agreement

Securities & Exchange Board of India (SEBI) has issued a circular dated 15th September, 2014 to introduce certain amendments in revised clause 49 of listing agreement, effective from 1st October, 2014.The gist has been produced herein below:-

1) Non- applicability of clause 49 on companies having equity share capital upto INR 10 crores and Net worth upto INR 25 crores, as on the last day of the previous financial year;

2) Appointment of women director - The provisions regarding appointment of women director shall be effective from 1st April 2015;

3) Tenure of Independent Directors - Maximum tenure of independent directors shall be in accordance with companies act'13(and clarifications made there under) as against the existing tenure of 5 years;

4) Familiarisation programme for Independent Directors -

a. The company shall familiarise the independent directors with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc., through various programmes.

b. The details of such familiarisation programmes shall be disclosed on the company's website and a web link thereto shall also be given in the Annual Report.

5) Nomination and Remuneration Committee - The company through its Board of Directors shall constitute the nomination and remuneration committee which shall comprise at least three directors, all of whom shall be non-executive directors and at least half shall be independent. Chairman of the committee shall be an independent director. Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

6) Subsidiary Company - No company shall dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made

under a scheme of arrangement duly approved by a Court/Tribunal.

7) Selling, disposing and leasing of assets - Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/ disposal/lease is made under a scheme of arrangement duly approved by Court/Tribunal.

8) Risk Management Committee - The company through its Board of Directors shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

The majority of Committee shall consist of members of the Board of Directors;

Senior executives of the company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors;

9) A transaction with the related party shall be construed to include single transaction or a group of transactions in a contract;

10) Definition of related party amended to bring the same at par with the companies act [Section 2(76)] and applicable accounting standards;

11) For materiality concept, limit of 5% has been enhanced to 10% - a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company;

12) Related party transactions between two govt. companies, or between a holding and its wholly owned subsidiary, don't require any approval of audit committee. These also not require any approval of shareholders as against special resolution required earlier;

13) Related Party Transactions - All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and

(iii) Such other conditions as the Audit Committee may deem fit; Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit

Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.

d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year;

14) The web link of policy of dealing with related party transactions need to be disclosed in the annual report;

15) Following disclosures stand deleted:

- resignation of directors
- formal letter of appointment
- details of training imparted to Independent Directors
- the remuneration policy and the evaluation criteria in its Annual report

16) Earlier certification was required by MD/Manager and Whole time Finance Director/CFO. Now, the same has been replaced as follows –

CEO or MD or Manager or in their absence, a Whole time Finance Director and the CFO.

[Source- Circular - CIR/CFD/Policy Cell/7/2014 dated: September 15, 2014]

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1410777212906.pdf

For erstwhile clause 49, please refer following link:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1397734478112.pdf

Clarification on Government Debt Investment Limits

SEBI clarifies that all investments by Long Term PIs (Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks)in the USD 5 billion Government debt limit shall continue to be made in

Sl.No	Type of limit	Cap (US$ bn)	Cap (INR Crore)	Eligible Investors	Remarks
	Government Debt	25	24,432	FPIs	Available on demand. The incremental investment limit of USD 5 billion (INR 24,886 cr) shall be required to be invested in government bonds with a minimum residual maturity of three years. Further, all future investment against the limit vacated when the current investment by an FPI runs off either through sale or redemption shall also be required to be made in government bonds with a minimum residual maturity of three years.
	Government Debt – Long Term	5	29,137	Is which are registered with SEBI under the categories of Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks	Available on demand. Eligible investors may invest only in dated securities of residual maturity of one year and above.

Source: Circular - CIR/IMD/FIIC/19/2014, dated: October 09, 2014

Government bonds having a minimum residual maturity of 1 year. Government debt investment limits as given in the table next page.

Banking

Usage of ATMs –Rationalization of number of free transactions

The number of mandatory free ATM transactions (inclusive of both financial and non-financial transactions) for savings bank account customers at other banks' ATMs is reduced from the present five to three transactions per month for transactions carried out at the ATMs located in six metro centres, viz. Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad.

Source: RBI/2014-15/260 (DPSS.CO.PD. No.659/02.10.002/2014-2015) dated: Oct 10, 2014

Review of norms for classification of Urban Co-operative Banks (UCBs) as Financially Sound and Well Managed (FSWM)

RBI has decided to include CBS implementation as an additional criterion for a UCB to be classified as an FSWM bank. Accordingly, UCBs fulfilling the following criteria would henceforth be termed as FSWM:

(a) CRAR of not less than 10 per cent;

(b) Gross NPA of less than 7 % and Net NPAs of not more than 3%

(c) Net profit for at least three out of the preceding four years subject to it not having incurred a net loss in the immediate preceding year.

(d) No default in the maintenance of CRR / SLR during the preceding financial year;

(e) Sound internal control system with at least two professional directors on the Board;

(f) Core Banking Solution (CBS) fully implemented; and

(g) Regulatory Comfort

It is hereby clarified that such UCBs should have a proven record of compliance with the provisions of Banking Regulation Act, 1949 (AACS), Reserve Bank of India Act, 1934 and the instructions / directions issued by RBI from time to time i.e. the bank should have an impeccable record of regulatory compliance and no warning letter / cautionary advice should have been issued to or monetary penalty imposed on the bank on account of violation of RBI directives / guidelines during the preceding three financial years.

The new criteria would henceforth be considered for processing applications received from UCBs for opening of on-site / off-site / mobile ATMs, applications under Annual Business Plans (ABP), extension of area of operation, shifting of premises and all other permissions from RBI.

Source: RBI/2014-15/261 [UBD.CO.LS (PCB) Cir.No.20/07.01.000/2014-15] dated: Oct 13, 2014

Fourth Bi-monthly Monetary Policy Statement, 2014-15 – SLR Holdings under Held to Maturity Category

In order to further develop the government securities market and enhance liquidity, it has been decided to bring down the ceiling on SLR securities under the HTM category from 24 per cent of NDTL to 22 per cent. Accordingly it is advised that banks are permitted to exceed the limit of 25 per cent of total investments under HTM category provided:

a. the excess comprises only of SLR securities, and

b. the total SLR securities held in the HTM category is not more than 23.50 per cent with effect from January 10, 2015, 23.0 per cent with effect from April 4, 2015, 22.5 per cent with effect from July 11, 2015 and 22.0 per cent with effect from September 19, 2015, of their DTL as on the last Friday of the second preceding fortnight.

As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year and such shifting will normally be allowed at the beginning of the accounting year.

Source: RBI/2014-15/254 (DBOD.No.BP. BC.42/21.04.141/2014-15) dated: Oct 07, 2014

Know Your Customer (KYC) Norms /Anti-Money Laundering (AML) Standards/ Combating of Financing of Terrorism (CFT) guidelines – clarifications on periodic updation of low risk customers, non-requirement of repeated KYC for the same customer to open new accounts and partial freezing of KYC non-compliant accounts- Primary (Urban) Co-operative banks (UCBs) vide notification RBI/2014-15/274 [UBD. BPD (PCB) Cir.No.23/14.01.062/2014-15] dated: October 22, 2014.

INDIAN ECONOMY NEWS

• State lenders eye sale of family silver to raise cash

India's state-owned banks, weighed down by bad loans and lackluster profits, could within months begin the sale of billions of dollars of unwanted assets to help raise cash needed to meet tougher regulation.

Source: Reuters dated: 16 Oct 2014

• India seeing pick-up in growth, easing inflation: RBI chief

Reserve Bank of India (RBI) Governor Raghuram Rajan said India is seeing a pick-up in economic growth although more could be done to support that on a sustainable basis, while noting inflation was also easing.

Source: Reuters dated: 16 Oct 2014

• Fact box - Indian banks' constellation of non-core financial assets

India's state-run lenders, weighed down by bad loans and lackluster profits, are set to sell out of stakes in a string of non-core assets to help raise billions needed to meet global capital regulatory requirements.

Source: Reuters dated: 16 Oct 2014

• State lenders eye sale of family silver to raise cash

India's state-owned banks, weighed down by bad loans and lack lustre profits, could within months begin the sale of billions of dollars of unwanted assets to help raise cash needed to meet tougher regulation.

Source: Reuters dated: 16 Oct 2014

• RBI chief Rajan says in talks with govt on monetary policy framework

Reserve Bank of India (RBI) Governor Raghuram Rajan said that the central bank was in discussions with the government over the country's monetary policy framework, calling the relationship between the two sides "cordial."

Source: Reuters dated: 16 Oct 2014

• India seeing pick-up in growth, easing inflation: RBI chief

Reserve Bank of India (RBI) Governor Raghuram Rajan said India is seeing a pick-up in economic growth although more could be done to support that on a sustainable basis, while noting inflation was also easing.

Source: Reuters dated: 16 Oct 2014

• India central bank starts to monitor growing trades by companies in debt markets

MUMBAI (Reuters) - Worried that a surge in trading in debt markets by companies could pose risks to financial market stability, India's central bank has ordered its supervision team to monitor their trades, sources with direct knowledge of the situation said.

The move is the strongest expression of concern yet from the Reserve Bank of India (RBI) about companies which are building large trading positions in debt and currency markets.

Such trading can be a lucrative extra source of profits for corporate treasurers in addition to revenue from firms' more traditional businesses. But it exposes the companies to greater price volatility and there is a regulatory gray area about who supervises trades by companies in those markets.

"There is a surveillance team which is looking into the deals between banks and corporates. It is easier to get data from the banking side since the Reserve Bank controls them. The team is on the job," said a policymaker directly aware of the developments.

The official declined to specify what specific risks the team was probing. All of the sources from both the central bank and commercial banks declined to be identified because the information has not been made public.

(For further details on these issues, please visit the Institute's website: www.icmai.in for the complete CMA E-Bulletin, November 2014, Vol 2, No. 11, in the 'Research and Publications' section.)

MANAGEMENT ACCOUNTING: AN IMPORTANT STRATEGIC TOOL FOR CONTRACT FARMING

With India moving from sustenance farming to commercial farming, and from traditional distributional channels to organized corporate retailing, the importance of Contract Farming is increasing day by day and with it the role of management accounting

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CONTRACT Farming is an arrangement, wherein a Farmer conducts the farming activities in his own land, under a contract entered beforehand with the company. The termsnormally include i) contractorsupplying inputs and providing technical guidance and supervision on the farming activity and ii) buying the output at a pre agreed price. PepsiCo's is an excellent example of the success of this concept. According to a new paper report (Business Standard 27th Aug 2014)it has tied up with 24,000 farmers across nine states including West Bengal, Punjab, Gujarat, Uttar Pradesh, Maharashtra, Karnataka and Bihar to procure 240,000 Tonnes of Potato and plans to double the procurement target in next 5 years

Contract Farming is a Critical Success Factor, a Life or Death issue for the following types of industries

- Industries which require a large quan-

tity of Agri output of consistent quality, which is not possible to get from general Agri – markets (Cane requirement for Sugar Industry and Pepsi's Potato requirement could be the examples).

- Industries that get their own unique/ exclusive Agri – Raw materials for their business. Agriculture seeds industry is the prime example, where in companies distribute 'Parental Seeds" to the farmers, get their own unique / patented / hybrids seeds grown through contract farming.
- Industries that are required to have a complete control over cultivation process of their Agri – Raw material; For example, Fruits and Vegetables exporters(fresh or Processed), while exporting to advanced countries, are required to ensure that the banned pesticides are not used in the cultivation and the residual pesticides are well within the norms. Only through contract farming, companies can ensure that this is strictly adhered to.

This would be a "Win – Win" for the farmers also, as they get assured market for their output at predetermined prices, Agri- inputs of assured quality at lower prices and technical guidance on better Agri- practices to improve the yield.

This paper discusses the contract farming process steps in detail and the Cost / Management accounting techniques which can be deployed by the contractor company to provide timely MIS for both operational (tactical) and Strategic decision making to enhance the procurement efficiencies.

Contract Farming Business Process

Following are the various activities involved in each of the Process Steps.

a) Selecting farmers and entering into the agreement:

- Identification of cluster of villages suitable for cultivation, based on agro – climatic factors (Rainfall, soil conditions, temperature etc.,), physical infrastructure and logistics (good roads, distance from processing location etc.,) and on the socio – economic factors of the farmers (Economics of alternate crops, availability of farm labor etc.,) and suitable agri plots within such clusters.
- Formulating contract farming scheme for the village and getting consent from the Farmers: The key terms of the contract include a) Company's obligation to supply Agri- inputs such as seeds, specialty chemicals (nutrients and pesticides) etc. and prices to be charged for the same b) company's right to conduct supervision and give directives on the best farm practices to be followed and farmers obligation to meet the same c) farmers' obligation to supply the outputs exclusively to the company at predetermined prices at the time of contract itself OR on prices fixed subsequently on any predetermined basis d) Company's obligation to purchase and pay for all the output grown, subject to output meeting the quality standards.

Many variants of the practices on - i) price determination and ii) obligation to buy and sell all the outputs on exclusive basis - are possible and the individual scheme would be formulated on agreed parameters which are appropriate for the given situation.

The agriculture being subject to many uncontrollable vagaries of nature, carries the risk of output varying widely from the general standards / expectation. The company has to offer a scheme of sharing the risks, which while increasing the financial rewards for the company, also ensures a fair deal to the farmers. The issues in this regard include i) Fair compensation to farmers in case of crop loss due to problems attributable to Agri -inputs supplied by Company, ii) due to vagaries of nature and iii) due to quantum of output being much higher / lower than expected affecting the farmers' income.

- Individual agreements are entered into with the interested farmers as per the terms and conditions decided as above.
- Supply of Agri – inputs as per the contract.

b) Farming activity at the fields:

At various stages, the company provides the technical supervision to ensure that correct farming practices aredone.

c) Delivery and payment:

d) Transportation and Re- Grading by company at its processing center:

The scope of contract farming ends when the final sorted / graded crop is delivered to company's manufacturing facility for further processing.

Strategic issues in Contract Farming

The vision of Contract Farming operation is to "Maximize the best quality crop output at minimum possible total cost of procurement and at the same time enhance the income of the farmer".

However, the complexities of Managing Agri supply chainto realize the above vision are far higher than that of managing other industrial supply chains. These complexities force the Companies to make "Strategic Choices" in respect of following issues on next page.

Issues relating to quantity of final output delivered for processing.

The quantity actually processed by factory, would be different from the quantity purchased from the farmers due to i) Grading losses at the collection center ii) Storage and transit losses and iii) the grading and storage losses at the factory. In addition, due to short lifecycle of the harvest crop, the factory may have to throw even good output, if the quantity received at a point of time, is more than its processing capacity.

Scheduling the entire Agri activity, right from sowing, to match the receipt of crop at the plant with the processing capacity is a critical success factor of the Contract Farming.

The losses due to mismatch are to be closely monitored to find out the root causes and take corrective action on the controllable causes.

Management accounting in Contract Farming:

Management accounting should notbe limited to capturing the past data and present the summary in a mechanical fashion. It should provide rich analytical views from different perspective giving a deeper

Managerial Question	Remarks
How many acres of contract farming	Unlike industrial supply chain, the final output of Agri activity cannot be predetermined and this introduces a wide variability of in the final quantity, For example, if the crop is a vegetable of 45 days growth cycle, the company has to decide how many acres to go in for about 60 days in advance; taking additional 15 days lead time for pre – sowing activities. Since the quantum of final output is unknown (can vary at a wide range) company has to estimate the demand for its final output of processed FG, its factory processing capacity and final processed output inventory carrying capability to take this decision. A too conservative estimate would mean non availability of raw material and underutilization of Food processing capability, besides loss of selling opportunity. A too optimistic estimate would mean excess availability which may result in wastage (inability to process in time due to capacity shortage) and excess inventory of FG
Geographical distribution of Contract Farming	To spread the risk of vagaries of nature (for e.g., sudden excess rain one village cluster), contract farming is undertaken in fairly wide spread cluster of villages. This adds to the costs of transportation, the duplication of contract field staff effortsand may involve going in to geographical areas which may not be of high productivity.
Seasonal distribution of contract farming	To maximize Food processing capacity utilization across all 12 months, contract farming may have to be conducted in non – conventional seasons whichwould result in lower output and possibly of lower quality resulting in higher prices. A tradeoff between the benefits of higher capacity utilization vis a vis the higher costs of procurement during the lean season has to be struck.
Scheduling of sowing to harvesting activity matching with processing schedule of the factory.	Many Agri crops, (Particularly fruits and vegetables), have a short shelf life, and have to reach factory and get processed within shelf life period, which could be as low as 12 – 15 hours from the harvest time. Cold chainsetc may not be cost effective. Arrival of harvested crop to the processing factory has to be so meticulously scheduled that they get processed within shelf life. This requires entire Agri activity right from sowing to harvesting to be scheduled in a meticulous manner. At the same time, dynamic adjustments have to be made to accommodate the unexpected variations due to vagaries of nature.

insight into revenue and costs toenable management to take strategic decisions of the nature discussed above.

1. Management accounting – answers to critical managerial questions

The management accounting system should answer the critical managerial questions which could be on the following lines.

- What should be the target costs for finalAgri input to factory? Of this what should be the target costs for farmer price for each village cluster and for other contract farming management activities.
- Which village clusters / geographical areas have given the crop at the lowest "Total cost of Procurement"?
- What are the critical reasons explaining cost variability across different village clusters or across different Agri seasons in the same village cluster, how much of them are controllable and how much is due to vagaries of nature.
- What are the options to bring down the "Total cost of production" and what is the trade -offs considering various financial and non-financial factors. Some issues of trade off could be
  - Increasing the acreage in the more productive village clusters so as to bring down the cost of procurement / unit of output, which could become a serious set-back if due to vagaries of nature the crop fails in that cluster in a particular season. ("The costs of spreading the eggs across different baskets")
  - The additional expenditure in "Total cost of procurement" from an non-conventional season over that of regular season, so as to maximize the Capacity utilization of the Processing facility
  - Additional costs to be incurred for reducing the transport / storage losses Vis a Vis the benefit. Would cold storage facility make

CONTRACT FARMING WOULD BE A WIN-WIN SITUATION FOR THE FARMERS BECAUSE THEY GET ASSURED MARKETS FOR THEIR OUTPUT AT PREDETERMINED PRICES

sense, if so of what size and capacity?

- Performance evaluation of Agri – field staff and farmers in different village clusters.
- Impact of alternate Agri practices and effect of technical guidance and supervision, to bring down the total cost of production.
- Which Contract Farming management expenses is adding value and which could be eliminated / reduced or their efficiency be improved.

2. Collection of costs around Cost Objects:

The cost objects around which the costs would be collected could be are, as under:

- Geographical areas wise: Special cluster of villages summarizing to Zone and finally summarizing to State. This also enables evaluating performance of Agri – team which is usually organized on the above geographical basis.
- Crop wise: When the company is operating in multiple crops, it would be important to analyze the performance Crop wise.
- Activity wise: Costs would be collected under the following activities for analysis.

➲ Farm input procurement, storage and distribution activity

➲ Field activity, farmer acquisition, technical guidance to farmers, supervision of Agri activity

➲ Transportation to collection center

➲ Grading/ sorting activity in Collection Center (if it is different from the factory)

➲ Transportation to processing factory

➲ Grading and sorting at factory level and handing over good output to Factory.

➲ General administration activity (including Senior Management) supervising / monitoring the above.

➲ R & D activity conducted to Company scientists in its directly managed farms to develop the best farm practices and in case of Agricultural seeds firms, to develop its own hybrid seeds from its own parental / grand parental seeds pool.

The modern Integrated ERP systems enable slicing and dicing of data according to various parameters providedthey are captured at the time of entry of transactions. With such a powerful data processing tool, it should be possible to get the expenses data sliced and diced in multiple ways as mentioned above, to get the required reports, on the following lines.

- Crop perspective: For a given crop, for each geographical area, the expenses incurred in each activity, described above.
- Geographical Area perspective: For a given area, for each crop in that area, the expenses incurred in each activity, described above.

3. Allocation and apportionment of common costs:

The following common costs would have to be allocated / apportioned would be as under

- For a Cost sheet from Crops perspective, the following costs would have to be allocated / apportioned to each crop

➲ Cost of conducting contract farming operation in a particular geographicalarea (Salaries of field staff, travel, rent etc,) to be apportioned across all the crops which are got grown under that particular area.

The basis of allocation could be the acreage of each crop. From the activity based costing perspective, the allocation basis could be the man days spent in on each crop

➲ Cost of procurement of distribution of Agri Inputs: They can be allocated on the volume or value of agri inputs distributed for each crop / geographical areas.

➲ Costs of general administration (Sr. Mgt salary, travel, HO expenses etc.,) could be again apportioned on the basis of value of crop obtained or acreage if found appropriate.

➲ The costs incurred for R & D for each crop can be allocated to that crop. However, generally the R &D expenditure is kept outside the cost analysis, as they are investment to a future benefit, the activities of which may not have a direct bearing on the operation of current period.

4. Absorption of costs into final graded output delivered to factory:

The price paid to farmers for the output becomes the material cost. The costs of procurement as complied above would be added to the material cost to calculate the total cost of procurement.

Before hand for every season, an absorption rate (Rs / Unit of crop output i.e., KG, Ton etc.,) can be developed and based on the actual volume of crops finally delivered to the processing factory, the costs can be absorbed. As per usual cost accounting practice, for a given period, the cost actually incurred, can be compared with the costs absorbed to find out the over / under absorption. The Analysis of reasons for over / under absorption can give insights into the operational efficiency issues which can lead to taking corrective actions.

5. Generation of MIS outputs for Management:

With the proper management accounting system in place on the above lines, it should be possible to generate MIS reports in a timely manner, which meets the needs of both Middle Management for operational decision making and of senior management for Strategic decision making.

MANAGEMENT ACCOUNTING SHOULD PROVIDE RICH ANALYTICAL VIEWS FROM VARIOUS PERSPECTIVE THAT GIVE A DEEPER INSIGHT INTO REVENUE AND COSTS TO ENABLE MANAGEMENTS TO TAKE STRATEGIC DECISIONS... WITH A PROPER MANAGEMENT ACCOUNTING SYSTEM IN PLACE, IT SHOULD BE POSSIBLE TO GENERATE MIS REPORTS IN A TIMELY MANNER, WHICH MEETS THE NEEDS OF BOTH MIDDLE MANAGEMENT AND OF SENIOR MANAGEMENT

Conclusion

With India, moving from sustenance farming to commercial farming, from growing traditional cereals to high value fruits and vegetables, from consumption of mere cereals to consumption of more and more processed food, from traditional distributional channels to organized corporate retailing (even if FDI is not allowed right now), the importance of Contract Farming is increasing day by day.

Management accounting can surely play a great role in the above great journey, which will benefit all the stake holders' i. e, Farmers, Industry, consumers and economy as a whole. MA

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CONTRACT FARMING NEED OF THE HOUR FOR INDIA

The Indian agriculture sector has been witnessing a decelerating growth recently. This demands a revival of methods and procedures and contract farming, extended to corporate farming, is one of the solutions to stimulate the growth in the sector

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"The ultimate goal of farming is not the growing of crops, but the cultivation and perfection of human beings" — Masanobu Fukuoka, a Japanese farmer and philosopher celebrated for his natural farming and re-vegetation of desert lands.

"Make in India", the slogan of our honorable Prime Minister Narendra Modi applies not only to the manufacturing sector, but also to agriculture (which has been our primary occupation for several centuries) where it means "Contract Farming".

The Need

The Indian agriculture sector has been witnessing a decelerating growth recently. Though the farmers are assured of 'right' price by the government, the rate of suicides by the farmers has not downsized. This demands a revival of methods and procedures followed by the farmers and the government. Contract farming, extended to corporate farming, is one of the solutions to stimulate the growth in the sector, where large organizations contract with the farmers and assure them a fair price. The participation of corporates in agriculture too is the need of the day.

Good or bad, the National Food Security Bill (also called the Right to Food Act) was passed in September, 2013 which aims to provide food grains (rice, wheat and other coarse grains) to a sixty five percent (approximately) population of our nation. Under the Act, the beneficiaries are eligible for 3 kg of rice at Rs. 3 per kg, wheat @ Rs.2 per kg and millets @ Rs. 1 per kg. Keeping aside the subsidized prices, the quantum of the food grains needed establishes the need for large imports by our country. Food inflation is also an area that affects the price and availability of food grains.

Our Agricultural conditions

Agriculture has contributed to 15% of our GDP and provides employment to over 60% of the Indian population. It is the largest employment providing sector and contributes to capital formation. Agriculture provides several inputs for industries like jute, cotton, textile, vanaspati etc. As two-thirds of the population still lives in rural areas, increase in the purchasing power of the rural population drives the market for industrial products.

So far, after the Green Revolution, India has been the second largest producer of farm products in the world. Various agricultural products include paddy, wheat, pulses, groundnut, fruits, vegetables, sugarcane, tea, rapeseeds, jute, cotton, tobacco leaves etc. Our agriculture and its value chain is primarily characterized by

- Heavy dependence on monsoons
- Fragmented lands – due to land ceiling act and divided families
- Lesser use of technology in farming methods
- Decreasing productivity of land (i.e., yield per hectare of land)
- Lack of accessibility on the part of small farmers to front end activities like wholesaling, processing etc. The longer the value chain, the greater is the incidence of cost and margin at each point
- Agricultural land accounts for 43% of our geographical area but is slowly being lost to development and irrigation projects
- Drought in north-western states (or any area otherwise) created shortages of in the supply of food grains
- Meagerly-educated farmer class

While the activities like wholesaling, processing, retailing and logistics, collectively called the front end activities, have seen a phenomenal expansion and consolidation, the back end activities of agriculture have witnessed continuous fragmenting. The challenge lies in linking the two ends and ensuring viable business opportunities for both farmers and agri-businesses.

How contract farming helps

Contract Farming is an agreement that involves producers/farmers, intermediaries, processing and marketing firms to provide the farm produce at a pre-determined prices and quality after a specified duration. This is a farm-firm linkage that gives assured markets with certainty to farmers for their produce with remunerative prices. Such contracts reduce the risk and help in providing greater credit, insurance, better use of technology supplied by the firm and

TABLE - A

The following table shows the differences between various types of farming:

Item	Private Farming	Co-operative Farming	Contract Farming	Corporate Farming
Ownership	Private farmer	Private farmer	Farmer	Company
Risk-sharing	Farmer	Group of farmers	Mostly by farmer	Company
Ease of credit	Difficult	Slightly easy	Easy as contract may act as collateral	Easy
Capital	By farmer	By group of farmers	Farmer and firm	Firm
Farm-firm flow	Many intermediaries	Many intermediaries	No middlemen	No middlemen
Market access	Difficult	Better than private farming due to more bargaining power	Reliable access	Fool proof access
Technology	Unsophisticated	Scope of new technology due to collective investment	Access through firms	Latest technology for higher productivity
Role of govt.	Regulations for credit, sale in mandis	Regulations for credit, sale in mandis	Regulated by contract and credit laws	Leasing laws
Sustainability	Difficult	Better than private farmer	Short term; driven by govt. policies	Long term; driven by govt. policies
Social effects	No effects	Gives greater bargaining power	Skewed contracts, dictation by firms	Suppression of small farmers
Economic effects	May end up in vicious debt cycle	Greater earnings	Farmers become too dependant	Good use of waste/ unutilized land.

Source:http://www.academia.edu/5374099/Corporate_Farming_vis-a-vis_Contract_Farming_in_India_A_Critical_Perspective accessibility to market. These institutional services can help elevate the scale at which small holders can operate, raise their productivity and income, and mitigate the risks involved in participating in markets for high value horticultural, livestock, and fishery products.

The sponsors i.e., the firms on the other hand have a direct procurement of inputs from a more reliable source than other channels in the open market andovercome land constraints when working with small farmers.

Contract Farming is a process followed that is half way between independent cultivation of land by farmers and corporate farming (or captive farming).

Types of Farm Contracts

This is not a novel concept and traces its history to the year 1920 in India where ITC has partnered with farmers in Andhra Pradesh for the production of Virginia tobacco. These contracts are prominently of three types namely:

a) procurement contracts where only saleand purchase terms are specified

b) partial contractswherein only some of the inputs are supplied by the contracting firm and produce is bought at pre-agreed prices; and

c) total contracts under which the contractingfirm supplies and manages all the inputs on the farm andthe farmer becomes just a supplier of land and labour. Therelevance and importance of each type varies from productto product over time and these types are not mutuallyexclusive.

Working Models

There are different models of farm-firm linkage ranging from simple marketing agreements, to risk sharing, to forward marketing and futures contracting. Two of them are discussed below.

Direct Procurement Model: Direct procurement from farmers can be done only in states that have amended their Agricultural Produce Marketing Committee (APMC) Act to permit buyers to purchase directly from producers, farmers in line with the Model Act 2003 proposed by the central government. In states that have not amended their APMC Act, purchases must be through government regulated mandis, paying the commissions and marketing fees imposed in those markets. Indian retailers such as Reliance, Spencer's, Subhiksha, and Food Bazaar currently use this procurement model.

Open-Source Intermediation – Another variant of farm-firm linkage is open-source intermediation, involving provision of information about market prices, crop, and good cultivation practices to farmers without any buy back guarantee. The idea is not to create a backend supply line of a particular company, but bridge the knowledge and information gap that exists at the farm level, and also supply inputs to farmers without any 'lock in' agreement. However, in due course, the model of open-source intermediation can be adapted for specific supply lines, as and when an opportunity arises. This is well observed in the case of the ChoupalSagar and Choupal Fresh models adopted by ITC following the success of e-choupal. (Table - A)

Success Stories of Contract / Corporate Farming models employed by large organizations:

1) Pepsico

a. PepsiCo India runs the country's largest contract farming operation in potato. It works with nearly 15,000 farmers and we procure 70,000 to 75,000 tons of potatoes. Through

TABLE - B

The following table shows the average costs and returns of cultivating potatoes, by contract and non-contract farming techniques.

Parameter	Non-contract farming	Contract farming
Cost of cultivation	Lower	17 to 24% higher becauseof high investments in seeds, fertilizers and machine power
Yield	Lower	255.78 quintals per hectare, 8.84% higher
Gross Income	Rs. 41,572 per hectare	Rs. 99,753 per hectare
Sale Price of potato	Rs. 177 per quintal	Rs. 390 per quintal
Net return over operational cost	Rs. 11,882 per hectare	Rs. 62,982 per hectare
Net return over cost	Rs. 800 per hectare	Rs. 51,866 per hectare
Benefit- cost ratio	1.40 to 1.02	2.71 to 2.08
Price Uncertainty	High uncertainty	No uncertainty

Source: https://ideas.repec.org/a/ags/aerrae/58460.html

WITH PROPER GOVERNMENT REGULATIONS, THE SKEWNESS OF CONTRACT FARMING MAY BE ELIMINATED AND A CORPORATE FARMING MODEL IS IDEAL IN TERMS OF SUSTAINABILITY

contract farming the total procurement is about 150,000 tons. PepsiCo India's Direct seeding initiative saves 30 – 40% of water in paddy cultivation by doing away with the traditional method of flooding the fields. In 2009, PepsiCo India incorporated 6,500 acres and saved nearly 5.7 billion liters of water.

b. The potato farming program at Pepsico reaches out to farmers with superior seeds, timely agricultural inputs and supply of agricultural implements free of charge. The firm has entered into buy-back contracts with farmers insulating them from market price fluctuations. Pepsico tie-up with SBI, ICICI Lombard also allowed the farmers for a credit at a lower interestrate. The farmers have enjoyed better margins of Rs. 20,000 to 40,000 per hectare as compared to Rs. 5,000 to Rs. 10,000 without such contracts (Table - B).

c. Pepsico has also partnered with farmers in Punjab for tomato produce in the production of paste, ketch up etc. introducing newer farming techniques and have raised farm productivity.

2) ITC

a. While Annapurna atta ruled a decade ago, ITC's Ashirvad atta has grabbed the market share gradually. This was possible as ITC established links with farmers directly for the procurement of wheat and other grains (for multi-grain atta). This has reduced the number of participants in the value chain and hence a better product with a lower cost was available to the end consumer.

3) Hindustan Unilever

a. HUL imports 30-35% of the tomato pulp needed for kissan from China. With right agricultural practices, HUL plans to sustainable Indian tomatoes for other countries. HUL has chosen Nasik district of Maharastra, to work with 600 farmers for producing tomatoes giving them subsidized agricultural equipment, instill good practices and assured offtake of their produce in 800 hectares of land.

b. Right agricultural practices meant deploying newer technologies like drip irrigation to conserve water, training farmers on hybrid-seed varieties, and using branded seeds, fertilisers and pesticides, promoted by its other private partners for this initiative. By these, HUL expects that farmers save about 20% of cost on labor, fertilizer and water.

4) Suguna Poultry

a. Suguna's pioneering efforts in contract farming helped create thousands of rural entrepreneurs who share the growth successfully. "Poultry Integration" introduced and pioneered by Suguna in the country has energized the livelihoods of farmers in rural India.

b. In 1986, **Mr. B.Soundararajan** and **Mr. G.B.Sundararajan** set up a poultry farm with 200 layer birds at Udumalpet. During 1989 - 90, when chicken prices crashed because of an over-supply of birds in the local market, Suguna saw an opportunity for business growth by helping the poultry farmers who had bought feed and medicines on credit and could not clear their dues. To help them recover their money, these visionaries began to provide feed and health support to indebted farmers in return for the end product - eggs. The success of this exercise gave birth to the Suguna Integration Model.

c. The poultry integration model has set a win-win situation for both the farmer and the integrator. Farmers are provided with day-old chicks, feed and health support. Performance is monitored on a daily basis with Suguna field staff visiting the farms to check on the health of the birds, feed intake, growth and mortality levels. In six weeks time, the birds are weighed and are ready to be sold by Suguna. Farmers are paid a handsome growing charge for the birds at the end of this period. Thus, Suguna takes this success model to the next level vision of energising rural India benefiting the country, farmer and the company.

d. A constant and relentless drive has taken the company's growth and expansion which covers over 20,000 farmers from 8,000 villages in 16 Indian states. Impressed by the model and its success, Suguna receives invitations from many state governments to set up its operations. Many investors and delegates from across borders visit Suguna's facilities to study this model and later adopt in their own countries.

Concluding thoughts

This contract farming concept is not without its cons. Most of the contract agreements are verbal and informal in nature, giving more way to trust and mutual understanding. Lack of enforceability can result in breach by either party. There are also instances where farmers refuse to sell if a higher market value exists for the produce or the firms refusing to buy the agreed quantity at the agreed price due to market conditions. Also these contracts are criticized for being one-sided and biased in favor of firms. As seen above, sustainability of an individual farmer is difficult as there are higher chances of vicious debt cycle . Co-operative groups have a limited market access. With proper government regulations, the skewness of contract farming may be eliminated and higher efficiencies may be achieved. A corporate farming model is ideal in terms of sustainability, building productivity by using latest technology.

Other Avenues

For perpetual shortage of food grains and land, India may leverage on looking into various alternatives by diversifying into countries like Tanzania, Ethiopia, Kenya, Mozambique (the African continent) as already done in the case of certain majors like MMTC. The Adani group has plans to set up farms in Africa, Brazil, Argentina, Indonesia and Malaysia to cultivate edible oil and pulses. During the India-Africa partnership conference called 'Namaskaar Africa', the African government has welcomed the Indian farmers to start cultivation in their lands. It is now our turn to use these opportunities and ensure a perpetual supply of food without any shortages.

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FOOD SECURITY, FOOD INFLATION AND ALL THAT

Our experience with farmers on their own turf shows that though farmers may not have any formal education, their native intelligence makes them quite conscious of what is really good for them. We could therefore make them appreciate that quality and quantity would have to be seen together rather than in isolation and that their efficiency in cultivation should be seen as a totality, rather than in isolation

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Proem

For a number of years the critics of Indian economic policy have been quite loud about the paltry attention given to issues concerning food inflation, food security and other closely related matters such as increasing agricultural production and streamlining the public distribution system. Major concern has been expressed regarding the sticking of the agricultural sector to a Hindu rate of growth year on year. Food inflation has also been a much talked-about issue and various measures have been suggested and implemented for arresting the slipping trends over the years, especially after several suicides of farmers in different areas of India because of crop failures, natural vagaries destroying standing crops, quality deterioration and uneconomic pricing coming in the way of adequacy of profits, enough for payment of loans and interest, driving farmers to desperation. Not only that the issues involved in these contexts would have been treated rather differently by CMAs, by way of costing each of the products discretely in the context of by-products, multiple products, joint products and other typical features of Indian agriculture - but also that some very simple matters were patently sidetracked and underplayed, notably the situation that the shift from quality to quality has made the authorities forget the significance of quality of the produce as against quality, These include costing and pricing the farm products on a disaggregated basis in contradistinction with the current practices. Incidentally, the knowledge and required expertise did exist in this country during all those years of turmoil but all those were discounted, at times deliberately. Some of the highly competent, qualified and experienced experts were eased out of their position in fertilizer manufacturing, for example, in favour of importing the same catalysts from abroad at prices several times higher; it required a Dr K. N. Raj, the noted economist, to pronounce that when the country needed the services of Dr K.C. Chakraborty, a noted scientist and catalyst exert in Fertilizer Corporation of India, Sindri, the most, he was eased out of his position for importing the same catalysts from abroad. It is indeed painful that our country has suddenly woken up to the issues of food inflation and food security and food inflation without referring to the main issues involved in all these. These are indeed sordid tales on matters which are really non-issues, if one were to take individual elements ingrained in them, as attempted later.

The Misleading Pointers

The following paragraphs seek to dispel several of the misleading pointers raised in this context and to shift the focus of attention to those elements which seem to have escaped the concern of the authorities both in the states and at the Centre. First and foremost, this paper contends that right attention in the past was not given to the right questions and that food security would never have been a really serious problem if the relevant issues were addressed in right earnest. Secondly, the scribe has been underlining the real problem areas in this context for a long time. Thirdly, government policy has all this while missed the main issues while the major part of the attention has remained tagged on to the inconsequential matters. Fourthly, we contended a long time back that if government focussed attention to the right issues, India would not have to import the PL 480 food grains - wheat and rice – at a high cost to the exchequer but even the imported grains were treated with an indifference that defied all logic and commonsense; at the Vijag port, the imported grains were unloaded and kept in the open for a considerable period and when the railway authorities woke up to send empty wagons to transport these grains to the FCI godowns, these were found to have decomposed and sprouted with several showers of rain having drenched them to make them unfit for consumption. This instance was repeated in a different way at the Kandla port where imported food grains were to remain in close company with Sulphur in the open for a number of months; when the railway wagons did arrive to move the grains to the godowns, the food grains were found contaminated and unfit for human consumption. One expected that due lessons would be taken from these occurrences to build proper storage spaces on a country-wide scale. This was, however, not to be. These two instances were cited by us during late 1960s, the replies given by the FCI to this dismal phenomenon of indifference were totally unacceptable as they displayed a state of overt unconcern to vital issues. Fifthly, even at this rather late hour of day, procured food grains are either stored in the open or in the FCI godowns in a way which can hardly be called scientific; last in, first out principle of issue of food grains seems to be the order of the day, meaning that the grains stored earlier will have lost their food value by the time they get a chance to come out for distribution to the consumption centres. As have been demonstrated in several cases of such food grains issued for mid-day meal purposes in schools. Even after so many years, the same indifferent ways of collection from the fields, storage in make-shift arrangements and lackadaisical distribution processes continue, while all the attention and care remain glued to year-on-year growth rate of agricultural production in the aggregate. Farm Accounting and Management Accounting Practices have remained a forgotten exercise while all kinds of figures are flaunted from time to time .making the country and the policy makers believe in things pertaining to the farm sector which are not real. The sample–based figures remain subject to innumerable and unanswered questions. In the absence of reliable farm accounting and management accounting practices at the farm level and paucity of ground level data on costs of individual products raised from the fields, most of the data made available every year are of questionable veracity. In fact, even the phrases, food inflation and food security have been a rather recent coinage as much as they signify food prices and food availability, but these terms have hardly underlined a tectonic shift either in the national food policy or in the distributional paraphernalia.

Tampered Natural Systems and Food Security

Food security and food inflation issues come under focus in the aforesaid context with particular regard to the availability issues on which the following paragraphs highlight some continuing unconcern as they add some more glaring instances of indifference to a number of major failures on issues bearing on food security and food inflation. In several ways these two issues are related as will be demonstrated later in the discussion. Food security refers to the state of food availability of food grains for consumption while food inflation acts as a causative due to shortage of food supplies and the hiatus between demand and supply pushing up food grains prices has grown .The year on year food grains production suggests that while production has been on the rise, the availability thereof for consumption .has been affected due to various reasons that we seek to highlight. The first and foremost among the reasons ascribable thereto are primarily the affected distributive mechanism from the fields to the ration shops, appearing to be a much lengthier route than it really is ; secondly, the preservation facilities in both the FCI godowns and the consumption centres; thirdly, transport of food grains to the consumption centres both in anticipation of, and in response to, demand; fourthly, the badly affected quality of the food grains stored due mainly to indifferent handling and the long storage period; and lastly, deterioration in the quality of the food grains in terms of their food value and taste due to long exposure after storage at different stages beginning from the mandies to the ration shops apart from the growing tastelessness due to usage of a variety of chemical fertilizers, pesticides, insecticides, etc. Excessive attention to quantum of yearly production at the expense of quality has had its impact writ large in terms of growing salination of arable land as a result of excessive uses of irrigated water and alkalisation of soil due to heavy doses of chemical fertilizers – according to the pointers raised by Professor Colin Clark when he visited different parts of the country long back. As if all this was not enough, over-emphasis on irrigation through construction of dams and diversion of river water into canals dug in different parts of the country have badly affected the normal riverine systems in different parts of the country – invariably, all with the operations and ever-increasing susceptibility to floods – with added misery of release of water from the dams - and droughts, regularly visiting different areas of the country almost every alternate year, causing untold damages to crops, including all varieties of food grains and killing large number of cattle and people, apart from damaging houses and roads.

Food Accompaniments

Food grains have to have necessary accompaniments of pulses, vegetables, fruits, fish and meat – together constituting the normal staple diet of different sections of society. For the Aam Admi, the main plank of diet consists of wheat or rice along with pulses and vegetables. The year on year production of rice and wheat, as also the other accompaniments, has been on the rise but the actual availability to the common people has been affected due to an utter lack of scientific storage and preservation facilities on a countrywide scale. While dependence on the rains has continued unabated, nonetheless the rise in the production has increased several fold though inefficient distributive mechanism has come in the way of making them available to the common man both in the cities and villages to satisfy the requirements. Poignantly, the agricultural produce of different descriptions, including all the accompaniments head for the cities rather than consumed at the places of origin, intended for yielding a better financial return in relation to what the producers would get in the local markets. The stages at which middlemen at the village markets operate are several and accretion to the prices of all the produce becomes several fold higher than the price at which the growers sell their produce at the first instance to the middlemen. While the cereals attract the major share of attention, the accompaniments are made to play a second fiddle, if at all these are provided any accommodation in the policy framework. The result of all this is that the farmers in general lose interest in putting due stress on the accompanying crops, notably vegetables and fruits. In many a farmland, stress is laid on the main food crops and even where multiple cropping or simultaneous cropping is possible, farmers underplay their importance, either due to ignorance - intensive cultivation of the main food crops because of sub-division and fragmentation of land from generation to generation of farmers - or for any other reason, both plausible or otherwise, despite all the extension services loudly sung about in some quarters.

Our Ground Level Studies and Data Collection

Many a farmer signified the absence of resources necessary for taking benefit of all the new and innovative approaches to farming when we approached them on these and other issues and were loud about the distress caused by having to take loans from local lenders at high interest. The large number of instances of farmers committing suicide for crop failure and resultant inability to repay interest and principals of loans taken from village lenders have been reported from different parts of the country, despite all the noise raised by the officialdom about the measures taken to make the lives of cultivators easier and hassle-free. The urgency of the matter has been generally underplayed and the steps to counter these problems have been few and far between. In this context, it also requires notice that agriculture being a state subject, state-wise differences in the prevalent conditions and disaggregated analyses of the conditions regarding individual crops, jointly and severally, over time have hardly been attempted at depth for purposes of responsive policies in this behalf. From the points of view of CMAs, we studied the data available from the Reserve Bank of India Bulletin and other RBI publications, the pre-budget Economic Survey Report submitted to Parliament by the Union Finance Minister, the reports on the state of the economy submitted to the State Assemblies by the respective State Finance Ministers for several years but the specific issues related to the economics of individual crops have hardly been highlighted in any of them. Even the farmers themselves are hardly aware of how things happened and why. The Farm Management Surveys, though quite strong and reliable on counts of the methodology of analysis, have not been regular seeking to throw time series data to know and judge the state of affairs related to the concerned crops either singly, or in combination of different crops. Determination of costs of individual crops has been next to impossible in such conditions, but in the absence of all the relevant data on food production and reliable, regular and systematic ascertainment of costs of the individual crops and prices of individual food grains, the determination of food security status becomes no better than guesstimates. Our concern regarding food security does not end here though it is pertinent to point out that in the absence of a regular and systematic cost accounting process in agriculture, the contexture of the food security gets diluted, linked as it is with both food production and food availability, at costs and prices affordable from the points of view of the farmers and the consuming public and made available through both the public distribution system and the open markets – covering both wholesale and retail markets. In point of fact, the passage of food grains through the public distribution system is hardly any more than twenty per cent of the total production, due primarily to the predominance of small and marginal farms, production from which do not figure in government purchases. Small quantities of sale of food grains from such farmers are by way of distress sale. In the recent past, a good lot of agricultural land has been lost to real estate and industry. According to several studies, during the decade some thirty-four million people left primary employment in the country. In the said context, it is appropriate to mention that the panchayati raj system emits a ray of hope in so far as its major focus is on the uplift of the status of the village folks.

Food Grains Production and Productivity

The figures of total food grains production for the years 2006-07 to 2013-14 suggest a growing trend with marginal variations over the period. While the production for the year 2006-07 was 217. 28 million tonnes, that for 2013-14 came to 264.38 million tonnes. The increasing trend continued but for two years i.e., in 2008-09, when the production fell from 234.47 million tonnes in the previous to 218.11 million tonnes. The second break in trend came in 2012-13 when the production fell from 259.29 million tonnes in the previous year to 257.13 million tonnes. In GDP terms, agriculture as a whole rose from Rs 5,02, 996 crore in 2005-06 to Rs 6,49, 424 crore (RE) in 2012-13 (Cf Bipin K Deokar, S.L.Shetty, 'Growth in Indian Agriculture : Responding to Policy Initiatives since 2004-05', Economic and Political Weekly, Mumbai, June 28-Luly 5, 2014, p 101). The rising trend of food production, barring the years of break as noted earlier, has not generally been reflected in terms of food grains availability for the people at large, at prices the Aam Admi in the country would consider affordable. Mere measures of quantity of production of food grains do not do justice the huge number of rice or wheat strains which are qualitatively much better than the so-called high yielding varieties in terms of food value, aroma and taste. More importantly, these strains are much less hungry for fertilizers or thirsty for water. The latest example of one such variety is tulai panji paddy of West Dinajpur district which has been in the news recently, which can face the much vaunted Basmati on many counts like aroma or taste or food value. There are some three thousand varieties of paddy strains and almost a similar number of wheat strains which are on the verge of extinction because of the neglect faced by them. Efficiency of food grains production and per acre productivity in quantitative terms can hardly capture the nuance of these staple grains. In many a case, their higher cost of production is compensated by their aroma, food value and higher resistance from pests. The high-yielding varieties of wheat also do not command the same taste or food value, to say the least. In fact, there is a growing distaste about high-yielding varieties because of the application of more and more water, fertilizers, pesticides, etc., destroying the eco-chain. Ecocide has become the villain of the piece, we take the liberty to repeat, but as yet cognizable steps to undo the wrongs of the past have eluded our attention.

GOVERNMENTS SHOULD CONSIDER GIVING GREATER STRESS ON VALUE-ADDED FARM PRODUCTS, LIKE COMPLETE FOOD PACKAGES, FOOD ACCOMPANIMENTS IN POUCHES ALONG WITH THOSE OF DRINKING WATER MADE IN AGRICULTURAL ESTATES

The Story of Colossal Wastes

The story of the unconcern of the imported food grains in the shape of total neglect of imported food grains has been referred to earlier. This was an old story of the 1960s. A more recent study (Cf. The Statesman, Kolkata, 2. 12 2013, p4), has revealed not only the continuance of the indifferent attitude since long, but has also attributed values to the colossus of wastes of fruits, vegetables and food grains. In all, these wastes amounted to a hefty sum of Rs 44,000 crore, of which fruits and vegetables together account for Rs 13,300 crore which comprise eighteen per cent of the total production annually. Loss on account of food gains wastes amounts to Rs 30,700 crore. By all counts this is a gargantuan sum of loss, which in our view is an underestimate both on counts of quantity and price. Our own calculations of wastes of different varieties of food grains, fruits and vegetables came to fifty per cent, forty five per cent and forty eight per cent respectively. Fish and meat have remained out of reckoning all this while due to excessive pollution of the water bodies as also rivers and many of the wetlands of country as a whole have been subjected to filling up for purposes of extended human habitation. Conversion of agricultural land for extended urbanization has also been a factor behind diminishing agricultural land and loss of production of different crops. On the face of all these untoward trends rise in agricultural production, especially food grains, has been maintained as a result of intensity of cultivation. Coupled with proper ways of preservation, the food security problem could have been more adequately addressed but for the high extent of wastage and turning away from the essentials of maintaining the food value of the stored grains. Our contention in this context is that even if fifty per cent of the wastes could be controlled and saved, India would not have the discomfiture caused by the nagging problem of food security, food availability or food inflation. On the other hand, the point sought to be made in this precise context of saving at least half of the current waste is that three issues of the raging controversy about food security could be immediately set at rest, namely, the ensured food security, downward food grains prices due to increased availability and controlled inflation, even at the same levels of production. Of course, these pointers do not take into account the utterly disruptive role of the middlemen, playing their negative parts as wholesalers and retailers, both in villages and cities.

Revamped Public Distribution System

The public distribution in vogue for a long time has underlined three problematic issues. One, the supplies to the distribution centres have been irregular and many a time the ration card holders have had to return empty handed due to non-availability of food grains of different varieties. Whole wheat creates problem of crushing for making into atta at extra cost. Many a time even the rice made available through the ration shops is of inferior quality due to long storage period or inferior quality of paddy, notably the high yielding varieties, while superior quality grains procured from the vicinity, or the state, vanishes to other areas, often outside the state, or even leaked into the open market, for better prices. The raging complaints, many a time even havoc created by the inferior the quality of rice used for mid-day meals in different areas are a case in point. The connotation of food security itself gets a serious jolt in the said context, insofar as the insecure security of mid-day meals as an attraction for luring the tender-age children to schools gets nullified, insofar as it acts as a damper rather than a pusher. Food security issues thus have a three-pronged intension of which the first is related to adequate production of food grains; the second is concerned with procurement of food grains at procurement prices fixed by government; and the third, covering the issue prices at which the public distribution outlets sell different food grains to the ration card holders every week. The laudable and redoubtable policy initiatives in this regard have been launched with all the good intension, but eventually marred by the ground level translation thereof much of which tells a different, sordid story altogether, abounding as they do in all kinds of malpractices, an organized attack of rodents, insects and pilferage. We hold the firm view that granting the diversion of farm land and reduction of employees at the primary level, food security could still be ensured if the rampant wastes at different related levels could be halted. Year-on-year production growth could not be much help in the circumstances. Fruits and vegetables production as complements to food grains have not received the kind of attention appropriate in the situation. Above all, the continually declining farm size, apart from diversion of farm land to non-farm purposes, should have put the emphasis squarely on greater scientificity in crop selection, more stress on both simultaneous and multiple cropping and choosing those food-grains strains that could withstand the vagaries better. In this respect governments of the states and the Centre should consider giving greater stress on value-added farm products, like complete food packages, food accompaniments in pouches along with those of drinking water, made in agricultural, nay, food, estates or food parks, at affordable prices. The wages to the workers and other employees could be given such packages as part-remuneration, while the surplus packages could be sold to other consumers in cities. India being a sub-continental landmass in which variety in cultures, food habits, topography, methods of tilling the soil and watering the farm lands, suitability of cultivation of different crops, differences in rainfall pattern and quantity and many other forms of diversity would come in the way of evolving one or a uniform solution. Regional differences would naturally call for responsive steps so that one set crops would leave enough properties suitable for subsequent crops. In all these, total rethinking is warranted. Our experience with the farmers in their own turf underlines that though the farmers may not have any formal education, their native intelligence makes them quite conscious of what is really good for them. Indeed, they are also sensitive to the proposition that lower prices per unit of quantity of crops raised do not make their efforts uneconomic and they can get a reasonable return by selling larger quantities at relatively lower rates per unit of production. We could make them appreciate that quality and quantity would have to be seen together rather than in isolation and that their efficiency in cultivation should be seen as a totality, rather than in isolation. MA

THE CONTINUALLY DECLINING FARM SIZE, APART FROM DIVERSION OF FARM LAND TO NON-FARM PURPOSES, SHOULD HAVE PUT THE EMPHASIS SQUARELY ON GREATER SCIENTIFICITY IN CROP SELECTION, MORE STRESS ON BOTH SIMULTANEOUS AND MULTIPLE CROPPING

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DIVERSIFICATION IN AGRICULTURAL PRODUCTION FOR DIFFERENT STATES OF INDIA DURING 1971-72 TO 2009-10

The analysis suggests that government irrigation facilities must be extended and proper incentives must be given to the private sector in order to build infrastructure like private irrigation. All these policies will help to boost up the extent of diversification

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Diversification towards high value crops is being considered as a way to increase the contribution of non-rice crops to output ratio to attain higher agricultural growth rates in the future. Besides enhancing growth, it is felt that diversification will also be able to contribute towards a higher nutrition level, poverty alleviation, employment generation, and sustainable natural resources management. Availability of resources such as land, water, labour, and sunlight are critical for crop diversification schemes.

Land, however, is a constraint on diversification, at least in the short run. Practically, no extra land is available for cropping and land is a scarce factor of production, too. Therefore, any new cropping programme would have to be accommodated within the existing area. That is, crop diversification can take place only by crop substitution, as there is hardly any scope for area augmentation.

This Paper aims to understand the nature and magnitude of the extent of diversification that is taking place in the state of India in the recent years and explore the farmers' cropping strategy. It also aims to identify the determinants of agricultural diversification in the state. In this study, we will present the extent of crop diversification of Agricultural Production and identify the States for which crop diversification has occurred during the period under the study. A sound understanding about the pattern of agricultural diversification and the constraints it faces would help in creating appropriate policies regarding institutional arrangements and creation of adequate infrastructure, which could benefit a large section of the marginal and small holders.

Methodology and Data Sources

Methodology

Diversification may be broadly defined as s shift of resources from low value agriculture to high value agriculture as indicated by Hayami and Otsuka (1992) or Vyas (1996). It can also be considered as a shift of resources from and non-farm activities or simply a larger mix of diverse and complementary activities within agriculture. There are different methods of measuring diversification. It can be represented by a single indicator calculated through any of the following (i) Herfindal Index, (ii) Simpson Index, (iii) Ogive Index, (iv) Entropy Index, (v) Composite Entropy Index and (vi) Gini-Hirschman Coefficient.

In this paper, we have used the Gini-Hirschman Coefficient.

Crop Diversification Index: Diversification can be measured by to what extent the commodity concentration is reduced. Gini Hirschman Coefficient Gj defined as follows can measure commodity concentration for state j:

$Gj = (\sum s_{it}^{2})^{1/2}$

where s_{it} is the share of crop i in total production of state j

and k= no. of commodity that we are producing.

The value of Gj will be reduced as we diversify and increase the no. of commodities in total production basket. In that case, share of previously important commodities will gradually diminish and the effect of such diminution will likely to be magnified as we square the term.

The highest possible values Gj can take is unity, which will occur when the commodity will produce a single commodity, whereas the lowest possible values of $Gj = 1/(k)^{1/2}$.

Our measure of Crop Diversification Index (CDI) is given by the formula:

$$CDI = 1/\sqrt{\sum s_{it}^{2}} \qquad (1)$$

In order to study the changes in the cropping pattern for different states of India, we will calculate the extent of crop diversification using relation (1), for the period 1971-72 to 2009-10.

We are taking into consideration the following categories of crops for the calculation of crop diversification index:
Food Grains (Cereals): Rice, Jowar, Bajra, Maize, Ragi, Small Millets, Wheat, Barley
Food Grains (Pulses): Gram Tur, Other Pulses
Oilseeds: Groundnut, Sesamum, Rapeseed and Mustard, Linseed, Castor Seed and
Natural Commodities: Cotton, Jute, Mesta, Tea, Coffee, Rubber, Banana, Sugar Cane, Tobacco, Potato, Black Pepper, Chilies (dry), Ginger (dry), Coconut, Turmeric.

Data Sources

All the data has been collected form the different issues of Statistical Abstract published by Central Statistical Organization (CSO) of India. The other Data Sources are www.indianstat.com, CMIE, Agricultural Statistics at a glance and Agriculture in Brief published by the Central Statistical Organization.

Results of Estimation: An Analysis of the Crop Pattern

The estimated results of Crop Diversification Index for different major states of India are presented in **Table 1.**

Using the figures in Table 1, we have estimated whether Crop Diversification Index (CDI) has increased or decreased over the year for different States of India. In order to measure this, we have used linear and exponential regression. The estimated results of these regressions are presented in **Table 2 and Table 3** respectively. We have then chosen that specification as best fit which gives us higher value of simple correlation between the estimated values and the predicted values of Crop Diversification Index (CDI).

Summary results of Table 2 and Table 3 are presented in Table 4.

- If for any State, the coefficient of time in the regression (i) CDI on time (in the linear case) or (ii) in the regression log CDI on time (in the exponential case) is positive and statistically significant, then wee could conclude that the variable CDI has increased overtime, implying that diversification in agricultural production has occurred for that particular State.
- By the same logic, if for any State, the coefficient of time in the either of these above two regression is negative and statistically significant, then, it in turn implies that concentration in agricultural production has occurred for that particular State.

Using the information presented in Table 4:

- We are able to identify certain Sates for which diversification in agricultural production has occurred during the period 1971-72 to 2009-10 under the study. These States are Andhra Pradesh, Bihar, Haryana, Jammu and Kashmir, Kerala and Uttar Pradesh. The extent of diversification is statistically significant in all these States except Bihar.
- We, therefore find that there exists a high degree of inter-state disparity regarding the extent of diversification in the agricultural

Table 1
Crop Diversification Index for different States of India for the time period 1971-72 to 1999-2000 (a part of the data represented in this table)

Year	AP	AS	BI	GU	HA	HP	JK	KA	KE	MP	MH	OR	PU	RA	TN	UP	WB
1971 - 1972	1.652 94835	1.995 88858	2.072 35559	2.711 71007	1.780 52056	1.932 81510	1.875 41799	1.826 04741	1.485 47807	2.598 18385	1.594 07236	1.760 93504	1.879 80011	2.836 07429	1.817 36025	1.396 48540	1.966 04832
1972 - 1973	1.705 12058	1.988 69869	2.108 50170	2.707 06051	1.714 22412	1.968 38579	1.847 83131	1.826 04741	1.509 59702	2.589 50031	1.650 85461	1.747 42389	1.885 86002	2.733 26449	1.734 79445	1.345 66462	1.945 17286
1973 - 1974	1.751 35945	1.979 24519	2.117 15478	2.667 43848	1.644 87826	1.968 22262	1.807 44359	1.826 04741	1.533 83576	2.575 55852	1.699 52741	1.732 96389	1.870 21836	2.587 23343	1.666 76298	1.303 06499	1.916 86203
1974 - 1975	1.828 67873	1.959 75013	2.071 35587	2.440 51195	1.611 23390	1.926 95693	1.858 11645	1.328 47963	1.558 14070	2.883 88849	1.575 69609	1.824 98520	1.906 13949	2.611 06730	1.563 48291	1.336 04751	1.887 36108
1975 - 1976	1.858 38193	1.906 68508	2.174 85215	2.774 81813	1.710 13377	1.948 75091	1.837 50494	1.846 54935	1.556 64554	2.753 45014	1.570 55981	1.735 90781	1.947 46867	2.871 75070	1.671 63068	1.387 64961	1.918 37618
1976 - 1977	1.787 46967	1.900 84031	2.154 77371	2.669 08400	1.639 40879	1.964 65950	1.812 58234	1.828 02208	1.570 69761	2.656 77307	1.553 62070	1.762 89615	1.956 00835	2.707 35811	1.636 67054	1.339 24141	1.916 40689
1977 - 1978	1.711 15013	1.892 67054	2.133 01661	2.520 79472	1.582 64503	1.974 98756	1.785 24145	1.810 56063	1.585 89875	2.560 61861	1.538 82927	1.790 43406	1.955 32580	2.521 92442	1.604 89279	1.303 95980	1.911 56824
1978 - 1979	1.906 93110	1.731 37527	2.181 25751	2.626 45117	1.803 85033	2.022 10584	1.834 98108	1.811 30329	1.661 55325	2.625 21941	1.546 97785	3.022 96847	1.957 48735	2.618 11461	1.608 16474	1.428 15845	2.031 25439
1979 - 1980	1.877 70881	1.885 65642	2.188 18737	2.556 31228	1.883 01384	1.990 99616	1.827 00738	1.728 49355	1.685 03041	2.625 44832	1.537 56542	2.391 34487	1.956 97371	2.656 64914	1.607 17747	1.431 96674	1.919 32121
1980 - 1981	1.847 48682	1.982 03766	2.190 36688	2.474 43121	1.963 49162	1.948 73661	1.815 10577	1.648 52409	1.707 99299	2.614 52046	1.528 19133	1.901 30509	1.935 88049	2.665 68167	1.604 54620	1.435 41999	1.801 86358
1981 - 1982	1.766 92089	2.029 48128	2.247 82474	2.505 13520	1.827 74344	1.828 11436	1.802 27310	1.683 32439	1.622 27831	2.633 32138	1.471 53761	1.904 42481	1.910 57617	2.559 91091	1.523 10869	1.372 08345	1.914 87420
1982 - 1983	1.850 93396	2.012 16191	2.239 29768	2.333 22707	1.817 72422	1.792 49015	1.812 62478	1.675 92261	1.817 00236	2.628 21824	1.491 38319	1.905 96216	1.867 24675	2.650 29837	1.542 97616	1.396 11302	1.901 71383
1983 - 1984	1.928 71067	1.993 10089	2.225 01737	2.176 94319	1.805 20166	1.706 06144	1.798 88089	1.667 63773	2.011 40427	2.619 91059	1.512 70927	1.903 61678	1.817 39648	2.654 58289	1.567 76536	1.418 75057	1.871 80002
1984 - 1985	1.905 65341	2.026 24700	2.179 64582	2.201 86156	1.872 24665	1.677 32565	1.782 66622	1.564 29069	1.963 04754	1.027 21011	1.480 89219	2.006 31092	1.842 39771	2.743 49986	1.476 37110	1.476 50078	1.851 57358
1985 - 1986	1.915 90753	2.005 60978	2.259 03463	1.891 20267	1.899 54611	1.755 74908	1.758 88666	1.582 65044	1.931 65946	2.381 11454	1.504 23759	1.940 87201	1.834 30745	2.296 97898	1.473 01914	1.451 01706	1.832 54313
1986 - 1987	1.906 93295	2.053 99999	2.101 31230	2.065 03090	1.812 21471	1.700 93222	1.815 38570	1.615 47456	1.987 17003	2.536 16735	1.459 59051	1.905 99280	1.848 24491	2.376 12371	1.421 48914	1.397 44300	1.858 28051

Table 1 continued

Year	AP	AS	BI	GU	HA	HP	JK	KA	KE	MP	MH	OR	PU	RA	TN	UP	WB
1987 -1988	1.962 26590	1.931 15880	2.541 16489	1.874 06905	2.047 08310	2.257 66992	2.553 93410	1.597 19231	2.119 44990	2.686 25952	1.490 05941	2.387 79242	1.799 59541	2.855 02630	1.438 63340	1.402 61736	1.820 34368
1988 -1989	1.829 99138	2.035 97598	2.172 63690	2.159 47381	1.890 09142	1.772 02518	1.774 80430	1.494 16182	2.152 72885	2.614 02721	1.558 39143	1.880 87484	1.825 94067	2.557 60889	1.421 15058	1.441 55095	1.800 20795
1989 -1990	1.856 59328	1.983 13774	2.130 31201	2.005 67824	1.871 62923	1.803 51644	1.796 97657	1.471 93402	2.173 11227	2.512 92523	1.475 20348	1.894 68054	1.820 24016	2.606 45763	1.416 99773	1.414 40329	1.803 50775
1990 -1991	1.879 32801	1.917 95010	2.083 74860	1.850 67280	1.851 65734	1.824 27181	1.816 58174	1.450 50384	2.188 37015	2.407 10189	1.418 64999	1.907 56511	1.811 31417	2.642 18823	1.412 98553	1.390 20515	1.803 94928
1991 -1992	1.875 15574	1.932 98848	2.103 27035	1.867 53475	1.849 33197	1.825 26642	1.908 20810	1.455 47075	2.223 18843	2.432 58817	1.409 69746	1.866 06426	1.854 62283	2.588 22514	1.411 14523	1.386 26118	1.828 53061
1992 -1993	1.870 02256	1.947 71317	2.120 41349	1.883 70767	1.846 87592	1.825 47231	1.999 11395	1.459 91318	2.254 24622	2.455 56660	1.401 24630	1.814 76986	1.893 93441	2.524 51742	1.409 50584	1.382 53744	1.850 95416
1993 -1994	1.864 07900	1.962 12911	2.134 78313	1.899 17630	1.844 30554	1.824 83827	2.089 19847	1.463 90977	2.281 36161	2.476 04773	1.393 26333	1.754 25492	1.929 53700	2.453 20550	1.408 03834	1.379 01614	1.871 44078
1994 -1995	1.857 45892	1.976 24128	2.145 98046	1.913 92771	1.841 63568	1.823 31343	2.178 36383	1.467 52422	2.299 80758	2.494 06201	1.385 71681	1.685 50811	1.961 71758	2.376 41217	1.406 71846	1.375 68133	1.890 18724
1995 -1996	1.850 28069	1.990 05473	2.153 61523	1.928 04184	1.838 87981	1.820 84775	2.266 51571	1.470 80868	2.323 34898	2.509 65823	1.378 57675	1.609 85523	1.990 75617	2.296 10558	1.405 52591	1.372 51871	1.907 43683
1996 -1997	1.833 20365	1.980 33066	2.157 85345	2.000 74687	1.850 26235	1.873 91889	2.043 61437	1.440 47479	2.387 04803	2.439 60503	1.383 51580	1.495 20252	1.906 89532	2.341 55606	1.387 05764	1.373 72452	1.685 30843
1997 -1998	1.8120 3414	1.967 94078	2.161 16058	2.054 79959	1.857 94099	1.923 43589	1.829 46733	1.413 50118	2.430 72064	2.352 20122	1.388 94746	1.368 70917	1.815 33743	2.352 72929	1.368 90744	1.374 75781	1.467 04281
1998 -1999	1.816 59443	1.955 57873	2.206 00447	1.975 00522	1.831 54811	1.809 74343	1.822 79167	1.451 48846	2.426 84908	2.246 63497	1.402 45794	1.468 81824	1.738 39471	2.156 91600	1.338 13419	1.399 15981	1.361 01458
2000 -2010	1.759 51596	1.895 42938	2.168 26154	1.657 77419	1.807 24125	1.860 73625	1.893 79585	1.376 34340	1.746 29108	2.292 15143	1.364 83559	1.438 54338	1.754 04935	2.052 58882	1.428 20811	1.433 74123	1.299 08960

Table 2: Estimation of growth Rate of Crop Diversification Index using the Linear Trend						
States	A	B	Adj R^2	DW	R_{YY}	R^2
AP	1.8007 (75.777) A	0.2248N E-02 (1.7890) C	0.0663	0.9187	0.0964	0.0964
AS	1.9703 (77.75) A	-0.13625 E-02 (-1.0164) E	0.0011	0.7653	0.333	0.333
BI	2.1474 (69.76) A	0.16726 E-02 (1.0273) E	0.0018	1.8783	0.0340	0.0340
GU	2.7462 (51.893) A	-0.34803 E-01 (-12.435) A	0.8321	1.2079	0.8375	0.8375
HA	1.7386 (54.607) A	0.45060 E-02 (2.6760) B	0.1658	0.8830	0.1927	0.1927
HP	1.9382 (49.034) A	-0.40205 E-02 (-1.9232) C	0.0801	1.7433	0.1098	0.1098
JK	1.8169 (29.921) A	0.45129 E-02 (1.4052) D	0.0305	1.5891	0.0618	0.0618
KA	1.8091 (46.273) A	-0.137030 E-01 (-6.6399) A	0.3816	2.1628	0.5951	0.5951
KE	1.6092 (14.510) A	0.17044 E-01 (2.9073) A	0.2198	0.1998	0.2439	0.1938
MP	2.6316 (25.001) A	-0.85925 E-02 (-1.5435) D	0.0736	0.0427	1.8267	0.0736
MH	1.6200 (108.83) A	-0.85433 E-02 (-10.852) A	0.7970	0.7902	1.1831	0.7970
OR	2.1031 (19.968) A	-0.17408 E-01 (-3.1250) A	0.2456	0.2204	1.1279	0.2456
PU	1.9255 (90.420) A	-0.31703 E-02 (-2.8150) A	0.2089	0.1826	0.4251	0.2089
RA	2.8447 (52.467) A	-0.20835 E-01 (-7.2658) A	0.6376	0.6256	1.2875	0.6376
TN	1.6855 (79.180) A	-0.11075 E-01 (-9,8367) A	0.7633	0.7554	0.6403	0.7633
UP	1.3726 (97.114) A	0.12277 E-02 (1.6423) C	0.0825	0.0519	1.0159	0.0825
WB	1.9845 (40.513) A	-0.96438 E-02 (-3.7224) A	0.3160	0.2931	0.9857	0.3160

- The estimated values of t-ratio are given in the parenthesis
- A: Significant at 1% level of significance
- B: Significant at 5% level of significance
- C: Significant at 10% level
- D: Significant at 10% level, one tailed test
- E: Not Significant

Table 3: Estimation of growth Rate of Crop Diversification Index using the Exponential Trend						
States	log A	log b	Adj R^2	DW	R_{YY}	R^2
AP	0.58667 (44.771) A	0.12847 E-02 (1.8537) C	0.0729	0.9111	0.1028	0.1028
AS	0.67757 (50.953) A	-0.69687 E-03 (-0.99086) E	-0.0006	0.7785	0.0317	0.0317
BI	0.76350 (56.423) A	0.77626 E-03 (1.0847) E	0.0057	1.8408	0.0377	0.0377
GU	1.0259 (41.935) A	-0.15958 E-01 (-12.333) A	0.8298	1.3401	0.8353	0.8353
HA	0.55051 (31.027) A	0.26086 E-02 (2.7799) A	0.1783	0.8618	0.2048	0.2048
HP	0.65992 (32.024) A	-0.21048 E-02 (-1.932) C	0.0809	1.6634	0.1106	0.1106
JK	0.59630 (20.399) A	0.22729 E-02 (1.4701) D	0.0361	1.5216	0.0672	0.0672
KA	0.59458 (23.797) A	-0.85376 E-02 (-6.4608) A	0.5679	2.2031	0.5818	0.5818
KE	0.48016 (8.0193) A	0.85311 E-02 (2.6940) B	1.1680	0.2214	0.1948	0.1948
MP	0.95277 (15.676) A	-0.31103E-02 (-0.9675) E	-0.0021	1.9189	0.0303	0.0303
MH	0.48447 (49.123) A	0.57481 E-02 (-11.020) A	0.7953	1.880	0.8019	0.8019
OR	0.74517 (14.410) A	-0.97820 E-02 (-3.6096) A	0.2796	0.9588	0.3028	0.3028
PU	0.65532 (57.713) A	-0.17146 E-02 (-2.8551) A	0.1874	0.4313	0.2137	0.2137
RA	1.0549 (46.229) A	-0.86758 E-02 (-7.1888) A	0.6205	1.1590	0.6327	0.6327
TN	0.52345 (38.675) A	-0.72144 E-02 (-10.079) A	0.7644	0.6609	0.7720	0.7720
UP	0.31599 (31.032 A)	0.90746 E-03 (1.6850) D	0.0560	1.0251	0.0865	0.0865
WB	0.69176 (22.737) A	-0.57171 E-02 (-3.5530) A	0.2727	0.9719	0.2962	0.2962

- The estimated values of t-ratio are given in the parenthesis
- A: Significant at 1% level of significance
- B: Significant at 5% level of significance
- C: Significant at 10% level
- D: Significant at 10% level, one tailed test
- E: Not Significant

Table 4: States for which either Crop Diversification/Concentration has taken place		
States	Chosen Growth Type	Comments on the extent of diversification
AP	Exponential	Diversification in agricultural production has occurred over the taken time period and is statistically significant
AS	Linear	Concentration in agricultural production occurred over the taken time period and is not statistically significant
BI	Exponential	Diversification in agricultural production occurred over the taken time period but is not statistically significant
GU	Linear	Concentration in agricultural production occurred over the taken time period and is statistically significant
HA	Exponential	Diversification in agricultural production occurred over the taken time period and is statistically significant
HP	Exponential	Concentration in agricultural production occurred over the taken time period and is statistically significant
JK	Exponential	Diversification in agricultural production occurred over the taken time period but is statistically significant
KA	Linear	Concentration in agricultural production occurred over the taken time period and is statistically significant
KE	Exponential	Diversification in agricultural production occurred over the taken time period and is statistically significant
MP	Linear	Concentration in agricultural production occurred over the taken time period but is statistically significant
MH	Exponential	Concentration in agricultural production occurred over the taken time period and is statistically significant
OR	Exponential	Concentration in agricultural production occurred over the taken time period and is statistically significant
PU	Exponential	Concentration in agricultural production occurred over the taken time period and is statistically significant
RA	Linear	Concentration in agricultural production occurred over the taken time period and is statistically significant
TN	Exponential	Concentration in agricultural production occurred over the taken time period and is statistically significant
UP	Exponential	Diversification in agricultural production occurred over the taken time period and is statistically significant
WB	Linear	Concentration in agricultural production occurred over the taken time period and is statistically significant

Table 5: Determinants of Crop Diversification for different States of India									
States	Dep Var	Constant	CF	GI	OI	RLR	Adj R^2	DW	DF
AP	CDI	1.103 (7.616)	_	3.896E-04 (4.624) A	_	3.167E-03 (1.380) D	0.489	1.679	27
BI	CDI	1.819 (9.560)A	_	3.424E-04 (1.870) C	_	_	0.111	2.061	28
HA	CDI	1.584 (24.652) A	_	_	2.096E-04 (3.678) A	_	0.326	1.082	28
JK	CDI	1.765 (19.232) A	_	_	_	4.573E-03 (1.484) D	0.073	1.608	28
KE	CDI	0.614 (1.717) C	7.420E-03 (23.13) B	_	_	1.241E-02 (2.001)C	0.587	0.808	27
UP	CDI	1.145 (17.619) A	_	8.152E-05 (3.821) A	_	_	0.343	1.417	28

- The estimated values of t-ratio are given in the parenthesis
- A: Significant at 1% level of significance
- B: Significant at 5% level of significance
- C: Significant at 10% level
- D: Significant at 10% level, one tailed test
- CF, GI, OI, RLR: Explanatory Variables
- DF: Degrees of Freedom

THE RESULTS SUGGEST THAT THE DEGREE OF DIVERSIFICATION IS NOT EVENLY DISTRIBUTED OVER ALL STATES OF INDIA AND THERE EXISTS A HIGH DEGREE OF INTER-STATE DISPARITY

production for different States of India.

- Not all the States are able to diversify their agricultural sector.
- For example, there are some States like Assam, Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, West Bengal for which there has occurred concentration in agricultural production, and the results are statistically significant for all these States except Assam.
- Having established the phenomenon that six States among the 17 States have diversified under the period of our study. Next, we have attempted to find out the factor or factors explaining such diversification using the relation (3).

Determinants of Diversification

The determinants of diversification have been identified. The following model has been used to examine the determinants of diversification:

CDI= f (TECHNICAL, KNOW) (2)

where:

- The variable TECHNICAL signifies technology and includes:

a) Consumption of Fertilizers (Kg per Hectare):CF

b) Government Canals (Thousand Hectares): GI

c) Other Sources excluding Government Canals (including private canals, tanks, tube wells and other wells) (Thousand Hectares): OI

- The variable KNOW signifies Knowledge and includes:

Rural literacy: RLR

Thus, the variable **TECHNICAL** will help us to identify the role of fertilizers as well as the role of government and private irrigation facilities and the variable **KNOW** will help us to identify the role of education in facilitating diversification in agricultural production.

Replacing the variables included under TECHNICAL and KNOW in (2), we get:

CDI= f (CF, GI, OI, RLR) (3)

We will use the relation (3) in order to explain the factors behind the diversification of agricultural production for different States of India.

Different combinations of independent variables were tried to arrive at the best-fit equations.

The regression results are presented in Table 5. The estimated results suggests that government irrigation happens to be the major determinants of diversification for the States of Andhra Pradesh, Bihar and Uttar Pradesh; whereas the sources irrigation other than government sector is a major factor explaining the extent of diversification for the Sates of Haryana, Another factor explaining the diversification is rural literacy rate which is one of the determinants of diversification for the States of Andhra Pradesh, Jammu and Kashmir and Kerala. Diversification in agricultural production is also explained by appropriate use of fertilizer for the States like Kerala.

Our analysis, therefore, suggests that not only the extent of diversification varies for different states of India but also the factors explaining such diversification vary for different states of India.

Conclusion

In this Paper, we have tried to find out the extent of inter-state disparity of the extent of diversification of agricultural production in India. Gini-Hirschman Coefficient of diversification is used to calculate the extent of diversification in agricultural production for 17 major sates of India for the period 1971-72 to 2009-10.

The estimated results suggest that the degree of diversification is not evenly distributed over all the States of India and there exists high degree of inter-state disparity. We are able to identify certain States for which diversification has occurred during the period 1971-72 to 2009-10, under study. These States are Andhra Pradesh, Bihar, and Haryana. Jammu and Kashmir, Kerala and Uttar Pradesh. The extent of diversification is statistically significant in all these State except Bihar. On the other hand, there are some States like Assam, Gujarat, Himachal Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, West Bengal for which there has occurred concentration in agricultural production and the results are statistically significant for all these States except Assam.

Having established the phenomenon that six States among the 17 States have diversified under the period of our study, next we have attempted to find out the factor or factors explaining such diversification. The estimated results suggests that government irrigation happens to be the major determinants of diversification for the States of Andhra Pradesh, Bihar and Uttar Pradesh; whereas the sources irrigation other than government sector is a major factor explaining the extent of diversification for the Sates of Haryana, Another factor explaining the diversification is rural literacy rate which is one of the determinants of diversification for the States of Andhra Pradesh, Jammu and Kashmir and Kerala. Diversification in agricultural production is also explained by appropriate use of fertilizer for the States like Kerala.

Our analysis, therefore, suggests that not only the extent of diversification varies for different States of India but also the factors explaining such diversification vary for different States of India.

The analysis further highlights the role of both government as well as private irrigation facilities and the role of education in explaining the extent of diversification. The analysis also emphasizes the role of technology as measured by the appropriate use of fertilizers in determining the degree of diversification in agricultural production. Thus, policies must be framed to enhance the Rural Literacy Rate and the appropriate use of fertilizers. At the same time, government irrigation facilities must be extended and proper incentives must be given to the private sector in order to build the infrastructure like private irrigation facilities. All these policies will help to boost up the extent of diversification. This, in turn, will help the farmers to increase their income and provide opportunities for more and more employment. Thus, an improvement in the quality of life can be achieved.

A related question with the growth of agricultural output is the question of instability. This is because for sustainable agricultural development, it is not only needed that growth of agricultural output must be high, but it is also needed that there must be some stability of that output.

A FACTOR EXPLAINING THE DIVERSIFICATION IS RURAL LITERACY RATE WHICH IS ONE OF THE DETERMINANTS OF DIVERSIFICATION FOR THE STATES OF ANDHRA PRADESH, JAMMU AND KASHMIR AND KERALA. DIVERSIFICATION IN AGRICULTURAL PRODUCTION IS ALSO EXPLAINED BY APPROPRIATE USE OF FERTILIZER FOR THE STATES LIKE KERALA

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WHY FOOD SECURITY SHOULD GET PRECEDENCE OVER TFA IN INDIA?

Though a TFA is important step towards reforming procedures related to international trade, a balance needs to be built both on proper implementations of trade facilitation agreement and on the permanent solution in agriculture and food security issues

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WORLD Trade Organisation (WTO), with its 160 member countries and regulating almost 95 percent of the world trade, from the last three decades (if we include General Agreement for Trade and Tariff era) controls international tradeby formulating principles and policies-by facilitating constructive dialogue and consensus processes among the member countries. Decisions in WTO are generally taken unanimously. The primary roles of the organisation is to promote international trade, removing obstacles and redressing grievances related to international trade, formulating trade rules in consensus with the member countries and their proper implementation. However, in the recent times, there has been a growing discomfort among the developing nations who feel that some of the policies and norms are more in favour of developed nations because of their strong political clout andare quite detrimental for the developing nations. The ministerial round meeting in Doha, Qatar in the year 2001 was organised primarily to address all such concerns and a number of decisions to create a level playing field but even nowmost of them have not been implemented due to arm-twisting-by the developed nations. The last two ministerial round of meetings held in December 2013 in Bali, Indonesia and in July 2014 in Geneva, Switzerland on implementation of Trade Facilitation Agreement, witnessed a major difference

THERE HAS BEEN A GROWING DISCOMFORT AMONG THE DEVELOPING NATIONS WHO FEEL THAT SOME OF THE POLICIES AND NORMS ARE MORE IN FAVOUR OF DEVELOPED NATIONS BECAUSE OF THEIR STRONG POLITICAL CLOUT

between the developing countries led by India and developed countries particularly over the issue of food security.

What is trade facilitation agreement of WTO?

Trade Facilitation Agreement is an agreement between the member countries to put in place such arrangements where bureaucratic hurdles in transporting goods from one country to another could be removed. The agreement is basically aimed at simplification of custom procedures, faster clearance of goods etc. at ports, greater transparency through use of electronic mode of payments etc. Other provisions related to providing special assistance, concessions and package to the developing nations by the developed nations for facilitation of smooth implementation of trade facilitation agreement are also part of this. The agreement also states that the developing nations should not be pressurised to invest heavily to improve their basic infrastructure and it is the responsibility of the developed nations to invest in improving their basic infrastructure for its smooth implementation.

Food security concerns under trade facilitation agreement of WTO

In the Trade Facilitation Agreement, there is a clause that no country is allowed to give public subsidy or do public stockholding of food and agriculture products of more than 10 percent of the market value of the total agriculture produce of that country. More importantly the cap has been fixed based on 1986-88 price indices. If any country breaches this clause, then other countries can oppose and put trade restrictions against that country. Beside, there is also a provision that the member countries should provide information on public stockholding of food and grains to the international community. Also, making available food at the subsidised rate will not include nutritious food. If the conditions are accepted then there will be a great challenge for India to take forward its food security policies for their economically vulnerable population. This will have a very negative affect on food availability particularly for the vulnerable population and will also make India more dependent on the developed nations. That is the reason why G-33 countries led by India are opposing the trade facilitation agreement in its current form without permanently addressing the concerns of food security.

In this regard, a ministerial round of meeting of WTO was held in Bali, Indonesia in December 2013. It was mainly to discuss three important agenda on developing a roadmap for trade facilitation agreement, proposal of G-33 countries to address the issue of food security in their countries and providing financial package to the underdeveloped countries for implementation of trade facilitation agreement. Except for the agreement on implementation of roadmap for trade facilitation agreement, there was no concrete agreement on the other two agenda, particularly on the proposal of G-33 countries on food security. The proposal of the G-33 countries led by India was to make provisions for subsidy in accordance with the rules framed in the developing countries that will enable agriculture development, increase in agriculture outputs and purchase of food and grains from the small farmers which can be used for distribution to the marginalised population at a subsidised rate through public distribution system. Developing nations also wanted to modify the reference price based on current inflationary trend instead of fixing at 1986-88 price because prices of agriculture produces have increased many folds. All such proposals from the developing nations were rejected in the meeting. It was only agreed that no legal sanction or financial restrictions will be imposed against any of the developing nations till the year 2017, a move also known as "Peace Clause", if they didn't fulfil the clause on subsidy cap, with a caveat that this concession should not have any effect on the prices of the import or export of food and agricultural items. The 'Peace Clause' was agreed by the developing countries including India in the Bali meeting with the assumption that they will find out the permanent solutions to address their countries' food security concerns within the time span of four years. The Bali meeting ended with the resolution that the trade facilitation agreement will be signed by all the member countries by 31st July 2014 and all countries will facilitate its implementation by 31st July 2015.

Threat to India's food and nutritional security initiatives

India ranks 63 in Global Hunger Index[1]. 6.4% of its children are severely acutely malnourished (SAM) and 19.8% of its children are moderate acutely malnourished (MAM)[2], worse than the WHO declared Global threshold of 2-3% to declare nutritional emergency. This is worse than the situation of many Sub Saharan countries. There is a wide socio economic disparity with 33% population earning a living of less than \$1.25 per capita per day[3]. In this situation it is the foremost duty of the Government to provide for measures that ensure not only food security at the very least, but a dignified hunger and disease free life. Currently, India supports its resource poor households through various food security schemes. The provision of subsidised ration through the targeted public distribution system (TPDS) is a national programme for economically backward sections to address food insecurity in the country. TPDS is jointly run by the Central and State Governments where Centre procures wheat, rice and sugar from the farmers at the minimum support price and as per the state-wise allocations, delivers these to the storage houses of Food Corporation of India (FCI) across the country. These are then delivered to the beneficiary households, identified by the respective state governments and issued ration cards, through the chain of fair price shops at different locations in both rural and urban areas. Every month, 35 kilograms of grains are given to the identified poor households at a highly subsidised rate and at free of cost to some of the most vulnerable families. Around 30-35 percent of the total households, who are economically vulnerable, are getting the support of TPDS. Most of the fair price shops are being run by the local Self-Help Groups (a group of women coming together with the objective of helping each other and involved and saving and thrift activities) which is also an important employment generation and women empowerment program. Beside, India has to support its farmers through the mechanism of administered price because around 60% of India's population are totally dependent on agriculture as their primary source of livelihood. Also, public stockholding is important to address the problems of food insecurity, because India's agriculture is mostly rain fed and hence quite uncertain.

Beside the above food security program, government is also providing nutritional supplement to the pregnant and lactating women, adolescent girls and children undersix years of age to address protein and calorie deficiency through provisioning ofgrains, pulses, soyabean, sugar, edible oil etc. under Integrated Child Development Scheme (ICDS). Mid-Day Meal is another scheme for providing supplementary nutrition for school going children at primary and upper primary level.The objectives of Mid-Day Meal program is two-fold of increasing enrolment of children in schools as well as addressing to their nutritionals needs.

Provisions under the new National Food Security Act 2013

In the year 2013, Central Government enacted National Food Security Act (NFSA) 2013 with the objective of addressing food insecurity in the country. Around 75% of the rural and 50% of the urban populationsare likely to be covered under the provisions of the Act. Under this, every individual beneficiary is entitled to receive 5 kilograms of rice or wheat or coarse grain in a month at the highly subsidised rates.

Thus India is most likely to cross the maximum allowed threshold of agriculture and food subsidy. Also, India fixes its minimum support price slightly higher than the current market price and if that is compared with 1986-88 prices, it will be very high and hence will be much more than the subsidy cap of 10 percent. This will riskIndia to face litigation in WTO which will not only have economic but also political impact.

India, being a welfare state where the responsibility of the government is to protect its citizens' fundamental right of 'Right to Life' given in Article 21 of the Constitution of India, is bound to provide food and nutrition security to its citizensatleast to the economically vulnerable sectionsand also safeguard the interests of its agriculture sector and farmers. This also becomes very important in India-because 30% of India's population still lives below the poverty line as per the latest estimate of poverty[4]. 33% of Indian women and 28% of Indian men haveBody Mass Index (BMI) less than normal. 45% children below 3 years are stunted (an indicator of chronic hunger that impedes the child's physical and cognitive development, lowers school performance, increases chances of school dropout and severely restricts his/ her potential as a productive citizen in adult life, and the vicious cycle of poverty perpetuates); and 40% are underweight. 58% of pregnant women are suffering with anaemia (with high mortality and morbidity risks for both maternal and child health). [5] [6]FAO estimates that globally about 5% of GDP is lost due to malnutrition (FAO, 2013). Hence, providing food and nutrition security to the vulnerable sections of the society isnot just a humanitarian concern andcannot be sacrificed against the trade and business considerations.

In this backdrop, it is imperative for India to find out a permanent solution of food security concerns at the international platforms like WTO, rather than a momentary solution in the name of'peace clause' otherwise, the country would be at huge risk of becoming incapable to provide food and nutrition security even to vulnerable populations beyond the subsidy threshold.

India's attempt at WTO to arrive at permanent solution of food security concerns

Recently, when the new government at the centre came to power, it overturned the India's acceptance of 'Peace Clause' at Bali meeting. In the last meeting held at Geneva, Switzerland in July 2014, just before the deadline of signing the Trade Facilitation Agreement of 31st July, India firmly stood it's ground against the trade facilitation agreement in its current form, alleging that the developed countries are completely ignoring the interests of the developing countries particularly on public stockholding and providing food at the subsidised rates to their citizens. Indiahas made it very clear that without arriving at permanent solution of food security concerns it will not sign the agreement. India's stand was supported by around 45 member countries, and international organisations like Food and Agriculture Organisation (FAO). Since the agreement on this was not reached and India did not sign the trade facilitation agreement by 31st July 2014, WTO will now have to reorganise the consultation on trade facilitation including food security concerns with all its member countries for fresh negotiations.This was a great success for India and also for other developing countries which are grappling with the problems of food insecurity.

Conclusion

The opposition of trade facilitation agreement to bring reform in the international trade by the developing nations including India is a genuine concern because of widespread poverty and hunger in these nations.It is the responsibility of the government to provide food and nutrition security to the vulnerable population. Hence a permanent solution of the food security issue is a legitimate demand of the developing nations. However, it is also the responsibility of the developing nations to improve their agriculture produce, effective purchases and distribution of food and agricultural produce and also improve their subsidy system so that its benefit could be effectively targeted to those who deserve. Also, bringing reforms in the international trade will not only be beneficial to the developed nations but will also be quite remunerative for the developing nations. Trade facilitation agreement is animportant step towards reforming procedures related to international trade especially in face of a slowdown in the world economy.It is expected that opening up trade routes and food and agriculture market will revive the global economy. India has already taken certain measures in this direction, like 'Indian Customs Single Window Project' announced in the Budget 2014-15 which will help all the importers and exporters in completing all paper works and getting clearance at a single point and that will reduce their time and cost significantly. However, it is equally or rather more important for India to address its food and nutrition security concerns. Hence, a balance needs to be built both on proper implementations of trade facilitation agreement and on the permanent solution in agriculture and food security issues. Again, for the developing nations, food security is not the only concern but they also need to consider the implications of opening up of food and agriculture market on their traditional occupations and employment. Developed nations also need to understand that countries like India store food grains not to sell in the international market and distort price but stores to distribute them either free of cost or at subsidised rate to the economically backward households. They also need to consider that the subsidy which they provide to their farmers reduces the price of their agriculture produce drastically and selling their products in the poor countries at the lower price will kill the domestic food and agriculture market of the developing nations.

Therefore, it would be wise to delink food security issues from trade facilitation agreement, and give the space to sovereign nations to take a call on the welfare of their people, at the same time, smoothen procedures that will facilitate trade and commerce.

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AGRICULTURAL INCOME TAX – ISSUES AND CONCERNS

It is partly because of the absence of tax that has allowed the farmers to get rich at the cost of the national exchequer. They are not contributing to the social development in the form of income tax

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TAXATION is an important means by which a government can raise revenue to meet its expenditure. An efficient tax system should have a wide base and be capable of raising adequate revenues for the State's activities and should provide incentives and opportunities to work, to save, to make capital investment, to take risks to use resources optimally to best serve the needs of the society. Income tax being an integral part of fiscal policy is an instrument in the hands of the government to raise resources and an important tool to promote social welfare and achieve desired economic objectives. In Kautilya's 'Arthasastra', we may get the reference of tax which was imposed on agricultural production. The farmers had to pay land revenue at 1/6th of the agricultural produce. During the Maurya Empire, taxes were also levied on forest, mining etc. The revenue so collected by the Kings, was to be utilized for the protection of their subjects and for public welfare.

The first comprehensive Income Tax Act in India was introduced in 1860 which was the replica of British Income Tax Act. According to this Act, 'Income from land including Agriculture' was one of the four heads of income. As per the Income Tax Act 1886, agricultural income was exempted on the grounds that agriculturists were already paying land revenue. The exemption remained in place thereafter through subsequent enactments in the Income Tax Act. In 1925, the Taxation Enquiry Committee recommended to bring the agricultural income under the income tax net. The Committee also proposed to club the agricultural income with other income for rate purpose. In the line of the recommendation, the Income Tax Act 1935 granted the Provincial Governments the right to impose tax on agricultural income. But section 10(1) of the Income Tax Act 1961 states that the agricultural income is exempted from tax.

Meaning of Agricultural Income

As per section 2(1A) of the Income Tax Act 1961, agricultural income includes:

i) Any rent or revenue derived from land which is situated in India and is used for agricultural purposes [(Section 2(1A)(a)],

ii) Any income derived from such land by agriculture or from processing of agricultural produce, raised or received as rent-in-kind so as to render it fit for the market or sale of such produce [(Section 2(1A)(b)],

iii) Any income from building which is situated on or in the immediate vicinity of the land and is used as a dwelling house, store house and the land is assessed to land revenue or a local rate, if it is not assessed to land revenue or local rate, then the building should be situated on or in the immediate vicinity of land which is situated outside the urban areas [(Section 2(1A)(c)].

With effect from the assessment year 2009-2010, any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income. With effect from the assessment year 2014-15, section 2(1A)(c) has been amended as follows:

The provision of clause (1A) of the section 2 defines the term 'agricultural income'. Sub-clause (c) of the said clause (1A) includes any income derived from any building on, or in the immediate vicinity of the land, and is used as a dwelling house, store house or other out -building as required by the receiver of the rent or revenue or the cultivator, in connection with such land, within the definition of "agricultural income". According to the Clause (ii) of proviso to sub-clause (c), where the land is not assessed by land revenue or subject to a local rate, it should not be situated within the areas as specified in clause (ii) of the proviso, to qualify income derived from any such building as agricultural income. The Act has amended the jurisdiction stated in clause (ii) of the proviso to sub-clause (c) of clause (1A) so as to provide that if the land is situated in any area within the distance, measured aerially, as (i) not being more than 2 km, from the local limits of any municipality or cantonment board and which has a population of more than 10,000 but not exceeding 1,00,000; or (ii) not being more than 6 km , from the local limits of any municipality or cantonment board and which has a population of more than 1,00,000 but not exceeding 10,00,000; or (iii) not being more than 8 km, from the local limits of any municipality or cantonment board referred and which has a population of more than 10,00,000, the income derived from such building on, or in the immediate vicinity of such land will not be agricultural income. For the purposes of clause (ii) of the proviso to sub-clause (c), "population" means the population according to the last census of which the relevant figures have been published before the first day of the previous year.

Therefore, according to the Section 2(1A), income derived from a land can be treated as agricultural income if the following conditions are satisfied,

a) Rent or revenue should be derived from land,

b) The land is situated in India and

AGRICULTURAL INCOME TAX WHICH COULD HAVE BEEN AN IMPORTANT SOURCE OF REVENUE... HAS BEEN NEGLIGIBLE BECAUSE OF POLITICAL OBJECTIONS AGAINST THE REMOVAL OF THE EXEMPTION

c) The land is used for agricultural purposes.

The meaning of 'agricultural purposes' is not been defined in the Act. According to the decision of the Supreme Court, in CIT vs. Raja Benoy Kumar Suhas Roy (1957) 32ITR 466 case, the land is used for 'agricultural purposes' means the land, where the basic operations and subsequent operations are being carried out. The basic operations are the tilling of land, sowing of seeds, planting and similar operations on the land. So the basic operations involve human skill and labour upon the land. Subsequent operations are weeding, digging of the soil, prevention of the crop from insects and pests, pruning, cutting and rendering the produce fit for the market etc. Both the basic and the subsequent operations together form the integrated activity of the farmers. Only the subsequent operations cannot be considered to mean 'agricultural purposes' or agricultural activities. The basic operations must be performed before any income is treated as agricultural income. Again, the agriculture does not imply merely the raising of grain and food products but also raising of all commercial crops, i.e. tea, coffee, cotton etc. On the other hand, the activities not involving any basic operation on the land would not constitute agriculture merely because of the fact that they have relation to or connected with the land, e.g. breeding and rearing of livestock, dairy farming, poultry farming etc. Therefore, the income derived from land situated in India and is used for 'agricultural purposes' will be treated as agricultural income if both the basic and subsequent operations are carried out on the land as mentioned in the relevant provisions of the Income Tax Act 1961.

The income so derived after application basic and subsequent operations on the land situated in India will be treated as agricultural income. As per Income Tax Act, every income is taxable, i.e. every assessee has to pay tax on his/ her income. Now the question is how the assessee will be taxable in respect of agricultural income if they already pay tax in terms of land revenue?

Section 10(1) of the Income Tax Act 1961 exempts agricultural income from tax. However, for the purpose of determining the income tax liability on non-agricultural income of an individual, Hindu Undivided Family (HUF) or body of individuals (BOI) or an artificial juridical person, net-agricultural income is added to the total non-agricultural income computed according to the provisions of the Income Tax Act. If the agricultural income exceeds Rs.5000 in any particular previous year, this process of integration of agricultural income will be as follows.

Computation of tax liability under the IT Act, 1961 (integrating the Agricultural Income):

Step 1: Add non-agricultural income with net agricultural income.
Step 2: Compute Tax on Step 1 (not including Cess)
Step 3: Add net agricultural income and the maximum exemption limit available to the assessee (Rs.200,000 for the assessment year 2013-14)
Step 4: Compute tax on Step 3. (not including Cess)
Step 5: Compute Net Tax Payable (Step 2 – Step 4)
Step 6: The amount at step 5 are to be increased by education cess @2%

and secondary and higher education cess @1%.

Even though the agricultural income is exempted u/s 10(1) of the Income Tax Act, in actual practice, it is not the case. For example, if a salaried employee having agricultural income is chargeable to tax @20%, then the addition of agricultural income may take him to get charged @30% and the assessee needs to pay higher tax.

State's power to impose tax on agricultural income:

The Schedule VII of the Constitution of India has described the taxation power between the Centre and States. As per the Article 270 of the Constitution of India, the Central Government has the power to impose tax on any income other than agricultural income. List II deals with the subjects which come under the State's legislative powers. Agricultural income tax is one such power of the State, given in Item No.46 of the List II. Being the State subject, the tax on agricultural income is levied by the respective State. Though, it is under the purview of the respective State government to levy agricultural income tax, attempts have been made to introduce agricultural income tax by few States in India. Bihar is the first state to levy tax on agricultural income in 1938 followed by Assam in 1939 and West Bengal in 1944.

The salient features of the Agricultural Income Tax Act of West Bengal, Kerala and Karnataka have been discussed here to take a snap short on the provincial Acts.

Bengal Agricultural Income Tax Act, 1944

As empowered by the Constitution of India, the Bengal Agricultural Income Tax Act, 1944 was enacted by the government of West Bengal in 1944. This Act was introduced to tax the income generated from agricultural sector and included income from rent and revenue. After abolition of the zamindari system, under the West Bengal Estate Acquisition Act, 1953, the assessees could be broadly divided into three categories, viz., large individual farmers, individual tea cultivators and the tea companies. Income received from rent or revenue on agricultural lands, and agricultural operation without any process of manufacture are treated as hundred per cent agricultural income for all categories of assessees. For assessees deriving income from cultivation, manufacture and sale of tea, their income is treated as mixed income and 40% of such income is treated as "business income" which is assessed as per Income Tax Act 1961, while the balance amount (60%) is treated as agricultural income and is assessed under the West Bengal Agricultural Income Tax Act, 1944. If any assessee derives income from sale of green tea leaves, it becomes hundred per cent agricultural income.

The logic behind taxing the 40% (business income) and 60% share (agricultural income) of the income assessed appears that there are common expenses on establishment and personnel for two different activities that is tea grown and tea manufactured in the factory. There can be independent income from sale of green tea leaves and by sale of tea, that is, after processing of green tea leaves when green tea leaves become tea (final product) for use. Naturally, the processing of tea is done in the factory. Income from agriculture is taxable by the State Act and sale of tea after manufacturing is taxable by the Central Act as business income. Since different activities in the entire process staring from producing green tea leaves to final product of tea, the segregation of income and expenditures from two combined activities is not possible, but at the same time there cannot be two assessments of income by two different authorities. Therefore, there can be only one assessment of income from the tea business.

Agricultural income tax on income received by assessees other than company, firm or other association of persons from agricultural crops other than tea has been abolished from financial year 1993-94. Assessees like company, firm and other association of persons have also been excluded from liability to pay agricultural income tax on income received from agricultural crops other than tea from the financial year 1994-95. Presently, in West Bengal, only the plantation assessees are liable to pay the agricultural income tax.

Karnataka Agricultural Income Tax Act, 1957

The Karnataka Agricultural Income Tax 1957 was amended and came into effect from 1st April 1975. According to the provisions of the Act of 1957, agricultural income tax was levied on plantation crops and commercial crops. But after the amendment i.e. w.e.f. 1st April 1975, all agricultural income irrespective of crops grown become liable to tax and the concept of commercial crops was removed. The Karnataka Government passed a Bill that from assessment year 1982-83, agricultural income tax will be levied only on plantation crops not on the income from all the agricultural crops as per rate mentioned in the Schedule of the Act.

Kerala Agricultural Income Tax Act, 1991

Companies and persons who derive agricultural income within the state are liable to pay agricultural income tax. In respect of companies, tax is chargeable at the rates prescribed in the schedule to the Act. From 2000, persons holding landed property up to 500hectres may opt to pay tax at compounded rate. No tax is payable on first five hectres.Various crops like Cashew, Clove, Cinchona, Nutmeg, Cinnamon Coconut, Rubber, Cocoa,Tea & Coffee etc. attracts the agricultural income tax depending on the holding area (See table 1).

Table 1: Agricultural income tax collected by States (Rs.in crore)

Year	West Bengal	Karnataka	Kerala
2008-09	3.91	NA	11.97
2009-10	9.24	NA	27.73
2010-11	16.22	9.33	46.97
2011-12	10.99	15.24	42.86
2012-13	12.22	21.84	18.92

Source: Compiled from Financial Accounts, CAG, and Annual Reports of State Govt. of different years, NA-Not Available

Conclusion

The revenue collection towards the agricultural income tax by different State Governments can not be compared with each other.There is a wide variation in the rate of taxation, low exemption limit, bases of tax etc. between the States. Due to lack of literature in the subject, the secondary data like annual reports published by the state government and Comptroller and Auditor General (CAG) have been taken into consideration. So far the taxability of agricultural income is concerned, all the agricultural crops other than the plantation crops are exempted from tax in the respective State Acts. But in general, the agricultural income as defined in Section 2(1A) of the Income Tax Act 1961 is considered for integration with the non-agricultural income for the purpose of computation of tax liability. It results in increase in tax liability of the assessee. However, the taxability of plantation crops in West Bengal also attracts both Union and State tax. The receipts from agricultural income tax varies largely from State to State due to their policy of the respective States.

THERE IS A WIDE VARIATION IN THE RATE OF TAXATION, LOW EXEMPTION LIMIT, BASES OF TAX ETC. BETWEEN THE STATES

In a country like ours, there are many farmers who are not only well off but are wealthier than many businessmen. And yet, they do not pay any income tax against their income. It is partly because of the absence of tax that has allowed the farmers to get rich at the cost of the national exchequer. They are not contributing to the social development in the form of income tax. They have enriched themselves by getting the various benefits like infrastructure investments as well as incentives towards fertilizers and guaranteed minimum price for the product to derive the maximum benefit from agriculture. Again, in most cases, the inputs are subsidized and the output may be overpriced. Hence, the exemption of agricultural income from income tax results that the exchequer is deprived of a large amount of revenue. The agricultural income tax which could have been an important source of revenue for the State has remained negligible mainly because of political objections against the removal of the said exemption.

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ACCOUNTING FOR PRAWN FISHERIES IN WEST BENGAL YET TO GET MOMENTUM

An accounting system may help the farmers to give the required information to receive assistance, subsidies, reliefs and concessions. This will play a vital role in flourishing the prawn farming and developing the economy

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PRAWNS are the most valuable shellfishes having good domestic and international market. Culture of prawn seeds or juvenile prawns of different species in different river estuaries or in confined brackish water ponds or fresh water ponds or in 'bheries' or 'ghers' until they are marketable is called prawn culture. It is a type of aquaculture. 'Bheries' or 'Ghers' are compounded low-lying area adjacent to river estuaries or creeks where fisheries management is carried out in a traditional or semi-intensive way. The prawn farmers rear these seeds in the confined fisheries with care. After three to four months, the prawns attain the maximum growth and become marketable size. The farmers catch them from water and sell them to the market.

India occupies second position in world aquaculture production of fish and prawns just after China. India has 8000 kms (3,71,109 hectares) of estuaries and brackish water areas suitable for prawn culture. In all the maritime states like West Bengal, Orissa, Andhra Pradesh, Tamil Nadu, Kerala, Karnataka, Goa, Maharastra, Gujrat, and Pondachery have large areas of saline soil, mud flats, swamps, and mangroves. West Bengal has the highest potential brackish water aquaculture resources among all the coastal states. The total potential culturable area in West Bengal is estimated 210000 ha and presently 49050 ha of area have brought under prawn farming. So about 80% of the potentiality remains unutilized The Indian prawns are in high demand in foreign market. The over all export of shrimps during 2013-14 was to the tune of 301435 MT worth Rs.19368.30 crores. USA is the largest market (95927MT, 32%) for frozen shrimp export quantity terms followed by European Union (73487MT, 24%), South East Asia (52533MT, 17%) and Japan (28719MT, 10%). Prawn culture contributes uncommon opportunities for employment generation, food and nutrition security and foreign exchange earnings in the country.

Background of the study

Our study area is the prawn fisheries in West Bengal. Prawn culture is carried on three districts in West Bengal such as North 24 Parganas, South 24 Parganas and Purba Mednapore. Agricultural accounting or accounting for fisheries or aquaculture operations is yet to get momentum. Indifference to accounting records in the fishery sector or aquaculture operation stems from the following reasons.

1. Prawn culture in West Bengal is mostly unorganized and dominated by small-scale operation of the household. Level of education of the average and marginal prawn farmers appears to be the main barrier for adoption of aquaculture accounting system.
2. Even the large prawn fisheries are not fully aware of the technique of using accounting data for the purpose of management decision and usefulness of database management.
3. The maximum farmers cannot afford to engage an accountant or bookkeeper. Even if some farmers know how to keep records, they find it tiring.
4. Income tax on Prawn fisheries promulgated by various State Governments does not rigorously insist maintenance of proper books of accounts.

A very simplistic approach in fishery sector accounting is required so that accounting system can be grasped easily by the average farmers

THE LEVEL OF EDUCATION OF THE AVERAGE AND MARGINAL PRAWN FARMERS APPEARS TO BE THE MAIN BARRIER FOR ADOPTION OF AN AQUACULTURE ACCOUNTING SYSTEM

who are supposed to keep record after the day's hard work.

Objectives of the study

The objectives of this study are;

1. To get accounting information regarding prawn fisheries of West Bengal so that government, aquaculture authority and other users may get information easily and assist for the development of this sector.
2. To inform the persons related to the prawn culture operations the importance of accounting information system for getting government subsidy, bank loan, making insurance for prawn crops etc.
3. To introduce a suitably designed basic accounting system for extracting the following information:

a. Cashbook showing details of payments and receipts of the prawn fisheries.
b. Comprehensive information regarding input, yield, cost and revenue of the fisheries.
c. Working capital requirement of the prawn fisheries.
d. Profit and Loss of the farm during a year.
e. Cash flow and fund flow of the farm during a year.
f. Balance sheet i.e. statement of assets and liabilities of the farm at the end of the operation.
g. Data base for the decisions: i) value of total assets, ii) investment cost, iii) selection of poly-culture species, iv) choosing fishery size, v) disinvestment decisions whether to discontinue fishery operations.
h. Supporting data to the lenders, banks and co-operative societies to assess fisheries financial requirements as well as debt servicing ability.
i. Reliable source document for assessment of income tax and fishery management survey.

Table 1: A list of standard transactions of a Prawn fishery

1	Starting a prawn fishery with preliminary expenses for Rs100000/-
2	Introduction of capital of Rs 874725/-from their own sources
3	Loan for Rs500000 from co-operative bank or local money lenders @ 18% p.a
4	Working capital loan for Rs.400000/-from local money lenders
5	Lease of 40 ha/300bigha low land @ Rs.3000 per bigha
6	Engagement of one supervisor, one manager and 26 workers for monthly salary of Rs 4000/-,3500/- and 1500/- respectively
7	Construction of bunds/dams around the low land to protect water for Rs.nil
8	Construction of Sluice gate to enter water in the fisheries for Rs.nil
9	Construction of a store room and one watchman's shed for Rs nil (Dams, sluice gate, store room, watchman's shed constructed during 1996)
10	Yearly maintenance of dams Rs.20000/-,store room and watchman's shed etc.15000/-
11	Pipe line installation for letting water into fishery Rs.20000/-
12	Purchase of fishing nets, utensils for Rs.70000/-
13	Purchase of other misc assets like bamboo, fishing equipments for Rs.20000/-
14	Preparation of soil by tilling and applying fertilizer and lime for Rs 20000/-
15	Release of prawn larvae –Bagda for Rs 630000/-(1800000 @Rs 350 per thousand) Galda-for Rs.72000/- (60000 @Rs 1200 per thousand), other poly culture species- like telepia, tangra, parsia etc for Rs.47500/-
16	Applied fertilizer(mustard oil cake-1500 kg @Rs8/, mahua cake -300 kg @ Rs.9, urea-1000kg @Rs7/-, phosphate-1800 kg @ Rs.6/ and suphala-300kg @ Rs.) for Rs.8.5 per kg) 35050/-
17	Applied alternative food(rice, wheat etc) for Rs nil (no alternative food supplied)
18	Harvested prawns and fishes for Rs * (Bagda -3250 kg @ of Rs375 per kg and 2977 kg @Rs350 per kg, Galda 789 kg @ of Rs450 per kg, Hannya/ others 255 kg @rs.75/- ,326 kg @ Rs.80/- per kg, other fishes-5713 kg @ Rs.90.20 per kg)
19	Amount drawn by the proprietor for family expenses: Rs10000/- p.m for 9 months

Source: Data collected through personal interview during 2010 from a 40 hectare prawn fishery situated at Vill: Bakchara, Mouza: Murari shah, P.S: Minakhan, Dist: North 24 parganas, W.B.

Research methodology

In this research study, 'Judgment Sampling' method is used for selecting prawn fisheries. Six prawn fisheries of different sizes (i.e. two large>20 ha, two medium<20ha but>6ha, two small<6 ha) have been studied from each of these three districts in West Bengal considering as representatives of the population. The primary data are collected from the above-mentioned Bheries of North, South 24 Parganas and Purba Mednapore districts through direct communication with prawn farmers and through personal interviews.

However, due to want of accounting records the respondents sometimes remained silent in replying or answered based on experience.

Transactions of a Prawn Fishery

Three types of transactions occur in prawn fisheries;

I) Cash transactions: Purchase of inputs, payment of wages, payment of lease rent, purchase of fixed assets, sale of harvested prawns and other fishes or paddy etc.

ii) Credit transactions: Purchase of inputs, payment of lease rent, purchase of fixed assets, sale of harvested prawns and other fishes or paddy etc on credit.

iii) Notional transactions: A prawn farm should be viewed as an independent entity and separate from the farmer's household. Therefore, the transactions between the fishery and farmers' households are called notional transactions. Small prawn farmers (<2ha =55%) and medium prawn farmers (2-5 ha=29% & 5-10ha=13%) of West Bengal are the sole proprietors of their prawn farms. They use their own labour and family goods for their prawn fishery. They do not separate the transactions for their family and for their prawn farms. Such transactions are as follows:

1. Labour of own and family members used in the fishery
2. Use of own land and capital in the fishery
3. Use of house holds assets and capital
4. Consumption of prawns and fishes by the house holds etc.
5. Supply of household cooked food to the fishery workers.

Opportunity cost of these notional transactions are taken into account and considered while determining fishery profit. If wages of the family workers are not imputed, marginal prawn farmers will be under-cost as labour requirements of these fisheries are mostly served by family members. Wherever opportunity cost of notional transactions is not readily available, value approximation are made looking into the actual cost incurred (Refer table 1).

Table - A

Direct Cost	Common cost	Bases of apportionment
Seed	Lease rent	Period of land use
Feed	Depreciation on civil works	Period of cultivation
Fertilizer	Notional wages	No. of man days devoted
Wages	Interest on borrowed capital	Proportionw of capital
Depreciation on implements	Notional interest on own capital	Proportion of capital
Interest on working capital		
Harvesting costs		

Costs and revenue of prawn fisheries

i) **Cost:** The major cost elements of a prawn fishery are lease rent of the land, cost of seed, fertilizer, lime, pesticides, wages, maintenance of impoundments, depreciation of fixed assets, interest on loan, notional rent on own land, notional interest on own capital, notional wages of family workers. A prawn farmer or promoter starts a prawn fishery with some permanent capital. A part of the permanent capital is invested in assets, which are kept in the fishery for a long period for earning profit. These are usually known as fixed assets viz. lands, boundary dams, canals, pipeline installation, civil construction, construction of service roads, pump machine, aeration machine etc. Another part of the permanent capital, left in the culture operation for supporting the day-today normal operations is known as working capital. Working capital cycle of the Prawn fisheries is: **CASH--LEASE--PRAWN SEED—CULTURE (Labor & expenses)-PRAWNS (sales)-CASH**

ii) Revenue: Revenue consists of sale of prawns, sale of other fishes, and sale of paddy and notional value of family consumption of prawns, fishes and paddy.

Determination and decomposition of profit

A special Expert Committee of the Commission for agricultural Cost and Prices classified agricultural costs as Cost A1, Cost A2, Cost B1, Cost B2, Cost C1, and Cost C2. Keeping in conformity with such classification, the cost of prawn fisheries may be classified as Cost A1, Cost A2, Cost B1, Cost B2, Cost C1, and Cost C2 interpreting as follows:

Cost A1= All expenses incurred for production either through cash or credit.

Cost A2= Cost A1+ Lease rent of land,

Cost B1=Cost A1+ Imputed interest on owned capital excluding land,

Cost B2=Cost B1+ Imputed rent on owned land,

Cost C1=Cost B1+ Imputed wages of the family workers,

Table 2: Register For Notional Transactions (of Table 1)													
Date	Par ticulars	Investments (opening)		Withdrawals (Drawings)		food to workers	Notional transactions			Profit/ (loss)	Balance (closing) (3b-4+5+6+7)	
		land	others	cash	output ##	###	Land rent	wages	Interest #		Land	others
(1)	(2)	(3a)	(3b)	(4a)	(4b)	5	(6a)	(6b)	(6c)	(7)	(8a)	(8b)
		0	874725	80000	29024	492750	0	0	103227		0	1409452

Note:
1. #Notional Interest calculated @10% p.a = 1274725*12 months – Drawings: 10000*(8+7+6+5+4+3+2+1=36 months) =12747250 - 360000 = (12387250*10%)/12 =103227
2. ##1% of the prawn (deteriorated) and 6% (353.5kg) of the fishes are consumed at home. Valued at 50% of the market price (26157 +31891=58048*50% =29024)
3. ###Valuation of supply of food to 30 employees three times a day for 365 days @Rs.15/- per meal.
4. Further Notional Capital = Enhancement of capital due to notional transactions like cooked food to the workers, interest on own capital (492750+103227=595977)
5. Profit for Rs.47774 is calculated from P/L Account

Cost C2= Cost B2+ Imputed wages of owned labour,

To decompose the aquaculture profit according to the main elements of production such as land, labour capital and organization, such classification is done.

1. Profit A1=Revenue- Cost A1= Accounting profit when the prawn farmer does not use any lease land,
2. Profit A2=Revenue- Cost A2= Accounting profit when the prawn farmer uses owned and leased land,
3. Profit B1=Revenue- Cost B1= Profit for family workers/managers when own capital is used,
4. Profit B2=Revenue- Cost B2= Profit for family workers/managers when family land is used,
5. Profit C1= Revenue-CostC1= Managerial profit when family labour is used,
6. Profit C2= Revenue-CostC2= Managerial profit when owned labour is used.

Direct cost and common cost of prawn monoculture, polyculture and paddy cultivation

It has been observed that during rainy season when salinity of water reduces paddy cultivation is done in some prawn fisheries. Prawns, fishes and paddy grow simultaneously. The farmer gets some extra profit for this paddy cultivation. To determine profit of paddy cultivation only, the common costs of prawn culture and paddy cultivation may be apportioned on the following basis (Refer Table A) .

However, in our case studies profit is determined as a whole for the fisheries as prawn fisheries.

Assets and liabilities of prawn fisheries

Some common assets and liabilities of prawn fisheries are listed below to help in designing assets register, loan register and Balance Sheet.

Assets: Assets are divided into three parts;

a) Fixed Assets: Land, earth works (Impondments, Canals etc.), civil works (sluice gate, storehouse cum guard shed), pipeline, transport (service roads), pumping and aeration machine, nets, implements and other assets.
b) Current Assets: Debtors, cash at bank, cash in hand.
c) Fictitious assets: Preliminary expenses, profit &Loss a/c (Dr. Balance)

Liabilities: Farmer's own capital, long-term loan from bank, short-term working capital loan, sundry creditors for input supplies

Books of accounts and registers

The following registers are required for implementing the accounting system;

1. Cashbook: - It is an important document to record all cash/bank payments and all cash/bank receipts on date wise.
2. Fixed Assets Register: - This register shows the details of fixed assets, depreciation and balance of fixed assets.
3. Stock Register: - In Aquaculture, normally there remains no opening or closing stock of seed, food, or fertilizer at the beginning of the period or at the closing of the period. Since harvested prawns are perishable, there is no question of stock also. Prawns once harvested are sold on the same day or on the next day. However, a stock register may be maintained to record the seed, food, fertilizer and pesticides purchased, used, wastage and balance within the culture period. The quantity of the prawns harvested (output) will also be recorded in this register.
4. Loan Register: - The prawn farmers take loan from unorgan-

ized money market i.e. from local moneylenders. Few large farmers or prawn farming promoters can take loans from bank, co-operatives and other financial institutions. Loan register is to record all loans, interest paid or payable.

5. Debtors and Creditors Register: - This register is required to record all credit sales and credit purchases or outstanding expenses. Since prawn culture is a yearly business not a going concern. So all payment to creditors and recovery from debtors should be made with one year.

6. Register for Notional Transactions: It is the register to record the transactions between the prawn farmers and his household. The notional value of own land and own labour used is recorded in this register (Refer Table 2).

Concluding observations

1. The prawn farmers have no office or time for bookkeeping. The transactions and advents are also not supported by vouchers in most cases. So it is suggested to maintain a rough recording khata or diary to record the daily transactions. This recording book may become the source document of record keeping.

2. Prawn farming deserves greater support of the government in form of the incentives/concessions as in agriculture. It is a matter of great concern that prawn culture is being treated as an industry and concessions available in agriculture are not extended to prawn farmers. The assistance should be in the form of;

a. Income Tax relief

b. Power and water supply at concessional rates

c. Loan facility on concessional rate of interest

d. Insurance cover

3. Organic prawn farming may be introduced for the good health and welfare of the cultured organisms. Organic prawns have become very popular of late due to increasing health awareness and food safety especially in Europe, USA, China etc. MPEDA is implementing a financial assistance to the prawn farmers to adopt organic farming @50% costs of organic seed, organic feed etc. Accounting system may help the farmers to give the required information to receive assistance, subsidies, reliefs and concessions. This will play a vital role in flourishing the prawn farming and developing the economy.

PRAWN FARMING DESERVES GREATER SUPPORT OF THE GOVERNMENT IN FORM OF THE INCENTIVES/CONCESSIONS AS IN AGRICULTURE. IT IS A MATTER OF GREAT CONCERN THAT PRAWN CULTURE IS BEING TREATED AS AN INDUSTRY AND CONCESSIONS AVAILABLE IN AGRICULTURE ARE NOT EXTENDED TO PRAWN FARMERS

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MARKETING THE AGRICULTURAL PRODUCE IN INDIA: NEW BRANDING WAY

Retailers like Reliance has already introduced the brands like Reliance Q which offers branded cereals. ITC has branded flour under the brand name Aashirvaad. A trend can be seen where commodities are gradually tending to become brands

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Indian Agriculture: Moving Away From the Traditional Views

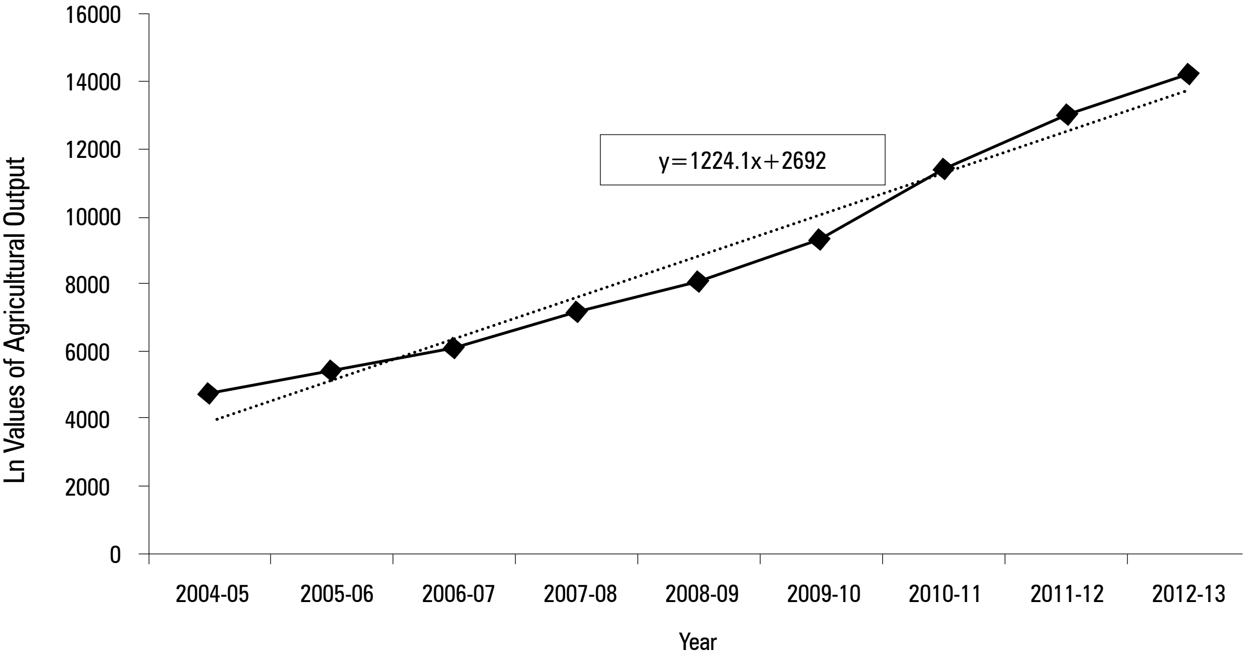
The Indian economy has witnessed a paradigm shift in every sphere of its operations due to the technological advancements, globalization and innovative business ideas. The agricultural sector of the country is none the exception. The traditional view of agriculture as the 'act of farming' has been replaced by 'the process of value creation' where farming is just a part of the series of interactions.[1] This structural transformation reflects a holistic picture of agriculture and signifies its predominance for achieving the national growth by contributing to Gross Domestic Product (GDP). The World Development Report 2008 has stated that "GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture."

The chart in next page demonstrates the increase in agricultural produce as a component of GDP at factor cost taking base year 2004-05. (See Chart 1).

The log linear regression exercise on time-series data of agricultural produce as a component of GDP from 2004-05 to 2012-13 results the equation Ln (Natural Log) y=1224. x+2692.

Reference Table 1	
Output (At Constant prices)	
2003-04	4591.58
2004-05	4766.34
2005-06	5368.22
2006-07	6046.72
2007-08	7162.76
2008-09	8066.46
2009-10	9285.86
2010-11	11435.17
2011-12	13005.69
2012-13	14174.68
Source: Reserve Bank of India	

CHART 1



Where, â= 1224

The trend of agricultural produce also exhibits a Compound Annual Growth Rate (CAGR) of 13.34%. However, given the rich and variety of agricultural produce the growth rate can be driven further by developing backward-forward linkages by way of deploying scientific and technical agricultural inputs which would add value to outputs. Effective channelization of such products through a well-designed supply chain management system would then become imperative for making it available to ultimate consumers.

Agribusiness: Reengineering Agriculture the Business Way

With the advent of dynamism in business processes, the way of marketing of agricultural produce has also been revamped. However, yet it could not match the pace at which the market size is growing. The marketing infrastructures are not well-developed to optimize the available output. It has been estimated that produce of Rs. 50,000 Cr. (approx.) are lost annually due to poor marketing chain and preservation facilities. (Source: Presidential Address, Acharya, S.S., Agribusiness in India: Some Facts and Emerging Issues) The scope of direct marketing 'by farmers to consumers' is also limited as the small and marginal farmers are not in contact with formal economy and there is a place hindrance. Furthermore, the food processing industries in India has a potential multiplier effect to eradicate unemployment, but they are yet to develop.[2]

There is an unstated demand in the market which offers lucrative opportunities for the marketers to capture this segment.

Retailing of Fruits and Vegetables

The fruits and vegetables are primarily transacted in the unorganized sector, especially in village rural areas people. But in recent times the players in the organized market has recognized the need to respond with the change in lifestyles of the consumers mainly the city and urban people. Hence, they have reinvented their business model and reserved a room for retailing fruits and vegetables. Such practices have been seen by the major corporate retailers such as Reliance Fresh, Safal (Mother Dairy), More (Aditya Birla Group), Big Bazaar and Food Bazaar (Future Group), Nature's Basket (Godrej), ITC etc. This was a novel business approach that facilitates a convenient shopping experience to customers. The supply chain has also been structured by retailers through direct contact with the farmers eliminating the middlemen and bringing greater value to all. Technology is also being knitted in the process of marketing the fruits and vegetables through e-tailing.

Though the unorganized sector is still holding the majority of the market share but today the organized sectors are also accelerating considerably. It was real challenge for the retail formats to deal with the perishable goods which have two to three days of shelve life. But this risk could be fairly hedged by pricing at competitive rates, maintaining standards and introducing promotional schemes. On the top of that another factor that influences and induces buyers to shop from such retail formats is the quality perception. The fruit and vegetable offerings of such retail stores are trusted to be of best of quality and at right prices available at convenience. Though the fruits and vegetables are not branded specifically but they are assumed to be so under the umbrella of the retail corporate houses. Hence, there is a latent demand in the existing market which could be fulfilled by bridging the gap.

Branding Fruits and Vegetables: The Futuristic Way

Branding is a sensory experience that a customer has with the product. Retailers like Reliance has already introduced the brands like Reliance Q which offers branded cereals. ITC has branded flour under the brand name Aashirvaad. Likewise, there are myriads of such instances that can be traced and quoted. A trend can be seen where the commodities are gradually tending to become brands. Hence in future there is a possibility that all commodities might be transformed into brands.

GOVERNMENT FRUIT BRANDS CAN BE MADE AVAILABLE TO CONSUMERS EITHER THROUGH OWN RETAIL OUTLETS OR THROUGH EXISTING RETAIL FORMATS. THE SAME MODEL OF STATE GOVERNMENTS THAT IS USED TO PROMOTE TOURISM CAN BE REPLICATED REGARDING THE PROMOTION AND ADVERTISING

The fruits and vegetables retailers are not oblivious of the practice and they have also followed the same trend, for example, Mahindra retail has launched fresh Apples under the brand name of 'Saboro'. It is just not the fact that branding is the benchmark of quality rather a brand is an identity created by way of which the customer perceives the Value for Money (VFM).

Way Forward: The Business Strategy

The corporate retail giants have already made foray into the practice of branding fruits and vegetables. However, the same model can be adopted by the government agencies such as the central or state agricultural marketing boards. To start with, the individual states might come up with the produce on which they hold 'Geographical Indication' (GI) such as West Bengal has GI on three different variety of Mango namely, Laxman Bhog, Himsagar and Fazli. Mangoes can be procured directly from farmers at competitive rates to corporate retailers. Post grading and packaging process they can be presented under the brand names created by Government agencies. The rationale behind promoting produce with GI is to leverage the uniqueness quotient of it. A greater visibility of the produce nationally and internationally can also be acclaimed. The Government fruit brands can be made available to consumers either through own retail outlets or through existing retail formats. However, the distribution network is subject to pricing decisions and acceptability of the corporate retailers to shelve. Regarding the promotion and advertising the same model of State Governments that is used to promote tourism can be replicated. The initiative is expected to trickle-down the benefit to all sections of the society.

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2. Acharya, S.S., Agribusiness in India: Some Facts and Emerging Issues, Agricultural Economics Research Review, Vol. 20 (Conference Issue) 2007, P. 409-424.

3. Reserve Bank of India Official Website accessed on 15/09/2014 at 23:20 Hours. MA

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

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2014

FOUNDATION COURSE EXAMINATION
(Multiple Choice Questions – Online Mode)

Day & Date	Foundation Course Examination	
	Syllabus-2008	
Sunday, 21st December, 2014.	**Paper – 1 & 2 (100 Marks)** **Time : 10 A.M. to 12.00 Noon** **Paper 1** : Organisation and Management Fundamentals (50 Marks) **Paper 2** : Accounting (50 Marks)	**Paper – 3 & 4 (100 Marks)** **Time : 2 P.M. to 4.00 P.M.** **Paper 3** : Economics and Business Fundamentals (50 Marks) **Paper 4** : Business Mathematics and Statistics Fundamentals (50 Marks)
	Syllabus-2012	
Sunday, 21st December, 2014.	**Paper – 1 & 2 (100 Marks)** **Time : 10 A.M. to 12.00 Noon** **Paper 1** : Fundamentals of Economics and Management (50 Marks) **Paper 2** : Fundamentals of Accounting (50 Marks)	**Paper – 3 & 4 (100 Marks)** **Time : 2 P.M. to 4.00 P.M.** **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 in both syllabus (2008 & 2012) will be conducted in M. C. Q. Mode through Online only**.
2. Total Questions : 100 (Multiple Choice Questions), Maximum Marks : 100 (Each Question will carry 1 Mark). There will be no negative marking for wrong answers.
3. **Last term of Foundation examination under 2008 Syllabus is December 2014.**
4. **(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 Foundation Examination is 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.
5. **Last date for receipt of Examination Application Forms without late fees is 5th November, 2014 and with late fees of ₹300/- is 15th November, 2014. 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 15th November, 2014.**
6. Examination fees may also to be paid through **Bank Demand Draft** of requisite fees drawn in favour of "**The Institute of Cost Accountants of India**" and payable at Kolkata.
7. Students may submit their Examination Application Forms along with the fees at ICAI, CMA Bhawan, 12 Sudder Street, Kolkata – 700016 or Regional Offices or Chapter Offices. Any query in this regard may be addressed to Examination Directorate at 12, Sudder Street, Kolkata – 700016.
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 : Foundation – 24th December, 2014.**

A. Das
Director (Examination)

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

AGRICULTURE AND SUSTAINABLE ECONOMIC GROWTH

The decelerating growth in real agricultural gross domestic product and land productivity, increasing food insecurity among the poor and an increased level and persistence of food inflation are having an adverse impact on the growth of the economy

CMA Dr. P.K. Bandgar
Director, Oriental Institute of Management, Mumbai

Agriculture is viewed as a source of food and raw materials for the economy and its people so that they can overcome poverty. However, agricultural growth is a means to the larger goals of employment-led growth and poverty reduction. India's current problems are rooted in its agricultural and allied sectors. These problems are decelerating growth in real agricultural gross domestic product and land productivity, increasing food insecurity among the poor and an increased level and persistence of food inflation. These problems have an adverse impact on the growth of the economy and implement and offset efforts to reduce poverty.

India's agricultural growth rate has averaged less than one third of the government's modest target of 4%. The sector's performance has been about the same before and after the economic reforms in the early 1990's. The reforms that brought a dramatic acceleration of growth in urban sectors have essentially had no effect on agriculture. Slow agricultural growth has had ill-effects on food security, food price inflation and poverty reduction because of the inadequate level and composition of public expenditure. Agricultural education research, extension and a wide range of ancillary public institutions have also suffered. Agricultural growth always demands massive public goods provision and that in turn requires a radical reorientation of central, state and district government activities.

Review of literature

1. K.Palanisami, K.R.Karunakaran, Upali Amarasinghe and C.R Ranganathan, 'Doing Different Things' or Doing it differently ?' Economic and political weekly, Feb.23,2013 concluded that the average yield increase of System of Rice Intensification (SRI) Parcels over non SRI is about 22%, though it varies across regions. The southern region, which dominates rice production in the country, reports an 18% increase in average yield, but absolute increments in Andhra Pradesh and Karnataka are as high as any other region.
2. Harbir Singh and Ramesh Chand,'The Seed Bill, 2011, some reflections,' The Economic and political weekly, December.17,2011 concluded that the Private Sector has an edge over the public sector in capturing market signals and delivering the desired seed products in time. There is a strong need to promote competition in the seed sector to fill the gap between demand and supply of quality seed and to ensure supply at reasonable prices.
3. Madhavi Sally and Jayashree Bhosale, "Reforms: From fields to market"; Economic Times, July,10.2014 concluded that to establish common national market, it was suggested to review of the Land Tenancy Act, pursuing direct marketing and contract farming, examining the inclusion of agri-related taxes under the General Goods and Service Tax (GST) and providing incentives to the private sector to scale up incentives.
4. Misra S.K. and Puri V.K.'Indian Economy' 'Himalaya Publishing House, Mumbai,2012 concluded that Agricultural Research is conducted by the Indian Council of Agricultural Research and Agricultural Universities have evolved in high – yielding varieties of seeds for different crops, particularly wheat. However, intensive efforts are required for achieving similar success in other crops. Research should be conducted on a substantial scale at different regional centres for testing the quality of soil,

AGRICULTURAL GROWTH ALWAYS DEMANDS MASSIVE PUBLIC GOODS PROVISION AND THAT IN TURN REQUIRES A RADICAL REORIENTATION OF CENTRAL, STATE AND DISTRICT GOVERNMENT ACTIVITIES

suggesting measures of soil conservation and reclamation, examining the diseases affecting different crops, improving the quality of agricultural implements, avoiding wastage in agriculture especially damage to crops resulting from pests, insects and rodents.

Objectives of the study

Following are the objectives of the study :

1. To study the growth and development of agriculture in India.
2. To understand the problems faced by the farmers.
3. To study the productivity in Agriculture.
4. To study the role of agriculture in the development of economy.
5. To suggest the measures to achieve sustainable economic growth.

Research methodology

The study is descriptive and analytical in nature. It is based on secondary data which is collected from newspapers, journals, Reports and Books. The data is analyzed with the help of statistical methods such as averages, percentages and Annual Compound Growth Rates. A few suggestions are made at the end in order to achieve sustainable economic growth of the country.

DATA ANALYSIS: The detailed analysis is given below :

(i) Gross Domestic Product: The share of Agriculture, Industries and services in Gross Domestic Product over the years is given in **table 1**.

Above table revealed that the share of Agriculture in GDP of the country has fallen steadily over the past 10 years, while the services sector's contribution has grown from 33% to 60%.

(ii) Productivity in agriculture

The productivity in Agriculture in selected countries is as follows in **table 2**:

Above table 2 shows that average productivity in India is lower than the world average in case of Rice, Wheat, Maize and Milk in the year 2008. The average productivity of rice and wheat is closer to world average but the average productivity of maize and milk is far below the world average. The countries like Netherlands and Egypt are having highest productivity in milk and Rice. In low and middle – income countries, poverty does not decline without accelerated growth in agriculture.

(iii) Agricultural Growth in major crops

Agricultural growth in major crops is as follows in **table 3**.

Above table revealed that average yield per hectare in selected agricultural products has increased during post reforms (1991-92 to 2009-10)

Table – 1- Share of G.D.P (%)

Year	Agriculture	Industry	Services
2004	19.0	27.9	53
2005	18.3	28.00	53.7
2006	17.4	28.7	54.0
2007	16.8	28.7	54.4
2008	15.8	28.0	56.0
2009	14.6	28.3	57.1
2010	14.6	27.9	57.5
2011	14.4	28.2	57.4
2012	13.9	27.3	58.8
2013	13.9	26.0	59.9

Source : IMF, published in Times of India,July.11,2014

Table – 2 - Average Productivity (2008)

Crop	India	World	Highest	Country
Rice(kg/ha.)	3370	4309	9731	Egypt
Wheat(kg./ha.)	2802	3086	3108	US
Maize (kg/ha.)	2324	5109	9658	US
Milk(kg.ha.)	1145	2309	7342	Netherlands

Source : FAOSTAT Production Data

Table : 3- Agricultural growth in major crops

Crop	Pre Reforms		Post Reforms	
	Average yield	ACGR	Average yield	ACGR
	(kg/ha)	(%)	(kg./ha)	(%)
Rice	1342	2.51	1964	1.13
Wheat	1695	3.31	2628	0.92
Maize	1178	2.18	1836	2.13
Coarle Cereals	711	1.89	1093	2.29
Pulses	507	1.03	598	0.51
Sugarcane	55851	1.48	67104	-0.16
Potato	12989	3.01	17350	0.73
Onion	10293	0.04	11614	-0.05

Source : Agriculture statistics at glance (2010) period as compared to the reform period (1971-72 to 1990-91) However, the Annual compound growth rate (ACGR) has decreased in case of selected commodities except course cereals during the same period. The ACGR has increased from 1.89% to 2.29 percent during the same period. The ACGR in case of sugarcane, onion is negative in case of post reform period. Agricultural growth is a means to the larger goals of employmental growth and poverty reduction. The growth rate of real agricultural GDP has averaged less than an adequate 3 percent. This growth rate was lower than the modest targeted growth rate of 4 percent for the reforms period.

(iv) Certified seed supply

The private sector is gradually increasing its share in the domestic certified seeds market.

In **table 4** revealed that the private sector is gradually increasing it's share in the domestic certified seeds market. The private seeds industry accounted for more than 50% of seed availability in volume terms in 2014-15 (kharif;)

Table :4 - Supply of quality seeds (% share in volume)

Year	Govt.Agencies	Private Sector
2011-12	51.9%	98.91%
2012-13	49.05%	50.95%
2013-14	48.30%	51.70%

Source : Parliament Questions, published in Economic Times, 01-09-2014

(v) Trends in production of food crops

The trends in production of food crops is as follows in **table 5**.

Table :5- Trends in Production of food crops

Year	Production (in Mn. Tonnes)	Growth (%)
2003-2004	213.19	22
2004-2005	198.36	-7
2005-2006	208.60	5.2
2006-2007	217.28	4.2
2007-2008	230.78	6.2
2008-2009	234.47	1.6
2009-2010	218.11	-7.0
2010-2011	244.49	12.1
2011-2012	259.32	6.1
2012-2013	250.14	-3.5
Average	227.47	4.00

Source : Ministry of Agriculture, Agricultural statistics Division, DES

Above data revealed that there has been an increasing trend in production of food grains during last 10 years. The growth rate in production is negative in the year 2004-05,2009-10 and 2012-13. The Average Production during last 10 years was 227.47 Million Tones having a growth rate of 4 percent on an average.

(vi) Trends in Production of major crops

The trend in production of major crops is as follows in **table 6**.

Table :6 - Trends in Production of major food crops: (Mn. Tonnes)

Year	Rice	Wheat	Jowar	Bajra	Maize
2003-04	88.53	72.16	6.68	12.11	14.98
2004-05	83.13	68.64	7.24	7.93	14.17
2005-06	91.79	69.35	7.63	7.68	14.71
2006-07	93.35	75.81	7.15	8.42	15.10
2007-08	96.69	78.57	7.93	9.97	18.96
2008-09	99.18	80.68	7.24	8.89	19.73
2009-10	89.09	80.80	6.70	6.51	16.72
2010-11	95.98	86.87	7.00	10.37	21.73
2011-12	94.98	94.88	6.01	10.28	21.76
2012-13	92.30	92.30	5.26	8.15	21.60

Source : Ministry of Agriculture – Agriculture statistics Division, DES

Above table revealed that there is an increasing trend in production of food grains such as Rice, Wheat and Maize but there is a decreasing trends in production of Jowar and Bajra. Jowar is a kharif as well as Rabi season crop still there is decreasing trend in production because more and more farmers go for sugarcane instead of Jowar. Bajra is a kharif season crop and hence there is a decreasing trend in production of Bajra.

(vii) India's Agri Exports and

Table : 7 - India's Agri Exports and Imports : (Rs.Cr.)		
Year	Exports	Imports
2003-04	36415	21973
2004-05	41603	22812
2005-06	49217	21499
2006-07	62211	29638
2007-08	79040	29906
2008-09	85552	37183
2009-10	89342	59528
2010-11	117484	57342
2011-12	187609	109212
2012-13	232041	82819

Source : Ministry of Commerce, DGCI & S

Imports

India's agricultural exports and imports during last 10 years are given in **table 7**.

Above data revealed that India's Agri-exports have been increasing over a period of 10 years. India's imports have also been increasing but the imports have reduced during the year 2012-13 due to Government controls. The year 2008-09, put the brakes on India's exports due to global financial crisis. India's Agri exports surged three times during last four years. The resultant surplus helped bridge the overall current Account deficit. However, the import basket has mostly remained constant with vegetable oil still accounting for about half of all agri-imports.

Conclusions

India's agricultural growth rate has averaged less than one third of the government's modest target of 4%. The share of Agriculture in G.D.P. of the country has fallen steadily over the past 10 years. The average productivity in Agriculture is lower than the world average in case of rice, wheat, maize and milk in the year 2008. The average yield per hectare in selected agricultural products has increased during post reforms period. However, the Annual Compound Growth Rate (ACGR) has decreased in case of selected commodities except course cereals during the same period. The A.C.G.R in case of sugarcane and onion is negative in the post reform period. The private sector is gradually increasing its share in the domestic certified seeds market. There is an increasing trend in production of food grains such as Rice, Wheat and Maize but in case of Jowar and Bajra, the trend has been decreasing. India's exports of Agri-products have been increasing over a period of last 10 years. However, India's imports of agri-products have also been increasing during the same period. The year 2008-09, put the break on India's exports due to global financial crisis.

Suggestions

1. India's imports should be reduced by increasing domestic production.
2. Apart from focus on increasing productivity, there is a need to concentrate on reducing post – harvest loss and to increase cold storage capacity.
3. For a large majority of Indians, pulses are the major source of proteins. Thus, per capita availability of pulses should be increased.
4. Research should be conducted on a substantial scale at different regional centre's for testing the quality of soil, suggesting measures for soil conservation and reclamation, examining diseases affecting different crops, improving the quality of agricultural implements etc.
5. Policies of the government, relating to different crops, exports, taxes, subsidies, supplies of inputs and availability of credit should be favorable to increase agri-production.

Refernces

1. *Business Lines, September 18,2014.*
2. *Business lines, 28th August, 2014*
3. *Economic and Political weekly, Feb.23,2013.*
4. *Economic Times, July 10,2014.*
5. *Economic and political weekly, December 17, 2011.*
6. *Misra S.K. & Puri V.K 'Indian Economy' Himalaya publishing House, Mumbai* MA

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From the Research Desk

Agriculture and the Indian Economy

Role of CMAs

Raising agricultural productivity per unit of land: Raising productivity per unit of land will need to be the main engine of agricultural growth as virtually all cultivable land is farmed. Water resources are also limited and water for irrigation must contend with increasing industrial and urban needs. The CMAs can instigate measures to increase productivity.

Cost-effective Strategies for agriculture: The agricultural sector is prone to output fluctuations even after establishing better input facilities and technology like irrigation, High yielding seeds, changes in cropping pattern etc. To leverage the global competitive advantage, Indian agriculture needs intervention in the areas of policy, technology and market access. The competent authority can collaborate with the institute to formulate cost –***effective strategies*** for progress of Indian agriculture.

Sustainability Issues: Electricity, fertilizer and seeds for agriculture are subsidized, there is little incentive for farmers to adopt water-saving techniques, creating a vicious circle of water and energy consumption. Here, CMAs can initiate farmer-friendly subsidy mechanisms maximizing

their impact on the target population at minimum cost.

Input Cost & Food Security: The accelerating pace of climate change, combined with global population and income growth, threatens food security everywhere. In the coming decades, feeding a growing population will demand ingenuity and innovation, to produce more food with fewer resources in more sustainable ways. For accelerated growth and food security, the CMAs can suggest demand-driven approach and develop Value Chains to reduce marketing costs. CMAs also can play big role to minimize input cost of agriculture by applying various costing techniques such as ***Risk Mapping, Target Costing, ABC mechanism***, etc.

R & D Activities: Agriculture must transform to adapt to a changing climate, meet food demand, and reduce emission intensities per unit of output. A climate-responsive development strategy is needed to achieve the triple wins of development, adaptation and mitigation. So lot of research works required, Institute can also suggest proper purchase procedure mechanism for procuring equipments used for research and development and ascertaining R&D cost for assessing legitimate tax benefit and product viability based on the feasibility study.

Resource Mapping: The lack of adequate credit or an insurance facility would be a barrier for wider adoption of these technologies. An obscure strategy that merely addresses a few adaptation concerns falls short of a sustainable pathway for agricultural development. Other parallel schemes targeting resource use efficiency have been similarly uninspiring. Initiatives to promote micro irrigation technologies are scattered, with limited success in only a few states. CMAs in these regard can frame suitable strategies and help in ***Resource Mapping*** for efficient utilization of resources and can keep track of allocation and apportionment of fund.

Subsidy Mechanism: Agriculture subsidies play vital role in growth of agriculture sector in India. Without help of subsidies development of agricultural sector is very difficult. Corruption & ineffective management of subsidies in India is one of the reasons behind it, it has not reached to end users i.e. farmers. In this regard, the CMAs can frame cost competitive subsidy mechanism to make it both way beneficial for Government and the farmers.

Price Mechanism: The price fixation of agricultural products is undertaken by the government such that the productive resources are channeled into production of required food commodities and also generates enough income to farmers for decent living and provide for capital formation in agriculture for future production. For the consumers, especially people of BPL category, it should be at affordable prices. The CMAs can analyze and recommend cost effective price mechanism by applying ***cost management techniques***.

Marketing Strategy: Agriculture markets are the focal point of rural economy. Nowadays, it means more than linking the producer with consumer, it includes creation of favorable economic environment for farmers to enthuse them to grow more and get proceeds from transactions. Agricultural marketing system can be analyzed by looking at the farmers' marketing practices, marketing channels and the structure of markets. The CMAs can assist to formulate a ***Comprehensive Marketing Strategy*** by ***Risk Mapping, Resource Mapping, Product and Pricing Management***.

Supply Chain- An effective tool to control Agricultural Labourer Dropout Rate: An efficient Supply Chain can contribute to an increase in the marketable surplus by lowering down the inefficiencies in production, processing, storage and transportation. It ensures better prices to the farmers of their produce. It widens market opportunities for products and thus helps in maintaining an ever increasing demand for the same. Here CMAs can assist to apply cost-effective supply chain procedure to curtail cost from production to marketable stage and control agricultural labourer dropout rate.

Agricultural Tax: All the agricultural crops other than the plantation crops are exempted from tax in the respective State Acts. In a country like ours, there are many farmers who are wealthier than many businessmen. And yet, they do not pay any income tax against their income. They have enriched themselves by getting the various benefits like infrastructure investments as well as incentives towards fertilizers and guaranteed minimum price for the product to derive the maximum benefit from agriculture. The agricultural income tax could have been an important source of revenue for the State. Thus, here CMAs can assess the tax valuation in such a way that Agricultural Tax would be beneficial for both farmers and the Government.

Priority Sector Lending: In India, nearly one-third of its national income comes from the agriculture sector. Its economic and social development directly depends on the expansion of the agriculture sector. Therefore, it is treated as primary priority sector lending in India. Agricultural loans are given to the farmers on their need-base. The CMAs can evaluate what is actually required by them, their asset and inventory valuation to eradicate misappropriation and fraudulent activities.

Contract Farming: Contract farming is a process where selected crops are grown by farmers under a buy back agreement with an agency engaged in trading or processing. In our country this approach has considerable potential where small and marginal farmers can no longer be competitive without access to modern technologies and support. In the contractual agreement with the farmer, the agencies provide access to production services and credit as well as knowledge of new technology. Pricing arrangements can significantly reduce the risk and uncertainty of market place. Thus in this regard the CMAs can frame suitable pricing mechanism and can make proper Cost-benefit analysis for sustainable contract farming.

A COSTLY LIAISON: AGENCY RELATIONSHIP AND LIABILITY FOR THE TAX DEBT

The state's penchant for legislating measures to protect its revenues is recognized in law. However, the provisions for enforcing recovery of tax debts must be clear as well as fair. The agents should not be financially crippled for no fault of their own

Dr. Ravindran Pranatharthy
Advocate – Indirect Taxes & IPRs

TAX compliance is not like a walk in the park. If it were so, it will be the eighth wonder of the world. Especially in transactional, Indirect tax systems with their thicket of opaque procedures and inscrutable forms, the liabilities always loom large even for those who may consider themselves as tough nuts or thick skins. A disapproving frown of or a call and summon from a tax official may suffice to wipe off a smile from the face of tax-payers. This is perhaps a solid reason for the tax payers to consider engaging agents to shepherd and deliver compliance with the law. Tax compliances are written by the officials, for the officials. Taxpayers rarely count in the procedural formulations. In this murky scenario, Agents could help to smoothen and lubricate the rough edges of the tax system and salve the angst of the tax payers. Despite a plethora of promises and proposals to make it easier for taxpayers to comply on their own without engaging any agents, the tax systems in our country still necessitate the deployment of agents to work for the tax-payers. This is especially the case in the area of Customs law. It is still unusual for the exporters and importers to deal directly with the Customs. The Customs Act makes no bones about the need for agents to fill in for their principals at the Customs trade points. The customs law takes care to provide for and regulate the functioning of Customs Brokers (previously known as Customs House Agents). While the business of tax agents may seem viable or even lucrative, in its actual practice it is not without its pitfalls and this is an area of law which the agents will miss out only at the peril of tax consequences for them. The tax agents represent their principals but in case the principals do not measure upto compliance as required by the law, the tax agents may get sucked into the non-compliance vortex with baleful impact. In this article, we will analyze the linkage between Agency Relationship and the Tax Debts, especially in the area relating to the Customs Law.

Some features of the law of Agency

Section 182 of the Indian Contract Act defines 'Agent' as a person employed to do any act for another, or to represent another in dealings with third persons. The person for whom such act is done, or who is so represented is called 'the Principal'. Thus the Law of Agency essentially covers performance of an act or a representation on the part of the Agent. The fact that certain persons are referred to in common parlance as Agents is not conclusive of Agency in law. The determination whether the relationship between the parties is that of Agency or in essence something else though similar will depend upon the facts of each case. The various responsibilities, duties and the powers of Agents are defined in Chapter X of the Indian Contract Act, as amended. The Law of Agency is a fair balance of rights and responsibilities between the Principal and the Agent. Sections 222 to 225 protect the Agent against the consequences of lawful acts done by the Agent who can expect to be indemnified by the Principal against consequences of acts done by him in good faith on behalf of the Principal. Despite the Contract law, a person desiring to become an Agent ought to take care regarding the consequences of his agency in certain areas of the law, such as Environment, Consumer Protection and Taxation. The contractual relationship between the parties must be carefully entered into when consequences for the Agent would be as grim as that of the other party, though it may not be easy in the context of commercial competition for agency work to fully indemnify against such eventuality. It will be advisable for agents to be aware of the legal consequences of their acts under certain laws.

Agents under the customs law

The Customs Act, 1962 has formal provisions vide section 146 relating to the appointment of Customs Brokers (earlier called 'Custom House Agents). The Customs Agents are appointed and licensed by the Customs Authorities. The need for Customs Agents is a telling admission of the complexity and rigour of the Customs Procedures. The procedure relating to the appointment and licensing of Customs Agents is contained in the Customs Brokers' Licensing Regulations, 2013. These regulations require the Customs Agents inter alia to verify the antecedents of the Importers and Exporters including their identity, address and the I.E.C. Number. This is no easy task. The Agents are also required to exercise due diligence and advice their clients to comply with the Law and in case of non-compliance by the clients, to bring the matter to the notice of Customs Authorities. The Customs Brokers are liable to a penalty, which may extend to Rs.50,000/-, in case of breach of the Licensing Regulations. The Customs Brokers suffer an onerous burden going beyond the regulations even when they have discharged their work in good faith. The Section 147 of the Customs Act deals with the liability of Principal and Agent. The provisions are extracted as follows:-

Liability of principal and agent

147. (1) where this Act requires anything to be done by the owner, importer or exporter of any goods, it may be done on his behalf by his agent.

(2) Any such thing done of the owner, importer or exporter of any goods shall, unless the contrary is provided, be deemed to have been done with the knowledge and consent of such owner, importer or exporter, so that in any proceedings under the Act, the owner, importer or exporter of the goods shall also be liable as if the thing had been done by himself.

(3) **When any person is expressly or impliedly authorized by the owner, importer or exporter of any goods to be his agent in respect of such goods for all or any of the purposes of this Act, such person shall, without prejudice to the liability of the owner, importer or exporter, be deemed to be the owner, importer or exporter of such goods for such purposes including liability therefor under this act.**

Provided that where any duty is not levied or is short-levied or erroneously refunded on account of any reason other than any wilful act, negligence or default of the agent, such duty shall not be recovered from the agent unless in the opinion of Assistant commissioner of Customs or Deputy Commissioner of Customs the same cannot be recovered from the owner, importer or exporter.

The judicial interpretation of the vicarious liability of the agent/broker for payment of the customs debt

The draconian power given to Customs Authorities under the Proviso to Section 147(3) of the Customs Act, 1962 has been circumscribed and made subject to certain limitations in the course of the evolution of the customs jurisprudence. Some noteworthy cases may be cited here. In the case of PILMEN AGENTS PRIVATE LIMITED Vs COLLECTOR OF CUSTOMS, MADRAS- 2000 (126) E.L.T. 79 (Mad.), decided in April 1966, the Madras High Court made the collection of such Customs Debt from the Agents subject to Section 28 of the Customs Act involving time-limited show cause notice with due process.

In the case of COLLECTOR OF CUSTOMS, COCHIN Vs TRIVANDRUM RUBBER WORKS LIMITED – 1999 (106) E.L.T. 9 (S.C.), the Apex Court imposed another limitation on the power vested with the Department officials under section 147(3) by stipulating that the Agents' Duties and Functions under the Customs Act come to an end with the clearance of imported goods and their delivery to the owner / importer. The Court laid down that no notice can be served by the Department on the agent thereafter.

The Tribunal, in the case of EXPRESS KARGO

FORWARDS PRIVATE LIMITED Vs COMMISSIONER OF CUSTOMS, BANGALORE – 2002 (143) E.L.T. 128 (Tri) laid down that the liability of Customs House Agent for Customs Debt would arise only if the duties could not be recovered from the importer/owner of goods and such a conclusion is arrived at specifically by the authority concerned. The Tribunal further stated that where no effort was made to recover the duties from the importer, the debt cannot be recovered from the Customs Agent.

The Tribunal in the case of DEVSHI BHANJI KHONA VERSUS COMMISSIONER OF CUSTOMS, COCHIN – 2009 (237) E.L.T. 509 (Tri) concurred with the principle that the duties Customs House Agent ended the moment the goods were cleared from the Customs Area and that the Department should only proceed against the Importer for any customs offence and not against the Customs House Agent unless the Agent himself was complicit in such offence.

In an interesting decision in the case of M/s ASPINWALL & CO Vs CCE, TRICHY – 2001(132) ELT 644 (T), the Tribunal explained the responsibility of a licensed Customs House Agent in relation to section 147 of the Customs Act and differentiated such an agent from an agent holding a power of attorney from his principal. The decision of the Tribunal was maintained by the Supreme Court when it rejected the appeal of the Commissioner of Central Excise, Trichy against the Tribunal's order vide COMMISSIONER Vs ASPINWALL & CO – 2002(142) ELT A80 (S.C). In the lucid and instructive words of the Tribunal:

"4. *On a careful consideration of the submissions made by both sides, we find lot of force in the submissions made by the ld. Counsel. His submission is supported by the ratio of the judgment rendered in the case of CC, Cochin v. Trivandrum Rubber Works Ltd. (supra) and that of Tribunal judgment in the case of Krison Electronic Systems Ltd. v. CC, Calcutta (supra). Both the judgments deal in great detail about the function of the CHA as an Agent and his responsibility is to a limited purpose of arranging release of the goods, and once the goods are cleared he has no further function. The reference to the Agent under Section 147 is to the Agent of the Principal i.e. Power of Attorney holder of the importer and where the relationship of "Master and Servant" come into play and in such cases the act of an agent is held to be an act of the Principal. While CHA is acting under a separate Regulations and his function under the licence is only to present papers for clearance of imported goods under Bill of Entry and not to act as an agent as contemplated under Section 147 of the Act. Therefore, both the authorities were clearly in error in the application of law. In view of the judgments cited above, the impugned order is set aside and the appeal is allowed with consequential relief, it any".*

The above caselaws cushion the blow and place significant fetters on the exercise of the summary power of recovery of customs debt from the Customs Brokers. However, it can be seen that the law contained in the Customs Section does not differentiate between Agents and the different types of representation that they may make. In this regard the position in British & EU Customs law is useful and instructive in comparative perspective.

Customs debt and agent's responisibility in british & eu customs codes

The British Customs Code vide reference Notice No.199 (July 2012), defines Customs Debt and makes it clear as to who is liable for the Customs Debt. It also deals with the Agency responsibilities. The Customs Debt refers to Customs Duties, Anti-dumping Duties, CAP (Common Agricultural Policy) Charges which become payable upon importation of goods. The Declarant of the imported goods is primarily liable for the Customs Debt and is the person, firm or company who makes the Customs Declaration in respect of the goods being imported. The Declaration is usually on Form No.C-88, well-known as the Single Administrative Document (SAD). The Declarant may be the importer or an importing entity or a representative. The representation could be either direct or indirect. Para 7.6 of the Customs Practice Code dealing with the question of who is to be pursued for the Customs Debt states as follows:

"7.6 Who is to be pursued for the customs debt?

This depends upon whether representation is involved and the type of representation agreed between the parties concerned.

If you are acting as a direct representative, that is you are making a customs declaration on behalf of a principal in their name, the principal is the declarant and liable for the customs debt, not you.

If you are acting as an indirect representative, that is you are making a customs declaration on behalf of a principal in your own name, then you are the declarant. However, both you and the principal are liable for the customs debt. Therefore we will pursue both you and the principal for the payment of the debt. If one of you is insolvent, the debt will be claimed in the insolvency. If only one of you is established in the Community, we will pursue that debtor.

If you make a declaration in your own name on your own behalf, you are the declarant and liable for the customs debt.

It is remarkable that the British customs code explains at length the different kinds of representation that could be made by the agents handling customs work. Thus, the liability of customs agents in Britain depends on the type of customs representation they make unlike the Indian customs code which makes no such distinction causing inequity to the agents who may be forced to pay for the sins of their principals. The provision in the Contract Act for indemnity and compensation to be enforced against the principal is of little consolation to such agents who may find their business interests ruined by the customs demands. The British customs practice is in line with the EU customs code in this regard. The Irish Customs code (Manual on Collection of Customs Debts – version 2012) which is also based on EU customs principles is extracted as follows:

"5.2: Under Article 5 of the Community Customs Code, a person may appoint an agent or representative to deal with his/her customs affairs. This is the legal basis for customs clearance agents or other parties making customs declarations on behalf of an importer.
5.3: A representative may act either directly or indirectly. A direct representative acts in the name of, and on behalf of, another person, whereas an indirect representative acts in his own name but on behalf of another. In completing a customs declaration the representative/agent must state that he is acting on behalf of the individual represented and whether the representation is direct or indirect (this is achieved by inserting the appropriate code in Box 14/1 of the SAD). The agent must also be able to demonstrate, on request, that he is authorised by the importer to so act.
5.5: In practice most agents declare that they are acting in a direct capacity which should generally be accepted at face value except where evidence to the contrary exists. The status of the agent should not be investigated further unless the importer him/herself specifically claims that the agent is liable for the debt or disputes the form of representation declared".

It is high time that Indian Customs provisions relating to Customs brokers adopted the sensible pattern and fair practice followed in Britain, Ireland and the EU which may indeed be more conducive to revenue interests by bringing clarity to the liability of the customs debtors and by lessening the unending litigation caused by a blind-sided provision of the law.

Position of agents in the central excise and vat acts regarding tax debts

Though there is no provision in the Central Excise Act comparable to the section 147(3) of the Customs Act, the Rule (2) of Central Excise Rules, 2002 defines an assessee as a person who is liable for payment of duty assessed and interalia includes an authorized agent in the enumeration of assessees. Neither the central excise act nor the central excise rules makes any explicit provision for recovery of central excise debts from the agent. This may be because the central excise law mainly deals with the manufacturers of excisable goods and it is virtually unknown for agents to deliver excise compliance as in the manner of customs clearance. Nevertheless, the authorized agents may become liable for central excise debts on their own if they have carried out manufacturing activity for their principals (unless the principal parties have committed to receive back the goods for further use and pay the duty on the final products) and otherwise may also be liable to penalties under the Act and the Rules in the event of offenses in which they are complicit.

As far as the state vat acts are concerned, there is no provision similar to section 147 of the Customs Act. If anything, the Vat laws bind the principals more clearly with the tax dues. If the agent is authorized to deal in the goods of the principal and gets registered or is liable to pay the tax under the vat law, such agent becomes a dealer and will be liable for the tax debts in relation to the goods he has dealt with. The vat liability of an agent acting for his principal cannot be contracted out. Similarly, the principal acting through his agent cannot wash off his Vat liability by contract of agency. There cannot be a contract against statutory provisions.

Conclusion

The crystallized tax liability is a sovereign debt and the policy of tax statutes is not only to provide for the levy, assessment and collection but also for the recovery of the unpaid dues from more than one party concerned with the tax transaction. The state's penchant for legislating measures to protect its revenues is recognized in law. However, the provisions for enforcing recovery of tax debts must be clear as well as fair. The agents should not be financially crippled for no fault of their own. The customs provision for recovering tax debts from the agents even when such agents have not committed any offense on their own and have had no intention to carry the tax burden of their principals appears unreasonable and is out of line with the practices adopted by developed countries whose ranks we want our country to join as soon as we can. It is time to scan the customs law and put in place calibrated reforms that facilitate fair treatment to all the stake-holders and promote collective economic well-being. MA

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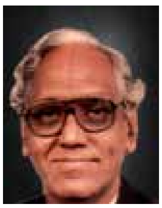
SERVICE TAX: THE LATEST UPDATE

There are ever so many ramifications of the law regarding service tax which we need to take into account in our practical daily life. Since it is an evolving law, it should be watched with interest



TCA Ramanujam
Chief Commissioner of Income Tax (retd.), Advocate High Court, Madras

TCA Sangeetha
Masters in Law

IT was Dr.Manmohan Singh who introduced Service Tax into the Indian fiscal system when he became Finance Minister in 1991. Our GDP is made up of incomes of individuals and corporate houses, the value of goods manufactured by our industries and the services rendered in the Economy. It was realized early in the 1990's that services accounted for more than 50% of our GDP. It started off with a modest levy of 5% on a limited number of services. Gradually, the net was spread wide and the rate was increased. At present, the rate is 12% on the value of services. The contribution of service tax to Central Revenues exceeded Rs.1,80,000crores in the Budget 2013-14.

Service taxis levied byChapter V of the Finance Act, 1994 (32 of 1994.) It is recognized as an Indirect Tax. The levy is passed on to the ultimate consumer. As we learn from experience, Government thought that instead of specifying various services that will be brought to charge, a negative list can be incorporated in the Act. The services mentioned in the negative list will not be charged to service tax.

Since the levy is new, the law is slow to develop.Like the other indirect taxes, service tax also continues to be governed more by notifications of the CBEC than by case law by High Courts. Controversies have emerged.

Service Tax on Foreign Remittances

Activities connected with inward remittances from abroad to beneficiaries in India through mail transfers and bank transactions are now the focus of critical examination by Courts of Law. The Central Board of Indirect Taxes was in two minds about levying service tax on such inward remittances. The following circulars shows how the Board originally thought it was not leviable but later on revised its attitude.

"Levy of service tax on activities involved in relation to inward remittances from abroad to beneficiaries in India through MTSOs- reg. - Circular No. 180/06/2014 – ST, dt. 14-10-2014

F. No 354/105/2012-TRU (Pt.)]

1.Vide circular No. 163/14/2012–ST, dated 10th July, 2012, on the issue of levy of service tax on the activities involved in the inward remittance, it was clarified that there is no service tax per se on the foreign exchange remitted to India from outside for the reason that money does not constitute a service and that conversion charges or fee levied for sending

S. No.	Issues	Clarification
1	Whether service tax is payable on remittance received in India from abroad?	No service tax is payable per se on the amount of foreign currency remitted to India from overseas. As the remittance comprises money, it does not in itself constitute any service in terms of the definition of 'service' as contained in clause (44) of section 65B of the Finance Act 1994.
2	Whether the service of an agent or the representation service provided by an Indian entity/ bank to a foreign money transfer service operator (MTSO) in relation to money transfer falls in the category of intermediary service?	Yes. The Indian bank or other entity acting as an agent to MTSO in relation to money transfer, facilitates in the delivery of the remittance to the beneficiary in India. In performing this service, the Indian Bank/entity facilitates the provision of Money transfer Service by the MTSO to a beneficiary in India. For their service, agent receives commission or fee. Hence, the agent falls in the category of intermediary as defined in rule 2(f) of the Place of Provision of Service Rules, 2012.
3	Whether service tax is leviable on the service provided, as mentioned in point 2 above, by an intermediary/agent located in India (in taxable territory) to MTSOs located outside India?	Service provided by an intermediary is covered by rule 9 (c) of the Place of Provision of Service Rules, 2012. As per this rule, the place of provision of service is the location of service provider. Hence, service provided by an agent, located in India (in taxable territory), to MTSO is liable to service tax. The value of intermediary service provided by the agent to MTSO is the commission or fee or any similar amount, by whatever name called, received by it from MTSO and service tax is payable on such commission or fee.
4.	Whether service tax would apply on the amount charged separately, if any, by the Indian bank/entity/agent/sub-agent from the person who receives remittance in the taxable territory, for the service provided by such Indian bank/entity/agent/sub-agent	Yes. As the service is provided by Indian bank/entity/agent/sub-agent to a person located in taxable territory, the Place of Provision is in the taxable territory. Therefore, service tax is payable on amount charged separately, if any.
5.	Whether service tax would apply on the services provided by way of currency conversion by a bank /entity located in India (in the taxable territory) to the recipient of remittance in India?	Any activity of money changing comprises an independent taxable activity. Therefore, service tax applies on currency conversion in such cases in terms of the Service Tax (Determination of Value) Rules. Service provider has an option to pay service tax at prescribed rates in terms of Rule 6(7B) of the Service Tax Rules 1994.
6.	Whether services provided by sub-agents to such Indian Bank/entity located in the taxable territory in relation to money transfer is leviable to service tax?	Sub-agents also fall in the category of intermediary. Therefore, service tax is payable on commission received by sub-agents from Indian bank/entity.

such money would also not be liable to service tax as the person sending money and the company conducting the remittance are both located outside India. It was also clarified that the Indian bank or financial institution which provides service to the foreign bank or any other entity is not liable to service tax as the place of provision of service shall be the location of the recipient of service. This clarification covers the scenario where the Indian bank or financial institution provides services on principal to principal basis to the foreign bank/entity, on its own account, and thus the service is covered by the general rule, i.e. Rule 3 of the Place of Provision of Service Rules, 2012.

2. However, subsequently, it had been brought to the notice of the Board that the foreign Money Transfer Service Operator (MTSO), conducting remittances to beneficiaries in India, have appointed Indian Banks/financial entities as their agents in India who provide agency /

representation service to such MTSO for furtherance of their service to a beneficiary in India. The agents are paid a commission or fee by the MTSO for their services. The entire sequence of transactions in remittances of money from overseas through the MTSO route is as under:

Step 1: Remitter located outside India (say 'A') approaches a Money Transfer Service Operator (MTSO)/ bank (say B) located outside India for remitting the money to a beneficiary in India; 'B' charges a fee from 'A'.

Step 2: 'B' avails the services of an Indian entity (agent) (say 'C') for delivery of money to the ultimate recipient of money in India (say 'E'); 'C' is paid a commission/fee by 'B'.

Step 3: 'C' may avail service of a sub-agent (D). 'D' charges fee/commission from 'C'.

Step 4: 'C' or 'D', as the case may be, delivers the money to 'E' and may charge a fee from 'E'.

3. Clarifications have been sought as to whether such agents (referred in Step 2 above) would fall in the category of intermediary, and if so, whether service tax would be leviable on the commission/fee amount charged by such agents. Clarifications have also been sought as to whether the services provided by sub agent (referred in step 3 & 4 above) are leviable to service tax and on certain other related issues.

AS WE LEARN FROM EXPERIENCE, GOVERNMENT THOUGHT THAT INSTEAD OF SPECIFYING VARIOUS SERVICES THAT WILL BE BROUGHT TO CHARGE, A NEGATIVE LIST CAN BE INCORPORATED IN THE ACT. THE SERVICES MENTIONED IN THE NEGATIVE LIST WILL NOT BE CHARGED TO SERVICE TAX

4. The issues discussed above have been examined and it is clarified as follows on previous page.

5. Accordingly, Circular No. 163/14/2012-ST, dated 10.7.2012 stands superceded."

The Kerala High Court's View

The above levy was challenged before the Kerala High Court.

The Kerala High Court in M/s Palm Fibre India Pvt Ltd vs. Union Bank of India [WP(C) No. 2809 of 2014(A)] has held that service tax can be levied on the fees and commissions charged by banks for converting overseas remittances into rupees. This ruling, delivered in September 2014, is seen as a setback for exporters.

Palm Fiber, a Kerala-based manufacturer and exporter of products such as doormats and floor coverings,filed a writ against Union Bank of India and revenue authorities, arguing that it wasn't liable to pay the tax on foreign currency remitted to India, and if at all tax was to be levied; it should be on the gross charge levied by the bank for the service rendered. The company had sought to stop the bank from levying the tax and also asked for a refund on the money already deducted.

While dismissing the writ petition the Kerala High-Court said that it did not find any illegality in levying the tax since conversion of foreign currency is a service provided by banks. The difference that the bank earns while buying currency at a lower rate from the market and converting it at Reserve Bank of India rates can be considered as service for charging service tax.

The Kerala High Court rejected the company's contention and upheld the service tax levied on the fees and commissions charged by banks for converting foreign remittances into Indian Rupees. Critics have wondered whether such a levy would not amount to a charge on the export earnings of Indian exporters.

Conclusion

There are ever so many ramifications of the law regarding service tax which we need to take into account in our practical daily life. For example, the Allahabad High Court had recently held that no penalty is leviable when there is no mass awareness about the levy of Service tax -H.M. Singh & Co.Vs. Commissioner of Central Excise, Customs & Service Tax [2014 (49)taxmann.com 417.

The evolving law should be watched with interest. MA

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TAX TITBITS

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Tax reform – How soon?

TRADE associations are busy with preparation of suggestions for next Finance Bill on invitation from the Government.

Fiscal laws require review by way of an integrated outlook of both direct and indirect taxes from time to time. The draft Direct Taxes Code (DTC) is expected to be reviewed, but such review would require gargantuan efforts to make it simple and comprehensible. Mr. Arvind Datar in his preface to latest edition of Kanga and Palkhivala's "Law of Income Tax" takes the view that replacing the present law by DTC is like replacing one leaking bucket by another.

Income tax law has to be aligned to the company law. It should also be in line with the commitments made in Double Taxation Avoidance Agreements with other countries for purposes of international taxation. The concept of income should be in tune with Generally Accepted Accounting Principles (GAAP) and Accounting Standards in the light of the on-going effort at convergence with International Financial Reporting Standards (IFRS). Transfer pricing in its present garb gives rise to more problems of interpretation of law and its application, now unmercifully extended to domestic transactions as well. It should be made simpler and adjudicatory process generally and for transfer pricing more specifically, should be effective.

Service tax, which is uneven in its impact is also badly in need of reform, so as to ensure fairness in the burden of tax as between the different industries and generally on its effect on pricing.

Taxation should ensure that there is no encroachment on the powers of levy of tax as between Centre and States as is now evident in respect of taxation of agricultural income or in respect of wealth tax on properties. There should be no conflict as between service tax and sales-tax as is found in matters relating to software. The new form of e-trading provides problems as to the point of levy of such tax especially in matters of international taxation. Introduction of Goods and Services Tax (GST), which will replace the indirect taxes like import duty, excise, Value Added Tax (VAT) and service tax needs to be hastened.

Its time that Kaldor's idea of comprehensive tax law and an income tax return giving information reconciling opening and closing net wealth taking into account not only income but also gifts and expenditure, receives attention.

The expected taxation policies for both direct and indirect taxes should encourage inducement for investment while propensity to save is not discouraged in the interest of growth of the economy.

The task above can be done only by a group of experts with experience in industry and with participation of tax administration, which would bring forth a system of integrated taxation on a new slate by enacting either new laws or amendment to existing laws. Future amendments to law should not merely be a patchwork and create more anomalies in our law than we have at present.

Dr. A.S. Durgaprasad, the new President in a timely tiding has promised that the Institute will play a role in Indian economy by providing vital inputs. It is timely because forensic auditing is very much in the air. Let us hope that an effort in tax and administrative reform will be initiated sooner than later.

Consequence of absurd advice – An auditor's plight

WHERE a matter of relief was pending before the Tribunal with orders on the same issue for later years adverse to the taxpayer, the auditor advised that no appeal is necessary for such later years, since the order of the Tribunal, which is expected to be in favour will justify rectification of assessments for later years on the same lines. The assessee succeeded before the Tribunal, but the Assessing Officer dismissed the rectification petitions for such later years. When the matter came up before the Tribunal in Vijay V. Meghani v. Dy.CIT (2014) 49 taxmann.com 88 (Mumbai-Trib), it held, that it was helpless because it was not a matter falling within the purview of rectification with facts on record at the time of assessment. While dismissing the appeal, the Tribunal had a dig at the profession of the Chartered Accountants for such wrong advice in spite of its coaching centres and CPE programmes. It cautioned the Institute of Chartered Accountants of India to make note of the alarming fall in standards endangering its pioneering position. The standards of coaching centres by spoon-feeding, it was commented, was undermining the habit of thinking and introspection.

The advice were too harsh for more than one reason. The advice given was not unreasonable, since relief on the basis of a final decision in the same case is possible on revision under section 264 even after condonation of delay. Rectification under section 154 is not ruled out, if in time. The assessee lost a deserving case because of the narrow interpretation adopted by the authorities.

Fall in standards is not confined to the profession of Chartered Accountants alone, but is universal in all professions and more so in bureaucracy including judicial administration, so that any institution criticizing another will evoke the retort "Physician, heal thyself". What is the lesson for Cost and Management Accountants from this decision?

How substantial is substantial?

THE word "substantial" is used in various places in the statute imposing or granting relief to person having substantial interest in an asset or income for various purposes. One such provision is the Explanation 5 to section 9(1)(i), which fastens liability, where an asset is "substantially" located in India. The word "substantial" in this provision was understood by the High Court in DIT (International Taxation) v. Copal Research Ltd., Mauritius (2014) 49 taxmann.com 125 (Del) by a rule of the thumb as interest not less than 50%. This is not a satisfactory solution, where the interest may vary from year to year. It cannot be that person has substantial interest in one year and not in other years. The word is better understood in the light of substantial control exercised irrespective of the percentage of ownership for any particular year. It has been so decided in the context of the meaning of the word "mainly" used in section 73 by the Supreme Court in Nawn Estates (P) Ltd. v. CIT (1977) 106 ITR 45 (SC) pointing out that the inference cannot be based upon a single year's situation, but with reference to the control exercised in the immediate past.

Amount paid for getting data base of prospective customers

AN amount paid for getting data base of prospective customers was disallowed as being capital in nature, since the requirement was for a company newly promoted jointly by two companies. It was found by the Tribunal, that these were payments for running the business, so that the payment has to be understood as having been made for use of data base and not for acquiring it for exclusive use, so that it could not be disallowed as capital expenditure as decided by the Tribunal in IBM Global Services India P. Ltd. v. Dy.CIT [2009] 316 ITR (AT) 364 (Bangalore) and affirmed by the High Court in CIT v. IBM Global Services India P. Ltd. [2014] 366 ITR 293 (Karn).

Prior period items

WHERE expenses are booked as prior period items, the tendency for the Assessing Officer is to treat it as not relating to the year and to disallow the same. In most cases, it may not also be possible for the assessee to claim it in the years to which they relate according to the perception of the Assessing Officer on the basis of matching principle. Computation of income under the income-tax law is based on the system regularly followed by the assessee and not so much on matching principle. This aspect of tax accounting was explained by the High Court in CIT v. Gaja Advisors (P) Ltd. [2014] 367 ITR 726 (Del). MA

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DIRECT TAXES

Case Laws

- **Alleged short-fall in receipt of share premium could not be charged to tax; Chapter X has no charging provision: HC** - In the absence of a charging section in Chapter X of the Act, it is not possible to read a charging provision into Chapter X of the Act. It is a machinery provision for arriving at the ALP of a transaction between AEs. Even income arising from International Transaction between AE must satisfy the test of income under the Act and must find its place in the charging provisions. Thus, no income arises in absence of any charging provision to tax capital account transaction in respect of issue of shares at a premium to the holding company - *Vodafone India Services (P.) Ltd* v. *Union of India* [2014] 50 taxmann.com 300 (Bombay).
- **A policy cannot be taken as 'Keyman Insurance Policy', unless it is a pure life insurance policy on life of an employee** - Where assessee purchased Insurance Policies, in view of fact that only a fraction of total premium was meant for risk premium and balance was for purchase of units, i.e., investment in units, policies in question could not be regarded as 'Keyman Insurance Policies' - *F.C. Sondhi & Company (India) (P.) Ltd.* v. *Dy. CIT* [2014] 49 taxmann.com 180 (Amritsar - Trib.).
- **No tax on advance received by NHPC against depreciation as it was part of tariff and would reduce future tariff** - Where assessee, engaged in selling electricity, received advance against depreciation (AAD) by way of tariff charges which were to be adjusted against future depreciation, so as to reduce tariff in future years, amount so received was not includible in computation of taxable income – *ACIT* v. *NHPC Ltd.* [2014] 50 taxmann.com 221 (Delhi - Trib.).

Statutes

- **CBDT keeps tolerable limit for ALP unchanged for Assessment Year 2014-15; "wholesale trading" defined** - The CBDT has notified the tolerable limit (*i.e.*, permissible variation between the ALP determined under section 92C and actual price of international transaction) of 1% for wholesale traders and 3% for others for assessment year 2013-14 *vide* NOTIFICATION NO. 30/2013. The CBDT has kept the tolerable limit for assessment year 2014-15 unchanged. Now CBDT has defined the term 'wholesale trading' for assessment year 2014-15 which means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:

  (*a*) purchase cost of finished goods is 80% or more of the total cost pertaining to such trading activities; and

  (*b*) average monthly closing inventory of such goods is 10% or less of sales pertaining to such trading activities. - NOTIFICATION NO. 45/2014 [F.NO.500/1/2014-APA-II]/SO 2478(E), DATED 23-9-2014.
- **CBDT mandates issue of nil TDS certificate to deductor and lower TDS certificate to recipient of income** - Under the existing provisions of rule 28AA the certificates for *nil* deduction and lower deduction of tax were issued to the person responsible for deducting tax.

  The CBDT has made an amendment to rule 28AA. Now the certificate for lower deduction of tax shall be issued to the deductee (*i.e.*, recipient of income) and the certificate of *nil* deduction of tax would continue to be issued to the deductor - NOTIFICATION NO. 46/2014[F.NO.133/10/2014-TPL]/SO 2487(E), DATED 24-9-2014.
- **CBDT relaxes limit on existing technical manpower transferred to new SEZ units; raises limit from 20% to 50%** - The CBDT had issued Circular No. 12/2014,dated July 18, 2014 to clarify that mere transfer or re-deployment of existing technical manpower to a new SEZ units in the first year of commencement of business would not be construed as splitting-up or reconstruction of an existing business for the purpose of section 10A or section 10AA relief, if:

  – Technical manpower so transferred did not exceed 20% of total technical manpower actually engaged in developing software in the new unit.

  After this Circular (*supra*) certain representations were received by CBDT seeking enhancement of limit of 20% for transfer or redeployment of existing manpower to new SEZ units for purpose of section 10AA or section 10A relief.

  Now the CBDT has enhanced the existing limit (to transfer existing technical manpower to new SEZ units) to 50%.Assessees engaged in development of software or in providing IT enabled services in SEZ units can avail of relief under section 10A or section 10AA by complying with any alternative given hereunder:

  (1) *Option A*: Transfer or redeployment of existing manpower to a new SEZ unit will not be construed as splitting-up or reconstruction of an existing business, if technical manpower so transferred does not exceed 50% of total manpower engaged in new unit.

  (2) *Option B*: Assessee has to demonstrate that net addition of new technical manpower in new units represents at least 50% of total technical manpower of new SEZ unit, subject to satisfaction of other prescribed conditions - CIRCULAR NO. 14/2014 [F.NO.178/84/2012-ITA.I], DATED 8-10-2014

SERVICE TAX

Case Laws

- **No need to pay fee on filing appeal before Tribunal for refund/rebate of service-tax or excise/custom duties :** In case of filing appeals before Tribunal relating to refund/rebate of Service Tax, Excise Duty or Customs Duty, no fees is required to be paid by assessees - *CCE* v. *Glyph International Ltd.* [2014] 49 taxmann.com 415 (Allahabad)
- **No ST on construction of residential units on undivided share of land as such units were for personal use of buyer :** In case of sale of undivided share of land and subsequent construction of residential complex/units, said subsequent construction would amount to construction for personal use of buyer and, therefore, *prima facie*, same would not be Construction of Complex Services - *Jain Housing* v. *CST* [2014] 49 taxmann.com 195 (Madras)
- **Services provided by Indian banks to Money Transfer Operators located abroad are liable to ST :** CBEC clarifies levy of Service Tax on Activities Involved in Relation to Inward Remittances from Abroad to Beneficiaries in India Through MTSOs; earlier circular dated 10-7-2012 superseded - CIRCULAR NO. 180/06/2014-ST, dated 14-10-2014
- **Assessee cannot take Cenvat credit on basis of xerox copy of invoice, rules High Court :** A photocopy of invoice cannot be recognised either as an original or duplicate or triplicate or quadruplicate; it is no document at all in terms of rules and, therefore, no credit can be taken on basis thereof - *CPRM Steels Ltd.* v. CESTAT [2014] 49 taxmann.com 155 (Madras)
- **100% EOU cannot claim rebate on export of goods as such goods are already exempted from duty :** In case of goods exported by 100 per cent EOU, said goods are absolutely and unconditionally exempted from excise duty and, therefore, as per section 5A(1A), EOU cannot pay duty thereon so as to claim rebate - *Vanasthali Textiles Industries Ltd.* v. *Union of India* [2014] 49 taxmann.com 422 (Rajasthan)
- **Manufacturer could not be deemed as job-worker merely due to professional control of buyer over raw materials :** Where assessee manufactures coolers and sells them to buyer, said transaction cannot be regarded as job-work transaction merely because of professional control of buyer over raw material purchases by assessee to ensure quality and timely supply; rule 10A of Valuation Rules, 2000 is inapplicable - *Ravi Kiran Plastics (P.) Ltd.* v. *CCE&ST* [2014] 48 taxmann.com 321 (Ahmedabad - CESTAT)
- **Supply of printed material as per customer's specifications is purely relating to work and labour; not liable to VAT :** Where assessee printed material on orders received from customers and according to their specifications and supplied same to them, impugned transaction was purely ones of work and labour - *State of Tamil Nadu* v. *R. Nallasamy* [2014] 49 taxmann.com 27 (Madras)

Statutes

- Taxable Services provided by joint-venture to its members and *vice-versa* are liable to service-tax as they are distinct persons - CIRCULAR NO. 179/5/2014-ST, DATED 24-9-2014

PLAN B OF THE NEW GOVERNMENT

The new body proposed by the current government will have to do all that the erstwhile planning commission could not do. In particular, the new institution has to turn itself into a modern state-of-the-art research organization that gets the support from the free thinkers of the country in terms of socio-political and economic judgments

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THE end of long-run plans seems to have jolted many people in India (maybe in Pakistan and Bangladesh too, who also developed similar institutions, post-independence) resulting in a barrage of reactions from academics and policy makers. On hindsight, who would have thought that the Planning Commission would last longer than the car brand Ambassador, even if by a few months? One should in fact not be surprised that eventually such commissions must make way for the market to function more efficiently or at least create space for shorter plans when the country just like the rest of the world has become lot more volatile. The Planning Commission did produce interesting and productive plans in the past that has helped to bring India where it is now. However, for a student of economics if history alone dictates optimization of the present, then the question of efficiency may be at stake. The rather ineffective continuity of the Planning Commission way beyond its time as a social planner weighed heavily on the present economy, apart from the fact that it had lately turned itself into an instrument of the central government to dictate policies to the states. And, that too by so-called subject specialists who have had very little under their belts to showcase as international, or at least, national reputation. The Planning Commission even by the acknowledgement of its Deputy Chairman had become a political benefactor of the central government, which seems quite plausible given that the important positions internally as well as those delegated to external advisors, were generally manned by people who could barely stand on their own feet in terms of their excellence in respective fields of study. Gone were the days of P. C. Mahalanobis, Sukhamoy Chakravarty, V. M. Dandekar, V K R V Rao, Tarlok Singh, C N Vakil, P R Brahmananda and D R Gadgil and to top it all up, a visionary prime mister having inherited the institution from an idea of Netaji Subhas Bose, who set up the Planning Committee for a free India in the Haripura session in 1938. The influence of the well known development economists of the time, namely, Arthur Lewis, Nurkse, Rostow, and of course Keynes asking for large public intervention to revive and make grow any economy stuck in the low level equilibrium trap, had been profound in the minds of the nation builders of the time. This, when added to the socialist inclination of the ruling congress, could produce nothing less gala and centralized than the Planning Commission. The setting up of the

ON HINDSIGHT, WHO WOULD HAVE THOUGHT THAT THE PLANNING COMMISSION WOULD LAST LONGER THAN THE CAR BRAND AMBASSADOR, EVEN IF BY A FEW MONTHS?

Commission as an independent think tank supposed to help the government out with visions and forward plans was also time-wise close the occasion of the meeting between Nehru and Ragnar Frisch, the Norwegian Nobel Laureate who had been once invited to India as a potential advisor. Jagdish Bhagwati writes that Frisch had given Nehru a clear choice between whether he could afford some economic trouble at that point (perhaps, unemployment and inflation) in favor of full-employment of labor and a stable developed country in four decades time. Nehru advised that Frisch should not be brought back to his office ever again. It is not difficult to understand why it was so difficult for the premier of an extremely poor country not to engage with strict economic principles. The war, the struggle for independence and in particular the religion-based partition had cost the country a great deal and no further austerity was feasible at that point. Besides, the Soviet success story following Bolsheviks till 1950s was a great motivation for several world leaders to try and achieve that for their respective countries. The country then also had a large number of statesmen, philosophers, thinkers, economists, statisticians and scientists that could easily make India an ideal case for replicating the Soviet experiment. And undeniably, it worked well. How do we continue to use the same set of infrastructure that were created either during the British period, or soon thereafter, during the first two plans unless they were really first rate constructions with sufficient longevity? The additions to that infrastructure is only very recent and that too going at a very slow pace because the last government believed in inclusive growth without a plan of actually including who they thought needs to be included. With active suggestions from the leftists (who also had a strong presence in the Planning Commission) they created the national employment guarantee scheme wherein the workers would earn 100 days of self-selected (meaning, the government does not ask anybody to take up the job, but it is a choice open to those who does not have jobs for the whole year) jobs of the nature Keynes had suggested rhetorically in the post world war decades. Keynes suggested that if the workers are engaged with even digging a hole and filling it up via public funding support, it would circulate the money across hands and create enough demand impetus in the economy to take the shape of an economic recovery. Politicians in India now-a-days love rhetorical statements in line with poor Hindi films made in Mumbai. Consequently, with adequate advice from the Planning Commission, a massive redistribution program was initiated without the backing of the product and service base. The Planning Commission would of course not take the responsibility if that caused high inflation in rural areas, particularly with respect to food prices. That would be something that the Reserve Bank should worry about. Further, this hints at the core problem which led the present government to consider downsizing the Planning Commission. Most of the plans fail to internalize how the agents in an economy would react to an overall plan. First, the calculations would be rather difficult if it actually includes the potential reactions from all sorts of agents whose lives would be touched by the decisions of the Commission. Second, even if it is technically possible given that the tools commonly used in economics can accommodate multi-sector, multi product general equilibrium calculations, the question is who is going to do that? The ones capable of doing these are often not that kind of academics that necessarily keep the government in good humour. Prof. Mahalanobis and Prof. Chakravarty were the special ones that the government listened to, not the other way round.

In any case, India was hardly alone in this regimented world. Thirty years ago, one third of the world's population was cut off from the global economy behind the walls of central planning. After the 1950s there were a few steps to relax formal planning in parts of Eastern Europe, but not until the reforms initiated in China in 1978 did the edifice of the planned model really start to crumble. Systemic change accelerated after 1989 in Eastern Europe, and later in the Soviet Union as the CMEA system and the Union itself dissolved, marking the end of the order that had prevailed since the end of World War II. The demise of the planned model has been amazingly rapid. There are now essentially no such economies where centralized plans dictate price of water to the price of a dead elephant (that a dead elephant always costs one lakh seems to be a planning construct). The market mechanisms dominate the allocation of resources across a rapidly integrating world. However, this is not to say that all countries enjoy well-functioning market systems. Non-market segments are often large, and many economies are subject to extensive interventions which constrain market processes and outcomes, often severely lowering efficiency. Moreover, the institutional underpinnings of market systems are weak in many countries. Note that, markets do not by itself work magic to allocate all resources efficiently. After all, the famous Chicago school joke that one need not worry about replacing a broken light bulb because the market will take care of it, is really as extreme as the Planning Commission telling us when to apply for an UGC research grant as per their plan documents and allocations to be made available to the state governments at their own conveniences. They might as well tell people when to have a kid depending on how much and when they allocate as health funds to the state hospitals. The role assumed by the Planning Commission not only violated the rules set by the Finance Commission, it also impinged on fiscal autonomy of the states. Markets obviously require sufficient macroeconomic stability for prices to play their essential signalling role, and also clearly defined and enforceable rules of the game to underpin transactions, in both product and factor markets. But still, markets learn, but planning commissions do not.

Way back in 1996, the World Development Report (World Bank, Washington DC, `From Plan to Market') considered the experience of 28 countries in Central and Eastern Europe (CEE), the Newly Independent States of the Former Soviet Union (NIS) and China and Vietnam. These `countries in transition' are indeed distinctive in several ways, but they are now grappling with problems in moving towards efficient market systems that are similar to those of concern in many other countries that were not formally planned. Their experience is therefore of wider interest. First, after years of investment under a planned system, their economies need massive physical restructuring. Heavy industry was typically overbuilt, small firms, services and exports to market economies were repressed. For example, Ukraine's coalminers produce little over one-fiftieth of those in the United States (and in terms of international trade, this is quickly reminiscent of the trade-productivity paradox discussed by Vassily Leontief in 1950s. He showed that given the high labor productivity rate in the US, it looked more like a labor abundant country with all products manufactured in a labor-intensive way. This was of course not true, because USA was clearly more capital abundant and used capital-intensive technologies vis-a-vis commodities produced and traded by other countries; its workers were just doubly more productive as compared to any other country). Moreover, the quality of manufactured goods produced in Eastern Europe had fallen steadily behind those of market economies so that, by the 1980s, engineering exports to Western Europe fetched only a third of the value per ton of exports from industrial economies to the same market. Second, the essential institutions of any economy are its legal systems, financial systems, and the government itself were adapted to a fundamentally different system of resource allocation. Law in the planned model was primarily an instrument of control, rather than a mechanism of setting the rules of the game for market participants. Banks accommodated the financial requirements of planned production rather than allocating resources in line with profitability. And while governments were often large (disposing of half of GDP), they lacked basic essentials of governments in market systems such as tax administrations capable of dealing with large numbers of individual taxpayers. Social protection, too, rested on different foundations, including extensive cross-subsidies and universal employment. Reforming such institutions is even harder than physical restructuring because it requires creating, or recreating whole professions. The report also suggested that despite the slow and painful process of reforming institutions, it is essential if the resulting market economies are to function efficiently in the longer run. The only concern is that it would not be the project of a single government, and if the subsequent governments believe in very polar ways of taking a country forward, viz. the liberals and the fundamentalists, then the progress of the institutions

IT SHOULD NOT BE OVER-STUFFED WITH BUREAUCRATIC GATE-KEEPERS... IT SHOULD NOT TURN PROJECT REPORTS STACKED ON TOP OF EACH OTHER IN THE FORM OF A TABLE FOR SERVING TEA...

(seen from the liberal view point) might get negatively affected. Even though these challenges are common, transition experience differs greatly between countries, which themselves show many large variations in income and development levels, in economic structure and macreconomic conditions, and in the political developments that have accompanied, or in some cases preceded, the economic transition. The description is close to what we are already aware of in relation to the plan proceedings in this country.

The experiences of the USSR in this regard are extremely rich and varied. In its 'Guidelines on the elaboration of state plans for the development of the USSR national economy' S. G. Strumilin wrote, 'Planning practice still progresses primarily through empirical quests in which the greatest successes inevitably alternate with lamentable blunders and appreciable losses'. The plan regimes in India started with much anticipation that it will create assets that the economy needs desperately in order to build its economy upon. Jagdish Bhagwati and Sukhomay Chakravarty offered a review of the Indian plans (up to the third plan) in the world's highest ranked journal in economics, the American Economic Review, in the mid-80's. In that review the authors suggest that the first five year plan was essentially a collection of projects and an exercise of the Harrod-Domar growth model with marginal savings rate and average savings rate as the main determinants of growth. The second five year plan, the authors suggest, was a shift away from the Keynesian flow analysis of 'savings' to a structuralist analysis of the importance of physical assets that could sustain high levels of investments in the country. The underlying assumption was that the economy would be able to create enough savings to translate into investments, which would eventually push the transformation frontiers and constraints binding it. The third five year plan went into inter-sectoral calculations of the impact of investments and engaged into complex interactions between various factors that control growth. Obviously, issues in endogenous growth and the role of technology and human capital driving growth were largely absent in such models. Nevertheless, the adoption of cutting-age growth theory feeding into plan documents was not too uncommon at that time, with much of the work handled by the economic experts from India and abroad. This process fell apart soon thereafter. The undermining of the role of free thinkers in favor of an all-encompassing role played by the central government turned plans into redundant exercises, and yet a very expensive one in view of the resources they controlled and commanded.

So, I think that the new body proposed by the current government will have to do all that the erstwhile planning commission could not do. In particular, the new institution has to turn itself into a modern state-of-the-art research organization that gets the support from the free thinkers of the country in terms of socio-political and economic judgments. It should not be over-stuffed with bureaucratic gate-keepers that the present organization has. It should not turn project reports prepared by subject experts (usually chosen by wrong approaches, but still) stacked on top of each other in the form of a table (covered with a cloth) for serving tea and thin arrowroots. It might consider becoming an institute of national importance (as it were in the heydays) that can break open important policy suggestions and compel the federal and state governments to make decisions that are not dictated by stupid political beliefs alone. For that, it needs to get itself a free domain and preferably located somewhere out of New Delhi. I look forward eagerly to see what shape this takes in the near future. MA

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TELECOM AND IT COSTS: TIME TO TREAT THEM AS SEPARATE UTILITY COST CENTERS AND EVOLVE ACCOUNTING STANDARDS

It is important to track the actual costs incurred, ensure that they are correctly booked to capex or opex and explain any deviations and also adjust the spending with respect to the original budget, based on costs incurred so far and projected costs to complete the remaining job

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TRADITIONALLY, expenditure incurred for Communication (both internal MIS and external) have been treated as very minor items of expenses under the head "Postage & Telephone", "Printing & Stationery", "Computer Stationery ", etc., and get grouped under the omnibus head "Administrative Overheads" in Cost Accounting. In cases, where computers play a major role in process control technology, the expenditure on upkeep of software gets included under "Production Overheads" in Cost Accounting, but in financial accounting, they still get booked under "Administrative expenses". Of late, some companies have started showing "IT and Communication Expenses" as a separate item under Administrative Expenses, and the capital expenditure for Computers and Telecom equipment as a separate item in the Fixed Assets Schedule in the financial accounts to comply with the provisions of the new Companies Act, 2013. Earlier this capital expenditure was grouped under "Furniture and office equipment".

Whenever there is a need to go for a Cost-cutting exercise, businesses do not look beyond payroll and inventory management costs, and do not consider these "minor heads" as candidates for cost reduction.

With the rapid advances in Computer Science, telecommunications, Information Technology and IT-enabled services, the business scenario has drastically changed. Businesses will get crushed under the juggernaut of this technological advance, if they do not take cognisance of their impact on almost every business process – be it manufacturing, utilities, maintenance, marketing, sales or other administrative functions like HR, accounts, treasury, secretarial/legal, Purchase, inventory management etc. Companies are spending several crores of rupees on IT infrastructure (which includes Telecom). If you analyse the P&L Accounts and Cost Audit Reports of Companies (both in manufacturing and services sectors) for the past ten years, you will note that the expenditure under the heads "Production and Administrative Overheads" shows a galloping trend. According to the 2010 study of the CIO Annual Survey the IT budget in the average company represents anywhere from 2% to 8% of revenue and up to 50% of capital expenditure, and it covers everything from software and hardware to development and support. (An Introduction to IT Financials by Michael Gentle).

In most cases, the Capital expenditure budget for IT infrastructure projects, regardless of the amount involved, is cleared by the top management without the due deliberation at deserves. The sad reality is that most managements are blissfully ignorant of the rudiments of these technologies. I am reminded of what Parkinson wrote more than six decades ago when he propounded his famous laws – the board of directors will spend hours deliberating over a proposal to build a cycle stand costing a few hundred dollars for workmen, whereas a multimillion dollar nuclear power plant will be cleared in a few minutes, because nobody knows what a nuclear plant would look like, but everyone of them would have certainly seen a cycle stand! Almost a similar situation prevails today – how many of those in decision-making positions today are enlightened enough to make a correct assessment of their Company's requirements in terms of infrastructure and operating systems?

The purpose of this article is NOT to outline a cost or management accounting system, for accounting for Capital expenditure, or classification of costs, but to initiate a

THE SCENARIO HAS RADICALLY CHANGED WITH THE ADVANCES IN TELECOM, COMPUTER SCIENCE AND INFORMATION TECHNOLOGY

debate on the following topics:
(a) An introduction to the fundamentals of telecom and IT costs and the need for cost management.
(b) The need to correctly distinguish between capital and revenue expenditure under these heads.
(c) Possible methods for allocating / apportioning / these costs ("charge back" in IT industry jargon) to the consuming production / service cost centres, and their eventual absorption in product / service costs.
(d) Drawing the attention of the Cost Accounting Standards Board to include these costs in the CAS for utilities (CAS-8) and evolve standards for their accounting treatment.

Telecom costs

For most of its history, telephone industry has been organised as a monopoly – in many countries including India, as a division of the posts and telegraphs department. The basis for charging for these services was not on a commercial basis; in fact, in some cases, it was even subsidised by the Government. The consumer had little say in the way the service was billed. However since the cost of these services was a miniscule part of administrative overheads, it was not considered as one of the items which needed management's scrutiny.

However, the scenario has radically changed with the advances in telecom, Computer science and information technology. The last three decades have witnessed a global movement towards privatisation and competition throughout the world. Internet, broadband, e-mail, fax and paperless offices have replaced conventional methods of communication. Clerical and stenographers' services have disappeared and every staffer in the administrative departments (accounts, purchase, marketing, HR etc) is provided with a desk-top, laptop or other mobile device. This calls for a huge investment in infrastructure, and the break-up of revenue expenditure has also undergone substantial changes. The infrastructure for telecom is shared by another major utility, viz, IT and ITES, and the ways in which the capital and operating expenditure for these services are dealt with are emerging as separate subsystems within Financial and Management Accounting Systems. This aspect is discussed in more detail in the later part of this article.

Competing telecom companies offer a variety of plans and technologies, and use a number of acronyms and codes (e.g. LAN, WAN, IP, CDMA, ISDN, Wi-Fi, Hi-Fi, VOIP, etc... – the list is endless numbering more than 100). Similarly, the number of features and applications offered with the instruments is increasing every day, and even the sales men who are trying to sell you the instruments are ignorant about the utility of these features and refer you to their customer- care centre! To be honest, how many of us (accounting professionals) are competent to evaluate the relative cost – effectiveness of these instruments or services or check the correctness of the invoices for these services?

Even in the US, in the words of a former Commissioner, Federal Communications Commission:

" In addition to over charges resulting from fraud, customers in the aggregate wind up paying millions more than they owe as a result of honest billing mistakes. The multitude of service choices may be just as confusing to the provider's customer care employees as it is to the Corporate or individual client".

IT and ITES Costs:

The scope and range of IT and ITES is vast and it encompasses the entire spectrum of business processes and operations, both in the manufacturing and service sectors. The following is an illustrative (and by no means exhaustive) list of applications:
(a) Manufacturing process control (e.g., cement, steel, chemical process industries)
(b) Service Industries (e.g., Electricity, Telecom, Transportation, logistics, healthcare, education, banking, insurance, etc.,)
(c) Business Processes (Accounting, MIS, Treasury management, HR, Inventory management, etc.,)
(d) Marketing, Selling and distribution, Debtors control, Customer Relations Management
(e) Repairs & Maintenance (Industry specific software packages are available)

All the above IT enabled services depend upon networked or standalone systems. In many cases, the responsibility for ensuring that all the systems are functional 24x7 round the year is entrusted to a Chief Information officer, who in a few cases report to the CFO, but mostly to the CEO.

The potential of IT for forensic accounting and fraud detection has not been explored. A recent survey by EY (formerly Ernst & Young) found that very few Indian companies use "forensic data analytics". Two reasons are attributed to this situation, viz., shortage of skills in this segment and reluctance to invest in these technologies. Health care, Insurance, and e-commerce could be major beneficiaries of antifraud analytics, but companies are reluctant to invest. The economics of investing in fraud

THERE IS ALWAYS A TENDENCY ON THE PART OF USER DEPARTMENTS/ IT STAFF TO BOOK AS MUCH OF IT COSTS AS POSSIBLE TO REVENUE, SO THAT THEY GET INCLUDED UNDER "ADMINISTRATIVE OVERHEADS"

analytics solutions versus living with frauds with conventional solutions is not very clear. (Courtesy: M. Ramesh, Business Line, 11th April 2014)

Another important factor which has a big impact on IT Costs is that most of the IT projects today are no longer "green - field" projects, i.e., development of new systems from scratch. Nearly every project has to take off from an existing complex system landscape – often poorly documented and poorly understood. A typical scenario during the project of transition can be visualized as follows:

- E-mail to all project managers and application managers for their latest figures – actual and forecasts
- Frantic scramble for updating of spreadsheets
- Hasty check for YTD actual and guestimates for forecasts
- Struggling with the new ERP system to capture the actual
- Not sure whether the payments are booked to the correct capex (capital expenditure) or opex (operating expenditure) accounts
- Little visibility on the status of projects and the accuracy of their people's time entry.

You could probably guess the accuracy and reliability of the numbers finally presented – the margin of error could 5 to 20% of costs.

Capturing, classification, and apportionment/ allocation of IT and Telecom costs

Since IT and Telecom share the same infrastructure in most cases, it will be appropriate to deal with these costs together. The main categories of these costs may be summarized as follows:

(a) Hardware (Computer Networks, Servers, Desktops, laptops, Tablets, Mobile devices)
(b) Software (Licences, Inhouse development, Maintenance and up gradation)
(c) Services (Telecom, outsourcing, cloud computing etc.,)
(d) People (own-staff, contractors, consultants)
(e) Travel and entertainment
(f) IT and Telecom overheads

Two recent publications, viz, Revise d Accounting Separation Regulations issued by TRAI and the Guidance Notes on internal audit of Telecom Industry issued by the Institute of Cost Accountants of India, deal exhaustively with the accounting treatment of the above costs in the Telecom area, and therefore I do not propose to dwell on these aspects.

I shall confine myself with the issues relating to IT costs.

The three main IT financial processes are:

- Planning
- Cost Management
- Charge backs (Allocation/Apportionment/Absorption)

When IT is a strategic part of the business, there is a separate IT plan, otherwise, the IT plan would be part of the overall financial plan. In either case, there would be medium/long term IT goals, ranging from centralized operations and infrastructure to providing operating departments with 24 x 7 access to information. This would necessitate expensive projects like ERP and CRM which may run for one to three years. Then there are short term projects needed to meet current or next year business objectives, e.g. a new data warehouse or a technical infrastructure upgrade. Finally there are production applications to run and maintain, which is what "Projects" become once they have been implemented. This activity continues throughout the 5-8 years useful life of the software asset. Usually, this part represents approximately 80% of the IT budget.

In most cases, IT is simply one more department of the company, together with Marketing, R&D, etc., asking for money to spend as part of their operating plans. This is part of the annual budget/investment planning exercise, a combination of top- down and bottom-up budgeting, through which departments specify what they plan to spend in order to do their job, breaking down the expenditure into capex (software licences and development costs, hardware requirements) and operating expenses (annual maintenance and data migration costs), which will have an impact on the bottom line. Usually it is a project prioritization approach based on a combination of business objectives – perhaps partly based on the influence the different departmental heads are able to exert on the top management!

Once the final operating plans have been approved, cost management assumes critical importance-

- To track the actual costs incurred, ensure that they are correctly booked to capex or opex and explain any deviations
- Adjust the spending with respect to the original budget, based on costs incurred so far and projected costs to complete the remaining job

Finally, the tricky part of apportionment or allocation of IT costs to the user departments/products/services. The costs are either centralized as part of a corporate cost centre (included under the omnibus "administrative overheads", making it "free" for user departments as they do not pay for the services directly) or apportioned to them on a rational basis and make them accountable.

There is always a tendency on the part of user departments/ IT staff to book as much of IT costs as possible to revenue, so that they get included under "administrative overheads". With the advent of cloud computing, the subject has become more complex. The subject of capex vs opex and the methods for allocation/apportionment are themselves the subject matter of a separate article and beyond the scope of this article, as explained in the beginning.

IT Financial Management is already emerging as a separate branch of accounting and there is a separate "IT Financial Management Association" in the USA.

WHEN IT IS A STRATEGIC PART OF THE BUSINESS, THERE IS A SEPARATE IT PLAN, OTHERWISE, THE IT PLAN WOULD BE PART OF THE OVERALL FINANCIAL PLAN. IN EITHER CASE, THERE WOULD BE MEDIUM/LONG TERM IT GOALS, RANGING FROM CENTRALIZED OPERATIONS AND INFRASTRUCTURE TO PROVIDING OPERATING DEPARTMENTS WITH 24 X 7 ACCESS TO INFORMATION

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CONVERGENCE OF COST ACCOUNTING STANDARDS(CASs) AND NATIONAL VOLUNTARY GUIDELINES (NVGs)

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THE Institute of Cost Accountants of India, recognizing the need for structured approach to the measurement of cost in manufacturing or service sector and to provide guidance to the user organizations, government bodies, regulators, research agencies and academic institutions to achieve uniformity and consistency in classification, measurement and assignment of cost to product and services, has constituted Cost Accounting Standards Board (CASB) with the objective of formulating the Cost Accounting Standards. While formulating the Cost Accounting Standards, the CASB takes into consideration the applicable laws, usage and business environment prevailing in India. Cost Accounting Standards Board has so far issued 22 Cost Accounting Standards.

The National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business (NVG) have been issued by the Ministry of Corporate Affairs, Govt. of India for mainstreaming the concept of business responsibilities. The Guidelines emphasize that businesses have to endeavor to become responsible actors in society, so that all their actions lead to sustainable growth and economic development. The guidelines have been articulated in the form of nine principles. The adoption of these guidelines will improve the ability of businesses to enhance their competitive strengths, improve their reputation, and manage their relations with investors and society at large. These two set of documents lay down the principles and guidelines for Responsible and Sustainable businesses.

The objective of both, the Cost Accounting Standards (CAS),and the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG) is to focus on the concerns of the stakeholders regarding access to quality products and services at affordable costs and progressive enhancement of their wellbeing and quality of life through adoption of responsible practices by the businesses.

Objectives of the present study

In the present study an attempt has been made to map the provisions of CAS and NVG to assess the degree of compatibility between the two set of documents in furtherance of their core common objectives.

The Guiding principles of NVG and CAS have been mapped here under to reflect their common objectives and inter-linkages.	
National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG)	**Cost Accounting Standards(CAS)**
Objective: The objective is to strengthen the Indian corporate sector and facilitate its evolution into a global leader through responsible business	**Objective:** The objective is to integrate, harmonize and standardize Cost Accounting Principles and Practices to arrive at the true basis of computing the Cost of Product and Services, and to help industry and government to achieve total cost management
Principle 1: Businesses should conduct and govern themselves with Ethics, transparency and accountability. The principle recognizes that ethical conduct and transparency is the corner stone of responsible business.	Cost Accounting Standards provide guidelines regarding appropriate presentation & disclosure of cost information relevant to each CAS for transparent communication of information to the relevant stakeholders. CAS provides that penalties, damages paid to statutory authorities and other third parties shall not form part of the cost. Thus, making business operate responsibly. All businesses are accountable for ensuring compliance with Cost Accounting Standards.
Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability. The principle exhorts the businesses to be internally efficient and responsible for improving the quality of life of people.	CAS provides that all abnormal wastages shall be excluded from the cost of production. Thus, driving optimum utilization of scares resources. CAS on Capacity Utilization provides guidelines regarding efficient use of technologies and manufacturing processes. Principles enshrined in Cost Accounting Standards are helpful in improving all round operational efficiency and thus contribute to sustainable businesses.
Principle 3: Businesses should promote the well-being of all employees. The principle encompasses all policies and practices relating to employees engaged within a business	CAS on employee cost deals with appropriate determination of employee cost including the cost for free housing, free conveyance and any other similar benefits provided to an employee. This helps in determination and payment of proper wages to the employees.
Principle 4: Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. The principle emphasizes that the business should acknowledge, assume responsibility and be transparent to the stakeholders	All Cost Accounting Standards lay down guidelines for presentation and disclosure of certain cost information in the interest of stakeholders.
Principle 5: Businesses should respect and promote human rights. The principle exhorts businesses to integrate respect for human rights in management systems.	CAS on employee cost facilitates focus on consideration of relevant cost elements forming part of wages for the human resources Cost Accounting Standards also deals with overtime and idle costs and also cost of outsourcing of various business activities.
Principle 6 :Business should respect, protect, and make efforts to restore the environment The principle recognizes that environmental responsibility is a prerequisite for sustainable economic growth and for the wellbeing of society. Businesses should take measures to check and prevent pollution.	CAS on Pollution Control addresses the concern regarding protection of environment and provides guidelines for appropriate costing of pollution control equipment's and processes.
Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner. The principle recognizes the right and responsibility of businesses to expand public good through policy advocacy and engagement with the regulators.	Cost Accounting Standards stipulate the principles for collection, accumulation and assignment of costs for determination of Cost of Products and services. This structure facilitates the trade and industry to arrive at true cost which also assists the regulatory authorities to fix the prices of various goods and services

Principle 8: Businesses should support inclusive growth and equitable development. The principle emphasizes that business should innovate and understand their impact on social and economic development. The principle reiterates that business prosperity and inclusive growth and equitable development are interdependent	CAS on Research and Development deals with appropriate consideration of the costs associated with research activities for promoting innovation in products, technologies and processes for the well-being of the society. The quality control in respect of goods and services is essential for inclusive and sustainable growth. The guiding principles for dealing with quality control cost are provided in Cost Accounting Standards on Quality Control. CAS on Manufacturing Cost facilitates determination of true cost of goods thus making industry cost competitive and supporting the cause of inclusive growth and equitable development.
Principle 9: Businesses should engage with and Provide value to their customers and consumersIn a responsible manner. The principle exhorts businesses to be Responsible in providing goods and services For and focus on improving social And economic wellbeing of consumers.	Cost Accounting Standards provide a structured approach to the determination of cost of goods and services withfocus on appropriate disclosures keeping in view thecustomers interests.

Conclusion

The mapping of the principle laid down under National Voluntary Guidelines for Social, Environmental and Economic Responsibilities of Business and the Guiding principles prescribed under Cost Accounting Standards clearly indicate a very close association between the two with both set of documents laying emphasis on fulfilling the business responsibilities with focus on improving Social and economic wellbeing of the people for enabling sustained holistic development. MA

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WASTE MULTIPLIER IN COSTING FOR RAW MATERIAL WASTAGES IN SPINNING TEXTILE UNITS

When reporting on the productivity of the spinning unit of a textile unit, a cost auditor has to analyse the yarn realization, where wastage is the determining factor. Yarn realization is an important yardstick of the unit's performance

CMA C. Vijaya Kumar
Practicing Cost Accountant, Pondicherry

IN many continuous process industries cost data are arrived at with complexities in the calculation. The intention of this article is to help the beginners, either students/trainees or starters of the costing profession. Hence it is given in simple manner. They must be aware of the principles associated with costing the products. Waste emerging out of the various process of the company cannot be ignored easily. Waste multipliers are designed to have accuracy in costing various products. This is in reality provides the true cost and the basis of how the final output is to be valued if the product is subject to different stages of manufacturing process. I have taken an example of typical industry i.e Spinning Textile unit. I have explained the subject with proper tables which will be more helpful to understand. The main purpose of it is to avoid confusion in handling the technique in costing.

A Spinning unit of Cotton Textile Industry has a set of processing departments like Mixing and Blow Room, Carding, Drawing, Combing, Fly Frames and Ring Frames. Actually spinning unit comes under continuous process industry. Mixing and Blow Room are the starting point when the raw material cotton enters and comes out as yarn in the Ring Frame section. Obviously like every processing industry in spinning mills certain amount of wastage is emerging out of production in each and every department. It is segregated as usable waste and saleable waste apart from invisible loss. While the usable waste and saleable waste can measured physically the invisible loss is found out from the input and output of raw materials after considering due weightage of usable and saleable waste. The actual waste which is extracted from the machine process depends upon the impurities in the cotton.

The production process involving wastage has a routine or cycle. For example the output of Blow Room goes to Carding and usable waste of Carding goes back to the cotton mix in Mixing and Blow Room and so on. The 'back' and 'forth' waste movement are given due consideration while calculating the raw material cost. The realization of saleable waste is given due credit in the cost of raw material consumed. Waste multiplier is the quantity of output from one process which is required to get one unit of final output. It is explained in a simple manner for the starters of our costing profession and for the student generation as well.

Two assumptions are made in the illustration.

1. Saleable waste is realized in the same month.
2. One mix/count is assumed for production i.e 14s. (In reality more than one mix is processed in a spinning mill e.g coarser count is used for bed sheets and finer count is used for

shirting etc.)

Table A is showing the input/output of cotton processed in the each and every department or cost centre. In Ring Frame dept. it comes in the form of Yarn product wound over the spindles. From this spindle it takes the form of cone in Cone winding section. Finally these cones are used in weaving the cloth in the next major processing which converts yarn into grey/plain cloth.

As shown in Table B the production in Blow Room is 92.5524%, in Carding 94.2599% and so on. It should be noted that this percentage is for the output in the 'concerned cost centre'. But when we count the input to a particular cost centre we have to measure it as output from the previous cost centre. For example Blow room output serves as Carding section input. Hence initially for input of 100% the output is 92.5524% in Blow Room resulting in no change in the output percentage. Again for 92.5524% input in the next processing section, the net output is arrived at by using 92.5524% multiplied by the result of 94.2599% and divided by 100 to arrive at the exact output which is 87.2397%. So in this sequence we are getting 86.9640% in Drawing section, 85.1691% in Simplex section, 81.0223% in Ring frame, 80.4016% in Cone winding.

In **Table B,** Column (c) is calculated by dividing each net output of column (b) with the output of last cost centre namely Cone winding in the same column so as to give final effect to the input. Hence first item 100 is divided by last item 80.4016 to get the waste multiplier of 1.2440. Second item of 92.5524 is divided by same last item 80.4016 to arrive at the waste multiplier of 1.1513 and so on. The alternate method is shown below in Table

A. Table showing Input / Output in each processing cost centre up to the stage of Yarn Production of XYZ Spinning Mills

	Blow Room		Carding		Drawing		Simplex		Ring Frame		Cone Winding	
	Kgs	%	Kgs	%	Kgs	%	Kgs	%	Kgs	%	Kgs	%
Prodn	59240	92.5524	54289	94.2599	53922	99.6839	50676	97.9360	45681	95.1311	44818	99.2339
Saleable Waste	4262	6.6586	2449	4.2521	19	0.0351	94	0.1817	1221	2.5427	346	0.7661
Usable Waste	0	0	857	1.4880	152	0.2810	974	1.8823	1117	2.3262	0	0.00
Invisible Loss	505	0.7890	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
Total Wastage		7.4476		5.7401		0.3161		2.064		4.8689		0.7661
Net Input	**64007**	**100.00**	**57595**	**100.00**	**54093**	**100.00**	**51744**	**100.00**	**48019**	**100.00**	**45164**	**100.00**

B. Table showing Waste Multipliers for each Cost Centre

	Actual output	Net output for 1unit of Input	Waste Multiplier
	(a)	(b)	(c)
Mixing14s		100.00	1.2440
Blow Rm	92.5524	92.5524	1.1513
Cardg	94.2599	87.2397	1.0852
Drawg	99.6839	86.9640	1.0817
Simplx	97.9360	85.1691	1.0593
Ring Fram	95.1311	81.0223	1.0077
Con wndg	99.2339	80.4016	1.0000

C. Table showing Waste Multipliers for each Cost Centre

	%	% of All Wastage of Input	% Net Output (a-b)	100/(c)	Waste Mutiplier
	(a)	(b)	(c)	(d)	(e)
Mixing 14s					1.2440
Blow Room	100.00	7.4476	92.5524	1.0805	1.1513
Carding	100.00	5.7401	94.2599	1.0609	1.0852
Drawing	100.00	0.3161	99.6839	1.0032	1.0817
Simplex	100.00	2.0640	97.9360	1.0211	1.0593
Ring Frame	100.00	4.8689	95.1311	1.0512	1.0077
Cone Wndg	100.00	0.7661	99.2399	1.0077	1.0000

C for easy understanding of the working. Please note that the decimal fractions are rounded up.

From **Table B and Table C** we can see the same waste multiplier is arrived at by two alternate methods in the cost centres. In the Mixing section of cotton the cumulative effect of wastage produced in various departments is taken into account i.e 1.2440. This will be used ultimately with the cotton cost to get the 'Clean Cotton Cost' which will be applied for the end product, Yarn. This material cost will be having the cushion of wastage in each cost centre/dept. In Table C the starting point of calculation is taking one unit (1.000) of final output from cone winding and multiplying it with column (d) like when 1.000 is multiplied with 1.0077 we get the result as 1.0077 and when 1.0077 is multiplied with 1.0512 we get the result as 1.0593 and so on. It should be noted each waste multiplier has the cumulative effect in descending order.

Let us assume the net cotton cost for 14s mixing is Rs 200 per kg after giving credit to the saleable waste. Applying the waste multiplier of 1.2440 which is derived in column (e) above the Cost of mixing per kg of yarn will be Rs 248.80. We can see the difference between the cotton cost for the mixing and that of end product, Yarn. The more the mix/count of cotton used the more will be the complexity of calculation of yarn cost. Now-a- days so many matrixes are used to arrive at the net cost of the product. These are all system based standards developed by different Textile Research Associations like Ahmadabad Textile Research Association (ATIRA).

After getting the Raw Material cost the conversion cost

D. Statement showing production per Spindle shift and the respective Conversion Cost per Kg

	ConvCost	Prodn Kg	Convcost/ Kg	W.Mutiplr	Convcost/Kg
	/spl shift	/spl shift			to be applied
Mixing 14s					
Blow Rm	8526.356	1161.5600	7.3404	1.1513	8.4513
Cardg	1368.431	97.9945	13.9644	1.0852	15.1536
Drawg	554.074	104.7035	5.2918	1.0817	5.7243
Simplx	45.211	2.7400	16.5004	1.0593	17.4787
Ring Fram	9.302	0.3430	27.1195	1.0077	27.3289
Con wndg	103.333	5.9143	17.4717	1.0000	17.4717
			87.6883		**91.6084**

per kg of yarn is arrived at. The conversion cost consists of wages and salaries, Utilities, consumable stores, Repairs and maintenance, production overhead, depreciation, other direct expenses etc as appear in para 5 of abridged cost statement of cost audit annexture excluding material cost. While calculating the conversion costs due weightage for waste multiplier at each process is to be considered. In other words conversion cost is suitably inflated so as to take care of wastages emerging out of the each process. The sum of conversion costs as per the sequence of operations is the conversion cost for final output - yarn. Finally conversion cost of yarn per kg is arrived at Rs. 91.6084 for the mix/count of 14s as shown in **Table D**. This principle of arriving conversion cost applies to the similar processing industries which are having continuous operations. The waste multiplier gives the accuracy in the calculation of conversion cost taking into consideration the various processes involved and their wastages subject to which raw material takes the shape of final output. This is widely accepted in the textile industry for costing the product.

Now both raw material cost and conversion cost are added up to arrive at total cost of unpacked yarn per kg, which is Rs 340.41 (248.80+91.61). This is the case of 14s count i.e Coarser count. Similarly for all counts, coarser or finer, the yarn cost can be calculated depending upon the wastage coming out of each process with the use of waste multiplier.

For valuation of Work-in-Process these waste multipliers are useful in finding out the accurate rate to be applied for each stage of product. As on the cut off date the WIP may be lying in each stage of the process. The cost data available in each cost centre for both raw material and conversion cost is helpful in working out the WIP without any difficulty. Cost auditor can rely upon the rate arrived to calculate the stock of Textile Yarn with the above information available to him.

When making the report especially PAR on the productivity of the spinning unit of a textile industry a cost auditor has to analyse the yarn realization. The wastage is the determining factor for yarn realization. The concept of yarn realization is an important parameter or yard stick with which performance of the unit is measured. The yarn realization may be high or low with different mixing of raw material. Certain Standards or Norms are set by some reputed associations for yarn realization for different counts as a quality control measure which a cost auditor can refer to for his in depth analysis. MA

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Mr. B. S. Ramaswamy
Cost Accountant & Former Addl. Secretary to the Govt. of India (Author of the Book on 'Contracts & their Management' published by Lexis Nexis Butter Worths).

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The charges for accompanying Spouse would be ₹1,500/- (Rupees One Thousand Five Hundred only) for all the days towards accommodation, meals and visits. However children will be charged on actual basis.

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Registration

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Phone: (D) 011-24666131, 24666130, 24666142; Tele-fax: 011-24666131

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24-27 February, 2015	Service Tax-Issues and Problems	Port Blair
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23-26 March, 2015	Recent Trends in Financial Management including Companies Act, 2013	Srinagar

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The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

Ref. No.: DOS/8/09/2014-15 September 6, 2014

CIRCULAR

***Sub:* December 2014 - last term for Foundation Course Examination under Syllabus 2008**

This has reference to DOS Circular No. DOS/8/07/2014-15 dated 28/7/2014. Attention is drawn to para 2 on the **last term for Foundation Course Examination** under Syllabus-2008, in which it was stated as follows:

"This is further informed that June 2015 is the last term for Examination under Syllabus-2008."

The present circular is now issued superseding the last term examination as above with following change.

As per the direction of the competent authority of the Institute, ***the last term for Foundation Course Examination under Syllabus 2008 shall be December,2014 term instead of June,2015 term.***

Accordingly, all concerned are requested to make an appropriate communication to the students who are pursuing the Foundation Course under Syllabus_2008 to appear for Foundation Course examination in December,2014 term.

Thereafter, all students admitted under Syllabus 2008, for pursuing CMA Foundation Course but failed to qualify/obtain requisite pass marks, shall get converted and would be eligible (subject to admission validity period) to pursue the CMA Foundation Course under Syllabus 2012 only.

(Chiranjib Das)
Joint Director, Head - Academics & Tax Research Department
& In-Charge of Directorate of Studies

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

Ref. No.: DOS/09/09/2014-15 September 9, 2014

CIRCULAR

Sub: *Payment of student fee through STATE BANK OF INDIA*

In order to extend a wide reach to students for payment of fee through banks, Institute has entered into an agreement with State Bank of India to facilitate collection of Course fees from applicants (i.e. new entrants) to the CMA Course as well as from CMA students presently pursuing the Course.

The fees shall be either collected in Cash at all its Branches or may even be made on-line - either through Net Banking or through Debit/Credit Card of any Bank. A Guidance Manual - showing the Process flow is attached herewith for information, guide and ready reference.

All concerned are requested to make appropriate communication to attach wide publicity of the same amongst applicants/new entrants to the CMA course as well the existing students pursuing the CMA Course, who may avail this facility also. This is besides the existing partners - Punjab National Bank (PNB), Industrial Development Bank of India (IDBI) and Central Bank of India (CBI).

The following are the summary of facility /convenience charges to be collected per transaction by SBI, furnished for information: (Annexure in Page 2 provides detailed information of charges)

a) NET BANKING thru SBI	Rs. 10 + ST = **Rs. 11.24**
b) NET BANKING thru OTHER BANK	Rs. 15 + ST = **Rs. 16.85**
c) SBI ATM cum Debit Card	Rs. 10 + ST = **Rs. 11.24**
d) OTHER BANK Debit Card	Rs. 170 + ST = **Rs. 191.01**
e) Credit Card	Rs. 170 + ST = **Rs. 191.01**
f) CASH through SBI Branches	Rs. 50 + ST = **Rs. 56.00**
** ST = Service Tax @12.36%	

(Chiranjib Das)
Joint Director, Head - Academics & Tax Research Department
& In-Charge of Directorate of Studies

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

Ref. No.: DOS/8/07/2014-15 **July 28, 2014**

CIRCULAR

***Sub:* Eligibility of Students for appearing at CMA Foundation Course Examinations in September 2014, December 2014 & March, 2015**

It is clarified for general information that the students who got admitted/would be admitted to the CMA Foundation Course of the Institute as per following schedule, shall be eligible to appear at the CMA Foundation Course Examination of the Institute, as follows :

Term of Examination	Date of Examination	Cutoff date as per Regulation proposed by Directorate of Studies, for implementation
September 2014	21/9/2014 (already notified by Exam.Deptt.)	23/4/2014
December 2014	21/12/2014*	21/7/2014
March 2015	21/3/2015*	21/10/2014

*Tentative, final date yet to be notified

All concerned are requested to please take note of the same and guide the students accordingly. However, these dates for December 2014 & March 2015 stands confirmed until change in the date of Foundation Course Examination.

This circular is in partial modification of the earlier Circular No.: DOS/8/2013-14 dated 13/12/2013 on revised cut off dates for admission to the CMA Foundation Course Examination.

This is further informed that June 2015 is the last term for Examination under Syllabus-2008.

(Chiranjib Das)
Joint Director, Head - Academics & Tax Research Department
& In-Charge of Directorate of Studies

CMA DOSSIER

A directory of some research papers on 'Agriculture and Indian Economy' that appeared in various journals/periodicals/magazines across the world is presented below for the reference of readers. The articles are available at the link provided next to them.

Name of the topic	Author	Reference with date	Link
NPA in Agricultural Financing With Reference to Dakshina Kannada District	Lokesh ., Dr. Ishwara P., Vishal Samartha	Volume 3, Number 3, 2014	http://www.pezzottaitejournals.net/index.php/IJRRBP/article/view/1511
Biocontrol : An Overview	Kalpana Singh	International Journal of Scientific and Innovative Research 2014	http://www.ijsir.co.in/post_pdf/542d38fda15aa.pdf
Agricultural Insurance in India: The Approaches and Challenges	Dr. R. Kavitha, N. Shanmuga Suriyan	The European Journal of Spatial Development March, 2014	http://www.nordregio.se/Global/EJSD/Research%20briefings/article4.pdf
Adequate Flow of Credit in Changing Agricultural Scenario Through Kisan Credit Card Scheme in India	Rajni Bansal	Abhinav International Monthly Refereed Journal of Research in	http://socialwelfare.bl.uk/subject-areas/services-activity/community-development/rsa/165458metrogrowth14.pdf
Performance Of Kisan Credit Card Scheme In Haryana Through Regional Rural And Co-Operative Banks	Chinese Journal of Population Resources and Environment	Journal 2013	http://www.isec.ac.in/10042857.2013.874517(1).pdf
The Changing Scenario in Indian Agriculture: A Review	Afroz Alam, Aqeel Hasan Rizvi, Khushbu Verma, Chhaya Gautam	International Journal of Scientific Research in Agricultural Sciences, 1(7), pp. 118-127, 2014	http://www.ijsrpub.com/uploads/papers/IJSRAS/2014/Nov/IJSRAS-14-31.pdf
Growth & performance of micro, small & medium enterprises (MSMEs) in Indian economy	Garg Ishu, Walia Nidhi	Growth & performance of micro, small & medium enterprises (MSMEs) in Indian economy Garg Ishu, Walia Nidhi	http://www.indianjournals.com/ijor.aspx?target=ijor:ijrim&volume=4&issue=8&article=003
Agricultural Marketing, Economic Benefits and Social Groups: Exploring Vegetable Cultivation in Rural India	Nizamuddin Khan, Mohd. Sadiq Salman, and Mohammad Muqeet Khan3	Euro-Asian Journal of Economics and Finance Volume: 2, Issue: 4 (October 2014)	http://absronline.org/journals/index.php/eajef/article/view/327/348
Growth of Food Grains Production and Agricultural Inflationary Trend in Indian Economy	Rajni Pathania	Volume 1, Number 7, 2014	http://internationaljournalofresearch.org/index.php/ijr/article/view/451
A Critical Review of Recent Research on Cloud Computing in Indian Rural Agriculture	Rakesh Patel, Anupam R. Chaube	Volume 1, Number 6, 2014	http://internationaljournalofresearch.org/index.php/ijr/article/view/329
Dr. Ambedkars Philosophy towards Indian Agrarian Economy "With special reference to Agrarian Taxation"	Zahoor Ahmad Malik, Tapan Choure	Volume 1, Number 5, 2014	http://internationaljournalofresearch.org/index.php/ijr/article/view/131
National Horticulture Mission in India: A Conceptual Analysis	Rakhi Rani	2014	http://www.irjmsh.com/Artical_details.aspx?id=2066
Growth of Indian Economy: Comparison with Haryana.	Ruchi , Kritika.	2013	http://www.irjmsh.com/Artical_details.aspx?id=993
Structural change in Indian economy in the post-reform era	Dr. Beri Yogita	ZENITH International Journal of Business Economics & Management Research Year : 2014, Volume : 4, Issue : 9	http://www.indianjournals.com/ijor.aspx?target=ijor:zijbemr&volume=4&issue=9&article=014

CMA DOSSIER

Name of the topic	Author	Reference with date	Link
A study on factors influencing farmer's satisfaction level towards Agricultural produce marketing committee (Rajnandgaon district)	Paridhi Bhandari1, A.K.Mishra2	International Journal of Interdisciplinary and Multidisciplinary Studies (IJIMS), 2014, Vol 1, No.8	http://www.ijims.com/uploads/01da84710f805cd79c2fA16.pdf
A conceptual framework for rural out-migration and agriculture	Prasad Sarda	Asian Journal of Development Matters Year : 2014, Volume : 8, Issue : 1	http://www.indianjournals.com/ijor.aspx?target=ijor:ajdm&volume=8&issue=1&article=017
Accessibility of Hemavati Irrigation Project: A Study of Hassan District of Karnataka	Shivaprasad B. M. K. V. Aiahanna	The International Journal Of Humanities & Social Studies July-2014	http://www.theijhss.com/wp-content/uploads/2014/08/9.HS1407-026.pdf
Socio-economic status of terrace-cultivators in Darjeeling Himalaya region, West Bengal	Subba B*, Chakraborty PB	Journal of Hill Agriculture Year : 2014, Volume : 5, Issue : 1	http://www.indianjournals.com/ijor.aspx?target=ijor:jha&volume=5&issue=1&article=004
A study on behaviour of arrivals and prices of fruits in Narwal market of Jammu	Bhat Anil, Sharma Manish, Dwivedi Sudhakar*, Singh SP, Sharma Arti	Journal of Hill Agriculture Year : 2014, Volume : 5, Issue : 1	http://www.indianjournals.com/ijor.aspx?target=ijor:jha&volume=5&issue=1&article=005
Realistic Information System for Effective Awareness of Agri-Initiatives	Gayatri Sunil Satpute, Suvarna Raju Desale	Volume 3, Issue 2, September 2014	http://www.ibmrdjournal.com/index.php/ibmrd/article/view/51962
Small, marginal and women farmers in Uttar Pradesh: Land rights and credit flows	Akhtar S. M. Jawed, Saba Parveen	International Journal of Research in Social Sciences Year : 2014, Volume : 4, Issue : 3	http://www.indianjournals.com/ijor.aspx?target=ijor:ijrss&volume=4&issue=3&article=030
Agrifinance need of hour: A comparative analysis of agrifinance by the selected public sector banks	Dr. Jain Ruchi	ZENITH International Journal of Business Economics & Management Research Year : 2014, Volume : 4, Issue : 6	http://www.indianjournals.com/ijor.aspx?target=ijor:zijbemr&volume=4&issue=6&article=019
A Study of Horticulture Sector of North East Region with special reference to Assam	Mudoi Diganta Kr.	Asian Journal of Research in Business Economics and Management Year : 2014, Volume : 4, Issue : 8	http://www.indianjournals.com/ijor.aspx?target=ijor:ajrbem&volume=4&issue=8&article=016
Crop Diversification in Indian Agriculture	Mishra Renu, Sinha Ashutosh	Asian Journal of Research in Social Sciences and Humanities Year : 2014, Volume : 4, Issue : 8	http://www.indianjournals.com/ijor.aspx?target=ijor:ajrssh&volume=4&issue=8&article=007
Women Labour In Agriculture: A Study of Their Socio-Economic Conditions in Kurki and Hiretogleri Villages of Davangere District in Karnataka	Sarah Razack, Pradeep Kumar P.C	International Journal of Advanced Research in Management and Social Sciences Vol. 3 | No. 7 | July 2014	http://garph.co.uk/IJARMSS/July2014/25.pdf
Trends of Agricultural Mechanization in India	C. R. Mehta, N. S. Chandel, T. Senthilkumar Kanchan K. Sing	CSAM Policy Brief, June 2014	http://un-csam.org/publication/PB201402.pdf
An Account of Agricultural Development in Bihar: The Challenges And Opportunities	Ravi Mohan Singh	Ind. J. of Sciences & Systems 6 (3), 43-55, 2013	http://www.ijss.co.in/files/Volume%20%206%20Issue%203,%202013.pdf#page=44

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

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2014

	PROGRAMME FOR SYLLABUS 2008		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.
Wednesday, 10th December, 2014	-----	Capital Market Analysis & Corporate Laws	Financial Accounting	Corporate Laws and Compliance
Thursday, 11th December, 2014	Financial Accounting	Financial Management & International Finance	Laws, Ethics and Governance	Advanced Financial Management
Friday, 12th December, 2014	Commercial and Industrial Law & Auditing	Management Accounting – Strategic Management	Direct Taxation	Business Strategy & Strategic Cost Management
Saturday, 13th December, 2014	Applied Direct Taxation	Indirect & Direct – Tax Management	Cost Accounting & Financial Management	Tax Management & Practice
Sunday, 14th December, 2014	Cost & Management Accounting	Management Accounting – Enterprise Performance Management	Operation Management and Information Systems	Strategic Performance Management
Monday, 15th December, 2014	——	Advanced Financial Accounting & Reporting	Cost & Management Accountancy	Corporate Financial Reporting
Tuesday, 16th December, 2014	Operation Management and Information Systems	Cost Audit & Operational Audit	Indirect Taxation	Cost & Management Audit
Wednesday, 17th December, 2014	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 30th September, 2014 and with late fees of ₹300/- is 10th October,2014. 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 October, 2014.**
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 2013, involving Assessment Year 2014-2015 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 December 2014 term of Examination.**
5. **The provisions of the Companies Act 2013 – on Notified Sections are applicable in December 2014 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 – 21st February 2015.**

A. Das
Director (Examination)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
IMPORTANT ANNOUNCEMENT

Ref. No: BOS/01-05/14-15

Dated: Kolkata, 27th May, 2014

Applicability of The Companies Act, 2013 for December 2014 CMA Examinations (Intermediate Course and Final Course)

It is hereby notified for general information that the **Sections** of ***The Companies Act,2013 as specified in Annexure I for Intermediate Course and Annexure II for Final Course, along with its Rules framed thereunder shall be applicable for the CMA Intermediate Course and CMA Final Course Examinations respectively for December,2014 Examination. Supplementary Study Material containing detailed on relevant sections would also be hosted in the website by 10th June,2014.***

Accordingly, there will arise corresponding change in the following papers in the Chapter/s specified hereunder :

	Syllabus 2012	
Course	Paper/Subject	Chapter/s
Intermediate	Paper 5 – Financial Accounting (FAC)	5,8
	Paper 6 - Laws, Ethics & Governance (LEG)	5, 7
	Paper 12- Company Accounts & Audit (CAA)	3, 4, 7, 8,10, 15,16,17,18
Final	Paper 13 - Corporate Laws & Compliance (CLC)	1, 2,9
	Paper 18 - Corporate Financial Reporting (CFR)	1, 2, 3
	Paper 19 - Cost Audit & Management Audit (CMAD)	6,10
	Syllabus 2008	
Course	Paper/Subject	Chapter/s
Intermediate	Paper 5 - Financial Accounting (FAC)	7, 8, 10
	Paper 6 – Commercial & Industrial Law & Auditing (CIA)	6, 7
Final	Paper 16 - Advanced Financial Accounting & Reporting (AFAR)	1, 2, 3
	Paper 17 - Cost Audit & Operational Audit (COA)	5

Note:

(i) The provisions of the Companies Act, 1956 which are still in force would form part of the syllabus till the time their corresponding or new provisions of the Companies Act,2013 are enforced.

(ii) If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute.

(iii) For reference and benefit of CMA students, the Department would release relevant material.

(iv) For applicability of Companies Act,2013 for June 2015 examinations would also be notified in due course and appropriate reading material would also be made available to students well in advance before examinations.

(v) The sections notified for December 2014 Examination were notified by MCA,GOI w.e.f.12.9.2013.

Institute reserves the right to modify applicability of sections of the Companies Act,2013. All concerned are hereby requested to note this announcement/clarification and facilitate to make a proper and wide publicity to meet the concern of stakeholders on the stated subjects.

This issues with an approval of the competent authority.

CMA Chiranjib Das
Joint Director, Head - Academics Department (Board of Studies)
Secretary to the Board of Studies Committee

the MANAGEMENT ACCOUNTANT
THE JOURNAL FOR CMAs
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Guidelines for Submitting Articles

1. Contributors are requested to send soft copies (in MS Word format) to The Editor, The Management Accountant at ***editor@icmai.in.***

2. In case of theme article, the soft copy to be mailed to the above stated mail ID latest by 1st of the preceding month in which the article is sought to be published. That is, for an article to be published in February, the same may be forwarded by 1st of January, at least.

3. The articles must be relevant to the economy, society and the nation.

4. The articles should be around 1500 to 2000 words and must be an exclusive contribution for the Journal.

5. The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address and an abstract of not more than 150 words.

6. References should be given at the end of the manuscript and should contain only those cited in the text of the manuscript.

7. The contribution must be original in nature and is neither published nor under consideration for publication anywhere else. A scanned copy of signed Declaration by the author is to be attached with the article. The format of the declaration is given below.

8. A scanned passport size photograph (at least, 600 dpi) of the author and in case of joint authorship of all the authors should also be mailed along with the soft copy of the article.

9. Figures and tables should be numbered consecutively and should appear near the text where they are first cited. **The figures must be in editable format.** Captions of the figures and tables are to be given at the bottom and at the top respectively. Headlines of the sections sand sub-sections should start from the left-hand margin

10. The final decision on the acceptances or otherwise of the paper rests with the competent authority / editorial board and it depends entirely on its standard and relevance. The final draft may be subjected to editorial amendment to suit the Journal's requirements.

11. If an article is not published within 4 months from the date of submission, the author(s) may withdraw the article with prior permission from the Editor **OR** keep the article with the Institute for future publication, unless it is rejected.

12. The copyright of the contributions published in the Journal lie with the publishers of the Journal.

Declaration

I/We affirm that the article titled '____________' is my/our original contribution and no portion of it has been copied from any other source, and it would not be sent elsewhere for publication. The views expressed in this article are not necessarily those of the Institute or the Editor of the Journal.

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Contact No:

All authors are requested to keep to the word limit of 1500–2000 words for articles.

Eastern India Regional Council

Bhubaneswar Chapter of Cost Accountants

The Chapter organized student's felicitation functions on September 28, 2014 to felicitate the successful students of the chapter at all India level examination conducted by the Institute in June, 2014. CMA Manas Ranjan Lenka, Chairman of the chapter congratulated the pass out students of the chapter for their excellent performance & guided them for their better professional career ahead. CMA Akhaya Kumar Swain, Chairman, coaching committee highlighted the performance of the chapter at all India level and congratulated the qualified students for achieving excellent result in June, 2014 term examination. Shri Sivapada Swain, IRS (Retd.) Member, Odisha Electricity Regulatory Commission (OERC) & CMA Srikanta Kumar Sahoo, chairman, EIRC were the chief guest and guest of honour of the occasion respectively. CMA Debasish Saha, past Chairman, EIRC, CMA Nilamani Mohapatra, past Chairman of the chapter & CMA Shiba Prasad Padhi, Vice Chairman, EIRC distributed the prizes and certificates of appreciation to all the inter and final qualified students. CMA Damodara Mishra, Secretary & CMA Chhayakanta Biswal, Treasurer of the chapter coordinated the students felicitation part in the 2nd session. The program was attended by more than 200 Students and their guardians, members, faculties, staffs, press and electronic medias.

Guwahati Chapter of Cost Accountants

The Chapter organized industry oriented training program on 25 and 26 September 2014 in association with Assam Electricity Grid Corporation Ltd, Guwahati for CMA qualified students. CMA S K Saha, CGM (F&A), AEGC Ltd described the legal framework of electricity industry in India and the changes made in Electricity Act, 2003. He also discussed on Government Securities Market and briefed on Central Government Securities and State Development Loans by State Government and the deal settlement mechanism in secondary market. CMA Mukesh Sharma, Accounts Officer, AEGC Ltd deliberated on Mutual Fund and Stock Market. He described about different schemes available in Mutual Fund and factors to be considered by small investor while investing in Equity Market.

South Odisha Chapter of Cost Accountants

The Chapter organized Students' & Members' Meet – 2014 on September 14, 2014. CMA N. C. Kar, Chairman of the chapter narrated the evolution and growth of the chapter from its inception. CMA Srikanta Sahoo, Chairman, EIRC discussed with the students about the importance of proper planning in studies to get through the examination. CMA Suresh Chandra Mohanty, Immediate Past President of the Institute explained the students as well as the members that the present curriculum 2012 of ICAI is delegated for the inclusive growth of student's knowledge as demanded by the present progressive corporate structure in India and also threw light on current companies Act – 2013. CMA Pravakar Mohanty, past President & Head Finance IDCOL, Odisha motivated the students about the plenty opportunities and avenues awaiting for the pass outs. He emphasized the need of communicative abilities and presenting themselves well in interviews. CMA A. K. Swain, Faculty of Khalikote autonomous college, Berhampur discussed about the risk in corporate management. CMA S.S. Santholia, past Chairman, EIRC spoke on risk and corporate risk and also on the matters of proactive risk, diversification of risk etc. CMA Rabi Kumar Sahu, member of the chapter spoke about personal insurance, the amount of policy to be beneficial to the policy holder, what should be the probable premium for employees etc. Shrimati Alkananda Swain, business consultant with trident group and ex-faculty of symbiosis (SIFIL), Pune, discussed on communication skills and group discussion, debates and mannerism in attending interviews and also deliberated about seven 'C's formula in communication.

Northern India Regional Council

Allahabad Chapter of Cost Accountants

The Chapter conducted a seminar on September 21, 2014 on the theme 'Cyber Laws and Cyber Crimes-Key Issues'. Er. Vikas Verma, Registrar, Dr. Rizvi College of Engineering and Technology was the keynote speaker and he covered Cyber Laws and Cyber Crimes and various techniques that can be used to detect the frauds. He also discussed other areas where it can be applied. CMA Pooja Sinha, Manager- costing of Reliance Industries Ltd. with additional charge of SAP Tester was the special speaker who deliberated on the issues relating to increasing broadband internet and 3G penetration, the penetration of ecommerce etc. The seminar was well attended by the members.

Kota Chapter of Cost Accountants

The Chapter organized a seminar on the theme 'Costing in Healthcare and Service sector'. CMA Lalit Maheshwari (IPS) SP CID Intelligent, CMA S.K. Bhatt, Secretary NIRC and CMA Ravi Sahni, Treasurer NIRC, Chairman and Secretary of the chapter, CMA Tapesh Mathur and CMA Rajendra Natani, all members, office bearers and students of the chapter were among the dignitaries attending the seminar. Both the key note speakers, CMA S.K. Bhatt and CMA Ravi Sahni explained in detail about the opportunities and challenges in health care sector in India and also discussed thoroughly the modalities of designing and implementing the cost accounting system in the concerned sector.

Chandigarh-Panchkula Chapter of Cost Accountants

On September 7, 2014 NIRC and the Chapter organised a conference on 'Overview of The Companies Act 2013 and Rules made there under' and also 'Members' meet'. The Chief Guest on the occasion CMA Dr. A. S. Durga Prasad, President, deliberated that the release of Companies Cost Records and Audit Rules, 2014 by the Ministry of Corporate Affairs, caused deep concern amongst CMA fraternity. However, efforts in addressing these concerns could result in some positive steps in the right direction by the Ministry of Corporate Affairs. He thanked Shri Arun Jaitely, Union Ministry for Finance, Defense and Corporate Affairs, for constituting an Expert Committee to examine issues relating to maintenance of Cost Records & Cost Audit. The Guest of Honour was CMA Sanjay Tandon, President, BJP, Chandigarh appreciated the role of CMAs in the present day economy and stressed that the CMAs are an integral part for the growth of Industry.

One of the key note speakers, CMA Balwinder Singh, ex-central council member, ICAI expressed his deep concern over new rules and said without formal Cost Records and Audit Govt. exchequer may not be in a position to determine the actual cost of the products and services for government levies. Key note speaker CMA Ashish Makhija, Advocate discussed the provisions of the Companies Act 2013 and rules made there under in an elaborate way. The Conference was presided over by CMA Vijender Sharma, Chairman NIRC. He discussed that the cost accounting profession came into existence through a special act by the parliament in 1959. Since then, it has managed the transition to a different role after the liberalization of the economy successfully. CMA Mukesh Kumar Gupta, Chairman of the chapter said that the Cost Audit should be made mandatory for all the companies and the Cost Audit is useful to keep rationality in prices in pharmaceuticals, food industry, textiles, electronics, automobiles which affects ordinary people in routine.

Southern India Regional Council

The Region organized a Professional Development meet on September 2, 2014 at its premises on the theme 'Strategic Marketing Planning'. Dr. A. Eugin P Fernando, Principal, Apollo Institute of Health Management & Allied Sciences, Chennai was the Speaker. Another PD Program on 'Directors' Report Provisions in Companies Act-2013' had been organized by SIRC at its premises on September 4, 2014. Shri A. Rengarajan, practicing company secretary, elaborated on the legal aspects of the recent provisions in Companies Act – 2013 with special reference to 'Directors' Report'.

SIRC and ICSI jointly organised a one day seminar on the theme 'The Companies Act 2013 – Raising Corporate Governance Standards' on September 6, 2014. CS Dr. Baiju Ramachadran, Chairman, ICSI–SIRC rendered welcome address. CMA H. Padmanabhan, Chairman, SIRC delivered the key note address. Dr. Santhosh Babu, IAS and CMD Tamilnadu Handicrafts Development Corporation was the Chief Guest and he underscored the importance of developing Corporate Governance Standards. There were four technical sessions in the Seminar. CS Prakash K Pandya, Company Secretary in practice, Mumbai handled the 1st Technical Session on 'Annual General Meeting & E Voting', 2nd Technical Session on the topic 'Secretarial Audit and Certification' was handled by CS V. Sreedharan, Company Secretary in practice, Bangalore, The 3rd Technical Session on the topic 'Mandatory Committees & Policies required under The Companies Act 2013' was handled by CS N. Palaniappan, Company Secretary, Blue Dart Aviation Ltd., Chennai and CS M. Sathyakumar, BSR & Co.LLP, Chennai handled the 4th Technical Session on 'RPT interplayed with Income Tax Act, Accounting Standards & SEBI Guidelines'. On the same day CMA H. Padmanabhan, Chairman, SIRC along with CMA V. Kalyanaraman, former president, ICAI & SAFA met the Hon'ble Union Minister for Urban Development, Housing, Urban Poverty Alleviation and Parliamentary Affairs, Govt. of India, Shri M. Venkaiah Naidu. Hon'ble Minister after hearing the presentation made by the delegation and after due deliberations assured full support to CMA fraternity.

On September 6, 2014 a representation was submitted to major Chambers of Commerce in Chennai seeking their support for representing to the Ministry of Corporate Affairs for revival of the existing Cost Records and Cost Audit under the Companies Act. 2013. The A P chamber of commerce has already sent a letter in this rtegard. On September 8, 2014 Corporate Cost Management Week of ICAI was inaugurated by CMA M Gopalakrishnan, Past President, ICAI at CMA Bhawan Egmore Chennai with large number of students, members, representative of Corporates, members of staff of ICAI. On the same day, ICAI-SIRC Corporate Cost Management Program at Madurai had been organized and the program was inaugurated by CMA H Padmanabhan, Chairman, ICAI-SIRC.

On September 9, 2014 CMA H Padmanabhan, Chairman, SIRC along with other representatives of the Salem chapter met the General Manager, Deputy General Managers of Salem Steel Plant and interacted on the scope of service of the profession at their Industry.

The Institute celebrated the Corporate Cost Management Week between 8 – 13 September in all major cities and towns throughout India. Seminars and conferences were held on the major theme 'Business Sustainability and Cost Management'. CMA Dr. A.S. Durga Prasad, President in the presence of CMA H.Padmanabhan, Chairman, SIRC addressed the students as well as members about the importance of celebrating the Corporate Cost Management Week. He highlighted the laudable efforts of SIRC in organising the programmes in almost every Chapter with real zeal and enthusiasm. On this occasion a MoU was signed between the ICAI & Mahindra Finance Ltd. On behalf of the Institute, CMA Dr. A.S. Durga Prasad, the President and on behalf of Mahindra Finance, Shri Suketu Kohli signed the MoU in the presence of the other dignitaries. Guest of Honour, Shri J.D.

Sharma, Director-IOB, President-IOBOA highlighted the importance of the profession of cost and management accounting and praised the commendable role played by CMAs in taking wise decisions in the domain of cost and management accounting. The first Technical Session on 'Total Cost Management' was handled by CMA S.A. Murali Prasad, Director, SAM Consultancy Services, Chennai. CMA S. Bhargava, Senior Manager - Costing, Apollo Hospitals Pvt. Ltd., handled the 2nd Session on 'Activity Based Costing for Service Industry' and the 3rd Session on 'Value Added to Value Management – Role of CMAs' was handled by CMA S. Dorai Rajan, Director, Kansen Institute Asia-Pacific Pvt Ltd.

The ICAI-SIRC Women's Wing was inaugurated by the Chief Guest Shri. G. Balakrishnan, Senior President & Company Secretary, India Cements Ltd in the presence of CMA Dr. A S Durgaprasad, President, ICAI , and former president ICAI, CMA M Gopalakrishnan and CMA V Kalyanaraman. Shri J.D. Sharma, President IOBOA & Director, Indian Overseas Bank, Dr. Gowri Ramachandran, Consultant, Hindustan Chamber of Commerce and Smt. Renuka Mohan Rao, former General Manager, Indian Overseas Bank were Guests of Honour and all of them wished the formation of Women's Wing all success and gave excellent advise for developing the Women's Wing as a full-fledged unit of ICAI – SIRC so that it will induce many girl students to get into the profession of cost and management accountancy.

On September 16, 2014 a PD Meet was organised by the region at its premises on the topic 'Financing Options for Small & Medium Enterprises'. Shri Sridhar Sampath, Director, Hayagriva Advisory Services Ltd, and Management Consultant, Chennai was the main speaker. In his address he elaborated the members on various finance options for promoting and developing small and medium enterprises with legal provisions involved in the same. The next day there was a Training Program on 'Motivational Aspects – Know Your Purpose' was organized by ICSI – SIRC at Virugambakkam.

A Professional Development meet was organised by SIRC on the topic 'Indian Toll Road Sector' at its premises on September 18, 2014. Shri Sriram Parthasarathy, Associate Director-Infrastructure & Project Finance, India Ratings & Research, A Fitch Group Company, Chennai was the main speaker. He briefed on 'Infrastructure & Project Finance' involved in the 'Toll Road Sector' in India and the significant contribution of CMAs in rating and research analysis of this sector.

CMA D L S Sreshti, Council Member took the lead in meeting the Vice Chancellor of University, Visakhapatnam and explained the importance of the CMA Profession and conveyed the importance of having MoU with ICAI. He was accompanied by ICAI-SIRC Vice Chairman, CMA Ch Venkateswaralu and CMA G V S Subrahmanyam, past chairman. As per the region's action plan the Coimbatore Chapter of Cost Accountants took the initiative to organize the Tamil Nadu COSMA Students State Level Convention in real professional manner on September 20, 2014. The student's participation was not only from various chapters in Tamil Nadu, but also from colleges and other satellite centers of ICAI in and around Coimbatore.

On September 20, 2014 the region organised a PD meet on the topic 'Leadership and Management – A CMA's Perspective' at its premises. CMA S Rajendran, Management Consultant, Chennai was the main speaker who elaborated the importance of Leadership Skills and its role for initiating effective management decisions in an organisation from the viewpoint of a Cost and Management Accountant. A members' meet was arranged on September 21, 2014 at Hyderabad by the Hyderabad chapter as part of their professional activities and President, Council Members, office bearers of the region and past chairman of SIRC participated actively in the meet.

In a PD meet on 'Committees and Policies under Companies Act, 2013' organised by SIRC on September 23, 2014 at its premises, CMA N. Palaniappan, Senior Manager (Finance), Blue Dart Aviation Ltd, Chennai addressed the members on the topic 'Committees and Policies under Companies Act, 2013'. In his address, he briefed on the Committees and Policies recently amended under Companies Act, 2013 and its legal implications in the purview of cost audit.

SIRC organised a Professional Development Meet on the topic 'Human Resource – Significance & Relevance for Growth of an Organisation' on 25 September, 2014 at its premises. Mrs Gajalakshmi Krishnamoorthy, Management Consultant Chennai was the speaker and she highlighted the significant role being played by Human Resource Department in identifying the suitable persons for their organization. On September 27, 2014 Shri Thiruvanchiyoor Radhakrishnan, Minister for Transport, Forest and Urban Development, Government of Kerala blessed the occasion by laying down the foundation stone of new building of Kottayam chapter in the presence of CMA H Padmanabhan, Chairman, ICAI-SIRC. On the same day a conclave was conducted at Kottayam with the participation of members from all over the state.

On September 29, 2014 ICAI – SIRC organised an Awareness Program on 'World Heart Day'. Dr. Jacob James, Senior Consultant & Cardiac Surgeon, Madras Medical Mission Hospital, Chennai addressed the members, staff and students on that special day. The next day a PD program on 'Financial Inclusion – Alternative Models' was organized by the region at its premises. CMA Ramesh Subramanian Professor of IFMR, Chennai was the main speaker and he highlighted importance of financial inclusion of Indian rural and semi rural areas in the present context and the need for innovating alternative financial inclusion models to be adopted by all banks and financial institutions in India.

Tiruchirappalli Chapter of Cost Accountants

A Career Counselling Programme had been organized by the Chapter on September 22, 2014 and the programme was conducted in two sessions, one for Aided College students and another for Self-financing college students. HOD of Commerce Department delivered introduction speech and inaugurated the session. CMA J .Murugesan, Member, SIRC explained about the CMA course details and also the prospects available after its completion. CMA M.Venkataraman, Asst. Secretary of the chapter stressed the students about the completion of CMA course to avail employment opportunities at the earliest.

Coimbatore Chapter of Cost Accountants

A MoU with Lamika Educational & Charitable Trust – Kathir College of Professional Academy, Coimbatore was signed on August 14, 2014. College Chairman Shri E.S. Kathir & Secretary CMA A. Hariharasubramanian were among the members present in the occasion. A PDP meet on Advanced Excel for Professionals was held by the chapter on August 27, 2014. The speaker Shri Partha Sarathy explained the latest version of Excel with practical illustrations. Various orientation programmes about the CMA course had been conducted by the chapter at different colleges in Coimbatore during different dates of August 2014 attended by Chairman, Vice Chairperson and Secretary of the chapter.

Visakhapatnam Chapter of Cost Accountants

The Ukkunagaram and Visakhapatnam Chapters jointly hosted 'Telugunadu CMA Convention' on the theme 'Opportunities & Challenges for Industrial Growth in Successor States' – Role of CMA Professional' on 19 & 20 September 2014. CMA Dr. A.S. Durga Prasad, President, briefed about the opportunities for CMAs in different sectors such as banking, infrastructure, healthcare and education and emphasized the need to lend a helping hand to MSME sector. He also proposed to have help desk in all the major chapters of the Institute and to resolve and advise on all issues relating to finance, pricing and other related matters. CMA Krishna Kumar, Director (Finance), RINL in his keynote address shared his experience on benchmarking of costs within his organisation and appreciated the role of CMA professionals in the areas of cost control and cost reduction.

The convention was also addressed by CMA H. Padmanabhan, Chairman of SIRC and CMA K. Sanyasi Rao, Chairman of Convention Committee presented the theme of the convention. Co-chairman CMA U Prakash and CMA S.V. Rambabu, Convenor CMA P.V.N. Madhav, and Central Council Members CMA Dr P.V.S. Jaganmohan Rao, CMA D.L.S. Sreshti spoke on the occasion.

Shri J.A Chowdary, Co-Chairman FICCI deliberated about Information Technology and its Enabled Services and briefed the opportunities of MNCs participating in establishing IT parks at Visakhapatnam and other parts of successor states. APIIC Chairman Shri Krishniah, IAS, informed that the land of 13,000 acres was identified and waiting for industrialists to participate in the residual state of Andhra Pradesh.

Vice Chancellor of Andhra University Prof. G.S.N. Raju emphasized the role of cost and management accountants in facing emerging challenges and opportunities in infrastructure development of the newly formed state of Andhra Pradesh and also mentioned that CMAs play a pivot role in cost reduction. He also mentioned that CMAs play a pivot role in cost reduction and informed that the senate of Andhra University has approved CMAs to pursue Ph.D. Shri O. Naresh Kumar requested the Convention Committee to pass a resolution and submit the Central Government that the income tax authorities and Service tax authorities are taking away maximum part of profit and refunds are not given in proper time.

Shri Badrinarayan, MD, S3V Vascular Technologies, Bangalore gave a detailed presentation on affordable health care. The Commissioner Shri Rajendiran, IRS, along with Shri Shirjit Jain, Asst. Commissioner of Customs, Central Excise and Service tax and Shri Siva Sankar Rao, Deputy Commissioner of commercial taxes reiterated the role and need of CMAs in indirect taxation, both in Central and State. They expressed confidence that if both professionals and department work together there will be lot of relief and can reduce the burden of tax payers and facilitate smooth running of the government.

Erode Chapter of Cost Accountants

On September 9, 2014 the Chapter organized a seminar on 'Penalties in Companies Act 2013'. SIRC Chairman, CMA H Padmanabhan addressed all the members. SIRC secretary CMA Ramachandran also attended and spoke on the theme. Chairman of the chapter CMA R Gopal delivered his inaugural address. The session was handled by Sathya Moorthy, Company advisor, Erode. CMA R Senthil Kumar, secretary of the chapter delivered his vote of thanks.

Ranipet Vellore Chapter of Cost Accountants

The Chapter arranged one day cultural tour and get together for students on August 21, 2014 to Dhakshinachitra , Mahapalipuram at Chennai based on the social responsibility, community service project of the Madras Craft Foundation for the promotion and preservation of the cultures of the diverse people of India under good leadership of Shri A. Sivakumar, Executive officer.

Trivandrum Chapter of Cost Accountants

The Chapter held a Professional Development meeting on September 21, 2014. The guest speaker CMA B.V. Subramanian, practicing cost accountant dealt elaborately the various methods and relevance of each with respect to assessment of different assets. He also depicted several models of business valuation. CMA S. Hariharasubramanian, Vice-Chairman of the chapter presided over the meeting. CMA M.K Isac Kutty, Chairman, P.D. Committee, introduced the speaker and welcomed the gathering. CMA S.Veerapudran, secretary of the chapter proposed vote of thanks.

Western India Regional Council

Surat South Gujarat Chapter of Cost Accountants

The Chapter organized a full day seminar on Service Tax and VAT on September 13, 2014 at CMA Bhawan. The seminar was attended by Commissioner of Central Excise, Shri V.K. Verma. He appreciated the efforts of organizing such seminar for the awareness of industries at large.

Welcome note was presented by Vice Chairman of the chapter, CMA R.K. Rathi. He explained the activities of chapter and welcomed all dignitaries. CMA V.S. Datey, author of books on tax laws discussed the service tax implication in detail for optimum benefit of all participants. He also analyzed the practical issue in reverse charge compliance by units. Dr. Sushma Oza, Assistant Commissioner, Commercial Tax -VAT and Shri Hemant Desai Advocate & VAT Consultant, detailed the impact of VAT. Senior officials from Reliance, Essar, Welspan, J.K. Paper, Adani, L&T were present and made the seminar an auspicious one.

The Chapter organized an industry-oriented training programme at KRIBHCO, Hazira, Surat, a Fertilizer Manufacturing organization on September 19, 2014 for the benefit of the students of the chapter. CMA Brijesh Mali, Secretary & Treasurer of the chapter and CMA Nanty Shah, -Joint Secretary, visited the plant. CMA P.G. Soni, CM (F&A) & CMA Minal J Trivdedi, AM(F&A) under the overall guidance of CMA G.P. Rao, GM(F&A), KRIBHCO acquainted the students with the practical aspects on Insurance, SAP, Taxation, MIS, Pricing Mechanism under FICC & Employee payments etc. Shri R.K. Aggarwal, operations director, KRIBHCO and CMA Girish Prajapathi, AM(F&A), KRIBHCO were among the members present and interacted with the students throughout the programme.

Ahmedabad Chapter of Cost Accountants

On September 9, 2014 the Chapter organized a student's felicitation programme. CMA R B Kothari, Chairman of the chapter, CMA V H Savaliya, Vice Chairman, CMA S S Shah, RCM of WIRC and CMA P D Modh, Chairman, Oral Coaching Committee guided the students. CMA Ashish Bhavsar, Secretary of the chapter delivered his vote of thanks. The chapter organized Advance Excel Training Program for qualified students as well as students appearing in Dec'14 examination. Certificates were distributed on successful completion of training. Soft skill program under the Campus Placement 2014 had been organized by the chapter on Sept 14, 2014. CMA P D Modh and Mrs. Abhaben Pandya, faculty interacted with the students. More than 42 students participated in program. The chapter on the same day also organized Industry Oriented Training Program inaugurated by CMA R B Kothari, chairman of the chapter for Final Students.

Aurangabad Chapter of Cost Accountants

A special training programme on how to face an interview had been organized by the Chapter on September 12, 2014 for the Intermediate and Final qualified students. Vice Chairman & Chairman -Training Committee CMA Sunilkumar Maniyar introduced the faculties of the programme Shri Abhijeet Kulkarni & Shri Noel Pascal. Faculty Members were felicitated by the students. A felicitation function was organized by the chapter on October 12, 2014. WIRC Chairman, CMA A.B. Nawal was the Chief Guest and Shri Milind Kank, M.D, Yashashree Group of Companies, Aurangabad was the Guest of Honor. CMA A.B. Nawal explained the importance of new syllabus which was implemented by the ICAI in 2012. He narrated that Aurangabad is going to be a big business hub and opportunities for businessmen and professionals like CMAs will be going to be increased in near future and for this from today itself the chapter must start to create maximum CMAs to fulfill the requirement of the market. He also emphasised the vital role of CMAs in industry as well as locally & globally. CMA A.R. Joshi briefed about the achievements of the training committee. Shri Milind Kank appealed the students to plan their studies and work hard to achieve success. He also said the students to focus on their objectives first for getting success in professional examinations and to build confidence for increasing the percentage of success. CMA Vaibhav Argade, CMA N.L.Kuyate, CMA R.S.Deshmukh, CMA M.R. Pandit, CMA R.G.Modani, CMA S.R. Pimple, CMA Nagarjun Akula Rao, CMA S.P. Bhangale, CMA R.P. Gore, CMA S.B. Mundade were among the members present in the function.

THE GAZETTE OF INDIA : EXTRAORDINARY [PART II—SEC. 3(i)]

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 15th September, 2014

G.S.R. 645(E).—In exercise of the powers conferred by Section 29A of the Cost and Works Accountants Act, 1959 (23 of 1959), the Central Government hereby makes the following amendments in the notification of the Government of India in the Ministry of Corporate Affairs, published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i), *vide* number G.S.R. 1693(E), dated the 3rd October, 2007, namely:—

2. In the said notification, for serial number (2) and the entry relating thereto, the following serial number and entry shall be substituted, namely:-

"(2) Shri Narender Kumar Bhola, — Member"

Regional Director (NER) & RD(ER),

Ministry of Corporate Affairs,

Kolkata-700 020.

3. This notification shall come into force from the date of its publication in the Official Gazette.

[F. No. 2/23/2006-IGC/PI]

MANOJ KUMAR, Jt. Secy.

Note: The principal notification was published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i) *vide* number G.S.R. 1693(E), dated the 3rd October, 2007 and subsequently amended *vide* number G.S.R. 69(E), dated 6th February, 2012.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

MANAGEMENT ACCOUNTANCY
EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2014

Wednesday 10th December, 2014 09.30 A.M to 12.30 P.M	Wednesday 10th December, 2014 02.00 P.M to 05.00 P.M	Thursday 11th December, 2014 09.30 A.M to 12.30 P.M	Thursday 11th December, 2014 02.00 P.M to 05.00 P.M	Friday 12th December, 2014 09.30 A.M to 12.30 P.M
Management Accountancy	Advanced Management Techniques	Industrial Relations & Personnel Management	Marketing Organisation & Methods	Economic Planning & Development

EXAMINATION FEES
Per Group Rs 2500/-

1.(a) Application Form for Management Accountancy Examination is available from Directorate of Advanced Studies, The Institute of Cost Accountants of India, Hyderabad Centre of Excellence, Plot No. 35, Financial District, Nanakramguda Village, Serilingampally Mandal, Gachibowli, Ranga Reddy District, Hyderabad on payment of Rs 50/- per form.

(b) Students can also download the Examination Form from ICAI Website at www.icmai.in.

2. Last date for receipt of Examination Application Form without late fees is 10th October, 2014 and with late fees of Rs 300/- is 20th October,2014.

3. Examination fees to be paid through Bank Demand Draft of requisite fees drawn in favour of "The Institute of Cost Accountants of India" and payable at Kolkata.

4. Students may submit their Examination Application Form along with the fees at Directorate of Advanced Studies, The Institute of Cost Accountants of India, Hyderabad Centre of Excellence, Plot No. 35, Financial District, Nanakramguda Village, Serilingampally Mandal, Gachibowli, Ranga Reddy District, Hyderabad. Any query in this regard may be addressed to Directorate of Advanced Studies, Plot No. 35, Financial District, Nanakramguda Village, Serilingampally Mandal, Gachibowli, Ranga Reddy District, Hyderabad.

5. 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,Hazaribag, 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, 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.

6. A candidate who is completing all conditions will only be allowed to appear for examination.

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

CLARIFICATION

Ref. No: BOS/01-04/14-15

Dated: Kolkata, 1st April,2014

Clarification on applicability of Finance Act, 2013 and CAR 2011, CARR 2011 and CASs for CMA Examinations

It is clarified for general information of all concerned that:

(A) Finance Act, 2013 shall be made applicable involving Assessment Year 2014-15 for the following papers in June 2014 and December 2014 terms of Examinations of the Institute:

Syllabus 2008	Syllabus 2012
Paper 7 - Applied Direct Taxation	Paper 7 - Direct Taxation
Paper 10 - Applied Indirect Taxation	Paper 11 - Indirect Taxation
Paper 14 - Indirect and Direct Tax Management	Paper 16 - Tax Management & Practice

This is also clarified in the Examination Notification issued by the Directorate of Examination of the Institute (http://icmai.in/examination/notification)

(B) Cost Accounting Record Rules 2011, Cost Audit Report Rules 2011 and Cost Accounting Standards - 1-17 will also be applicable for the following papers for June 2014 term of Examination:

Syllabus 2008	Syllabus 2012
Paper 17 - Cost Audit and Operational Audit	Paper 19 - Cost and Management Audit

(C) It is further clarified for general information that the provisions of "***The Companies Act,2013***" ***shall not be applicable*** ***for the CMA Intermediate and Final Course Examinations for June,2014 term of Examination.*** ***(Clarified vide*** BOS/01-08/13-14, on 26th August,2013 and reiterated vide **BOS/01-12/13-14 on 18th December, 2013). Applicability of provisions of The Companies Act,2013 for Examinations of the Institute would be notified in due course.**

All concerned are hereby requested to note this clarification and facilitate to make a proper and wide publicity to meet the concern of stakeholders on the stated subjects.

CMA Chiranjib Das
Joint Director, Head - Academics Department (Board of Studies)
Secretary to the Board of Studies Committee

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