THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

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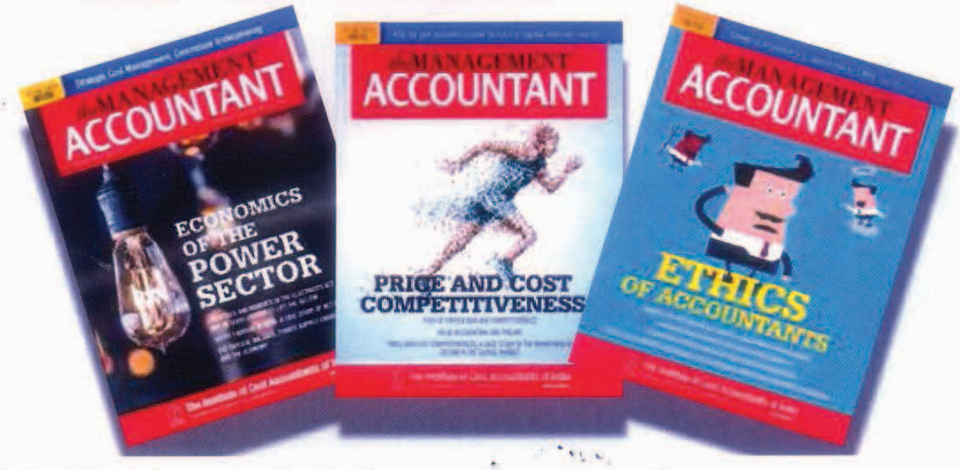
ECONOMIC INNOVATIONS

THE GAME CHANGER

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
www.icmai.in

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) since 1966. The magazine, which touched its Golden Jubliee year of publication in 2015, 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
- Current readership of our journal is more than 5 Lakhs around the Globe in 212+ countries through 6 e-commerce portals both in digital & print version and growing day by day

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www.icmai.in

Editorial Office
CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata-700 025
Tel: +91 33 2454-0086/0087/0184 , Fax: +91 33 2454-0063
Headquarters
CMA Bhawan, 12, Sudder Street, Kolkata 700016
Tel: +91 33 2252-1031/34/35 , Fax: +91 33 2252-7993/1026
Delhi Office
CMA Bhawan, 3, Institutional Area, Lodi Road, New Delhi-110003
Tel: +91 11 24622156, 24618645 ,Fax: +91 11 4358-3642

WEBSITE
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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GST

EDITOR

CMA Dr Debaprosanna Nandy
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700016
editor@icmai.in

PRINTER & PUBLISHER

CMA P V Bhattad

on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700016

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CHAIRMAN
RESEARCH, JOURNAL & IT COMMITTEE

CMA Avijit Goswami

EDITORIAL OFFICE

CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata - 700025
Tel: +91 33 2454-0086/0087/0184
Fax: +91 33 2454-0063

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EDITORIAL

Greetings!!!

As financial innovation is a continuous process, it is difficult, in practice, to grasp all of its contours; and even more difficult to predict its consequences. Therefore, financial innovation adds an element of uncertainty to the economic environment. If financial innovation improves the efficiency of the financial system, then it should also have a considerable effect on the functioning of the economy in general. The development of innovative means of payments in banking sector reduces transaction costs, thereby facilitating trading and the exchange of goods and services, which in the end should lead to a better allocation of resources. In the long term, this should be favourable for economic growth.

To spur innovation, manufacturers are collaborating more than ever before. Innovation is not going to happen in isolation. It is necessary to increase collaborative arrangements with suppliers, customers and partner companies. The manufacturers will work with customers for customized product development and with suppliers for product design. The companies that want to achieve the real innovation in manufacturing must, on one hand transform their operations through an innovative culture for building a new-growth factory, and on the other hand, dramatically increase their productivity to stay within a continuous improvement. In future, the smart companies will have to use their talent-factoring to dedicate much effort in optimizing all their resources, while at the same time rethinking their business models to capture the value residing in resource ownership.

While an organization is working on implementing a culture of innovation, it is very important to develop the talent and ability to innovate, as this will play an important role in defining its competitiveness in developed and emerging economies. New manufacturing needs to understand that there are certain competencies associated with manufacturing of certain advanced products, and if the manufacturers and countries lose those competencies it can affect the overall competitiveness of the nations. For this reason, it is clear that there is a key challenge for corporate houses to engage their cooperation in strengthening their ability and capacity to innovate.

The positive side of any recession is innovation. Economic recession makes us re-think in what different ways we may adopt today that will earn us some extra money. Recession makes a company or a person desperate for some increased revenue thus leading to innovative ways to earn more. It is common that during recession many companies start laying off employees as a method of cost reduction. Doing this is not always the best solution; rather companies should focus on innovative cost reduction methods. Like the old saying "Necessity is the Mother of All Invention", recession thus makes it necessary for companies to innovate. Innovation is the only way companies can survive downturns.

Increasing competition in global and domestic markets simply cannot sustain cost advantage for a long term. The experience of all globally successful companies underscores the fact that success depends on consistent innovation, so as to stay ahead of competition. Businesses can innovate on several fronts in manufacturing, processes, technologies and management principles. Innovation is not a one-time exercise; it involves continuous efforts in re-inventing the firm's products, services and processes in the light of market and technology developments. This would require firms to develop specific strategies, teams and performance measures to foster innovation. At the same time, the government can support innovation by providing an assurance that the companies' intellectual property is adequately protected, through legal provisions that are also administered effectively. In the final analysis, success depends on each organization's willingness to take risks and implement changes.

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

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

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

Theme: The Changing Role of Management Accountants — November 2016

Subtopics

- Traditional role to a more dynamic involvement in businesses
- Experiencing change from a strategic apex role
- Management Accountants as business partner and change agent
- New tools and techniques
- Performance measurements
- Corporate Governance and business ethics
- Achievement towards sustainability goals
- Case Studies

Theme: 25 Years of Economic Reforms in India — December 2016

Subtopics

- Issues & Challenges
- Economic and Fiscal policy Reforms and its impact
- Sector wise Reforms and its impact
- India in the Global economy in post-reforms period
- Economic Reforms and Social developments
- Economic Reforms and Nation Building - Role of CMAs
- Economic Reforms - Unfinished Agenda

Theme: Indian Banking Sector in Transition — January 2017

Subtopics

- Impact Analysis of Dynamic Banking Scenario
- Technology trends and operating models
- New licensing agreements
- MSME Finance: Credit challenges and impetus for growth
- Managing Risk, Regulations and Capital
- M&A of Banks in India

Theme: Cost Leadership and Competitive Advantage — February 2017

Subtopics

- Cost leadership and Value Chain
- Road map to competitive edge
- Cost leadership strategy for sustainability
- Strategic decision & Cost Management tools
- Economies of Scale & Cost leadership
- Make in India & Competitive Advantage
- Role of CMAs

The above subtopics are only suggestive and hence the articles may not be limited to them only.

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

Directorate of Research & Journal
The Institute of Cost Accountants of India (Statutory body under an Act of Parliament)
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700 025, India
Board: +91-33- 2454 0086 / 87 / 0184, Tel-Fax: +91-33- 2454 0063
www.icmai.in

PRESIDENT'S COMMUNIQUÉ

It is better to strive in one's own dharma than to succeed in the dharma of another. Nothing is ever lost in following one's own dharma. But competition in another's dharma breeds fear and insecurity. By fulfilling the obligations he is born with, a person never comes to grief.

- Bhagavad Gita

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

My Dear Professional Colleagues,

Namaskaar

Friends, as I am writing this communique, the festivities of Durga Puja are in full swing all over the Country, especially in the eastern and north-eastern India. The essence of Durga Puja festivities is to worship Goddess in various forms as Durga, Lakshmi and Saraswati. Though the Goddess is one, she is represented and worshiped in three different aspects. On the first three nights of the festival, Durga is worshiped. On the following three, Lakshmi is worshiped and then Saraswati Devi on the last three nights. This is the significance of the three sets of three nights when all these three are gained subjectively, and then there will be Vijayadasami, which signifies "victory", victory of good over evil forces, victory of light over darkness, victory of truth over untruth and victory of knowledge over ignorance. This also signifies our inner struggle to rise to higher levels of consciousness.

I very heartily wish all the members of CMA Fraternity a very happy and prosperous Puja Festival.

Visit of Hon'ble Union Minister of State for Finance and Corporate Affairs to HQ

Friends, I take this opportunity to convey my sincere gratitude to Hon'ble Shri Arjun Ram Meghwal Ji, Union Minister of State for Finance and Corporate Affairs for his visit to the Institute's Headquarters at Kolkata on 18th September 2016. I, on behalf of the whole CMA fraternity, thank him for boosting the morale of the participants and inspire all of us to move forward with much more vigour. At the same time I wish to assure Hon'ble Minister that the Institute and its members are duty bound to wholeheartedly support the endeavours of the Ministry of Corporate Affairs and Government of India towards the growth of the national economy and welfare of society.

Insolvency and Bankruptcy Code 2016 and CMAs

The Central Government notified "Insolvency and Bankruptcy Code 2016" on 28thMay 2016 for resolutions of insolvency of corporate persons, partnership firms and individuals in time bound manner. One of the most important reforms brought out in this Code was to make substantive changes in the existing Acts and Laws dealing with insolvency and bankruptcy in India. This is also being the biggest economic reform in India after GST. The resolutions of insolvency cases in timely manner would promote investments and maximization of value of assets of such persons, to promote entrepreneurship that would lead to higher economic growth and development.

The Cost Accountants in Practice may function and render their services as "Insolvency Professionals" "Liquidators" and "Bankruptcy Trustees" after enrolling and registering with the Insolvency Professionals Agencies and Insolvency and Bankruptcy Board of India ("Board") respectively. Registration of Insolvency Professionals with Board is possible only when they obtain membership of any "Insolvency Professional Agencies" established as per the provisions of the Code. The Institute may also establish "Insolvency Professional Agency" to enrol our members and other professionals who meet the eligibility criteria as specified in the Regulations which will be notified shortly by the Government under Code. The code creates great opportunities for the CMAs and requires capacity building of the experts emerging as insolvency professionals.

CMAs apart from being "Insolvency Professionals" may assist the "Firms" and other persons rendering the services as insolvency professionals, Valuer to properties and assets of liquidation estate or Advisors to Valuer. As the Central Government is going to start functioning of "insolvency professionals" and "insolvency professional agencies" very soon, it is a time for CMAs to build their technical capability in the Insolvency and Bankruptcy Code 2016 so that the opportunities presented by this Code before the CMAs are fully utilised at their potential.

MoU with Institution of Valuers

I am pleased to inform that I, on behalf of the Institute, signed anMoU with Institution of Valuers (IOV) on 10thSeptember 2016 at New Delhi. The MoU on behalf of the IOV was signed by Vr. RS Baabu, President, IOV in presence of CMA Sanjay Gupta, Vice President and CMA JK Budhiraja, Sr. Director, ICAI.

We have identified the areas of mutual co-operation such as extending help and co-operation in developing curriculum of academic and continuing education programs, develop new certification modules, exchanging faculty, organising webcasts,conducting training and education programs, joint certification of ICAI professionals and IOV professionals on the topics of professional interest and conducting Investor Awareness Programs.

Round table hosted by the CIMA

I got an invitation to participate in a select roundtable event hosted by the CIMA President, Mr. Andrew Miskinon 22ndSeptember 2016 at New Delhi. The theme of the event was "Joining the Dots ... decision making for the new era". I expressed that in this highly competitive business world the concept of growth has moved away from cash flow, profit and profitability to create, sustain and enhance value. Moreover the nature and intensity of the risks that organizations face is changing, requiring more effective risk management approaches. All this requires use of multi-disciplinary approach to decision making with the ability to integrate inputs from diverse non-financial sources and strong commercial acumen characterised by strong product, process and market knowledge. CMAs have an inherent inclination and expertise in integrating the decision making by consideration of diverse business parameters.

Observance of November 2016 as Career Counselling Month

Friends, as we all know that our Institute thrives on the student strength and they are the brand ambassadors of the Institute after passing out from the Institute. The Institute has also launched Syllabus 2016 very recently. I propose to observe the month of November 2016 as Career Counselling Month all over the country involving all the Regional Councils and Chapters of the Institute. The idea is to give students a clear understanding about the CMA Curriculum 2016, CMA Profession and its role towards the socio-economic growth of the country. A well planned career counselling program will boost the morale & confidence of prospective students and give them right direction which could be beneficial for the whole society and the nation. Details about the scheme will be announced shortly. I urge the members to give constructive suggestions on President's Portal to make this endeavour a grand success.

Meeting of the GST Advisory Board

I wish to inform that the first meeting of the GST Advisory Board of the Institute was conducted on 11thSeptember, 2016 at New Delhi. The Board headed by CMA Brijmohan Sharma, Former President and Fellow Member of the Institute will primarily devise a complete roadmap for the institute with regard to the capacity building of members of the Institute in the field of GST and enhance the awareness of GST Laws and the professional opportunities by organising workshops, seminars, and interactive programs independently or in collaboration with industry associations. I am thankful to CMA Upender Gupta, Commissioner, GST, CBEC, and Government of India for giving his kind consent to be a member of the GSTAB. I wish the Chairman and all the members of the GSTAB all the best.

Initiatives by various departments of the Institute

Continuing Professional Development Department

The Council of the Institute in its 300thMeeting held on 21stJuly 2016 made necessary amendments the following clause of the existing Guidelines for Mandatory training for all members of the Institute under Continuing Education Programme:-

✹ A member holding Certificate of Practice attained the age of 65 years and above shall be required to undergo minimum mandatory training of 50% of the minimum CEP hours.

✹ The reciprocal arrangement with ICSI for awarding CEP hours for the programmes is withdrawn.

For further details, please refer to the amended guidelines available on the website of the Institute.

To gear up all the CMA members for effective implementation of GST, Regions and Chapters conducted various programmes across county which were well appreciated by the members. During the month, webinars on 'Operational Audit', and 'Integrated Reporting of IIRC' were well received by the members. Recorded webinars are available on Institute's website under Featured Links.I feel happy to note the increasing number of programmes by our Regional Councils and Chapters. I sincerely appreciate their efforts in organizing various programs, seminars and discussions on the topics of professional relevance and importance for the members such as, Internal Audit - A tool for Internal Control, Accelerating Make in India Initiatives - Role of CMAs, Cost Audit Report - Preparation and Presentation, Companies Act, Ind AS & CAAS and so on.

We are sure that our members are immensely benefitted with the programs. Look forward for active participation of our members to enhance professional knowledge and skills. The presentations of these programmes are available in Knowledge bank on the website of the Institute.

Human Resource Department

✹ Training for employee of regional councils and chapters

In this ever changing and fast paced competitive corporate world the survival of any organization lies in its ability to train its human resource to be creative, innovative, inventive which invariably improves employees' ability to perform more effectively and efficiently which ultimately enhancing the individual performance and increase competitive advantage. Training and development is an indispensable function and strategic tool for enhancing employee performance. Through Training and development the employees can be equipped to transfer information and knowledge and translate that information and knowledge into practice with a view to enhancing organization effectiveness and productivity. HR department of the Institute is at constant endeavour to ensure that our employees should be well equipped with the right kind of skills, knowledge and abilities to perform their assigned tasks to achieve the desired goal and success.

Keeping this in mind the training sessions for the employees of the Regional Councils and Chapters all across the nation are being organized. The main aspiration for such drive was to give a bird's eye view on the mission, values, strategic objectives of the Institute, equal opportunities policy, requirement for core competencies, continuing personal and professional development and requirements for organizational change. The two days training session was designed and conducted for the employees of the Regional Councils and Chapters respectively in four zones.

✹ Training on strategic objective of the Institute was conducted by senior officials of the Institute.

✹ Awareness Program for sensitizing the Employees u/s 19(c) of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was conducted by Internal Complaints Committee (ICC) of the Institute along with the trainers from Gender Training Institute Centre For Social Research, an organisation for the women and girls of India.

✹ Regarding development of Core Competencies, the session was conducted by eminent HR professional, Dr. RKS Mangesh Dash.

International Affairs Department

The meeting of IFAC committee on Professional Accountants in Business (IFAC PAIB) was organised at Dubai on 29-30 September 2016 which was attended by CMA (Dr.) PVS Jagan Mohan Rao, Council Member and Institute's representative on the IFAC PAIB along with the Vice President of the Institute as his Technical Adviser. The next CAPA events are being organised at Hyderabad during 20-21st October 2016. The Institute will be duly represented in these events.

Professional Development Directorate

✹ Seminar on Accelerating Make in India Initiatives- Role of CMAs in Bikaner

PD Directorate in association with NIRC & Ajmer-Bhilwara, Jaipur, Jodhpur, Kota and Udaipur Chapters of the Institute organized a Seminar on Accelerating Make in India Initiatives-Role of CMAs at Hotel Park Paradise, Bikaner, Rajasthan on 13thSeptember, 2016. The Seminar witnessed august presence of Shri Arjun Ram Meghwal, Hon'ble Union Minister of State for Finance and Corporate Affairs as Chief Guest. I, alongwith Vice-President welcomed Hon'ble Minister in his own constituency. While addressing the gathering of the Seminar, he spoke at length on various issues related to the CMA profession. He underscored the role of Cost Accountants in effective implementation of Make in India mission. He also emphasized that Cost Accountant plays an important role in controlling the prices of goods and services. The Seminar received an overwhelming response from Cost Accountants and other professionals of Rajasthan and its neighbouring states.

- Representation with Government, PSUs, Banks and Other Organizations:

PD Directorate continued sending representation letters to various organisations for inclusion of cost accountants for providing professional services. Endeavor of the Directorate bore fruits as it received letters from the organisations like BHEL, Hyderabad Metropolitan Water Supply & Sewerage Board and Delhi State Industrial & Infrastructure Development Corporation Ltd. and included Cost Accountants in EOIs. The list of organizations that were represented can be seen at the PD Portal.

- Selection and Empanelment of Cost Auditor by the Commissioner of Sugar, Maharashtra

I am pleased to inform you that Commissioner of Sugar, Maharashtra has floated Tender inviting Expression of Interest (EoI) for empanelment of Cost Accountants/ Firms of Cost Accountants for Cost Audit in Cooperative Sugar factories in Maharashtra. The Tender is available at Institute Website.

Research & Journal Department

I had an opportunity to attend a National Level UGC Sponsored seminar held on September 3, 2016 organized by Department of Commerce, Khudiram Bose Central College in collaboration with the Institute at J.N. Bose auditorium, Kolkata. There were many eminent dignitaries present in the inaugural session. There were discussions on 'Corporate Governance & CSR in the Focus of Companies Act 2013' and 'Tax Reform: a Common Tool to Boost up the Society and Economy'. There were also few paper presentations enriching the seminar. The sessions were highly interactive and there was an overwhelming response from the audience.

- National Seminar on the theme 'Cost Competitiveness & Economic Growth'

I am happy to inform that the Institute organized National Seminar on the theme 'Cost Competitiveness & Economic Growth' on September 18, 2016 at J.N. Bose Auditorium of the Institute. Shri Arjun Ram Meghwal, Hon'ble Union Minister of State for Finance and Corporate Affairs, Government of India was the Chief Guest of the inaugural session. Hon'ble Minister stressed upon the role of CMAs in various areas of cost competitiveness that may accelerate economic growth faster. Knowledge Studies on 'Social Sector Development Projects in India: Cost Benefit Analysis Approach' and 'Cost Effectiveness through Cost Audit' were released in this auspicious event. The focus of the seminar was on developing cost competitiveness and pushing inclusive and sustainable growth towards the economy of our nation.

Tax Research Department

It is indeed a pleasure to note that the Train the Trainers Program on Model GST Law had been successfully conducted and completed at Kolkata and Chennai and received wide appreciation amongst participants. Taxation Committee is also taking all measures to reach members and stakeholders at large with the help of our Regional Councils and Chapters. I am also happy to announce that the GST Advisory Board of the Institute has conducted its first meeting and suggested various measures to be taken by the Institute through Taxation Committee. I express my gratitude to all the members of the Board for their valued opinion. We look forward for meeting the national objective of making India ' One Nation, One Tax and One Common Economic Market'. The GST Draft Rules are released by the GST Council. Institute is taking necessary measures to take your suggestions and make proper representation before the Government. Also, the Taxation Committee has invited for suggestions on Union Budget 2017. Through this communique, I request all my professional colleagues to offer valuable opinion.

- Meeting with Chief Minister of Kerala

In continuation with our quest for reaching out to the states of India, a meeting was organised with Shri Pinarayi Vijayan, Honourable Chief Minister of Government of Kerala on 8th September 2016. I am thankful to CMA H Padmanabhan, Council Member and his team for their valiant efforts in this regard. They presented the Chief Minister with a booklet memorandum highlighting the role of CMA Profession in the State of Kerala.

- Initiatives by Chapters

I got an opportunity to address the members and students at Thrissur in a member's meet and student felicitation program organised by the Thrissur Chapter of the Institute on 27th September 2016. A good interaction took place in the presence of CMA H Padmanabhan, Council Member and his team.

I wish prosperity and happiness to members, students and their families on the occasion of Gandhi Jayanti, Durga Puja, Vijaya Dashmi, Lakshmi Puja and Deepawali and pray for the success in all of their endeavours.

With warm regards,

(CMA Manas Kumar Thakur)
1st October 2016

ICAI-CMA SNAPSHOTS

Shri Arjun Ram Meghwal, Hon'ble Minister of State for Finance and Corporate Affairs graced as Chief Guest at the seminar on 'Accelerating Make in India Initiatives- Role of CMAs' held at Bikaner, Rajasthan on September 13 , 2016.

President of the Institute CMA Manas Kr. Thakur and Vice-President CMA Sanjay Gupta, CMA Mahesh Shah, Past President, CMA Ravi Sahni, Chairman NIRC and Shri Narayan Ji Chopra, Mayor Bikaner are also seen.

Shri Arjun Ram Meghwal, Hon'ble Minister of State for Finance and Corporate Affairs, GOI receiving memento from President CMA Manas Kr. Thakur, Vice-President CMA Sanjay Gupta and Shri Narayan Ji Chopra, Mayor Bikaner at the seminar on 'Accelerating Make in India Initiatives- Role of CMAs' held at Bikaner, Rajasthan on September 13, 2016.

Shri Arjun Ram Meghwal, Hon'ble Minister of State for Finance and Corporate Affairs releasing the September edition of The Management Accountant at the seminar on 'Accelerating Make in India Initiatives- Role of CMAs' held at Bikaner, Rajasthan on September 13, 2016.

Shri Arjun Ram Meghwal,
Hon'ble Minister of State for Finance and Corporate Affairs addressing the delegates during the seminar on 'Accelerating Make in India Initiatives-Role of CMAs' held at Bikaner, Rajasthan on September 13, 2016.

Honorable Chief Minister, Govt of Kerala Shri. Pinarayi Vijayan receiving the Institute Memorandum from CMA H Padmanabhan, Council Member of the Institute.

CMA Jagadish A D, Chairman Thrissur Chapter, CMA Sankar Panicker RCM, SIRC and CMA S Harihara Subramanian Treasurer Trivandrum Chapter are also seen

Shri E P Jayarajan, Industry and Sports Minister, Govt of Kerala receiving Institute Memorandum from CMA H Padmanabhan, Council Member of the Institute

President of the Institute, CMA Manas Kr. Thakur felicitating Shri Jayant Sinha, Hon'ble MOS for Civil Aviation, GOI at the seminar on 'GST for people, profession & industry' organized by the Hazaribagh Chapter at DVC Training Hall, Hazaribagh on 5 September, 2016.

CMA Radhe Shyam, Chairman, Hazaribagh Chapter, Shri Manish Jaiswal, local MLA, CMA Sanjay Kr. Singh, Chairman Ranchi Chapter and CMA Priya Kumari, Secretary, Hazaribagh Chapter are also seen

CMA Sanjay Gupta, Vice President of the Institute among other delegates at the India Banking Reforms Conclave 2016, organised by 'Governance Now' on August 24, 2016 at Mumbai wherein the Institute was an Institutional Partner of the session

Shri Rejo, IAS CEO ASAP GoK is submitted with Institute Memorandum for participation as partner in Skill Development by CMA H Padmanabhan Council Member

Shri ShivSankar Principal Secretary, Govt of Kerala being felicitated with Institute Memento by CMA H Padmanabhan, Council Member of the Institute

Shri Sangramjit Nayak, MD, OTPCL & Additional Secretary, Department of Energy, Govt. of Odisha addressing students felicitation function organized by Bhubaneswar chapter on September 18, 2016 to felicitate its successful students of June 2016 term examination.

Seen from left: CMA Bibhuti Bhusan Nayak, Chairman, Coaching Committee, CMA Shiba Prasad Padhi, RCM, CMA Siba Prasad Kar, Chairman of the chapter, CMA Pravakar Mohanty, Managing Director (In-Charge) & Director (Finance), NINL, CMA Niranjan Mishra, Chairman, Regional Councils & Chapters Co-ordination Committee of the Institute and CMA Damodar Mishra, Secretary of the chapter

Glimpses of National Seminar on

Cost Competitiveness & Economic Growth

September 18, 2016, Headquarters, Kolkata

INNOVATIONS

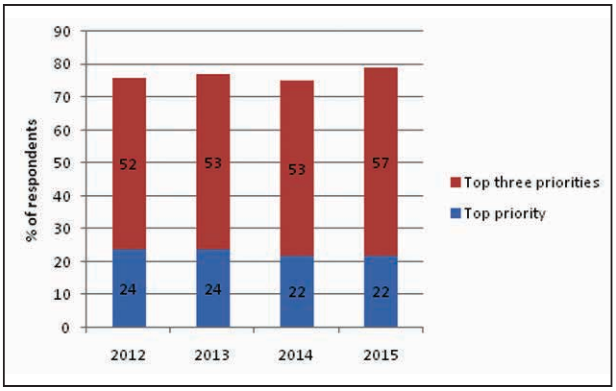
Making Indian manufacturing sector more cost competitive

"Innovations distinguish between a leader and a follower"- Steve Jobs

CMA Kalyani Karna
Kalyani & Co.
Practicing Cost Accountant
Delhi

Defining Innovation

National Knowledge Commission of India has defined innovation as a process by which varying degree of measurable value enhancement is planned and achieved in any commercial activity. Innovation refers to the introduction of something new. Innovation in manufacturing sector implies proactive or reactive introduction of new process and implementation of new technology. It leads to economic growth and development. Innovation has been gaining paramountcy and the management counts it among top most strategies. According to the Global Innovation Survey of Boston Consulting Group, innovation has been ranked among the top three strategies by most of the companies.



Source: BCG Global Innovation Survey 2015

An Overview of Manufacturing Sector

Manufacturing sector plays a pivotal role in the growth and development of Indian economy. This sector has witnessed a contribution of 15%-16% to GDP of India in the year 2015 and it is expected to reach to 25% by the year 2025 (Source: IBEF). Manufacturing sector fosters multiplier effect on employment as each job in manufacturing sector creates 2-3 jobs in services sector (Source CII). Currently, this sector has been creating 12% of total employment of our country which is expected to rise to 90 million by the year 2025 (Source: IBEF). The trade account of our country cannot be balanced without healthy manufacturing sector. Manufacturing sector stands to be the prominent innovative sector of India and plays a critical role in research and development and innovation. "Manufacturing adds value, creating more jobs than any other sector, driving innovation throughout every segment of our society and delivering consumer solutions. All of which are the keys to long-term, sustainable economic growth," said Andrew Liveris, the CEO of World Economic Forum's Manufacturing for Growth project. According to the International yearbook of Industrial Statistics prepared by United Nations Industrial Development Organization (UNIDO), ***India is sixth largest manufacturer in the world.***

Position of Manufacturing Sector in Innovation

An economy of a country comprises of three sectors, primary, secondary, and tertiary. The primary sector is based on natural resources and comprises of agriculture, forestry, and mining. Manufacturing and Industry sector is known as secondary sector and it constitutes several industries which transform raw material into goods or products. Tertiary sector consists of service industry. According to the Forbes ranking of world's most innovative companies 2016, a company from Automotive industry (Manufacturing and Industry sector), Tesla Motors has hit the list of top most innovative company of world.

Top ten innovative companies in 2016:

Ranking	Company	Country
1	Tesla Motors	United States
2	Salesforec.com	United States
3	Regeneron Pharmaceuticals	United States
4	Incyte	United States
5	Alexion Pharmaceuticals	United States
6	Under Armour	United States
7	Monster Beverage	United States
8	Unilever Indonesia	Indonesia
9	Vertex Pharmaceuticals	United States
10	Bio Marin Pharmaceuticals	United States
18	Asian Paints	**India**
31	Hindustan Unilever	**India**
66	Tata Consultancy	**India**
73	Sun Pharma Industries	**India**
89	Larsen & Toubro	**India**

(Source: Forbes world most innovative companies ranking, 2016)

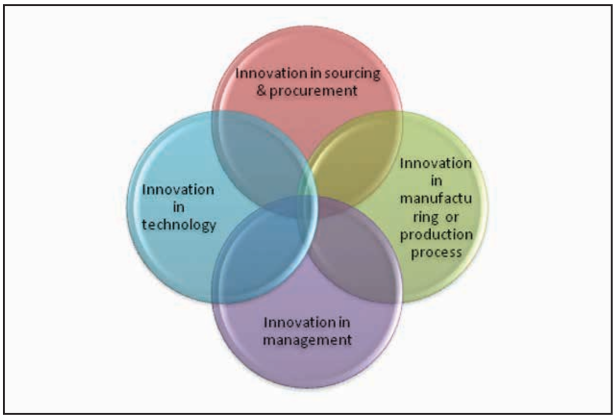
The companies from the United States have hit the list of top hundred most innovative companies of world ranking 2016. However, the five companies from different sectors of India enlisted their names in top hundred innovative companies in the world.

Innovations in manufacturing sector can be at different facets and stages and it has been proved to be a boon for the industry leading to the numerous advantages such as:

- Increase in productivity
- High product quality
- Cost competitiveness
- Minimization of wastes
- Efficient and economic utilization of resources
- Reduction in downtime
- Improvement in design
- Increase in customer response
- Improvement in supply chain management
- Improvement in culture
- Helps to gain market share

Facets of Innovation in Manufacturing Sector

Innovation leads to increase in customer demands, cost competitiveness, reduction of wastes, high product quality, improved design, and streamlining the supply chain management. Companies with an innovation edge will have a strong competitive advantage. The innovation in manufacturing sector can work in different facets:



Innovation in Sourcing and Procurement

The unit can be said to be innovative with the sourcing of raw materials when any change in the raw materials or suppliers leads to quantitative benefits directly or indirectly. The effective sourcing of these goods plays a vital role in the success of a company in the industry. It helps to reduce the cost of raw material, transportation and other costs thereby reducing the cost of product and making the company more cost competitive.

Economic order quantity: The concept of economic order quantity was introduced by **Ford Whitman Harris**, a Westinghouse engineer. Economic Order Quantity refers to the amount of quantity purchased at a time so as to minimize cost and make the purchase economical. It is a mathematical approach which helps to determine the amount of materials purchased based on inventory holding costs and ordering costs.

Just-in-time purchasing or lean purchasing: JIT purchasing is a Japanese philosophy which was conceived by Toyota. Just-in-time purchasing refers to procuring materials just at the time of manufacturing thereby minimizing wastes, handling and storing costs. However, this philosophy is highly dependent on the strong relationship of supplier and purchaser.

Some of leading innovations of sourcing in manufacturing sector are the following:

- **Introduction of E-Choupal by Indian Tobacco Company (ITC)**: E-choupal is a tool to empower farmers with internet. It acts as a connecting link between farmers and purchaser thereby eliminating the middleman. It helps in reduction of cost. E-Choupal network includes 6,500 centres which is spread over 40,000 villages. Other innovation by ITC was the establishment of warehouses in villages. It reduces the transaction and logistic costs.

- **Amul or Gujarat Cooperative Milk Marketing Federation (GCMMF):** The Federation has established efficient supply chain management which helps to lower down the cost and makes it more competitive. It has emerged as the biggest co-operative of the world. This cooperative has over 3 million members, spreading across more than 15,000 villages in the country.

- **Madras Cement's Alathiyur**: Madras Cement's Alathiyur plant uses bio energy by burning coffee husk and cashew nut shells, and saves the cost of INR80 million annually. Cement players are sourcing fuel from alternate sources to gain cost benefit.

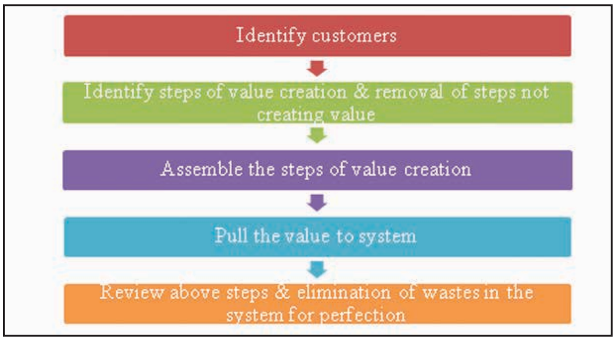
- **India Cements Ltd**: India Cements Ltd's Dalavoi plant uses Low Sulphur Heavy Stock (LSHS) sludge as an alternate fuel. It helps to save INR0.3 million annually.

Innovation in Manufacturing Process

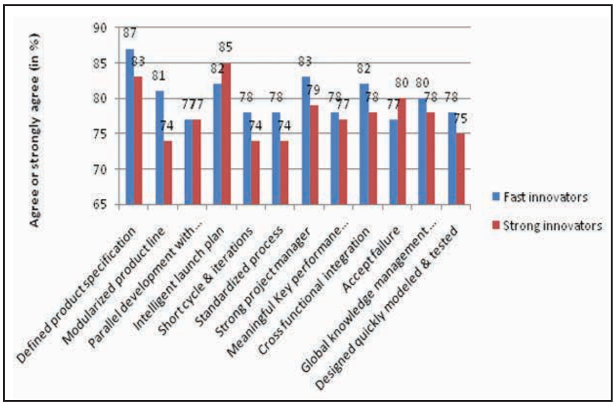
Innovation in manufacturing process implies to the improvement in methods of production process with a target to reduce the cost and time and to improve the quality of product. The following manufacturing processes signify the innovation in manufacturing processes:

Lean innovation:

Lean manufacturing refers to the reduction or elimination of waste or any activity which is supposed to be waste or not adding any value to the process with the help of lean manufacturing tools and techniques. Toyota Motors is regarded as a leader of lean manufacturing. Lean innovation implies creation of more value with fewer resources. Lean innovation articulates five steps:



According to the report of Boston Consulting Group for the year 2015, fast innovators apply lean processes. Lean innovation focuses on speed of innovation, quality, efficiency, and elimination of wastes. The survey was made by Boston Consulting Group in 2015 on 12 dimensions of lean and product development. The result of the survey showed that fast innovators applied the 12 dimensions of lean innovations strongly than others. Fast innovators are those who focus on shortening the innovation and product development cycle and reduce time to market the product to gain competitive advantages.



Source: BCG Global innovation survey, 2015

Sustainable manufacturing: Sustainable manufacturing refers to innovative way of doing business and creating value. Sustainable manufacturing helps to foster a healthier environment, attracts customers, reduces risks, and enhances the competitive edge. Organisation of Economic Cooperation and Development provides toolkit on sustainable manufacturing which aims to improve the efficiency of their production processes and product.

Waste management is the efficient monitoring and regulation of wastes from its inception to its final disposal. Waste management includes collection, transportation, treatment and disposal of wastes. The waste management advocates the principle of "3R", Reduce, Reuse, and Recycle of wastes.

Bio-manufacturing**:** Bio-manufacturing is a technique where a biological organism or part of one is used in an artificial manner to produce a product—like developing drugs and medical compounds. Bio-manufacturing is primarily used in pharmaceutical industry.

Additive manufacturing**:** **A**dditive **M**anufacturing is a technology that builds 3D objects by *adding* layers of material. The material here might be of plastic, metal, concrete or human tissue. There are many types of additive manufacturing like 3D Printing, Rapid Prototyping, Direct Digital Manufacturing, layered manufacturing and additive fabrication. Some examples of additive manufacturing are +SLA, +FDM, +MJM, +3DP, and +SLS.

Operational excellence tools**:** The other operational tools that are used to reduce cost and achieve operational excellence are **Six Sigma, Theory of Constraints (TOC), Business Process Management, warehouse management system, JIT manufacturing, and transport management system.**

Some of the examples of prominent innovations in manufacturing processes are the following:

- **Split plants of Ambuja Cement:** Ambuja cement is one of the leading cement companies of India. Limestone is the key ingredient of cement and manufacturing unit of cement factory is located nearby limestone mines. It reduces transportation cost. The final product is supplied to the market. Ambuja cement is the first cement manufacturer who built a captive port with four terminals. Ambuja cement introduced sea transport which helped to save transportation cost and made it more cost efficient.

- **Integrated design and manufacturing in Scorpio of Mahindra & Mahindra:** Mahindra & Mahindra introduced a new process of Integrated Design and Manufacturing in Scorpio.

Innovation in Management

Innovation in management is an important area of innovation. Management innovation refers to change in the management principles, creating innovative business culture, developing talent in the organisation, and support of management to turn creative ideas into market success.

Create an Innovation Culture:

Management should implant the innovation gene in the company and support the innovation champions. Creating an innovative culture acts as a catalyst to innovation and product development. Six Sigma Black Belts, intrapreneurs, innovation champions are the creations of innovative culture. The employees should be trained in the organization with the tools of innovation. The management should discover latent talent and spot unexploited opportunities.

Developing Talent and encourage for innovation:

The ability to innovate is the base for developing creative ideas. The manufacturing companies should identify the hidden talents of Scientists, Engineers, Technology Managers, Technicians, and encourage them to foster innovations.

Examples of innovations in management:

- **Brakes India Limited**: Brakes India Limited, the Indian automotive manufacturer encouraged employee participation in innovation process.

- **Biocon Limited polycentric innovative model**: Indian healthcare company Biocon Limited designed a polycentric innovation model which comprises of four specialised players. The four players include Inventors (generating the ideas of invention), transformers (converting ideas into product), Financiers (providing required finances), and connectors (who connects the above three). The chairman and managing director of Biocon plays the role of Connector.

- **Cultural Revolution**: It was launched by Jeff Immelt, the chairman and CEO of GE in 2001. He and his team were supportive of continuous improvement with bold, imaginative ideas of employees.

- **Innovation from Everyone and Everywhere**: This principle was advocated by the CEO of Whirlpool Dave Whitwam who encouraged the employees and set out company's global innovation strategy with "Innovation from Everyone and Everywhere". The cross functional innovative team of 10 to 12 members from across the company was created to generate new ideas. The company introduced training program which aimed to develop innovation champions.

Innovation in Technology

Innovation in technology is the building block of the manufacturing sector. The innovation in technology proved to be a boon for customers. Manufacturing sector has been introducing products to capitalise on large untapped price-sensitive market.

Sensing and process control: Now-a-days, the manufacturing techniques are aided with computers. For example, GPS trackers help to fix the location, caliper measures the thickness of material, and sensor provides the necessary information to manage the operation of the factory as a whole.

Digital manufacturing technologies: Computer aided tools are used by Engineers and designers not only to design products, but to test, modify and improve them.

***Nano-manufacturing*:** Nano-meter constitutes one-billionth part of a meter. Nano-manufacturing refers to the ability of manipulating materials at molecular and atomic levels. Nano-manufacturing plays an important role in the production of high-efficiency solar cells and batteries, and even in bio system-based medical applications.

***Industrial robotics*:** Robots play an important role in manufacturing sector. It can operate 24 hours a day and seven days a week, and perceives those which cannot be identified by human eye. According to a report by the McKinsey Global Institute, the expense associated with industrial robots has fallen as much as 50% compared with human labour since 1990.

Examples of technological innovations in manufacturing sector:

- **ChotuKool (little cool) of Godrej Appliances**: ChotuKool has been referred as "Tata Nano of appliances". Godrej Appliances innovated an affordable refrigerator for the consumers of rural area. The price of this refrigerator is 35 percent lower than the cheapest available refrigerator.

The ChotuKool assembled with 20 parts as opposite to 200 parts in a regular refrigerator. This product tried to resolve the power shortage of rural areas and it can be operated on battery. The high insulation enables it to remain cool for hours even without power.

✤ **Tata Nano of Tata Motors**: Tata Nano is world's cheapest car. The reduced size of the engine that allowed its placement under the rear seat, and positioning of the instrument cluster in the middle helped to reduce the size.

✤ **Jaipur Foot**: Jaipur foot is hand-made prosthesis (artificial foot) and it has been proved to be a boon for more than 5.5 million amputees in India. This innovative product allows them various movements like squatting, sitting cross-legged, climbing, and working in wet fields. It helps to earn the livelihood for those who have lost hope.

Role of Cost And Management Accountant in Innovations

Cost and Management Accountant plays an important role in the innovations of an organisation and can act as a marshal. Some of the roles played by Cost and Management Accountant in innovations can be summed up as:

- Acts as a part of value-added team or innovation team.
- Active participation in the formulation and implementation of innovative strategies.
- Helps to translate strategic intent into operation.
- Provides feedback on quality improvement efforts.
- Helps to set priorities for investment and improvement activities.
- Helps in evaluation of innovative project and suggests measures for cost reduction.
- Guides for product mix decisions, helps to choose raw material supplier, and structuring the target market.

Conclusion

Innovation is a backbone for any industry and keeps the industry vibrant. Without innovation and product development an organization seems to be lifeless and torpid. Innovation transitioned Indian manufacturing sector as a global player. Innovation by the manufacturing sector has harnessed the diversity in the Indian market. The innovations in the different facets of manufacturing sector have made the industry cost competitive and the benefits have been surpassed to the customers. The innovations help to fight the fierce competition in the market and make the organisation cost competitive. It is a continuous process not only a milestone to be achieved. India is a pool of skilled manpower and adds 500 PhDs, 200,000 engineers, and 300,000 technically-trained graduates on annual basis (Source: IBEF). There are more than 1500 research institutions in our country. The focus should be made on skilled manpower and identifying the latent talent who will form a strong innovative team of any organisation in future and the industry revamp with more innovative ideas. Currently, India is contributing 2.2% of total global manufacturing output (Source CII). Innovations will make the industry more cost competitive and with the help of efficient innovations Indian manufacturing sector will make significant footprints in the global arena. MA

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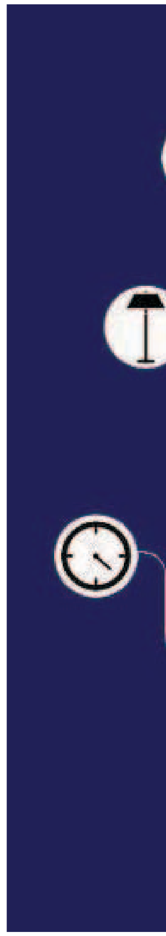
cwakalyani@gmail.com

UGC Seminar

The Department of Commerce, Shri Shikshayatan College, in collaboration with the Institute organized a one day UGC sponsored seminar on August 26, 2016 in the college premises. The seminar was based on 'Contemporary Issues in Finance, Management and Economics' with the focus on current issues prevailing in the business and economic environment and bringing forth plausible ways to comfort bottlenecks in the path of betterment. The seminar was inaugurated by the President of the Governing Body of Shri Shikshayatan College, Sri G.K. Khaitan, the Principal, Dr. Aditi Dey and CMA Avijit Goswami, Chairman, Research Journal & IT Committee of the Institute. The plenary session of the seminar witnessed the work of many budding researchers and provided food for further thought. Eminent academicians and professionals participated in the seminar throwing light on GST, Business Education in a Regenerative Economy – Post 2015 Perspective, Capital Market and Corporate Governance.

IoT as a Strategic Cost Management Tool



CMA U Lakshmana Rao
Deputy General Manager(F&A)
Synergies Castings Ltd, Visakhapatnam

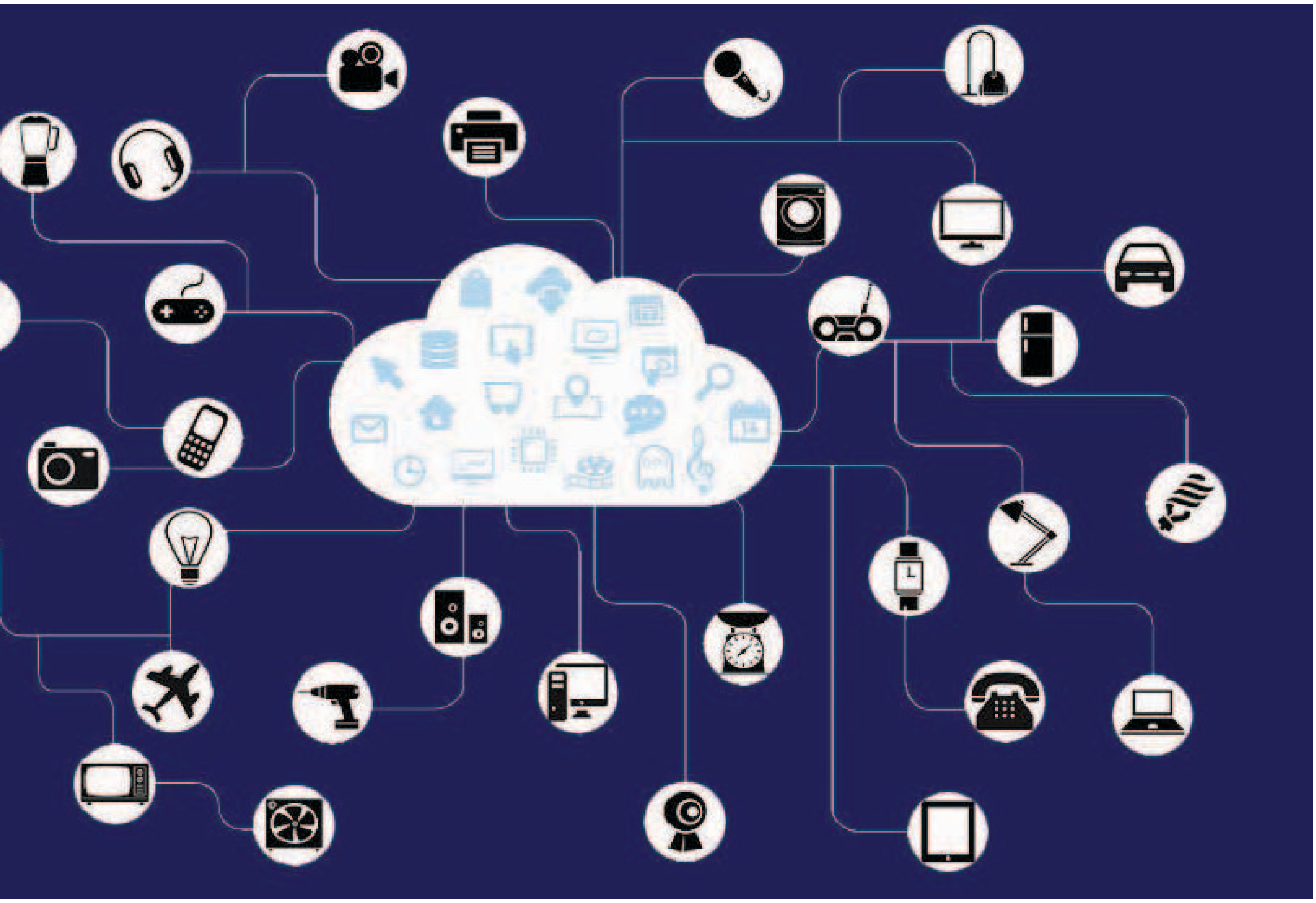
Prologue

Conventional Cost Management is based on the assumption that costs can be reduced or managed by changing the volume, by reducing overheads or by improving labour productivity. It takes a fragmented view of various departments of an organization and each department tries to reduce its costs and in the process it ignores the cause and effect relationship of elements involved in the organizations value chain.

Strategic Cost Management

Strategic Cost Management (SCM) considers an overall integrated view of an organization in managing the costs with an aim to create competitive advantage. It recognizes cost relationships among activities in the value chain and manages these cost relationships for firm's advantage.

Under Cost Leadership Strategy, organizations attempt to provide better value to its customers at a lower cost than its



competitors. For example, a company may redesign a product in such a way that it uses lesser number of parts thereby lowering the production costs and cost of after-sales service. Leaning the value chain eliminates unwanted activities and reduces the consumption of resources. However, understanding the linked set of value creating activities from basic raw material to the disposal of finished to goods to the end customer is crucial to lean the value chain. Another fundamental to value chain is, recognition that there exists complex linkages and inter-relationships among activities within and external to the firm. Internal linkages are relationships among the activities that are performed within a firm's portion of the value chain. Whereas, external linkages are relationships among the activities performed with its suppliers, customers and other stakeholders of the firm.

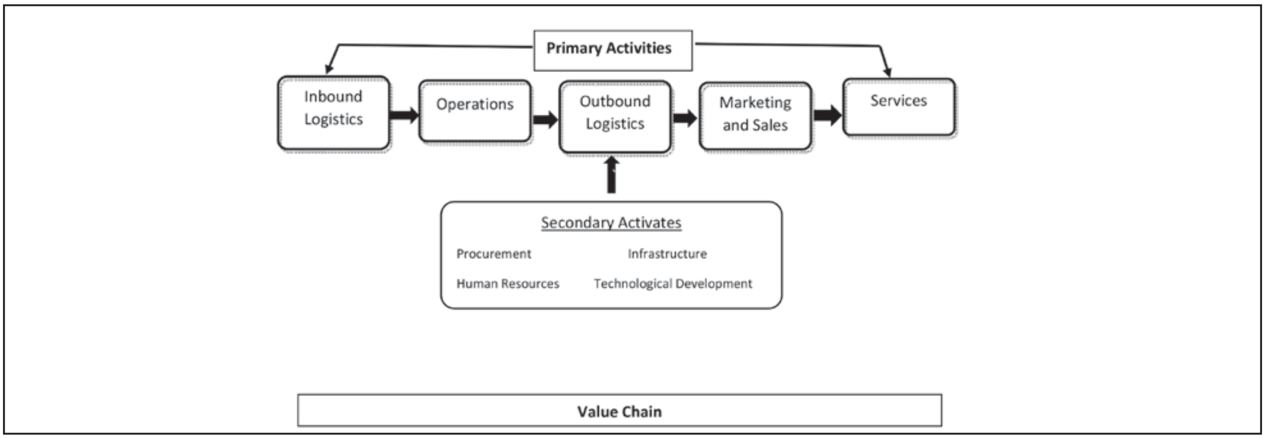


Figure 1: The Supply Chain Flow

With the advancement of internet embedded technology, in the years to come we can find technology driven Strategic Cost Management where cost will be reduced to a rock bottom level by keeping the earnings at same level are at an increased level. Strategic Cost Management is being practiced widely for designing the competitive structure of a firms cost of product or services.

What Internet of Things (IoT)?

In simple terms IoT means connecting physical objects (or devices) through internet or a network. It is a network of internet or network enabled objects connecting the unconnected. It may be Machine to Machine (M2M) or Machine to Person (M2P) or Person to Person (P2P) or group of these with an objective of exchanging data between and among them. IoT connects the unconnected by establishing link between people, process and data. Here, physical objects may be vehicles, buildings, gadgets, sensors, embedded electronics, software, actuators etc. IoT has evolved from convergence of wireless technology, Micro-Electro-Mechanical Systems (MEMS), Micro Services and the Internet. With advent of Internet, Operational Technology embedded into Information Technology and transformed into Internet of Things (IoT).

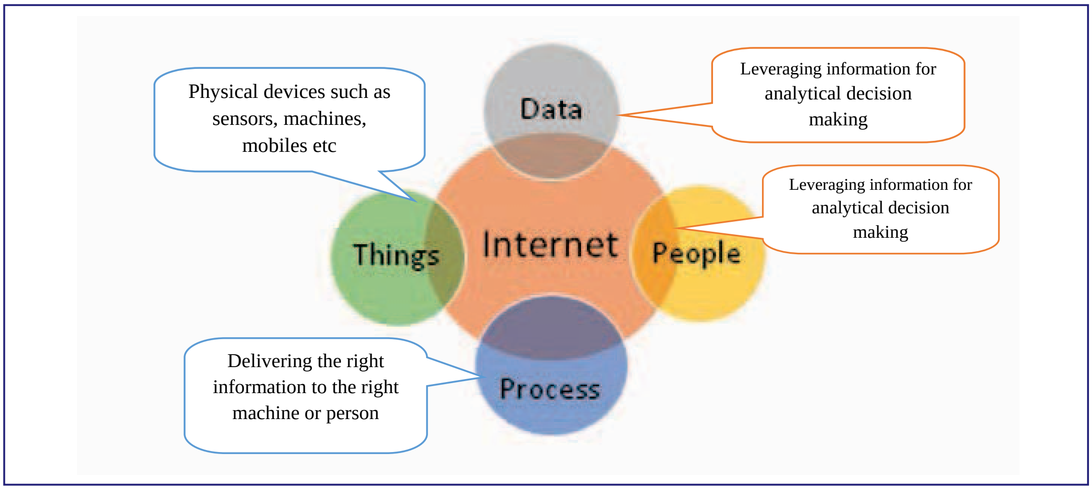


Figure 2: The Internet of Things (IoT)

How it Works?

It works smart with the support of SMART (Sensors, Mobiles, Applications, Real-time, Technology). Manufacturing setups having complex machines and thousands and thousands of parts are prone to unpredicted failures. Any failure of any small part may lead to complete stoppage of production process and also huge financial loss to the company. In a manufacturing setup, IoT devices alert factory maintenance team about possible failure of machines, equipment and prevents unplanned downtime. Use of IoT sensors to monitor specific parts or equipment of a production line helps in automated alerts to the staff concerned. This minimizes down time of the machines and maximizes productivity.

IoT brings down the cost of down time of machinery which significantly lowers the down time cost and early detention of damage in plant.

IoT devices further help manufacturers to identify new efficiencies through data collection, data monitoring and data analysis to better understand the performance of the factory, threats of breakdown and opportunities for improvement in efficiency. For example, by installing temperature sensors to the HVAC system, it makes possible to monitor the Heating, Ventilation and Air Conditioning (HVAC) system. Whether the HVAC is running at too hot or too cool, plant managers can gather information from the sensors and can regulate the HVAC system remotely from their mobile phones. This will reduce costs of employing people throughout the system and eliminate unwanted movement of workforce and vehicles.

Benefits from Industrial IoT

Using IoT sensors data can be collected on real-time basis in a cost-effective manner with accuracy. Using big data and data analytical tools real-time analysis and interpretation facilitates quick decision making on inventory, breakdown, supply chain matters. This leads to increased efficiency, fewer product defects and better customer satisfaction. IoT establishes better coordination among machines and increases transparency, minimizes dependency on manpower due to automation of equipment, facilitates ease of supervision as all machines and equipment can be monitored from one place, saves time and money with improved life-span.

IoT is not only limited to manufacturing or production but also rapidly expanding in banking, health, urban development, telecom, housing, surveillance, services, environment, agriculture sectors.

Areas for CMA to implement IoT

To manage in future, CXO's need information system integrated with strategy rather than standalone tools. Information is key to success; a real-time information makes it real success. But at the same time cost of information cannot be more than the cost savings envisaged. In the years to come, we will find technology driven Strategic Cost Management wherein costs will significantly low to provide a service or to manufacture a product. IoT brings down the cost of down time of machinery which significantly lowers the down time cost and early detention of damage in plant. (Refer Case Study 4 of this article).

a) Inventory Management: Using IoT, high value items can be tracked from remote location. Automated alerts make the job easy and timely action can be taken. With inventory sensors, business can reorder stocks automatically. Stock out warning messages can be sent to mobile phones.

b) Energy Monitoring: Placing smart energy meters at high energy consumption points alerts the management about real-time power consumption, power outage etc. Using IoT, idle equipment and lights can be switched off remotely with a mobile phone in hand. (Please refer case studies below)

c) Connecting to Shop floor: Using IoT makes it easier to connect the shop floor. CXO's sitting in their remote office anywhere on the globe can monitor shop floor on real-time basis. Temperatures, vibrations, rotations of the machines, parameters of air flow, humidity, cooling etc., can be monitored and correction action can be initiated instantly.

d) Equipment and Employee Monitoring: Traditionally companies send engineers to onsite to repair machinery or product to resolve the same. With the advent of IoT equipment can be connected to internet and data can be accessed instantly by an engineer from a remote location enabling him to trouble shoot within a day's time.

e) Overheads Reduction: Using IoT costs can be minimized in the areas of travel of engineers, marketing staff, vehicle transportation, postage, communication etc.

f) Safety, Health and Environment (SHE): Connecting to internet and viewing the traffic flow of trucks taking a different route saves significant amount of time and fuel. This may result in savings in crude import bill and reduction in carbon emission. Using IoT businesses can use sensors to measure air quality, temperature and other environmental parameters. Business owners can track the access of their building and facilities based on finger prints and badges by sitting at corporate office.

CASE STUDY 1:

Centrally Controlled Monitoring System (CCMS) of Greater Visakhapatnam Municipal Corporation (GVMC)

Centrally Controlled Monitoring System (CCMS) is the first of its kind in the country implemented in the City of Destiny, Visakhapatnam. The uniqueness of the CCMS is, it centrally monitors and controls all the 95,000 and odd LED (Light Emitting Diode) street lights in the city. At a time, it switches on all the 95,000 odd LED lights in the city automatically as it senses the Sunset. Similarly, it switches-off all the lights when it senses Sunrise. This system is also capable of automatically sending SMS to the concerned official mobile number in case of any technical defect or malfunctioning noticed by the system. These lights can be controlled from any corner of the country through laptop. The speciality of this system is, it works seamlessly with using any cable. It uses internet and GPS technology. Greater Visakhapatnam Municipal Corporation (GVMC) entered into an agreement with Energy Efficiency Service Ltd (EESL) under which every 5 to 100 street lights will have one CCMS box and there are around 4,500 CCMS boxes in the city.

The installation of CCMS enabled LED lighting systems saved around 40% electricity consumption in addition these 4,500 boxes will save significant amount of energy consumption. As a result of this system, the electricity bill of GVMC has come down to Rs.90 to Rs.100 lakhs a month as against Rs.170 lakhs a month and cost of maintenance has come down to Rs. 100 lakhs a year as against Rs.600 lakhs a year. Thus the overall saving in a year works out to Rs.13 Crores (50%)

CASE STUDY 2:

Real-time Monitoring of Electricity Usage with Smart Sensors of Tata Consultancy Services 100 buildings

In an operations control room of Tata Consultancy Services, Kochi Campus, 12 employees keep an eye on the IT firms 100 buildings across the country. The control room monitors real-time electricity usage using sensors, big data and analytics to tweak chiller and lighting system of the firm to cut wastage on daily basis. TCS with employees between 2,50,000 to 3,00,000 spends roughly around Rs.500 Crores on electricity per annum.

TCS designed a sensor that would not just keep tabs on electricity consumption of massive chiller units (for air conditioning system) but also capable of executing commands powering down these units remotely. The company also wrote a software code and an analytics interface to crunch the data from air condition system, lights and computing systems which are the major power consumption drivers of the company.

CASE STUDY 3:

Outage Management System of Eastern Power Distribution Company of Andhra Pradesh Ltd (APEPDCL)

APEPDCL connected almost 160 of its Operation & Maintenance vehicles, 660 of its electrical sub-stations and feeders with Global Positioning System (GPS). As and when a compliant is lodged by a consumer for failure of a transformer, engineers reaches the location immediately to rectify or replace the transformer. This enabled the replacement of transformer within 12 hours in case of towns and within 24 hours in case of rural area. Further, this has made possible of monitoring the vehicles on the field on real-time basis by senior officials of APEPDCL including the Chairman and Managing Director. This has resulted in eliminating idle or unwanted movement of the vehicles thereby saving fuel equivalent to 200 to 500 kilometres per month. Connecting of sub-stations and feeders enabled the management to monitor the power outage on real-time basis and also facilitated to restore power within minimum possible time. Further, the 'Outage Management System' made it possible to monitor the power situation through Power Supply Monitoring Dash Board consisting of feeder load analysis reports, feeder power outage reports, feeder interruption abstract etc., on real-time basis.

As a result of the above, APEPDCL was able to reduce its distribution losses to 5.48% (lowest loss percentage in the country) in the year 2015-16 as against 6.32% in the year 2014-15. Reduction in one percent loss entails a saving of Rs.300 crores per year to the exchequer!

CASE STUDY 4:

Remote Access Machine Management System in our factory

Our factory imported robotic Computer Numerical Control (CNC) machine uses it for Robot CNC Machining of the Aluminium alloy wheels manufactured in our location. These CNCs are fitted with sensors and are capable of connecting through internet to the engineers at supplier's place. In case of a breakdown noticed by our engineers, they immediately log into the system and provide remote access to the engineers at supplies factory outside the country. The off-site engineers at suppliers site investigates the functioning of the machine and restores the same at the earliest. This avoids engineers travel, lengthy phone calls and saving enormous amount of time and money also maximizing machine availability time for production.

Epilogue

The evaluation of manufacturing industry from 1970's sped production to 21st Century robotic production is prodigious. With the advent of IoT, future is towards one-man factory, self-driving vehicles, autonomous cars, guard-less-surveillance, smart buildings, smart parking and instantaneous governance. These are the leading factors to achieve significant reduction in operating costs of a business in long term. No doubt, IoT is the innovative way to achieve Strategic Cost Management! MA

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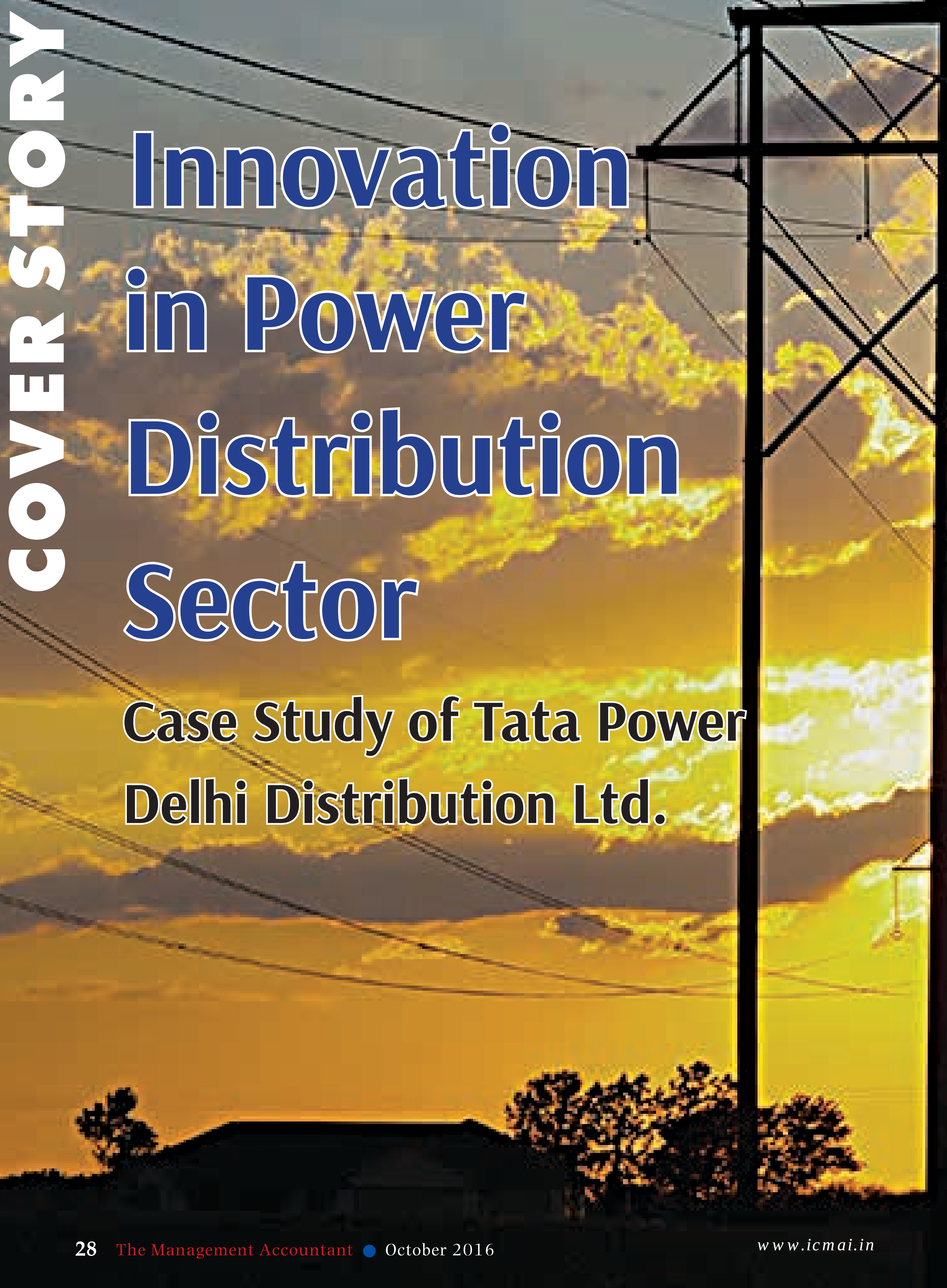
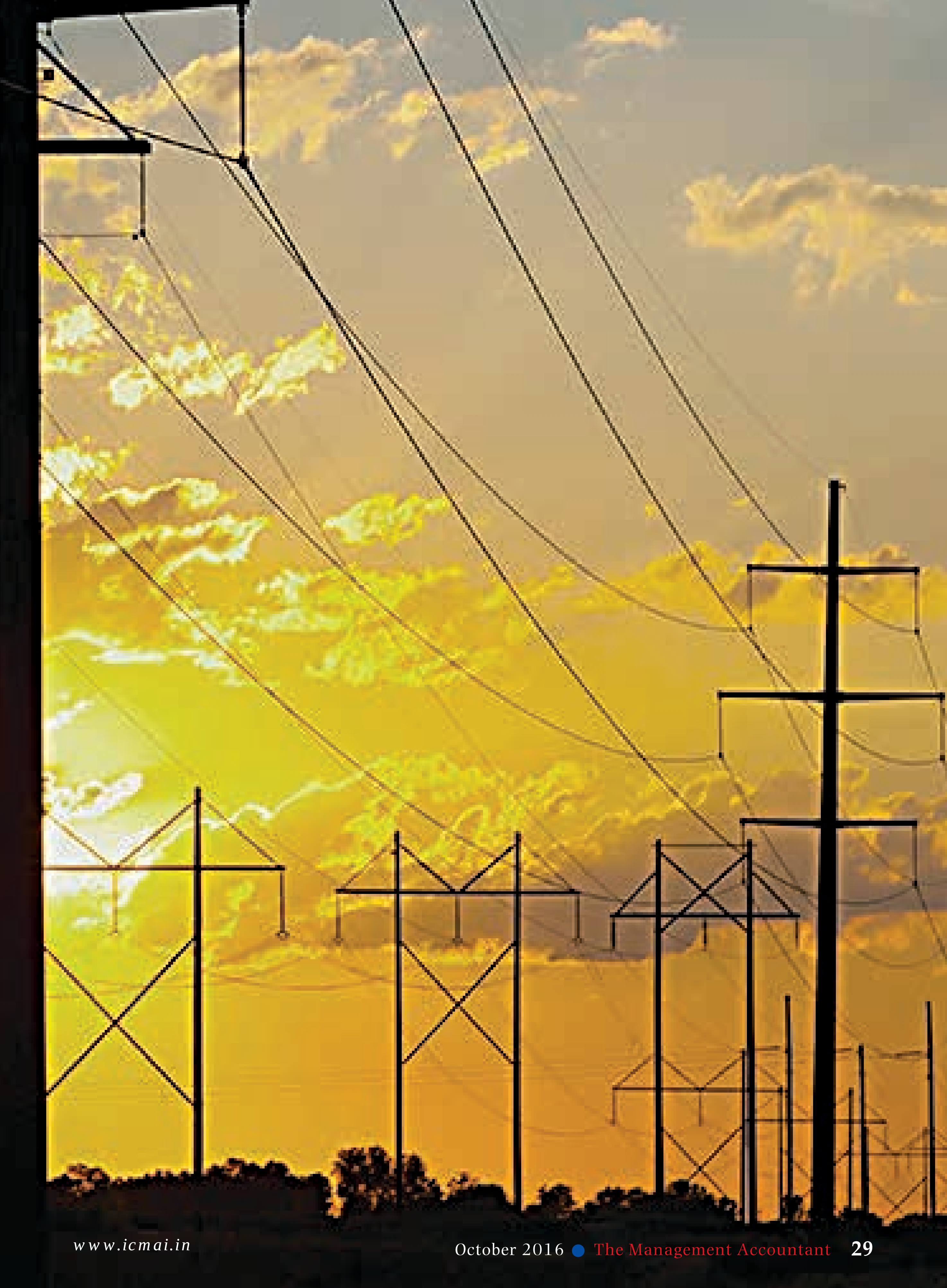
ulrao@yahoo.com

COVER STORY



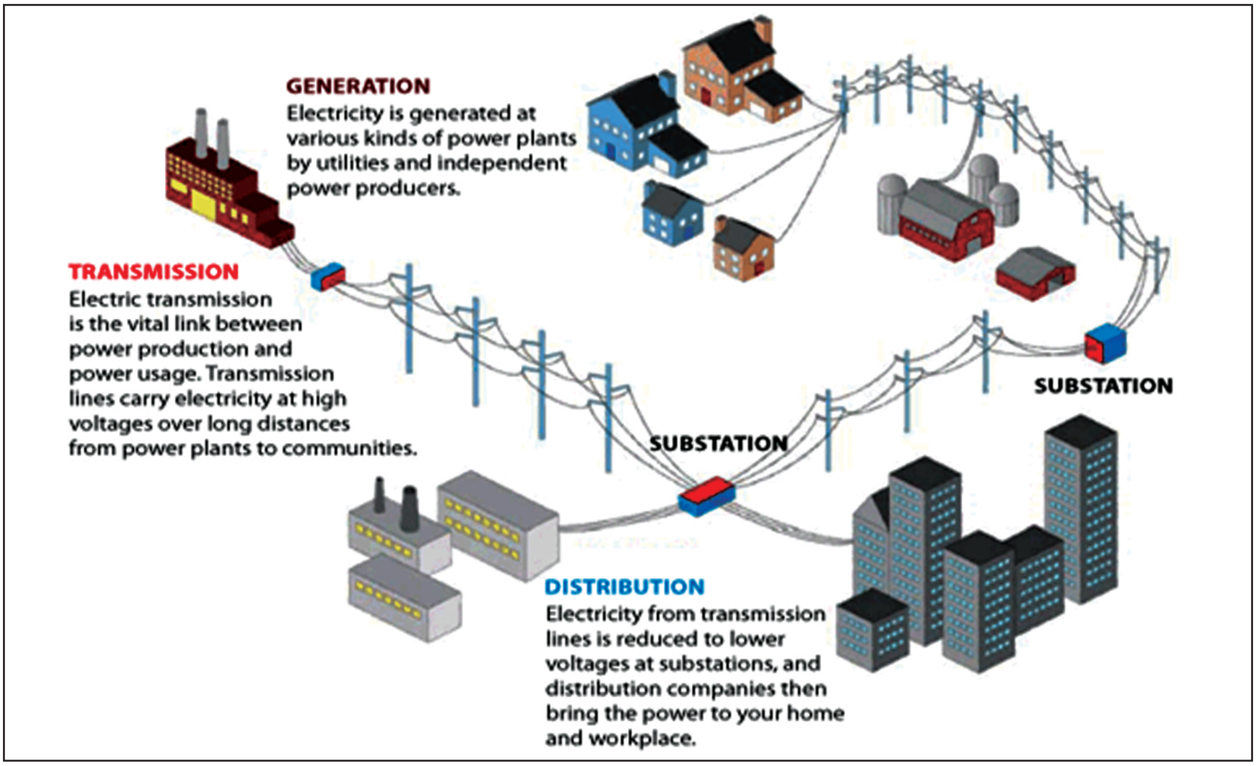
Innovation in Power Distribution Sector

Case Study of Tata Power Delhi Distribution Ltd.



CMA Yamini Gogia
Senior Manager
Project Material Accounting
Tata Power Delhi Distribution Limited
Delhi

Power Sector in India - The existence and development of adequate infrastructure is essential for sustained growth of any economy, power being one of the most critical components of the said infrastructure. India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to viable non-conventional sources such as wind, solar etc. Electricity demand in the country has increased rapidly and is expected to rise further in the years to come.



Electricity Generation, Transmission and Distribution Structure within the Power Industry

Electric power transmission is the bulk movement of electrical energy from a generating site, such as a power plant, to an electrical substation. Nevertheless, Distribution and Retail Supply is the most critical link in the electricity market, which interfaces with the end customers and provides revenue for the entire value chain. It assumes great significance as the segment has a direct impact on the sector's commercial viability, and ultimately on the consumers who pay for power services. The sector has been plagued by high distribution losses (30% overall) coupled with theft of electricity, low metering levels and poor financial health of utilities with low cost recovery. Due to the above, the distribution companies have not been able to undertake corresponding investments in infrastructure augmentation

In view of the challenges as cited above, the power distribution sector has started receiving greater attention and investment with the restructuring of the state electricity boards (SEBs). Several new initiatives have been introduced to reduce aggregate technical and commercial (AT&C) losses along with a definitive regulatory framework. Electricity Act 2003, National Electricity Policy 2005 and National Tariff Policy 2016 are important regulations governing the sector today with an aim to bring competition in the sector and improve the services to the end consumers. Participation of private players into the Distribution Sector has also been encouraged through various models such as Public Private Participation as in case of Delhi and Orissa and through input based distribution franchisee models in Maharashtra, Madhya Pradesh and Uttar Pradesh.

Innovation and its Major Attributes

Innovation – What is it? In business language, Innovation is defined simply as a "new idea, device, or method". However, innovation is often also viewed as the application of better solutions that meet new requirements, unarticulated needs, or existing market needs. This is accomplished through more-effective products, processes, services, technologies, or business models that are readily available to markets, governments and society. In business, innovation often results when ideas are applied by the company in order to further satisfy the needs and expectations of the customers

As per one of the recent study as published by Harvard Business Review, the five must have's that a truly innovative company must possess are:

❋ ***A sharp, shared definition of innovation*** **–**It may not be easy for any company to define as to what innovation mean to it. Nevertheless, having a practical, agreed-upon definition of innovation makes it easier to set goals for innovation, to allocate resources to innovative projects, to plan a cadence of innovative product launches, to target advertising on high-value breakthroughs, and to measure innovation performance.

❋ ***Innovation-friendly management processes*** - Virtually every company in the world has comprehensively over¬hauled its operating model for efficiency and speed. However, very few companies are committed to retool their management practices for innovation. No matter how committed, a CEO can't single-handedly reconstitute a company for innovation. The entire top team has to be on board.

❋ ***Employees who've been taught to think like innovators*** - Innovators have an inclination and a capacity to examine what others often leave unexamined. So if you want innovation, individuals must to be taught & trained to do. It's not that a few genetically blessed souls are innately crea¬tive, while the rest can't come up with anything more exciting than suggestions for the cafeteria menu.

❋ ***Comprehensive innovation metrics*** **–** Though not easy to measure as is the top line or bottom line, a company need to measure innovative performance on a periodic basis through various innovation metrics.

❋ ***Accountable and capable innovation leaders*** - Too often innovation is seen as the province of specialized units like R&D or corporate business development, rather than being the responsibility of every leader at every level. Through selection, training, and feedback, companies must work hard to create a cadre of leaders who are as adept at fostering innovation as they are at running the business.

How Tpddl became a Truely Innovative Company

The Delhi Story - Of the many bottlenecks as stated above which have plagued the Indian Power Sector, Distribution Reforms have been occupying center stage. Massive commercial losses of State Electricity Boards have driven the sector to financial sickness. The Capital City of Delhi was also a sufferer with frequent power cuts and outages disrupting civic life. It was only in mid-2002 that the Delhi Government took a very bold and innovative stand to re-structure the power distribution on the lines of Public Private Partnerships or PPPs as they are popularly known. The Delhi Model of Public Private Partnership (PPP) in Distribution is probably one of the very few PPP successes in the Indian infrastructure space, and definitely the only one so far as far as the Power Distribution is concerned. One of the three entities in the said PPP restructuring was NDPL (North Delhi Power Ltd.), a joint venture between Tata Power Co. Ltd (51%) and the Government of Delhi (49%). The company was later re-named Tata Power-Delhi Distribution Ltd (TPDDL).TPDDL supplies electricity in its Licensed Area of north & North West Delhi spread over 510 square kilometers to over 1.51 million consumers. The major operations of the company are regulated by the regulator i.e. DERC (Delhi Electricity Regulatory Commission), which sets the targets for various performance parameters & also regulates the capital expenditure to be incurred by the company.

In an environment where power distribution utilities across the country are reeling under heavy losses and experiencing acute power shortages, TPDDL has consistently over achieved its targetsand scripted an unprecedented turnaround story.The key differentiating factor has been the optimal and effective deployment of technology interventions through a comprehensive roadmap. Over the years, the company has received accolades in multiple areas which include innovation as well.

Tata Business Excellence Group (a division of Tata Sons & a torch bearer for driving excellence& innovation initiatives across Tata companies) defines Innovation as *"Making meaningful change to improve products, processes, or organisational effectiveness and create new value for stakeholders. Innovation involves adopting an idea, process, technology, product, or business model that is either new or new to its proposed application. The outcome of innovation is a discontinuous or breakthrough change in results, products, or processes. Innovation benefits from a supportive environment, a process for identifying strategic opportunities, and a willingness to pursue intelligent risks. Successful organizational innovation is a multistep process of development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organisational processes that can benefit from change through innovation, whether breakthrough improvement or a change in approach or outputs. Innovation could include fundamental changes in an organisation's structure or business model to accomplish work more effectively".*

Mr. Praveer Sinha, CEO &MD, TPDDL defines Innovation as ***"Innovation's not about Idea. It's about making Ideas happen. That is true Innovation".***

TPDDL's approach towards Innovation attracts a much greater visibility at the strategic level as the same forms a part of the Mission of the company. One of the mission statements of the company states, ***"Achieve excellence through safety, technology adoption, benchmarking & innovation***".Accordingly, Innovation has been treated as a key ingredient for improving employee and consumer satisfaction and improving organizational sustainability.

The following are some of the major approaches which integrated all the major components of TPDDL's BSC to innovation & have enabled it to become a "Truly Innovative Company":

1.Innovation: A Business Matrix - At TPDDL, innovation has been forming part of its annual business strategy since inception. Parameters like % of employees involved in improvement projects, Breakthrough projects under Innovation Council etc. forms part of the corporate BSC of the company. To cascade the innovation till the execution level, the various KPI's which measure innovation in the organisation, are periodically measured & reviewed like any other performance parameter. Several Reward & Recognition programs are in place to motivate the employees for doing their job innovatively. Other than the reward programs which are directly linked to innovation, the evaluation criteria of all other reward programmes also includes innovation as a major factor.

Some of the major enablerswhich drive Innovation in TPDDL at various levels are as follows:

(a)Tata Innovista – Innovation, being in the blood of the Tata Group, is being driven by Tata Sons through one of its divisionTBExGi.e.Tata Business Excellence Group. Tata Innovista is an annual competition being driven by TBExG, wherein all the Tata Group Companies showcase their respective innovation in the form of various breakthrough projects & compete with each other. For the purpose of evaluation, the projects are categorized into four categorized i.e.Promising Innovations, Dare to try, Leading edge technologies & Design honour. The said categorization ensures that various type of innovation projects compete within themselves only & all types of companies in the ambit get a fair chance to showcase the innovation as applicable to their line of business. The winners under various categories get rewarded by the Chairman of Tata Group at an annual award function.

(b) Idea Logy – Idea Logy, is an online portal driving innovation at the Tata group level and can be accessed by all the employees of all the Tata group companies. The portal enables various companies to post their respective business challenges as well, which could not be solved in the ordinary course of business & invite suggestions on the same from the employees of other group companies through this portal. Any suggestion by an employee, if selected gets suitably rewarded.

(c) SHINE (Systematic and Holistic Improvement Initiatives at Tata Power -DDL through Employee's Engagement)– SHINE being one of the major platforms for Improvement and Innovation at TPDDL, helps to think differently to innovate and to facilitate the thought process to convert the same into reality. The innovation projects as registered under SHINE are evaluated on various parameters by a Cross Functional Team on half yearly basis&accordingly the projects are categorized in the star categories ranging from one to five (Five being the highest). The 4 & 5 category projects are awarded at annual Business Excellence Ceremony.

(d) *PRAYAS* – Working on the theory of "No idea is a bad idea", the small delta improvements which could not form a part of SHINE are categorized under "PRAYAS". The same helps in enhancement of employee engagement & keeps the Innovation environment live & bright.

***2. IT-OT Convergence* -** When the privatization of erstwhile Delhi Vidyut Board was effected in 2002, the network supply was in a pathetic condition with the consumers facing frequent power outages. The operations were being carried out manually at different network levels by the respective teams and maintenance was being done on an ad-hoc basis. Much work was needed to be done to gain back the consumer's confidence & to achieve the reliability targets as set by the regulator.

The key performance parameter of any power distribution company is the "Reliability"..To achieve operational excellence, TPDDL has integrated innovation in all its processes & has successfully worked on IT-OT Convergence. Various technology initiatives such as GIS (Geographical Information System), SCADA (Supervisory Control and Data Acquisition), development of a robust communication network backbone (Optical Ground Wire & Optical Fibre Cable), Grid Substation Automation Systems (GSAS), Outage Management System (OMS). GSM modem based Automatic Meter Reading, ADR (Automated demand Response)& Smart Device for operations crew have been implemented. All these IT enabled interventions has enabled TPDDL to over-achieve objective of "Reliability" in a smarter way.

***3.Smart Grid* -** TPDDL has been a front runner in implementing the Smart Grid vision in India & has engaged international consultants to build its smart grid roadmap to be deployed in future. Smart Grid implementation is a complex exercise and has not been done in India before. The company has established a Smart Grid Lab which serves as a demonstration of future technologies in distribution sector and foster further innovation in consumer service delivery and process improvements. It has also been the host utility in India Smart Grid Week 2016.

***4. Innovation Council* -** As the company got matured in its operational processes, it became critical for it to create an ecosystem to boost & encourage innovation performance within the organization. The need was felt to define an innovation vision in the organization. Accordingly, "Innovation Council" was constituted which includes membersfrom various functions& various levels of the organization. The same explores new Business Models, Products, Services and Solutions and pave way for identification and nurturing new Strategic Opportunities.

***5. Business Services Group* -** TPDDL, through its Innovation Council, Environment Scanning and Strategic Collaborations has identified strategic opportunities for vertical downward integration & has constituted the Business Services Group (BSG) which is primarily focused on providing energy efficiency products & services at the consumer's end. The group has so far provided services to the consumer's in the following major areas. None of these services has ever been offered by any power distribution company to its consumers till now.

(a) Rooftop Solar Projects – Collaborating with major solar panel manufacturers to provide consumers necessary assistance & economical rates for installation of solar panels at their premises.

(b) ESCO's (Energy Saving Companies) - Empanelment of ESCO's who shall provide turnkey package of energy efficiency services to consumers on chargeable basis. The same includes energy audit, feasibility study, financing option, performance contracting, project engineering, implementation and measurement & verification.

(c) Energy efficient home appliances – Collaborating directly with manufacturers for 5 Star AC's & fans & thus enabling economical rates for the end consumers.

(d) Electronic Charging stations for E Rickshaws

***6. Innovative Commercial practices* –** Commercial Processes are an integral part of strategy of any distribution company as the same interacts with end consumers & provide resources for the entire value chain. To enhance the consumer's satisfaction & to ensure commercial viability of the sector, several innovative commercial practices have been adopted by TPDDL. All these approaches being unique in the industryhave enabled the company to not only enhance the consumer's satisfaction, but to over achieve the various performance targets as set by the regulator. Some of the major commercial practices/initiatives as implemented are:

(a) SARAL - Weekly direct interaction of Chief Commercial with the end consumers

(b) Stretched performance targets viz a viz thoseset by the regulator

(c) Smart Meter Reading device (SMRD) – Direct capturing of meter reading (from meter to an android based application) to avoid human errors in data entry

(d) SAMAAN– Dedicated services for senior citizens

(e) Online new connection (In alignment with Govt of India initiative of ease of doing business)

(f) SCG (Special consumer group) to cater to the distinct needs of the JJ cluster consumers

(g) Client Managers to cater to the requirements of all HRB (High Revenue Base) consumers i.e. 11 KW & above

(h) Green Customer Rewards

(i) Relationship Building – RWA/IWA meetings, Annual Customer Meets

7. Skills enhancement - TPDDL is a firm believer that human resources are the driving force of any organization & so is for innovation. Accordingly, much stress is placed to provide necessary trainings to employees who in turn can cultivate the innovation. Keeping the same in mind, two training centers (One at Rohini& the otherA at GulabiBagh) are being run by the company which provides necessary functional & behavioral trainings. These centers are accredited by Power Finance Corporation and Ministry of Power for conducting programs for development of Power Distribution sector. These centers not only cater to the training needs of the TPDDL employees, several SEB's & international utilities are sending their employees to these centers for various induction & skill enhancement programs. No such facility is being provided by any other distribution company in India till now. Further, TPDDL is the only utility in the Country to have been empanelled by the Power Finance Corporation, Govt. of India's nodal implementation agency for its Restructured Accelerated Power Development and Reforms Program (R-APDRP), as IT Consultant and SCADA Consultant.

8. Collaborations & exchange programs - TPDDL is drivingInnovation through Collaborations & Exchange programs. It has Collaborations with 30 organizations & institutes from India & abroad. The company is doing technology pilots, co-innovating new products & services with top organisations in the world with IBM, GE, SAP, etc. It is also doing Joint research & development projects with top universities in the world like Massachusetts Institute of Technology (MIT), Stanford University, Lawrence Berkeley Labs of University of California, Berkeley, Innovation Cluster of Delhi University, PEC, Chandigarh, etc. Further, employees are being sent for various exchange programs at national as well as at international level which is resulting into an orbit change in the form of new ideas & thoughts.

9. Social Innovation - The innovation is not limited only to the core business of the company i.e. the electricity distribution. To make innovation an integral part of the community initiatives as well, the CSR (Corporate Social Responsibility) group at TPDDL is named as "Social Innovation Group". The company is in a unique situation where the society that it operates in is also it's existing or prospective customers. The licensed area of TPDDL has over 200+ JJ clusters inhabited by people who form the key community along with the BA employees and their family members, with a special focus on SC/ST communities among them.

Several innovative approaches & collaborations has enabled the company to give back to the society in an innovative way, some of them are listed below. Several accolades have been bagged by TPDDL as most of these approaches are first of its kind in the power sector &have been highly appreciated by the society at large.

(a) Energy Club – Sensitization of young school students on various issues like energy conservation, electrical safety related issues, water conservation, renewable energy etc.

(b) Insurance covers for JJ cluster consumers– Insurance cover of Rs.1 lakh for each JJ cluster consumer

(c) Tie up with various NGO's for need identification & running of vocational training centers – Tie up with various NGO's & providing funding & necessary infrastructure for various vocational training programs like electrician, beauty culture, tutorial classes, solar power plant repairing course, Refrigeration& AC repairing etc.

(d) Adult Literacy Program for females residing in the JJ clusters – Basic literacy programme for illiterate females residing in JJ clusters

(e) ATW (Any Time Water) RO plants – Installation of RO plants to provide safe drinking water to residents of JJ clusters at a negligible cost.

Conclusion

Though a must talked about subject across industries, innovation seems to be a low priority item for the power distribution companies in India till now. Nevertheless; keeping the Harvard Business Review's five attributes & the innovative practices of TPDDL in mind, it can be inferred that innovation isn't only limited to the R&D division of the manufacturing companies. With the right approach, management commitment & engaged human resources, innovation can give fruits in regulated businesses too.However, as the power distribution in India is majorly entrusted with the SEB's, the power distribution companies need to pull up their socks & initiate innovative steps to meet the consumer's requirements in a smarterway. MA

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yamini.gogia@tatapower-ddl.com

COVER STORY

SEGMENT REPORTING PRACTICES IN INDIA :

Impact of IFRS 8 during Transition Period

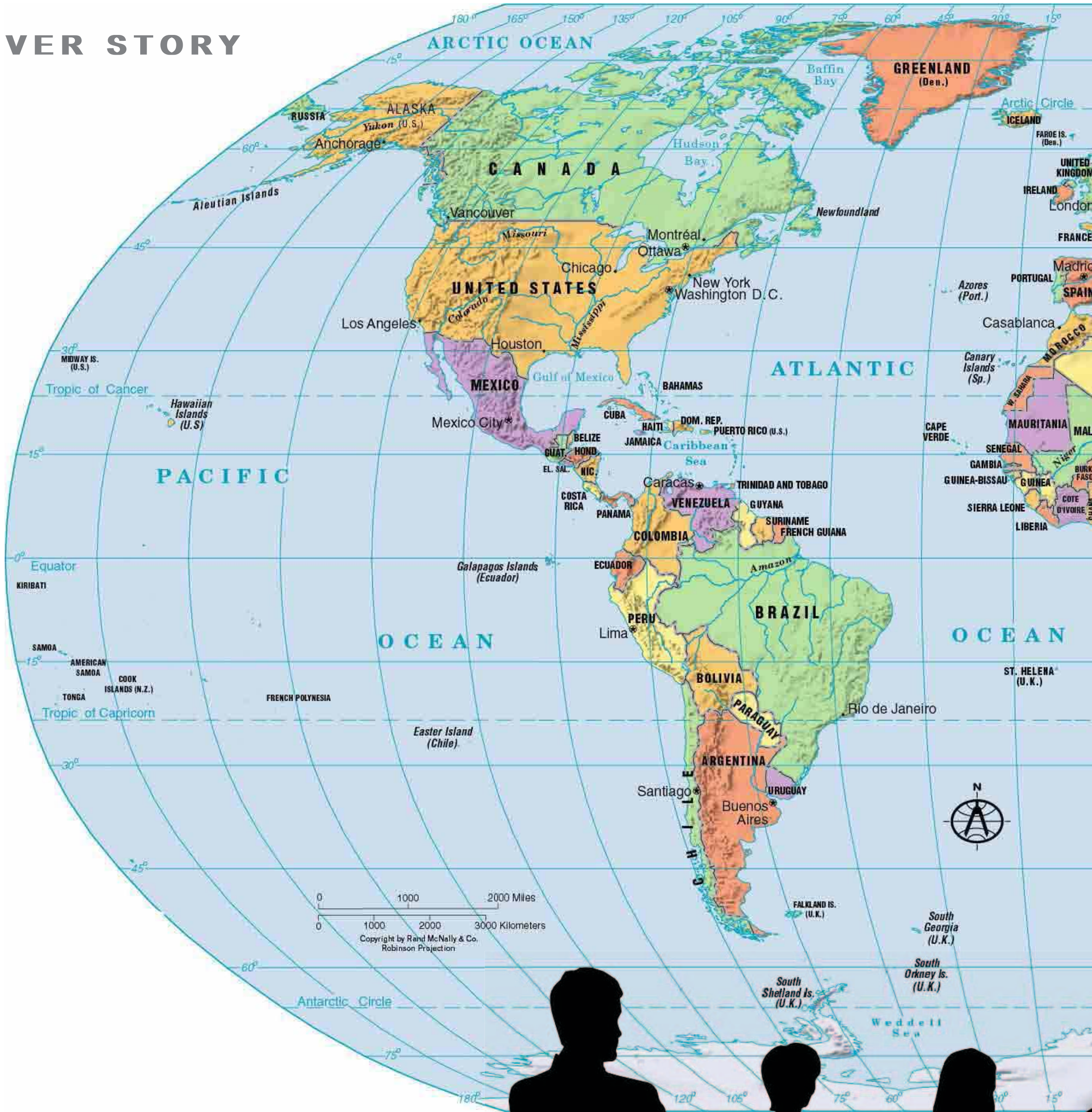
The present study has scrutinized the current segment reporting practices of selected Indian listed companies to verify the impact of global convergence of accounting standards on its pattern of segment reporting. The study discovered that the convergence of global accounting standards (results into IFRSs) has no such significant impact on Indian segment reporting practices particularly in the transition period. Still it has believed that this new approach may have some positive impact after the implementation of Ind AS through the permanent changing of reporting behavior. It has been concluded that to get a hold of any positive result we may have to wait for some more time since any practice takes some extra time to change itself. Some fruitful recommendations have also been forwarded for the betterment of the segment reporting practices in India.

Dr. Ram Prahlad Choudhary
Assistant Professor,
Department of Commerce,
University of Calcutta. Kolkata

Mr. Satyajit Ghorai
Assistant Professor,
Department of Commerce,
Jhargram Raj College, Jhargram

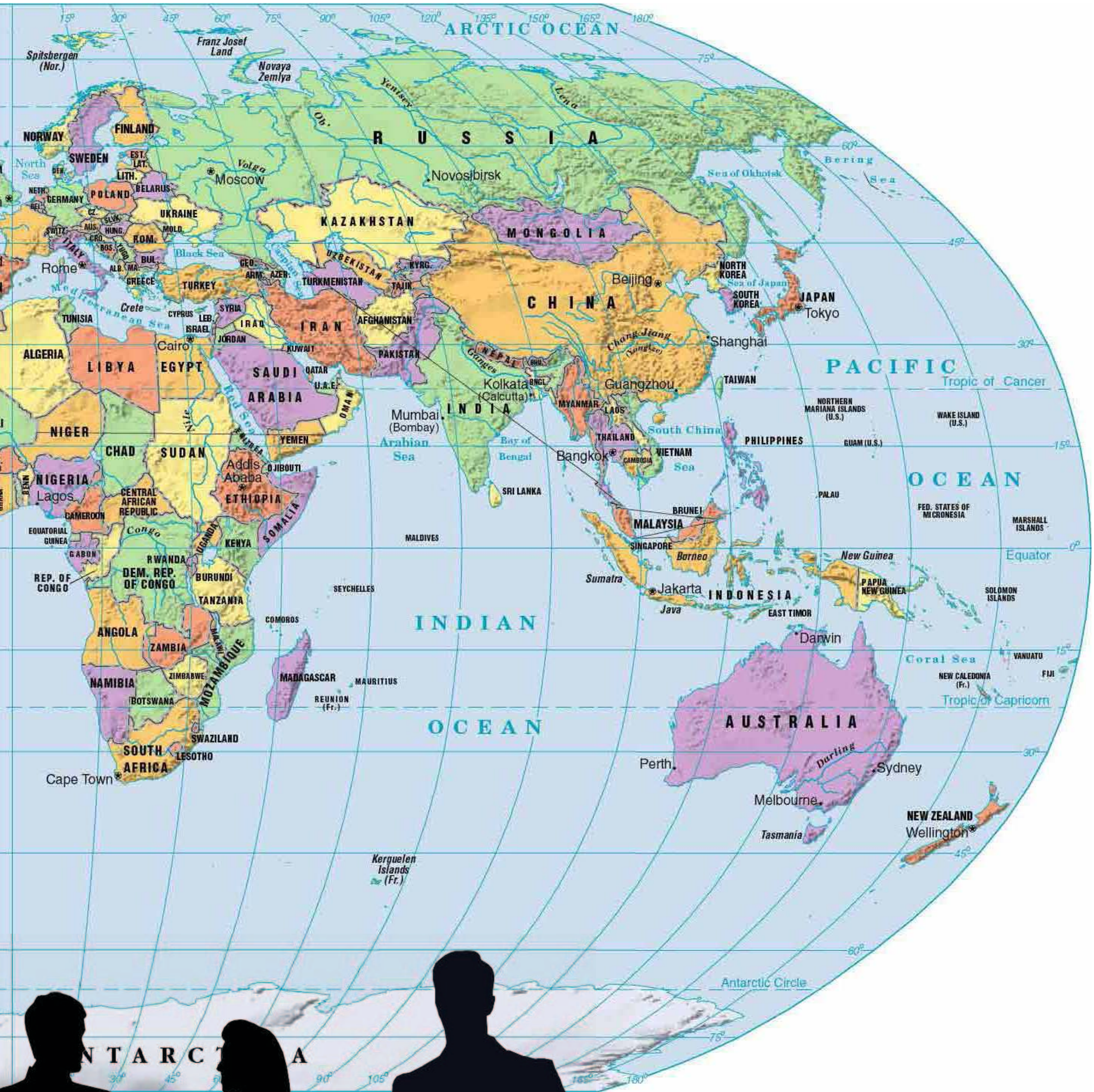
Segment Reporting has become an important financial reporting issue surrounding the corporate sector globally. With the robust diversification and globalization, it is obvious that consolidated financial statement alone could no longer represent the overall view of financial information precisely and correctly, due to the different growth rate, profitability and risk among the segments of a diversified company. The presentation of segment information helps the stakeholders to identify and analyses the opportunities and risks which a diversified company faces. In India, segment reporting becomes popularized since October, 2000 when the Institute of Chartered Accountant of India (ICAI) issued AS 17 "Segment Reporting".

In the recent past, a considerable efforts have been made by several standard setting bodies, accounting-focused organization, accounting academics and business leaders to develop a single set of universally accepted global financial accounting and reporting standards for improving the quality, comparability and consistency of the financial reporting practices. The International Accounting Standard Board (IASB) has issued a number of International Financial Reporting Standards (IFRSs) to replace some International Accounting Standards (IASs) as part of its 'Convergence Project' including IFRS 8 'Operating Segments' on 30-11-2006. It states the enterprise prepare its segment report on the basis of operating segment which determined by the managerial approach (i.e. key decision maker), for which enterprise can minimize the cost of segment reporting as it produced previously for decision making purpose. The main change from the current standard is the introduction of management approach. IASB recognized one of the benefits,



with the new approach is that information through the eye of management will allow users to better assess an entity's operations.

In the age of convergence, with the line of other countries India has also very rightly decided to converge her accounting standards with that of the International Accounting Standard Board (IASB). The process of convergences was initiated in India in the year 2007, when ICAI issued the concept paper on convergence with IFRSs in India. Accordingly, Indian apex standard setting body Institute of Chartered Accountant of India (ICAI) has reviewed its prevailing accounting standards



and modified aligns with the respective IFRSs for issuing a set of new Indian Accounting Standards (Ind ASs) including Ind AS 108 'Operating Segments'. In February, 2011 although the Ministry of Corporate Affairs (MCA) has notified these Ind AS as equivalent standards to IFRSs but silent about the effective date, due to some implementations and tax issues. But continuously, both MCA and ICAI being devotedconsiderable efforts for minimizing the prevailing variances as compared to IFRSs particularly those existed in 2011 version of Ind AS in a time bound manner. On the other hand all most all industries are preparing themselves to easy accustom with the implementation of Ind AS. So far the situation is concern, they are almost ready to adopt such new standards Ind ASs and awaiting for the effective date of Ind AS from the MCA's end. Keeping in view the needs of the hour, to improve the global ranking on corporate governance and transparency in financial reporting MCA has now notified the much awaited Indian Accounting Standards Rule, 2015 on 16th February, 2015 for implementing these Ind ASs (i.e. converged accounting standards). According to this rule, these Ind AS should be implemented in a phased manner from the accounting period commencing on or after 1st April, 2015 voluntarily and it would be mandatory from the accounting period commencing on or after 1st April, 2016. The first segment report mandatorily complying with Ind-AS 108 will come into the light in the year 2016-17 in India. During this transition period, from the announcement of convergence to the implementation of Ind AS (2007 to 2015), how the entities have reported their segment information? Is the segment reporting practices influenced by the IFRS 8? Whether they voluntarily use the IFRS 8 for their segment reporting or not. In this way, so many questions may arise about the reporting practices particularly in this transition phase.

Hence, it is the thirst of the time to examine the current segment reporting practices of the Indian listed companies in this transition period for judging the impact of convergence of accounting standards thereupon.

Review of Literature

Herrman and Thomas (2000) examined the segment reporting disclosures under SFAS No.131 compared to those reported in the previous year under SFAS No. 14. Their finding highlighted that two-third of the sample firms have redefined their primary operating segments upon adopting SFAS No.131 and companies are disclosed more information about their operating segments.

Sen (2001) identified some issue pertaining to segment reporting. He discussed the rational of segment disclosure and defined the way in which accounting standard setters have attempted to resolve segment reporting problems. He concluded that 'Segment reporting has advanced a lot, but there still exists scope for further improvement'.

Reddy and Satish (2001) conducted a comparative study between the Indian accounting standard and the international accounting standard on segment reporting. They found that most of the company disclosed their segment data by way of footnotes. They concluded that AS 17 is expected to give more detail and relevant information to the stakeholders of the company.

Ball et al. (2003) conducted their study in four Asian countries namely Hong Kong, Malaysia, Singapore and Thailand. Their standards derive from common law sources (UK, US and IFRS) that are widely viewed as higher quality than code law standards. However, they concluded that adopting high quality standards might be a necessary condition for high quality information but not sufficient one.

Sen (2005) reviewed in depth the key issues concerning segment reporting. He studied the segment reporting practices of the selected public limited companies in India. He found that the new segment reporting requirements have vastly improved disclosure practices in India and he provided valuable suggestions for improving the current situation.

Hessling & Jaakola (2007) examined the segment reporting practices under IAS 14R and also assessed the possible impact of IFRS 8 on Swedish companies. They found that current segment reporting practices in Sweden under IAS 14R has an overall high quality in terms of consistency and compliance.

Crawford et al. (2010) examined the likely consequences of implementing IFRS 8 in Europe. They found that company would continue to publish the geographical segment information even though it is not mandatory, as these data required to provide the CODM regularly

Mardini et al. (2012) conducted a study on few selected Jordanian listed companies to assess the impact of IFRS 8 on segment reporting practices in Jordan. They concluded that it has a significant and sizable impact on segmental disclosure practices of the selected companies.

Helen Kang & Sidney J. Gray (2013) analysed the segment disclosures of the top 200 companies listed on the Australian Stock Exchange in their pre and post adoption of AASB 8 (the equivalent standard to IFRS 8). They found that the number of reportable segments and the extent of disclosures have increased due to the adoption of AASB 8.

It is important to note that during this transition period no study has been done on segment reporting practices in India. So to bridge the gap the present study makes an attempt to examine the impact of global convergence of accounting standards on segment reporting practices in India.

Objective of the Study

In this era of transition, it is the eagerness of the time to study the recent segment reporting practices. The main objective of the study is to determine the impact of global convergence of accounting standards on segment reporting practices of selected Indian listed companies vis-à-vis to examine the current segment reporting practices of selected Indian listed companies and assess the impact of convergence of accounting standards thereupon.

Methodology

To achieve the stated objective of the study first of all, 50 Nifty companies were selected, but it was found that out of them only 5 companies were following the IFRSs. That's why those 5 companies have been purposively selected for exploring the segment reporting practice under the new regime. Besides this both primary and secondary sources of data were used for the study.

Table 1: List of the Selected Sample Companies with Industry

Sl. No.	Name of the Company	Industry
1	Dr. Reddy's Laboratories Ltd.	Pharmaceutical
2	Infosys Ltd.	IT Services
3	Sterlite Industries (India) Ltd.	Mining and Metal
4	Tata Motors Ltd.	Automobiles
5	Wipro Ltd.	IT Services

Source: NSE 50 Nifty Companies

To address the main objective of the study, following research questions have been analysed:

- Whether every entity has adopted IFRS 8 for segment reporting.
- Whether any entity adopted the IFRS 8 early.
- Who have identified as the chief operating decision maker?
- What is the basis of identification of operating segments?
- Is there any entity aggregate the operating segments?
- How many operating segments have reported?
- The size of operating segments in terms of assets, revenue and results.
- What specific items disclosed for each operating segment?
- What voluntary items disclosed for each operating segment?
- How many segment items disclosed for each operating segment?
- Which basis has used for measuring operating segment information?
- What is the measurement of segment profit or loss?
- What is the basis of distribution of joint items among operating segments?

Analysis and Findings

Table 2: List of the IFRSs Compliance Companies with Listed Stock Market

Sl. No.	Name of the Companies	Listed Stock Market	Accounting year from which following IFRSs
1	Dr. Reddy's Laboratories Ltd.	NSE, BSE, NYSE	2008-09
2	Infosys Ltd.	NSE, BSE, NASDAQ	2008-09
3	Sterlite Industries (India) Ltd.	NSE, BSE, NYSE	2010-11
4	Tata Motors Ltd.	NSE, BSE, NYSE	2008-09
5	Wipro Ltd.	NSE, BSE, NYSE	2009-10

Source: Published Annual Reports of the Companies

- All 5o Nifty companies have not followed the IFRS 8 as there is no legal compulsion. Only five companies (as per Table 2) have followed IFRS 8 as their equity shares are enlisted in the New York stock exchange. Actually, these foreign listed companies have to prepare two sets of accounts; one as per the IFRSs requirements and another under Indian GAAP.

- No company has adopted the IFRS 8 early to the SEC's announced financial period (i.e. ended on or after 04.03.2008) for relaxation of reconciliation statement. Out of these five companies Dr. Reddy's Laboratories Ltd., Infosys Ltd. and Tata Motors Ltd. have started their reporting under IFRSs from the financial period 2008-09 whereas the other two companies - Wipro Ltd. and Sterlite Industries (India) Ltd. from the financial period 2009-10 and 2010-11 respectively.

Table 3: Who have identified as CODM?

Sl. No.	Name of the Companies	Financial Period				
		2010-11	2011-12	2012-13	2013-14	2014-15
1	Dr. Reddy's Laboratories Ltd.	CEO	CEO	CEO	CEO	CEO
2	Infosys Ltd.	ND	ND	ND	ND	ND
3	Sterlite Industries (India) Ltd.	EDB	EDB	EDB	EDB	EDB
4	Tata Motors Ltd.	ND	ND	ND	ND	ND
5	Wipro Ltd.	CM	CM	CM	CM	CM

Source: Published Annual Reports of the Companies

CEO = Chief Executive Officer; EDB = Executive Directors or the Board; CM = Chairman of the Company; ND = Not Disclosed

- Except Infosys Ltd. and Tata Motors Ltd. other three companies Dr. Reddy's Laboratories Ltd., Sterlite Industries (India) Ltd., and Wipro Ltd. have consistently identified and disclosed their Chief Executive Officer, Board of Directors and Chairman of the Company as Chief Operating Decision Maker respectively.

Table 4: What is the Basis of identification of operating Segments?

Sl. No.	Name of the Companies	Financial Period				
		2010-11	2011-12	2012-13	2013-14	2014-15
1	Dr. Reddy's Laboratories Ltd.	P&S	P&S	P&S	P&S	P&S
2	Infosys Ltd.	P&S	P&S	P&S	CB	CB
3	Sterlite Industries (India) Ltd.	CB	CB	CB	CB	CB
4	Tata Motors Ltd.	P&S	P&S	P&S	P&S	P&S
5	Wipro Ltd.	P&S	P&S	P&S	P&S	P&S

Source: Published Annual Reports of the Companies

P&S = Products & Services; GA= Geographic Area; CB = Combination of Both

- Three companies (60%) have identified their operating segments only on the basis of products&services, whereas Sterlite Industries (India) Ltd. has used the combined base of products & services and geographic area for identification of its operating segments consistently throughout the study period. But only Infosys Ltd. has changed its basis for identification of operating segments; it has used only products & services as a base for the first three years, whereas the combined base of products & services and geographic area for last two years.

Table 5: Is there any Company Aggregating the Operating Segments?

Sl. No.	Name of the Companies	Financial Period				
		2010-11	2011-12	2012-13	2013-14	2014-15
1	Dr. Reddy's Laboratories Ltd.	N	N	N	N	N
2	Infosys Ltd.	N	Y	N	Y	N
3	Sterlite Industries (India) Ltd.	N	N	N	N	N
4	Tata Motors Ltd.	N	N	N	N	N
5	Wipro Ltd.	N	N	N	N	N

Source: Published Annual Reports of the Companies

Y = Yes; N = No

- Only Infosys Ltd. has aggregated its operating segments in the year 2011-12 and 2013-14 for internal reorganization. Another four companies have not aggregated any segments- it may be due to the difficult aggregation criteria.

Table 6:Number of Reported Segments

Panel I: Number of Business Segment Reported								
Sl. No.	Name of the Companies	Financial Period					Average	Standard Deviation
		2010-11	2011-12	2012-13	2013-14	2014-15		
1	Dr. Reddy's Laboratories Ltd.	3	3	3	3	3	3	0
2	Infosys Ltd.	5	4	4	6	6	5	0.89
3	Sterlite Industries (India) Ltd.	6	6	5	8	8	6.6	1.2
4	Tata Motors Ltd.	3	3	3	3	3	3	0
5	Wipro Ltd.	4	4	4	7	7	5.2	1.47
					For the Group		**4.56**	**1.68**
Panel II: Number of Geographic Segment Reported								
Sl. No.	Name of the Companies	Financial Period					Average	Standard Deviation
		2010-11	2011-12	2012-13	2013-14	2014-15		
1	Dr. Reddy's Laboratories Ltd.	5	5	5	5	5	5	0
2	Infosys Ltd.	4	4	4	4	4	4	0

Sl. No.	Name of the Companies	Financial Period					Average	Standard Deviation
		2010-11	2011-12	2012-13	2013-14	2014-15		
4	Tata Motors Ltd.	6	6	6	6	6	6	0
5	Wipro Ltd.	4	4	4	4	4	4	0
					For the Group		**4.52**	**0.93**

Source: Computed from Published Annual Reports of the Companies

- The average number of reported business segment of these five companies throughout the period is 4.56 and that of the geographical segment is 4.52. The mode of the number of business segment reported is 3 but that for the geographical segment is 4. From the standard deviation of the number of reported business segments it is clear that Dr. Reddy's Laboratories Ltd. and Tata Motors Ltd. are more consistent in comparison to that of the other companies. Except Sterlite Industries (India) Ltd. all companies are consistent with the number of geographic segment disclosure.

Table 7: Largest Reported Segment in Terms of Percentage of

Sl. No.	Name of the Companies	Business Segment			Geographical Segment		
		Revenue	Result	Assets	Revenue	Result	Assets
1	Dr. Reddy's Laboratories Ltd.	81	91	ND	48	ND	63
2	Infosys Ltd.	36	37	ND	65	64	ND
3	Sterlite Industries (India) Ltd.	52	76	49	69	ND	97
4	Tata Motors Ltd.	82	98	71	38	ND	77
5	Wipro Ltd.	78	92	85	48	ND	ND

Source: Computed from Published Annual Reports of the Companies
ND= Not Disclosed

- Except Infosys Ltd. every companyhas a single largest reported business segment, which has contributed more than 50% of the total revenue. That means the Infosys Ltd. is more diversified than other companies.

- Except Infosys Ltd. every companyhas a single largest reported business segment, which has contributed more than 75% of the total result. That means the Infosys Ltd. is more diversified than other companies.

- Dr. Reddy's Laboratories Ltd. and Infosys Ltd. have not disclosed their assets segment-wise; but all other companies disclosed their assets segment-wise and they have a single largest reported business segment which possessed more than 48% of the total assets.

- Infosys Ltd. and Sterlite Industries (India) Ltd. have largest reported geographic segment, which has contributed more than 60% of the total revenue, whereas that of the other three companies have less than 50%.

- Only Infosys Ltd. has disclosed segmental result for its geographical segment and the largest reported geographic segment has contributed more than 60% of the total result. Whereas other companies have not reported segmental result for their reported geographical segments.

- Except Infosys Ltd. and Wipro Ltd, all other three companies have reported their total assets geographical segment-wise. The largest geographical segment of these companies has possessed more than 60% of the total assets.

- Following table revels the specific segment information disclosed for the reportable business segments:

Table 8: Major Items disclosed for every Reported Business Segment

Sl. No.	Name of the Company	Year	External Revenue	Internal Revenue	Result	Basis of Transfer Price	Assets	Liabilities	Capital Expenditure	Depreciation & Amortization	Basis of segmentation	Description about segment	Types of products & services	Voluntary Disclosures
1	Dr. Reddy's Laboratories Ltd.	2010-11	Y	NA	Y	NA	N	N	N	Y	Y	Y	Y	
		2011-12	Y	NA	Y	NA	N	N	N	Y	Y	Y	Y	
		2012-13	Y	NA	Y	NA	N	N	N	Y	Y	Y	Y	
		2013-14	Y	NA	Y	NA	N	N	N	Y	Y	Y	Y	
		2014-15	Y	NA	Y	NA	N	N	N	Y	Y	Y	Y	
2	Infosys Ltd.	2010-11	Y	NA	Y	NA	N	N	N	N	Y	Y	N	
		2011-12	Y	NA	Y	NA	N	N	N	N	Y	Y	N	
		2012-13	Y	NA	Y	NA	N	N	N	N	Y	Y	N	
		2013-14	Y	NA	Y	NA	N	N	N	N	Y	Y	N	
		2014-15	Y	NA	Y	NA	N	N	N	N	Y	Y	N	
3	Sterlite Industries (India) Ltd.	2010-11	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	
		2011-12	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	
		2012-13	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	
		2013-14	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	
		2014-15	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	
4	Tata Motors Ltd.	2010-11	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
		2011-12	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
		2012-13	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
		2013-14	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
		2014-15	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	

Sl. No.	Name of the Company	Year	External Revenue	Internal Revenue	Result	Basis of Transfer Price	Assets	Liabilities	Capital Expenditure	Depreciation & Amortization	Basis of segmentation	Description about segment	Types of products & services	Voluntary Disclosures
5	Wipro Ltd.	2010-11	Y	NA	Y	NA	Y	Y	Y	Y	Y	Y	N	ROI
		2011-12	Y	NA	Y	NA	Y	Y	Y	Y	Y	Y	N	ROI
		2012-13	Y	NA	Y	NA	Y	Y	Y	Y	Y	Y	N	ROI
		2013-14	Y	NA	Y	NA	N	N	N	N	Y	Y	N	
		2014-15	Y	NA	Y	NA	N	N	N	N	Y	Y	N	

Source: Computed from the Annual Reports of the companies
Y= Yes; N=No; NA= Not Applicable

- Segmental revenue, result, basis of segmentation and description about segment disclosed by each and every company throughout the study period. Sterlite Industries (India) Ltd. and Tata Motors Ltd. have reported the internal revenue along with the method of transfer price. When Sterlite Industries (India) Ltd. used arm's length price for inter segment transfer, Tata Motors Ltd. used market price or contract price throughout the study period. Except Infosys Ltd. all other companies disclosed segmental depreciation and amortization.

- Following table revels the specific segment information disclosed for the reportable geographical segments:

Table 9: Major Items disclosed for every Geographical Reported Segments

Sl. No.	Name of the Company	Year	Revenue	Assets	Liabilities
1	Dr. Reddy's Laboratories Ltd.	2010-11	Y	Y	N
		2011-12	Y	Y	N
		2012-13	Y	Y	N
		2013-14	Y	Y	N
		2014-15	Y	Y	N

Sl. No.	Name of the Company	Year	Revenue	Assets	Liabilities
2	Infosys Ltd.	2010-11	Y	N	N
		2011-12	Y	N	N
		2012-13	Y	N	N
		2013-14	Y	N	N
		2014-15	Y	N	N
3	Sterlite Industries (India) Ltd.	2010-11	Y	Y	N
		2011-12	Y	Y	N
		2012-13	Y	Y	N
		2013-14	Y	Y	N
		2014-15	Y	Y	N
4	Tata Motors Ltd.	2010-11	Y	Y	N
		2011-12	Y	Y	N
		2012-13	Y	Y	N
		2013-14	Y	Y	N
		2014-15	Y	Y	N
5	Wipro Ltd.	2010-11	Y	N	N
		2011-12	Y	N	N
		2012-13	Y	N	N
		2013-14	Y	N	N
		2014-15	Y	N	N

Source: Computed from the Annual Reports of the companies
Y= Yes; N=No

- Each and every company reported their revenue geographical segment-wise but no one reported its liabilities geographical segment-wise. Except Infosys Ltd. and Wipro Ltd. all other companies reported their assets geographical segment-wise throughout the study period. Each company is consistent in disclosing the geographical segment information for each of the accounting periods in the study period, although some variation is observed among the companies.

Table 10: Number Disclosed Segment Information for Each Reported Segment

Panel I: Number of Disclosed Segment Information for Each Reported Business Segment								
Sl. No.	Name of the Companies	Financial Period					Average	Standard Deviation
		2010-11	2011-12	2012-13	2013-14	2014-15		
1	Dr. Reddy's Laboratories Ltd.	6	6	6	6	6	6	0
2	Infosys Ltd.	4	4	4	4	4	4	0
3	Sterlite Industries (India) Ltd.	9	9	9	9	9	9	0
4	Tata Motors Ltd.	10	10	10	10	10	10	0
5	Wipro Ltd.	8	8	8	4	4	6.4	1.96
					For the Group		**7.08**	**2.33**

Panel II: Number of Disclosed Segment Information for Each Reported Geographic Segment								
Sl. No.	Name of the Companies	Financial Period					Average	Standard Deviation
		2010-11	2011-12	2012-13	2013-14	2014-15		
1	Dr. Reddy's Laboratories Ltd.	2	2	2	2	2	2	0
2	Infosys Ltd.	1	1	1	1	1	1	0
3	Sterlite Industries (India) Ltd.	2	2	2	2	2	2	0
4	Tata Motors Ltd.	2	2	2	2	2	2	0
5	Wipro Ltd.	1	1	1	1	1	1	0
					For the Group		**1.6**	**0.49**

Source: Computed from Published Annual Reports of the Companies

- According to the number of disclosed segment information for each reported business segment Tata Motors Ltd. ranked 1st followed by Sterlite Industries (India) Ltd., Wipro Ltd., Dr. Reddy's Laboratories Ltd. andInfosys Ltd. Except Wipro Ltd, all other companies are very consistent in disclosing the segment information throughout the study period. The average number of segment information disclosed for each reported segment of this group as a whole is 7.08.

- Each and every company reported their revenue geographical segment-wise but no one reported its liabilities geographical segment-wise. Except Infosys Ltd. and Wipro Ltd. all other companies reported their assets geographical segment-wise throughout the study period. The average number of segment information disclosed for each reported geographical segment of the group in the study period is 1.6.

Table 11:Basis of Measurement of Reportable Segment Information

Sl. No.	Name of the Companies	Financial Period				
		2010-11	2011-12	2012-13	2013-14	2014-15
1	Dr. Reddy's Laboratories Ltd.	IFRS	IFRS	IFRS	IFRS	IFRS
2	Infosys Ltd.	IFRS	IFRS	IFRS	IFRS	IFRS
3	Sterlite Industries (India) Ltd.	IFRS	IFRS	IFRS	IFRS	IFRS
4	Tata Motors Ltd.	IFRS	IFRS	IFRS	IFRS	IFRS
5	Wipro Ltd.	IFRS	IFRS	IFRS	IFRS	IFRS

Source: Published Annual Reports of the Companies

- It has been observed that the accounting policy for segment reporting was consistent with that of the consolidated financial statements; that means the basis of measurement of segment information was IFRSs.

Table 12: Basis of Measurement of Segment Result

Sl. No.	Name of the Companies	Financial Period				
		2010-11	2011-12	2012-13	2013-14	2014-15
1	Dr. Reddy's Laboratories Ltd.	GP	GP	GP	GP	GP
2	Infosys Ltd.	OP	OP	OP	OP	OP
3	Sterlite Industries (India) Ltd.	OP	OP	OP	OP	OP
4	Tata Motors Ltd.	OP	OP	OP	OP	OP
5	Wipro Ltd.	OP	OP	OP	OP	OP

Source: Published Annual Reports of the Companies

GP=Gross Profit; OP=Operating Profit

- Except Dr. Reddy's Laboratories Ltd. all other companies have used operating results for measuring segment profit or loss, although they only consider the directly traceable or logically allocable revenue/expenses. But the chief operating decision makers of Dr. Reddy's Laboratories Ltd. have used the gross profit to analyses the performance.

- All the selected companies have allocated only that portion of joint costwhich are directly attributable to the segments and the remaining portion has been shown as undistributed cost. So there is no question of disclosing the basis of allocation of joint items.

- Dr. Reddy's Laboratories Ltd. and Infosys Ltd. have not reported segmental assets and liabilities due to the interchangeable use of the segments also this practice being followed by Wipro Ltd. for last two accounting periods. Although the other companies have allocated the assets and liabilities among the reported operating segments but they have not mentioned any method of distribution. As a result the comparability characteristic of the financial statement has been hampered.

● IFRS 8 compliersare not disclosing the detail entity wide disclosures as per the requirement, they have only disclosed the very little information as required by AS 17 for secondary segments which are not sufficient to meet the needs of users.

Recommendations

For the betterment of the segment reporting practices in India some fruitful recommendations may put forward hereunder:

It is hoped that, uncertainty about the implementation date of Ind AS for every types of industries will be over early and the entity should avail this facility in the right spirit.

There is also need to convergence of auditing standards throughout the world.

The entity should start segment reporting under Ind AS 108 from the financial period commencing on or after 1st April, 2015.

The segmental reporting system should be supported by guidelines for allocation of joint costs to reporting segments. Activity based costing system may be employed so that a cause-effect relationship can be demonstrated which will ensure the better economic decisions.

Entities should also have to disclose the basis upon which they distributed their total assets among various reported segments. It will be preferable to disclose the common assets separately and this fact may be disclosed in footnote that these assets are used interchangeably by several segments.

Entities should have to be disclosed non-cash expenses and capital expenditure for all reported operating segments as these are required by the statue.

The reporting entity must have to be reported the entity-wide disclosures particularly, which have asked to report by the IFRS 8.

The auditor should report about the compliance of accounting standard for preparation of segment report.

To improve the relevancy of the segment report some extra segment information may require to be reported voluntarily including some forward looking information.

Conclusion

In conclusion, itcan bestrongly claimed that the convergence of global accounting standards (results into IFRSs) has no such significant impact on Indian segment reporting practices in transition period, particularly on the way of determination of segments, number of reported segmentsor the disclosures of segment information. Although the IASB was claimed that it has several benefits and it would produce more useful information; but no such entity used it voluntarily, only the company which are enlisted in US stock market has used IFRS 8 for their segment reporting only for availing the relief from the preparation of two set of accounts. Another important observation is that, although only these five companies have used IFRS 8, but still there is no such major change has observed, it may due to the habits of the reporting entity or may be due to the inefficiency of the standard. This thing has happened due to non-implementation of the Ind ASs; they are following the same pattern of reporting even under the IFRS 8. Thus it can be finally concluded that although no such impact is observed during this transition period but it may have some positive impact after the implementation of Ind ASs through the permanent changing of reporting habits. MA

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ramprahlad77@gmail.com

At the Helm

Ministry of Skill Development & Entrepreneurship, Director General of Training (DGT) declared CMA Sumeet Bahadur, Director of Electronic & Power Control Company, Bhilai as their Brand Ambassador.

CMA Sumeet Bahadur who is also a Certified Internal Auditor (USA) had been awarded the certificate of Brand Ambassador by the Hon'ble Minister Shri Rajiv Pratap Rudy, Minister of Skill Development & Entrepreneurship for apprenticeship training to promote the skill development programmes of the Ministry at New Delhi on September 15, 2016.

We wish CMA Sumeet Bahadur the very best for all his future endeavours.

INTERVIEW

Shri Kishor Piraji Kharat

MD & CEO of IDBI Bank

Q What have been some of your key priorities for IDBI Bank since you took over as the Managing Director & Chief Executive Director?

A After I took over as the MD & CEO of IDBI Bank, one of the key priorities was to devise a comprehensive business transformation plan for the next three years for strengthening the financial health of the Bank. A multi-pronged strategy has been put in place to double our business to Rs. 10 lakh crore as also augment our net profit by end-March 2020. Furthermore, we also plan to have a balanced portfolio mix by increasing the share of retail and PSL, increase the proportion of the low-cost deposit viz. CASA in the total deposit base, increase Net Interest Margin (NIM), improved Return on Assets (RoA) and Return on Equity (RoE), improved asset quality and adequate capital. This transformation plan will be supplemented by strategic enablers such as product innovation, aggressive marketing, increased focus on customer-centric approach, simplification of processes, improvement in turnaround time (TAT), skill development, institutionalising professionalism among the workforce, among others to attain sustainable and profitable growth. With this wide-ranging business plan, we intent to carve a niche for ourselves and strengthen our position in the Indian banking space, in the process further enhancing value for all our stakeholders.

Q What is your strategy for expanding retail footprint in India, given the competition and new entrants in the banking market?

A With increased focus on retail business, we have been relentlessly striving to expand our geographical footprints through an optimum mix of brick-and-mortar branches as well as alternate channels of delivery. The Bank had a total network of more than 1,800 branches and more than 3,300 ATMs as on July 31, 2016. Apart from the branch and ATM network, we are also consciously leveraging on our state-of-the-art technology to expand and strengthen our alternate channels of delivery which are emerging as a preferred banking channel. Aside from expanding our ATMs network, we are also strengthening our other alternate channels of delivery namely internet banking, mobile and tab banking, kiosks, e-lounge facility etc. in order to serve our retail customers irrespective of their geographical location. The Bank's alternate channels of delivery are designed to deliver a wide range of self-banking services in a seamless and secure manner. In our quest to provide 24x7 self-banking services to our customers, a lot of first-of-its-kind and innovative initiatives were rolled-out by the Bank in the last one and a half years. Recently, in June 2016, the Bank has launched a novel initiative, namely "IDBI Express", which offers an array of transaction services on a real-time basis to the customers at a convenient location near to them. The USP of this banking solution is that it offers services apart from traditional banking services such as Jan Suraksha Schemes, Aadhaar, RuPay based transactions, Mudra, Stand Up India, Startup India facilities. We are looking at expanding our footprint by expanding the IDBI Express network as it allows for scalability at relatively lower cost when compared to setting up a branch and ATM. Additionally, we have launched a multi-purpose self-service ATM (mini-branch), to facilitate issuance of personalised cheques and demand drafts on 24x7 basis, apart from providing regular ATM services; e-lounge facilities, which are essentially self-service branches, at multiple locations across the country; a tab banking solution 'JusTab' to offer the convenience of opening of accounts at customers' door step using a tablet; a mobile wallet application 'PayApt wallet' which is a one-step, one-stop payment solution for meeting payment needs on the go, among others. All these initiatives will enable us to better serve the retail segment of our portfolio.

Q To what extent has IDBI been successful in rural and semi-urban banking?

A IDBI Bank is making steady in-roads in expanding its presence in the rural and semi-urban areas in line with its commitment to the objective of financial inclusion. Towards this end, we are scaling up our physical presence in semi-urban and rural area. Out of the total branch network more than 1800 branches, the semi-urban and rural branches (including financial inclusion branches) accounts for more than 50% of the total branch count of the Bank. Furthermore, in 2015-16, we have opened 33 branches in unbanked rural centres out of total 141 branches opened during the year. Since this accounts for more than 32% of branches being opened in unbanked rural centres, we have surpassed the RBI stipulation that 25% of new branches opened during a year must be situated in such centres. Aside from the traditional brick and mortar branches, we have augmented alternate touchpoints, including ATMs, to enhance the accessibility to financial services even in the remotest corner of the country. In this direction, we have leveraged our Business Correspondents (BCs)/ Business Facilitators (BFs) network to increase our penetration in rural and semi-urban areas. In 2014, we launched a Kiosk Banking Solution under our Financial Inclusion Plan (FIP) which enables us to reach out to rural masses and bring them into main stream banking system more efficiently. Our 'IDBI Express' model is a unique banking solution that enables customers to bank at their chosen time and place beyond banking hours, without having to visit a branch. Striving to meet the credit needs of the priority sectors, we surpassed the priority sector lending (PSL) target in 2015-16 with PSL at 40.70% of the ANBC.

Q What is your view about credit to SME sector, how much of it could become NPA?

A MSMEs account for 45% of manufacturing output and 40% of total exports of the country. The sector provides largest employment next to agriculture and there is a need to ensure more credit flow to this segment. Presently, Govt is focusing more on manufacturing and we all know the importance assigned to "Make in India" by Honourable Prime Minister. Pradhan Mantri Mudra Yojana and Stand-up India are the other initiatives of Government that will give a fillip to SMEs. With India emerging as the fastest growing economy, I foresee many opportunities for SMEs and the sector is likely to witness substantial growth in the coming years. No bank can neglect SME sector as this is proving to be a profitable business proposition where risk is spread out, returns are high and cross selling opportunities are more. During FY 2015-16, our Bank did extremely well in Micro Segment. This year the thrust is on Small and Medium Enterprises, apart from Micro. Already we have carried out some structural changes to bring more focus on Medium Enterprises. Probably our performance under MSME in the current financial year will be one among the best in the industry. As far as NPAs are concerned, it is well within the limit and does not cause any concern. Well defined simple products, processes, monitoring tools and stringent control mechanisms are helping us to grow portfolio in a healthy and risk contained manner.

Q How is the Basel III affecting the profitability of banks? Do Basel III provide for sufficient provisions for management of NPA?

A Basel III framework was designed to address the weaknesses of the past crisis and to make the banking sector robust enough to face crisis situations. To achieve the same, Basel III norms introduced amendments to create a suitable defence by improving shock absorbing capacity of individual bank and ensure that in case of crisis, the banking system as a whole does not crumble. Therefore, major thrust is on improvement of quantity and quality of capital of banks, with stronger regulator's supervision, risk management and disclosure standards. On account of the above factors, the capital requirements under Basel-III have increased substantially with introduction of buffers. Keeping in view of the fiscal consolidation plan outlined by the Government, the banks would have to generate a substantial amount of capital from the financial markets. However, the terms and conditions for raising capital through Additional Tier-I (AT I) and Tier-II instruments have been made more stringent to enhance their loss absorbing capacity, which would be impacting their pricing. Therefore, considering higher capital holding under Basel III and limited capital availability, banks' cost of capital funding will increase significantly. Higher capital funding cost would in turn result into lower ROE in addition to forcing the banks to increase the cost of lending. This is expected to have double impact – first is on return/ profitability and second on business growth. These factors may have likely combined impact on economic growth and profitability of banks.

However, on a positive note, the scarcity of resources and resultant availability at higher cost, it will force the banks to improve their internal management efficiencies. On account of higher cost of capital and additional capital requirements, the banks have started reviewing their product mix and restructuring their balance sheets.. Banks will also focus on core businesses and prepare to either amend or exit low-profit and low-growth activities to reduce costs to continue operating profitably. Banks would be able to increase the quality of their loan-loss provisions by eliminating flaws in processes.

Apart from enhancing the capital requirements to bolster banks' position against shocks, the Basel guidelines also envisages appropriate risk weights in case of NPA cases. This depends upon the percentage of provision already made so as to ensure

capital charge in case of lower provision is made. For example, risk weight is 150% in case of unsecured portion of NPA (other than mortgage/ residential loans) where provision made is less than 20% and risk weight is 50% in case of provision made is more than 50%. Similar provisions are also incorporated in case of residential loans. Considering this, it is felt that although the higher provisioning requirements as also increasing risk weights for NPAs as per Basel guidelines adversely affect the capital base of the banks, the measures will help in enhancing the quality and quantity of capital which is expected to build in sufficient provisions for management of likely NPAs in future.

Q When the Public Sector Banks are suffering from NPA very badly, interestingly, private sector banks have less deterioration in asset quality and have managed to maintain their NPAs at low levels. What is the reason behind it?

A NPA levels have gone up in both public sector banks and also in private sector banks, mainly on account of the slowdown in global economic growth, stress in core sectors and infrastructure, and pro-active classification of accounts as non-performing based on the Asset Quality Review (AQR) undertaken by RBI. Some of the banks could maintain relatively low NPA levels due to their portfolio mix, less concentration on stressed sectors and rigorous removal of stressed assets from its books by way of Assignment of Debts, writing off etc.

Q India needs large banks to be competitive in the world. What steps would you like the government and/or the regulator to take in order to achieve this objective?

A The Narasimham Committee Report in 1991 and subsequently, the Narasimham Committee Report in 1998 emphasised on the importance of having large banks. The Committee recommended a three-tier banking structure through the establishment of three large banks with international presence, eight to ten national banks and a bevy of regional and local banks. As compared to their global peers, the Indian banks are relatively quite small even today. India critically needs large banks that are globally competitive while simultaneously can meet the growing credit demand that is expected in such a rapidly growing economy without breaching their prudential limits. In India, the situation is unique since aside from the small size, the banking sector is dominated by the Public Sector Banks (PSBs) which accounts for more than 65% market share of the total business of the scheduled commercial banks. Hence, the Government as also the Reserve Bank of India (RBI) has been promoting consolidation of PSBs to create large banks that would be globally comparable in terms of their balance sheet size as also as a means to achieve greater economies of scale and scope in the sector. Having said that, it is also important to note that the consolidation shouldn't be at the cost of stability which may arise if a too big to fail entity is created. Consequently, consolidation should be based on strategic vision driven by synergy and creating value for both the banks and not just creating an entity of globally comparable size.

Q In the advanced countries, banks have been rolling out project management around the cost efficiencies and risk management issues, how far do you think the practice has been advancing in India?

A Wherever the bank takes exposure in the projects, we generally engage Lenders Engineers to monitor progress of the project with scope including vetting the Project cost and certifying the expenditure bill during the construction. We are finding these structure supports us in effectively monitoring the physical & financial progress of the projects. The periodical reports from such agencies help in identifying the potential risks in advance and possible mitigants.

Q What are the prospects for mobile banking in India? What are the steps your organization taking to develop mobile banking?

A The widespread use of smart phones in the country, coupled with introduction of mobile phone based banking applications by the banks, has resulted in substantial increase in the mobile banking penetration in the country. In March 2016, the volume of mobile transactions stood at nearly 5 crore which was valued at over Rs. 57,000 crore, marking a growth of 150% in volume terms and 239% in value terms over March 2015. The stupendous growth in one year alone reflects the potential of mobile banking as it enables each and every citizen to transact at his/ her convenience. Aside from the considerable increase witnessed in the number of mobile subscribers, the mobile banking scenario has been completely revolutionized by the introduction of various wallet services such as Paytm and MobiKwik that allow payments, transactions and fund transfer to be done using a mobile phone as also various services by the National Payments Corporation of India (NPCI) such as *99# which allows for basic banking transactions such as balance enquire, fund transfer etc. and Immediate Payment Services (IMPS) that facilitates fund transfers to mobile numbers or account numbers on a 24X7 via a mobile phone. The rollout of Unified Payments Interface (UPI) is yet another digital channel for easy, quick and hassle-free money transfers and Bharat Bill Payment System (BBPS) which will operate as one-stop solution for the bill payment system in the country, will further add to the growth momentum in the mobile banking space.

Recognizing this potential, IDBI Bank has introduced mobile banking facility as applications on Android and iOS platforms, namely, 'Go Mobile' as well as browser-based version. Furthermore, IDBI Bank also offers SMS Banking facility wherein customer can request for information or transact by sending a short message in a defined format to a specific phone number. The Bank also offers a mobile phone based payment service in association with PayMate wherein the mobile phone can be used as a payment medium, similar to a credit or a debit card. The Bank also has its mobile wallet solution, namely PayApt, which enables one click payments directly from a smart phone. Aside from these transaction based solutions, the Bank has also designed a revolution mobile application, namely Abhay, which empowers IDBI Bank customers' to gain personal control over their debit cards and safeguard them against any probable fraudulent activities on their debit card by setting defined limits on ATM and POS transactions as also enabling switching on and off of the debit card.

Q What are the biggest challenges for banks today that you wish the Government and RBI to address immediately?

A One biggest challenges confronting the Indian banking sector, especially public sector banks (PSBs), is the asset quality. Asset quality of the bank's came under pressure due to exposure to certain sectors facing prolonged period of stress. This resulted in higher provisioning by the bank's which adversely impacted their profitability. However, various positive developments such as improved economic outlook, incipient signs of recovery in operating environment for few of the credit intensive sectors, initiatives by the RBI such as the S4A, among others are expected to improve the asset quality over the short to medium term. Furthermore, implementation of the Bankruptcy Code is expected to improve the bank's recovery initiatives over the long term.

Capital adequacy is yet another challenge, especially for public

CMAs are in a better position to gauge the probability of default of a particular project since it entails analysis of financial parameters.

sector banks (PSBs), in view of the implementation of Basel III norms as well as expected uptick in credit demand. Capital requirement for PSBs is estimated at Rs. 1.8 lakh crore till FY2019 out of which Rs. 70,000 crore will be infused by the Government. Most of the PSBs are finding it difficult to generate capital internally due to increased pressure on asset quality. This has necessitated them to explore external funding options including Additional Tier-1 issuance, equity capital markets etc. to raise capital. Nevertheless, capital infusion by the Government, various policy reforms, improving operating environment, stringent NPA management and risk controls, among others measures are expected to improve the market valuation of PSBs, going forward. This along with proceeds from sale of non-core assets is expected to enable the PSBs to raise fund from the market to meet their capital requirements.

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

A Among other areas, we are focussing on manifold expansion as well as diversification of business of IDBI Bank. Towards this direction, we have put in place a transformation plan which envisages doubling the Bank's business to Rs. 10 lakh crore by end-March 2020. To lend sustainability to the targeted growth, we will focus on augmenting the share of business from the retail as well as priority sector segment. The efforts have already begun to pay off as the business mix as at end-March 2016 showed rebalancing in favour of retail and priority sector. At the same time, we will leverage our expertise in industrial and infrastructure financing that we have accrued to extend advisory services that will provide a boost to the fee income of the Bank. Being a responsible corporate entity, we have played a pioneering role in the Indian banking sector in the area of environmental banking by taking initiatives for funding of green projects based on clean technologies to ensure sustainable growth in the country as well. In 2015-16, we became the first public sector commercial bank to raise US$ 350 million through green bonds in November 2015 for financing green projects.

Aside from this, we will focus on improving the asset quality of the banks. With concerns over asset quality dominating the headlines for PSBs, we have, in addition to ensuring recovery from the existing NPAs, put in place stringent risk management and mitigation measures to reduce the probability of default.

Q What roles could professionals like Cost and Management Accountant play to help the banking sector in checking this NPA and enhancing performance?

A Cost and Management Accountants (CMAs) play a critical role at various stages of project financing, including in preventing as also resolving NPA issues. Acting as an intermediary between the banks and the corporates, the CMAs are in a better position to gauge the probability of default of a particular project since it entails analysis of financial parameters. Thereby, they can advise banks on credit risk involved in financing a particular project. Furthermore, in the event of a loan turning bad, the CMAs would be in a position to advise both the bank and the corporates on a viable and sustainable remedial measure, thereby helping to resolve the stress.

CMAs, with their specialized professional skill and expert knowledge and analytical capabilities can provide an in-depth service in various operational areas of banks such as risk management, including credit risk, operational and market risk management, risk profiling and swot analysis of clients, risk assessment for project evaluation, project techno-economic feasibility studies and project monitoring, borrower credit appraisal and working capital assessment, borrower security evaluation and stock audits, asset and liability management system and management information system, business valuations and asset valuation, among other areas. Additionally, CMAs can prove to invaluable in designing and pricing of banking products as services as they are in a position to consider the risk, reward and resource allocation aspects for each client. They can also guide clients, especially from the SME segment, regarding products and services which will be best fit for them.

Q It has come to news that IDBI is ready to become a back office for many other banks. What are your views regarding this?

A Most of the commercial banks today are indulging in financing to long-term projects besides lending for commercial activities, which they used to focus exclusively few years ago. However, quite a few commercial banks are facing skill shortage in credit appraisals. This is indirectly leading to weak appraisal and stress in asset quality. IDBI Bank has a long and glorious history of being the apex Development Financial Institution (DFI) in the industrial and infrastructure financing space spanning for over four decades. As a consequence, we have developed our core competency in areas such as project appraisal, loan syndication, underwriting and advisory services. To capitalise on this, we propose to offer these services and thereby, augment the fee income earned from rendering such services. Besides providing risk contained appraisal, it would be adding to the profitability of our Bank and would also lend sustainability to the operations by broad-basing the income across low risk avenues.

A REGRESSIVE OR PROGRESSIVE TAX?

Vandna Sharma
Associate Prof. Economics
Post Graduate Govt. College
Chandigarh

The present article, '**GST – a regressive or progressive tax?** is an attempt to find out the impact of the proposed Goods and Service Tax (GST) on the common man.

GST has been reviewed according to thefour canons of taxation given by noted economist Adam Smith in his book, titled, '*The wealth of Nations*'. Any good taxation system is supposed to fulfill these canons. Based upon the discussion on these canons, it has been tried to make out whether proposed GST in India is a **regressive or progressive tax**.What are the proposals and obstacles which are making it regressive and what should be taken care of to make it pro- poor and more fruitful for the economy.

GST: a regressive or progressive tax?

GST is a destination based consumption tax. Consumption taxes are generally regressive in nature. This increases gap between rich and the poor. The pertinent point is whether GST, which is a consumption based tax, would be fruitful for the economy as a whole or not? It is feared that a shift towards this type of consumption tax would increase inequality.If certain necessities are given tax rebate or exemption even then it would be difficult to ensure that benefits are reaching the last person. This is the biggest concern which is the cause of opposition of a tax on consumption. Poverty reduction programs will continue to occupy an important place in the economic policy of India. Any policy for poverty reduction must enable the provision of at least**, food, clothing, shelter, education and health**.

What is a 'Regressive Tax'?

A regressive tax is a tax where proportionate burden of tax is more on low income group vis-à-vis high income group.

Indirect taxes are said to be regressive in nature as these taxes take a relatively higher percentage of income from the poorthan the rich. The rich may be paying more than the poor in absolute terms but the proportion of tax paid by them is lower as compared to their income level. Most indirect taxes are said to be regressive especially if the tax is expressed as a fixed amount of money (specific tax) rather than as a percentage (ad valorem tax). *A good example of this is the excise duty on a packet of cigarettes, as the demand for cigarettes is not income elastic; both rich and poor smoker would probably consume the same number of packets in the same time period. But in terms of income and expenditure, the poor consumer wouldspend higher percentage of his income on cigarettes than the rich smoker*

Any uniformtax imposed on necessities is generally considered to be regressive as well because expenses on food, clothing and shelter tend to occupy a higher percentage of a lower income consumer's overall budget. **Excise and service tax which** are applicable on most of the items/services uniformly, do not distinguish between poor and rich.

In case of Life insurance policies or Telecom services, service tax is applicable @ 15% and is payable by all irrespective of their income.

Increase in indirect taxation may bring about cost-push inflation which may adversely affect a common household.This is one of the biggest disadvantages of Indirect tax.

What is Progressive Tax?

A **progressive tax** is a **tax** in which the tax rate increases as the amount of taxable income increases. The term **"progressive"** refers to the way the **tax** rate progresses from low to high, with the result that a taxpayer's average **tax** rate is less than the person's marginal **tax** rate. Direct taxes are generally progressive in nature.

The essential aspect of direct taxes is that the tax can be adjusted to the personal characteristics (i.e. ability to pay principle) of the individual or entity upon whom the tax is imposed.Direct taxes considers the ability of a taxpayer to pay and regarded as progressive which means that these take a greater percentage of income from high income groups.An example of this is personal income tax. It usually has tax brackets, with high income taxpayers paying a higher percentage of tax than low income tax payers. It takes relatively higher tax from those who can afford to pay more and thus brings a more equitable distribution of income and wealth

Adam Smith's Canons of Taxation and GST.

Adam Smith, the father of economics, had explained the four following canons of taxation which he thought a good tax must fulfill.

(1) Equality,
(2) Certainty,
(3) Convenience, and
(4) Economy.

Activities and functions of the governments have increased enormously since Adam Smith wrote his book"The Wealth of Nations." Reduction in income inequalities and Welfare activities are now essential part of economic growth and development policy, especially in the developing countries. Adam smith's canons are quite relevant even in the present scenario.Let us view GST from the view point of these canons.

1. Canon of Equality

The first canon or principle of a good tax system emphasized by Adam Smith is of equality. According to this, every person should pay to the Government according to his ability to pay, which is in proportion of the income or revenue he enjoys under the protection of the State.Thus under the tax system based on equality principle the rich have to pay more than the poor.

What GST promises?

For India, one broad conclusion is that under a dual rate GST, the aggregate impact on inflation will depend on the Revenue Neutral Rate (RNR) and the standard rate. An RNR in the 15-15.5 % range with a lower rate of 12% and a standard rate of 18% would have negligible inflation impact. A higher RNR with a lower rate of 12% and a standard rate of 22 % would have 0.3-0.7% impact on aggregate inflation. However, under both these scenarios, if food, fuel and Electricity were exempted, and **with the Public Distribution System (PDS) in operation,** the price impact on these items of consumption for the poor can be minimal which again depends upon a number of considerations.

2. Canon of Certainty:

Another important principle of a good tax system on which Adam Smith laid a good deal of stress is the canon of certainty. To quote Adam Smith, '**the tax which each individual is bound to pay ought to be certain and not arbitrary**. **The time of payment, the manner of payment, the quantity to be paid ought all to be clear and plain to the contributor and to every other person. Lack** of certainty in the tax system, as pointed out by Smith, encourages corruption in the tax administration. Therefore in a good tax system, "individuals should be secure against unpredictable taxes levied.

The Indian tax system seems to violate this canon as under the Indian tax laws a lot of discretionary powers have been given to the tax officers, which can be interpreted as per their convenience. As a result, there is a lot of harassment to the tax payers and corruption is common in the tax department.

What GST promises?

The time of payment, the manner of payment, the quantity to be paid would be clear to the stake holder. As the whole process of GST will be *on line*, chances of corruption would be less. Rates of taxes would be the area of GST Council so the exchequer will not be in a position to change the rate so frequently.

But at the same time state governments have to play a positive role otherwise GST will lose its objective. In the present frame work of GST, it has failed to address multiple rate structure of taxes. There are four slabs of taxes and it is still not final. Imposition of 1% tax over and above GST on all Inter-State transactions is a big stigma on GST as it has diluted the *low single rate* concept under GST.

3. Canon of Convenience

According to the third canon of Adam Smith, the sum, time and manner of payment of a tax should not only be certain but also be convenient to the contributor, e.g. If land revenue is collected at the time of harvest, it will be convenient since at this time farmers reap their crop and obtain income.

What GST promises?

Convenience of time and place both are available to the business. The implementation of proposed GST will be through Information Technology (IT). Without IT, GST may not be possible and right from day one every dealer has to beIT savvy. All processes like Registration, Filling of Returns, Payments of taxes, Refunds, Assessments, Reply to department queries etc will be***on line***and will be convenient to all the stakeholders. One can work 24 hours a day at his convenient place without restriction of working hours and place.

On the face of it, it seems to satisfy the canon of convenience but reality is a far cry.At present, the e-filing of returns as well as filing of various forms under VAT, excise duty and service tax is a bitter experience for the taxpayers. The system of IT infrastructure would be of much importance in the GST regime. Inadequate preparation and lack of a minimum level of e-governance would lead to serious difficulties.

Small and medium dealers those are not IT savvy will be uncomfortable while using Computers and online data feeding.

4. Canon of Economy:

The Government has to spend money on collecting taxes levied by it- Since collection costs of taxes add nothing to the national product, they should be minimized as far as possible. If the collection costs of a tax are more than the total revenue yielded by it, it is not worthwhile to levy it.More complicated a tax system, more elaborate administrative machinery will be employed to collect it and consequently collection costs will be relatively larger. **Therefore, even for achieving economy in the tax collection, the taxes should be as simple as possible and tax laws should not be subject to different interpretations.**

What GST promises?

The existing system of collection of taxes and its administration is very challenging. But with the introduction of GST through Information Technology (IT) the cost of tax administration and compliance will be reduced drastically.

GST as a pro poor Tax- Task Force.

The Thirteenth Finance Commissions Task Force studies show that primary food articles like rice and wheat are liable to be taxed by many states either by way of purchase tax or sales tax at a lower rate. The incidence of tax on primary food articles comprises two elements:

a) Tax on inputs and

b) Tax on output (primary food article).

However, under the flawless GST, all food items covered under the public distribution system are proposed to be exempt from GST.(i.e., there will be no output tax). Hence, the tax incidence on such items will be limited to tax on inputs. The GST is designed as a pro-poor policy initiative since expenditure on food constitutes a large proportion of the total consumption expenditure of the poor. In any case, the poor will continue to have accessibility to these items at subsidized prices through the public distribution system.

Basic health and education services are expected to be fully exempt in GST regime. Since these services are necessary to meet thebasic human needs, the exemption for these services will enable the poor to have cheaper accessibility. As at present, these services will continue to be exempt from tax and therefore no additional burden will arise on account of the switchover to GST.

The rural poor comprise essentially of small and marginal farmers and landless labourers. Similarly, the urban poor comprises of the unemployed. The NCAER study shows that the implementation of GST will witness an increase in the real returns to land, labour and capital. Therefore, the poor will also enjoy an increase in their income. Similarly, on account of increase in economic activity resulting in higher growth, there will be new opportunities for employment which will directly benefit the urban poor.

According to the Task Force the benefit to the poor from the implementation of GST will flow from two sources:

i) Through increase in the income levels and

ii) Through reduction in prices of goods consumed by them. The proposed switchover to the flawless GST should, therefore, be viewed as pro-poor and not regressive.

GST as a regressive tax

The claims made by Task Force are true only in the presence of a strong and effective PDS. But with recent proposals of cutting down of subsidies for PDS it would be suicidal for the poor.With less than adequate budget on *basic health and education services, even full exemption from GST would not ensure the cheaper accessibility of these basic human needs to the poor.* Regarding the claims of favorable terms of trade for the agriculture sector, how can one ensure that the benefits would reach the ultimate tiller? In the present era of jobless growth we cannot expect much increase in employment

Further, keeping major sector like Power, Petroleum, and Tobacco etc. out of GST preview will add to inflationary pressure in the economy, thus adding to the miseries of common people. Sector wise analysis is as under.

Power/Electricity

Electricity is an important source of commercial energy. In recent years increased price of electricity has raised many socioeconomic and political issues.The ***cascading effects of taxes in power sector is one of the many reasons for costly power in India***.

Present condition of power sector is not favorable and is subject to multiple taxes on Capital Goods and Inputs. Taxes applicable on Capital Goods and Inputs are:*Basic Excise Duty, Custom Duty, Countervailing Duty, Special Additional Duty , Service Tax on input services, Education Cess, KKC, Water Cess , Royalty on Coal, VAT on consumables/fuels, Local Area Development/Rural area development tax, Entry Tax, Stamp duty, State Electricity Duty (SED), and Income taxes.*

The power sector should be included in the GST scheme. Set-off for the taxes paid across all the processes / activities in the power sector should be confirmed. It will reduce the cost of power generation and distribution. Reduced cost will improve the profitability of power projects, which will further generate the scope of new investment and employment in this sector.

It will also boost up the Indian industries as power is a major input in theproduction process of goods and services

The introduction of **Goods and Service Tax** (GST) regime could have resolved the aforesaid issues in the power sector so that the target of the seamless flow of input tax credit can be achieved, but due to political reasons it has been kept out of GST which is one of the causes that GST is not progressive but regressive.

Petroleum Products

As far as petroleum products are concerned, it is decided that the basket of petroleum products, i.e. crude, motor spirit (including ATF) and HSD would be kept outside GST. Sales Tax would continue to be levied by the States on these products. Centre would also continue to charge its levies. In this way Petroleum sector will continue to face multiple tax structure.

Real Estate

Thirteen Finance Commission report strongly recommended that the **real estate sector including land transactions** should be integrated into the GST framework by subsuming the stamp duty on immovable properties levied by the States to facilitate input credit and eliminate cascading effect.

It is supposed that the new regime will impart greater transparency through market mechanism and would help to eliminate underground economy.

But it is very unfortunate that real estate sector has been kept out of GST preview which will affect the economy adversely as housing is one of the basic needs of common man.

Taking account of the concept of the GST, It would be advisable to extend its scope to all the above sectors which are now proposed to be kept outside, either constitutionally or otherwise. Bringing electricity and petroleum within the scopeof the GST could make Indian manufacturing more competitive.

Last but not least, government must evolve some effective mechanism to pass on the gains from GST to common man; otherwise it would fail to reduce the gap between rich and poor. To make this happen, it is a must to have transparency in costing mechanism of the industry.A transparent costing mechanism accompanied by effective governance would help to check corruption and tax evasion and would be a step towards shining India. MA

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vandnaeco@gmail.com

MODEL GST LAW 2016

Areas of Concern

CMA Subhasish Paul
Senior manager (A & F Department)
Reliance Infrastructure Limited
Mumbai

Finally, we are stepping towards the long awaited GST(Goods and Service Tax) regime. After waiting for about ten long years and overcoming lots of oppositions, deliberations and compromise, finally GST is going to see the lights in Indian tax Arena. We are heading towards an indirect tax world where no of Acts, Laws will be much lesser. Presently we are having multiple of Indirect taxes like, Central Excise, Customs, Central Sales Tax, Service Tax, Entry Tax, VAT laws for all States, Octroi etc. After the introduction of GST, some acts will repeal and some acts will be saving to some extent.

The following acts will be repealed(discontinued)

1.The Entry Tax Act 2. The Entertainment Tax Act . 3. The Luxury Tax Act. 4. Duty of Medicinal & toilet preparation Act. 5. Chapter V of Finance Act 1994(Service Tax). 6. VAT / CST Acts (to the extent not saved). 7. CVD and SAD subsumed.

The following will be the savings.

General Sales Tax / VAT , CE Act 1944 , CE Tariff Act 1985 shall continue to apply to the following :

A. Entry 84 of Union Lists: Duties of Excise on the following goods manufactured or produced in India, namely

1. Petroleum Crude. 2.High Speed Diesel. 3. Motor Spirit (Petrol). 4. Natural Gas. 5. Aviation Turbine Fuel. 6.

Tobacco and tobacco products.

B. Entry 54 of States Lists : Taxes on the sale of

1.Petroleum Crude . 2. High Speed Diesel. 3. Motor Spirit (Petrol). 4. Natural Gas . 5. Aviation Turbine Fuel. 6. Alcoholic liquor for human consumption (VAT)

State excise duty on alcoholic liquor for human consumption -entry 51 of List II

Interesting point to note that Tobacco products have been kept in Union Lists but not in State lists. It means, for tobacco products, Excise Duty as well as GST will be applicable.

Applicability of GST in India

- GST will be applicable in all India. Previously almost in all Acts, J & K was kept out of Tax Bracket. They had their own separate Tax laws. For the first time it is included in GST.

- GST will be applicable on 'supply' of goods and services. The word 'sale' is not used anywhere. This is the remarkable departure from existing Sales Tax Laws.

- GST is the consumption based tax , i.e. tax will be payable in the State in which goods and services finally consumed.

- There will be dual GST for intra-state supply of goods and services: Central GST (CGST) and State GST (SGST). It means both Centre and State will levy Tax on the same transaction and one Invoice will reflect two taxes on the face of invoice.

- For Inter-state supply of goods and service, Integrated GST (IGST) will be applicable.

- Rate of IGST is supply to be equals to the summation of CGST and SGST.

Inter-state branch transfer of goods and services are subject to IGST.

Areas of Concern

Though the number of taxes becomes less, no one should think GST to be 'Panacea' for all the shortcomings of the current arena. Languages used and the area covered in Model GST Law are really going to be the cause of concern for all of us. Over the years, any Law becomes matures and shortcomings, difficulties, misinterpretations being healed with the suitable notifications, circulars and amending the relevant provisions. I am going to discuss some of the areas of real concern in the following paragraphs.

1. ADVANCE GIVEN FOR SUPPLY OF GOODS is Taxable

Clause 12 of the Model GST Law deals with the time of supply for Goods. As per Clause 12(2)

The time of supply of goods shall be the earliest of the following dates, namely,-

(a) (i) the date on which the goods are removed by the supplier for supply to the recipient, in a case where the goods are required to be removed or

(ii) the date on which the goods are made available to the recipient, in a case where the goods are not required to be removed; or

(b) the date on which the supplier issues the invoice with respect to the supply; or

(c) the date on which the supplier receives the payment with respect to the supply; or

(d) the date on which the recipient shows the receipt of the goods in his books of account.

Area of Concern: As given in Section 12 (2)(c) , the time of supply will be considered when the payment is made to supplier of goods with respect to supply.

It is common practice in business world that a part of the total contract value (say 10%) is required to be paid as mobilization advance. In the current regime, advance given for 'service' is liable to service tax and 'input tax credit' can be availed immediately. No tax is required to be paid for the advance given to vendor for 'supply'.

Now advance given to supplier of goods is also taxable under GST regime. There will be cash flow issue as more cash 'outflow' will be there in terms of GST on advance. Input credit of which will be available over the entire work order period. If we received advance from our customer against supply of goods, we need to discharge our liability immediately. Cash flow will be cause of concern.

2. Supply without consideration is now taxable

Section 3(1)(c) of GST Law,2016 provides that in certain cases, even though, there is no consideration, the same will be treated as supply.

These are specified in **Schedule I** as follows

1. Permanent transfer/disposal of business assets.

2. Temporary application of business assets to a private or non-business use.

3. Services put to a private or non-business use.

4. Assets retained after deregistration.

5. Supply of goods and / or services by a taxable person to another taxable or nontaxable person in the course or furtherance of business.

Provided that the supply of goods by a registered taxable person to a job-worker in terms of section 43A shall not be treated as supply of goods.

Let us analyze point wise to understand the impact of each clause on a business entity

1.Permanent transfer of business assets : Transfer means sending the goods by one person to another and from one location to another. Permanent transfer means transfer without the intention or requirement of taking it back.

Example: Transfer of Assets form HO to it various Branch (Laptop/Computer). Or transfer of Assets from one Sites to another sites (Cranes).

Now will these transactions also be considered as 'supply' and liable to tax ?

2.Disposal of Business Assets: This should include the discarding or disposing of business assets.(other than those in the normal course of sale where consideration would have been there).

Example: Proving a used laptop to the employees after certain period say 5 years without any consideration.

Now will this be considered as supply and liable to Tax?

3. Temporary application of business assets to a private or non-business use. Where any business assets are used for non business purpose i.e. for the use of its managerial personnel or employees, it will be considered as 'supply'

Example: Suppose on employee from West Bengal comes to Mumbai for medical treatment of his ailing wife and use Company Guest as accommodation at free of charges. In this case the business asset is used for non-business purpose.

Now will this be considered as supply and liable to tax ?

4. Services put to a private or non-business use. : When a taxable person, who provides services in the course of his business, provides services for private or non business purposes, then this service will be considered as 'supply'

Example: Suppose a doctor who normally provides services for fees at his clinic, gives services to his/her ailing mother for free.

Will this service be considered as 'supply' and liable to tax?(As no Exemption Notification has yet been issued, we are considering medical service is taxable service. In current service tax regime, medical service by authorized medical practitioner is exempted from service tax. Hopefully, this service will be considered as exempted in GST regime also.)

5. Assets retained after deregistration: In cases where a taxable person deregisters himself (for any reasons, whatsoever) under this Act, the assets which are retained by the entity after such deregistration would qualify as supply.

Example: Suppose, one company merged into another company. The registration of the old company needs to be surrender.

In that case, assets which are not transferred will be considered as 'supply' and liable to tax?

6. Supply of goods and / or services by a taxable person to another taxable or nontaxable person in the course or furtherance of business. Any supply of goods and / or services in the course of business or furtherance of business by a taxable person to any other person (whether or not a taxable person) even without consideration would qualify as supply

Example: Free supplies, samples, gifts etc.
Now will these be taxable?

3. Transaction between Principal and Agent is now taxable

As per Clause 7(1) of GST Act,2016 Central Goods and Service Tax and State Goods and service Tax will be levied on all intra-state supplies of goods and /or services at the rate specified in the Schedule (yet to be specified) and collected in such manner as may be prescribed.

As per Clause 7(2) of GST Act,2016, the CGST/SGST shall be paid by every taxable person in accordance with the provisions of the Act.

So the Taxable event is for CGST and SGST is 'Intra-state' supply of goods and / or service.

'Supply' of goods and / or services have been explained in clause 3 of this Act

As per Clause 3(2A): Where a person acting as an agent who, for an agreed commission or brokerage ,either supplies or receives any goods and/or services on behalf of any principal, the transaction between such principal and agent shall be deemed to be a supply.

Area of Concern: Suppose Mr X is a manufacturer of a goods at Nagpur. He is having consignment agent Mr Y at Mumbai for sale of goods. Mr X send the goods to Mr Y at Mumbai for selling the goods at an agreed commission.
Now this transaction between Mr X and Mr Y is subject to GST and to be send under a proper Invoice charging GST.

4. Reverse Charge on Supply of goods and No time gap allowed

As per Clause 7(3) of Model GST Law,2016 Central/State Government to notify the categories of supply of goods and /or services the tax on which to be payable under Reverse Charge. Such Notification will be issued on the recommendation of GST Council.

So, Now GST under Reverse Charge will have to be paid for both supply of goods and services.

In the existing regime, Service Tax under RC is paid on some specified services as mentioned in the notification no 30/2012-ST dated 20.06.2012.

As per Rule 7 of Point of taxation Rule, 2011 the point of taxation for paying service tax, when the service tax is required to be paid by the recipient of services, will be earlier of the following

a) The date of payment to vendor or

b) 90 days from the date of invoices.

In the existing regime, even if the payment is not made to vendor we could have 90 days for making payment of the liability.

Provisions under GST regime:

Clause 12 of Model GST Law prescribed the time of supply of goods. As per Clause 12(5) of the said Law,

In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following dates, namely–

(a) the date of the receipt of goods, or

(b) the date on which the payment is made, or

(c) the date of receipt of invoice, or

(d) the date of debit in the books of accounts

Analyzing the above provisions, it is clear that we will have no time gap for payment of GST under RC. We need to pay the Tax element immediately on happening of any of the four vents as mentioned above. We need to make working capital management very efficiently.

5. Risk of purchasing from Supplier opting 'Composite Levy' Scheme

Eligibility: Only registered taxable persons whose 'aggregate turnover' does not exceed Rs. 50 lacs in a financial year will be eligible to opt for payment of tax under the composition scheme.

Tax payment under this scheme is an option available to the registered taxable person. This scheme would be applicable only to taxable person whose supplies are restricted to a particular State. In other words, a person effecting inter-State supplies cannot opt for this scheme.

The taxable person should make an application exercising his option to pay tax under this scheme. Once granted, the eligibility would be valid unless his permission is cancelled under law or he becomes ineligible.

Aggregate Turnover : In terms of Section 2(6) of the CGST / SGST Act, 2016 'aggregate turnover' means 'Value of all (taxable and non-taxable supplies + Exempt supplies + Exports) – (Taxes + Value of inward supplies + Value of supplies taxable under reverse charge) of a person having the same PAN.

Explanation : Value of Service on which tax payable under Reverse Charge u/s7(3) should not be clubbed with turn over. Service tax to be paid as recipient separately.

Threshold limit of 50 Lakhs: Threshold of Rs. 50 lacs would be applicable to a person having the same PAN and can be understood as follows:

- Taxable person covered by the same PAN shall be under composition across India;
- Value of supplies in all forms goods and / or services;
- Value of supplies of all business verticals.

Relevant Conditions and Restrictions:

1. Permission to opt for composition levy will not be granted to a taxable persons who effects any inter-state supplies of goods and /or services.

2. Composition scheme should be applicable for all business verticals/Registration which are separately held by a person having the same PAN.

Example: Suppose a taxable person having same PAN have two separate business verticals say sale of foot ware and Readymade garments (Reliance foot ware and Reliance Garments). He has to add turnover for both the verticals to arrive at 'aggregate turnover'

3. Taxable person opting to pay Tax under composition scheme, should not be allowed to take input tax credit.

4. Taxable person opting to pay tax under composition scheme is prohibited from collecting Tax. It means he cannot charge tax in his invoices.

Area of Concern: It means if we obtain any goods and /or services from such person, we will not be able to take input tax credit of the same as he is not showing separately on the face of invoice. If he purchases goods from a taxable person paying tax, he cannot avail input tax credit and it becomes his cost. Definitely he will pass on such cost by adding to the value of supply or service. It will lead to increase in cost. It is advisable while evaluating the quotations this aspect of input tax credit should be taken into consideration.

Let us explain the above with an example. We have received two quotations: one from regular vendor and other from opted for composite levy.

Quote from Regular Vendor
: Basic Value 50 + GST 20% = Rs 60 per unit
Quote from Composite Vendor
: Rate per Unit Rs 55.

Apparently it looks that Rs 55 is lower that Rs 60. But if we buy at Rs 55, our cost will be Rs 55 as input credit not available. But in the other case, by paying Rs 60 we can avail input credit of Rs 10. Our effective cost will be Rs 50. So opt for regular vendor.

6. Conditions for availing Input Credit.

As per clause 16(11) of Model GST Law, 2016, registered Taxable person shall not be entitled to the credit of any input tax in respect of any supply of goods and/or services to him unless the following conditions are satisfied.

(a) he is in possession of a tax invoice, debit note, supplementary invoice or such other taxpaying document as may be prescribed, issued by a supplier registered under this Act or the IGST Act;

(b) He has received the goods and/or services;

Area of Concern : It means input credit on the advance given to vendor is not eligible.

In the existing service tax provision, we can avail the input tax credit on paying the advance to the vendor provided the duty paying documents are as per Rule 4 of Service Tax Rule.

(c) the tax charged in respect of such supply has been actually paid to the credit of the appropriate Government, either in cash or through utilization of input tax credit admissible in respect of the said supply; and

Areas of concern: The receiver (of goods and services) will not be eligible to take Input Credit unless the supplier of such goods and/or services has paid the tax. We need to ensure that the supplier of goods /services has paid the tax or we will lose the input tax credit.

In the existing CENVAT Credit Rule, we can avail input tax credit immediately and if the payment to the vendor is not made within 90 days from the date of invoice, we need to reverse the availed CENVAT credit and again this can be availed on paying to the vendor. Rule 4 of the CENVAT Credit Rule, 2004. No condition of paying of taxes by the provider of services/supplier of input/ capital goods were there. Government has left no room for their losses in any manner. Burden has been shifted to receiver of service.

(d) He has furnished the return under section 27:

Provided that where the goods against an invoice are received in lots or installments, the registered taxable person shall be entitled to the credit upon receipt of the last lot or installment.

Area of Concern: In many cases, for imported materials, Exporter issues one invoices for multiple of items supplied in one Consignment. After custom clearance, goods reach the sites in hundreds of trucks over a period of time. We need to track the last trucks reaches at site to determine the date on which we can avail Input Tax credit.

Explanation.—For the purpose of clause (b), it shall be deemed that the taxable person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such taxable person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.

7. Time limit for availing Cenvat Credit

As per Clause 16(15) of Model GST Law, A taxable person shall not be entitled to take input tax credit in respect of any invoice for supply of goods and/or services, after the filing of the return under section 27 for the month of September following the end of financial year to which such invoice pertains or filing of the relevant annual return, whichever is earlier.

Let us explain the provision with an example.

Financial Year 2017-18. Financial year closes on 31st march, 2017. Annual Return submitted on 31st August,2017. Input credit of all the invoices received during the FY 17-18 needs to be availed with in 31st August, 2017. It means the bill which has been received on 31st March, 2017, the time for availing CENVAT credit is only 5 Months. If the supplier of goods do not pay service tax with the Government with in this 5 months, our credit will go for ever.

Existing provisions in CENVAT Credit Rule , 2004

As per Rule 4(7) of the CENVAT credit Rule,2004 the manufacturer or provider of output service shall not take CENVAT credit after one year of the date of issue of any of the documents specified in Rule 9(1).

This 'one year' clause has been substituted from 01.03.2015 vide Notification No 6/2015-ST. Before this, for a period of 6 months (from 01.09.2014 to 28.02.2015) this period was 'six months' vide notification no 21/2014-CE.

Before 01.09.2014 there was no time limit for availing CENVAT Credit

There was a hue and cry in the industry when time limit of 6 months was given. Then department has issued a clarification vide circular no 990/14/2014-CX-8. It was clarified that **"The matter has been examined. The purpose of the amendment made by Notification No. 21/2014-CE (NT) dated 11.07.2014 is to ensure that after the issue of a document under sub-rule (1) of Rule 9, credit is taken for the first time within six months of the issue of the document. Once this condition is met, the limitation has no further application."**

It means, once we avail CENVAT within 6 months and reverse, re-credit can be taken any time thereafter. Later on vide Notification No 6/2015-CE, this six months has been substituted with 'one year'. So from combined reading of the above mentioned Notifications and clarification, it is evident that now once CENVAT credit is taken within one year and reverse, re-credit can be taken at any time thereafter.

Area of Concern: Now in GST regime, there will be very stringent provisions for availing INPUT credit. Two conditions to be complied simultaneously. It has to be ensured that the supplier has deposited his liability and the input credit in relation to any invoices of a particular financial year can be taken only up to September of next financial year.

8. Work Contract Service in GST regime.

Clause 2(107) of Model GST Law, 2016 defines "works contract" as:-

"works contract" means an agreement for carrying out for cash, deferred payment or other valuable consideration, building, construction, fabrication, erection, installation, fitting out, improvement, modification, repair, renovation or commissioning of any moveable or immovable property;

For the purpose of service tax the term **'Works Contract'** has been defined as follows:-

As per section 65B(54) of Finance Act, 1994 "Works Contract" means a contract wherein transfer in property in goods involved in the execution of such contract is leviable to tax as sale of goods and such contract is for the purpose of carrying out construction , erection , commissioning, installation, completion, fitting out, repair, maintenance, renovation, alteration of any movable or immovable property or for carrying out any other similar activity or a part thereof in relation to such property.

If we compare the two definitions it is clear that the first part of the definition (transfer in property in goods) under service tax has been removed now.

In the existing regime 'Works Contract' is there in both sales tax and service tax. Sales tax is paid on the value of goods involved in worked contract and service tax is imposed on the value of service. Service portion in the execution of a works contract is 'declared service' as per section 66E(h) of Finance Act, 1994.

As per Article 366(29A) of the Constitution on India, A tax on the transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract is deemed sale of goods.

So, our constitution also recognizes that the property transfer in goods in work contract is sale of goods.

Position in GST regime

Schedule II of Model GST Law specifies the matters to be treated 'supply of goods' or 'supply of services'. Point 5 of the said schedule prescribes what is 'Supply of service' .

As per clause (f) of point 5 of the said schedule, 'works contract including transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract;'

It means it is clearly stated that under GST regime, Works contract is a service and not the combination of both sales of goods and service.

Area of concern: Though works contract has been covered in service in GST regime, the Article 266(29A) of the constitution has not been amended. It means scope for litigation remains open. As far as 'tax' amount is concern there may not be any problem as for both supply of goods and service GST will have to Pay. But problem will arise as regards to which GST will be applicable (IGST or CGST/SGST)

Let me explain this with an example. Suppose a works contract is undertaken in West Bengal for Rs 10000. Material requires is Rs 6000 and service is Rs 4000. Now in GST regime entire value of Rs 10000 is service under works contract and will be taxed as service in WB(CGST/IGST). Suppose the materials have been supplied from Gujarat. If we obey the Article 266(29A), it will be supply and IGST will be applicable. Chances of litigations still remain there.

Input Credit of Works Contract under GST regime

Clause 16(9) of Model GST Law, 2016 is the negative lists for Input credit. Point no 3 of the said clause deal with the **goods and services in Works Contract.** It may be ret as follows.

Goods and services in Work Contract: goods and/or services acquired by the principal in the execution of works contract when such contract results in construction of immovable property, other than plant and machinery;

As per Section 2(77) **"principal"** means a person on whose behalf **an agent** carries on the business of supply or receipt of goods and/or services;

As per Section 2(5) **"agent"** means a person who carries on the business of supply or receipt of goods and/or services on behalf of another, whether disclosed or not and includes a factor, broker, commission agent, arhatia, del credere agent, intermediary or an auctioneer or any other mercantile agent, by whatever name called, and whether of the same description as hereinbefore mentioned or not;

Explanation: The purpose of this provision is that the manufacturer/service provider/trader who are the ultimate owner of the immovable property will not be eligible for availing input credit of Steel, Cement and other materials used in construction of office building or factory building and tax paid on input services.

The contractor who is undertaking work contract will be eligible to avail input credit of building materials and input services as he is not principal.

But What will happen if the Contractor subcontract some of his work contract work to any other contractor ?

Example: DVC places order on Reliance Infra for construction of power plant which is immovable property. DVC in turn subcontract some work to JMC.

Areas of Concern:

1.In between DVC and Reliance, DVC is Principal and Reliance is Agent ?

2.In between Reliance and JMC, Reliance is Principal and JMC is Agent ? or

3. In all circumstances DVC is the principal and Reliance and JMC is the agent and subagent?

Situation 1: DVC cannot avail the input credit but Reliance can avail

Situation 2: Reliance cannot avail input credit but JMC can.

Situation 3: DVC cannot avail input credit but both Reliance and JMC can.

Though the intention of the Law should not be this, but as of now legal Stand is not clear and will have to wait for further clarification in final law. It should be so drafted that only DVC cannot avil input credit and other two parties can avail on fulfillment of other requirement.

9. Cenvat Credit n The Contractual Retention Of Service BilL

In case of long term contracts, the length of the contract may be for two / three years and even more. In this case, the vendor generally raises running Accounts bills ant he end of a stipulated period say end of each month. As per the payment terms of the contract, generally a part of each bill (say 10%) is kept as 'retention' which will be paid after the completion of the entire project and fulfillment of certain specified conditions.

As per existing service tax provisions, CENVAT credit cannot be availed unless the payment is made to the vendor. So generally CENVAT portion relating to this retain amount is not availed until this retention amount is not released at the end of the project.

Let us understand this with an example.

On 01.04.2015, Mr X raises a Bill on Mr Y for Rs 1000 + Service tax if Rs 140. Total Bill value Rs 1140. As per terms of the contract, 90% will be paid to Mr X immediately and reaming 10% will be paid after three years on achieving specified milestone.

So, now Rs 90% of Rs 1140 i.e Rs 1026 will be paid immediately to Mr X and remaining Rs 114 will be paid later on.

As per Existing Provisions in service tax, Mr X will have to discharge entire liability of Rs 114. But Mr Y cannot avail the entire amount of rs 114 as CENVAT Credit as only 90% has been paid. He can avail 90% of 114, i.e. Rs 102.6. Remaining Rs. 11.4 cannot be availed now.

So to be understood ,how this is being treated under existing regime and how this un availed CENVAT will be treated in GST regime.

Existing industry practice : Generally now industry takes one of the two methods explained below

A) Initially entire Rs 114 is taken as credit and on expiry of 90 days, Rs 11.4(10%of service tax) is reversed in CENVAT register by passing a entry in the books. Latter on when 10% value of service (Rs 114) which has been retained now is released, this 11.4 is taken as credit.

B) Only 90% of Rs 114 is considered as 'availed' CENVAT and transfer to CENVAT availed account. Remaining 10% will be availed after releasing of retention.

Provisions under GST regime

As per clause 143 of Model GST Law, 2016 (transitional provision)

'A registered taxable person shall be entitled to take, in his electronic credit ledger, credit of the amount of cenvat credit carried forward in a return, furnished under the earlier law by him, in respect of the period ending with the day immediately preceding the appointed day in such manner as may be prescribed:

Provided that the taxable person shall not be allowed to take credit unless the said amount was admissible as CENVAT credit under the earlier law and is also admissible as input tax credit under this Act.'

There are two conditions to be fulfilled for transferring CENVAT credit from exiting provisions to GST regime

a) The amount shall be reflected in the return just before the appointed day and

b) This input credit should be admissible under both the tax regime.

Areas of Concern: Analyzing the provisions and practice, it is evident that the service tax portion embedded in the retention amount which is not yet paid before the appointed date of GST, could not be availed as it will not be reflecting in the return on the appointed date. For big companies, the amount will be in crores. Either all retentions to be released before appointed date and avail Input credit of the same or to sacrifice the entire amount and to be charged to revenue.

10.Definition of service includes 'Actionable Claims'

Definition of service in Service Tax: Service has been defined for the first time in Finance Act,1994 i.e. 01-07-2012. Section 65B(44) of Finance Act,1994 reads as follows

"Service means any activities carried out by a person for another for consideration and includes a declared service, but does not include

a) An activity which constitutes merely,--

i) A transfer of title in goods or immovable property, by way of sale, gift or in any other manner

ii) Such transfer, delivery or supply of goods which is deemed to be a sale within the meaning of clause (29A) of Article 366 of Constitution, or

iii) A transaction in money or **actionable claim**......................."

Definition of Service in GST Law: **Service** in GST Act has been defined under section 2(88) as **"services"** means anything other than goods;

Explanation: Services include intangible property and actionable claim but does not include money.

Actionable Claim has been defined in 'Transfer of Property Act,1882" as follows

It means a claim to any debt, other than a debt secured by mortgage of immovable property or by hypothecation or by pledge of movable property, or to any beneficial interest in movable property not in the possession, either actual or constructive of the claimant, which the civil courts recognize at affording grounds for relief, whether such debt or beneficial interest be existent, accruing, conditional or contingent. (As per Transfer of Property Act, 1882).

Actionable Claim means the claims for recovery of which legal action can be taken. It means

✤ A claim to an unsecured debt or

✤ A claim to any beneficial interest in movable property not in possession of the claimant.

Area of Concern: Now actionable claim has been included in the definition of service. It means after the implementation of GST, it will be treated of service and GST will be applied.

From the above definition of Actionable claim, it is cleared that unsecured loan is covered. More often we provide the unsecured loan to our group companies. Previously no tax was required to be paid on such temporary unsecured loan.

Now, Whether this intercompany unsecured Loan will be charged to GST or not?

11. Adjustment between CGST/SGST and IGST Not Allowed: Double Payment of Tax

As per Clause 53 of Model GST Law, 2016 when a taxable person pays CGST/SGST on any transaction considering it to be the 'intra-state' transaction but subsequently if it is held that the transaction should be 'inter-state' supply, then IGST needs to be paid on such transaction. The CGST/SGST already paid cannot be adjusted against the IGST payable. On paying the IGST, the taxable person can claim refund of the CGST/SGST as per the provisions of Clause 38 of Model GST Law, 2016.

Area of Concern: Even after the payment of tax as applicable, only due to the mistake in classification, one needs to pay tax twice. Refund to be taken as per the provisions of section 38 and other conditions as may be prescribed. Any refund process is not so easy and takes months to get it back. There will be blockage of working capital.

Conclusion

The above mentioned area of concerns is based upon the Model GST Law, 2016. The actual law is yet to come. Lot more rules, notifications, clarifications, exemption lists are yet to come. Industries, ICAI-CMA have made their representation on the areas of concern. Government is acting closely with them to resolve the issues to the extent acceptable and feasible. Let us all hope that the Final GST law will replace the existing complicacies and we will be in a real good tax regime. MA

Subhasish.n.paul@relianceada.com

THE TYPOLOGY OF CORPORATE FRAUD :

UNIQUENESS AND RECURRENCE

CMA Dr P Chattopadhyay
Former Director, Research
ICAI-CMA, Kolkata

The Orgy of Fraud

The typology of fraud in the world of business is nuanced by an orgy, as much as it offers an interesting area of inquiry mainly for four reasons, as illustrated by the fraudsters the world over in different types of organization and activity during the last three decades. A close study of the machinations behind this patently unacceptable activity offers several highly interesting sidelights such as organizational decomposition starts not necessarily at the bottom; often it starts at the very top. Greed does not care for hierarchy, often it afflicts even the wealthiest of managers in the organization falling for small provocations. It therefore interests one to seek to unfold what is what. First of all, the degree of sophistication displayed by the fraudsters has been of a high order as illustrated by the cases of Barings, BCCI, Enron, WorldCom, Parmalat, Societe Generale and our own Satyam Computers, covering different continents, varied types of activity and belonging to both north and south. Secondly, the costs involved in committing fraudulent operations may be high because of the time and arrangements necessary for making the whole operation paying, in the midst of all kinds of adversity and the high risk of being caught red-handed in the heinous act, as also the investigators effectively nailing errant individuals or groups, for committing the unsavoury crime. It is being increasingly realised that chasing the miscreants after the event would not do; more relevant would be to foreclose the designs of mischief mongers before these are put into operation. All this, however, depends on the precise nature and volume of business, the reputation of the organization and its standing in the market. Thirdly, operating jointly or severally, fraudsters seek to assess the size of the pie and the attendant risk, apart from the technicalities involved in the concerned operations . Fourthly, the vogue transactional features of the target business organization and the presence of loopholes are closely watched for cashing in on them. The fraudsters remain constantly on the prowl and pounce on the slightest of chances to reap as rich a harvest as possible in the prevailing situation. It all, however, depends on the precise nature and volume of business, the reputation of the product, competition, brand equity and the application of what is known as product-analysis pricing, a la Lord Wilfred Brown, that goes into the quality and price of the product(s) in view. The degree of sophistication in orchestrated application of the technology of deceit, among other factors, more than corresponds to the levels of sophistication prevailing in the organization, so that all the dents are not immediately visible to the bare eye. Hide and seek is the name of the game, but not always, as the heads of the corporate bodies, instead of stalling malpractices of different kinds, themselves indulge in such practices to the detriment of the corporate interests. It has also been found that many a time most of the fraudsters willy-nilly begin displaying their bravado in very many ways, both overt and covert, as did Keneth Lay of Enron and Bernard of WorldCom. However, over time as the fraudsters display their bravado, that breeds carelessness in a sort of challenge to the regulatory bodies and the processes of control in operation. These apart, typology has the power to show the doorway which the fraudsters may have taken to perpetuate the acts of impropriety in many of the cases that have so far surfaced in recent times.

Relevance of Typology

The response to the challenge has been at best sluggish and blunt even as the authorities wake up after the horse has bolted. It is necessary to underline at the outset that corporate fraud has attained an unprecedented level of complexity, shall we call it sophistication? The typology discussed in the following paragraphs seeks to indicate and uncover some of the methods that tricksters adopted in the transactional context in corporate organizations for assistance in the investigation process. Study of typology of fraud in the world of business offers an interesting area of inquiry prevailing situation. It all, however, depends on the precise nature and volume of business, the reputation of the product, competition, brand equity and the application of what is known as product-analysis pricing a la Lord Wilfred Brown, that goes into the quality and price of the product(s) in view. The degree of sophistication in orchestrated application of the technology of deceit, among other factors, corresponds to the levels of sophistication prevailing in the organization so that all the dents are not immediately visible. Hide and seek is the name of the game! It is necessary to underline at the outset that corporate fraud has attained an unprecedented level of complexity. Corporate frauds are of different types, each of them involves diverse features, repetitive or non-repetitive tactics applied and complications, the knots in each instance require distinct approaches to untie them as a post facto measure in many a case, while putting in place the appropriate preventive measures. On the basis of a company's own experience or that of others, many an organization enunciates preventive policy deemed responsive, as also appropriate for the purpose of preventing the recurrence of fraudulent activities. The corporations are often slack in this respect because as long as the going is fault-free, funds expended for prevention purposes are considered wasteful. This is one reason why many a corporation has not had on its roll forensic accountants and auditors while relying on the age-old internal check systems. Here again, serious pointers raised in a twelve-page note submitted to the Audit Committee by Sherron Watkins, the Internal Auditor of Enron, and to Kenneth Lay the Head of the company, did not evince any response until it was too late, the impotency of the internal audit system came to the fore. The same story was almost repeated in the case of WorldCom where Cynthia Cooper, the Internal Auditor warned Bernard Ebbers, the Head, about the dire consequences of manipulating accounts but all her warnings fell into deaf ears, as much as he was engrossed in striking the numbers. Though these types have been culled from what happened in the past in different corporations across the world of business, the tricksters are cunning enough to leapfrog the measures undertaken by corporations to contain their pranks, underscored by repetitions all over. This is peculiar because about the same methods of trickery were adopted in Societe Generale as were done much earlier in that of Barings Plc; the former, however, was too strong financially to withstand the debacle and continue operations as usual whereas Barings Plc became bankrupt.

Varieties of Transactional Fault Lines:

1. *Multiple payments to the same payee;*
2. *Multiple payments for the same product or service;*
3. *Shell payments: full documentation but no product or service;*
4. *Delivery of defective products;*
5. *Rigged advertised contracts;*
6. *Defective pricing;*
7. *Pseudo-conspiracy;*
8. *Conspiracy – insiders exclusively or insiders-outsiders combined;*
9. *Kickbacks having different forms and contents;*
10. *Unbalanced contracts or purchase orders;*
11. *Non-repeating malpractices;*
12. *Repeating misdemeanour;*
13. *Involving an entire transaction;*
14. *Partial legitimacy obscuring a basically fraudulent transaction;*
15. *Fraud not recorded in the books;*
16. *Charging higher price for inferior quality products;*
17. *Derivatives-related trickery;*
18. *Misappropriation of funds in big or small lots;*
19. *Undue advantage taken of green banking facilities;*
20. *Misuse of company's assets for personal gain;*
21. *Manipulating expiry dates;*
22. *Selling old, defective or repaired items as new, charging higher prices;*
23. *Employee fraud, payments made to non-extant employees;*
24. *Misappropriation of assets;*
25. *Financial statement fraud – perpetuated in a variety of ways; and*
26. *Espionage : Procuring and selling secret information for hefty sums to interested parties relating to large scale purchases or sales by companies or government departments even before a formal decision taken in this behalf.*

(Cf. Howard R. Davia, Patrick C. Coggins, John C. Wideman, Joseph T. Kastantin, Accountant's Guide to Fraud Detection and Control, 2nd Edn, John Wiley & Sons, Inc., New York, 2000, p 62)

Relevance of Typology

Typology comes into immediate relevance as it encapsulates lessons from experience with respect to the ways of deception put into play by wrong doers for their personal gains. Each of the types referred to can be further divided and subdivided with reference to the entire process of management both within the organization and outside, including supply chains, channels of distribution, state of competition embracing price wars, entry barriers, etc. What figures as an additional complicating factor in all this is the ushering in of a whole series of services and business process outsourcing leaving scope for fraudulent manipulation in very many ways. Thus, the span of misdemeanour over time has covered almost the entire gamut of corporate activities starting from IPO scams and stock market scams and money laundering to subtleties of insider trading. Foreknowledge of the typology comes of immense assistance in precognition of the methodology adopted in a particular instance of misdoing, so as to avoid action de integro, and plan investigational processes accordingly. Apparently not much attention was given by the top management of many a large and flourishing corporation to all these pointers and the art and science of gypping companies developed over time a discrete momentum of its own. This of course does not exclude the top management also from the plundering process of corporate wealth, both formally through obtaining proposals of high amounts of salary and perks passed by Board Directors even in conditions of extreme rough weather or loss and informally by passing orders or sanctioning expenditure for personal benefits which provisions in the Articles of Association allow him to do. All this is overtly unacceptable considering that in law even the top manager of a company is not the owner of corporate wealth irrespective of his shareholdings, but the company itself is, as long as it is a going concern; his real status is that of an employee only. The strong, logically founded and historically sustained concept of the corporation is easily given a go-by, while the self-serving top management considers itself immune from any punitive step. That they are not owners of corporate assets while the company is yet a going concern, has been proved in courts of law consistently. This underlines the fact that even when a hundred per cent share owner has defrauded the company, he is guilty of the crime and punishable under the law. Enronitis illustrates this aspect of the problem of managerial indiscretion as exemplified by Enron. Highly sophisticated business practices of Enron, coupled with a mess created by unrestrained ego, generated a phenomenon and an atmosphere of what Jack Welch stated in his book entitled Winning as 'mission-values disconnect' as a major reason for the downfall of the corporation.

Directivitis

A pervasive corporate phenomenon called directivitis, a term coined by the late Professor Warren Hayens of Harvard University, in a book on management written by him, has really been symptomatic of the whole corporate being subject to excessive direction from the top man, causing a sort of organizational diarrhoea, in many cases even known to have fallen for small things. Typology comes in handy for knowing and judging the nature and impact of the rash action by the higher echelons of management overtly harming the corporate coffers and setting bad examples. While a lot of publicity is indeed given to unacceptable acts committed by the lower level employees as detailed earlier, those committed by the higher and middle level management generally remain under a hush-hush, as the buck stops with them, despite their attempts to shake off the responsibility, attested by the cases of Enron and WorldCom! In the aforesaid context, it is but appropriate that different issues typical of fraudulent actions are highlighted along with the necessary remedial measures appropriate for each individual category indicated earlier, underlining the implications of exclusivity and relatedness in the occurrence of misdemeanour integrating different degrees of sophistication. In the case of Enron, this issue became a part of what happened in the sense that Sherron Watkins, internal auditor of Enron, in a twelve page note submitted to the Audit Committee of the corporation warned that the corporation was heading for an implosion unless effective steps were taken immediately. But the Audit Committee did not take any action on the warnings. Keneth Lay was also informed of the impending doom but no action ensued to combat the crisis situation until the last moment when it was too late! He attempted to pass the blame for the debacle to others but all his attempts in this regard failed and he succumbed to heart failure. Ebbers cried in the Courtroom when his attempts to pass the buck failed and he was jailed for twenty years. He was also informed of the impending disaster by the internal auditor of the corporation, Cynthia Cooper, in proper time but without any avail. All this suggests that collection of information on the affairs is one thing, action thereon is altogether different. Effects ensue from action rather than mere information, particularly when it becomes stale due to inactivity on the relevant count!

Relatedness

Relatedness of several factors and interplay of different elements working as motivations for perpetrating fraud call for recognition in the modalities adopted. In discerning the typology of fraud, it is pertinent to underline the relatedness of different factors that concern themselves with different types of fraud in which fraudsters remain deeply and inextricably mired. Not that these factors figure in isolation all the time. In practice, often they remain mixed up, considering the types of business, scale of productive operations, nature of products, desired market penetration, segmentation, competition from other producers and substitutes, market share, marketing intensity, pricing and profit. These issues are relevant both for products and services; many a time, they remain closely linked to one another. These are stated hereunder for their relevance to the real life situations in which both institutional and individual operators perpetrate the bilking activities, jointly or severally, individually or institutionally. To begin at the beginning, mention may be made of fraudulent actions connected with Initial Public Offerings(IPO), Share Trading in the Stock Exchanges, Varieties of Business Transactions covering both Inputs and

While a lot of publicity is indeed given to unacceptable acts committed by the lower level employees as detailed earlier, those committed by the higher and middle level management generally remain under a hush-hush, as the buck stops with them, despite their attempts to shake off the responsibility, attested by the cases of Enron and WorldCom!

Outputs, Production and Products, the Accounting Processes with vouchers figuring as the centrepiece, Factor Provisioning as a whole including Employment – both regular and casual, Sales or Purchase Contracts under various terms and conditions and with both Indigenous and Foreign Buyers or Sellers and/or Hire Purchase as also various types of Lease – like, for instance, Wet or Dry Lease - or Mortgage Contracts. The technology of misconduct in each of these categories has already reached a high degree of sophistication deciphering which requires at least an equal, if not even a higher degree of technicality, for the purpose of dispensing a tit for a tat. The time factor is of crucial significance in this context, admixed with a required readiness to act in no time. This is of utmost significance because otherwise merely chasing the culprits and punishing them with a jail term admixed with a certain quantum of fine, may in fact be a desired aftermath as reportedly happened in the case of M/S Barings Plc, Nicholas Leeson, the culprit, after his jail term of six years in Singapore, happily bought the company for one pound sterling and became the proud owner of an Irish Football Team. The same argument applies to Rama Linga Raju of Satyam Computers whose jail term of seven years appears too light, and the penalty imposed too little, considering the nature of the heinous crime that he committed over a considerable period of time. Incidentally, thanks to the Sarbanes-Oxley Act of 2002 that enhanced the jail term for such miscreants to twenty years, making Bernard Ebbers, the virtual monarch of the erstwhile WorldCom, weep in the court room for his misdeeds - and the buck stopped there. He defied the pointers raised by Cynthia Cooper, the Internal Auditor of the Corporation about the impending implosion. Umpteen worldwide instances of the incidence of bilking corporate coffers lead one to suspect that the virtual tight-rope-walking between abidance and non-abidance of the maze of laws, regulations and controls has remained endemic, a fault line that has been ignored and overtly undermined. The funniest part of the whole unsavoury episode is that the concerned officialdom, in different countries and organizations, has remained unmoved, allowing repetition of the same mechanisms applied for perpetrating the fraudulent operations in the same country or in different countries. In recent years, the incidence of fraudulent activities has multiplied, desperately calling for abatement, as stated earlier. All this has also underlined the relevance of the development of a specialism involving psychoanalysis of the employees at the time of their appointment as also while on the job. A little reflection would convince one that, human character being what it is, development of permanent antidotes is almost an impossible task, a challenge that goes unaccepted most of the time. Since a patent solution is not equal to the problematic challenges, a standard antidote is just not capable to combat the ailment. This means that each individual case requires special attention as to its discrete features, the extent to which the organization stands affected and the ways in which the issues, unlikely to be repetitive, would have to be dealt with, particularly referring to the time required for restoring the organizational health in the specific instances. A sort of 'tissue culture' for finding the appropriate antidote would be required, in a way challenging the context of typology itself. The challenge-response processes have remained as a sort of unending continuum, especially due to the virtual overcrowding of sophisticated crooks, as demonstrated in the context of green banking based gypping techniques and cyber crimes, the latest additions to the list! Both of these are highly technical and a variety of ways has been brought into play. Both of them are the latest fields of attraction of the fraudsters while banks, government and other organizations have become increasingly vulnerable to the tricks brought into play for purposes of siphoning off cash and information to undesirable hands of various descriptions. Espionage caused through the hacking of computer-stored information has been a sophisticated version of spying. Sufficient protective devices against all this are yet at only a preliminary stage, if at all, because each time a particular set of techniques of deception comes into play and an antidote therefor is developed, another set emerges.

Green Banking

Different innovative devices have come into play in the domain of customer services by banks broadly called green banking. Electronic cash transfer from one account to another of customers through out the country, payment of different taxes like Income Tax, Tax Deduction at Source, Sales Tax, Service Tax, Professional Tax, etc., both by individuals and organizations have saved both the payers and receivers from a lot of bother. Individual payers and receivers have, however, been increasingly exposed to hackers bilking them of the amounts either sent or received and they have reason to feel insecure in utilizing the system. The ATM has also brought a good lot of succour to the account holders for not having to stand in the queue for cash deposits or withdrawals; however, many a time, with the help of the knowledge of their code numbers – simply watching the withdrawal process by a customer – money is drawn from the accounts of customers against which they hardly have an easy remedy. A more dangerous problem has been the infusion of fake currency notes in the ATMs due mainly to the prevailing system of employing outsiders to fill them with currency notes of different denominations. The problem is more acute when the ATMs remained unmanned throughout day and night. Effective counter-measures are yet not in place. This is further complicated when the cash in the ATMs is looted by simply breaking them, or after the money has been brought out from the device. As long as the money is not drawn out of the ATM the responsibility is of the banks but after the money is drawn out, it is the responsibility of the drawer to prove that there is enough reason for the banks to compensate the drawer.

The insecurity regarding withdrawals has remained all this while. The only remedy in this particular respect appears to be arranging for multiple mobile police vans patrolling the areas throughout day and night, and also to seriously consider the establishment of ATMs in crowded localities or in clusters. Deposits, payments and withdrawals through the mobile phones also stand the risk of exposure, especially because the verification processes are rather unsure. Many other methods in the arena of green banking have come into vogue but the processes of protecting the payers and receivers are yet not quite free from tangles of different sorts. Here again, provision of code numbers for verification purposes could be of help, more so when the amount exceeds certain stated limits. The purpose of saying all this is not to discourage innovative practices but to emphasize the need to provide for adequate measures to make the system fool-proof, at least until a new method of deceit emerges, which by current reckoning seems an unending play of measures and counter-measures, the initiative resting decidedly with the gypping miscreants innovating their approaches almost every alternate moment, as the story below positively underlines, both in response to counter-measures and in anticipation thereof.

Cyber-Thievery

A highly engrossing story of cyber thievery appeared in The Economic Times, Kolkata, 19th June, 2015, p 13 entitled 'Cyber Thieves used Shakespeare to steal millions' written by Kit Chellel, which is virtually a 'snake-ladder' story of continuing challenge and response throwing interesting sidelights. The points raised in this paper regarding the dimensions of mischief are more than attested by the different areas and instances referred to earlier. The cyber crimes on an international scale have, however, beaten them all in terms of both the methods adopted by teams of miscreants, rather than individuals, and the targets being large banks and the amounts concerned hefty! The ET story underlines how far all this can go, with composite teams of technical experts participating in developing tools and techniques for misappropriation of large funds meant for banks and individuals on an international scale. The detection process by experts as indicated in the article is also quite interesting in terms of deciphering the codes and detecting the mishaps caused. This story is a reproduction of one that appeared originally in Bloomberg. In five Acts Chellel lays down the games of hide and seek the ' malicious bits of software sent out to spy or steal. He refers to the banking Trojan, designed to sneak into a computer and drain your bank account. This one had peculiar survival instinct. It could hide or play dead, giving the impression it had been deleted only to reinstall itself later' that Gal Frishman and his colleagues at the computer security company, Trusteer, scouring the Internet found out. In a few years, malefic fraudsters infected more than 100,000 computers in the UK and other countries like the US and Italy. The malware was transferring millions of pounds a year from unwitting bank customers to the Russian speaking gang of computer nerds who created the malicious malware which Frishman called Shylock a la William Shakespeare's Merchant of Venice. Killing Shylock required the combined efforts of the Police from US, UK, Germany, the Netherlands, France, Poland and Turkey along with the cooperation of Microsoft, since the malware used its operating systems. After a great deal of efforts of the computer specialists and Police, THE Shylock gang, the culprits were still untraced but their computers were seized, to put an end to the inglorious but highly sophisticated show put up by the dangerous crooks that shook the foundations of computer, nay, internet specialism. The whole episode thus underlines the truth of the adage, the bee that produces honey has also a sting that can kill!

Some High Profile Fraudsters

Jeffrey Skilling, as the CEO of Enron Corporation, led what turned out to be the biggest accounting scandal of recent times. He was convicted along with founder Kenneth Lay and CFO Andrew Fastow, for cooking the energy trading company's books to hide its shaky finances, including overstating profits. Skilling's sentence was reduced by a decade to 14 years, awaiting release in 1917. Bernard Madoff, the mastermind behind America's financial fraud through his Ponzi Scheme cost his investors $65 billion. He pleaded guilty in 2009 and was handed a 150-year prison sentence. B. Ramalinga Raju admitted overstating the company's assets by about $ 1 billion and under-reporting the liabilities of the company, Satyam Computer's accounts. The company was taken over by Tech Mahindra.

Jerome Kerviel cost Societe Generale, the famous French bank, $ 6.3. billion through unauthorized trades and fictitious transactions. (Cf. The Economic Times, Kolkata, March 20-26, 2016, p.27.) We have dealt with several of the cases of fraud and misgovernance in our study entitled, Corporate Misgovernance, under the auspices of the IAARF, Kolkata, 2008. The typology of fraud has admitted of a variety that bespeaks misdemeanour admixed with sophistication, as the high profile fraudsters have demonstrated.

Wrapping Up

The typology of fraud has multiplied over time and the fraudsters are constantly at work for developing and applying different ways to engage in fraudulent practices, touching both individuals and organizations and bleeding them white, with methods of deception multiplying at a high rate. The main types culled from the empirical world of deception are mentioned here as examples. The first is the transactional type indicated earlier followed by the classificational and presentational related to accounting with a close follower, namely, computational, which may even baffle sniffing bull dogs! Typology helps, both nearly and distantly, to know and judge whether the gypping techniques adopted conform to known ways or entirely out of line! In the internet dominated world, security of funds and goods is constantly under threat. This is despite the various safety devices like Quick Heal. Experience enriches knowledge and the correctives designed and implemented which are considered enough to protect materials and money belonging to individuals and organizations from exposure to the wiles of miscreants. Nonetheless, that the aforesaid provides an interesting area of discernment is beyond any doubt and calls for deeper exploration and implementation for protecting individuals and organizations from loss. The typological issues presented above relate to transactional types, recording types and the latest areas of assault, the internet world. The game of hide and seek, however, continues unabated. The above details make an attempt to bring to the fore the soft areas that call for urgent and organized attempt to discern and foreclose attempts of tricksters to cause dents not only on the coffers of individuals and organizations, but also crucial information by way of espionage. It is high time that organized attempts were made to think of measures to effectively counter all such insidious artifice and nix it in the bud. The effectiveness of measures taken so far bespeaks more sound than substance. MA

chattopadhyay.p@lycos.com

UGC Seminar

A one day National Level UGC Sponsored seminar was held on September 3, 2016 organized by Department of Commerce, Khudiram Bose Central College in collaboration with the Institute at JN Bose auditorium, Kolkata. Swami Suparnanandaji Maharaj, Secretary, Ramkrishna Mission, Golpark, CMA Manas Kumar Thakur, President of the Institute, Dr. Subir Kumar Dutta, Honorable Principal , Khudiram Bose Central College, Prof Bimal Sankar Nanda, Honorable GB member of Khudiram Bose Central College were among the eminent dignitaries present in the inaugural session. The first session was based on 'Corporate Governance & CSR in the Focus of companies Act 2013' and during the second technical session topic 'Tax Reform: a Common Tool to Boost up the Society and Economy' had been elaborately discussed. There were also few paper presentations enriching the seminar. The sessions were highly interactive and there was an overwhelming response from the audience.

Opportunities for CMAs in Insolvency and Bankruptcy Code 2016

CMA J K Budhiraja
Senior Director (Technical)
The Institute of Cost Accountants of India

The Insolvency and Bankruptcy Code 2016 which has been notified by the Government on 28th May 2016 is the biggest economic reform next to GST. Before this Code, there was no single law dealing with insolvency and bankruptcy in India. Liquidation of Companies is handled by the *High Courts*, individual cases are dealt with under the *Presidency Towns Insolvency Act, 1909* and *Provincial Insolvency Act, 1920*. The other laws which deal with issue include *Sick Industrial Companies (Special Provisions) Act (SICA), 1985*; Recovery of Debt Due to Banks and Financial Institution Acts, 1993, *the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and Companies Act, 2013*. The Code consolidates the plethora of above insolvency laws in forced in India and brings them under one overarching umbrella.

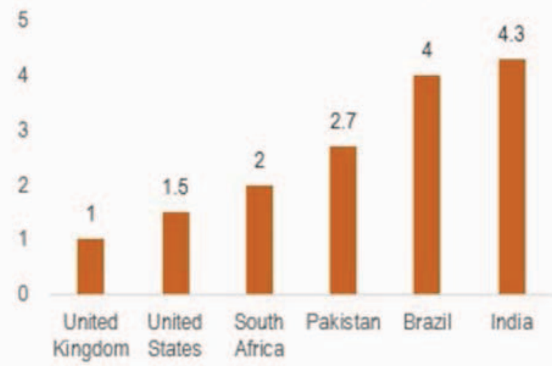
The Code will bring greater certainty and speed with regard to filing, processing and resolution of bankruptcy pleas in the banking sector which is in the grips of bad-loan crisis. It also addresses the concerns of both creditors and debtors by creating a level playing field. The code will also provide banks with much-needed muscle to deal with NPA accounts; enable them to realise the maximum value out of an asset once a firm is declared bankrupt.

According to the statement of ***objects and reasons*** of the bill tabled in ***Lok Sabha by Finance Minister Arun Jaitley:*** "*An effective legal framework for timely resolution of insolvency and bankruptcy would support development of credit markets and encourage entrepreneurship*". It further says that a new legislation is needed to deal with insolvency and bankruptcy as the existing framework is "*inadequate, ineffective and results in undue delays in resolution. It would also improve investments leading to higher economic growth and development"*

Why New Law for Insolvency and Bankruptcy Required?

As per an article published, insolvency resolution in India took 4.3 years on an average. This is higher when compared to other countries such as United Kingdom (1 year) and United States of America (1.5 years). *Figure 1* provides a comparison of the time to resolve insolvency for various countries. These delays are caused due to time taken to resolve cases in courts, and confusion due to a lack of clarity about the current bankruptcy framework.

Figure 1: Time to resolve insolvency (years)



Source: "Time to resolve insolvency", World Bank, 2015.

According to the World Bank, establishing corporate insolvency in India takes more than four years, compared with just six months in Japan, eight months in Singapore, one year in UK, 1.5 years in the US and 1.7 years in China.

The recovery rate of creditors is also very low—only 25%, compared with 77% in high-income nations. India also ranks poorly in the World Bank's insolvency ratings, 136th among 189 countries.

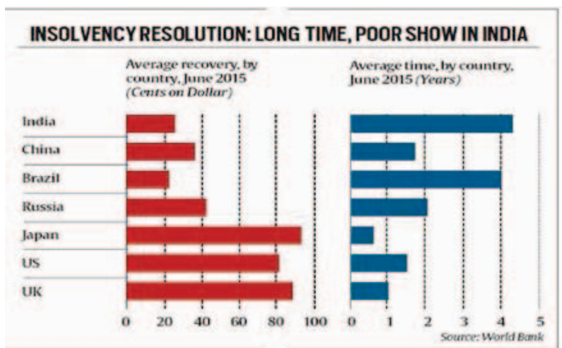
One reason for this is the lack of an overarching system for debt recovery; this forces different classes of creditors to pursue their claims through a range of processes as mentioned in the starting para of the article.

The failure to achieve swift restructuring has led to extensive erosion of the value of assets in distressed companies which, in some cases, is exacerbated by the controlling shareholders transferring assets out of the business.

Why Insolvency and Bankruptcy Code Required?

India's banking industry is in the throes of a crisis. Bad debts are piling up at banks. According to central bank data, stressed assets (which include gross bad loans, advances whose terms have been restructured and written-off accounts) rose to 14.5% of banking sector loans at the end of December 2015. That's almost Rupees 10 trillion of loans that are stuck. Availability of this money is crucial for the banking sector to go about its business.

Multiplicity of laws has been a problem in the way of banks failing to recover their loans. For example, DRTs are dealing with a backlog of Rupees 4 trillion worth of cases. For the last three financial years, less than 20% of cases taken up by various channels such as DRTs, Lok Adalats and SARFAESI courts have been successfully resolved.



What is Insolvency and Bankruptcy mean?

"***Insolvency***" means the situation where an entity cannot raise enough cash to meet its obligations or to pay debts as they become due for payment. "***Bankruptcy***" means when a person voluntarily declares him as an insolvent and goes to the court. On declaring the person as bankrupt, the court is responsible to liquidate the personal property of the insolvent and distribute it among the creditors of the insolvent.

What exactly does bankruptcy amount to India?

Being bankrupt is a state of inability to repay debts to creditors. Under the proposed law, a bankrupt entity is a debtor who has been adjudged as bankrupt by an adjudicating authority that has passed a bankruptcy order. The adjudicating authority under the Code is "***National Company Law Tribunal (NCLT)***" for companies and limited liability partnerships, and the "***Debt Recovery Tribunal (DRT)***" for individuals and partnership firms.

How does the present Code different and salient features of Code?

The present Code is different from all laws dealing with the insolvency process in India as follows:

1. The Code consolidates all existing laws as mentioned in the starting para above.

2. It specifies a timeframe – 180 days after the process is initiated, plus a 90-day extension – for resolving insolvency. The insolvency Process is to be done through the following machinery:

a. *Insolvency Professionals* (***Cost Accountants can enrol and registered as "Insolvency Professionals" with Insolvency Professional Agency and Board of Insolvency and Bankruptcy Code of India ("Board") as per Section 206 and 207 of the Code. The functions and obligations of Insolvency Professionals can be seen in Section 208 of the Code***);

b. "***Insolvency Professional Agencies***" will examine, regulate and certify the insolvency professionals. As per Section 199 of the Code, the Institute of Cost Accountants of India can establish an Insolvency Professional Agency to enrol Cost Accountants and other Professionals as its members before these members are registered by the Board as "*Insolvency Professionals*";

c. "***Information Utilities***", which will collect, collate and disseminate financial information related to debtors. Creditors will report financial information of the debt owed to them by the debtor. Such information will include records of debt, liabilities and defaults;

d. "***Insolvency and Bankruptcy Board of India***", a regulator that will oversee these new entities: insolvency professionals, insolvency professional agencies and information utilities set up under the Code;

3. To ensure an uninterrupted resolution process, the Code provides immunity to debtors from resolution claims of creditors during the resolution process;

4. Code provides for two categories of Creditors: financial creditors and operational creditors. The Code provides different process for recovery of debts by these creditors;

5. The Code deals separately for Corporate Insolvency (Part II of the Code) and Individual and Partnership Bankruptcy (Part III of the Code);

6. Some of the persons as per section 11 of the Code are not entitled to initiate insolvency resolution process;

7. The proceedings of the resolution process are to be adjudicated by the National Companies Law Tribunal (NCLT), for companies; and the Debt Recovery Tribunal (DRT), for individuals. The duties of the authorities will include approval to initiate the resolution process, appoint the insolvency professional, and approve the final decision of creditors.

8. When Insolvency Process starts, Adjudicating Authority (NCLT) shall declare "*Moratorium*". Then no suit or other legal proceeding shall be instituted by or against the corporate debtor, restrict transferring the assets of corporate debtors and recovery of any property by an owner or lessor where such property is occupied or in possession of the corporate debtor.

9. Where insolvency process fails, the Adjudicating Authority (NCLT) will pass an order under section 33 of the Code. Subject to section 52 (*Secured Creditors in Liquidation Proceedings*), when a liquidation order has been passed, no suit or other legal proceeding shall be instituted by or against the corporate debtor;

10. Section 52 (*Secured Creditors in Liquidation Proceedings*) is unique provision in the Code that allows the Secured creditor to relinquish its security interest to the liquidation estate and receive proceeds from the sale of assets by the liquidator in the manner specified in section 53; or realise its security interest in the manner specified in this section.

11. The order for liquidation under this section shall be deemed to be a notice of discharge to the officers, employees and workmen of the corporate debtor, except when the business of the corporate debtor is continued during the liquidation process by the liquidator.

Corporate Insolvency Process

Part II of the Code deals with matters relating to the insolvency and liquidation of companies and limited liability partnership firms where the minimum amount of the default is Rupees one lakh and this amount can be increased up to Rupees one crore by the Central Government. The financial creditors, operational creditors or corporate debtors may file the application to the

Adjudicating Authority (NCLT):

Financial Creditors are the creditors to whom corporate debtor owes financial debt

Operational Creditors are the creditors to whom corporate debtor owes operational debts such as claims for goods andservices, employees, etc.

Corporate Applicant means corporate debtoror its shareholders, partner, managementpersonnel or employees.

Appointment and Tenure of Interim Resolution Professional

Section 16 of Code provides appointment of "*Interim Resolution Professional*" by the Adjudicating Authority. Where the application for corporate insolvency resolution process is made by a financial creditor or the corporate debtor, as the case may be, the resolution profession al, as proposed respectively in the application under ***section 7*** (*Initiation of corporate insolvency resolution process by financial creditor*) or ***section 10*** (*Initiation of corporate insolvency resolution process by corporate applicant*) shall be appointed as the interim resolution professional, if no disciplinary proceedings are pending against him. The term of the interim resolution professional shall not exceed thirty days from date of his appointment.

Management of affairs of corporate debtor by interim resolution professional (Section 17)

From the date of appointment of the interim resolution professional,–

a. the management of the affairs of the corporate debtor shall vest in the interim resolution professional;

b. the powers of the board of directors or the partners of the corporate debtor, as the case may be, shall stand suspended and be exercised by the interim resolution professional;

c. the officers and managers of the corporate debtor shall report to the interim resolution professional and provide access to such documents and records of the corporate debtor as may be required by the interim resolution professional;

d. the financial institutions maintaining accounts of the corporate debtor shall act on the instructions of the interim resolution professional in relation to such accounts and furnish all information relating to the corporate debtor available with them to the interim resolution professional.

Corporate Insolvency Resolution Process and Time Limit

Chapter II of Part II of the Insolvency and Bankruptcy Code, 2016 deals with corporate insolvency process in normal course. It should be completed within 180 days from the commencement of insolvency process extendable by 90 days by Adjudicating Authority (NCLT) on basis of resolution passed by the creditors having 75% voting share. The same provision exists in other Chapter for individual and partnership firm bankruptcy.

Fast Track Corporate Insolvency Resolution Process and Time Limit

Chapter IV of Part II of the Insolvency and Bankruptcy Code, 2016 deals with the fast track insolvency resolution process. The Fast Track corporate insolvency resolution should be completed within 90 days from the commencement of insolvency process extendable by 45 days by Adjudicating Authority (NCLT) on basis of resolution passed by the creditors having 75% voting share. The same provision exists in other Chapter for individual and partnership firm bankruptcy.

Committee of Creditors

The Interim Professionals after collation of all claims received against corporate debtor and determination of financial position of the corporate debtor shall constitute a Committee of Creditors. The committee comprises of all financial creditors of the corporate debtors. Operational creditors are allowed to attend the meetings of committee if their dues are not less than ten percent of the debt but they do not have voting power. Each decision of the committee requires a seventy five per cent majority vote.

Resolution Plan (Section 30)

The Insolvency Resolution Professional (IRP) within the prescribed time i.e. 180 days or in case of extension 270 days, where Fast Track Resolution within 90 days or in case of extension 135 days, is required to submit his Resolution Plan to Adjudicating Authority (NCLT) prepared by him on the basis of information memorandum. *The Resolution Plan should provide for: (i) payment of insolvency resolution costs; (ii) repayment of the debts to operational creditors; (iii) management of affairs of the Company after approval of the resolution plan; (iv) implementation and supervision of the resolution plan; (v) does not contravene provisions of the law for the time being in force; and (vi) conforms to such other requirement as may be specified by the Board.*

Liquidation Process (Section 33)

Section 33 of the Code provides**:**

1. Where the Adjudicating Authority, –

a. before the expiry of the insolvency resolution process period or the maximum period permitted for completion of the corporate insolvency resolution process does not receive a resolution plan; or

b. rejects the resolution plan for the non-compliance of the requirements specified therein, it shall–

i. pass an order requiring the corporate debtor to be liquidated in the manner as laid down in Code;

Ii. issue a public announcement stating that the corporate debtor is in liquidation; and

iii. require such order to be sent to the authority with which the corporate debtor is registered.

2. Where the resolution professional, at any time during the corporate insolvency resolution process but before confirmation of resolution plan, intimates the Adjudicating Authority of the decision of the committee of creditors to liquidate the corporate debtor, the Adjudicating Authority shall pass a liquidation order.

3. Where the resolution plan approved by the Adjudicating Authority is contravened by the concerned corporate debtor, any person other than the corporate debtor, whose interests are prejudicially affected by such contravention, may make an application to the Adjudicating Authority for a liquidation order.

4. On receipt of an application under sub-section (*3*), if the Adjudicating Authority determines that the corporate debtor has contravened the provisions of the resolution plan, it shall pass a liquidation order.

5. When a liquidation order has been passed, no suit or other legal proceeding shall be instituted by or against the corporate debtor.

Insolvency Professional Agencies (IPAs)

Section 3 (20) Code 2016 defines: insolvency professional agency means any person registered with the Board under section 201 as an insolvency professional agency.

The *Insolvency Professional Agency* can be set by the Institute of Cost Accountants of India including by other Professional Institutes and other bodies as will be defined in the Regulations. The Agency is to be registered under section 199 of the Code to carry out the functions and responsivities as per provision of the Code. The Board shall have regard to the following principles while registering the insolvency professional agencies, namely:

1. Promote the professional development of and regulation of insolvency professionals.

2. Promote good professional and ethical conduct amongst insolvency professionals.

3. Protect the interests of debtors, creditors etc.

4. Promote the services of competent insolvency professionals to cater to the needs of debtors, creditors etc.

5. Promote the growth of insolvency professional agencies for the effective resolution of insolvency and bankruptcy processes under this Code.

As per the provisions of Section 204 of the Code: *An insolvency professional agency shall perform the following functions, namely:–*

i. grant membership to persons who fulfil all requirements set out in its byelaws on payment of membership fee;

ii. lay down standards of professional conduct for its members;

iii. monitor the performance of its members;

iv. safeguard the rights, privileges and interests of insolvency professionals who are its members;

v. suspend or cancel the membership of insolvency professionals who are its members on the grounds set out in its bye-laws;

vi. redress the grievances of consumers against insolvency professionals who are its members; and

vii. publish information about its functions, list of its members, performance of its members and such other information as may be specified by regulations.

Insolvency Professionals (IPs)

Section 3 (19) of IBC, 2016 defines: insolvency professional means a person enrolled under section 206 with an insolvency professional agency as its member and registered with the Board as an insolvency professional under section 207.

As mentioned under salient features of Code as above, the Cost Accountants can enrol themselves to act as "*Insolvency Professionals*" and registered with Insolvency and Bankruptcy Board of India (Board) subject to meeting of eligibility conditions as prescribed in the Regulations being notified by the Government in due course.

The insolvency professionals as intermediaries would play a key role in the efficient working of the insolvency and bankruptcy process. In addition to members of three professional institutes, the Board may specify the categories of other professionals or persons possessing such qualifications and experience in the field of finance, law, management, insolvency or such other field, as it deems fit that may be registered by the Board.

As per the provisions of Section 208:

1. *Where any insolvency resolution, fresh start, liquidation or bankruptcy process has been initiated, it shall be the function of an insolvency professional to take such actions as may be necessary, in the following matters, namely:–*

a. a fresh start order process under Chapter II of Part III;
b. individual insolvency resolution process under Chapter III of Part III;
c. corporate insolvency resolution process under Chapter II of Part II;
d. individual bankruptcy process under Chapter IV of Part III; and
e. liquidation of a corporate debtor firm under Chapter III of Part II.

2. Every insolvency professional shall abide by the following code of conduct:–

a. to take reasonable care and diligence while performing his duties;
b. to comply with all requirements and terms and conditions specified in the bye-laws of the insolvency professional agency of which he is a member;
c. to allow the insolvency professional agency to inspect his records;
d. to submit a copy of the records of every proceeding before the Adjudicating Authority to the Board as well as to the insolvency professional agency of which he is a member; and
e. to perform his functions in such manner and subject to such conditions as may be specified.

Information Utilities (IUs)

The Code also provides for Information Utilities to collect, collate, authenticate and disseminate financial information of debtors in centralised electronic databases. The Code requires creditors to provide financial information of debtors to multiple utilities on an ongoing basis. Such information would be available to creditors, resolution professionals, liquidators and other stakeholders in insolvency and bankruptcy proceedings. The purpose of this is to remove information asymmetry and dependency on the debtor's management for critical information that is needed to swiftly resolve insolvency.

Adjudicatory authorities

The adjudicating authority for corporate insolvency and liquidation is the NCLT. Appeals from NCLT orders lie to the National Company Law Appellate Tribunal and thereafter to the Supreme Court of India.

For individuals and other persons, the adjudicating authority is the DRT, appeals lie to the Debt Recovery Appellate Tribunal and thereafter to the Supreme Court.

Constitution of Insolvency and Bankruptcy Board of India

Section 188 provides: For the purposes of the Code, the Central Government is to establish a Board by the name of "*Insolvency and Bankruptcy Board of India*", which is body corporate and head office of the Board will be place in National Capital Region. The Board may also establish its office at other places in India.

Section 195 of the Code provides for "***Powers and Functions of the Board***" which inter-alia provides for:

i. registration of "insolvency professional agencies"; "insolvency professionals"; "information utilities" and renewal, withdrawal, suspension or cancellation such registrations;
ii. *specify the minimum eligibility criteria for the above agencies;*
iii. *specify by regulations standards for the functioning of the above agencies;*
iv. *laying down by regulations the minimum curriculum for the examination of the insolvency professionals for their enrolment as members of the insolvency professional agencies;*
v. *carrying out inspections* and investigations on these agencies and pass such orders as may be required for compliance of the provisions of this Code and the regulations;
vi. *monitoring the performance of insolvency professional agencies, insolvency professionals and information utilities and pass any directions as may be required for compliance of the provisions of this Code and the regulations issued under the Code.*
vii. call for any information and records from the insolvency professional agencies, insolvency professionals and information utilities; etc.

There are many powers and functions of the Board, the readers are requested to refer Section 188 of the Code.

Coverage for some of the areas left

Many areas of the "Insolvency and Bankruptcy Code 2016" have not been covered in the article due to paucity of space in the Management Accountant Journal. If required, in future these areas and other relevant matters connected with the Insolvency, Bankruptcy and Liquidation will be touched upon in detail.

Opportunities for CMAs under Insolvency and Bankruptcy Code

The Companies Act 1956 and now Companies Act 2013 govern the provisions of winding up of companies but as experience it is seen that many CMAs did not venture into this field. The following are areas listed from the Companies Act 2013 where the CMAs may practice or be engaged:

i. *Certification of the scheme of Merger and Amalgamation of companies [Section 232(7)]*

ii. Appointment as administrator [Section 259(1)]

iii. Appointment as Company Liquidator [Section 275(2)]

iv. Appointment as professional Assistant to company Liquidator [Section 291(1)]

v. Appearance before Tribunal under section 432 in case of examination of Promoters & Directors [Section 300(4)(b)]

vi. Appointment of Technical member of the Tribunal [Section 409(3)] and

vii. Legal representative of a person before the tribunal or Appellate Tribunal [Section 432]

There may be some CMAs who are currently acting as liquidators in voluntary winding up. The scope for CMAs is now widened manifold under the Insolvency and Bankruptcy Code, which is given below even though the scope for CMAs have been discussed in this article at many places above:

CMAs can act as **Insolvency professionals**:

a. As *Interim Resolution Professionals* (Section 16) and manage the affairs of the Corporate Debtors as "*going concern*" during the insolvency resolution process in interim period of 30 days;

b. As *Resolution Professional (Section 22)*, the creditors committee may either appoint the same "interim resolution professional" for preparing the "*Resolution Plan*" and managing the affairs of the Corporate Debtor as "*going concern*" during the insolvency resolution process or may appoint other Professional (CMA) in his place;

c. As Liquidator (Section 33) to be appointed by Adjudicating Authority (NCLT) on the grounds explained in this article under "*Liquidation Process*";

d. As Voluntary Liquidator (Section 59) to be appointed by Corporate Debtors;

e. Insolvency Resolution Professional (Section 82) by Adjudicating Authority in case of "*Insolvency and Bankruptcy for individuals and Partnership Firms*";

f. As Insolvency Resolution Professional (Section 97) by Adjudicating Authority for initiating the insolvency resolution process by debtor in case of "*Insolvency and Bankruptcy for individuals and Partnership Firms*"

g. As *insolvency professional as bankruptcy trustee* (Section 125) by Adjudicating Authority in case of "*Insolvency and Bankruptcy for individuals and Partnership Firms*"

h. As valuer of properties and assets of liquidation estate under the Code and Regulations being framed under the Insolvency and Bankruptcy Code 2016;

Transitional Provisions and Opportunities for CMAs

Section 244(1) of the Code provides: "*Until the Board is constituted or a financial sector regulator is designated under section 195, as the case may be, the powers and functions of the Board or such designated financial sector regulator, including its power to make regulations, shall be exercised by the Central Government*".

In view of above powers, the Central Government is considering to allow the *Cost Accountants in Practice* along with other practicing professionals of the other Institutes having post qualification experience to be engaged as "*Insolvency Professionals*" during the transitional phase. Similarly the three Institutes along with other agencies, who meet the prescribed qualification criteria as per the Regulations being notified by the Central Government in due course, can constitute their "*Insolvency Professional Agencies*" to functions and work as per the provisions of the Insolvency and Bankruptcy Code 2016 during the transitional phase. On constitution of "*Insolvency and Bankruptcy Board of India*" the "Insolvency Professional Agencies" and "Insolvency Professionals" will be required to register with Board. MA

Referance:

1. *The Insolvency and Bankruptcy Code 2016;*
2. *Financial Express dated 17th August 2016;*
3. *www.prsindia.org/theprsblog/?p=3642*

technical.budhiraja@icmai.in

EMERGING TECHNOLOGIES:

Cloud Computing

CMA Arnab Chatterjee
Ex-Principal Consultant
Oracle Consulting
(EMEA-Consulting) Kolkata

What is Cloud Computing

As per the US federal agency National Institute of Standards and Technology (NIST) "cloud computing is a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers etc.) that can be rapidly provisioned and released with minimal management effort or service provider interaction."

Cloud computing is a type of computing that provides the users access to shared computing resources and services which are shared over a public or private network. One of the key aspects is sharing of the available resources among different parties to achieve economies of scale. Due to this it is possible to reduce costs, especially those related to the non-core functions of a business such as cost of acquiring, running and maintaining an IT infrastructure.

A cloud platform provides an organization the ability to scale up its IT infrastructure quickly and cost effectively.

As per the NIST definition there are five essential characteristics of cloud computing:

- On-demand self-service: meaning the client can provision computing resources such as servers and storage by itself, as per its requirements, at any point of time, without any interaction with the service provider.

- Broad network access: the service is available and accessible using standard networks using standard devices such as laptops, desktops, mobiles and tablets. Cloud services can be accessed remotely as long as a network and supported devices are available.

- Resource pooling: cloud services are provided to different clients using the same set of resources. This is known as the multi-tenant model. Additional services can be made available on-demand to different clients using this same set of resources.

- Rapid expansion: the services are flexible and adaptable and can be reconfigured almost instantly to accommodate changes in demand for resources. The end-user does not need to plan in advance for any additional resources.

- Measured service: the quantum of service being used as computing time, server resources, and storage usage are always being monitored by the system itself. By monitoring, measuring and reporting the usage and availability of computing resources such as server and storage, cloud services can automatically and dynamically control and optimize the resource utilization.

Cloud Service Models

Predominantly three service models are used to deliver cloud services

1. Software as a Service (SaaS): in the SaaS model the client organization runs the software applications provided by the service provider running on a cloud infrastructure. Instead of buying the software product from a vendor (for example accounting software) the organization buys a service subscription to use the software hosted by a cloud service provider. Thus, the organization uses the software as a service and not as a product.

The cloud service provider is responsible for licensing, installing and maintaining the hardware and software using its infrastructure and making it available to the subscribers. The service provider manages the infrastructure essential to provide the service. The client does not have any control over the infrastructure and does not have to maintain anything other than simple workstations with only a browser or a similar interface which can be used to access the software hosted by the service provider.

The immediate benefits to the client are the minimal upfront cost for IT infrastructure, zero software licensing costs and almost no maintenance cost. The client can focus on its business rather than worrying over setting up and running a vast IT infrastructure.

The drawback, however, is that SaaS allows only a very limited amount of customization. If the organization uses non-standard software or software which is highly customized to its requirements, SaaS may be too restrictive and may not serve the true purpose of using cloud.

2. Web based e-mails, online accounting packages and online document editing software are examples of SaaS.

Platform as a Service (PaaS): in the PaaS model an organization is able to create or acquire third-party applications and deploy those on the cloud infrastructure provided by the service provider. Usually the service provider provides various tools and software along with the cloud infrastructure to facilitate such deployment. The organization does not have to invest in development tools and software, hardware, network and other infrastructure which are provided by the service provider.

The service provider hosts the software development tools and the hardware infrastructure, but the organization still has control over the deployed applications. This is typically used by organizations that develop their own software, either for their own consumption or for selling to other organizations or both. The organization does not have to invest in the latest development tools and software and can instead focus on actually developing the required software.

The drawbacks include frequent change in the development tools provided by the cloud service provider and de-support of the development platform which are difficult to cope with.

3. Infrastructure as a Service (IaaS): with IaaS an organization has access to virtual servers, servers which are owned and managed by the service provider, on which it can run its own applications. The service provider provisions for and manages various computing resources such as storage, network and processing power which are used by the organization based on the subscription. The organization gets access to these computing resources and deploys its own operating system and set of applications. Usage of the hardware infrastructure is available as a service against which the service provider bills the organization. The service provider can increase the resources allocated to the organization based on user request.

The biggest benefit is that the organization maintains a large amount of control over the end user applications and the software development environment while making little investment in the IT infrastructure.

Cloud deployment models

As per the NIST definition of cloud there are four deployment models based on who provides the services.

1. **Private cloud:** A private cloud is one which is owned and managed by an organization or a third party service provider for exclusive use of a single organization. This is usually the case with large business conglomerates which want to have one dedicated IT infrastructure for all the group businesses. Hence, multiple organizations belonging to the same business group are able to use the cloud service. Organizations outside the group do not have access to the applications on the private cloud.

2. **Community cloud:** In a community cloud the infrastructure is shared between various organizations that form a community for pursuing common objectives. This may be hosted and managed by a third party or by any or all the participant organizations of the community. The outreach is more than that of a private cloud but less than that of a public cloud. The costs and benefits are shared by all the organizations of the community based on mutual agreements and contracts.

3. **Public cloud:** In a public cloud the services are available over a publicly accessible network and can be used by the public and businesses with or without any specific arrangements. The service may also be provided free of cost. The infrastructure is usually owned by a third party service provider. The cloud applications are hosted on servers located in the premises of the service provider and has full control over its management.

4. **Hybrid cloud:** This model is a combination of the other three models. A part of the infrastructure may be owned by a public cloud service provider and another part by a private one. Management and control will depend on multiple parties depending on their stake in the hybrid cloud. For example, an organization may store sensitive personnel records on a private cloud but financial records on a public cloud service.

The essential characteristics, delivery models and deployment models can be summarized in the following graphic.

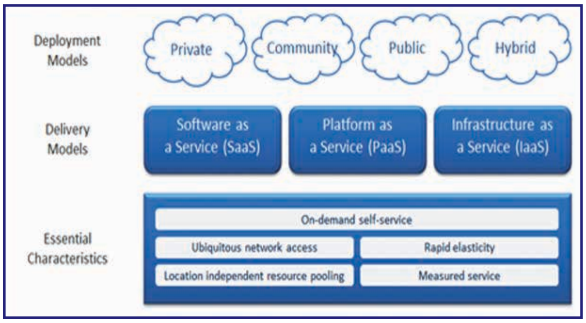


Figure 1: NIST definition of Cloud Computing.
Source: http://www.csrc.nist.gov

Why Cloud

In order to understand the benefits of using a cloud service let us first have a brief overview of costs involved in a traditional (non-cloud based) IT project.

Traditional IT Structure

A typical IT infrastructure implementation does not remain limited to a few computers (desktops, laptops or servers) only. Implementation includes various application software which are needed to actually use the computers. Hence, the need for various types of software like operating systems (e.g. Windows), browsers (e.g. Internet Explorer), office utilities (e.g. MS-Office), media players and photo editors, antivirus and so on. While some of these applications like browsers (Internet Explorer) are packaged with the initial operating system software, which itself has to be procured at a cost, and some are freely available (like various browsers), most of the essential application software need to be procured at additional cost from different vendors.

An organization also needs a variety of business applications software to run the business. These applications include those that are used for accounting, inventory control, sales management, payroll and compensation, enterprise resource planning (ERP)

and so on. All such business software are steeply priced and require high-end expensive hardware. They also have high maintenance, operational and renewal costs. Most of these software are sold as packaged solutions (as against custom made ones) and there are usually implementation costs which can often be more than the cost of the software itself. Obsolescence of any software also adds to the total cost of ownership.

When an organization decides to setup its own IT infrastructure the starting point is to hire an external consultant or agency to advise on the available options based on the capital budget, the organizational requirements, the technology market and numerous other factors. Once a viable IT plan is in place the major exercise of procuring and implementing the system begins. Procuring the right hardware and software involves multiple activities such as tendering and inviting bids from interested suppliers, selecting a supplier, placing the purchase orders and finally receiving all that was ordered.

Here are some of the typical costs associated with implementing an enterprise wide software solution such as an accounting package or sales management software.

Software application licence - this is the cost of the software itself. This is often determined by the number of prospective users, volume of transactions to be processed, number of employees in the organization, or a mix of these.

Support software- costs associated with acquiring different support software that boost the capability and productivity of the business application. These often include software for converting the data, or for interfacing or importing the data into the main application, or reporting software.

Security software – costs of security software such as firewalls, antivirus, data protection and recovery.

Software development – costs associated with customizing the standard business applications for specific business needs. The costs may include in-house development costs or costs associated with hiring an external agency to develop such customizations.

Hardware infrastructure – costs of various servers, terminals, storage, backup media, associated with hosting the main business application, the database, the various support software and the security software.

Network hardware and infrastructure – includes costs of network equipment such as routers, switches, bridges, gateways, networking cables, modems, firewalls, controllers etc.

The above costs are only illustrative and an organization will incur numerous other costs for setting up and operating its own IT system. All these have a major impact on the annual budget of an organization. This is where cloud computing offers a number of benefits over a traditional IT system.

Benefits of using a Cloud service

Following are some of the key benefits of using cloud services.

1. Cloud services have a major impact on the capital budgeting decisions of an organization. The total cost of setting up an internal IT system is huge, often running into few crores. With cloud services an organization needs to make minimal investment in IT infrastructure. It can procure only basic workstations with simple applications like browsers to access cloud services. With hardware renting even this cost can be kept significantly down. As the organization does not need to invest in IT infrastructure it can use the freed

up funds in its core business instead.
As the IT infrastructure cost is nullified the capital cost becomes an operational cost. The capital budgeting process and decisions are simplified. Further, being part of operational costs the cost of cloud services can be fully charged to the Profit & Loss Account.

2. Cloud services help in cutting down few operating costs such as electricity costs, hardware insurance costs and rental cost on large data centres. Enterprise sized servers and data centres require a huge amount of power to run them. Moreover these servers are temperature and humidity sensitive and generate large amounts of heat. They require to be kept in a sanitised, cold and well controlled environment further increasing the power costs. The space requirement of huge computing and data centres is also huge and consequently more space needs to be rented or owned by the organization. With cloud services all these are made redundant as end-user workstations consume little power, require minimal environment control and very little space. The total operating cost thus is thus reduced significantly.

3. One of the biggest advantages of cloud services is the mobility it provides. With cloud services organizations do not even need workstations, though most still use them. Cloud applications can be accessed using simple workstations, mobile phones and tablets. Employees can connect to the cloud as long as an internet connection is available to access the service. This reduces the cost of ownership of the access point and yet increases the accessibility.

4. With frequent updates and new technologies getting promoted by manufacturers and developers, software and hardware obsolescence has become a major cost driver in organizations having traditional IT systems. With cloud services it is the responsibility of the service provider to keep the hardware and software updated. The organization does not need to worry about frequent upgrades to existing infrastructure or its obsolescence. The service provider keeps all the systems updated with the latest software patches and fixes. The organization saves on upgrade costs and yet remains always on the latest version of the applications.

5. As businesses expand their IT requirements expand too in order to accommodate the growth of its systems, processes, customers, suppliers and data. Often expanding the infrastructure means ensuring that the new systems are compatible with the existing ones. If existing systems are not compatible with the proposed ones, the IT infrastructure may have to be scrapped, partly or fully, at a substantial cost. Often this cannot be ensured as IT equipment and software vendors keep upgrading their wares so that anything older than one or two years becomes obsolete and incompatible to the latest available systems.
With cloud services the organization does not need to incur additional IT costs for scaling up its IT facilities. The organization needs only to change the level or quantity of the services being accessed. Most often IT resource allocations are increased dynamically by the service provider within overall limits of the existing agreement. Any further increase beyond existing limits may be achieved simply by entering into new agreement with the service provider. Even with new agreements for scaling up IT requirements the cost saving would be enormous as compared to outright purchase.

6. The organization pays for the cloud services using a 'Pay-as-You-Go' model. That is, paying only for the services subscribed for and as per its usage. So there is no need of any long term hardware or software maintenance contracts and instead the organization pays on a monthly

or quarterly basis depending on the usage.

7. In cloud computing as the core IT infrastructure is maintained by the service provider, the organization saves in terms of lower spending on IT related manpower costs. Instead of hiring, training and maintaining manpower for the IT systems the organization can keep a skeletal staff for these activities and instead allocate more resources for its core business. The organization only needs to spend on training the end users for using the cloud applications which is miniscule as compared to cost of training the end users as well as the whole IT department. This also means less cost for re-training every time there is an upgrade of the systems and applications.

8. A major threat that has emerged today is that of data security and date theft. While this is a major pain point for all organizations, big or small, it is of major concern for large organizations dealing with public data such as banks and financial institutions. Data theft and other security breaches have major associated costs as they tarnish the reputation of an organization and opens up the doors to multiple litigations from customers, suppliers and other stake holders. The same applies to loss of data due to hardware or software faults, and due to various calamities such as fire, floods and earthquakes. In all such cases the damage control exercise and recovery of lost data and business reputation becomes a big problem to the affected organization. With cloud services the security aspect is well taken care of by the service provider and no investment needs to be made by the organization other than having some basic antivirus or antimalware software. Cloud services have in-built protection against data theft, data loss and other vulnerabilities. Cloud service providers also have processes for data back-up, data recovery and disaster recovery. In case of any accident or disaster recovering the data can be done rather easily by a cloud service provider.

With many major benefits accruing out of cloud services, it is natural that organizations would move towards cloud adoption in a big way.

Current Trends in Cloud Adoption

As per one of the surveys conducted by Tech Target in 2015, cloud services is one of the main new technologies getting more attention than other contemporary technologies. Among the companies with growing IT budgets 43% are increasing their budgets on cloud services, while those with reduced IT budgets have lesser reductions on cloud services. This clearly shows a thrust towards investing more in cloud services.

A few other earlier surveys had indicated a similar focus on cloud adoption. In one such survey 61% of the respondents reported that they use some form of cloud applications in their organizations.

The following pie chart shows the market shares of different cloud deployment models as of 2015. There is a clear leaning towards the public cloud model.

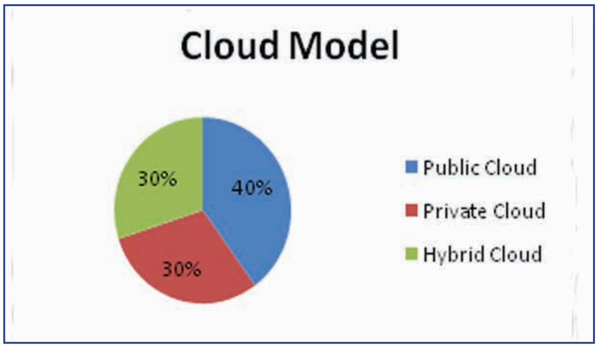


Figure 2: Cloud deployment model usage.
Source: http://www.techtarget.com

In another survey done by North Bridge (a US based VC firm), over the last 5 years increases in public and hybrid cloud is to the tune of 43% and 19% respectively. As per the survey the top concerns for migrating to cloud are security, compliance, privacy and performance. While the major drivers for cloud are scalability, agility, cost saving and innovation.

Not only businesses but also governments across the world are looking at cloud computing for improving efficiency in their IT operations and as an effective model of delivering services to its citizens. The leaning is towards adopting public cloud for non-critical applications.

Cloud Adoption in India

As per an Ernst & Young survey in India, Indian enterprises are increasingly adopting cloud services. As per the 'Enterprise IT Trends and Investments Survey' one in two Indian CIOs ranked cloud services as their top investment priorities. As per this survey companies in India are already saving an estimated 30% of costs by adopting cloud services. Further, organizations which have adopted cloud have been able to cut their data centre power costs by 50%.

However, the approach among Indian organizations is somewhat cautious. Organizations are seen adopting a private cloud service before moving to the more freely available public cloud. Most of these projects are small with contract values within Rs. 10 crores. As per the survey, enterprises are migrating low impact services such as mail and other stand alone applications to the cloud instead of enterprise applications like ERP and CRM. Manufacturing and technology services are the two sectors currently leading in cloud adoption in India. These are followed by financial services and the government sector.

Among the major barriers to cloud adoption in India are price-sensitivity, security and privacy concerns of using cloud applications. Service-provider lock-in where the organization is tied only to one cloud provider has further limited the adoption of cloud services in India.

With a view to harness the benefits of cloud computing the Indian Government has started a major initiative "GI Cloud" named "Meghraj" under the Ministry of Electronics and IT. This platform will be used by all government departments and agencies, both at the centre and the states, as a common platform. The objective is to harness the power of cloud computing to improve the delivery of all kinds of services to the citizens. The platform is to be created using the existing data centres operating at the national and state levels and connected through the existing network of state wide area networks and internet. The aim is to provide services to various government departments, businesses and citizens through internet and mobile services.

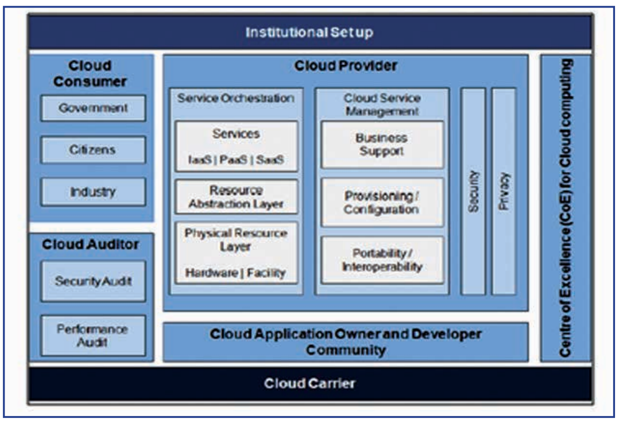


Figure 3: GI Cloud Eco-System. Source: http://meity.gov.in

The conceptual reference model used by the US National Institute of Standards and Technology (NIST) has been adopted by the GI Cloud Initiative. This is shown in figure 3 above.

The Way Ahead

The pace of changes today has increased manifolds as compared to the pace even a decade back. This is largely due to the rapid advances in technology, its penetration and reach today. The rapid pace of the changing business environment means an organization also needs to constantly change its strategies, offerings, processes and systems. The pace of traditional IT may not be able to keep up with such rapid changes. The agility provided by cloud computing is better suited to such rapid changes. With numerous direct and indirect benefits cloud computing definitely provides an organization with the ability to make better decisions while saving costs.

Looking at the current acceptance rate cloud computing is expected to grow in the near future. According to a study, over the next few years cloud services will generate nearly 14 million jobs worldwide and produce more than a trillion dollars in additional revenues and spends. However, there still remain a number of issues that need to be addressed before cloud computing gains wide acceptance and general trust of the public, businesses and governments. Issues relating to data security, data integrity, integration across multiple service providers, vendor lock-in are some of the major barriers holding back the acceptance of cloud. Consulting and advisory firms which can provide a clear strategy and path to an integrated cloud solution will remain in demand. Additionally, cloud service providers with competitive pricing, transparent policies and robust technology framework will boost the growth of cloud computing. MA

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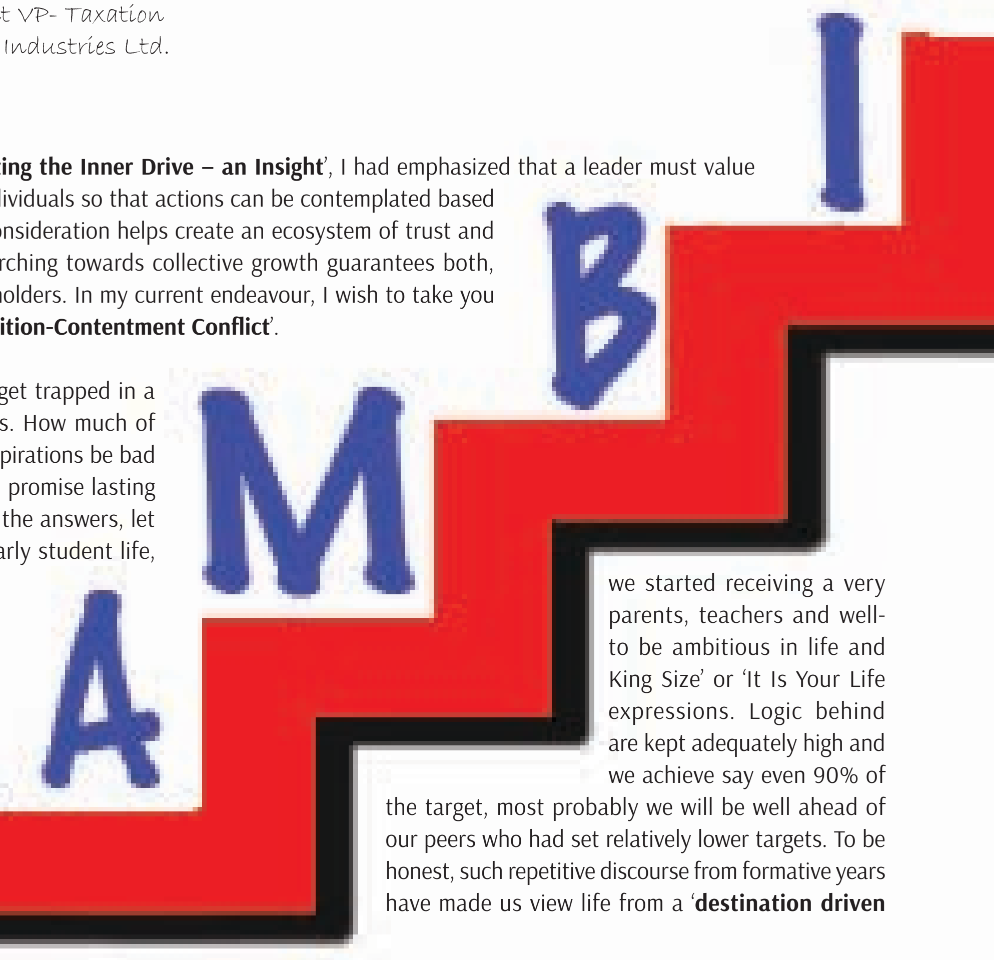
c_arnabus@yahoo.com

AMBITION-CONTENTMENT CONFLICT

A REFLECTION

Debopam Chell
Assistant VP- Taxation
Reliance Industries Ltd.
Mumbai



In my last article titled '**Recognizing the Inner Drive – an Insight**', I had emphasized that a leader must value dreams and aspirations of every individuals so that actions can be contemplated based on such insight. Such thoughtful consideration helps create an ecosystem of trust and togetherness. Needless to say, marching towards collective growth guarantees both, success and happiness to all stakeholders. In my current endeavour, I wish to take you through a much related theme '**Ambition-Contentment Conflict**'.

Many a times we as individuals get trapped in a few seemingly innocuous questions. How much of our ambitions are good? Can our aspirations be bad and toxic? Will fulfilment of wishes promise lasting happiness? Before trying to unveil the answers, let me set up the context. From our early student life, say when we were tiny little tots, we started receiving a very special kind of sermon from our parents, teachers and well-wishers. We were regularly cajoled to be ambitious in life and set challenging targets. 'Live Life King Size' or 'It Is Your Life Make It Large' were frequently used expressions. Logic behind such emphasis was that if ambitions are kept adequately high and we achieve say even 90% of the target, most probably we will be well ahead of our peers who had set relatively lower targets. To be honest, such repetitive discourse from formative years have made us view life from a '**destination driven**

perspective'.

For example, in younger days our aim used to be getting into a good school; obtaining higher percentage of marks in 10th and 12th Board Exams; qualifying in IIT Entrance Test or cracking JEE and getting into a Good Engineering or Medical College. Alternatively, pursuing Commerce in Degree Course; being a Chartered or Cost Accountant; obtaining a Post Graduate Degree or Diploma from a Premier Management Institute and eventually getting absorbed in a job that promises attractive salary. In short, it was much like preparing ourselves to reach that cherished destination which would not only guarantee higher pay and superior lifestyle but also command respect in the society. However, as years progress we start realizing that these never ending aspirations of striving for more and more, both in our personal and professional life, are leading us nowhere. Through our efforts to surge ahead (to be read as defeating others), we have turned our lives into a rat race. Hunger for limitless wants has made us exceedingly busy but awfully hollow from inside. Yes, we have emerged as efficient workforce through mastery in domain knowledge but the truth is, we have become utterly self-centred. Helping the needy and working for their upliftment hardly fit into our ambitious selves. Leading a simple and **useful** life is never considered a priority. In spite of being well-off than many others, what saddens me is, we have moulded ourselves into unkind, selfish individuals, void of emotions and fellow feelings. In this journey called life, we fail to inspire even a single companion. Now we can safely be dubbed as **earning machines**. As embracing to inner conscience is never attempted, we remain unsuccessful in disciplining our mind and transforming our so called knowledge into profound wisdom. Because of the selfish and impatient attitude of one and all, happiness has always eluded us.

Spare a minute of thought. Ask yourselves; haven't our myopic vision caused a stressful condition? Haven't we deprived ourselves of the much needed association and warmth of family members and friends? Haven't we compromised with our health, especially during prime period? Forgive me for being cynical but tell me honestly, did we ever have spare time to think about others? Haven't our uncontrolled ambitions threatened the very existence of life? Did we not become prey to countless lifestyle diseases? It really amuses me, how recklessly we continue to chase schedules, beat targets and meet timelines in our day-to-day assignments, as if there is no tomorrow. We conveniently term such folly as being passionate at work but from inside we very well know that all this hullaballoo is either to establish ourselves as the most deserving candidate for that lucrative yearly increment or to seek an early promotion or two. Later on when things start getting bad and hurting our lives, we step back from this maddening pursuit. We turn philosophical and engage in self-rationalisation. We convince our inner-self that it's time to be thankful to Almighty for who we are and how far we have progressed; let's be happy with the present. I sincerely wish that this realization does not arise when we become too fragile both physically and mentally because at that point of time it will neither be possible to roll back the heydays of life nor relive the past based on our new found wisdom.

So the question remains as to how do we establish a judicious balance between aspirations and happiness? Without stretching ourselves adequately, is it ever possible to unlock the hidden potential trapped within us? Can we overcome our inner hesitancy? Is it possible to outgrow fear and lead a challenging life; perform big and yet be happy? Or is it advisable to have a pause button to our self-triggered ambitions? Does that mean we need to compromise on our dreams? Really a whole lot of questions echo within us and make us shaky. We badly wish to discover the right direction to life. Now that's the time when we start differentiating between good and bad ambitions. However we must understand that for doing so, we need to erase our default setting ingrained from childhood days; perhaps, reformat the hard disk afresh.

Let's attempt to unfasten ourselves. A simple memory game should help us in understanding the above point better. Go back to the initial years of your career and recollect the list of things that you aspired then. Let me help you begin. In addition to a well-paid job, perhaps you wished to own a house, have a loving and caring family, feel proud of a small but beautiful car, have a decent bank balance that would take care of your daily needs, children's education and lastly, accumulate ample reserves that would see you through for the retired life. To deal with uncertainties in life you also wanted to feel reasonably secured through various life and health insurance policies. I am fairly convinced that most of these wishes are either within your reach or in execution stage, nearing completion. Now the introspection part. Ask yourself; are you leading a happy or satisfied life? I will not insist for the answer but your uneasy silence has revealed the truth.

Listen, we can be absolutely certain that reaching a goal can never be the source of permanent happiness. The real problem lies with our restless mind. Newer and newer wishes get added every day. The more we attain, the list of longings gets expanded. This repetitive addition to our desires is an endless phenomenon, much like raising the bar of expectations and moving the goal post further and further. The emptiness of not having something which others have, fuels a crazy competition. With such a narrow mind frame we then push ourselves to remove this void. We try to accumulate a bank balance, say comparable to some of our friends or intend to enjoy a yearly foreign trip like our neighbour or be the President of Rotary Club like Mr X and the list can be pretty long. Believe me, my prime realization from this bizarre human behaviour is that unless the list of desires is kept under check, it is bound to be the greatest enemy of our health, happiness and mental peace.

Another flawed way of looking at life, is to measure happiness of a person by his material possessions - without bearing in mind the sacrifices he makes during his lifetime. If you closely observe the lifestyle and behaviour pattern of highly ambitious people, you may notice that they have many deficiencies. Firstly, being excessively focussed on destination, they hardly remain in the present. As they are extremely worried about their future, they find it difficult to enjoy the journey. As a result they fail to smell the roses in their own garden but are jealous of beautiful flowers in the garden next door, which clearly points to a mind without peace and harmony. Since they put own ambitions before others, a sense of lust overpowers their inner poise, which make them ruthless. They cannot accept any delay in achieving their personal aspirations. Thus it becomes impossible for them to lead larger teams having different levels of skills and competencies. They tend to find fault with something or the other. With the passage of time they develop serious health issues and sadly they are most likely to have a troubled family life. On the other extreme, when people become too contended with status quo, they fail to grow. They lose sight of the much needed excellence mind-set and cultivate a sense of laziness. Instead of being the architect of their own destiny, they remain unplanned and leave everything to chance. They are risk averse and often lack the grit required to succeed. The excitement, the passion to chase dreams are found severely missing. They operate like ship without radar. In nutshell, this strange complacency inhibits them from blossoming to their full potential and eventually they lead a very poor quality of life.

So what should we choose; Ambition or Contentment? My experience compels me to contradict the view that these two necessities of life are mutually exclusive. Just think, does any one of us believe that Mahatma Gandhi was in any way less ambitious? Was it easy to even imagine challenging the then British Empire, where the sun never set? Does that mean he was an unhappy soul? Remember, had he kept himself away from India's freedom movement, he could have easily started his own practice which would have assured him of a decent livelihood. On the contrary, he had a completely unique vision; a different perspective to life that redefined the history of India. He sincerely craved to liberate the countrymen from their oppressed lives under the British rule. He collaborated with victims to eradicate their poverty and dreadful living condition. As a result, he not only became the torch bearer of India's freedom movement but also evolved as a highly aspiring yet inspiring leader. I suppose he was certain that reaching personal milestone would assure temporary satisfaction; but it had a greater danger of triggering spiralling unhappiness. So he always remained inclusive in his thought process and his life became an epitome of simple living and high thinking. To him aspirations that assured self-gains were gratification of lower order needs but dreams that embraced and embedded others' aspirations, would guarantee enduring delight. Reaching such collective goals would be a source of lasting happiness. Even today, millions of people across the world draw inspiration from this Mahatma. Really incredible.

Similarly when an entrepreneur starts his business the focus is not on his own rewards. Having invested so much time, money and energy, he remains committed to a vision - the vision to ensure prosperity of his business. To make his business grow, he puts his head, hand and heart together. In this endeavour he achieves several milestones including creating job opportunities for so many people. Having recruited a person, he does not waste time in thinking about the high salary or perks offered to this incumbent. Rather he visualizes the potential of the candidate and aligns him appropriately so that the broader objective of his business is best achieved. Thus he paves the way of optimizing returns and maximizing long term growth. Remember what **Steve Jobs** said, **"*It doesn't make sense to hire smart people and then tell them what to do; we hire smart people so that they can tell us what to do.*"** Both as an entrepreneur and a leader he overviews the well-being of each and every entity associated with the business – be a customer, a lender, a supplier, an employee or even the society at large. Every little progress in his business is celebrated with stakeholders and he remains cheerful from inside. On the other hand, when his business faces difficult times, he is a concerned person. He shoulders additional responsibility of guiding stakeholders to safer pastures. On the whole, he enjoys this enduring journey by empowering people around him. Thus his ambition never comes in the way of his happiness.

Now shift focus to a completely contradictory example. Look at Dhritarashtra's life in Mahabharata. He was not only blind by birth but his selfish ambition made him blind in his actions as well. Unable to become the king of Hastinapura, he craved that his son Duryodhana should take over the reins, knowing very well that Yudhishthira was not only senior but also a superior choice. Thus his mean desire came in the way of larger good. The seed of his ill-directed ambition – 'Greed', was planted in Duryodhana's mind which ultimately resulted in colossal bloodshed in succeeding battle of Kurukshetra. Sadly, lives of millions including his own children, ended abruptly. Dhritarashtra suffered out of his own insanity.

So the crux of the matter is if one works only to fulfil his dreams, whatever may be his progress, he can't remain happy. As soon as he discovers that he does not have something which others have, his next set of longings shall hound on him. A strange complex would then get manifested in his behaviour. Unable to differentiate between needs and wants, he will then be compelled to chase these dreams with greater vigour. What he fails to realize is the eternal truth. Alas, all his painstaking personal achievements shall be forgotten once he is no more. But a leader whose ambition touches lives of many others will definitely be remembered for years to come. He will cherish a life well lived (contented). Be rest assured that even after his death someone else would be inspired to shoulder the responsibility of fulfilling any unfinished mission. In an organization that would mean – keep dreaming big; work diligently keeping the bigger picture in sight; remain focused in implementing the chosen plans and **build a competent team.** Make the organization a well-knit group of spirited individuals - ready to rise for any cause and lead by example. On the other hand, to a student it would signify - be disciplined in life and remain sincere in your efforts. Stay focused on your studies and excel in your life. But don't stop there. If you really wish to achieve happiness you must use your knowledge and channelize your efforts for fulfilment of collective dreams that will eventually bring smiles in the faces of masses. For a minute think, can you ever be happy sitting inside your luxurious flat on the 50^{th} floor of a multi-storeyed building only to find surrounded by hutments where people are living in dismal poverty?

It is never too late. Let's begin. Wherever possible, let us pledge our efforts for the well-being of our society. In today's vastly impatient world, the primary need is to bring a paradigm shift in our mind-set; think beyond ourselves. Transform individual aspirations to collective dreams; selfish ambitions to selfless goals. That's my mantra to win over the inner conflict and lead an ambitious yet contended life. I am reminded of the golden words of **Swami Vivekananda**, "***How long is this life for? As you have come into this world, leave some mark behind. Otherwise, where is the difference between you and the trees and stones? They too come into existence, decay and die.***" MA

debopamchell@yahoo.com

EASE OF DOING BUSINESS AS A KEY INITIATIVE OF MAKE-IN-INDIA CBEC NEEDS TO BE APPLAUDED

CMA A. B. Nawal
Chairman
Taxation Committee
Institute of Cost Accountants of India

Hon. Prime Minister of India is constantly reviewing the progress on his plan of implementation of "Ease of Doing Business", which is the media for successful implementation of "Make-in-India" movement launched by him.

Chairman, CBEC and his team have come out the plans which is definitely emerged with out of box thinking and the measures initiated by them imposing the trust on trade & industries, importers & exporters are towards the call given by Hon. Prime Minister of India.

CBEC has issued following notifications and circulars, which is worthy to note and follow. It has definitely created positive impact & will reduce substantial transaction cost and transaction time.

Notification	**Dated**	**Topic**
Notification No. 66/2016 -Customs (N.T.)	14/05/2016	The Class of goods which shall be deposited in a special warehouse licenced under sub-section (1) of the section 58A
Notification No. 67/2016 -Customs (N.T.)	14/05/2016	The Warehoused Goods (Removal) Regulations, 2016
Notification No. 68/2016 -Customs (N.T.)	14/05/2016	The Warehouse (Custody and Handling of Goods) Regulations, 2016
Notification No. 69/2016 -Customs (N.T.)	14/05/2016	The Special Warehouse (Custody and Handling of Goods) Regulations, 2016
Notification No. 70/2016 -Customs (N.T.)	14/05/2016	Public Warehouse Licensing Regulations, 2016
Notification No. 71/2016 -Customs (N.T.)	14/05/2016	Private Warehouse Licensing Regulations, 2016
Notification No. 72/2016 -Customs (N.T.)	14/05/2016	Special Warehouse Licensing Regulations, 2016
Notification No. 44/2016 - Customs	29/07/2016	Amends Notification 52/2003-Customs dated 31.3.2003 and removes the condition of Private Bonded Warehouse for EOU

Circular	Dated	Topic
Circular No.17 / 2016-Customs	14/05/2016	Removal of goods from a customs station - instructions regarding affixation of one-time-lock
Circular No.18 / 2016-Customs	14/05/2016	Bond required to be filed under section 59
Circular No.19 / 2016-Customs	20/05/2016	Regarding allotment of Warehouse Code for Customs Bonded Warehouses
Circular No.21/ 2016-Customs	31/05/2016	Security under section 59 (3) of the Customs Act
Circular No.22/ 2016-Customs	31/05/2016	Procedure regarding filing of ex-bond bill of entry
Circular No.23/ 2016-Customs	01/06/2016	Manner of payment of interest on warehoused goods
Circular No.24/ 2016-Customs	02/06/2016	Requirement of Solvency Certificate for the purposes of Private Warehouse Licensing Regulations 2016
Circular No.25/ 2016-Customs	08/06/2016	Maintenance of records in relation to warehoused goods in electronic form, filing of returns and acknowledgement of receipt of goods
Circular No.26/ 2016-Customs	09/06/2016	Form of application for a License under Public Warehousing Licensing Regulations, 2016 / Private Warehousing Regulations, 2016 / Special Warehousing Regulations, 2016.
Circular No.31/ 2016-Customs	06/07/2016	Sale of goods at Duty Free Shops in Indian Currency
Circular No.32/ 2016-Customs	13/07/2016	Procedure regarding Duty Free Shops
Circular No.33/ 2016-Customs	22/07/2016	Review of entity based facilitation programs viz. Accredited Client Program (ACP) and Authorized Economic Operator (AEO) program – Revised Guidelines.
Circular No.35/ 2016-Customs	29/07/2016	Removal of mandatory warehousing requirements for EOUs, STPIs, EHTPs etc-Amendment to Notification 52/2003-Customs dt 31.3.2003.

Notification	Dated	Topic
Notification No. 27/2016 – C. Ex	26/07/2016	Seeks to partially exempt Central Excise duty on articles of jewellery falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986) manufactured by: (a) re-conversion of jewellery given by the retail customer, or (b) mounting of precious stone given by the retail customer.
Notification No. 28/2016 – C.Ex	26/07/2016	Seeks to amend notification No. 8/2003-Central Excise dated 1st March, 2003, so as to increase the SSI Exemption limit and the SSI Eligibility limit for articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986).
Notification No. 31/2016 – C. Ex	24/08/2016	Amends Notification No.22/2003-Central Excise dated 31.3.2003 and removes the condition of Private Bonded Warehouse for EOU

Circular	Dated	Topic
Circular No. 1040/28/2016-CX	26-07-2016	Clarification on computation of exemption and eligibility and exemption limits and other related issues for small scale industries [SSI] exemption under Notification No. 8/2003-CE dated 1st March 2003 in respect manufacturer or principal manufacturer of articles of jewellery or parts of articles of jewellery or both
1041/29/2016-CX	26-07-2016	Guidelines for Excise Audit of Manufacturers / Principal Manufacturers of articles of jewellery or parts of articles of jewellery
1042/30/2016-CX	26-07-2016	Export related procedural simplifications - excise duty on articles of jewellery falling under heading 7113
1043/31/2016-CX	26-07-2016	General procedures regarding excise duty on articles of jewellery or parts of articles of jewellery or both falling under heading 7113
1044/32/2016-CX	26-07-2016	Guidelines for issue of summons, visits, search, seizure, arrest and prosecution regarding manufacturers or principal manufacturers of articles of jewellery or parts of articles of jewellery or both
1045/33/2016-CX	26-07-2016	Taxability of stock on February 29, 2016 - Excise duty imposition on articles of jewellery in the Budget 2016-17

It is observed from above that CBEC is really serious to resolve all the issues and practical difficulties faced by Trade & industries and importers & exporters.

This article deals with new facilitation programs of Accredited Client Program (ACP) and Authorized Economic Operator (AEO) program, which will bring the dream in reality to substantially reduce custom clearance time for imports and exports consignments. The prominent features of the new program are :

i. Inclusion of Direct Port Delivery of imports to ensure just-in-time inventory management by manufacturers – clearance from wharf to warehouse

ii. Inclusion of Direct Port Entry for factory stuffed containers meant for export by AEOs

iii. Special focus on small and medium scale entities – any entity handling 25 import or export documents annually can become part of this program

iv. Provision of Deferred Payment of duties – delinking duty payment and Customs clearance

v. Mutual Recognition Agreements with other Customs Administrations

vi. Faster disbursal of drawback amount

vii. Fast tracking of refunds and adjudications

viii. Extension of facilitation to exports in addition to imports

ix. Self-certified copies of FTA / PTA origin related or any other certificates required for clearance would be accepted

x. Request based on-site inspection /examination

xi. Paperless declarations with no supporting documents

xii. Recognition by Partner Government Agencies and other Stakeholders as part of this program

The existing entities under AEO program are already accorded the status of AEO-T2 or AEO-LO and all entities under ACP Status have been granted one-time opportunity for transition to AEO status and they are provisionally granted registration under AEO-T1 category till the time they apply and decision is taken.

It is important to understand eligibility and benefits under AEO program:

Eligibility for obtaining AEO Status for T1, T2 & T3 Category are the same, but norms for compliances and benefits are different.

Eligibility

All importers & exporters, economic operators including logistics providers, CHAs, warehouse owners, port operators, authorized couriers, etc., etc. but excluding bank, insurance companies and consultants.

Benefits

✷AEO – T1

i. They shall be accorded high level of facilitation in imports and export of their consignments, thereby ensuring shorter cargo release time.

ii. Facility of Direct Port Delivery (DPD) of their import Containers and/ or Direct Port Entry (DPE) of their Export Containers would be available to them. However, this facility will be dependent on the volume of their Import/ Export trade in terms of number of containers.

iii. ID cards to be granted to authorized personnel for hassle free entry to Custom Houses, CFSs and ICDs.

iv. Wherever feasible, they will get separate space earmarked in Custodian's premises.

v. In case they are required to furnish a Bank Guarantee, the quantum of the Bank Guarantee would be 50% of that required to be furnished by an importer/ exporter who is not an AEO Certificate Holder. However, this exemption fromBank guarantee wouldnot be applicable in cases where the Competent Authority orders furnishing of Bank Guarantee for provisional release of seized goods.

vi. Investigations, if any, in respect of Customs, Central Excise and Service Tax cases would be completed, as far as possible, in six to nine months.

vii. Dispute resolution at the level of Adjudicating Authorities in respect of Customs, Central Excise and Service Tax cases would be done preferably & as far as possible within six months.

viii. They will not be subjected to regular transactional PCA, instead of that onsite PCA will be conducted once in two years only.

ix. They will get an e-mail regarding arrival/ departure of the vessel carrying their consignments.

x. 24/7 clearances on request at all sea ports and airports – No Merchant Overtime Fee (MOT) charges need to be paid.

✷AEO – T2

xi. They shall be accorded higher level of facilitation (as compared to AEO-T1 in imports and export of their consignments.

xii. For Importers/Exporters not opting for DPD/DPE, seal verification/scrutiny of documents by Custom officers would be waived. Consignments would be given out of charge or let export order, as the case may be, without any scrutiny by the officers.

xiii. The containers selected for scanning will be scanned on priority, by giving front line of treatment.

xiv. Facility of deferred payment of duty will be provided, from a date to be notified

xv. Faster disbursal of drawback amount within 72 hours of EGM submission, from a date to be notified

xvi. The BEs/SBs selected for Assessment and/or Examination will be processed on priority by the Customs officers.

xvii. Facility of self -sealing of export goods would be allowed without the requirement to seek case to case base permission from the authorities

xviii. Faster completion of Special Valuation Branch ('SVB') proceedings in case of related party imports and monitoring of such cases for time bound disposal in terms of new guidelines

xix.In case they are required to furnish a Bank Guarantee, the quantum of the Bank Guarantee would be 25% of that required to be furnished by an importer/ exporter who is not an AEO Certificate Holder. However, this exemption from Bank guarantee would not be applicable in cases where the Competent Authority orders furnishing of Bank Guarantee for provisional release of seized goods.

xx. They will be given facility to paste MRP stickers in their premises.

xxi.They will not be subjected to regular transactional PCA instead of that onsite PCA will be conducted once in three years only.

xxii. They will be given access to their consolidated import/export data through ICEGATE from a date that would be communicated separately.

xxiii. They will be provided the facility of submitting paperless declarations with no supporting documents in physical form.

xiv. All Custom Houses will appoint a "Client Relationship Manager"(CRM) at the level of Deputy / Assistant Commissioner as a single point of interaction with them. The CRM would act as voice of the AEO within Customs in relation to legitimate concerns and issues of AEO and would assist in getting procedural and operational issues resolved by coordinating with different sections within Customs as well as other stakeholders.

xxv. The refund/Rebate of Customs/Central Excise duty and Service Tax would be granted within 45 days of the submission of complete documents.

xxvi.They will get trade facilitation by a foreign Customs administration with whom India enters into a Mutual Recognition Agreement/Arrangement.

✷ AEO – T3

i. They shall be accorded highest level of facilitation, as compared to AEO-T2, in imports and export of their consignments.

ii. Their containers will not be selected for scanning except on the basis of specific intelligence. Further when any container is selected for scanning, top most priority will be given for scanning.

iii. The assessing/examining custom officer will rely on the self-certified copies of documents submitted by them without insisting upon original documents.

iv. They would not be required to furnish any Bank Guarantee. However, this exemption from Bank guarantee would not be applicable in cases where the Competent Authority orders furnishing of Bank Guarantee for provisional release of seized goods.

v. An approach based on Risk based interventions, in case of requirements originating from the Acts administered by other Government Agencies/Departments, will be adopted for providing better facilitation in imports and export of their consignments.

vi. On request, they will be provided on-site inspection / examination.

vii. The refund/Rebate of Customs/Central Excise duty and Service Tax would be granted within 30 days of the submission of complete documents.

Importers and exporters are advised to fill up application form in Annexure-A giving full details and also provide the details in self-assessment form in prescribed annexures.

If any Importers and exporters wants their operations hurdle free, it is important to make an application for obtaining AEO Sixtatus and reduce their transactions cost & time. MA

nawal@bizsoliadia.com

USG Seminar on 'Startup India and its Prospect'

The Department of Commerce, Naba Ballygunge Mahavidyalaya organized a UGC Sponsored one day National Seminar on 'Startup India and its Prospect' on August 28, 2016 in collaboration with the Institute at the college auditorium. The aim of the seminar is to fill up gaps in the economy for the growth and development of startups and to boost the digital entrepreneurship at the grass roots. Dr. Sukamal Datta, Principal of the college , CMA Dr. Asish K. Bhattacharya, Professor and Head, School of Corporate Governance and Public Policy, IICA, New Delhi were the eminent dignitaries in the inaugural session. Technical sessions were attended by renowned academicians. The learned speakers and the paper presenters analysed on the concerned theme from different angles and the sessions were highly interactive.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Eastern India Regional Council

The Region organized a one day seminar on August 19, 2016 on the theme 'Income Declaration Scheme, 2016' at J.N. Bose Auditorium, Kolkata. Shri A. K. Singh, IRS, Principal Chief Commissioner of Income Tax, Eastern Region was the chief guest of the seminar. Shri N.N Mishra, IRS, Principal Commissioner, Kolkata & Durgapur and Shri S. P. Chowdhury, IRS, Principal Commissioner of Income Tax, Kolkata were the Guests of Honour. The session was presided by CMA Manas Kr Thakur, president of the Institute. CMA Mrityunjay Acharjee, VP, Balmer Lawrie & Co. Ltd and Shri Arijit Chakraborty, Director, KPMG were the resource persons. CMA Umar Farooque, RCM offered the vote of thanks. The seminar aimed at providing a forum attended by eminent professionals, top most officials of the regulatory bodies and PSUs, corporate leaders, and the CMAs serving the industry and in practice. The seminar expected to bring awareness in disseminating and propagating the Income Declaration Scheme, 2016 not only amongst members but also among business persons and other citizens so that assessees can get prepared and take maximum benefit out of the scheme.

The Institute of Cost Accountants of India-Bhubaneswar Chapter

On September 18, 2016 the Chapter organized the students' felicitation function to felicitate the successful students of the chapter of June 2016 term examination. Shri Sangramjit Nayak, Managing Director, OTPCL & Additional Secretary, Department of Energy, Govt. of Odisha, CMA Pravakar Mohanty, Director (Finance) & Managing Director (In-Charge), NINL & Past President of the Institute, CMA Niranjan Mishra, Council Member & Chairman, Regional Councils and Chapters Coordination

Committee of the Institute, Kolkata and CMA Shiba Prasad Padhi, RCM, EIRC inaugurated and graced the function as honoured guest. Various career awareness programmes had been organized by the chapter in different schools & colleges in and around Bhubaneswar at different dates of August and September 2016.

The Institute of Cost Accountants of India-Howrah Chapter

The Chapter conducted a workshop at its premises on July 23, 2016 on recent amendments on TDS/TCS on Income Tax and Income Declaration scheme, 2016 deliberated by CA P.K. Agarwal, renowned practicing chartered accountant. He has detailed about the recent changes of Finance Act, 2016 on TDS and TCS and analyzed the scheme of disclosure of Income and the impact on taxes by the tax payers. In the second session, CMA Niladri Dutta delivered on Internal Audit under the Companies Act '13 and also gave an overview idea on DISA courses of the Institute. The members of the chapters felicitated CMA Manas Kr Thakur, President of the Institute and also Sri Shyamal Mitra, Mayor–in-Council, Howrah Municipal Corporation.

The Chapter organized a full day seminar at Ramgopal Mancha, Howrah on 'GST-paradigm Shift' on August 27, 2016 in association with Howrah Chambers of Commerce. CA Vivek Jalan, leading practising Chartered Accountant, CMA Chiranjib Das, Jt. Director, Tax Research of the Institute and Sri Rajib Sengupta, Jt. Commissioner of Commercial Taxes, Govt of West Bengal were the key speakers who spoke about the Model Law, 2016 approved by the empowered committee and also deliberated the impact on the industry and the business. President of the Institute, CMA Manas Kr. Thakur delivered the special address. Other dignitaries who graced the occasions were Sri S.K. Sanyal, President, Howrah Chambers of Commerce, CMA Bibekananda Mukherjee, chairman, EIRC, CMA P.K. Chakrabarty, vice chairman, EIRC and CMA Purnendu De, chairman of the chapter.

Northern India Regional Council

The Institute of Cost Accountants of India-Allahabad Chapter

The Chapter celebrated the Independence Day with traditional fervours. CMA S.V Sharma, past secretary of the chapter along with chairman of the chapter, CMA Indrasen Singh unfurled the National Flag. Dr Kiran Kumar said in rural India few have the privilege of a good education and he called for launching of an education campaign to cover as many persons as possible. CMA S. K Pal, Treasurer in his vote of thanks praised pluralism in Indian society and said that unless all the sections of the society are covered under poverty elevation programme real growth of the country will not take place.

The Institute of Cost Accountants of India-Udaipur Chapter

On August 28, 2016, the Chapter organized Members Meet and felicitation programme at Agarwal Farm House by cash award and certificate to the students qualifying the June 2016 examination. CMA Dinesh Dargar, secretary of the chapter explained about the activities and highlights of the result. The Members Meet was addressed by CMA

Rajendra Singh Bhati, Treasurer, NIRC, New Delhi, CMA Rajendra Rathi, General Manager, Indirect Tax of Reliance Industries Ltd Dahej, Gujarat, CMA S.N. Mundra Vice President (F&A), Kutch Chemical Ltd, Varodra, CMA Sailendra Sexenna, Practicing Member at Ankeleshwer, Gujarat explained about the role of CMAs in GST and Companies Act 2013. In the second session, CMA G.L. Modh, Chairman, Ahmedabad Chapter motivated the students to pursue CMA Course.

Southern India Regional Council

The Institute of Cost Accountants of India-Mettur Salem Chapter

A career counselling programme had been conducted by the chapter on July 20, 2016. The Chapter in association with the Salem Branch of the Institute of Chartered Accountants of India and the Salem Chapter of the Institute of Company Secretaries of India organized a joint seminar on 'National Company Law Tribunal' under the banner 'Sangamam' on July 30, 2016 at Salem. In the first technical session on the theme 'Gearing up for NCLT / Insolvency

and Bankruptcy Code', CS Dr. K.S. Ravichandran, Managing Partner, KSR & Co LLP, Coimbatore made a presentation on the establishment of the National Company Law Tribunal and the National Company Law Appellate Tribunal and deliberated on the significance and scope of such constitution and abolition of the existing Company Law Board. In the technical session two, CA P.V. Rajarajeswaran, Madurai made a presentation on the reporting of small and medium companies under the Companies Act, 2013. The third technical session on 'An Insight into the Judiciary and Administration of Company Law – Who, Where, When to approach', CS P. Sriram, Practising Company Secretary & Promotor Director, Prowis Corporate Services Pvt. Ltd., Chennai dwelt with the various courts like Special Courts identified for addressing criminal offences under the Companies Act, 2013 apart from the NCLT and NCLAT which are meant for non-criminal offences. In the fourth technical session on 'Investment Strategies', Mr. Va. Nagappan, Financial Consultant and Investment Coach, Oriental Stocks, Chennai addressed on the investment strategies.

The Institute of Cost Accountants of India-Hyderabad Chapter

On August 6, 2016, the chapter organized a programme on 'Passing CIMA UK, Strategic Case Study' where CMA C. Dakshina Murthy, Senior Manager, MI (Management Information), Shell Business Operations, Chennai was the speaker and he started off with an introduction of MoU between the Institute and CIMA which was renewed on January 31, 2015. On August 15, 2016, the Chapter celebrated the 70th Independence Day and the flag was hoisted by CMA D. Surya Prakasam, chairman of the chapter. On August 20, 2016 a practitioners' meet had been organized on 'Cost Audit Rules and E-Intermediary'. On August 28, 2016 a full day seminar was organized by the chapter on 'GST Model Law' where CA S. Thirumalai, Former National Director – Indirect Tax, Deloitte Haskins & Sells was the chief guest and the speaker. He discussed how GST had evolved in India and across the world. CA Amit Kumar Fitkariwal, Senior Manager, Indirect Taxes, Deloitte Haskins & Sells in his session highlighted the importance of Model GST and covered key concepts such as basics of GST, time of supply, place of supply, value of GST, input tax credit, compliances under GST, transitional provisions, GST compliance ratings, opportunities for professionals under GST Act and he provided guidance on practical issues in GST. On August 24, 2016 a Press Meet had been conducted to introduce the New Syllabus 2016. CMA D. Surya Prakasam, chairman of the chapter explained to the Print and Electronic Media about the necessity of introducing the New Syllabus-2016 keeping in view of the present requirement of the industry and also employable skills. CMA Zitendar Rao, member

SIRC also spoke on this occasion highlighting the requirement of the new syllabus keeping in view of the Hon'ble Prime Minister, Make in India programme etc. On August 30, 2016 chief guest Prof. S. Ramachandram, hon'ble vice chancellor, Osmania University, Hyderabad, guest of honour Prof. V. Gangadhar, former vice-chancellor, Mahatma Gandhi University, Nalgonda, key note speaker CA P.R. Ramesh, chairman, Deloitte, India attended a joint programme organized by the chapter with Osmania University, Department of

Commerce on 'Fraudulent Financial Practices in Indian Capital Market – Issues and Concerns' at Auditorium, Prof. G. Ram Reddy Centre for Distance Education, Osmania University, Hyderabad. On August 31, 2016, the same programme had been attended by chief guest CA M. Devaraja Reddy, President, ICAI, New Delhi, guest of honour, Prof B. Rajarathnam, hon'ble Vice Chancellor, Palamuru University, Mahabubnagar, Dr. V.R. Narasimhan, Chief Regulator, NSE Ltd., Mumbai, India.

The Institute of Cost Accountants of India- Trivandrum Chapter

On August 16, 2016, the Chapter organized a Professional Development Programme on the theme 'Income Declaration Scheme 2016' chaired by CMA Joseph Louis, secretary of the chapter. In his presidential speech, CMA Joseph Louis said this is the last opportunity for tax payers who intentionally or unintentionally failed to return full taxable income, to declare it and escape from penal provisions under Income Tax Act, 1961. Smt. Saratha G., IRS, Deputy Commissioner of Income Tax, International Taxation,

Income Tax Department, Govt. of India was the guest speaker and she elaborately explained the features of Income declaration scheme 2016 proclaimed under Finance Act, 2016, the types of incomes likely to be omitted from tax returns, how the assessees are getting benefitted by declaring undeclared income etc.

The Institute of Cost Accountants of India- Coimbatore Chapter

The Chapter organized a PDP on August 9, 2016 on the theme 'Highlights of new GST Bill & Preparing for GST' jointly with Coimbatore Management Association, Coimbatore and PSG Institute of Management, Coimbatore. CA Sayee Mohan, Sr. Director, Indirect Tax, Deloitte Haskins & Sells LLP, Chennai, the speaker gave his lecture on the topic. On August 3, 2016 a career counselling programme was conducted by the chapter. The annual festival of the CMA students, an inter-collegiate event, 'Cosma fest – 2016' had been conducted by the Chapter on August 27, 2016 at PSG Institute of Management, Coimbatore. Sri N. Subramaniam, vice-president, The Indian Chamber of Commerce & Industry, Coimbatore and Founder Director of M/s. Habasit lakoka Pvt. Ltd., Coimbatore inaugurated the event. Dr. Kavidasan, Director, Roots Industries India Ltd., Coimbatore & Secretary, Satchidananda Jothi Nikehtan International School, Mettupalayam addressed the valedictory function and distributed prizes to the winners. The chapter also felicitated the proficiency winners for their outstanding performance in the examination.

The Institute of Cost Accountants of India- Cochin Chapter

On August 6, 2016 the Chapter organized a PD Meeting on 'Living in the MCLR regime - What CFOs should be aware of' and CMA Jiz P Kottukappally, a senior banker was the speaker of the meet. Various

career counselling programmes had been conducted in different colleges at different dates of August 2016. On August 15, 2016 the chapter celebrated the Independence Day and on August 26, 2016 a blood donation camp had been organized.

Western India Regional Council

The Institute of Cost Accountants of India- Navi Mumbai Chapter

On August 20, 2016, a Career Guidance Programme was conducted by the chapter. On August 28, 2016 the Chapter organized a CEP on 'Enterprise Risk Management' whose keynote speaker was CMA Vidyasagar Tyagi, Vice-President & Head of Audit - Corporate Function Reliance Industries Ltd. The speaker took the subject from simplicity to complexity blended with his actual practical experience and explained lucidly the Enterprise/ COSO Risk Management Framework and this provided an impetus for a very interactive session leading to a very good sharing of knowledge between the audience and the speaker.

The Institute of Cost Accountants of India - Surat-South Gujarat Chapter

On August 24, 2016 the chapter arranged press meet with local media at chapter's office as per the guideline by the Secretariat Department. CMA Manubhai Desai, Chairman of the chapter and CMA Bharat Savani, Managing Committee Member represented from the Chapter's side gave information to the media about the New Syllabus, 2016.

The Institute of Cost Accountants of India- Ahmedabad Chapter

The Chapter on August 4, 2016 organized inaugural of oral coaching and felicitation of the students who qualified in the examination. CMA P H Desai, chairman, WIRC described the scope of work for CMA students and various MOU made by the Institute with different countries. He motivated successful and newly enrolled students. CMA P D Modh, Chairman of oral coaching committee advised about syllabus and facility available at the chapter for the students. CMA V H Savaliya, Chairman of the chapter welcomed chief guest CMA Arpitbhai Patel, Managing Committee Member, students and their parents and gave

the brief of chapter's activities. Chief Guest, CMA Arpitbhai Patel complemented the successful students and encouraged the newly enrolled students to join this valuable professional course in the era of global industrial competition. CMA Ashish Bhavsar, vice chairman of chapter gave the vote of thanks.

The Institute of Cost Accountants of India-Nasik Ojhar Chapter

The Chapter organized a half day seminar on 'GST Law - 2016' on August 11, 2016 at Nasik Engineering Cluster, Ambad, Nashik. CMA R. K. Deodhar explained model GST Law 2016, definitions, features, advantages, need of proposed GST, etc. CMA Pradnya Chandorkar described the process of Registration under GST, transition provisions under GST. They also answered the queries raised by the participants.

The Institute of Cost Accountants of India-Pimpri Chinchwad Akurdi Chapter

The Chapter organized a seminar on 'Bulandiyonko Kaise Chhuna Hai' on September 3, 2016 at Rotary Club, Chinchwad, Pune. Chief Guest CMA J. Vedagiri, Director - MNGL congratulated all the successful students for their hard efforts. He guided the students and shared his own experience in corporate world. CMA Pradeep Deshpande, Managing Committee Member gave introduction of all the dignitaries on the dais, guest of honor, CMA B M Sharma, former president of the Institute, CMA L D Pawar, RCM and secretary, WIRC. Guest Speaker, CMA Pramod Jain, International Finance Trainer, Author & Business Coach delivered lecture on the concerned theme and the lecture was very interactive.

The Institute of Cost Accountants of India

12,Sudder Street, Kolkata – 700 016.

21st September 2016

Notification

Amendments in the existing Guidelines for Mandatory training for all members of the Institute under Continuing Education Programme

As recommended by the Continuing Professional Development Committee ,the Council of the Institute in its 300th Meeting held on 21st July 2016 amended the following clause of the existing Guidelines for Mandatory training for all members of the Institute under Continuing Education Programme:-

1. **The requirement of CEP Credit Hours for the category of Members holding Certificate of Practice attained the age of 65 years and above.**

   A member attained the age of 65 years and above shall be required to undergo minimum mandatory training of 50% of the minimum CEP hour per year and block of 3 years as per the category of the members holding Certificate of Practice below the age of 65 years.

2. **Basis of Awarding CEP Credit Hours under reciprocal arrangement between the Institute and ICSI.**

   This reciprocal arrangement is withdrawn.

For further details, please refer to the amended guidelines available on the website of the Institute.

(Kaushik Banerjee)

Secretary

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

GUIDELINES FOR MANDATORY TRAINING FOR ALL MEMBERS OF THE INSTITUTE UNDER CONTINUING EDUCATION PROGRAMME

(Amended with effect from 1st January, 2016)

1. INTRODUCTION

1.1 The Institute of Cost Accountants of India was set up under the Cost and Works Accountants Act, 1959, as amended to educate, impart training and develop the profession of Cost Accountancy. In the current changing dynamic economic scenario it is essential for Cost Accountants in practice and in employment to continuously update and equip themselves with the new skills and concepts to meet the challenges and render efficient service to trade, commerce, industry and the society at large. A profession cannot maintain the cutting edge unless its members regularly update their knowledge.

1.2 As advised by the Quality Review Board, recommended by the Members' Facilities & Services Committee and approved by the Council at its 291st Meeting held on 30th January, 2015, the Institute is pleased to announce revised CEP requirements for members in practice & industry vide Notification dated 12th February 2015. At least 50% of the CEP hours of the members should be in respect of the subjects pertaining to the topics of professional relevance for members as per **Schedule-I** of the said Guidelines.

1.3 In line with the recommendations of the International Federation of Accountants (IFAC) and feeling the need to have compulsory and continued training of the members of the Institute, the Council has made training mandatory for all members to ensure constant updating of knowledge and skills of members. The Council has framed the following guidelines covering the requirement of eligible training, awarding and recording of credit hours as well as features for considering programmes eligible to award credit hours.

1.4 The objective of Continuing Education Programme is to assist the members in widening their knowledge base and in improving their skills to be at the cutting edge of technology by providing training and expertise in critical areas.

2. KEY DEFINITIONS

2.1 **"Institute"** means the Institute of Cost Accountants of India.

2.2 **"Continuing Education Programme (CEP)"**—Programmes of the Institute specifically designed to cater to specific learning activity imposing continuing education requirements on members intended to expand their knowledge base and stay up-to-date on new developments.

2.3 **"Approved CEP Programmes"** means programmes organized by the Institute including programmes of the Regional Councils and Chapters, approved Study Circles, or any entity recognized by the Council from time to time for this purpose, National Cost Conventions, Regional Cost Conventions, participative certificate programme of ICAI, Seminars or Conferences organized jointly with other professional bodies and Chambers of Commerce that are approved by the CEP Directorate for granting CEP Credit Hours.

2.4 **"Year"** for the purpose of these guidelines shall mean the period commencing from 1st day of April and ending on 31st of March.

2.5 **"Continuing Education Programme Directorate (CEP Directorate)"** means the directorate of the Institute set up for overseeing the academic, technical and administrative functions of CEP programmes.

2.6 **"Continuing Education Programme Committee (CEP Committee)"** means a committee of the Council of the Institute entrusted with the task of setting strategic directions and overseeing CEP activities.

2.7 **"CEP Credit Hours"** means credit hours awarded to the member for participating in any approved CEP Programme.

2.8 **"Permanent Disability"** means a person suffering from not less than 40% of any disability as certified by a medical authority.

3. AUTHORISATION AND REGULATION

3.1 In terms with the powers vested with the Council of the Institute under the Cost and Works Accountants Act, 1959 and the Regulations framed thereunder, the Council of the Institute is empowered to frame rules and guidelines for the maintenance of the status and standard of professional qualifications of the members of the Institute.

3.2 Compliance with these guidelines is mandatory for the members in practice and recommendatory for other members. **(Amended as per the decision in 300th Council Meeting held on 21st July 2016)**

3.3 In case of any queries concerning these guidelines, the clarifications and interpretations of issued by the CEP Directorate shall be final.

4. EFFECTIVE DATE

4.1 These guidelines are effective from 1st January 2016.

5. APPLICABILITY OF GUIDELINES

5.1 The requirement of CEP Credit Hours is divided in various categories and need to be met by the members as prescribed in **Annexure A.**

5.2 All members of the Institute are required to meet the CEP requirement(s) as specified by the Council from time to time subject to the category **exempted** as below:

(i) A member who has attained the age of 65 years. **(Eliminated as per the decision in 300th Council Meeting held on 21st July 2016)**

(ii) For the first year for a member who is admitted to the membership of the Institute. A year in this context is to be considered as the period from April 1 to March 31.

(iii) A member who is having permanent disability and members who have been handicapped due to an accident/ sickness for a prolonged period may be exempted from fulfilling the requirement of CEP Hours on submission of valid documents in support of the same.

(iv) A member who is resident outside India.

(v) In case of members residing outside India for a period of not less than 6 months may be exempted from the requirement for the particular year on submission of valid documents in support of the same. However, no such exemption/relaxation is available to a member who has obtained membership of the Institute in accordance with the MOU entered into between the Institute and any other foreign Institute and such member would be considered to have earned Credit Hours if the member has fulfilled the Credit Hour requirement of that foreign Institute.

(vi) The CEP Committee may in their absolute discretion grant full/partial exemption specifically or generally to a member or a class of members based on facts and circumstances on a case to case basis.

6. BASIS OF AWARDING CEP CREDIT HOURS

A member is awarded the credit of CEP Hours by the CEP Committee on the basis of the learning activities undertaken during the year. To undergo the mandatory training, the CEP Committee has specified various learning activity options for a member which may be attended by the members. These are:

i. Attending an approved CEP Programme.

ii. Attending an approved Webinar conducted by the Institute for members. Mere registration for Webinar will not be sufficient to earn the credit hours and the members must attend the full session.

iii. The in-house trainings imparted by an organization, having a turnover of Rs.100 Crores or above per annum, to their employees subject to the condition that the training programme should be on a subject of professional relevance and provided the organization seek prior approval by the CEP Directorate. The organization would be required to submit the attendance records of the members attending the programme to the CEP Directorate.

iv. Members attending CEP programmes of the Institute of Company Secretaries of India under the reciprocal arrangement between the Institute and ICSI. **(Eliminated as per the decision in 300th Council Meeting held on 21st July 2016)**

v. Any other activity as specified in Annexure B.

The basis of awarding CEP Credit Hours for attending the aforesaid programmes in para 6 would be guided by the conditions prescribed in **Annexure B**.

7. MONITORING AND REVIEW OF CEP ACTIVITIES

The CEP Directorate under the supervision and guidance of the CEP Committee will monitor and review the programmes conducted by the various regions, chapters, and study circles from time to time.

Mechanism to be followed by the organizer of the CEP Programme:

i. Seek prior approval from CEP Directorate for holding the programme on topics of professional relevance and importance **as per the Schedule-I.**

ii. Submit online details of the programme to the CEP Directorate at least 5 days prior to the scheduled date of the programme. Detail of online submission mechanism is available with the CEP Directorate.

iii. Maintain attendance records of the programme in the manner as stipulated by the CEP Directorate from time to time.

iv. Submit the attendance records to the CEP Directorate within 3 working days of the programme to upload the CEP Credit Hours in the portal.

v. In case of any missed attendance, CEP Credit Hours of a member can be claimed within 90 days from the date of programme.

8. POWER TO MODIFY GUIDELINES

The Council of the Institute on the basis of recommendation of the CEP Committee can modify these guidelines at any time to meet the requirements of CEP.

9. OBLIGATIONS OF THE MEMBERS

9.1 Compliance with the said guidelines is mandatory for the Members of the Institute of Cost Accountants of India read with Clause 5. Members can view the status of CEP Credit Hours awarded during the year on the Institute's website in Members' Section.

9.2 The Institute shall maintain the record of attendance of members at approved CEP Programmes. However, members should also maintain a personal record of compliance with the requirements of Credit Hours as also for undertaking other CEP Learning activities for which CEP Hours are granted and produce the same for verification.

9.3 Members holding Certificate of Practice are required to confirm that they have secured the minimum annual CEP Credit Hours at the time of renewal of membership and certificate of practice.

10. ACTION AGAINST NON-COMPLYING MEMBERS

The Certificate of Practice of members who fail to comply with the requirements of these guidelines shall not be renewed as provided in Regulation 10(1) of the Cost and Works Accountants Regulations, 1959 (as amended).

Annexure A

Applicability and CEP Credit Hours requirement

Para 5 of the Guidelines

The new block is effective from 1.4.2015 and supersedes the earlier block.

Effective April 1, 2015, the requirement of CEP Credit Hours are as below subject to exemptions under para 5 of the guidelines.

CEP Credit Hours requirements for the block of three (3) years starting effective April 1, 2015 to March 31, 2018, to be complied with by different categories of members.

Members holding Certificate of Practice

Below the age of 65 years:

The member should undergo minimum mandatory training of 15 hours per year and 50 hours in a block of 3 years.

Above the age of 65 years:

The member should undergo minimum mandatory training of 50% of the minimum CEP hours per year and block of 3 years as per the category of the members holding Certificate of Practice below the age of 65 years.

Holding Certificate of Practice for part of the year:

A member holding Certificate of Practice is exempt from the CEP requirement for the first year or part of the year.

Members not holding Certificate of Practice

It is recommended that a member should undergo minimum training of 7 hours per year and 25 hours in a block of 3 years.

(Amended as per the decision in 300th Council Meeting held on 21st July 2016)

Note:

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

Annexure B

The Basis of awarding CEP Credit Hours

Approved CEP Programmes:

Duration of the approved CEP Programme	Credit Hours
Less than 1 hour	Nil
I hour and more and upto 2 hours	1
More than 2 hours and upto 4 hours in a single day	2
Beyond 4 hours in a single day	4
Programme spanning 1 and half day	6
Programmes spanning 2 days	8
Programme spanning beyond 2 days (minimuwm 6 hours per day)	10

Note:

- No credit hours will be given to a participant who attends a programme partially.

Approved CEP Webinars/(E-Learning):

Duration of the approved CEP Webinar	Credit Hours
Less than 1 hour	Nil
I hour and more and upto 2 hours	1
More than 2 hours and upto 4 hours in a single day	2
Beyond 4 hours in a single day	4

Note:
- No credit hours will be given to a participant who attends a Webinar partially.

Other Eligible Learning Activities and CEP Credit Hours:

SI.No.	Learning Activities	CEP Credit Hours
1	**Acting as a Speaker or Discussion Leader** A member who is acting as a visiting faculty/guest faculty in a programme or seminar offered by any UGC recognized University/AICTE approved Institution/Management Institutions/ Institutions of National Importance. **Members are not eligible for CEP Credit Hours for acting as a faculty in Oral Tuition Classes for students**	Equivalent to the basis of the CEP Credit hours for the approved CEP Programme or Webinars/E-learning
2.	**Technical Materials Submitted for Publication** A member whose Technical articles monographs or books are published is eligible for CEP credit hours subject to the condition that the publication is accorded International Standard Serial Number (ISSN)/ International Standard Book Number (ISBN). For joint authorship the hours will be equally divided.	6 hours each
3.	**Books and Monographs** For the first time of publication. (Note: The Institute will assign specific CEP hours on receipt of a copy of the publication) For joint authorship the hours will be equally divided.	10 hours for each publication
4.	**Articles Published in Management Accountant** A member whose article is published in Management Accountant For joint authorship the hours will be equally divided.	4 hours
5.	**Diploma Courses/Certificate Courses** On successful completion of Diploma Courses/Certificate Courses (including e-Learning) as monitored by the Institute and its Central Committees.	Equivalent to the basis of the CEP Credit hours for the approved CEP Programme or Webinars/E--learning.

6.	**Participation in Meetings**	
6.1	Members who participated in Meetings of the Council Committees/Technical Committees of the Institute/Task Force/Technical Discussions in the Council/Study Groups.	Equivalent to the basis of the CEP Credit hours for the approved CEP Programme. (Subject to a minimum meeting duration of one hour).
6.2	Attending meetings/Seminars/workshops by SAFA/CAPA/IFAC or any other International bodies where the Institute is a member.	
7.1	**Courses/ Programmes by Foreign Institutes** A member who has obtained membership of the Institute in accordance with the MOU entered into between the Institute and any other foreign Institute.	It would be considered to have earned Credit Hours if the member has fulfilled the Credit Hour requirement of that foreign Institute.

Note: The CEP Credit will be given to the member only after submission of authenticated proof in this regard to the CEP Directorate.

Schedule-I

List of Topics of Professional Relevance

(i) Role of CMAs in Risk Management

(ii) Forensic Accounting

(iii) Direct Tax Code

(iv) Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2001

(v) VAT

(vi) Role of CMAs in Health sector

(vii) Role of CMAs in Education sector

(viii) Role of CMAs in Internal Audit

(ix) Role of CMAs in Banking sector

(x) Role of CMAs in Insurance sector

(xi) Role of CMAs in Capital Markets

(xii) Role of Independent Directors, Board members

(xiii) Valuation of assets - Role of CMAs

(xiv) Cost Audit

(xv) Direct Taxation

(xvi) Indirect Taxation

(xvii) Corporate Laws

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

Role of CMAs in Economic Innovations - the Game Changer

✤ ***Performance Management:***

Innovation includes modernization and incremental improvements in existing products or services. In either case, an organization can articulate, line up and communicate how innovation fits into its overall strategy through the use of an integrated strategic planning and performance management system featuring a strategy map and balanced scorecard. Here, CMAs are well-versed enough to use Strategy Mapping and Balanced Score Card to assist the management in framing a comprehensive framework that translates a company's strategic objectives into a coherent set of performance measures and can also motivate breakthrough improvements in such critical areas as product, process, customer, and market development.

✤ ***Sustaining Innovation:***

The need for constant reinvention is an obligatory in today's business environment. A breakthrough product or concept can catapult an organization ahead of its competitors, in these fast-paced times, that advantage is often short-lived. As innovative ideas surface, a clear sense of mission empowers front-line employees to act on new ideas that promote to attain company's desired target. The CMAs are competent enough to facilitate the management with Benchmarking technique to analyze competitive practices, functions and products as well as finding ways to meet or improve upon them. The process of benchmarking involves identifying problem areas, selecting top competitors who are outshining in that particular arena and making the essential changes to sustain and attain competitive edge.

✤ ***Total Quality Management:***

With increasing market competition, organizations are striving for greater innovation in products and services. Quality management has the potential to revive an organization's product, process and administrative innovation when strategically associated with internal contingencies. In this context, the CMAs can apply Total Quality Management (TQM) to foster organizational culture that is continuously oriented towards increasing customer satisfaction while minimizing the real cost of *production. Total quality management (TQM) is about leadership, planning and improvement so that the organization excels on all dimensions of products and services that are important to the customer.*

✤ ***Constraint Management:***

Constraints management is a process of continuous improvement at the system level. It improves overall productivity by focusing efforts on improving operations at bottleneck resources. An effective constraint management helps in finding constraints and collecting data, reduce volume of losses and wastes. Here, CMAs can implement Lean Manufacturing technique to maximize customer value while minimizing waste with fewer resources. The ultimate goal is to provide perfect value to the customer through a perfect value creation process that has zero waste. Eliminating waste along entire value streams, instead of at isolated points, creates processes that need less human effort, less space, less capital, and less time to make products and services at far less costs and with much fewer defects, compared with traditional business systems..

✤ ***Activity Based Costing (ABC):***

The fierce global competition in the international markets forces manufacturers to compete in quality, cost, and the time to market aspects of their products. Knowing the cost of the manufactured components is essential for efficient operation and competitive production. The current evolution of competitive manufacturing requires a shorter market life span of products, emphasizing the design and development phase of the product life cycle. Thus, it has become more important to analyze the cost of the design and development phase accurately. Activity based costing has become mature cost estimation and accounting methodology. Using ABC for cost estimation of manufactured parts is being practiced today with acceptable rate of success. The CMAs with their professional expertise can apply ABC costing for better ways of allocating and eliminating overheads. It also enables improved product and customer profitability analysis. It supports performance management techniques such as continuous improvement and scorecards.

✤ ***Environmental Accounting:***

Environmental Accounting is a recent phenomenon that may reflect the corporate governance mechanisms in line with the natural resources, sound environmental management and administration systems in any nation. Environmental accounting contributes towards betterment of environmental performance by organizations, while simultaneously improving operational and financial efficiency, thereby promoting sustainable development. In this situation, the CMAs can carry out Green audit to ensure Compliance of Environmental Laws, effective assessment of Environment Cost, Environment Impact Assessment and Carbon Credit. This would also help organizations identify ways to reduce waste, save money, improve overall efficiency and minimize liability risks.

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CMA 2016-17 CAREER AWARENESS PROGRAMME

CAREER AWARENESS PROGRAMMES HELD DURING SEPTEMBER 2016*

Date	HQ/Region/Chapter	Venue
16th September 2016	HQ	St. Stephens School, Kolkata
19th September 2016	Guwahati Chapter & HQ	Nagaon G.N.D.G Commerce College, Nagaon, Assam
20th September 2016	Serampore Chapter & HQ	Serampore College, Serampore, West Bengal
24th September 2016	HQ	National High School For Girls, Kolkata
26th September 2016	HQ	Ananda Mohan College, Kolkata
1st September 2016	EIRC	Krishnath College, Berhampore
1st September 2016	EIRC	Manindra Chandra Vidyapith
2nd September 2016	EIRC	Salkia Hindu School, Salkia, Howrah
21st September 2016	EIRC	Chanchal College, Malda
26th September 2016	EIRC	MCKV Institute of Engineering
26th September 2016	EIRC	Nabagram Hiralal Pal College
27th September 2016	EIRC	Ushumpur High School
27th September 2016	EIRC	Belgharia Mahakali Girls High School
8th September 2016	Bhubaneswar	Mothers P. School, BBSR
8th September 2016	Bhubaneswar	D.A.V. P. School, BBSR
9th September 2016	Bhubaneswar	B.J.B Autonomours College, B.J.B Nagar, BBSR
9th September 2016	Bhubaneswar	O.D.M. Public School, Patia, BBSR
10th September 2016	Bhubaneswar	D.R.College, BBSR

12th September 2016	Bhubaneswar	Times Gurukul, Bhubaneswar
13th September 2016	Bhubaneswar	Ravenshaw College, Cuttack
17th September 2016	Bhubaneswar	Nayagarh College, Nayagarh
20th September 2016	Bhubaneswar	Salepur College, Cuttack
23rd September 2016	Bhubaneswar	R.D. Autonomous Jr. College, Bhubaneswar
13th September 2016	Allahabad	Allahabad Degree College, Muthiganj, Allahabad
16th September 2016	Nellore	GMN & NVKR Govt. Junior College, Inamadugu, Nellore (DT).
16th September 2016	Visakhapatnam	Gayatri Vidya Parishad Degree College
6th September 2016	Udaipur	Shramjeevi College of Woman Studies-Delhi gate, Udaipur
10th September 2016	Udaipur	St Paul Sr. Secondary School Residency Road, Udaipur
17th September 2016	Udaipur	Govt. Secondary School Chetak circle, Udaipur
9th September 2016	Cuttack Jagatsinghpur and Kendrapara	Salipur College
10th September 2016	Cuttack Jagatsinghpur and Kendrapara	Paradeep College
10th September 2016	Cuttack Jagatsinghpur and Kendrapara	Rahama College
16th September 2016	Cuttack Jagatsinghpur and Kendrapara	Netaji Subas Bose Memorial College, Rajabagicha, Cuttack
21st September 2016	Cuttack Jagatsinghpur and Kendrapara	L N Mahavidyalaya, Jagatpur Cuttack
27th September 2016	Cuttack Jagatsinghpur and Kendrapara	Choudwar College

PROGRAMMES HELD IN AUGUST 2016 BUT REPORTED IN SEPTEMBER 2016 *

19th August 2016	Pimpri Chinchwad-Akurdi	Chanakya Academy, Ajmera Hsc Society, Pimpri
25th August 2016	Pimpri Chinchwad-Akurdi	Sanhgavi Kesari College of Commerce, Pimpri
3rd August 2016	Coimbatore	Kaamadhenu College of Arts & Science, Sathyamangalam
9th August 2016	Madurai	Women's Christian College, Nagarcoil
18th August 2016	Madurai	Dr. Zakir Hussain College Ilayangudi
18th August 2016	Madurai	The Madura College, Madurai
18th August 2016	Madurai	Alagappa University College
20th August 2016	Udaipur	St. Mariee Convent Sr. Secondary School-New Fatehpura, Udaipur
27th August 2016	Udaipur	St. Terasa Sr Secondary School-University Road, Udaipur
31st August 2016	Udaipur	Pacific College of Commerse Studies-Pratap Nagar, Udaipur
17th August 2016	Howrah	Sree Durga Balika Vidyalaya, Howrah
25th August 2016	Cuttack Jagatsinghpur and Kendrapara	Ravenshaw University
26th August 2016	Cuttack Jagatsinghpur and Kendrapara	JKBK College, Cuttack
27th August 2016	Cuttack Jagatsinghpur and Kendrapara	Sailabala Womens College, Cuttack

PROGRAMMES HELD IN JULY 2016 BUT REPORTED IN SEPTEMBER 2016 *

8th July 2016	EIRC	Belgharia High School
25th July 2016	Madurai	Pioneer Meenakshi Women's College, Poovanthi
26th July 2016	Madurai	Manner Thirumalai Naicker College, Madurai
27th July 2016	Lucknow	Shri Jai Narain Post Graduate (KKC) College, Lucknow
29th July 2016	Lucknow	Khalsa Inter College, Lucknow
30th July 2016	Lucknow	Shri Jai Narain Post Graduate (KKC) College, Lucknow

* *As reported till 28-09-2016*

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

MANAGEMENT ACCOUNTANCY

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2016

Saturday 10th December, 2016 09.30 A.M to 12.30 P.M	Saturday 10th December, 2016 02.00 P.M to 05.00 P.M	Sunday 11th December, 2016 09.30 A.M to 12.30 P.M	Sunday 11th December, 2016 02.00 P.M to 05.00 P.M	Monday 12th December, 2016 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 30th September, 2016 and with late fees of Rs 300/- is 10th October,2016.**

3. Examination fees to be paid through **Demand Draft** of requisite amount 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 requisite amount at the 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, Bewar City(Rajasthan), 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,PortBlair, 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 fulfilling all the conditions only will be allowed to appear for the examination.**

CMA M P S Arun Kumar
Dy.Director (Advanced Studies)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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EXAMINATION TIME TABLE & PROGRAMME – DECEMBER- 2016

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.
14th December, 2016 Wednesday	Fundamentals of Economics & Management
15th December, 2016 Thursday	Fundamentals of Accounting
16th December, 2016 Friday	Fundamentals of Laws & Ethics
17th December, 2016 Saturday	Fundamentals of Business Mathematics & Statistics

Examination Fees

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

1. **The last term of Foundation examination in 2012 syllabus will be December, 2016.**
2. **The Foundation Examination will be conducted in Offline, descriptive (Pen & Paper) mode only**. E**ach paper will be of 100 marks and for 3 hours duration.**
3. Application Forms for Foundation Examination can be filled up either through online **or** in offline mode.
4. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form.
5. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking

.

(b) Students can also pay their requisite fee through pay-fee module of IDBI Bank

6. Last date for receipt of Offline Examination Application Forms without late fees is 30th September, 2016 and with late fees of Rs. 300/ is 10th October, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/-will be waived and the last date for application is 10th October, 2016.

7. Examination Centres: Adipur -Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad , Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad,Guntur,Guwahati, Haridwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, Pune, Raipur ,Rajahmundry, Ranchi,Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

7. A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.
8. Probable date of publication of result: **21st February, 2017.**

A. Das
Director
(Examination)

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

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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INTERMEDIATE AND FINAL COURSE EXAMINATION TIME TABLE & PROGRAMME –DECEMBER 2016

	PROGRAMME FOR SYLLABUS 2012	
Day & Date	**Intermediate Time: 9.30 A.M. to 12.30 P.M.**	**Final Time: 2.00 P.M. to 5.00 P.M.**
Saturday, 10th December, 2016	Financial Accounting	Corporate Laws and Compliance
Sunday, 11th December, 2016	Laws, Ethics and Governance	Advanced Financial Management
Monday, 12th December, 2016	Direct Taxation	Business Strategy & Strategic Cost Management
Tuesday 13th December, 2016	Cost Accounting & Financial Management	Tax Management & Practice
Wednesday, 14th December, 2016	Operation Management and Information Systems	Strategic Performance Management
Thursday, 15th December, 2016	Cost & Management Accountancy	Corporate Financial Reporting
Friday, 16th December, 2016	Indirect Taxation	Cost & Management Audit
Saturday, 17th December, 2016	Company Accounts and Audit	Financial Analysis & Business Valuation

EXAMINATION FEES

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

1. **Application Forms for Intermediate and Final Examination has to be filled up either through online or in offline modes. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form. Online fees will be accepted through online mode (including Pay-fee Module of IDBI Bank).**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.**
   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
4. **Last date for receipt of Examination Application Forms without late fees is 30th September, 2016 and with late fees of Rs. 300/- is 10th October, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/- will be waived and the last date for application is 10th October, 2016.**
5. **THE LAST TERM FOR EXAMINATION IN 2012 SYLLABUS FOR INTERMEDIATE & FINAL EXAMINATION WILL BE DECEMBER, 2016**
6. **The Finance Act 2015 will be applicable for the Subjects Direct Taxation, Indirect Taxation and Tax Management & Practice under Syllabus 2012 for the purpose of December 2016 term of Examination.**
7. **The Companies (Cost Records & Audit) Rules 2014 will be applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) for December 2016 term.**
8. **The provisions of the Companies Act 2013 will be applicable for Paper 6 - Law, ethics and Governance (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) to the extent notified by the Government at least six months prior to the date of the examination.**
9. **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.**
10. **Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad,Guntur, Guwahati, Haridwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, Pune, Raipur ,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.**
11. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
12. **Probable date of publication of result: Inter & Final – 21th February, 2017.**

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

A. Das
Director (Examination)

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

www.icmai.in

Research Bulletin, Vol. 42, No. IV (ISSN 2230 9241)

Call for Research Papers/Articles

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

Research Bulletin is now a Quarterly Publication of the Institute. The next issue will be published in January, 2017.

Guidelines to submit full Paper

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

Topic:

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

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Papers must be received within 5th December, 2016 in the following email id:

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