Remembering Dr. Kalam
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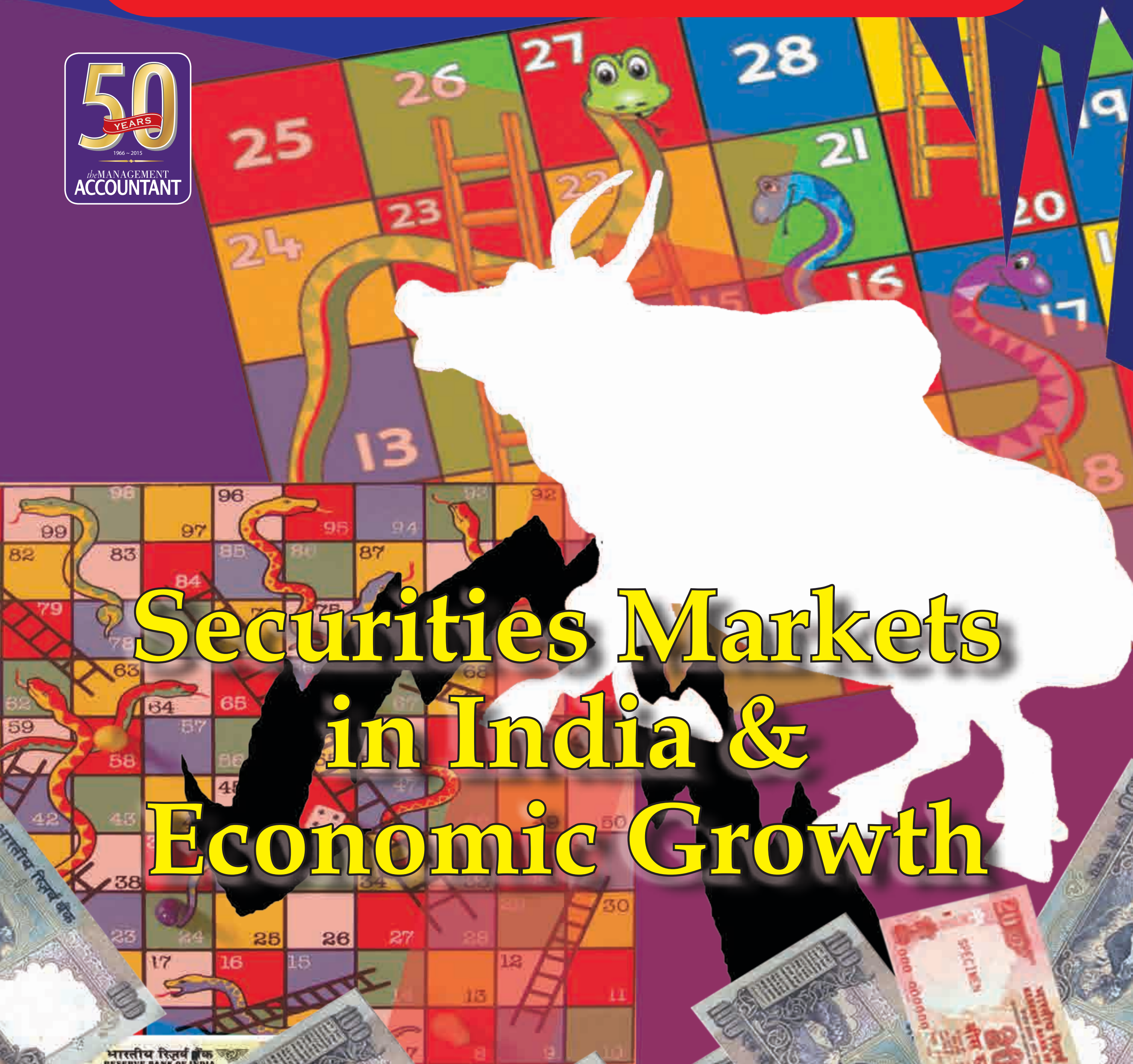
the MANAGEMENT ACCOUNTANT

THE JOURNAL FOR CMAs

SEPTEMBER 2015 VOL. 50 NO. 9 ₹100

50 YEARS 1966 ~ 2015 *the* MANAGEMENT ACCOUNTANT



Securities Markets in India & Economic Growth

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.

Circulaton 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 on various subjects like, Cost & Management Accounting, Taxation, Audit, Case Studies, Financial Reporting, Banking, Governance and Ethics

the MANAGEMENT ACCOUNTANT

The Institute publishes ***The Management Accountant*** for Cost and Management Accountants (CMAs). The magazine, which touched its 50th year of publication, has insightful and informative articles on current developments and changes in the global and national financial scenario. The wide circulation and valuable inputs from academicians, researchers and industry stalwarts are the keys to the success of this journal.

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- The advertising rates are very competitive and affordable
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- It is all-colour and printed on good paper

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The Institute of Cost Accountants of India

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

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

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

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

MISSION STATEMENT

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

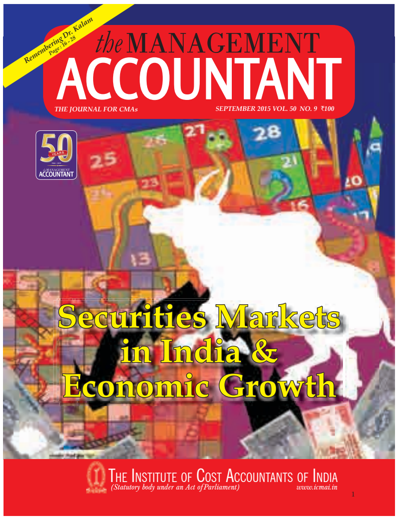
VISION STATEMENT

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

IDEALS THE INSTITUTE STANDS FOR

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

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



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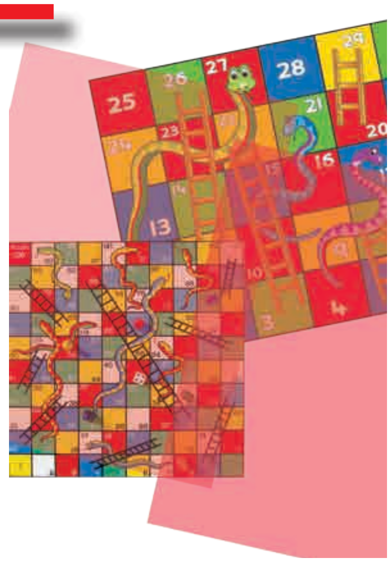

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The Management Accountant technical data

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EDITORIAL

Greetings!

Financial system plays the key role in any economy by stimulating economic growth, influencing economic performance of the factors affecting economic welfare. It facilitates the flow of funds from the areas of surplus to the areas of deficit. It is concerned about the money, credit and finance. In the words of Van Horne, "financial system allocates savings efficiently in an economy to ultimate users either for investment in real assets or for consumption".

The Indian Financial System before independence was closely resembled with the traditional economy. In a traditional economy the per capita output is low and constant. Some principal features of the Indian Financial system before independence were: closed-circle character of industrial entrepreneurship, a narrow industrial securities market, absence of issuing institutions and no intermediaries in the long-term financing of the industry. Outside savings could not be invested in industry. Indian Financial System to supply finance and credit was greatly strengthened in the post-1950s. Significant diversification and innovations in the structure of the financial institutions have accompanied the growth of Indian Financial System.

In the past 50 years the Indian financial system has shown tremendous growth in terms of quantity, diversity, sophistication, innovations and complexity of operation. Indicators like money supply, deposits and credit of banks, primary and secondary issues, and so on, have increased rapidly. India has witnessed all types of financial innovations like diversification, disintermediation, securitization, liberalization, and globalization etc. As a result, today the financial institutions and a large number of new financial instruments lead a fairly diversified portfolio of financial claims.

According to the structural approach, the financial system of an economy consists of three main components:

- ☆ Financial markets
- ☆ Financial institutions
- ☆ Financial regulators

Over the last decade, regulatory reforms in India have focused on promoting shareholder participation in corporate decision-making. Regulation of financial markets may also be needed to protect against "irrational behaviour" by market participants. One of the lessons that can be learned from various financial crises is that irrational behavior plays a key role in creating an exacerbate asset market boom and bust cycles. The expectations of market participants play a crucial role in their demand and supply decisions. Further, regulation is needed to ensure that inequalities of distribution that may be inherent in market outcomes are moderated, and brought in line with society's political preferences. Stock Exchanges play a catalytic role in reforming the Indian Securities Market in terms of microstructure, market practices and trading volumes. Historically, exchanges have contributed to promote good corporate governance in their listed companies through listing and disclosure standards and by monitoring compliance.

In this issue we pay homage to the great soul Dr. APJ Abdul Kalam with few articles under the caption 'Remembering Dr. Kalam'. This section starts with the reproduction of Dr. Kalam's own article written in "The Management Accountant" in February 2009. Other articles are written by eminent personalities who were in close touch with him.

This issue also presents a good number of articles on the cover story theme 'Securities Markets in India & Economic Growth' 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.

CMAs have a significant role to play in the development of "Smart Cities"

CMA Pramodkumar Vithaldasji Bhattad
President
The Institute of Cost Accountants of India

No one who does good work will ever come to a bad end, either here or in the world to come. - Bhagavad Gita

My Dear Professional Colleagues,

Namaskaar.

I on behalf of the Council and on my own behalf heartily congratulate Shri Tapan Ray, IAS on his appointment as Secretary, Ministry of Corporate Affairs, Government of India. I am optimistic that under his expert guidance, rich experience and proven leadership, the institute will achieve new heights and there will be a multi-dimensional growth of CMA profession in the current challenging economic environment.

I am joined by the Council of the Institute in thanking Ms. Anjuly Chhib Duggal, IAS, Outgoing Secretary, MCA for her support, guidance and ideas for development of CMA Profession and growth of the Institute during her short stint. I wish to reiterate that CMAs have a significant role to play in development and implementation of risk management and internal control systems for Banking and Insurance Sector. On her advice, we have explored the role of CMAs in Social Cost Benefit Analysis of the Public Spending. I assure her that the Institute will continue to move forward to achieve the vision of the Institute drawn by her.

Socio Cost Benefit analysis

The successful implementation of social sector schemes requires a great deal of commitment and administrative coordination. Moreover, a good deal of time and energy is currently spent in village and block level data collection, which is only useful if the information is properly analyzed, presented in a format useful for a meaningful performance and cost – benefit analysis, and this knowledge is disseminated to officials in time to allow for remedial action. The major challenge that is being faced by any project is whether the project or scheme fulfills the necessity of the current situation and whether the cost allocated to the project is appropriately leveraged for the good of the common people. The impact of any scheme needs to be properly evaluated in the pre-implementation stage as well as the post implementation stage and should be modified on timely basis if required, in order to achieve the desired outcomes.

I believe that the Cost and Management Accountants can play a leading role in analyzing the desirability and impact of the Government's social expenditure through a strategic and analytic approach involving analysis of the potential cost and benefits underlying different schemes before the scheme is undertaken, after the scheme or a project is launched, and post social project completion phase including inter-alia consideration and assessment of allocation of funds, disbursement and its linkage with the desired and targeted outcome of the project or scheme. The professional knowledge and expertise coupled with the core competencies of the Cost and Management Accountants in project analysis and evaluation would be helpful in identification of the deficiencies in the process of identification and operation of different social schemes. The recommendations of CMAs would enable the Government to strengthen the monitoring and control process and improve effectiveness of delivery and utilization of funds allocated for social schemes and in turn would help the Government to deliver to the desired level of social support to the common people of India. CMAs have a significant role to play in the development of "Smart Cities" initiative of the Prime Minister of India as we are well equipped to keep track of smart allocation and apportionment of the available resources to achieve maximum results by applying resource optimization.

Independence Day celebrations and Drawing up the Roadmap for the term 2015-16

The 69th Independence Day was celebrated at the HQ on 15th August 2015. On this auspicious occasion, the national flag was unfurled by me in the presence of members of the Central & Eastern Regional Councils and executives of the Institute. To take forward the spirit of the occasion, we organized a path breaking meeting of all the departments / directorates of the Institute wherein all the Heads of the Departments presented their way forward to the Council Members in form of power point presentations. It was a very interesting and thought provoking session wherein a lot of interaction took place and new ideas emerged. Taking a clue from this meeting all the Committees and Boards of the Council finalized a roadmap for the development of profession and growth of the Institute. The Council Committees have started their activities with a focused vision on the roadmap drawn for the year.

CFO / HR Meet

I am pleased to inform that Institute is organizing the CFO / HR Meet at various Regions during the month of September 2015. It will start from SIRC on 5th September at Chennai followed by WIRC on 12th September at Mumbai, NIRC on 19th September at Delhi and EIRC on 26th September at Kolkata. I request all of you to support, cooperate and involve with the events to showcase the strength and competence of CMA Profession.

Indian Cost Accounts Service Day

I alongwith Council Members, Past Presidents and Executives of the Institute were invited to attend the first Indian Cost Accounts Service Day on 9th August 2015 at New Delhi which was inaugurated by Shri Arun Jaitley, Hon'ble Union Finance Minister. Hon'ble Minister urged the officers of Indian Cost Accounts Service to upgrade their professional skills and expertise in order to play a proactive role in assisting the Government in achieving cost efficiency in Its projects, schemes and operations. Other speakers also praised the significant role played by the officers of Indian Cost Accounts Service in expenditure management and facilitating the overall fiscal consolidation process.

Events by Chapters

I wish to congratulate the Trivandrum Chapter of the Institute for organizing State Level Students Fest "ASPIRE-2015" at Trivandrum, Kerala on 9th August 2015. In my address sent to the organisers I urged the students to equip themselves to address challenges they will be facing in their professional life. I congratulate the Thrissur Chapter of Cost Accountants for organizing National Seminar on "Financial Services: Innovations for Inclusion in India" in association with Research Department of Commerce, St. Thomas' College, Thrissur on 11-12 August 2015. In my sent address I strongly advocated the role of our professionals in the area of financial services and NPA. I addressed the press conference at Bilaspur Chapter of the Institute on 23rd August 2015 and informed about the initiatives and roadmap for the benefit of students, members and other stakeholders of the CMA Profession.

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

Advanced Studies

I am pleased to share with you that the Directorate of Advanced studies has announced admission to the second batch of its three advanced diploma courses namely, Business Valuation, Internal Audit and IS Audit and Control. The last date for registration of these courses is 21st September, 2015. The courses have been designed to ensure maximum value addition to our members with a proper blend of theory and practical aspects. The complete details of these courses have been uploaded on the Institute website under the "Advanced Studies Directorate" section. I request the members to register for these advanced diploma courses in large numbers and get them updated in this ever changing world of finance and accounting. The results for the first batch of the Diploma Courses were announced. I congratulate all those who have cleared the examination.

CAT

As you are aware, our Institute has taken a firm step to reach out the un-reached through its employment oriented CAT Course. Based on the strength of its experience in two States, Institute is planning to take this concept to other States.

Continuing Professional Development Department

A Seminar on 'Forensic Accounting & Auditing – An Insight into form & substance' was conducted at New Delhi. There was active participation by the members of the Institute. The Institute associated with Confederation of Indian industry as an 'Institutional Partner' for 'Fincon–2015, Imbibing Change' on 19th August 2015 at, Raipur, Chhattisgarh. The Institute is associated with PHD Chamber of Commerce and Industry as an 'Associate Partner' for 'Workshop Series on Indirect Taxes (with specific relevance to GST)

& Annual Subscription Proposal For FY 2015-16' from April 2015 to February 2016 at PHD House, New Delhi. For details, visit website of the Institute.

I am proud to inform the initiatives by our Regional Councils and Chapters in organizing various programs, seminars and discussions on the topics of professional relevance and importance for the members. We are sure that our members are immensely benefitted with such programs and we forward to active participation of our members to enhance professional knowledge and skills. The series of workshops and Webinars were conducted on "Healthcare Cost Management" during the month of July and August 2015. There was an overwhelming response by the members of the Institute. The presentations of the programmes and recorded webinars are available in the Knowledge Bank in the website of the Institute.

Examination Department

The results of Intermediate & Final CMA course and Diploma Courses in Internal Audit, Business Valuation and IS Audit & Control for June 2015 term of examination have been declared on 23rd August 2015 as per scheduled. I congratulate all the passed outs on their success and wish all others who could not pass this time, good luck for the next term.

ICWAI MARF Programs:

The programs on 'Service Tax Issues, Recent Developments and Proposed GST ' and 'Finance for Junior Finance and Accounts Officers and Non-Executives (F&A)' were organized during 25-28 August, 2015 at Tirupati and attended by executives of various organizations.

Membership Department

Members are our very important and integral stakeholder and a strong membership base is required to take our Institute forward by leaps and bounds. While the Membership Department is continuously taking steps to improve their quality of service to members and undertaking special drives to increase the membership base, I urge the members to come forward and increase their involvement with their alma mater. I also request members to check their membership fee status on the Institute's website and clear their fees for FY 2015-16 before 30th September, 2015, so as to keep on availing the benefits of membership.

Placement

Honing the skills of the students opting for campus placement has been an important step and keeping this objective in mind your Institute has designed 15 days Pre- placement orientation program for June 2015 final qualified students. This particular initiative reflects your Institute's resolve to continuously enhance the value of CMAs. The campus placement program has been scheduled in Oct and Nov 2015 and I am sure more and more employers will find their future managers in our CMAs. I am wishing all the June 15 qualified budding CMAs a great future.

Professional Development

Stock Audit, Risk Based Internal Audit and Other Banking Operations: I am happy to inform members that Indian Banks' Association (IBA) has accepted the Institute's request and issued advisory to its Member Banks to consider Cost Accountants/ Firms of Cost Accountants for Stock Audit, Risk Based Internal Audit and Other Operations. I am thankful to IBA and its Chief Executive Officer CMA Mohan V. Tanksale for acceding to the request of the Institute. In view The IBA's advisory inter-alia for Risk Based Internal Audit, I urge members to enhance their capability to conduct the bank concurrent audit and join the diploma course in IS Audit and Control being conducted by the Institute, details of which are available on the Institute website.

Costing Taxonomy 2015 and Validation Tool: MCA has mandated filing of cost audit reports in XBRL Mode. Institute has developed Costing Taxonomy-2015 which was required consequent on notification of the Companies (Cost Records and Audit) Rules 2014 under the Companies Act 2013. MCA has released XBRL validation tool version 2.0 (beta) -which will cater filing as per both costing taxonomy 2012 and 2015.

Architecture, Training & Guidance Manual for filing of Cost Audit Report in XBRL Mode: For the benefit of the members and Industry, the Institute is shortly issuing second edition of Architecture, Training & Guidance Manual for filing of Cost Audit Reports in XBRL mode. This document would help them in understanding the architecture, the concepts of XBRL and Costing Taxonomy. The document also provides the members, professionals & industry para-wise guidance on creating the instance document for the Cost Audit Report. The Institute is also organizing series of hands-on training programs on PAN India basis to ensure that the industry and the members are conversant with the intricacies of filing Cost Audit Report in XBRL Mode.

Guidance Notes: The Companies (Cost Records and Audit) Rules 2014 have included Construction Industry in the ambit of maintenance of cost accounting records and cost audit. To guide the professionals and industry, the Institute has brought out a very comprehensive Guidance Note on

Maintenance of Cost Records and Cost Audit of Construction Industry. I am happy to note that the Institute has brought out two Guidance Notes on Internal Audit for Engineering Industry and Plantation Industry. These guidance notes can be downloaded from the Institute website and printed versions of these Guidance Notes can also be purchased from the HQ, Delhi Office and Regional Councils of the Institute.

Quality Review Board

The Quality Review Board of the Institute, which has been giving recommendations for improvement in the quality of the services rendered by the members of the Institute, has also recommended to the council to consider implementation for a Peer Review System for practicing members, firms etc. Vice President of the Institute along with me had a detailed discussion with the Chairperson and other members of the Quality Review Board on 6th August 2015. Professional views on improving the quality of services rendered by members were taken up during the discussion.

Research and Journal Department

It is heartening to know that three workshops on "Introducing Community Audit for SHGs" had been conducted on August 1, 22 and 27 by the Directorate of Research & Journal in association with West Bengal State Rural Livelihoods Mission. About 60 qualified and intermediate CMAs were trained as Master Trainers for grooming and nurturing a large number of Community Auditors throughout all districts of West Bengal.

National Skill & Entrepreneurship Development Program, a joint initiative of the Institute and National Skill Development Agency (NSDA) in support with EDI, Gujarat, had been conducted successfully on 8th August at Ramnagar College, East Midnapore and 29th August at Jogesh Chandra Chowdhury College, Kolkata to build awareness on entrepreneurship development among college students. More than 300 college students attended these programs. Vice President and other dignitaries from industry, bank, faculty members, principals and Institute officials were present at the workshops.

Directorate of Research & Journal arranged a Round Table Discussion on 'Environmental Peace for Sustainable Development' on 12th August 2015. Professor Biswajit Ganguly, Steering Committee Member, ECOSOC-United Nations and Professor Roger I.C. Hansell, President, Noble International University, USA were the Key Note speakers of the session. They discussed on various aspects of Environmental peace towards achieving sustainable development. Swami Atmalokananda, Advaita Ashrama, Kolkata, the Chief Guest of the session discussed and clarified various shlokas in relation to world peace. Vice President shared his ideas and Chairman, Members' Facilities & Services Committee, ICAI proposed the vote of thanks.

Directorate arranged a Workshop on "Research: Basic Ingredients and Questions (Series-I)" on 20th August, 2015 at the EIRC Auditorium to encourage the young researchers as well as the seniors to enhance research interest in social science. Prof. Sanjay Banerji, Professor of Finance, University of Nottingham Business School, U.K. conducted the whole session. CMA (Dr.) P. Chattopadhyay, Former Director (Research), ICAI was the Chairman of this Session. Vice President delivered the welcome address and the Chairman, Research, Journal & IT Committee, ICAI proposed the vote of thanks.

Technical Department

Cost Accounting Standards Board: I wish to inform you that the Cost Accounting Standards Board in its 78th meeting held on 27th August 2015 has approved the release of Exposure Draft of Cost Accounting Standard on Capacity Determination (CAS - 2) (Revised 2015). The exposure draft is being hosted on the website for obtaining suggestions and comments from various stakeholders. I request you to submit your views / suggestions on the proposed Exposure Draft within the due date for further improvement.

Cost Auditing Standards Board: I further inform you that the Cost Auditing Standards Board of the Institute in its 19th meeting held on 28th August 2015 has approved the release of Exposure Draft of two Cost Auditing Standards viz. Cost Auditing Standards on "Agreeing the Terms of Cost Audit Engagements" and "Audit Sampling". The exposure drafts are being hosted on the website for obtaining suggestions and comments from various stakeholders. I request you all to send your views / suggestions on these Exposure Drafts within the due date for further improvement.

I wish prosperity and happiness to members, students and their family on the occasion of Janmashtami, Ganesh Chaturthi and Bakrid.

With warm regards,

(CMA P.V. Bhattad)
1st September 2015

OBITUARY

CMA P.D. Phadke, Former President (1991-92) of The Institute of Cost Accountants of India had passed away on Sunday, 9th August, 2015, in Mumbai. The Institute and its members deeply mourn the demise of our former President. CMA P.D. Phadke had started his career in Internal Audit department and worked in Costing, Financial Accounts, Budgetary Control, Financial planning, taxation etc. in various industries. He was also a faculty in the Nursee Monjee Institute of Management Studies, Mumbai and thereafter into practice from 1970 as a Cost Accountant and handled various assignments of cost audit, project reports, feasibility studies, systems development and installation. He participated in several important International conferences such as World Congress of Accountants, CAPA and SAFA. He was also invited by Asian Development Bank (ADB) as a core resource representative at meeting held in Seoul in 1987. He held the Chairmanship of Western India Region Council of the Institute for the year 1984-85.

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

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PAPERS INVITED

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

Issue Month	*Themes*	*Subtopics*
October 2015	*Digital Revolution in India*	• *Digital Infrastructure as a Utility to Every Citizen* • *Digital Empowerment* • *Business Process Re-engineering using IT* • *National e-governance plan* • *Nine Pillars of Digital India* • *eKranti - Electronic Delivery of Services* • *Digital Innovation & e-portals*
November 2015	*Cost Management Strategy for Economic Sustainability*	• *Tourism & Hospitality industry* • *MSME sector* • *Telecom industry* • *Healthcare sector* • *Education sector* • *Insurance sector* • *Transport secto*
December 2015	*Green Accounting and Sustainability*	• *Welfare measurement and reporting practices* • *Health, Safety and Environmental (HSE) Reporting* • *Environmental accounting (EA) and auditing* • *Green Accounting for Corporate Sustainability* • *Current practice and future prospects of EA* • *Green issues in developing countries* • *Green Accounting and Role of CMAs*
January 2016	*Strengthening Indian Banking System*	• *Cure to stressful assets* • *Strategic Cost Management* • *Basel Accords & Risk Management* • *Project Financing* • *Forensic Accounting and Auditing* • *SME Lending Models of Public sector banks* • *Emerging areas like Small / Payment / Mudra Banks* • *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

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At the Helm

Our hearty congratulations to CMA Prabal Basu, Associate Member of the Institute for taking over the charge of Chairman and Managing Director of Balmer Lawrie & Company limited (a Mini-Ratna Category – I Govt. of India Enterprise under the Ministry of Petroleum & Natural Gas). He joined Balmer Lawrie & Co. Ltd. in April, 1988 as Assistant Manager (A&F) and was elevated to the post of Director (Finance) in December, 2012. Shri Basu has now been appointed by the Government of India as Chairman and Managing Director of the Company and has assumed charge w.e.f 1st August, 2015.

We wish CMA Prabal Basu the very best in all his future endeavours.

CMA P.V. Bhattad, President of the Institute felicitating Shri Arun Jaitley, Minister for Finance, Corporate Affairs, Information, and Broadcasting, Government of India on the occasion of 'Indian Cost Accounts Service Day' held on August 9, 2015 at New Delhi. Others seen are Shri A.K. Singhal, Addl. Chief Adviser (Cost), Ministry of Finance and Ms. Aruna Sethi, Pr. Adviser (Cost), Ministry of Food.

Hon'ble Minister of state for Tourism, Culture and Civil aviation, Government of India, Dr Mahesh Sharma, CMA Avijit Goswami, Chairman Research, Journal & IT Committee of the Institute and other dignitaries lighting the lamp at 'Medical and Wellness Tourism Summit 2015', organized jointly by PHD Chamber of Commerce and Industry (PHDCCI) and the Institute on August 27, 2015 at India Habitat Centre, New Delhi.

Release of the knowledge study report on 'Destination India - Evolving Medical and Wellness tourism Hub', an extensive study by the Institute on Medical and Wellness Tourism in India, by the dignitaries. From Left: Shri Yogesh Shrivastav, Director PHD chamber, Shri Z.U Siddiqui, IAS, Managing Director & Chief Executive Officer, Delhi Tourism & Transportation Development Corporation Ltd, Shri Radu Octavian Dobre, Charge D' Affairs, Embassy of Romania in New Delhi, Shri A.K Ganeriwala, IFS, Joint Secretary, Ministry of Ayush, Government of India, Shri Gopal Jiwarajka, Vice President, PHD Chamber, Dr. Mahesh Sharma, Minister of state for Tourism, Culture and Civil aviation, Government of India, Shri Vijay Mehta, Chairman, Tourism Committee, PHD Chamber, Shri Girish Shankar, IAS, Additional Secretary, Ministry of Tourism, Government of India, H.E. Mr. Tomasz Lukaszuk, Ambassador, Embassy of Poland, CMA Avijit Goswami, Chairman Research, Journal & IT Committee of the Institute

ICAI-CMA SNAPSHOTS

CMA PV Bhattad and CMA Manas Kumar Thakur, President and Vice President of the Institute being welcomed as Special Invitees by Chairman and other members of Quality Review Board in the 22nd Meeting of QRB at Delhi office on August 6, 2015.
From left: CMA A S Bagchi, Secretary QRB, CMA V Kalyanaraman, Member QRB, CMA PV Bhattad, President of the Institute, CMA R S Sharma, Chairman QRB, CMA Kunal Banerjee, Member QRB and CMA Manas K Thakur, Vice President of the Institute

22nd Meeting of Quality Review Board in progress at Delhi office on August 6, 2015
From left: CMA V Kalyanaraman, Member QRB, CMA Arup S Bagchi, Secretary QRB, CMA P V Bhattad, President ICAI, CMA R S Sharma, Chairman QRB, CMA Manas Kumar Thakur, Vice President of the Institute and CMA Kunal Banerjee, Member QRB.

The Confederation of Indian Industry and the Institute jointly organized FinCon 2015 on imbibing change held on August, 19, 2015 at Raipur. From Left: Shri Mahendra Agrawal, CMA Manas Kumar Thakur, Vice President of the Institute, Shri Vijay Maheshwari, Co Chairman, Economic Affairs, Finance & Taxation subcommittee, CII Eastern Region, Shri Ashish Jain, Chairman, CII Chhattisgarh State Council, Shri Jayanta Jash, Chief General Manager, Securities and Exchange Board of India, Shri CS Jog, Executive Director, Resurgent India Ltd, Shri H Tekchandani.

CMA Manas Kumar Thakur, Vice President of the Institute addressing on FinCon 2015 on imbibing change held on August 19, 2015 at Raipur jointly organized by the Confederation of Indian Industry and the Institute.

Workshop on 'Research: Basic Ingredients and Questions (Series-I)' had been organized by the Directorate of Research & Journal of the Institute on August 20, 2015 at EIRC Auditorium.From Left: Professor Sanjay Banerji, University of Nottingham Business School, U.K, Shri Sukamal Chandra Basu, Chairman & Managing Director of Intelligent Money Managers Private Ltd. and former CMD, Bank of Maharashtra, CMA Dr P. Chattopadhyay, Former Director of the Directorate of Research & Journal of the Institute, CMA Manas Kumar Thakur, Vice President of the Institute and CMA Avijit Goswami, Chairman, Research, Journal and IT Committee of the Institute, on the dais

Seminar on 'Forensic Accounting and Auditing: An insight into form & substance' held on July 31, 2015 at CMA Bhawan, New Delhi.On the dais from left: CMA J K Teotia, Ex Additional Director, Forensic Audit, SFIO, CMA Manas Kumar Thakur, Vice President, CMA Vijender Sharma Council member and CMA Nisha Dewan, Joint Secretary of the Institute

Promote Profit with Integrity

Dr. A. P. J. Abdul Kalam

I am delighted to participate in the Golden Jubilee Convention of the Institute of Cost and Works Accountants of India (ICWAI) at Pune. My greetings to the organizers, office bearers of ICWAI, costing specialists, industrialists, economic planners and the distinguished guests. I would like to talk on the topic "Motto of ICWAI: Promote Profit with Integrity".

National Ethics and sustainable development

Profit with integrity leads to sustained growth. How is it possible? We need to have National Ethics for sustained growth and peace. Where from it starts?

(a) Nation has to have ethics in all its tasks, for sustained economic prosperity and peace.
(b) If nation is to have ethics; society has to promote ethics and value system.
(c) If society is to have ethics and value system, families should adhere to ethics and value system;
(d) If families have to get evolved with ethics and value system, parenthood should have inbuilt ethics.
(e) Parental ethics come from great learning, value based education and creation of clean environment that leads to righteousness in the heart.

Righteousness

Where there is righteousness in the heart,
There is beauty in the character.
When there is beauty in the character,
There is harmony in the home.
When there is harmony in the home.
There is an order in the nation.
When there is order in the nation.
There is peace in the world.

So friends, finally the beauty in the character, harmony in the home, order in the nation and peace in the world emanates from the righteous hearts. Righteous hearts can be evolved only by three people, who are they? They are father and mother and a primary school teacher. Now you understood the linkage.

While I was addressing the Company Secretaries rendering value added services to the corporate both in the public and private sectors in January 2008, I referred about the document prepared by the Institute of Companies Secretaries of India on Corporate Governance released in November 2007, particularly, I liked the statement in the document about the situation arising out of India achieving full capital account convertibility.

It was stated I quote "in a couple of years, India will have full capital account convertibility. When that happens and Indian investor who has rupees 36 to spare will seriously consider whether to put it in Indian company or to place it with a foreign mutual fund. What does all this mean for better corporate governance? Everything. The loyalty of a typical Indian investor is far greater than its counterparts in USA or Britain. But our Indian companies must not make the mistake of taking such loyalty as given. To nurture and strengthen this loyalty, our companies need to give a clear cut signal that the words "your company„ have real meaning. That requires well functioning boards, greater disclosures, better management practices and a more open interactive and dynamic corporate governance environment.„ Such a situation will definitely lead to consistent support of shareholders and creditors and improve the competitiveness of Indian companies. Members of ICWAI have a very important role to play in realizing this goal.

National challenges

Friends, we are meeting at a time when the whole country is experiencing a shock wave by an unfortunate happening in the corporate sector. From the points of view of our national pride, investor confidence and employee reassurance, I am sure that a professional body like you will contribute expeditiously to systemic studies and root cause analysis so that such an event is not allowed to repeat in the country.

With a strong will, the country is on its march towards development. The progress is visible in many sectors. Citizens are willing to contribute their might to the development actions. Still we have to overcome certain bottlenecks.

Despite a political vision, well articulated schemes, and adequate fundings, many major programmes are not on schedule and the benefits are not reaching the intended beneficiaries. How can we reverse this trend through better organization, better transparency, better feedback, better visibility of timely actions through purposeful auditing?

Now I would like to share with you two of my personal experiences.

Efficacy of Close Loop Guidance and Control

Let me first give you an event based experience of the missile programme which has similarity to the mission of auditing. When I see the role of cost controllers, I am reminded of technical events taking place in sequence in the case of flight trajectory. Let me refer to the launch of the Agni missile system. It is a controlled and guided flight from the time of launch till it reaches the target at long range. At t=0, the time of launch, automatic launch control system gives the take off signal, after testing more than 600 parameters in few seconds. If all the parameters are within the specified error band, computer gives a go-ahead signal. The missile lifts off. The missile has an onboard computer that carries the specified trajectory which is to be followed by the missile from the time it lifts off till it reaches the specified impact point. Any deviation from the trajectory is detected and quantified by the computer and fed continuously to the control system of the missile. The control system operates the fast reaction thrusters in all the three axes of flight and corrects the deviation and brings the missile to ride on the required on the required trajectory in real time. If the corrective action is not done in real time, the missile will reach far away from the target and the mission will be a failure. Guidance and control with its onboard computer acts as the brain of the missile. During the flight of the missile, it is essential to guide the missile in real time to the target to meet the mission requirements and succeed. From this guided missile flight example I would like to share the following experience.

As you can see, if the correction is provided after the event is over, the mission will not succeed. Similarly, if the cost controllers recommendations are delayed beyond the completion of the event, they will see but they are too late to correct. I am sure you can realize the importance of providing online cost control advice to ensure successful accomplishment of the mission for the given cost, time and performance.

Technology denial management

Let me narrate another incident which took place in 1998. In 1992, the LCA team had decided to go for Digital Fly-by-Wire Control System (FCS) for Combat Aircraft as it is an unstable aircraft. At that time, the country did not have the experience in developing FCS. We chose LMCS for the contract since they had the experience in designing digital Fly-by-Wire system for F-16 Aircraft. Joint Team for design and development of the FCS was formed with ADE (DRDO Labs) and LMCS. The work share between the Indian team and LMCS team was identified. Evolution of the SRS was a joint effort. The prototype flight control computer was to be done by ADE. Total system integration was a joint responsibility. Flight certification was to be provided by LMCS.

The contract progressed though a bit slowly between1992-98. The defence finance was constantly monitoring and providing an impetus to the progress of the contract along with our technologists. Then, as you all are aware, India carried out its nuclear test on 11th May 1998. As soon as this event occurred, the American Government imposed technological sanction. Due to the sanction, LMCS broke the contract and retained all the Indian equipment, software and the technical information which were in their premises.

This was definitely a shock for the Indian team. Immediately, I called for a meeting of Directors of ADA, NAL, ADE, CAIR, HAL, National Flight Test Centre, Prof I. G. Sharma, a renowned control system specialist, Prof Goshal, a noted digital control system expert and guidance and control specialists from DRDL and ISRO along with our financial advisors. The FCS team explained to these members the situation arising out of the unilateral termination of contract by LMCS. Finance team with their critical outlook and probing questions participated in all the discussions. We had a full day discussion on the methodology, which needed to be followed, by which we could successfully complete the development of digital fly wire system and fly the LCA. The team after prolonged deliberations gave a structured method by which the development could be completed and the system could be certified for flight trails.

Based on the recommendations of the specialists we immediately strengthened the ADE software team with an additional ten experienced software engineers from ADA. ADA was given the responsibility of verification and validation of software. The integrated flight control system review committee was constituted with Director (ADE) as Chairman and PGD (ADA) as Co-chair to support development and resolve all the conflicts arising between Control Law Team, Iron Bird, Software, Hardware and simulation. This team met once in a week and brought out all the issues arising in different work centres and solutions were found. In addition, an Iron Bird review team was formed with Project Director Flight Control System as Chairman with members form HAL, ADA, ADE certification agency (CEMILAC) and Test Pilots from the National Flight Test Centre as Members. This team also met every week and resolved all the problems arising in the development and Tests on Iron Bird. We also introduced participation of certification agency (CEMILAC) and inspection agency (CRI) in all these reviews. The aim was to see that any problem in any system is brought into focus at the earliest so that the solution can be found. The confidence building took place by intensifying the tests. For example informal Iron Bird test was carried out over thousand hours and the formal Iron Bird test was conducted over hundred and fifty hours. Similarly, the pilot flew the simulator for more than two thousand hours. Thus, what we missed from the foreign partner, we compensated by enhancing the critical design review and increasing the test time to ensure safe man rated design of the integrated flight control system.

The entire team took the denial as a national challenge. They said if it were going to take three years we would do it in two years. If it was going to take twenty million dollars we would do it in ten million dollars. This event reassured me that no country could dominate us by imposing technological sanction or economic sanction. The collective power of scientific, managerial and financial management team will defeat the challenges from any nation. Now, LCA is entering into production phase. I would suggest members of ICWAI to analyse such success stories and draw lessons for cost reduction of indigenous programme.

Important Partnership of Defence Finance in LCA

In respect of LCA, I would like to mention another important feature. As you may be aware, the full scale engineering development Phase I of the programme was sanctioned at a cost of Rs.2188 crore. While sanctioning the programme in 1993, we envisaged building two prototypes only namely TD-1 and TD-2. Later, the ADA team in partnership with finance revised the programme by increasing the number of prototypes from two to four. This was acclaimed as one of the very important milestones for LCA and the people who participated in this great work were Shri Siva Subramaniam, FA(DS), Shri K. P. Rao, FA (ADA) and Shri R. Ramanathan, Additional FA(DRDO). This could be achieved because of the online collective decision making system instituted by them for the programme. During the commencement of the programme many items were proposed to be imported. While progressing the programme the project team in consultation with cost accountants resorted to indigenous development and manufacture of those items leading to substantial savings in cost. Also, the CFC Wing programme was contracted for half the planned amount through hard negotiations. In all these areas, there was excellent partnership among scientists, technologists, user service and cost accountants. In the LCA management system, Secretary (Defence Finance) is a member both in the general body and in the governing council. The Additional (Finance Advisor) from DRDO is the member in the Technical Committee. This close knit system had enabled the development of a state of the art aircraft at a relatively very low cost.

Now let me discuss the economic environment prevailing in the country.

Economic Environment

For the past few weeks, I was asking myself what type of innovation is needed to enrich the Indian economy and other world economies which are presently in turbulence. I had discussion on this subject with the experts at Indian Institute of Management Ahmedabad few days back. It came to light that the Indian economy will be less affected due to the world financial crisis. This is due to (i) the Indian banking system has always been conservative which has prevented the crisis (ii) The liberalization process in India has its checks and balances consistent with the unique social requirements of the country (iii) The Indian psyche is generally savings oriented and living within means is part of the mind set. This situation has reduced the effect of global turbulence in the Indian economy. However, the resultant effect will be reduction in export and reduction in outsourcing. The drop in annual growth rate of GDP could be around two percent. This is the time we need innovation in our thinking to rejuvenate the agricultural sector particularly through value addition and the small and medium scale industries and enterprises for making higher levels of contribution to the GDP as I have discussed before. As you are well aware, we need to ignite the minds of our talents in the rural population for new product ideas which are not only useful to the national consumption but also for export market. Our numbers could lead to reduction in unit costs. For this we have to quickly enable the village complexes with urban amenities. We call this PURA (Providing Urban Amenities in Rural Areas), by which physical, electronic and knowledge connectivities are ensured for creating economic connectivity. Friends while looking at the investments and quick actions needed for these 7000 PURA complexes for the whole country, I would urge this community of cost and works accounting professional to reflect on the following aspects:

1. What will be the loss of manpower talent and loss of resource mobilization opportunities if the PURA implementation is delayed every six months?
2. How can we miss opportunity for product developments in number and quality by harnessing our latent talent and abilities?
3. We have to simultaneously improve agricultural GDP, food processing and at the same time train people coming out of agriculture into manufacturing and service sectors.

4. With the development of PURAS and tier II cities, we can make cities also perform better with lesser problems of urbanization, visible day by day.

Law of development

Last few years, I have been studying the development patterns and the dynamics of connectivity among nations, especially in trade and business. As you all know the world has few developed countries and many developing countries. What is the dynamics between them and what connects them? Developed country has to market their products in a competitive way to different countries to remain as developed country. The developing country to get transformed into developed country; they too have to market their products to other countries in a competitive way. Competitiveness is the common driving factors between the two types of nations. Competitiveness has three dimensions: quality of the product, cost effectiveness and product is in the market just-in-time. Indeed this dynamics of competitiveness in marketing of products by developing and developed countries is the law of development. There is a relationship between the core competence and the competitiveness of the country. Such a law applies to individual companies as well. As you have seen one of the important dimensions determining competitiveness is cost. Hence, all of you assembled here have a role to play in working out strategies through which you can reduce the cost of exportable products especially when there is a global economic turbulence and a demand reduction.

Status of Accounting by ICWAI

During the last four decades role of CMAs has undergone a change under new economic environment. Initially it was the role for price determination, i.e. "cost„ plus profit=selling price, which has completely changed to manage your costs in such a fashion that you earn profit, hence "selling price less margin„= "cost„. In additional to the traditional techniques used by CMAs such as Standard costing, Marginal costing, Uniform Costing and so on, new techniques coping up with the modern technology have been evolved. The concepts now widely used are life Cycle Costing, Kaizen Costing and value engineering.

Knowledge propels non-linear growth

I had an interesting study with my team. From the study I could find among the Top IT companies in India, per capita revenue per employee varies from $32,000 to $82,000 per annum, whereas one of our Indian automobile industries the value addition per employee is $205,000, which is second in the world in manufacturing. But at the same time, I have studied certain IT MNC's whose business is based on Knowledge products. Their per capital employee revenue is in the order of $200,000 to $600,000. Per capita revenue of one of the leading search engine company is over 10 lakh dollars. Here you should see the difference. Why I am bringing this point here is, to emphasize how the unique knowledge through their Intellectual property can bring non-linear growth to the organization as well as to the nation. Higher the growth of knowledge and better outsourcing systems, better will be the employee productivity leading to non-linear growth of the company. I would suggest ICWAI to incorporate such bench marking system for various industry, so that Indian industry can definitely become internationally competitive.

Contribution to Industry

My study of the development and spread of Cost Audit in India indicates that only 2000 odd companies covering 44 Industries are covered under Cost Audit in the last 43 years. If we have to succeed in the globalized world, we have to enlarge the scope of Cost Audit to cover all aspects of manufacturing and service sector activities including healthcare and education. In the golden jubilee year, I have the following suggestions for ICWAI:

(a) Preparing a case for bringing all institutions having a turnover of over rupees 200 crore within the purview of cost audit.

(b) Creating a campaign of special cost audit for export oriented manufacturing and service industries, so that the cost of the products are reduced at least by 10% to make them competitive during the global recession phase.

(c) Creating a team of specialists who can work on cost audit with quality improvement and lifecycle costing to make our infrastructure projects like roads, bridges, ports, metros, highly cost effective, so that India can develop rural and urban infrastructure at a fast pace and reduced cost.

(d) Working out a costing system for agricultural produce and agro-processed food, so that economics and productivity are transformed into higher revenues for our farmers through farmer cooperatives leading to inclusive growth.

Conclusion

I have seen three dreams, which have taken shape as vision, mission and realization. Space programme of ISRO (Indian Space Research Organization), AGNI programme of DRDO (Defence Research and Development Organization) and PURA (Providing Urban Amenities in Rural Areas) becoming the National Mission. Of course, these three programmes succeeded in the midst of many challenges and problems. I have worked in all these three areas. I want to convey to you what I have learnt on leadership from these three programmes:

a. Leader must have a vision.
b. Leader must have passion to realize the vision.
c. Leader must be able to travel into an unexplored path.
d. Leader must know how to manage a success and failure.
e. Leader must have courage to take decisions.
f. Leader should have nobility in management.
g. Leader should be transparent in every action.
h. Leader must work with integrity and succeed with integrity.

For success in our mission of integrated development of the nation, we have to create large number of creative leaders. Creative leadership means exercising the vision to change the traditional role from the commander to the coach, manager to mentor, from director to delegator and from one who demands respect to one who facilitates self-respect. For a prosperous and developed India, the important thrust will be on the generation of a number of creative leaders from all walks of life including cost audit.

My best wishes to all the members of ICWAI success in the mission of reducing the cost of all products and services delivered by the Indian industries and thereby making India internationally competitive in all fields.

Courtesy:
The Management Accountant, February, 2009

'Funny Guy! Are You Doing Well?'

Twenty seventh July, 2015. A cruel day for India. Death snatched away one of the brightest stars of the country from among his students at IIM, Shillong, while he was addressing them. Avul Pakir Jainulabdeen Abdul Kalam—career scientist, reluctant politician, and finally the eleventh President of India—felt a pain in his heart, collapsed on to the floor, and was rushed to a nearby hospital. All the efforts of the doctors attending him proved futile and APJ, as he was fondly called, breathed his last. Doctors called it cardiac arrest.

It was a sudden end to a five-decade long illustrious career which saw APJ execute whatever responsibilities thrust upon him by the government. This idealistic god-fearing bachelor had designed army helicopters at the Defence Research and Development Organisation (DRDO) on one hand, while on the other, detonated nuclear bombs in the middle depths of the Thar. He directed India's launch vehicle and ballistic missile projects. Any one of these programmes could have easily taken a toll on any average person, because of the sheer amount of pressure involved. But not for Kalam. He was a leader who led from the front. No wonder he was labelled the Missile Man of India.

With all the leadership qualities that he embodied, APJ was a true statesman, an officer and a gentleman of the men he commanded. He envisaged an India, free from poverty and squalor. He brilliantly combined the scientific temper inculcated in him by his mentor, Vikram Sarabhai, and the typical demands of officialdom, notably the defence ministry. As an aeronautical designer for the DRDO, he put his mind in successfully designing a small helicopter for the Indian army. APJ was also a special generalist, being called upon to design, develop and monitor diverse but equally demanding tasks that called for the best techno-operational skills. His team of experts and non-experts were always by his side. Team, there, was a collective noun and not a noun of multitude. Kalam would seek suggestions from every member in his team, before taking a decision. The approach ultimately proved worthwhile paying both in terms of effort, cost, and success.

As during his life, so after his death, APJ's popularity among the masses became evident from the large number of people that turned up to pay their last respects, cutting across caste, creed, religion—and more importantly—political colour. An intellectual

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hero among students, and suave, friendly, and intelligent, Kalam was a role model for youths. His goodwill emanating persona, was particularly popular among young scientists, scholars, and members of the younger generation belonging to different strands of knowledge, both technical and non-technical. Love for him was typical, admixed with respect, for he cleaved no distance between himself and whoever came close to him. Whether to say a simple hello, or a more engaging scientific discussion, his trademark smile showed the warmth he had for the people of all ages.

APJ's interest in science, especially physics, knew no bounds. A deeply religious man, his time with scriptures was almost equally divided between the Holy Quran and the Bhagvad Gita that marked in him a non-partisan soul. His quest for knowledge knew no bounds. Within days of publication, Kalam's *Wings of Fire* became a bestseller and a classic in his lifetime, a rarity in a world of fanaticism and scepticism. Simplicity was the key to his pursuit of knowledge but it was the urge to push the boundaries that egged him on. If the thoughts conveyed were all serious, often complicated enough to go beyond easy comprehension, he would have tried his best to untie the Gordian Knot.

I had the good fortune to meet APJ during my tenure as a professor emeritus, National Institute of Management Calcutta (NIMC), in the late 1990s. He had come to meet the students and teachers. His visit to NIMC was before he became the President. His interaction with the students and faculty was marked by an aura of amiability. Kalam explained his vision for India as a leading, developed nation bidding adieu to poverty through organised, unified and disciplined action against elements having centrifugal trends. Majority of our students were children of army officers, and his exposition of the role of discipline was a treat to hear. He underlined in very simple words the importance of patience in understanding and locating problem areas and resolving them. He stressed that understanding the problems was half the solution. Students questioned him on diverse issues and Kalam answered them all. He felt at ease among the younger generation, and talking to them about what he thought about India's transformation into a developed country, and what role the managers of tomorrow would have to play. He attached importance to teamwork as the key to success irrespective of how difficult the task was. He appreciated the ambiance of the Institute, and its vicinage with clean streets all around, and the greenery.

It was a lifetime experience for all of us to connect with a living legend. APJ was a humble and staid man and he never seemed a moment to be the one who pioneered the nuclear programme of the world's largest democracy. He rather seemed, more comfortable in the company of students and teachers discussing tricky aspects of the art of managing the future that a developed country required, with cost-effectiveness as the key. Thoroughly conversant with what management meant, he never faltered in his propositions made before those present on that day. Several students called him a practical visionary. All of us took back fond memories of the visit.

His simplicity began at home. He never chose luxurious ways of living. People of the country found him in almost the same set of dress all the time, truly underlining his lower middle-class upbringing in Rameshwaram—an identity he never attempted to shrug off. Plain living and high thinking was his lifetime motto. His bachelor's degree in physics could hardly cover the burning intellect inside him that lent him an inner eye to see things missed by others. APJ strongly believed in extending urban facilities to the rural pockets. He termed it PURA (providing urban amenities to rural areas) and even advised former Pakistan army chief General Pervez Musharraf in this regard, demonstrating the plan on a computer. He was a standing example of what grit and determination could do. His curiosity to understand nature made him an innovator of the highest order. Kalam penned more than fifteen books that bear testimony of his diverse interests. It is said that that direction and leadership are most effective only when they come from one who has hands-on experience of the tasks. Kalam demonstrated this everyday when he was making indigenous missiles for his country. They had typical Indianness written all over and were meant for peaceful use. His missiles carried that message that India's befriending never smacked of any weakness. The country was, and still is, prepared to withstand all hostility. But of herself, she bore no malice towards others.

The warmth of Kalam and his smile would remain in our minds forever. He was everything that a country's President should be. Even on his very last day on earth he did—what according to his own admission—he did best: decimating knowledge. A fisherman of intellect whom the world held in high reverence. No wonder, US President Barack Obama, labelled Kalam as "an inspiration to millions of Indians and admirers around the world." *MA*

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Wings to Fly

A tribute to my teacher

Dr. A.P.J. Abdul Kalam

Amlan Das
Associate
Tata Consultancy Services
(PGP- IIM, Ahmedabad, Batch 2008-10)

"Small aim is a crime, aim for the big, dream the impossible, if u want to become unique in life", said the man who undertook the incredible journey from his humble dwellingin a poor neighborhood to occupy the highest office in the country and attained a cult status that even our demigod cricketers or Bollywood superstarsfail to achieve. The journey which was started with selling newspapers in the coastal town of Rameswaram, and dedicated to the nation for more than six decades, has ended in Shillong, on 27th of July, 2015 when destiny took him, stealthily and suddenly, without giving any warning, probably because even destiny, with its mighty and concluding power failed to scare the man who refused to slow down his lightning speed of functioninglong after becoming an octogenarian.

Arise, Awake, and Stop not till the Goal is reached
- Swami Vivekananda

It is difficult, almost impossible to list the awards, achievements and involvements of Dr. Kalam in his professional life before he became the President of India- in DRDO, ISRO and in his serviceas the Chief Scientific Adviser to the Government of India. Many of us felt that after his presidential tenure was over, at the age of seventy five, Kalam would retire to a peaceful life, or at least assume a less active role than his illustrious past which was so full of activities. After all, he did not belong to the field of politics which is probably one of the very few, where people prefer to continue till their last.

However, Kalamsurprised everyone by returning to his civilian life with renewed vigor and increased activity.

His resolve was stronger than ever before and his penchant for teaching and writing had only increased manifold- as if he had missed crucial five years sitting at a height which was too high for anyone, even for Kalam to climb down and be engaged in his favorite activities with masses.So the next few years saw Kalam to teachat various colleges including many IIMs, to pen about ten books, to deliverthousands of lectures and to meet millions ofpeople from all over the world. He travelled fiercely -across the lengths and breadths of the country, accepting invitation from all over whenever that gave him an opportunity to meet people, especially the youth of the nation. He worked with single-minded dedication because he felt that he had not reached his goal of India Vision 2020 and until that objectivewould beaccomplished he would continue to pursue his goal.

Building a better tomorrow

Whenever Dr. Kalam visited my Alma Mater, IIM-Ahmedabad, he invited students to interact with him on varied subjects of national interests. Most of such interactions was unplanned which were continued for undefined periods, until he had another appointment. During one suchinteraction at IIM- Ahmedabad one of my friends asked him once, *"Sir, what drives you to work so hard, and travel so much? After achieving all glory, what motivates youto meet students from all over the country?"* My friend was surprised because he knew how the 78 years' old man has spent his entire day.

It was past eleven-o-clock in the night andKalam had arrived in Ahmedabad just about two hours back after attending two more programmes before boarding his flight.

He reached campus from airport directly and immediately expressed his desire to meet students and interact with them. The informal interaction was started within fifteen minutes of his arrival to campus and continued for over an hour. He had to take a three hourlong session, on the next morning starting from 8.30 AM for which he said he would prepare in the night after his interaction with uswould be over. He already spent more than one hour in the discussion answering questions from the students.

Dr. Kalamflashed his usual smile, *"My desire to encourage our younger generation to build a better tomorrow- a peaceful, prosperous, and economically developed India which offersabundant opportunity for all our youth."*

The answer, in a nutshell, encapsulates the dream of Kalam- his unrelenting pursuit for a better India which is developedin every aspect.Kalam was able to capture the imagination, aspiration and dream of modern India and more importantly, people believed what he said, because of his boundless dedication to, and love for, the people of the nation. Through his own life which embodies the victory of human spirit, Kalam spread hisdream and inspired others to dream with him. He achieved more than any human could ever dream but that did not stop from working vigorouslyforever.It was a divine blessing for me that Dr. Kalam picked me and gave me the privilege of being associated with him for the period of his post-presidential life.

Nation buildingactivities in recent years

Providing Urban Amenities in Rural Areas:

Dr. Kalamcontinued his tireless work even after leaving Raisina Hill in 25th July, 2007.PURA (Providing Urban Amenities in Rural Areas) was a model he propagated enthusiasticallyto bridge the rural-urban divideby providing required physical, knowledge and digital infrastructures.Through formation of Public-Private Partnership (PPP), PURA envisages an integrated, viable and sustainable model of socio-economic development in rural areas.

The idea of PURA stems from the fact that most of our 600,000 villages lack basic facilities such as uninterrupted power, good roads, clean water etc. and advanced facilities such as academic institutions, a good market to sell the produce, digital footprint etc. Kalam realized the difficult life in villages with hardly any opportunity other than agriculture and allied fields for which also access to proper markets was not available. Therefore the first things that PURA mentions are three connectivity- Physical, Electronic and Knowledge-all three are critically important for economic development as per Dr. Kalam.

PURA is different than the other programmes in the sense that it emphasizes on the importance of traditional knowledge, core competence and geographical resources of an area which is why there is no standard PURA model. PURA models for two regions- for example, oneinRajasthan and another in Nagaland would be as much different as would be their difference in biodiversity, climate, skill of people etc.Other unique features of PURA includefocus on participation of the community members and stress on having an implementing agency (trust, society, academic institutions etc.) to play pioneering role. While I worked in projects under him in his office at 10, Rajaji Marg,New Delhi one of the first questions he asked me was, *"Amlan, can you plan a PURA for West Bengal, your native place? I don't see any there."* I nodded my head in affirmation and the very next week, I found myself on my way to Sundarban, the largest Mangroves Forest in the World and a UNESCO World Heritage Site, to spend few weeks there and start building the proposal for a '*Coastal Fish PURA*'.

Though Ministry of Rural Development, Government of India was the central agency to plan, structure, and approve PURA schemes various other organization are also part of PURA. In many cases, lack of coordination between the Centre,participating States and other agencies stalled the progress of PURA.However, the success of the model in many partsof the country such as Periyar in Tamil Nadu, Chitrakootin Madhya Pradesh, and Loni in Maharashtra, proved the utility of the model.

Creating a Livable Planet Earth:

Through his later years, Dr. Kalam worked relentlessly to create and propagate a global vision to ensure equitable distribution and adequate access to resources such as energy and quality water to all the nations. The vision goes beyond individual ambitions, political desires, military supremacy and cultural hegemony to bring economic growth and assure worldwide peace. He imagined a world where conflicts between various nations, societies, races and religions areresolvedamicably and global peace and prosperity is maintained without using might of the military forces.

Hearing Billion Beats:

In July, 2012 Dr. Kalam launched a 'billion beats' page which was earlier available as an e-paper in his website www.abdulkalam.com. The aim of the page was to better connect with the young generation of India and encourage them by spreading the success stories of fellow Indians. In the 'billion beats' page Dr. Kalam highlighted the untold stories of our unknown heroes. He shared his interaction with unique people and silent achievers, and celebrated the success of fellow Indians dedicated to nation building.

Once he asked me, *"Amlan, Do you know story about any unsung person whohas achieved greatness through his work?Tell me that. I want the world to know such stories so that millions are inspired to follow the steps."* From my personal experience,I knew one such person and told Dr. Kalam the story and he indeed shared that story in 'billion beats'.

Empowering Women:

Dr. Kalam was a champion for women empowerment and always encouraged participation of women in education, politics, business, sports and every other areas. He said, *"When women are empowered, society with stability is assured. Economic development and nation building cannot be completed until Women become an equal partner in the process."*

There was one small Non-Government Organization (NGO) named *"Aashiyanaa Academy"* created by the rural mothers and sisters of West Bengal. It was engaged in a mission to educate and empower rural citizens, particularly rural women. When I informed Dr. Kalam about its activities on the auspicious morning of Independence Day, 15th August, 2012 he immediately wrote a messagefor them and asked his OSD, Major General Swaminathan to send the message. Through the message, he congratulated the NGO for organizing a program in partnership with Tata Consultancy Services (TCS)to build competency and increasing employability among rural youth. He was so happy to know that through the program, many young graduates were trained and two rural girls were recruited by Tata Consultancy Services (TCS) as permanent employee, that he later called the members of "*Aashiyanaa Academy*" in Raj Bhavan, Kolkata. He spoke to them for over an hour and urged them to continue the good work. He told them tobe recognized as a *"Societal Transformer*", rather than just an NGO.

Connecting with Youth of the Nation:

Last but not the least, delivering speeches all over the country and often out of the country, was an activity that could be added to his long list of works.Dr. Kalam had the exceptional ability to connect with people from all age, race, and profession which made him an inspirational speaker who was extremely popular and sought after, particularly by the youth of the nation. During my period at his office in 10 Rajaji Marg, New DelhiI had seen him literally*"living out of a suitcase"*- month after month. While out of New Delhi, he used to attend programs and deliver at least three speeches- on days when he was taking a flight and on days when he was not, the number increased further.

I personally objected to him for such grueling routine many times. Once I complained to him, *"Sir, you are working too hard. You should take more rest. You must not travel so much. Today we have video conference facilities everywhere. You can deliver your lecture from your office at New Delhi, rather than physically travelling there."*He moved his head in disagreement and said firmly, *"No. I don't want to miss any opportunity to see our youth face to face. This is least I could do to encourage our youth, the*

future of our nation. I like to meet them, see their excited faces and answer their eager questions."

Indeed, he had a passion for teaching and respected that profession beyond limit. In his heart, he was forever a teacher and departed from the world, as a teacher in the middle of students in a class.

Completing Daily Activities:

In addition to the above activities which he were doing continuously, he found time to indulge in his daily routine- walking for over an hour, playing his favorite Veena, writing articles, reading books in his personal library and personally replying hundreds of mails and letters while sipping at his favorite cup of sugarfree tea. He kept himself updated with latest inventions in all walks of life- particularly in the field of Science & Technology. He often took up additional responsibility- evaluating the safety measures of Kudankulam Nuclear Power Plant was one such exercise. Meanwhile, he also found time to convey his thoughts by authoring books, many of which are still among the bestsellers.

Wings to Fly:

Dr. Kalam had great trust in our country's potential. His belief on the ability of the youth of India was enormous. He was passionate about the prospect of India becoming a super-power and believed that we possess all the fundamental constituents for such progress. The man who could not realize his childhood dream and become a pilot with Indian Air Force, had taught an entire generation how to dream and dream the impossible. The destiny had devised a different plan for him. He did not get an opportunity to fly an aircraft because he had a role to play- a role much bigger. He was meant to teach his fellow countrymen how to stop crawling, develop wings and start flying towards unchartered territories of life. *MA*

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My Dronacharya

Prof. Samar K Datta
Former Faculty, IIM, Ahmedabad

My first rendezvous with former President APJ Abdul Kalam, was sometime in November, 2009. It was supposed to be a 15-minute meeting which stretched over an hour and a half. He asked about my growing up years and patiently listened to whatever I said about my humble lower middle class upbringing. I was then heading the Centre for Management in Agriculture (CMA) at IIM Ahmadabad.

He inquired about the department, which was largely a brainchild of eminent scientist Vikram Sarabhai, who was also the first honorary director IIM Ahmadabad. I shared with him Sarabhai's thoughts that management education would be of no value to the country if we could not apply the knowledge to improve the lot of the people engaged in agriculture, the most unorganised sector of the country. I had also expressed my fears that some quarters were gunning for a closure of CMA. Kalam came out in full support of CMA and the cause of Indian agriculture. He assured that he would always be at the side of CMA and its continuation, and would protest any decision on its closure or downsizing.

I remember that in May, 1999, renowned social entrepreneur Verghese Kurien, in an informal chat on the functioning of IIM, Ahmadabad. and CMA, had offered me to join him 'lock, stock and barrel'. I never found stronger supporters of CMA and Indian agriculture other than these two great visionaries.

Courtesy: The Management Accountant, February, 2009

I also shared with Kalam some of my major research on cooperatives, including Mudialy Fishermen's Co-operative Society in my home state of West Bengal, Amalsad Multipurpose Cooperative Society in south Gujarat, and the Warana Sugar Cooperative Complex near Kolhapur in Maharashtra. He was impressed to hear about Warana, which was a replicable model in community development, and visited it on the occasion of the 50th anniversary of the cooperative. Later, at several events, Kalam would say he has never seen a better model of rural development than Warana'.

The trip to Warana was a memorable one for me. I had apprised Kalam about several more places in the country where people resolved their problems through a community based approach, rather than depending on the government or other quarters.

He was also gracious enough to write a foreword to a book that veteran professor, Ravindra Dholakia, and I wrote on Gujarat agriculture.

My sessions with the former President were always filled with intelligent discussions and we remained in regular touch till 27 July, when death snatched away an illustrious son of the country. MA

Round Table Discussion on 'Environmental Peace for Sustainable Development'

The Directorate of Research & Journal of the Institute arranged a Round Table Discussion on ***'Environmental Peace for Sustainable Development'*** on August 12, 2015 at EIRC Auditorium of the Institute. Professor Biswajit Ganguly, Steering Committee Member, ECOSOC-United Nations, *Director and Editor, International Innovation Projects, Journal of Environmental Peace, University of Toronto, Canada and Chancellor, Noble International University, USA* and Professor Roger I.C. Hansell, *President, Noble International University, USA and Emeritus Professor, Department of Ecology and Evolutionary Biology, University of Toronto* being the key note speakers of the session discussed on Environmental peace for sustainable development. They briefed on Environmental Engineering, the integration of science and engineering principles concerned with protecting people from adverse environmental effects, such as pollution, as well as improving environmental quality and assists in the development of sustainability. Prof. Ganguly detailed the technologies for air purification, illustrated the EMIKAT Exhaust purifier diagrams for pollution control devices, Vertical Gardens, the Ganguly Living Filter Room Air Purifier etc. Both the professors coordinate environmental research and applied natural technologies for the benefit of humanity, with particular emphasis on reducing poverty and focus on enhancing the understanding of the processes of peace. They opined the fact that all sorts of new technologies are prevailing but there is a necessity to implement them in proper approach. Technology should be used for the people and must be implemented to protect the environment in the right manner. Swami Atmalokananda, *Advaita Ashrama, Kolkata*, the Chief Guest discussed some shlokas in relation to world peace. He stated there are two ideas that govern the psyche of whole world towards two different paths. One is the '*The World for me*' and another is '*I am for the World*'. The first one leads to vice and the second to virtue. From time immemorial the history of the world has been witnessing the advent of peace messengers at the interval of every five hundred years under certain circumstances when virtue subsides and vice prevails. He stated that any growth to be sustainable must be based on sacrifice of the leaders and not on greed and personal ambition. Growth must be inclusive and good for all. Swamiji concluded his appealing version with the inspirational speech of Dr. APJ Abdul Kalam in the European Parliament Strasbourg where he addressed '***Where there is righteousness in the heart, There is beauty in the character. When there is beauty in the character, There is harmony in the home. When there is harmony in the home, There is an order in the nation. When there is order in the nation, There is peace in the world***.' CMA Manas Kumar Thakur, Vice President of the Institute also shared his brief ideas on the concerned theme and CMA Biswarup Basu, Central Council Member of the Institute concluded the programme with the vote of thanks. *MA*

Retail Investors and Mutual Funds in India

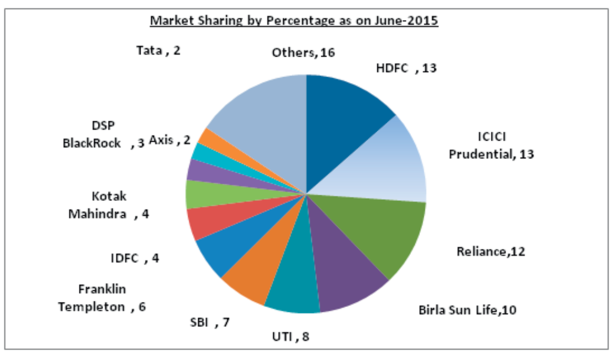
CMA Sudipto Ganguly
Accounts Officer, The Shalimar Works Ltd, Kolkata

Despite the passage of over 24 years since economic liberalisation, mutual funds are still not popular among the masses. Financial awareness holds the key to greater market penetration

The economic liberalisation of the early 1990s paved the way to develop the financial securities market in India. Several alternative investment products were introduced in the market besides the traditional ones, and mutual funds evolved as a new instrument for investors in the post-liberalisation era.

The mutual fund sector, up to 1986, was monopolised by Unit Trust of India (UTI). Several public sector banks joined the fray since 1987. These included State Bank of India (SBI-MF) and Canara Bank (CANBANK) in June and December, 1987, respectively; Life Insurance Corporation of India (LIC-MF) and Punjab National Bank (PNB) in June and August, 1989, respectively; and ICICI and others. 1993 was a watershed year for the mutual funds sector because private players were given the green signal for deposit mobilisation. The country's investment sector was flooded with products from several private asset management companies (AMCs) like Birla (December, 1994), DSP BlackRock (formerly DSP Merrill Lynch, December, 1996), Franklin Templeton (February, 1996), Tata (June, 1995), and others. They were later joined by fund houses like HDFC (June, 2000), Deutsche Bank (October, 2002), and JP Morgan (February, 2007). The Association of Mutual Funds of India (AMFI) has 44 registered AMCs operating in the country as on 31 March, 2015. The total assets under management (AUM) was 11,87,477 crore against 92,957 crore as on 31 March, 2001. The market has witnessed nearly 12 times growth in AUM over the last 14 years. The market share of AMCs as per AUM, in June 2015, is shown in diagram 1. It is evident that the market is dominated by 12 leading AMCs, contributing nearly 85 percent of the gross AUM.

Diagram 1: Market share of AUM by AMCs



The growth story has continued year-on-year and mutual funds have now been accepted in the Indian financial system. Securities and Exchange Board of India (SEBI) data (table 1) show how investors gradually started to believe that mutual funds are capable to grow their hard-earned money.

Table 1: AUM mobilisation by mutual funds (in crores)

Year	Gross mobilisation	Redemption	Net inflows	Assets
2000-01	92957	83829	9128	90587
2001-02	164523	157348	7175	100594
2002-03	314706	310510	4196	109299
2003-04	590190	543381	46809	139616
2004-05	839708	837508	2200	149600
2005-06	1098149	1045370	52779	231862
2006-07	1938493	1844508	93985	326292
2007-08	4464377	4310575	153802	505152
2008-09	5426353	5454650	-28296	417300
2009-10	10019023	9935942	83080	613979
2010-11	8859515	8908921	-49406	592250
2011-12	6819679	6841702	-22024	587217
2012-13	7267885	7191346	76539	701443
2013-14	9768101	9714318	53783	825240

Mutual funds: pros and cons

Mutual funds offer certain additional advantages to investors over and above the traditional investments. These are:

1). Portfolio diversification, irrespective of the money invested, which is not available in other market related investments.

2).Small investments in equity or bond market on monthly basis, which is only available in bank recurring deposits or post office monthly income schemes (MISs).

3).Hassle free entry and redemption.

4). Wide choice of available schemes for investors to tune their portfolio according to risk apetite, return, liquidity, and affordability.

5). Minimal transaction cost for investments.

6).Professional fund management under the surveillance of market regulator SEBI to make investments more transparent.

7). Instrument to beat inflation in the long-run. This is especially true if the investor adopts a systematic investment plan to average the rupee-cost equation for the whole investment in the long term. The investor gets a much better return.

Mutual funds, nevertheless, are not beyond criticisms. Agents and distribution houses play a pivotal role to build fund corpus because mutual funds are a collective investment vehicle. Active interaction by the agents lead to larger retail participation and an immature advice by the distribution house could cause loss to the investor. Indian AMCs often face such operational difficulties in fund mobilisation.

Practical problems that are real, can be accepted, but not the misconceptions. Some common misconceptions regarding mutual funds are as follows:

- Mutual Funds need heavy investments. This is entirely wrong because a mere 500 is enough to begin a mutual fund investment.
- Mutual Funds are for long-term investments. This is also not correct. Both short-term and long-term options are available in mutual funds. Investments can be redeemed even after a day, in liquid schemes.
- Mutual funds give tax benefits. This is partly true because only the equity linked savings schemes (ELSS) are eligible for tax benefits under section 80CC of the Income Tax Act. For non-ELSS schemes, the usual short-term or long-term capital gains are applicable.
- Mutual funds are linked only to the share market. This is a gross misconception. Mutual funds invest money in equity, debt market, commodity, and other sectors as defined in the objectives.
- Lesser net annual value (NAV) is more attractive. This is inacceptable because NAV only reflects a fund's per unit valuation and not the real price.

Demystifying classifications

Mutual funds have two basic categories – open-ended and close-ended. The first sells and purchases units all the time and the corpus of such a fund is not fixed. The latter carries out a one-time sale of new/fresh units via a public issue or a new fund offer (NFO) and the corpus remains fixed.

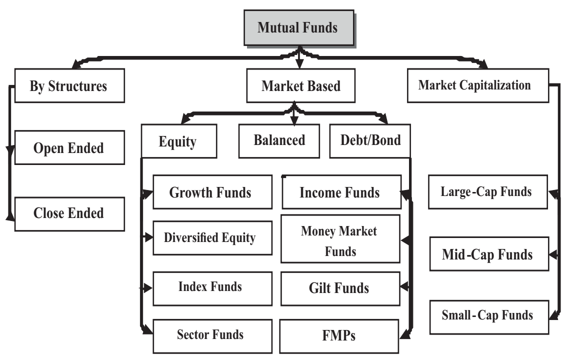
'AGENTS AND DISTRIBUTION HOUSES PLAY PIVOTAL ROLE TO BUILDING FUND CORPUS BECAUSE MUTUAL FUNDS ARE A COLLECTIVE INVESTMENT VEHICLE. ACTIVE INTERACTION BY THE AGENTS LEAD TO LARGER RETAIL PARTICIPATION.'

Over the years, three more basic mutual fund categories have evolved. These are equity funds, debt or bond funds, and balanced funds. In the first, the portfolio consists of equity shares according to the norms declared in the

NFO, while the second essentially invests the pooled money mostly in bonds, money market instruments and fixed income securities, and a nominal portion (around five percent) in equities. Balanced funds are a hybrid variety where the money is invested in a mix of equity and debt assets, usually in a 40:60 ratio.

Mutual funds are also classified on the basis of market capitalisation. In the Bombay Stock Exchange (BSE) trading parlance, large-cap, mid-cap, and small-cap stocks are those that contribute 80, 15, and five percent of the total market capitalisation respectively. Large-cap, mid-cap, and small-cap mutual funds are the ones that invest likewise. The classifications and the sub-classifications are shown in diagram 2.

Diagram 2: Classification of mutual funds



Equity funds invest in shares, while a growth fund parks money only on the blue-chip companies. Diversified equity funds invest in companies spread across various sectors. Index funds are designed according to the equity compositions of an index. Sector funds invest money on equities of companies in specific sectors, like power and energy, petroleum, heavy engineering, and others. Money market funds target liquidity generation and adequate capital protection. These are also called liquid funds. Gilt funds essentially invest in government securities with zero default risk so that a steady and regular income is assured. Fixed maturity plans (FMPs) are a new product in the Indian market where the money is invested in fixed income securities of the Union or state governments with a fixed maturity time. Lastly, the fund-of-fund (FOF) is a scheme which invests in other mutual funds. It allows investors to get a wider range of diversification in terms of both domestic and foreign markets, various fund management styles and expertise, and more balanced capital appreciation.

'MUTUAL FUNDS, IRRESPECTIVE OF THEIR CATEGORIES, CANNOT GENERATE COMMON RETURNS ON INVESTMENTS OR HAVE AN EQUAL DEGREE OF RISK. HIGHER RISKS ARE USUALLY INVOLVED IN EQUITY FUNDS COMPARED TO DEBT OR BOND FUNDS. AT THE SAME TIME, THERE'S NO SPECIFIC CLASS OR TYPE OF MUTUAL FUND, WHICH IS UNIVERSALLY SUITED FOR ALL INVESTORS.'

Risk and return

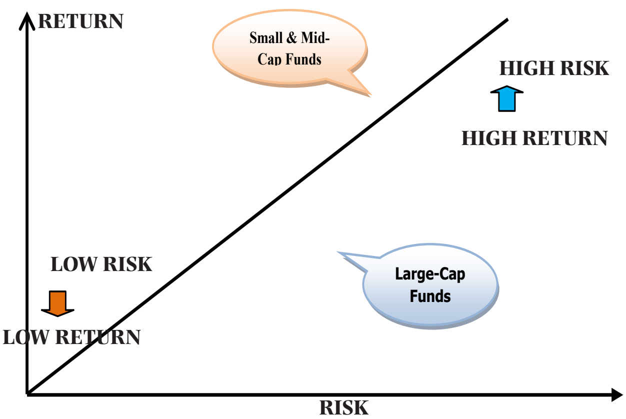
Mutual funds, irrespective of their categories, cannot generate common returns on investments or have an equal degree of risk. Higher risks are usually involved in equity funds compared to debt or bond funds. At the same time, there's no specific class or type of mutual fund, which is universally suited for all investors. A simplified risk-return profile can be prepared (table 2) on the basis of long-term and short term capital gains taxation norms. An investor can always modify the holding period of investment subject to the norms set for that specific fund or scheme.

Table 2: Generalized risk-return profile

Fund Family	Investment tenure	Risk	Return prospect
Equity funds	Long-term	High	High
Balanced funds	Long-term	Moderate	Medium to high
Income funds	Short-term and/or Long- Term	Moderate	Medium
Money market funds	Short-term	Low/ moderate	Medium
Gilt funds	Long-term	Low/ moderate	Medium
FMP	Short-term and/or Long-term	Low	Low
Liquid funds	Short-term	Low	Low

An investor is always the best judge for his/her own risk tolerance. The trade-off between risk and return is based on the principle that the potential return increases with increased risk. Higher risk doesn't imply a better return; rather it only gives you a probability to get higher returns. Inversely, low-risk investments can generate only low or moderate return because these are not exposed to market volatility (diagram 3).

Diagram 3: Risk-return trade-off



In the current context, an investor may want to know the concept of risk-free return. The return generated by 10-year government securities is considered as risk-free return because these instruments have no default risk.

The Reserve Bank of India (RBI) often increases the repo-rate (the rate at which banks pay it for short-term borrowing) to combat inflation. It leads to a higher yield to maturity for the benchmark G-Sec for the short-term. A higher yield lowers the price and leads to lower return to investors. So, the risk-free return with well protected capital is not the ultimate solution to achieve growth, especially when the stock market generated an average 19 percent annual return for the last 25 years (table 2). But more significantly, although the stock market generated higher returns, consistency was not achieved.

The return was more than 72 percent in 2003, as against a meagre 3.52 percent in 2002. The same trend returned in 2009 where the gain was a massive 81 percent, against the devastating 52.45 per cent loss in 2008 because of the worldwide financial crisis. Negative returns were noticed in seven out of the 25 years. During the last six months of the 2014-15 fiscal, the stock index gained fresh momentum, courtesy a clear political verdict.

Table 3: Growth of BSE-SENSEX

Year	SENSEX	Growth (%)	Year	SENSEX	Growth (%)
1990	1048.29	-	2003	5838.96	72.89
1991	1908.85	82.09	2004	6602.69	13.08
1992	2615.37	37.01	2005	9397.93	42.33
1993	3346.06	27.94	2006	13786.91	46.7
1994	3926.90	17.36	2007	20286.99	47.15
1995	3110.49	-20.79	2008	9647.31	-52.45
1996	3085.20	-0.81	2009	17464.81	81.03
1997	3658.98	18.6	2010	20509.09	17.43
1998	3055.41	-16.5	2011	15454.92	-24.64
1999	5005.82	63.83	2012	19426.71	25.7
2000	3972.12	-20.65	2013	21170.68	8.98
2001	3262.33	-17.87	2014	27499.42	29.89
2002	3377.28	3.52	2015	28504.93	3.66
Absolute Growth			27457 points (rounded)		
Growth Rate			26 times		
Average Annual Growth Rate			19%		

Source: bseindia.com

Equity investors have wider choices in large-cap, mid-cap or small-cap fund families. A comparison (table 3) for the last three years return perspective (up to July-2015) shows that the annualised average return generated by the top 10 funds in small and mid-cap category is higher than their large-cap peers. The three-year annualised average return generated by the top 10 fund schemes in small and mid-cap category is 39.46 percent, which is higher than the 26.98 percent generated by large-cap funds.

The analysis throws up two major challenges; a return that is more risk-free, and a stable and risk-adjusted return. The ultimate solution will be to balance the portfolio.

Table-4: Comparison of return between fund sub-families

Large Cap Funds		Small & Mid-Cap Funds	
Mutual Fund Scheme	**3yr Return**	**Mutual Fund Scheme**	**3yr Return**
Escorts Leading Sectors (G)	32.10	Franklin (I) Smaller Cos (G)	42.00
SBI Blue Chip Fund (G)	28.20	SBI Magnum Midcap Fund (G)	41.40
Franklin India Opp. (G)	27.10	DSP-BR Micro Cap Fund - RP (G)	39.90
JM Multi Strategy Fund (G)	26.60	Mirae Emerging Bluechip Fund (G)	39.50
Birla SL Frontline Equity (G)	26.50	UTI Mid Cap (G)	39.30
Escorts Growth Plan (G)	26.30	Reliance Small Cap Fund (G)	39.30
Birla Sun Life Top 100 (G)	26.30	JPMorgan (I) Mid and Small Cap (G)	38.80
Kotak Opportunities Fund - Regular (G)	25.70	Birla Sun Life MNC Fund (G)	38.70
Tata Equity Opp. Fund (G)	25.70	Can Robeco Emerg-Equities (G)	38.30
Reliance Focused Large Cap - RP (G)	25.30	Principal Emerging Bluechip(G)	37.40
Average annualized return	**26.98**	**Average annualized return**	**39.46**

The right choice

It's often not possible for an investor to analyse a fund's performance by applying theoretical jargons because of real life constraints, particularly shortage of time. Some basic homework, nevertheless, always helps to choose the right among many.

Step 1 (object oriented approach): If the investor is very clear about his/her goals and the end use of the appreciation, then macro-level selection of funds becomes easier. Unwarranted risk factors can be eliminated and the investor can choose a long or short tenure in a selective mode.

Step 2 (basic economic assessment of the country): One must have a basic idea about the likely economic scenario in the next few years in terms of interest rates, inflation, industrial growth, education and above all GDP growth. This exercise helps the investor to choose the investment span better.

Step 3 (fund performance study): The investor is required to study the performance of the funds for at least the past five years, collecting data from at least two sources. Fund performance analysis from multiple sources eliminates ambiguity in fund ranking. Schemes having star rating this year may turn out to be the worst performers next year. Here, past performance should be evaluated scientifically to take the correct decision.

Step 4 (AUM study): Any mutual fund scheme showing increasing AUM over the years always seems to be a reasonable choice because the statistics confirms the investor confidence level.

Step 5 (expense ratio): The funds factsheet released periodically by all fund houses, reveal the expense ratio. It is the cost that an AMC bears to manage the fund. A scheme with lower expense ratio promises better returns in the future. Funds with a higher ratio should be avoided. Oversized schemes are less costly in terms of the expense ratio because they operate with a large quantum of money.

Step 6: (Study of alpha): The excess return generated by a fund over the benchmark is a valuable study for choosing the right fund for investment. A higher alpha ( ) usually highlights the fund manager's skill, ability and performance. This adds up to the investor confidence level.

However, investment decisions are usually influenced by recent facts, information and news, market valuations and sentiments, psychological bias, preferences and above all the advisory. In majority of the cases, the decision is taken on the principle of behavioural finance, instead of scientific analysis. That is why well performing funds are left out in a sluggish market and the promising funds, though not actually so, are bought in boom market. In the first case, the investor loses the opportunity of a good investment and in the later case, the investor loses money when the market falls.

The mutual fund sector in India

A 2013 SEBI study has revealed that 85% of the total AUM of the AMCs, is contributed by Mumbai, Delhi, Chennai, Kolkata and Bengaluru. It also reveals the huge untapped mutual fund market in the country. The gross AUM is just 6.99 percent of India's GDP, and nothing in comparison to developed nations like the US (83 percent), the EU (42 percent), or the UK (40 percent). Inadequate AMC distribution network, high operational costs in the suburban and rural areas, and lack of investor awareness, are some of the major reasons behind low mutual fund penetration. Setup and operating costs in tier-II cities are higher than that of the top 15 cities in terms of cost-benefit analysis to make the business economically viable.

Lack of financial literacy and awareness, is also a major It's not entirely a problem of the mutual fund sector but of larger financial inclusion. Before the introduction of Pradhan Mantri Jan-Dhan Yojana (PMJDY), only 30 percent of the population had bank accounts. Out of the 6,00,000 rural habitations, only five percent have a commercial bank. Life insurance coverage is spread over only 10 percent of the population and non-life insurance is at a negligible 0.6 percent. The mutual funds sector is no exception.

Besides the financial non-inclusion, cultural bias of investors to create physical assets, is another root cause behind the unpopularity of mutual funds in the suburban and rural belts. Retail investors like school teachers, service people, and the common are more comfortable with risk-free bank deposits, post office MIS, RBI bonds, and traditional life insurance products, than mutual funds schemes, except for tax-saving purpose like ELSS. They always prefer to buy gold ornaments than mutual funds.

LACK OF FINANCIAL LITERACY AND AWARENESS, ALSO A REASON FOR THE NON-PARTICIPATION OF RETAIL INVESTORS IN MUTUAL FUNDS.

'A 2013 SEBI STUDY HAS REVEALED THAT 85% OF THE TOTAL AUM OF THE AMCS, IS CONTRIBUTED BY MUMBAI, DELHI, CHENNAI, KOLKATA AND BANGALORE. THE GROSS AUM IS JUST 6.99 PERCENT OF INDIA'S GDP, AND NOTHING IN COMPARISON TO DEVELOPED NATIONS.'

SEBI has adopted several measures to increase participation of small investors. These include allowing cash transactions in mutual funds up to 20,000, launching direct plans for reducing the expense ratio, directing AMCs to follow a single expense structure across the plans, encouraging AMCs to set up investor education initiatives, and other schemes. All these target the untapped mass retail investor community. Unless financial awareness is spread to the rural and semi-urban areas, not only will the mutual fund sector continue to suffer, unscrupulous chit funds will carry on exploiting common investors. A joint exercise by the government, SEBI, RBI, AMFI, the Insurance Regulatory and Development Authority, various chambers of commerce and industry, and professional educational bodies, could go a long way to usher in financial literacy. *MA*

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Ind AS 32 & Disclosure of DFIs

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Banks are widely acknowledged to become large-scale users of DFIs. The findings of this study suggest that the level of disclosures of derivative financial instruments in accordance with AS 32 will increase in the coming years

Accounting is the language of business and financial reporting is its medium. Financial reporting plays a major role towards the economic growth of a nation. Although the key objective of the reporting is to present the financial status of the business in a prudent and transparent manner, the management often tries to exploit the discretion in accounting standards to influence investor interpretation.

Disclosure of derivative financial instruments (DFIs) is at the core of financial reporting practice. DFI accounting has remained a vital issue for long because of its non-balance sheet nature. There's no specific accounting standard for derivatives transactions. The accounting treatment of derivatives is explained and guided by the financial instruments accounting standard.

Of late, three accounting standards on financial instruments have been framed and approved to deal with the issues of measuring, presenting and disclosing financial instruments, including derivatives.

All Indian companies need to disclose their derivative financial instruments according to the provisions of *Ind AS 32, Financial Instruments: Disclosures*. This paper aims to assess the level/quality of DFI disclosures of Indian banks in this regard.

Review of literature

Ernst & Young (2006) revealed that majority of the investors identified transparency as the most important issue while considering an investment. According to Rawat (2012), the users of financial statements need information about a firm's exposure to risks and how they can be managed. Buvaneswari (2007) studied that derivatives are a very important tool of risk management. The use of this technique, however, is not much known. The findings of the study (Gope, 2014) disclosed that use of financial derivatives as a risk management was on the rise in the country. According to Strouhal, Bonaci and Matis (2010), the low level of information provided for derivatives operations can turn DFIs into a potential source of private information and abnormal returns because all market participants do not have access to the information they need. According to Mitra and Gope (2013), the management is required to disclose how efficiently it uses DFIs to tackle risks. Woods and Marginson

OF LATE, THREE ACCOUNTING STANDARDS ON FINANCIAL INSTRUMENTS HAVE BEEN FRAMED AND APPROVED TO DEAL WITH THE ISSUES OF MEASURING, PRESENTING AND DISCLOSING FINANCIAL INSTRUMENTS,INCLUDING DERIVATIVES

(2004) reported that financial reporting practices are of limited help to users who want to assess the scale of an institution's financial risk exposure. Improved and better disclosures reduce information asymmetry and leads to a greater liquidity of the stock. It also raises the demand from big investors and decreases a company's cost of capital (Welker, 1995; Leuz and Verrecchia, 2000). Verrecchia (2001) extensively reviewed and categorised accounting literature on disclosure to develop a firms' disclosure theory. He concluded that information asymmetry between stakeholders and management reduction, is the starting point of a comprehensive theory of disclosure. Lopes and Rodrigues (2007) concluded that the disclosure degree is significantly related to size, type of auditor, listing status and economic sector. No literature has been found till date that highlights the issues of relation between the 'level of disclosures' and the 'volume of derivatives' transacted.

General requirements

Accounting and financial reporting of a company is regulated by generally accepted accounting principles (GAAP) comprising of accounting standards, company law, stock market regulations, and others issues. These keep changing over time to cope with the changing business environment. Finance minister Arun Jaitley, while presenting the Union Budget for 2014-15, said: "There is an urgent need to converge the current Indian accounting standards with the International Financial Reporting Standards (IFRS). I propose for adoption of the new Indian Accounting Standards (Ind AS) by the Indian companies from the financial year 2015-16 voluntarily, and from the financial year 2016-17 on a mandatory basis. Based on the international consensus, the regulators will separately notify the date of implementation of Ind AS for banks, insurance companies etc." It is expected that Ind AS 30, 31 and 32, on financial instruments which are already approved by the Accounting Standard Board (ASB), will be notified soon.

Ind AS 32 is applicable to all commercial and industrial organisations except small and medium sized enterprises (SMEs). It is applicable for banks as well. The standard lays down detailed requirements on both qualitative and quantitative disclosures in the financial statements. The disclosure will help the public to evaluate:

a). The significance of financial instruments for the organisation's financial position and performance

b). The nature and extent of risks arising from financial instruments to which the organisation is exposed during the period and at the reporting date

c). How the entity manages those risks.

The principles in this accounting standard complements the principles for recognising, measuring and presenting financial assets and financial liabilities in *AS 30, Financial Instruments: Recognition and Measurement*; and *AS 31, Financial Instruments: Presentation*.

Before the implementation of the proposed AS 32 we would like to find out whether there is any relation between the ordinary disclosures and the notional principal amount of derivatives; and the disclosures according to AS 32 and notional principal amount of derivatives in respect of Indian banks.

Methodology

The study was restricted to the Indian banking sector because it is acknowledged as large-scale users of derivative financial instruments. We collected data and qualitative information from secondary sources. The 2013-14 annual reports of all Indian banks listed on the National Stock Exchange (NSE) were considered in this regard. We have applied content analysis technique to the annual reports of selected companies. We have applied content analysis techniques to the annual reports of selected companies to identify accounting practices for DFIs. According to the US General Accounting Office (1989), content analysis is a set of procedures for collecting and organizing information in a standardised format that allows analysts to infer about the characteristics and meaning of written and other recorded material. Jones and Shoemaker (1994) stated that content analysis has been widely used in accounting research, applied to annual reports in order to analyze several issues, such as social, environmental, and research and development disclosures. We have used the content analysis at two levels: one, a computer-based word count has been done to measure the level of disclosures; and two, a score card was prepared for each company where the scores were allocated according to the level of disclosures.

Findings

Evans and Taylor (1982) studied the impact of International Accounting Standard (IAS) on the financial reporting and found low compliance rates among member countries. This means that the IAS, back then, had little influence over the accounting practices of its member countries.

Our study finds that all the banking companies have disclosed information on derivative transactions in their annual reports. They provided both qualitative and quantitative information that was collated in two main places in the annual report: the financial review (significant accounting policies/notes and similar things), and the core financial statements (profit and loss account/balance sheet/cash flow statement and others). It was observed that most banks provided a description of their risk profile. Besides, they disclosed their main financial risks (interest, liquidity), risk management policies, and classification of a variety of derivatives. The banks disclosed their annual reports (table 1) and the particular financial risk appears largely from the rate of interest and currency exchange. All the companies used derivative as a risk management instrument. Though the banks chose derivatives mainly for hedging but majority of the companies utilised derivatives for trading purposes as well. Here it can be inferred that almost all the companies used interest rate swaps and currency rate swaps either for hedging or for trading. The derivatives utilised, and the risks encountered, were common to all banking institutions.

Table 1: Narrative disclosures of DFIs from annual reports of 2013-14

Banks	Financial risks	Purpose of using DFIs	Derivative contracts
Axis Bank	Interest, foreign currency, liquidity and credit	Hedging and trading	Interest rate futures, interest rate swaps, currency future, currency swaps, currency options
Bank of Baroda	Interest rates, foreign currency, liquidity and credit	Hedging and trading	Interest rate futures, interest rate swaps, currency swaps, credit default swap
HDFC Bank Ltd.	Interest rate risk, foreign currency and credit risk	Hedging and trading	Interest rate futures, interest rate swaps, currency future, currency swaps, Currency options
HDFC Ltd	Interest, foreign currency and liquidity risk	Hedging only	Interest rate swaps, currency swaps, currency options
ICICI Bank Ltd	Interest rate, foreign currency, liquidity and credit risk	Hedging and trading	Interest rate futures and swaps, Currency future, currency swaps, currency options, credit default swaps
IDFC Ltd.	Interest rate and foreign currency risk	Hedging only	Interest rate swaps, currency Interest rate swaps
IndusInd Bank Ltd.	Interest, foreign currency, liquidity and credit	Hedging and trading only	Interest rate futures, interest rate swaps currency future, currency swaps,
Kotak Mahindra Bank	Interest rate, foreign currency, liquidity and credit	Hedging and trading	Interest rate swaps, currency swaps, currency options equity futures, equity options
Punjab National Bank	Interest rate, Foreign currency, liquidity risk and credit risk	Hedging and trading	Interest rate futures, interest rate swaps, currency swaps credit default swaps
State Bank of India	Interest rate, foreign currency risk and credit risk	Hedging and trading	Interest rate futures, interest rate swaps, currency future, currency swaps, currency options, credit default swaps

Table 2 shows a wide range of word count from the annual report of banks. Words include 'risk', 'hedge'/'hedging', 'fair value' and 'derivative'. The second column presents the score obtained by each company in terms of disclosures of DFIs. The score card is prepared on the basis of the disclosed items guided by Ind AS 32. The score card consists of 31 items under the subheads of financial risk, market risk, liquidity risk, credit risk, hedging, cash flow-hedge, fair value hedge, and net investment hedge. In the score card a score of 1 is assigned to the item if it is disclosed anywhere in the bank's annual report. Else, a score of 0 is assigned.

The total score (T) for a company is T=, where *di* is 1 if the *i* is disclosed, and 0 otherwise; n is the maximum number of items (n=31).

The total score is computed as the unweighted sum of the scores of every item. The implied assumption is that each item is equally important for all user groups. This assumption may not be realistic, but we think that the resulting bias is smaller than the one that would result from assigning subjective weights to the items (Lopes and Rodrigues, 2007)

Table 2

Banks	No of Words used*	Score	Notional principal amount (derivatives) [A] (₹ crores)	Total assets (₹ crores) [B]	Ratio [A/B]
Axis Bank	620	17	481233.77	383245	1.26
Bank of Baroda	338	09	39509.87	659505	0.06
HDFC Bank Ltd.	682	12	200962.04	491600	0.41
HDFC Ltd.	116	05	3572.28	225757	0.02
ICICI Bank	400	15	351343.08	5946416	0.06
IDFC Ltd.	126	06	4787.16	75163	0.06
IndusInd Bank	530	11	123882.84	87026	1.42
Kotak Mahindra Bank	439	10	30016.85	122237	0.25
Punjab National Bank	451	08	2322.44	550419	0.00
State Bank of India	445	14	621259.34	2395982	0.26

**Words include 'risk', 'hedge'/'hedging', 'fair value' and 'derivative'*

Table 3: Descriptive statistics

Parameters	Mean	Std. Deviation	N
Words used in the content	414.70	185.108	10
Notional principal amount of derivatives contracts	185888.9670	224519.19016	10
Score obtained as per Accounting standard	10.70	3.889	10

ACCOUNTING AND FINANCIAL REPORTING OF A COMPANY IS REGULATED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) COMPRISING OF ACCOUNTING STANDARDS, COMPANY LAW, STOCK MARKET REGULATIONS, AND OTHERS ISSUES. THESE KEEP CHANGING OVER TIME TO COPE WITH THE CHANGING BUSINESS ENVIRONMENT

We conducted the Spearman's rank correlations test. According to Kornbrot (2005), Spearman's Rho is a correlation measure of association based on the ranks of scores rather than the raw scores. It is applicable if either or both variables are direct rankings or only ordinal. It is also applicable when both variables are metric but not normally distributed, or when the relation between the variables is monotonic but nonlinear. Although we found constructive correlation between and the number of words disclosed and the notional principal amount of derivatives, the correlation wasn't significant. This suggests that the disclosed words of derivatives aren't related with the volume of derivative deals.

At the second stage, we tried to know whether the notional principal amount of derivatives is related to any accounting guidelines. For this purpose we used the score obtained by each company that helped us to identify the adoption of *AS 32, Financial Instruments: Disclosures*.

Conclusion

Almost all the Indian banking sectors use derivatives for hedging and trading purposes. The banks give more emphasis on narrative disclosures than the quantitative ones regarding the DFIs. The analysis concludes that although ordinary disclosure level does not have any association with their notional principal amount of derivative, disclosures in accordance with AS 32 have a strong positive association with them. It can be inferred from the analysis that the adoption and practices of AS 32 will increase in the near future if the volume of derivatives used increases for hedging and trading purposes.

Table 4: Spearman's Rank Correlations

Parameters			Words used in the content	Notional principal amount of derivatives contracts
Spearman's Rho	Words used in the content	Correlation coefficient	1.000	0.467
		Sig. (2-tailed)	.	0.174
		N	10	10
	Notional principal amount of derivatives contracts	Correlation coefficient	0.467	1.000
		Si123/*96 g. (2-tailed)	0.174	.
		N/	10	10

Table 5:Spearman's rank correlations

Parameters			Notional principal amount of derivatives contracts	Score obtained as per Accounting standard
Spearman's rho	Notional principal amount of derivatives contracts	Correlation Coefficient	1.000	0.915**
		Sig. (2-tailed)	.	.000
		N	10	10
	Score obtained as per Accounting standard	Correlation Coefficient	.915**	1.000
		Sig. (2-tailed)	.000	.
		N	10	10

** Correlation is significant at the 0.01 level (2-tailed).

From table 5 we can see that Spearman's rank correlation coefficient is 0.915 which lies in the range of 0.80-1.00 and indicates 'very strong' positive correlation between the notional principal amount of derivatives and the score obtained by the banks on DFI disclosures. Nevertheless the correlation is significant indeed which indicates that there is positive correlation between the AS 32 and the notional principal amount of derivatives.

MA

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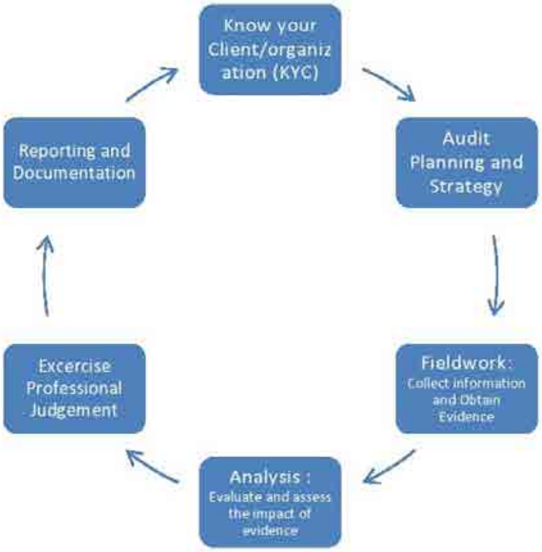

MANDATORY COST AUDIT AND INVESTOR TRUST



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Mandatory cost audit enhances investor trust. But it has the potential to do so directly if investors are educated about cost audit and its reports are made public through innovation in reporting mechanism

The dichotomy lead to a study on whether mandatory cost audit has any relationship with investor trust. The only research in this regard was carried out by B Chatterjee and MZ Mir in 2006. They found that mandatory cost audit in India has not enhanced investor confidence and prepared their paper Qualitative Research in Accounting & Management. Their findings were echoed by the preparers of financial statements. They suggested that future research should carefully consider the usefulness and cost and benefit aspects of mandatory cost audit. Their research was based in Kolkata.

Nearly a decade later, there was an imperative need to find out whether the findings of that research were replicated in tier II cities. Indore was selected for the study, more so because no study was earlier carried out on the perceived usefulness and benefits of mandatory cost audit.

MANY COST ACCOUNTANTS WERE NOT HAPPY WITH THE GOVERNMENT'S FREQUENT CHANGE OF POLICIES. THEY FAVOURED MANDATORY COST AUDIT FOR ALL INDUSTRIES BECAUSE COST ACCOUNTANTS HAVE LESS WORK TO DO AND THAT'S WHY MANY OF THEM ARE NOT IN PRACTICE

Research methods

Open-ended personal interviews with 20 cost accountants, chartered accountants, company secretaries, financial experts and investors were carried out in this research (table 1). The method was considered appropriate because of the explorative nature of the research. The respondents were selected through convenience and judgmental sampling method. The hypothesis cannot be tested statistically because data collection and analysis is totally qualitative. No hypothesis was formulated for the research which was concluded by attaining the objectives through qualitative analysis only. The table below outlines brief information of respondents.

Table 1: Respondent sample

Respondent Code	Respondent Class	Respondent's Status
AA	Cost Accountant	Employee in a company
AB	Cost Accountant	Partner in a cost accounting firm
AC	Cost Accountant	Proprietor of a cost accounting firm
AD	Cost Accountant	Partner in a cost accounting firm
BA	Chartered Accountant	Partner in a financial firm
BB	Chartered Accountant	Partner in an accounting firm
BC	Chartered Accountant	Partner in a financial firm
BD	Chartered Accountant	Professor
CA	Company Secretary	Partner in a consultancy firm
CB	Company Secretary	Partner in a company secretary firm
CC	Company Secretary	Partner in a company secretary firm
CD	Company Secretary	Employee in a leading bank
DA	Financial Expert	Employee in a broking company
DB	Financial Expert	Partner in a broking firm
DC	Financial Expert	Personal financial planner
DD	Financial Expert	Partner in an investment firm
EA	Investor	Not applicable
EB	Investor	Not applicable
EC	Investor	Not applicable
ED	Investor	Not applicable

Cost accountants

The benefits of mandatory cost audit were discussed with the cost accountants. The respondent AA was of the opinion that cost audit may not enhance investor trust because the concerned report is confidential and its results are never published. He, however, was of the opinion that the investors, on the basis of the fact that company is covered under cost audit, may feel that the published facts and figures are appropriate and the decision making more dependable.

AB said that cost audit enhances investor trust when the latter knows that company is covered under the audit. However, cost audit is unlikely to increase investor confidence, unless the report made public. Such audits sometimes help to find faults within the company because it works on the standards.

AC echoed AA and said that said that cost audit should be mandatory for most of the industries and not for a selected few. AC suggested the government to reduce the minimum turnover limit in this regard.

AD said that while the investors may not able to access the cost audit report, they should at least be informed about it. This would enhance their trust on the company. Cost audit, AD said, also helps to enhance the operational efficiency of the organization.

The cost accountants were largely of the opinions that cost audit helps in controlling cost and increasing productivity. They agreed that making public the cost audit reports would directly enhance investor trust.

Many cost accountants were not happy with the government's frequent change of policies. They favoured mandatory cost audit for all industries because cost accountants have less work to do and that's why many of them are not in practice. If the government empowers cost accountants with more statutory tasks then the scope of the cost and management accountancy would enhance.

Chartered accountants

The chartered accountants formed another class for the survey. Cost audit, investor trust, and the interrelationship of respondents were discussed with them.

BA said that cost audit helps to prevent fraud to some extent. It makes the management aware about the particular costing of all the products. If cost increases by more than the expected level then the management has to identify the areas. The cost auditor helps the management to identify the loopholes in the organisation and thereby prevents frauds.

BB said that cost audit enhances operational efficiency of the company because it has to cover such areas in production where the gap arises and affects the cost of the product.

BC said that some companies try to evade tax liabilities and don't give information to the government by way of cost audit report. They may end up paying higher taxes if the audit report on cost records is presented to the government. Companies favour following the internal costing system which helps to reduce the cost of the product. Besides, BC said, the cost audit is a burden for those companies who do not take it seriously. They do so only because of government regulations. BC said that cost audit depends on the perception of an individual but companies taking it seriously, because efficiency increases.

BD said that both cost and financial audit are a post-mortem approach. Mandatory cost audit improves the operational efficiency and helps to detect frauds. Many companies oppose the cost audit because they don't want to spend money on a professional's fees and in human hours. Small organisations especially oppose cost audit because its burden is relatively high for them than their large peers. The respondent further added that companies want to keep their cost audit report confidential because it is a threat to their business secrecy. It's also the reason behind little impact on investor trust.

The overall view of the chartered accountants was that cost audit is beneficial for both companies and investors. It increases efficiency and enhances competition in the market. Cost audit helps to detect error and loopholes and minimises the possibilities of frauds.

Most cost accountants and chartered accountants were of the opinion that cost audit has its own utility provided it is made mandatory for the listed companies and there should be some mechanism to make the report public. While both cost and financial audits are done because of government regulations, they are dissimilar to each other. Cost audit is not the duplication of financial audit. Cost and chartered accountants believe that cost audit is not a burden. Rather, it gives indirect benefit to the organisation.

Company secretaries

The company secretaries formed another class of respondents. The benefits of mandatory cost audit were discussed with them.

CA called to make the cost audit public so that investors can use it. The respondent suggested that the report should be in a simpler form so that even an average person can understand it. CA questioned the

THE MINISTRY OF CORPORATE AFFAIRS HAS CONSIDERED COST AUDIT AS ONE OF THE MOST IMPORTANT MEASURE TO PROTECT INVESTOR INTEREST AND HAS ISSUED NECESSARY NOTIFICATIONS IN THIS REGARD. IT HAS MANDATED COST RECORDS AND AUDIT TO ALL COMPANIES THAT ARE LISTED OR ARE IN THE PROCESS OF LISTING ON A STOCK EXCHANGE, IRRESPECTIVE OF THEIR TURNOVER OR NET WORTH. BUT THE COMPANIES (COST RECORDS AND AUDIT) RULES (2014) SATED, A COMPANY'S EQUITY OR DEBT SECURITIES THAT ARE LISTED OR ARE IN THE PROCESS OF LISTING ON A STOCK EXCHANGE WILL NOT BE CONSIDERED AS AN APPLICABILITY CRITERIA.

rationale behind cost audit when companies are following an internal auditing system.

CB said that cost audit has no impact on investors because very few of them know about it. CB further added that investors, today, are less bothered about analyses and invest according to their perceptions.

Cost audit, CC said, is another statutory burden for the company because there are already a lot of other compliances to adhere. However, if the management of the company is educated about the benefits of the cost audit, then the apparent burden could be a boon for them.

CD said that although cost audit is statutory and the report is not made public, the analytical part could be published so that an analyst can use the report in a better way to enhance investor trust. The respondent further said that cost audit is not just a formality. It helps to locate the loopholes in the organisation and enables the management to take precautions. Cost audit help companies to reduce their expenses and sell the product at a lesser price.

Company secretaries were divided on cost audit. While some of them were reluctant to discuss the issue, others participated actively. Some highlighted the utility of cost audit, while others marked it as an overburden. Their responses were often emotional. Some said that cost audit has no relationship with investor trust, whereas other said that its analytical part could be of extreme importance.

The opinion of company secretaries were more divided than cost accountants and chartered accountants. Some of them said they have very little interest in the cost audit system because investors cannot access the report. Mere knowledge that cost audit was carried out, can't enhance the trust in a company.

Other financial experts

Among the other financial experts whose opinion was sought, DA said that mandatory cost audit is a burden for companies because they are then not able to work effectively. But companies favour cost audit to some extent because it helps to enhance operational efficiency as well as competitiveness. If the government wants to make it mandatory for more companies then the report must be made public so that the analysis is stronger.

DB said that cost audit enhances investor trust because it is a statutory audit. With the help of cost audit, financial experts are able to analyse the company more effectively. But the company has to emphasize on the audit because it attracts the faith of investors who are thinking to invest since a long time.

DC said that the benefits of a cost audit are huge and companies must take it seriously to exploit the advantage. It increases working efficiency of the organisation because it improves operations, competition, and trust. Although the benefits of a cost audit are not met quickly, frauds related to product operation, and wastage can be detected and the loopholes plugged. Taking the cost audit as a burden won't be beneficial for the company in the long run.

DD argued that mandatory cost audit is beneficial for cost accountants but it could be a burden for small organisations. Cost audit should be mandatory for public limited and listed companies. It will help attract investor trust. Private limited companies must be brought within the cost audit ambit. BC also suggested that the government should fix a minimum turnover for private limited companies, whereas for public companies, cost audit should be made mandatory irrespective of turnover.

Financial experts held different views about cost audit. They couldn't carry out a comprehensive analysis because the reports were not made public. However, at the time of their fundamental analysis, they considered cost audit and gave a positive weight on their analysis. All of them opined that operational efficiency of a company can be increased by cost audit. It can indirectly affect investor trust through integrated advice of financial experts. One of the respondents suggested that cost audit should be made mandatory for all listed companies irrespective of their turnover.

The investor

Among the investor class, EA said that he ignores fundamental analysis for short term investments, but for the long term, he considers all technical and fundamental analysis of the company. Very few investors (around five percent) consider cost audit. He said that cost audit does not have any impact on the investor trust because it is not made public. Also, awareness of cost audit is very less amongst the investors, he added.

EB said that cost audit increases the operational efficiency because companies control the cost associated with the product. It also emphasises on a comprehensive breakup analysis of cost. Besides, cost audit helps to increase the efficiency of the organisation, and it is important to give due consideration to it for long term investment.

EC said that while investing, he prefers technical tips and is not aware about cost audit at all. In fact, he said, cost audit is not known by a large number of retail investors.

ED said that cost audit should be made mandatory like financial audit. He was not in the favour of making the report public. The report is confidential data and a company cannot afford disclosing it. But the qualitative view of the cost auditor can be made public for guidelines.

Every investor had a different opinion on cost audit. Many new investors knew nothing about cost audit. They often never saw the financial data of the company. Most of the times they invested for the short term and there was no need to inspect the data of the company. They invested in the market guided by their own sentiments. Expert opinion was sought only for the long term. Investors are less conscious to know about cost audit and they alleged that maximum companies show fake numbers. However, some of them said that cost audit is beneficial and should be made mandatory along with provision of making only qualitative aspects of its report public, considering the confidentiality aspect also to enhance investor trust.

Conclusion

Cost audit has its own significance as far as improving the efficiency of an organisation is concerned. However, there is scope for amendments in statutory norms for the cost audit, relating to the type of undertakings required to conduct it and the conditions that make it compulsory for them. It was also observed that an attempt should be made to make the cost audit report public either through an innovative approach in cost audit report mechanism.

Cost audit enhances investor trust but not directly. But it has a potential to enhance investor trust directly if the reports are made public and investors are made aware about the concept of cost audit. The government should widen the ambit of cost audit by making it mandatory for all companies over and above a turnover limit, or listing on stock exchanges. *MA*

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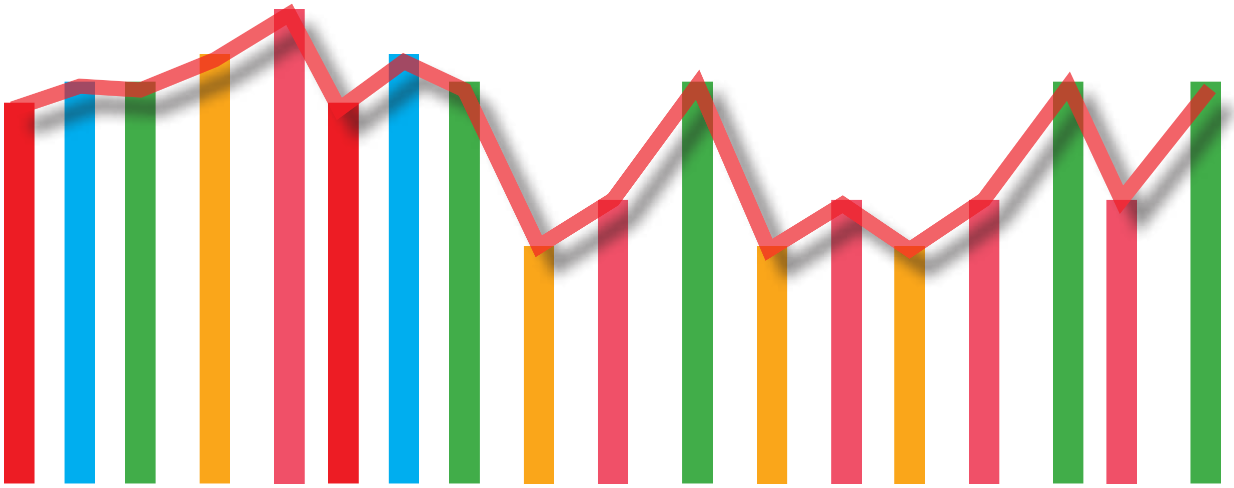

Financial Literacy

Propulsion for the Indian Financial System

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Lack of financial literacy is one of the major reasons behind large-scale financial exclusion in India. A concentrated effort from the government and market regulators is required to improve the situation

Introduction

Countries across the world are looking for ways and means to enhance financial literacy because they are now convinced that it is the backbone for a robust and efficient financial climate, which is a strong foundation for economic growth. The importance of financial literacy is also increasing because of the integration and complexity of financial markets, availability of a variety of financial products and frequent addition of new products. The government and the market regulators play a key role in highlighting the importance of financial literacy and also aware people in this regard. Financial literacy and education play a crucial role in financial inclusion, inclusive growth and sustained prosperity.

To live a prosperous, healthy and happy life, it is essential to be financially literate as it helps both in avoiding and solving financial problems. A study

(Lusardi and Mitchell, 2007) in the US, concluded that those who are financially aware, have knowledge on compounding, or tend to plan their finances, can create wealth better. Governments, all over the world, are encouraging their citizens to be more responsible regarding their retirement incomes and to move away from public pensions (Beal and Delpachitra, 2003).

Financial literacy is a critical ingredient of financial outreach because it enables individuals to take informed decisions about their financial choices (Saibal Ghosh, 2011). The subprime crisis largely stemmed from inadequate financial awareness on the part of consumers to understand the nuances of complex financial products (Bernanke, 2008). To the extent that better education feeds better health (Grossman, 1972) and vice versa, the net effect of higher outreach is reflected in better human development.

The MasterCard report

The MasterCard Financial Literacy Index Report (2014) serves as a useful tool for educational and financial institutions and businesses to assess and track the progress of financial wellbeing in various countries and benchmark themselves against their regional peers. Sixteen countries in the Asia Pacific participated in this study (table 1).

Table 1: MasterCard survey participating countries

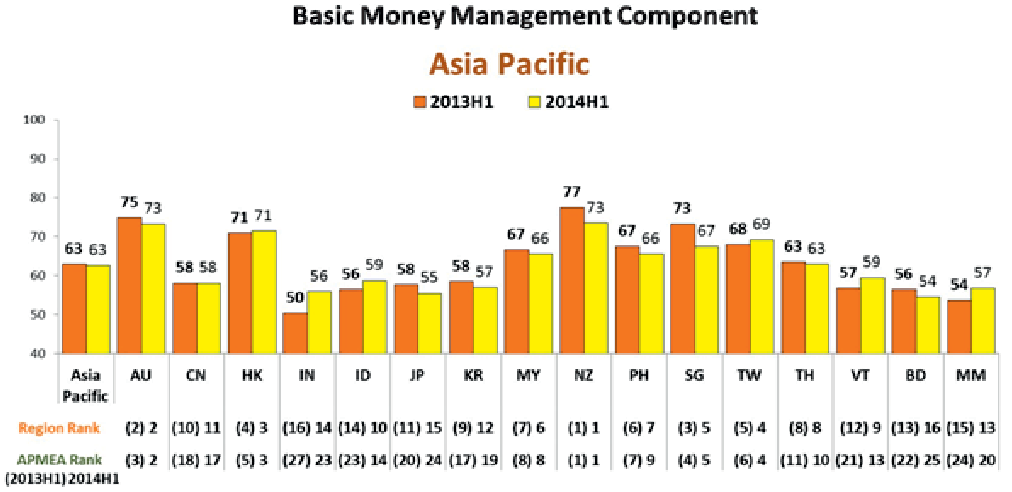
Name of the country	Abbreviation
Australia	AU
China	CN
Hong Kong	HK
India	IN
Indonesia	ID
Japan	JP
South Korea	KR
Malaysia	MY
New Zealand	NZ
Philippines	PH
Singapore	SG
Taiwan	TW
Thailand	TH
Vietnam	VT
Bangladesh	BD
Myanmar	MM

FINANCIAL LITERACY IS A CRITICAL INGREDIENT OF FINANCIAL OUTREACH BECAUSE IT ENABLES INDIVIDUALS TO TAKE INFORMED DECISIONS ABOUT THEIR FINANCIAL CHOICES (SAIBAL GHOSH, 2011). THE SUBPRIME CRISIS LARGELY STEMMED FROM INADEQUATE FINANCIAL AWARENESS ON THE PART OF CONSUMERS TO UNDERSTAND THE NUANCES OF COMPLEX FINANCIAL PRODUCTS (BERNANKE, 2008). TO THE EXTENT THAT BETTER EDUCATION FEEDS BETTER HEALTH (GROSSMAN, 1972) AND VICE VERSA, THE NET EFFECT OF HIGHER OUTREACH IS REFLECTED IN BETTER HUMAN DEVELOPMENT.

The Index comprised questions covering three major components: basic money management (50 percent weight), financial planning (30 percentweight), and investments (20 percent weight).The index score for each market was calculated out of the weighted sum of the three components.

Basic money management:

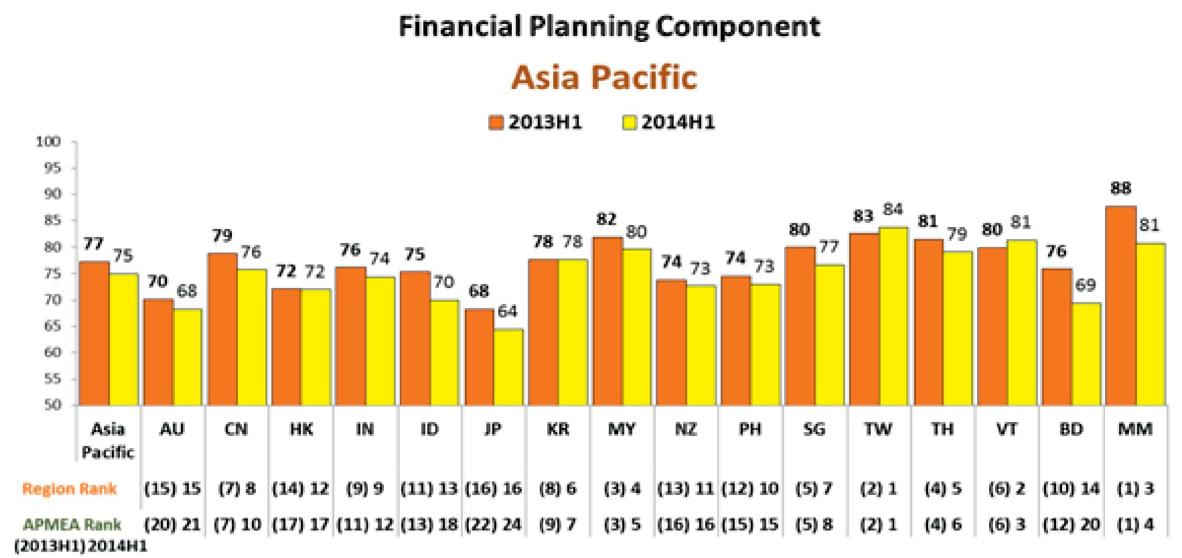
This component measured the skills for budgeting, credit card management, big item purchases, and tracking for expenditure. In the 2013 survey, India was ranked the lowest literate in this category with only 50 points, while in the previous year it was at 15 with 55 points. In the 2014 survey, India improved its rank to 14 with a score of 56 points, the highest gain by any country in the Asia Pacific region. New Zealand, Australia and Hong Kong notched up the highest points (2014: 73,73,71; 2013: 77,75,71; and 2012: 77,75,72 respectively) in basic money management for all the three years. Indians made remarkable progress with the score advancing six points from the previous survey.



Source: MasterCard Financial Literacy Index Report (2104H1)

Financial Planning:

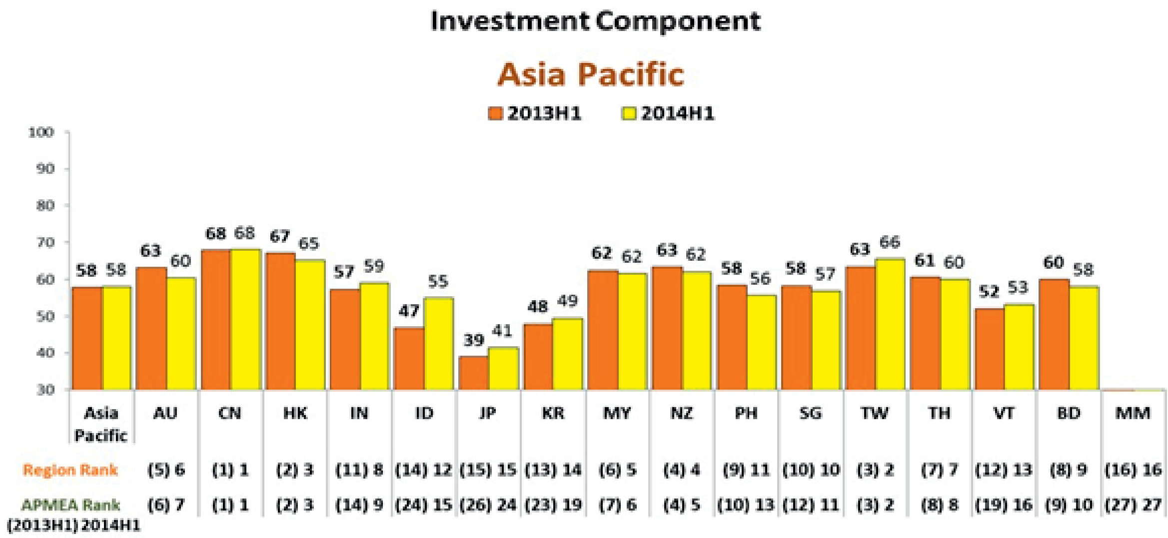
This parameter measured the consumer's level of knowledge about financial products, services and concepts, and their ability to plan for long term financial needs like retirement and unexpected events. India ranked nine this year as well as last year in this section, with 74 points, compared to 76 last year. It bagged 72 points in 2013. Taiwan ranked number one with 84 points followed by Vietnam and Myanmar with 81 points each.



Source: MasterCard Financial Literacy Index Report (2104H1)

Investment:

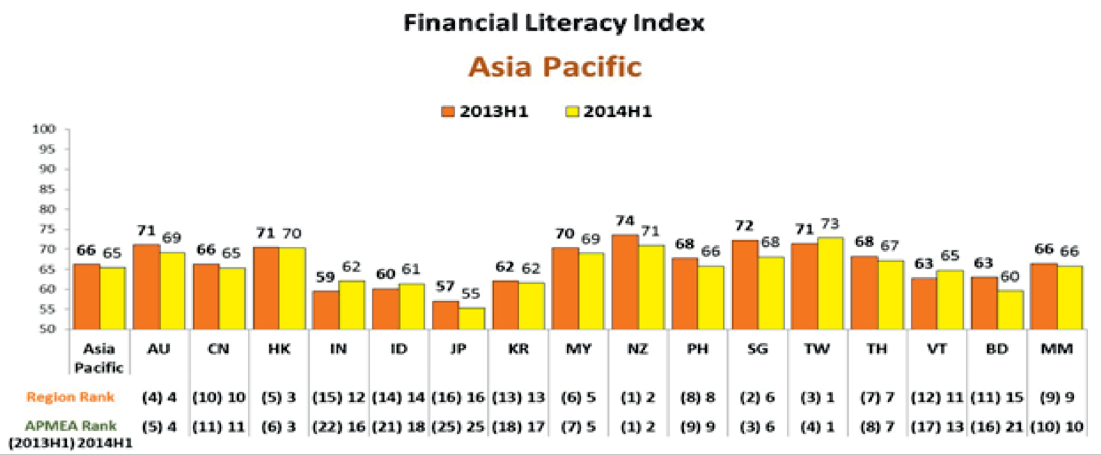
This component measured basic understanding of the risks associated with investment, the various investment products, and skills required. India ranked eighth with 59 points, and was ranked 11 with 57 points last year, and a year before that had 55 points. China, expectedly, tops the ranking with 68 points followed by Taiwan with 66, and Hong Kong with 65 points. China, however, did not perform well the basic money management category (rank 11, points 58)



Source: MasterCard Financial Literacy Index Report (2104H1)

Financial literacy:

India showed improvement in overall financial literacy with the index points for 2014 at 62 (59 in 2013). The rank also improved from 15 to 12. As revealed by the survey, India advanced the most. Though India advanced the most it still appears in the bottom four countries. It was followed by South Korea, Indonesia, Bangladesh, and Japan. The most bothering aspect of financial literacy in India is the basic management skills, where the gap between the highest scorer and India's score is 17 points (table 2).



Source: MasterCard Financial Literacy Index Report (2104H1)

Table2: India's financial literacy vis-à-vis top scoring countries in Asia Pacific region

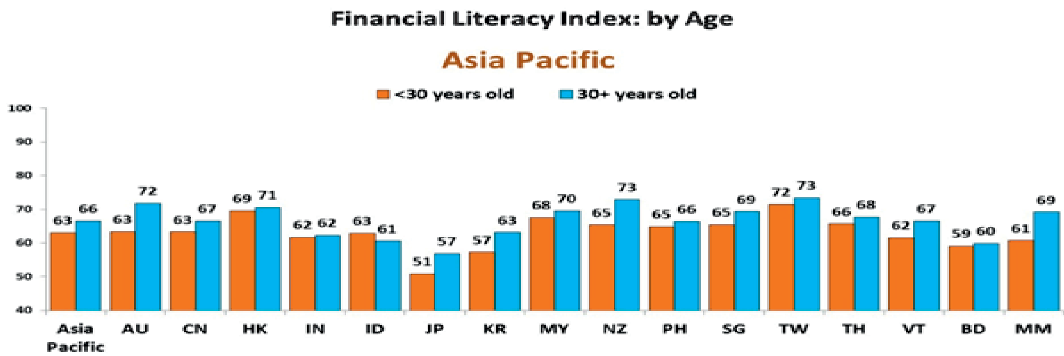
Aspects of financial literacy	India's points and rank			Top points and country
	2012	2013	2014	2014
Basic Money management (50% weight age)	55 (15)	50 (16)	56 (14)	73 (New Zealand)
Financial Planning (30% weight age)	72 (14)	76 (9)	74 (9)	84 (Taiwan)
Investment (20% weight age)	55 (12)	57 (11)	59 (8)	68 (China)
Total (Financial Literacy)	**60 (15)**	**59 (15)**	**62 (12)**	**73 (Taiwan)**

Financial literacy index

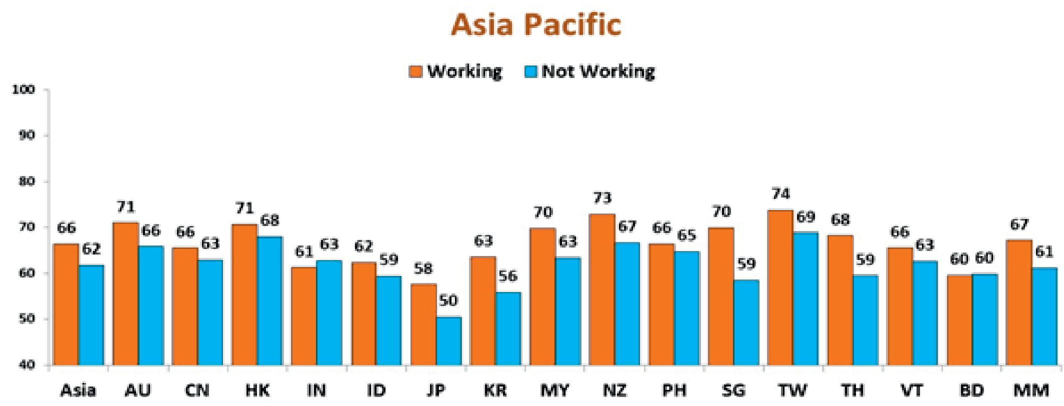
Following is a demographic analysis of the survey.

By age: For almost all countries (except Bangladesh) consumers aged over 30 were found to be more literate than those below. Interestingly, for India, the score was the same.

Source: MasterCard Financial Literacy Index Report (2104H1)

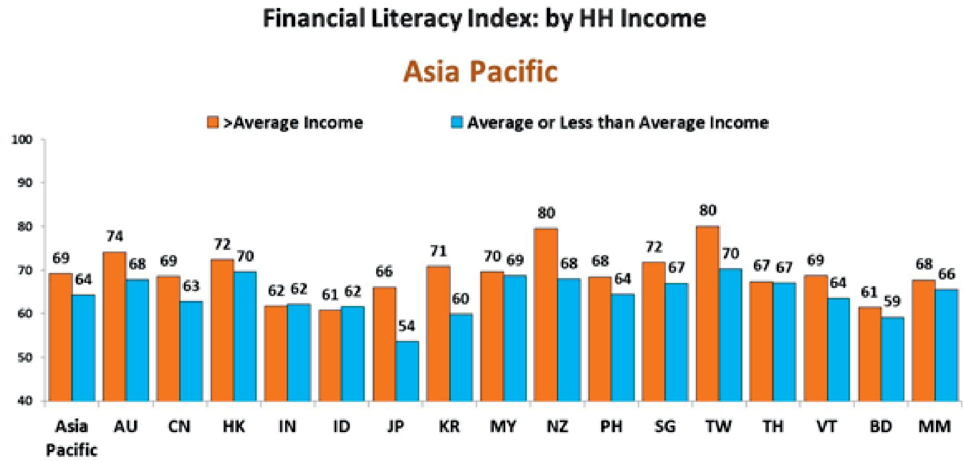


By work status: The working class usually exhibit more financial literacy than the non- working. But for India, the latter is exhibiting far superior financial literacy skills.



Source: MasterCard Financial Literacy Index Report (2104H1)

By household income: Here the comparison was made between the financial literacy level of people at, below, average, and above average level of household income. Financial literacy in India, however, is not influenced by the income level.



Conclusion

India appears among the four bottom-placed countries regarding financial literacy. In basic money management matters, it appears among the last two. It clearly suggests that Indians are not good at budgeting, savings and responsibility towards credit usage. The government and regulators must devise a policy framework to enhance financial literacy.

Basic financial education has to start at an early age, wherein the schools can play a vital role. The human resources development (HRD) ministry and the ministry of finance (MOF) collectively need to facilitate the inclusion of financial literacy in school curriculum.

For the financially included population, financial education must come in various categories. The programmes must necessarily have modules regarding the securities market, money market, banking, retirement planning, and insurance. Through these modules, the consumer should be educated about products, services, and intermediaries and functioning of the market. Regulators, on their part, must extend product education at the point of sale of every financial product/service. The education needs to be simple, true and comprehensive.

Financial education is all the more important for non-literates, but the methodology needs to be different. Education to them must be imparted in easy language through simple messages on the importance of savings, bank accounts, and borrowing within limits. This should be through informal discussions and role plays.

The Reserve Bank of India (RBI) has undertaken a programme titled "Project Financial Literacy". Its objective is to disseminate information regarding the central bank and general banking concepts to various target groups, including school and college goers, women, rural and urban poor, defence personnel and senior citizens. It has been designed in 13 languages and is available online. But RBI needs to ensure that it reaches the people living in rural areas. Prime Minister Narendra Modi's Pradhan Mantri Jan Dhan Yojna (PMJDY) is a step in the right direction to eradicate financial illiteracy in India. The number of accounts opened under PMJDY stood at 11.5 crore as of January 17, after a survey of 21.02 crore households. Of total bank accounts opened, 3.23 crore have deposits worth 9,188 crore. The network of rural branches of banks must make an effort to reach out to the rural population and educate them. financial education should be a part of the role of a banker in India.

The Securities and Exchange Board of India (SEBI) designed comprehensive modules for financial education. These are available free on its website. The modules are designed for school and college students, homemakers, executives, middle income group and retired persons. SEBI needs to devise a mechanism for ensuring that people use these modules. Only then will be the purpose successful. It may use social networking sites, television, and newspaper for conducting campaigns regarding financial education.

The government must accord top most priority to financial education and must effectively execute a national in this regard. This will surely have multiplier effect on our economy. *MA*

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Credit Default Swaps and Indian Corporate Bond Market

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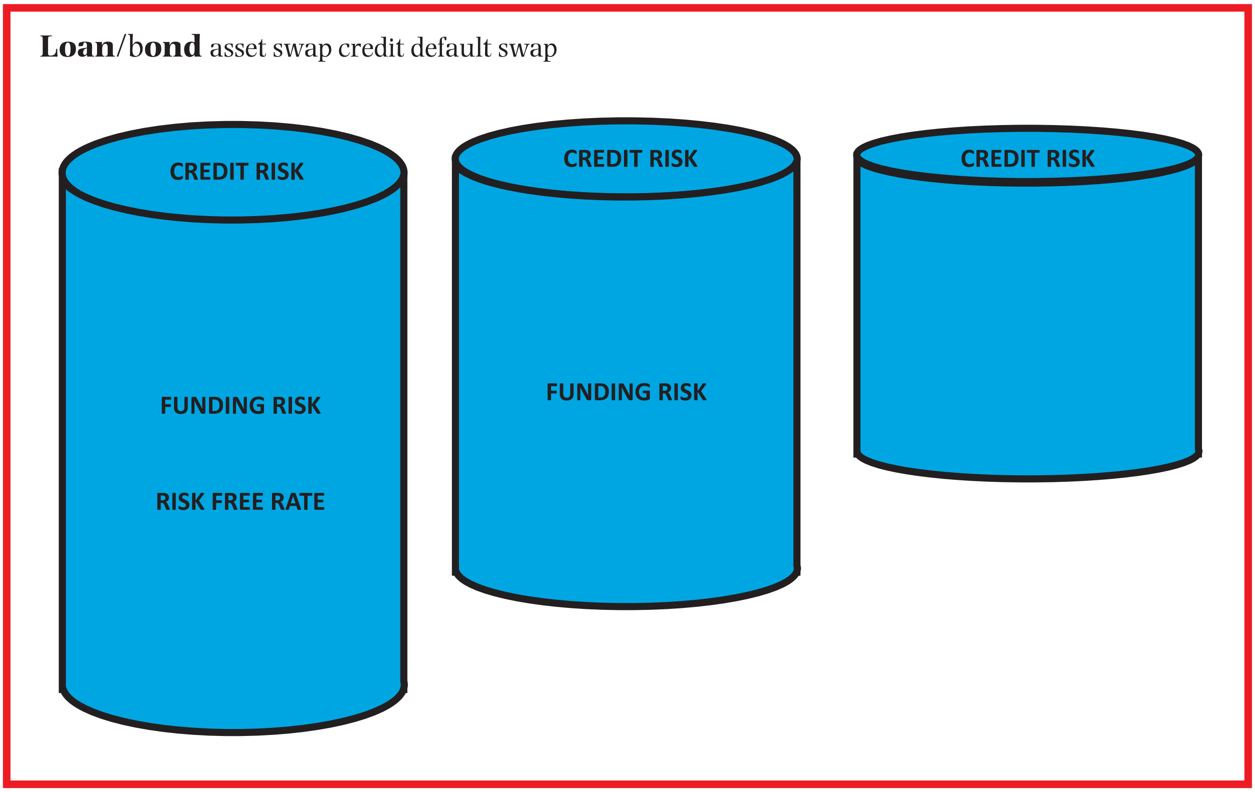
Credit swap is a derivative security that can be considered as a default insurance on loans or bonds. A gradual relief in the corporate bond regulations could lead to a steady growth of the Indian corporate bond market

Credit swap is a derivative security that can be considered as a default insurance on loans or bonds. If the insured event turns default, then the credit swap is called credit default swap (CDS). Globally, CDS is used as a vital risk measurement tool, besides the most actively traded form of credit derivative.

Swaps used to mitigate asset risk



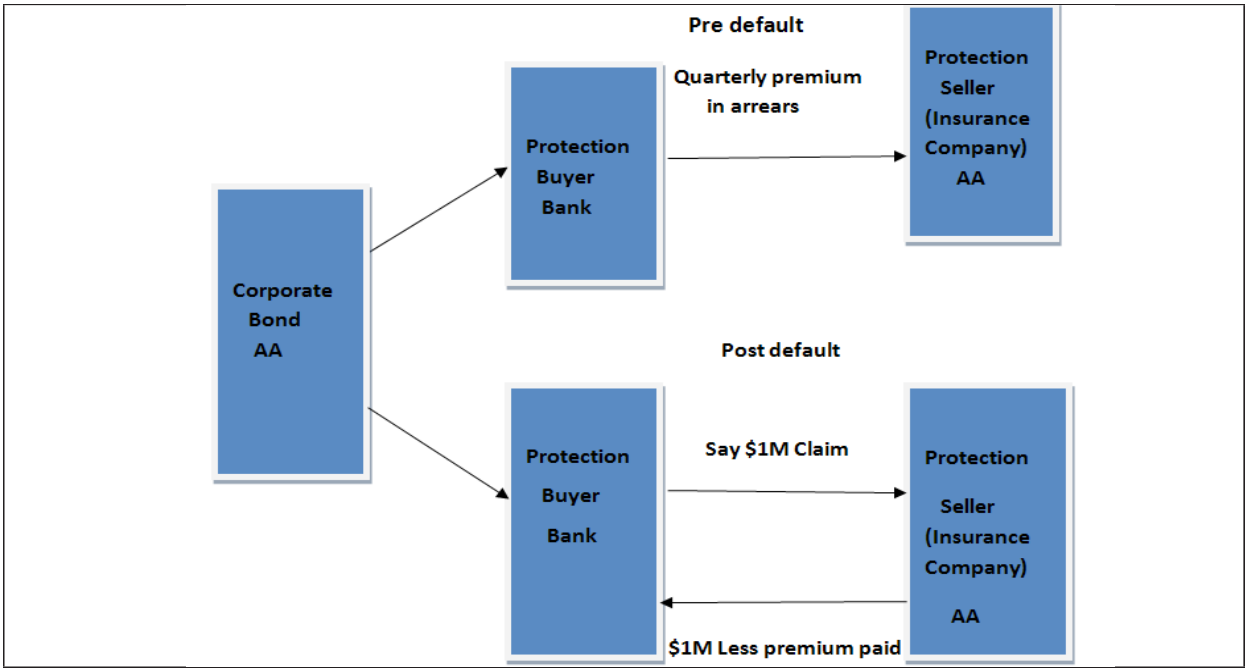
CDS has been broadly used to 'arbitrage' the mispricing of credit risk of a company in the cash and derivatives markets over the so-called CDS-bond basis trade. It is defined as the CDS spread minus the spread of the underlying bond over the risk free rate or the excess of the CDS spread over the bond yield spread.

CDS bond basis = CDS spread – bond yield spread

CDS spread is a percentage of the notional principal, paid annually by the protection buyer. It is also measured as the excess of yield on bond issued, over the risk free rate and asset swap spreads. Yield is the tool used to measure the return of one bond against another, and helps investors to decide which bond to buy. Bond yield spread is calculated in relation to the London interbank offered rate (LIBOR)/swap benchmark rate, or the asset swap spread which means separating the interest rate risk from credit risk, and transforming fixed payments into floater. The CDS-bond basis should be zero on a hedged portfolio consisting of a CDS and long bond position, when the CDS spread is equal or close to the risk free rate. Negative bond basis is evolved if the CDS spread is lower than that of the underlying bond over the risk-free rate. The CDS bond basis has attracted a lot of attention of managers.

The credit spread variant measures and assesses the counterparty risk. The probability of default is caused because of non-fulfilment of obligations by any party in a trade. In CDS, there is a contract between two counterparties, one party (protection buyer) makes recurrent payments to the other party (protection seller), in return for receiving the settlement amount, if the underlying security (bond) defaults. The manager, ultimately, obtains a well-guarded roof for credit risk on a specific asset. CDSs involve risk transfer and facilitate an increase in investment and borrowing opportunities, besides reducing the transaction costs. The key function of CDS is to provide credit shield to the corporate bond buyer because the protection seller assures the product's creditworthiness. Through CDS contracts, the default risk is transferred to the seller from the holder of the security. The objective of introducing CDS on corporate bonds is to facilitate a tool to transfer and manage credit risk by the market participants through an effective credit risk mitigation process.

Credit default swap



CDS, ultimately, increases investor interest to invest in corporate bonds. The degree of credit swaps falls when investor confidence improves, and rises when the latter decreases. In a situation where one or several bonds are difficult to acquire in the open market, investors can reproduce the exposure of a bond, or a portfolio of bonds, using CDSs. Investors, in the process, can create a synthetic portfolio of bonds with the same credit exposure and payoffs.

A banker at JPMorgan Chase, innovated the CDS to protect the investor against loans going bad. The swaps originated as a simple hedging tool. During the last financial meltdown, derivatives were in the eye of the storm that led to a $182.5 billion government bailout to American International Group (AIG), one of the largest CDS users at the time. Despite a negative reputation during the period of financial crisis, the outstanding value of the market was around $24.8 trillion. Greece, in March 2012, faced the biggest sovereign default in history, which resulted in CDS payoffs amounting to $2.6 billion. The global CDS market is hovering around $12.2 trillion since then.

CDSs are unregulated and permitted to trade over the counter (OTC). They are often traded at a higher volume when it is difficult to know who stands at each leg of a transaction. CDSs have emerged as a useful portfolio management and speculation tool. CDSs are likely to emerge as an important and critical splinter of the financial markets.

Some risks associated with CDS contracts are as follows.

Default: The risk on the counter party, both on the buyer and seller of the credit protection.

Jump to default: Sudden commitment on the protection seller arises because of the default, ensuing a huge payout to the protection buyer.

Systematic: The systemic risk is a 'naked' CDS contract which has no underlying debt. Such contracts lead traders to speculate on the creditworthiness of reference entities.

Consideration, under corporate bonds, is a periodic payment at a fixed percentage, called coupon, to the holder for a specified time period. The coupon is determined on the estimated future cash flow and the credit quality of the corporate. Floating rate bonds have coupons that rise and falls with market interest rate movements, whereas the reverse floater has coupons that move in the opposite direction of the rates. There are other types of corporate bonds like callable Bonds, indexed Bonds, and catastrophe Bonds, having different features.

Corporate bonds are rated by agencies like S&P, Mood's, Fitch, CARE, CRISIL and others to evaluate the degree of default risk. Unrated bonds, or those rated below a threshold level, are difficult to market. Bonds rated BBB and above are usually referred to as investment grade bonds. Those rated below the level are considered as junk and speculative bonds.

Further, to attract investor confidence, bonds are often backed by the company's physical assets as collateral, or are supported with a device like sinking fund provisions that place specified sums periodically into a fund to meet future obligations. Corporate bonds are considered riskier than government bonds and their return (coupon) is almost always higher than treasury bonds.

Corporate bonds (as an instrument for debt financing) have recently emerged as a major source of capital. A well-developed bond market could be an add-on to the banking system to meet the needs of the corporate sector for long term capital investment. Bonds play a pivotal role in a volatile equity market. The Asian corporate bond market, including India and China, has become more dynamic of late. The progress, however, has been delayed compared to developed countries.

India's economic reforms since 1994 have ushered in a revolution in its financial market. It now has a robust financial centre backed by a strong legal framework, and two world class stock exchanges for trading, clearing and settlement. It also has a credible system of experienced credit rating agencies that have created a high level of confidence among investors across the world. The corporate bond market, however, has been left out of the reforms. Banks, mutual funds, insurance, and pension and provident funds, are the major investors in the corporate bond market.

The CDS market, new in India, has witnessed some teething troubles and lacks efficiency, liquidity and vibrancy. The Reserve Bank of India (RBI) has recently permitted repo transaction to develop the market. It has also permitted on the certificates of deposit/ commercial paper/non-convertible debentures (NCDs) of less than one year of original maturity. Repo is regarded as a money market instrument and used to raise short-term capital, where one party sells the security and agrees to repurchase it in the future. A minimum haircut on the corporate bond's market value, as on the trade date of the first leg, is fixed by the RBI (table 1). It is the minimum stipulated haircut for the overnight repo transaction. In case of re-margining frequency for long position, it is on daily basis. The participants need to adopt appropriate higher haircuts for all the other options.

Table 1: Ratings and haircut

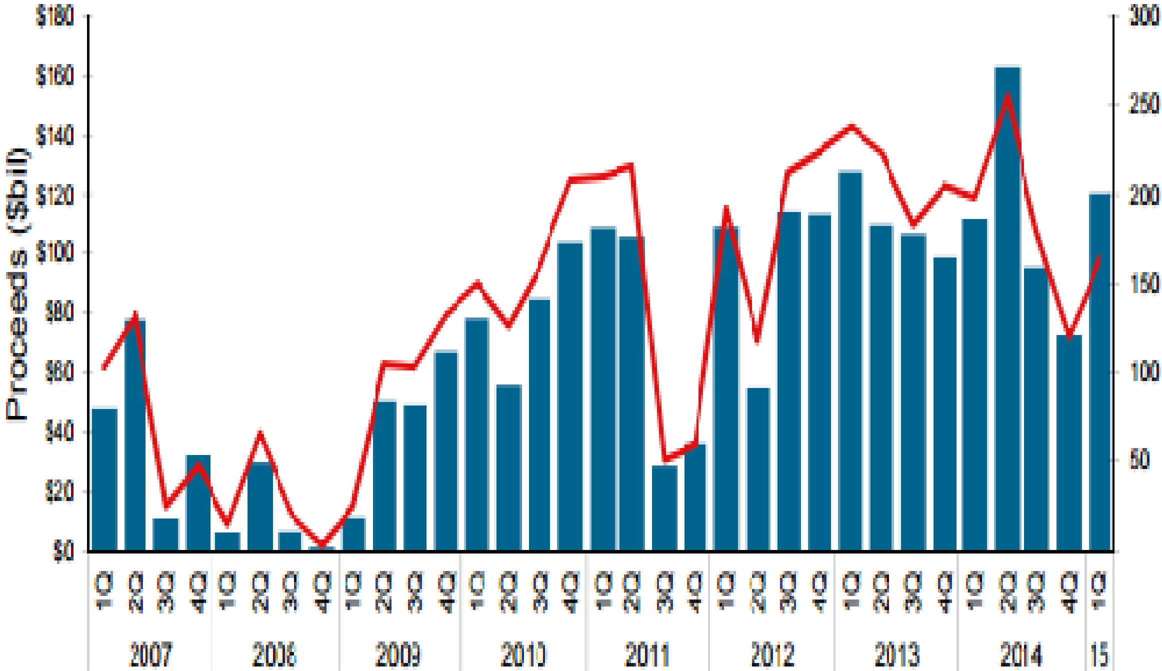
RATING	AAA	AA+	AA
MINIMUM HAIRCUT	7.5%	8.5%	10%

In India, only investors who own underlying securities are allowed to purchase CDS insurance. There are no 'naked' CDS contracts in the country. Also, the CDSs market cannot be bigger than the underlying debt market.

Global corporate bond issue rose by five percent in 2014 to hit a record high of $3.35 trillion. The value of outstanding corporate bonds, at the end of 2014, stood at $6.89 trillion. The global corporate sector contributed a 22.8 percent rise. Healthcare (126.1 percent), retail (158.9 percent), and media and entertainment (74.5 percent) were the major contributors. Telecom (50.5 percent) and the government and agency sector (21.2 percent) were the major losers.

THE KEY FUNCTION OF CDS IS TO PROVIDE CREDIT SHIELD TO THE CORPORATE BOND BUYER BECAUSE THE PROTECTION SELLER ASSURES THE PRODUCT'S CREDITWORTHINESS. THROUGH CDS CONTRACTS, THE DEFAULT RISK IS TRANSFERRED TO THE SELLER FROM THE HOLDER OF THE SECURITY

Global high yield corporate bond



Source: Thomson Reuters

Global high yield corporate Bond; red line: number of offerings

The US corporate bond issuance has shown increasing trends both in investment grade and high yield bonds (table 2). Investment grade bonds increased from $664.9 billion (2008) to $1,125.4 billion (2014). High yield bond increased from $43.3 billion (2008) to $311.7 billion (2014). Investment grade bond, in 2015, increased from $94.5 billion (January) to $140.5 billion (May), and the high yield bond increased from $19.7 billion (January) to $29.7 billion (May). The issuance of corporate bonds, on quarterly basis in 2014 and monthly basis in 2015, till May, are furnished below.

Investment grade and high yield (USD)

Source: SIFMA

There is an urgent need to raise large amount of resources for infrastructure development in India. Developing the corporate bond market has become very crucial in this regard. The outstanding issues which were 12,155 (March, 2011) increased to 19,439 by end of 2014-15 fiscal. During the same period, the amount of outstanding corporate bonds, increased from 8,895 billion to 17,503 billion.

Table 2: Total outstanding corporate bond (2015)

Type of Instruments	Opening no. of outstanding instruments	Outstanding (Cr)	No. of issues during the quarter	Amunt (Cr)	No of redemption during the quarter	Amt (Cr)	No of outstanding instruments	Outstanding instruments (Cr)
Fixed Rate	13497	1515286	1200	144827	710	48700	14090	1608886
Floating Rate	1674	51329	212	2360	184	4513	1720	45648
Structured Notes	982	8742	139	4975	163	275	1044	13422
OtheINR	2511	73099	407	12777	345	4961	2585	82365
Total	18,664	1648456	1958	164939	1402	58449	19439	1750321

Source: SEBI

Various types of bonds (fixed rate, floating rate, structured notes, and others) have expanded their market. Fixed rate bonds have overshot others, both in number and value. Indian corporates, in 2014-15, raised bonds worth 4,041.36 billion (2,611 issues), higher than 2,760.54 billion (1,924 issues) in the preceding fiscal, through private placement (PP). Corporates raised bonds worth 1,054.98 billion (629issues) through PP.

In 2014-15, there were 17,710 trades worth 2,04,505 crore on the BSE, compared to 58,073 worth 8,86,787 crore on the NSE. The secondary market trading reached 9,708 billion in 2013-14 from 6,053 billion in 2010-11. The secondary market, till February 2015, reached at 10,043 billion.

CORPORATE BONDS ARE RATED BY AGENCIES LIKE S&P, MOOD'S, FITCH, CARE, CRISIL AND OTHERS TO EVALUATE THE DEGREE OF DEFAULT RISK. UNRATED BONDS, OR THOSE RATED BELOW A THRESHOLD LEVEL, ARE DIFFICULT TO MARKET

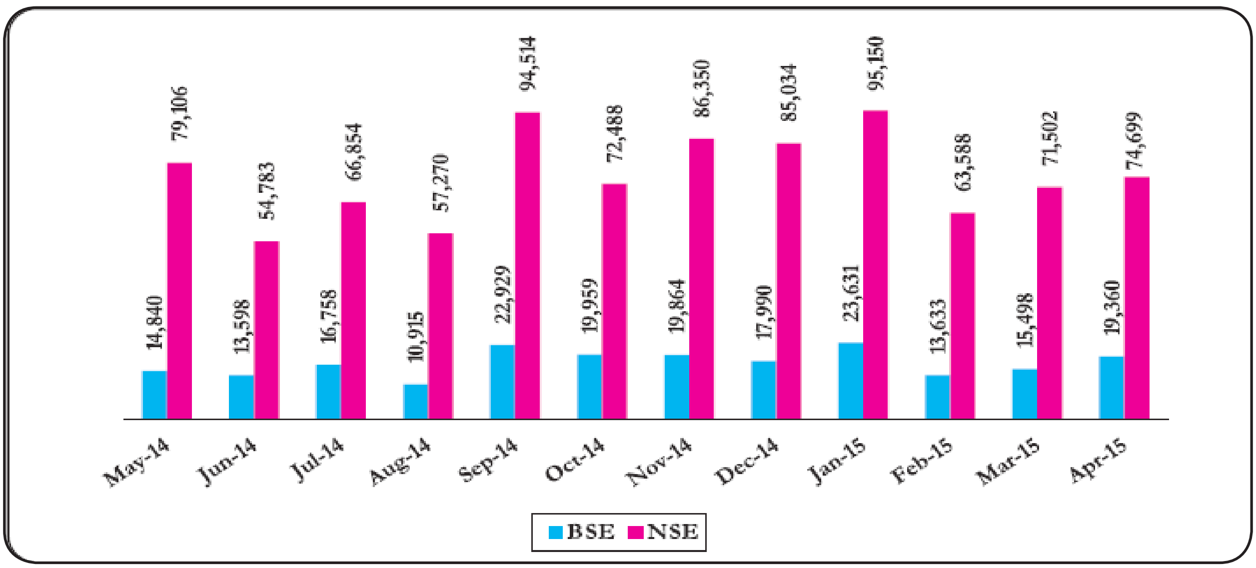
Monthly trading of corporate bonds (2014-15)

Date	BSE		NSE		FIMMDA**		Grand Total	
	No. of Trades*	Amount (Rs. cr)*	No. of Trades*	Amount (Rs. cr)*	No. of Trades*	Amount (Rs. cr)*	No. of Trades*	Amount (Rs. cr)*
Apr-14	1171	14891.21	3670	60148.91	1	0.11	4842	75040.23
May-14	1298	14839.85	4459	79106.01	0	0.00	5757	93945.86
June-14	1378	13597.75	4176	54783.42	2	0.20	5556	68381.37
July-14	1422	16757.81	4290.00	66854.00	0	0.00	5712	83611.81
Aug-14	1211	10914.78	3843	57269.64	1	0.12	5055	68184.54
Sep-14	1866	22928.70	5807	94513.75	0	0.00	7673	117442.45
Oct-14	1662	19959.05	4706	72488.18	0	0.00	6368	92447.23
Nov-14	1791	19864.26	5400	86349.86	1	0.10	7192	106214.22
Dec-14	1609	17990.34	5694	85033.93	1	0.10	7304	103024.37
Jan-15	1587	23630.98	5706	95149.98	0	0.00	7293	118780.96
Feb-15	1188	13632.90	4329	63587.96	0	0.00	5517	77220.86
Mar-15	1527	15497.88	5993	71501.87	2	0.20	7522	86999.95
Total	**17710**	**204505.51**	**58073**	**886787.52**	**8**	**0.83**	**75791**	**1091293.86**

Source: SEBI

In April 2015, 1,518 trades worth 19,360 crore, as compared to the previous month's 1,527 trades with a value of INR15,498 crore, were reported on the BSE. On the other hand, 5,051 trades with a trading value of 74,699 crore was reported on the NSE in April 2015, compared to 5,993 trades with a trading value of 71,502 a month earlier.

Corporate bonds: domestic turnover (crore)



Source: SEBI Bulletin

The Fixed Income Money Market and Derivatives Association of India (FIMMDA) published the Indian version of the Global Master Repurchase Agreement (GMRA) in 2013, in consultation with the International Swaps and Derivatives Association (ISDA), to develop the corporate bond market. The RBI ordered closure of the reporting of the secondary corporate bond market transaction at FIMMDA from April 2014. SEBI, further, clarified that all OTC trades in corporate bonds must be reported only on any one of the reporting platforms provided in the debt segment of stock exchanges within 15 minutes of the trade.Users are allowed to undo their CDS bought position with original protection seller at an agreed price. Otherwise, the FIMMDA price will come in force. In case the parties fail to reach an agreement, unwinding must be carried out with the original protection seller at FIMMDA price.

Liquidity risk and credit risk of corporate bonds can be effectively managed using repo route and CDSs so that foreign institutional investors (FIIs) can also invest in the Indian corporate bond market. Though the Indian bond market has clocked good growth, it is still lagging in comparison to the government bond market.

Government and Corporate Bonds as percentage of GDP March 2013

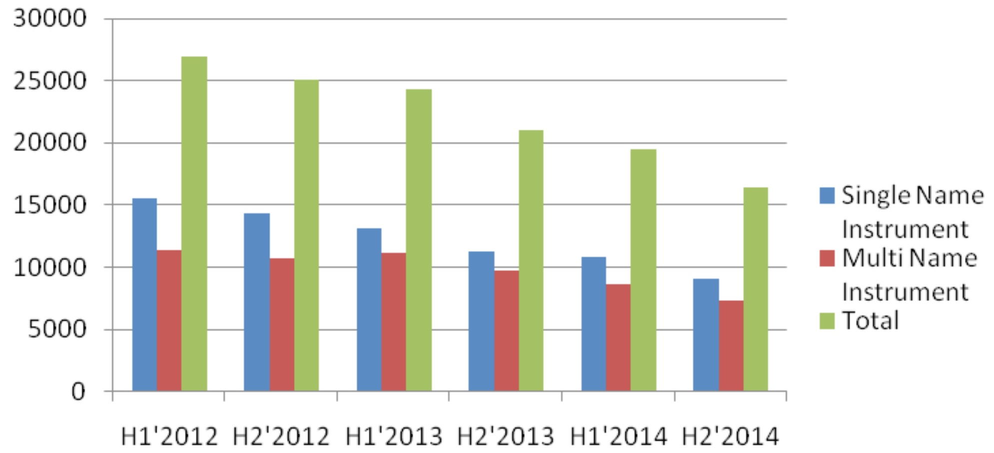
Debt as per cent of GDP	Government	Corporate	Total
Peoples Republic of China	33.1	13.0	46.2
Hong Kong	37.8	31.4	69.2
Indonesia	11.4	2.3	13.7
Republic of Korea	48.7	77.5	126.2
Malaysia	62.4	43.1	105.5
Philippines	32.2	4.9	37.1
Singapore	53.1	37.0	90.1
Thailand	58.6	15.9	74.4
Vietnam	19.8	0.7	20.5
India	49.1	5.4	54.5

Source: RBI

The overall global OTC derivatives market continued to contract by nine percent in the second half of 2014 from $692 trillion to $630 trillion. CDS contracts also fell to $16 trillion by the end of December 2014 from $19 trillion as on June 2014. The same was at a high of $58 trillion, just before the last financial crisis (end 2007). The market value of CDS also continued to decline to $593 billion at the end of December 2014 in gross terms and $136 billion in net terms.

LIQUIDITY RISK AND CREDIT RISK OF CORPORATE BONDS CAN BE EFFECTIVELY MANAGED USING REPO ROUTE AND CDSS SO THAT FOREIGN INSTITUTIONAL INVESTORS (FIIS) CAN ALSO INVEST IN THE INDIAN CORPORATE BOND MARKET.

Global CDS position (in $ billion) as on December 2014 (notional principal)



Note: Amounts denominated in currencies other than USD, were converted to USD at the prevailing exchange rate on the reference date.

Source: BIS

Both single and multi-name CDSs declined by 42 percent ($15,566 billion to $9,041 billion), and 35 percent ($11,364 billion to $7,358 billion) within a span of three years. Majority of the contracts were from Europe and the US.

CDS amount outstanding: notional ($ billion, Dec 2014)

	Total			With reporting dealers			With non-reporters		
	H2 2013	H1 2014	H2 2014	H2 2013	H1 2014	H2 2014	H2 2013	H1 2014	H2 2014
All locations	21,020	19,462	16,399	11,053	9,540	7,717	9,967	9,922	8,682
Home country	4,091	3,734	3,423	1,932	1,808	1,633	2,159	1,926	1,790
Abroad	16,929	15,728	12,976	9,121	7,732	6,084	7,808	7,996	6,892
United States	4,486	4,014	3,412	2,147	1,703	1,341	2,339	2,310	2,071
Japan	162	151	117	110	94	71	51	57	45
European developed countries	10,871	10,173	8,205	6,800	5,854	4,607	4,071	4,318	3,599
Latin America	780	785	686	3	2	2	777	783	684
Other Asian countries	170	148	127	7	26	17	162	122	110
All other countries	461	458	430	53	52	47	408	406	383

Source: BIS

An RBI technical advisory committee, recently, discussed the introduction of interest rate options for corporate bonds to encourage retail participation. It also discussed the introduction of a separate trading of registered interest and principal securities (STRIPS) platform besides targeting a wide use of CDSs and repo. RBI, in its recent monetary policy, allowed the Indian Railways Finance Corporation to sell offshore rupee-denominated bonds.

Global financial experts have opined that existence of a deep and liquid corporate bond market could make emerging economies less vulnerable and ensure and a steady growth. Once the domestic segments of exchange is fully stabilised, an international segment of the exchange could be opened for listing of Asian bonds. The success will be a stepping stone for an entry in the global corporate bond and CDS markets. MA

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Case Laws

- **"Landing and parking charges for Aircrafts are not for 'use of land'; attract section 194C TDS** - Landing and parking charges payable by Airlines in respect of aircrafts are not for the 'use of land' *per se* but the charges are in respect of number of facilities provided by the Airport Authority of India. Thus, landing and parking charges payable by Airlines would attract TDS under section 194C and not under section 194-I - *Japan Airlines Co. Ltd.* v. *CIT* [2015] 60 taxmann.com 71 (SC)
- **Grant of minority status to educational institution doesn't lead to denial of trust's registration** - An educational institution could not be said to be established for benefit of the minority community, solely on the basis of it being granted the status of minority educational institution by 'National Commission for Minority Educational Institutions'. Therefore, its application for registration as charitable institution could not be denied solely on the ground that minority status was accorded to it - *CIT* v. *International School of Human Resources & Social Welfare Society* [2015] 60 taxmann.com 188 (Patna-Trib.)
- **TDS default made by relying upon opinion of CA was bona fide mistake; not liable to penalty** - Where assessee-company made payment to a foreign company without deduction of tax at source on basis of certificate issued by Chartered Accountant, same was a *bona fide* mistake and hence, assessee was not liable to penalty for concealment of income - *CIT* v. *Filtrex Technologies (P.) Ltd.* [2015] 59 taxmann.com 371 (Karnataka)

Statutes

- **CBDT notifies Rules for the purpose of FATCA entered into between India and USA** - Last month the Indian Government has signed Foreign Account Tax Compliance Act (FATCA) with USA to promote transparency between the two nations on tax matters. The agreement underscores growing international co-operation to end tax evasion everywhere.

  FATCA is a very important step for the Government of India, to tackle offshore tax evasion. It reaffirms the Government of India's commitment to fight the menace of black money. It is hoped that the exchange of information on automatic basis, regarding offshore accounts under FATCA would deter tax offenders, would enhance tax transparency and eventually bring in higher equity in to the direct tax regime which is necessary for a healthy economy.

  Now the CBDT has notified rules for the purpose of FATCA - NOTIFICATION NO.62/2015 [142/21/2015-TPL]/2155(E), DATED 7-8-2015
- **CBDT inks APAs with two MNCs which includes first APA with rollback provision** - As a part of a major initiative to usher in certainty in taxation, the CBDT has entered into two unilateral Advance Pricing Agreements (APAs) on August 3, 2015 with two Multi-National Companies (MNCs) which includes the first APA with a "Rollback" provision. With this, the CBDT has so far signed 14 APAs of which 13 are unilateral APAs and one is a bilateral APA.

  Unilateral APAs are agreed between Indian taxpayers and the CBDT, without involvement of the tax authorities of the country where the associated enterprise is based. Bilateral APAs include agreements between the tax authorities of the two countries. An APA with the "Rollback" provision extends tax certainty for nine financial years as against five years in APAs without "Rollback" - PIB PRESS RELEASE, DATED AUGUST 6, 2015

INDIRECT TAXES

Case Laws

- **Delay in passing review order may be condoned by Tribunal** - Power of Tribunal to condone delay in filing appeals preferred by revenue on review extends to delay caused in passing review order; hence, delay in passing review order may be condoned by Tribunal - *CCE* v. *KAP Cones* [2015] 60 taxmann.com 5 (SC)
- **High Court strikes down DVAT provision as it sought to levy VAT on deemed sale price of petrol** - Where VAT had been levied on oil products sold by oil marketing companies to dealers and value for such transaction has been taken to be sale price at which dealers sell such oil products to ultimate consumers; since value represents sale price of a future event, levy of tax on such value is constitutionally invalid - *Veer Service Station* v. *GNCT of Delhi* [2015] 60 taxmann.com 105 (Delhi)
- **Value of captive consumption shall be marked up by 10% even in case of loss** - In valuing captive consumption of intermediate products, notional profits at 10 per cent of cost are to be added to value even if assessee is incurring losses from production of intermediate products - *Chackolas Spinning & Weaving Mills Ltd.* v. *CCE, Cochin* [2015] 59 taxmann.com 439 (SC)
- **Orders passed under Service Tax Amnesty Scheme are appealable** - 'Designated authorities' under Service Tax Voluntary Compliance Encouragement Scheme amount to 'adjudicating authorities', as they pass order/decision; hence, orders passed by them are appealable as per Finance Act, 1994 - *Narasimha Mills (P.) Ltd.* v. *CCE (Appeals)* [2015] 59 taxmann.com 219 (Madras)
- **Voluntary disclosure of 'suppression' can't avoid 'extended period or penalty'** - Non-payment of duty despite after crossing exemption limit amounts to 'suppression', which takes place at time of clearance of goods; when suppression has already taken place, subsequent voluntary disclosure by assessee to Department cannot justify a plea of no suppression - *Kripa Fabs (P.) Ltd.* v. *CESTAT* [2015] 59 taxmann.com 157 (Madras)

Statutes

- **Now cost of land shall be excluded for valuation of works contract under Haryana VAT** - Haryana Value Added Tax (Amendment) Rules, 2015 - Amendment in rule 25 - NOTIFICATION NO.19/ST-1/H.A.6/2003/S.60/2015, DATED 23-7-2015
- **CBEC issues instructions for conducting detailed scrutiny of excise returns** - CIRCULAR NO.1004/11/2015-CX, DATED 21-7-2015
- **Govt. explains reasons for amending exemption notification with non-Cenvat conditions** - Clarification relating to Notifications No.30/2004-C.E., dated 9-7-2004; No.1/2011-C.E., dated 1-3-2011 and No.12/2012-C.E., dated 17-3-2012, as amended from time to time - CIRCULAR NO.1005/12/2015-CX, DATED 21-7-2015
- **CESTAT, Delhi calls for list of pending cases from Advocate involving duty/penalty below 50 lakhs** - CIRCULAR [F.No.01/04/CIRCULAR/CESTAT/2014], DATED 29-6-2015

NUANCES of the Non-Compete Covenant

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What is a Covenant?

It is an agreement between two or more parties under which either party pledges himself to the other to do or forebear from doing certain things of common interest. Covenants are classified in several ways: Absolute or conditional, affirmative or negative declaratory or obligatory , dependent, concurrent or independent, executed or executor, express or implied, general or specific, principal and auxiliary, transitive or intransitive, etc., (refer Black's Law Dictionary)

Tax law has to deal with restrictive covenants. General Law forbids unreasonable restraints on trade. But tax law deals with restraint on competition. The debate generally centered on the question whether compensation paid under a restrictive covenant is capital or Revenue in nature for tax purposes. If it is in substitution not of income but of the source of income, it is considered a capital receipt. Non-compete fee received in view of refraining from manufacturing and selling certain goods for a specified time while allowing the assesse to continue its other business activities was considered a taxable Revenue receipt [CIT vs., Tata Coffee Limited 326 ITR 214 (Kar)].

Employees

Any payment made to an employee or former employee will be taxable even after cessation of employment as profits in lieu of salary. But the payment must be related to the employment. It may become taxable even if paid after the employment has come to an end. Receipt of an amount after resignation from employment on an agreement not to join a rival organization was considered a capital receipt by the Bombay High Court. Amount received from a prospective employer was also considered not taxable.

The law underwent a change.

The 2002 Amendment

Finance Act, 2001 amended Section 17 of the Income Tax Act, 1961 dealing with salary and perquisites. Sub-clause {iii} in Section 17(3) laid down that any amount received by an assessee from any person either before joining employment with that person or after cessation of employment with that person will be taxed as profits in lieu of salary. Finance Act 2001 made the amendment effective from April 2002 so that amount received from a former or a future employer becomes taxable. *This amendment does not apply for amounts received prior to 1.4.2002.*

How do we deal with covenants between a company and its former employee about not competing in the trade? The matter came up for detailed consideration before the Madras High Court G.Raveendran vs. CIT 375 ITR 326.

The Raveendran Case

Raveendran was expert in the field of Industrial Drives. He started a private company and a British Company joined hands with him to promote a joint venture Indian company with 51% of the shares held by the British Company and 49% shares by the Indian company. The expertise of the technical personnel of the Indian company was key to the success of the Joint venture. An employment contract was signed by Raveendran and he became the employee of the joint venture company in 1993. His salary was paid by the joint venture Indian company. In order to ensure that there was no competition of any kind by Raveendran consequent to the reduction of the share capital in the joint venture Indian company, the British company entered into a non-compete agreement with Raveendran in December 1995. Raveendran received Rs.9.83 lakhs as consideration for the non-compete agreement. The question arose whether this amount was taxble in the hands of Raveendran. The Income TaxAppellate Tribunal decided that the amount was taxable as salary. On appeal, the Madras High Court took the view that even a cursory glance at the non-compete agreement would show that the compensation received from the foreign company by Raveendran could not be considered as profits in lieu of salary. The Indan company was never merged with the foreign company to form the joint venture. The salary portion was received from the joint venture and the non-compete fee from the foreign company. These are two independent transactions and were distinct from each other. The foreign company had no relationship with Raveendran in the nature of an employment. The High Court pointed out that under the agreement Raveedran restrained himself from setting up any business, joining any employment or becoming a Director of some concern so as to open competition. Such restrictions adversely affected his income earning potential. The employment contract was between the joint venture Indian company and Raveendran. The High Court finally held that the payment received by Raveendran from the British Collaborator was not in the nature of salary under Section 15 read with Section 17 of the Act. It was a capital receipt not chargeable to tax.

Despite amendments in the law, it can be concluded that the decision is applicable even today because it rests on the principle that there should be an employer- employee relationship between the payer and the recipient to bring the non-compete fee to tax. If there is no such relationship, no tax can be levied on the non-compete fee.

Non-Compete Fee under Section 28

Finance Act, 2002 inserted sub-clause (va) in Section 28 to bring to tax any sum received or receivable under non-compete agreement. The agreement should relate to activities similar to the business of the company. Transfer of the right to manufacture will be chargeable as capital gains. The amendment took effect from assessment 2003-04. Receipt of non-compete fee prior to 1.4.2003 was held to be capital receipt and not chargeable as income by the Supreme Court in Guffic Chem (P) Ltd vs. CIT 332 ITR 602. The amount received will be taxable either as capital gains or as income.

Arun Toshniwal vs. Dy.Commissioner of Income Tax 375 ITR 270.

The Toshinwals were Directors of Chemito Technologies Private Limited. In May, 2008 Chemito sold one of its divisions to Thermo Electron LLS India Private Limited under an agreement dt.June 2, 2008. A non-compete, non-solicitation agreement was entered into between the parties under which Toshniwal undertook not to deal with products dealt with by Thermo for a period of 4 years. The consideration was Rs.5 crores. It was noticed that till 2003-04, amount received as non-compete fee under a negative covenant was treated as capital receipt. It took the Character of property received. Finance act, 2002 which came into effect from 1.4.2003 altered situation. What was capital before this date became taxable as Revenue Receipt under Section 28 (va) of the Act. The Supreme Court had clarified that Section 28(va) was amendatory and not clarificatory. The Bombay High Court held that the payment received by Toshniwal under the non-compete agreement was taxable. The amount was received long after 1.4.2003. The agreement itself was signed on 2.6.2008 There can be no doubt that the amount received was taxable as income. Section 28(va) was also apply by the Punjab and Haryana High Court to a case of transfer of business. Transfer of shares with all pervasive control over business being entrusted to the purchaser and to the complete exclusion of the assessee with a non-compete clause was held to fall within the meaning of Section 28 (va). This was in the case of Sumeet Taneja vs. CIT (2013) 38 Taxmann.com.

Conclusion

The two cases discussed above laid down important principles for bringing to tax compensation received under a restrictive covenant. Under Section 17 read with Section 15, there should be a relationship of employer and employee. Non-compete fee received in transfer of a division to another company would be taxable as business profits under Section 28 after 1.4.2003. Amounts relatable to the earlier period would be capital receipts.

One Escape clause is provided. Section 28 applies only to income profits and gains from business. *It does not cover profession. There is a distinction between profession and business.* "Business is a word of large and indefinite import. Profession involves the idea of an occupation requiring an intellectual skill or manual skill. It is sometimes applied to the learned professions like the law, medicine and theology. Today it is a broader and more comprehensive meaning. All professions are businesses but all businesses are not professions. What does not amount to business may amount to vocation. The Income Tax Act uses the two expressions 'business' and 'profession' in a mutually exclusive sense. Profession has to be understood to be distinct and separate from business. *MA*

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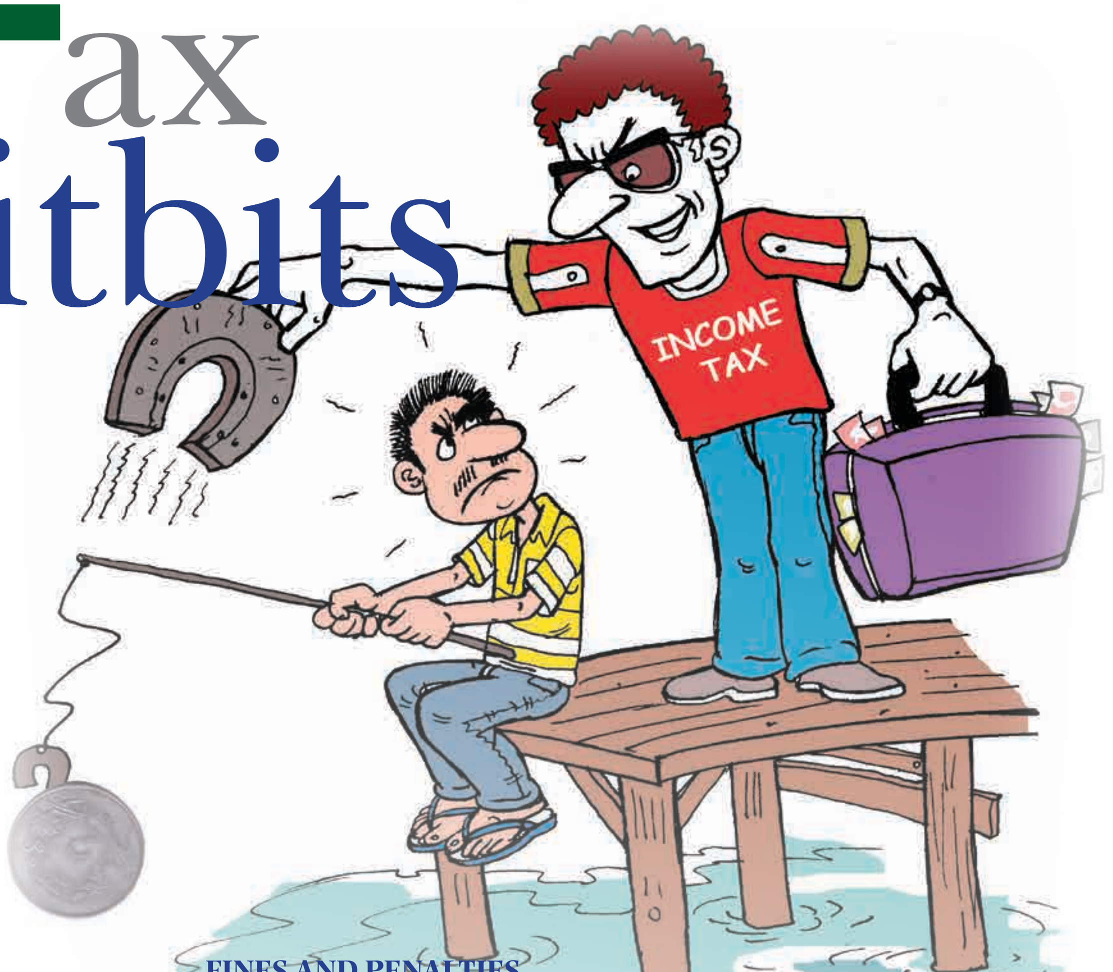
Tax Titbits



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FINES AND PENALTIES

The assessee, a stock broker, had to pay a penalty to the stock exchange for violation of its bye-laws. The Assessing Officer disallowed the payment applying Explanation to section 37(1) of the Act, which disallows illegal payments. The Tribunal in Kisan Ratilal Choksey Shares and Securities P. Ltd. v. Addl. CIT [2015] 41 ITR (Trib) 114 (Mumbai), held, that the said explanation is not a penalty imposed by stock exchange for violation of any law but only for non-compliance with its regulations. The Tribunal following the decision for an earlier year in assessee's own case and the decision in ITO v. VRM Share Broking P. Ltd. [2009] 27 SOT 469 (Mum) allowed the deduction pointing out that the Explanation under section 37(1) prohibits the allowance of any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law and not for contravention of internal rules of organizations. In similar circumstances, as for failure of obligation undertaken to export a percentage of production as was stipulated under Sugar Export Promotion Act, 1958, deduction was allowed in a number of cases. Such payments are not for violation of law constituting an offence giving rise only to a civil liability for non-compliance with regulations as held by the Supreme Court in CIT v. Ahmedabad Cotton Mfg Co. Ltd. (1994) 205 ITR

163 (SC); CIT v. Mihir Textiles Ltd (1994) 205 ITR 163 (SC).

Illegal payments are, however, allowed against illegal income as was found in a smuggling case in CIT v. Piara Singh (1980) 124 ITR 40 (SC).

DEPRECIATION

A building/ property/ Intangible assets

Many items of expenditure are disallowed as capital in nature, but some of these items may be eligible for deduction for depreciation. It was decided that roads are treated as horizontal buildings in CIT v. Lucas TVS Ltd. (No.2) (1977) 110 ITR 346 (Mad) on par with vertical buildings endorsed in Gwalior Rayon Silk Manufacturing Co. Ltd. [1992] 196 ITR 149 (SC). Drains, culverts, sewerage lines are also similarly treated as in CIT v. Tata Robin Fraser Ltd. (1999) 236 ITR 206 (Pat). A drainage system can be considered as a plant as was decided in CIT v. Gujarat State Fertilisers Co. Ltd. (1999) 240 ITR 536 (Guj).

A well has been recognised as a plant in a number of cases as in CIT v. Amco Batteries Ltd. (1993) 203 ITR 614 (Kar). A tubewell was recognised as plant in CIT v. Dhampur Sugar Mills P. Ltd. [2015] 375 ITR 296 (All).

Project Reports were accepted as intangible assets entitle to depreciation in CIT v. Harsha Tractor Ltd. [2001] 249 ITR 499 (Delhi) following Scientific Engineering House (P) Ltd. v. CIT (1986) 157 ITR 86 (SC). After a number of items in the nature of intangible assets were included in section 32(1)(ii), all forms of Intellectual Property Rights merit depreciation without controversy.

INCENTIVE DEDUCTIONS

Approval under section 10B

Where Development Commissioner granted approval to the assessee as a 100% Export Oriented Undertaking, but the formal approval from the Board for Approval, which is mandatory, was received subsequently. It should be treated as ratification, which relates back to the date of grant of approval by the Development Commissioner, so as to entitle the assessee for relief even before such formal approval as decided by the High Court dismissing the departmental appeal in Principal CIT v. ECI Technologies Pvt. Ltd. [2015] 375 ITR 595 (Guj).

MAT

Provision v. reserve?

In computation of book profits, a bona fide provision is to be reckoned, but not a mere reserve. It is in this context, that the question of treating a special reserve required to be created under Reserve Bank of India Act, 1934 became the subject matter of dispute, whether it could be reduced from the taxable book profits. Where this amount was added by the Assessing Officer along with debt redemption reserve, the additions were confirmed in first appeal and the Tribunal. The High Court in Srei Infrastructure Finance Ltd. v. Addl. CIT [2015] 4 ITR-OL 300 (Del) held that, what is required to be considered is the nature of the amounts. In earlier years, debt redemption reserve was added by the assessee company itself, so that there could be no doubt that it has to be treated as reserve not reducing the taxable book profits. As for as special reserve is concerned, it is also not for any specific or known liability. It cannot be a charge on profits. It can only be appropriation of profits. It is true that this decision accords with accounting principles in computation of normal profits in accountancy sense and it should be so for purposes of statutory profits. Since such special reserve cannot be used for declaration of dividend and since it is statutorily required to be provided as a charge in profit and loss account under the Reserve Bank of India Act, 1934, the inference could have been different in the light of the objective of tax on book profits introduced to counteract companies not distributing dividend to avoid tax on dividend. The decision could have, therefore, been different.

INTEREST ON DELAYED TDS DEPOSIT

Where a deductor has not deposited the tax deducted with the Government within time, but deposited the tax along with interest for the delayed deposit, should there be liability for deductee for consequent short payment of advance tax/ instalments under section 234B and 234C of the Act. When the assessee had filed a writ petition against levy of interest, petition was allowed on the Income-tax Department making extra-statutory admission conceding, that the deductor cannot be made liable for interest for the fault of the deductor, so that the writ petitions were withdrawn by the assessee and dismissed as infructuous on the assurance of the Department in Zulfikar Jeewanjee Moriswala v. Dy. CIT (TDS) [2015] 375 ITR 148 (Bom).

RIGHT TO INFORMATION ACT, 2005

- Secrecy – How treated?

Right to Information Act has given rise to a number of requests for information relating to taxpayers. There is no specific provision ensuring absolute secrecy after the secrecy clause under section 137 of the Income Tax Act was deleted by the Finance Act, 1964 with effect from 1.4.1964. Section 138 now provides for parting with such information as is necessary in public interest with the approval of the Commissioner or the Principal/ Chief Commissioners. The Right to Information Act, 2005 has made in-roads into the requirement of confidentiality generally expected in respect of information relating to taxpayers in the custody of Income Tax Department.

The impact of the Act came to be discussed elaborately by the Supreme Court in Bihar Public Service Commission v. Saiyed Hussain Abbas Rizwi [2012] 13 SCC 61 in the light of statutory exception for the right to information under section 8 of this Act for exceptional circumstances subject to larger public interest. Public interest or public purpose has to be interpreted in keeping in mind the balance between public and private interest. There should be no unwarranted invasion of privacy. Certain matters like appointments are expected to be kept confidential. What is received in confidence is required to be dealt with complete faith, integrity and fidelity. Section 8 of the Right to Information Act protects such information including "commercial confidence, trade secrets or intellectual property". Where there is invasion of privacy, there is no need to part with such information. At the same time, the decision has not to depend solely upon the right to privacy, where the larger public interest is involved.

The requests in the eight cases were for inspection of records, copies of documents and names of Assessing Officers. These requirements were treated as relating to third party requirements not covered by the duty to furnish information. Such information was denied on the ground that it was personal. On writ petitions, the High Court in Dr. Naresh Trehan and others v. Rakesh Kumar Gupta [2015] 4 ITR-OL 342 (Delhi), upheld the denial. It is only in the case of widely held companies, which are in public domain, the confidentiality may not be breached in the light of exception under section 8(1)(d) in the facts. Section 11 provides that where it relates to a third party, secrecy is specifically provided by a proviso to the section, except where public interest outweighs in importance. The High Court points out that there is no inconsistency between the exception provided under section 8 and the reservation under section 11.

As regards tax proceedings, it was pointed out by the High Court that they are not public proceedings. Strangers are not parties to the proceedings and they cannot be heard even where a spirited citizen wants to assist the assessment proceedings. His right to participation cannot be construed as one in larger public interest. In fact, larger public interest demands expeditious completion of assessments without undue interference. They are quasi-judicial proceedings strictly to accord with the statute. Any interference by way of requirement of information cannot be treated to be in larger public interest. For this inference, the decision of the Supreme Court in Bihar Public Service Commission's case (supra) was relied upon.

It was further pointed out in this case, that the decision not to part with such information is always a matter, subject to appeal and jurisdiction of the Central Information Commission. Where the request for the information is supported with the offer of assistance to the role of Assessing Officer, it cannot be assumed to be in the interest of larger public interest. In other words, such interference is not within the scope of Right to Information Act. This decision would resolve many of the controversies and grievances of persons, who requires information.

The professional information seekers with a view to blackmail not only the taxpayers but also tax officials have been on prowl. The decisions of the Commission are rarely interfered by the Courts. It has been rightly said that public interest is an unruly horse but then it has to be harnessed for a fair solution both to taxpayers and persons requiring information, so that public interest is not frustrated, while right to privacy is not totally denied. *MA*

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Differential Excise Duty

Obligation to Pay Interest

A manufacturer or service provider has to pay excise duty and service tax as per the normal procedure on the basis of 'assessable value'. The obligation of the assessee, if the duties are not paid, is analysed here

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Manufacturers and service providers have to pay excise duty and service tax typically on the basis of 'assessable value'. They actually pay the amount equal to the excise duty/ service tax as shown in the invoice, less the Cenvat Credit available to them. The Cenvat scheme is largely based on the system of granting credit of duty paid on inputs and input services. Rule 3(1) of Cenvat Credit Rules (2004) state that a manufacturer or producer of final products and a provider of output service shall be allowed to take credit of duty paid on inputs, input services and capital goods, subject to the restrictions as specified. The duty paid through the Cenvat account is also excise duty. The assessee should first utilise the available Cenvat credit and then pay the balance. Credit of the duty paid on eligible inputs can be taken by the manufacturer immediately on receipt of inputs in the factory of the manufacturer or in the premises of the provider of output services [rule 4(1)]. It is not necessary to wait till the inputs are actually utilised in the manufacture or production. Similarly, it is not necessary that the payment should have been made to the supplier of goods. In case of capital goods, up to 50 percent credit can be taken at any point of time in a financial year and the balance in the following year or years [rule 4(2)].The manufacturer/ service provider should maintain a record of Cenvat credit availed and the credit utilised.

After payment of duty

According to rule 4 of the Central Excise Rules (2002), the manufacturer or producer of any excisable goods shall pay the duty leviable on such goods in the manner specified in rule 8, or under any other law, and no excisable goods on which duty is payable shall be removed without payment of duty from any place where they have been produced, manufactured or warehoused, unless otherwise provided. Rule 6 says that the assessee has to assess the duty payable on the excisable goods. The excise duty is payable on monthly basis by the sixth day of the following month in case of e-payment, and by the fifth day of the following month in other cases. Duty in respect of clearance in March are payable by 31 March only and not in the following month. According to rule 12, a monthly return is to be filled within

IT IS NOT NECESSARY TO WAIT TILL THE INPUTS ARE ACTUALLY UTILISED IN THE MANUFACTURE OR PRODUCTION. SIMILARLY, IT IS NOT NECESSARY THAT THE PAYMENT SHOULD HAVE BEEN MADE TO THE SUPPLIER OF GOODS.

10 days after the close of the month to which the return relates.

Cenvat Credit recovery

Rule 14 of the Cenvat Credit Rules (2004) deals with the recovery of Cenvat Credit wrongly taken or erroneously refunded. It says that if the Cenvat Credit is taken/utilised wrongly or erroneously refunded, the same is recoverable along with interest under the provisions of sections 11A and 11AA of the Central Excise Act. The sections 73 and 75 of the Finance Act (1994) are also applicable mutatis mutandis in this regard. The courts have also held that interest is not payable if wrongly taken credit is not utilised in the case of Indo Swift Laboratories Ltd vs Commissioner, 2009 (240) ELT 328 (P&H). This is in accordance with the principles laid down by the Supreme Court [2009 (240) ELT A-41 (SC), CCE vs Ashima Dyecot Ltd, and 2007 (215) ELT 3 (SC) CCE vs Bombay Dyeing and Mfg Co Ltd].

Amendment to Cenvat Credit Rules

With effect from 1 March this year, rule 14 of the Cenvat Credit Rule (2004), has been amended and divided into two parts: (i) Cenvat Credit taken wrongly but not utilised; and (ii) Cenvat Credit taken and utilised wrongly. The amendment states that even if Cenvat Credit has been wrongly taken but not utilised, the same shall be recovered and penal provisions and limitation periods as prescribed under section 11A of the Central Excise Act (1994) or section 73 of the Finance Act shall apply mutatis mutandis to carry out such recoveries. The interest liability shall not arise if such wrongly availed Cenvat is not utilised.

Interest on delayed payment of duty

According to rule 8(3) of Central Excise Rules (2002) if the assessee fails to pay the excise duty by the due date, the outstanding amount will become payable along with 18 percent simple interest as specified under the notification issued under section 11AA of the Central Excise Act, from the first day of default to the date of actual payment of the outstanding amount.

Differential duty and erroneous refunds demand

If the department feels that the excise duty was due on any goods but was not levied or paid, or has been short-levied or short-paid or erroneously refunded, for any reason other than the reason of fraud or collusion or any wilful misstatement or suppression of facts or contravention of any of the provisions of this Act or of the rule made thereunder with intent to evade payment of duty, it can ask under section 11A of the Central Excise Act to pay the difference of duty along with interest payable thereon under section 11AA. The Central Excise officer has to issue a showcause notice. After considering the representation from the person concerned, the officer can determine the amount of duty payable. Issue of a showcause notice detailing the basis and amount of the demand of the notice on the assessee are a must before he can be called upon to pay.

Interest is automatic

In Commissioner of Central Excise, Haldia Commissionerate vs. M/s Indian Oil Corporation Ltd, Haldia Refinery [S-151/Kol/2013, dated 22 April 2013], the assessee cleared superior kerosene oil (SKO) through pipeline claiming exemption for sale through the public distribution system (PDS). But because of operational reasons, the SKO got mixed with other petroleum products at the destination and as such could not be sold as SKO through PDS. However, towards such clearances of SKO from September 2004 to February 2008, the assessee on the basis of its own calculations, paid duties for the period from January 2008 to March 2008, without the applicable interest for such delayed payment. A showcause notice was issued by the department demanding the interest. The adjudicating authority confirmed the interest demanded and also levied penalty on the ground that if the duty was once paid, interest is required to be paid in view of the specific provisions contained under section 11AB (now section 11AA) of the Central Excise Act. The accrual of interest is automatic and no separate notice of demand was required to be served in that respect.

At the personal hearing (PH) before the Custom Excise and Service Tax Appellate Tribunal, the appellant highlighted several cases where it was held that if no tax is payable, no interest is payable as well. The assesses contended that the interest is not payable as the short paid duty was not discharged on time, and they had voluntarily paid the duty before issuing of

ACCORDING TO RULE 8(3) OF CENTRAL EXCISE RULES (2002) IF THE ASSESSEE FAILS TO PAY THE EXCISE DUTY BY THE DUE DATE, THE OUTSTANDING AMOUNT WILL BECOME PAYABLE ALONG WITH 18 PERCENT SIMPLE INTEREST

any showcause notice. The dispute cropped up because of the withdrawal of facility of movement under bond without payment of excise duty from the refinery to warehouse and from warehouse to another. The warehousing facility was withdrawn by Central Board of Excise and Customs, with effect from 6 September, 2004. After withdrawal of the facility, they were paying the duty even though it was not payable. Further, the duty has to be assessed at the time of removal of goods on stock transfer basis in the form they are cleared from the refinery (SKO-PDS) and the intermixing of the two products is taking place only after clearance from the refinery because the operation cannot be avoided. The SKO-PDS was cleared with an intention to be sold through PDS. Therefore on the duty paid products, no further duty liability could arise. The tribunal held that the applicants have themselves accepted the duty liability without any protest. Consequently the interest of the duty is payable. The appellant did not challenge it and paid the interest.

Price rise and interest liability

In Commissioner of Central Excise, Haldia Commissionerate vs M/s Indian Oil Corporation Ltd, Haldia Refinery [MA-164/Kol/2011, SP-232/Kol/2011 and final order A-274/Kol/2011, dated 15 September 2011], the assessee cleared petroleum products (motor spirit and high speed diesel lubricants) on payment of duty to different depots and sold the products from such other depots at a much higher price. The showcause was issued proposing recovery of differential duty according to section 11A of the Central Excise Act, read with section 4, along with interest under Section 11AB (now Section 11AA) and penalty under section 11AC of CE Act, 1944. The assessee submitted that the subject goods were cleared from their depots at a higher rate but the quantity mentioned in the annexure to the showcause was fictitious and incorrect. The annexure simply gave the total quantity cleared and sold without indicating the name and details of the products. They suo-muto prepared a fresh computation of differential duty on the basis of the assessable value prevalent at different depots and accordingly paid the duty along with interest for delayed payment. The adjudicating authority confirmed the demand. The case was remanded in the tribunal to the original adjudicating authority to consider the duty liability in the light of the statement submitted and other issues afresh, after the PH. The adjudicating authority agreed with the methodology adopted by the assessee in determining the duty liabilities and dropped the balance demand amount out of total amount demanded.

Conclusion

In levying tax interest, the tax administrators are faced with an existential dilemma. Any provision made in a statute for charging or levying interest on delayed payment must be considered as substantive law. The interest under rule 8(3) of the Central Excise Rules (2002) applies when assessee has self-assessed the duties at the time of clearance and is required to pay by due date on the following month. Interest is liable to be paid pay for the delayed payment of duty. Interest under section 11AA is payable when duty was short levied or short paid or not levied or not paid. This happens when the showcause/demand notice is issued subsequent to the clearance of goods. Thus, interest is levied for the loss of revenue on any count. The difference signifies the value which is the function of price, on which duty was paid, was not correct on the date of removal or clearance. The interest is only to compensate the government's for loss of revenue. Thus interest is payable if differential duty is paid later. The accrual of interest is automatic and no separate notice of demand was required to be served in that respect.

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AN ACCOUNTANT'S PERSPECTIVE ON GOODS & SERVICE TAX IN INDIA

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The current taxation system in India is laced with multiplicity, and ambiguity. The plague of cascading effect of taxes was eradicated partially by the introduction of CENVAT (earlier MODVAT), in the year 1986 at the Central level and further with the introduction of VAT in the year 2005. Considering multiple taxes levied by the Central and State Govt. and in absence of facility to offset the incidence of one tax with another in most cases, the effect of cascading gets built into the transaction cost. A glaring example is the Excise duty paid on goods which is getting included in the value of goods to be taxed under State VAT, and thus built in to the transaction cost as tax on tax.

It is told that no taxing system can completely eradicate the effect of cascading, but implementation of GST, may minimize the effect. GST is a composite Tax on goods and services. Every Transaction undertaken at stages like Production, Distribution, consumption or supply, when effected by one person to another or when effected otherwise than by way of sale of goods or services, from one state to another, would be subjected to GST at a specified rate.

GST – What it is, why it is and how it will......

The Expression "Goods and Service Tax" has been defined in Article 366 (12A) of the 122nd Constitutional Amendment Bill as "any tax on supply of goods or services or both, except taxes on supply of the alcoholic liquor for human consumption".

GST is proposed to be an indirect tax levy on manufacture, sale, consumption of goods and services at national level. Its main objective is to consolidate all indirect tax levied by the Centre and majority of taxes levied by state in to a composite tax except Customs duty other than Special Additional Duty (SAD).

It is proposed that under GST, Central Indirect taxes laws like Central Excise Act and Rules, Service tax Rules, except Customs duty other than Special Additional Duty (SAD), along with State Indirect tax Act and Rules and majority of other State Tax Acts and Rules will be subsumed and will be replaced by the GST legislations to be regulated concurrently by the Central and the State Govt. a summary of which is given in the following table:

Central Taxes to be subsumed	State Taxes to be subsumed
Central Excise and Service tax	VAT and CST
Additional Excise duty, Excise duty levied under Medicinal and Toilet Preparations Act, Central surcharges, Special Additional duty of Customs	Entry tax and Octroi
	Purchase tax and Luxury tax, Entertainment tax

GST structure proposed in the 122nd Constitutional amendment bill placed on 6th May'15

GST legislation is proposed to confer concurrent taxing powers to Union and State Govt. (Article 246A) on same transaction by subsuming all indirect taxes levied by the Central Govt. and majority of the taxes levied by the State Govt.

Unified tax rate is to apply for levying tax on all goods and services. Alcohol for human consumption will be excluded from GST net. Petroleum products are proposed to be included on future date.

The coverage of service is proposed to be wide by defining service as "anything other than goods" Bill proposed to levy additional tax (1%) on goods to be collected by union Govt. for two years. However further clarifications required on multiple rates for goods and single rates for services.

Revenue neutral rate is yet to be declared, whether same rate for goods and service will be or not is yet to be clarified. Suppliers (of goods and service) are allowed to take full credit of CGST, SGST and IGST paid, except that Credit of CGST may not be allowed to set-off against SGST and vice versa. Excess credit may not be refundable, except in case of export and supplies to SEZ. Position of Railways, construction sector, local bodies, stamp duty, yet to be clarified. "Place of taxation (supply)" of goods and transactions of "intangible" goods and composite contracts like "works contract" are yet to be clarified. GST will be applicable on transaction value of goods. GST may be imposed on tobacco also.

Type of GST

There will be three types of GST. The basic features of these can be viewed in the following table:

Types of GST proposed	Central CST (CGST)	State GST (SGST)	Integrated GST (IGST)
Authority of control and coverage of taxes	By the Central Govt. through CBEC on sale of goods and service within the state	By the State Govt. on sale of goods and service within the state covering majority of State taxes on goods/ services	By Central and State Govt. concurrently, covering all taxes applicable on goods/ services
Other features proposed	• A single registration or PAN based taxpayer identification number for GST, followed by three numbers denoting Centre, State GST and the BIN • Threshold limit of turnover will be applicable for administrative purpose • Single common tax return may be proposed to be filed online through net-banking and ITC available on taxable and zero rated sale. No credit on exempted sale, The State Tax authority will collect and administer SGST. • The CBEC will collect and administer CGST and IGST		

The Article 246A of the Constitution conferred power to the Central and State Govt. to enact GST legislation. The Central Govt. will enact CGST legislations and the State Govts. will enact SGST legislations. It is expected that all the SGST will be implemented at a time to have a smooth take off of GST Legislations, though it is not necessary that all the States need to implement GST.

In case, in any state GST is not implemented, the existing VAT Act needs to be amended to accommodate credit of SGST, when the goods are consumed in the state in which no GST is levied.

Proposed Indirect tax that may continue in India under GST

It is proposed that under GST some of the Indirect tax will be regulated exclusively by the Centre and many of the State Indirect tax regulations will be controlled by State Govt. However some specific regulations may be controlled concurrently both by the Central and the State Govt. which may be as shown in the following table:

Customs duty other than SAD	**By the Centre**	
Duty on alcoholic liquors for human consumption, State Excise duty		**By the States**
Duty on consumption of Electrical energy , Taxes on motor vehicles, Tolls		
Taxes on profession, trade and callings		
Taxes on goods and passenger carried by road or inland waterways		
Taxes on mineral rights, land and building		
Stamp duties other than duties collected by means of judicial stamps	**Both centre and the states concurrently**	

Proposed rate structure of Indirect tax in India under GST

	Class of goods and services	Class of tax rate charts for SGST and CGST
1	Exempted goods	May be the current list under VAT Act
2	Special rates	Precious materials such as bullion, jewellery, precious stones
3	Concessional rates	Necessary goods and goods of basic importance
4	Specified rates	Services
5	Standard rates	For all other goods, except those specified elsewhere

Summary of Indirect tax transactions and operation of the proposed GST in India

Type of transaction	Central taxes	State taxes	Exception and special conditions
Intrastate transaction	Excise and service tax will be known as CGST	VAT and other state taxes will be known as SGST	• Alcohol for human consumption will attract state excise and VAT, Electricity duty, Real estate stamp duty and property tax will continue, Petroleum products to be brought under GST subsequently, Tobacco may be under GST with CGST • Four type of rates (a) merit rate for essential goods (b) standard rate for general goods and services, (c) special rate for precious goods, (d) nil rate for export. HSN code for classification of goods will apply. Existing service tax codes for services will also apply
Interstate transaction	CST will be known as IGST		• IGST will apply to import of goods and services, Inter State stock transfer of goods and services, Additional tax @ 1% on supply on goods by state of origin with no credit facility may continue for first two years
Import	Customs duty, CGST, SGST, IGST will apply		
Export and supply to SEZ	To be taxed at Zero rate		Excess credit may not be refundable, except in case of export and supplies to SEZ

Thres hold exemption limit may be imposed for Dealers, based on turnover for administrative control. Clarification required for operation of composite contracts (works contract, e-commerce). Full credit on capital goods may be allowed in the year of acquisition. Credit may be allowed on taxes paid locally, interstate or imported goods. Clear guideline required for utilising transitional credits, Separate account to be maintained for CGST, SGST and IGST, Tax incentives, exemptions, remission etc. may be converted in to cash refund schemes.

There may be separate legislation for SGST, CGST and IGST and Audit by departments will continue on selective basis, with no regular assessment to be done. System based scrutiny of returns will be done. Certification of tax credits may be one of the major job. Clarity required on Purchase tax requirement

Proposed Input tax credit structure in India under GST

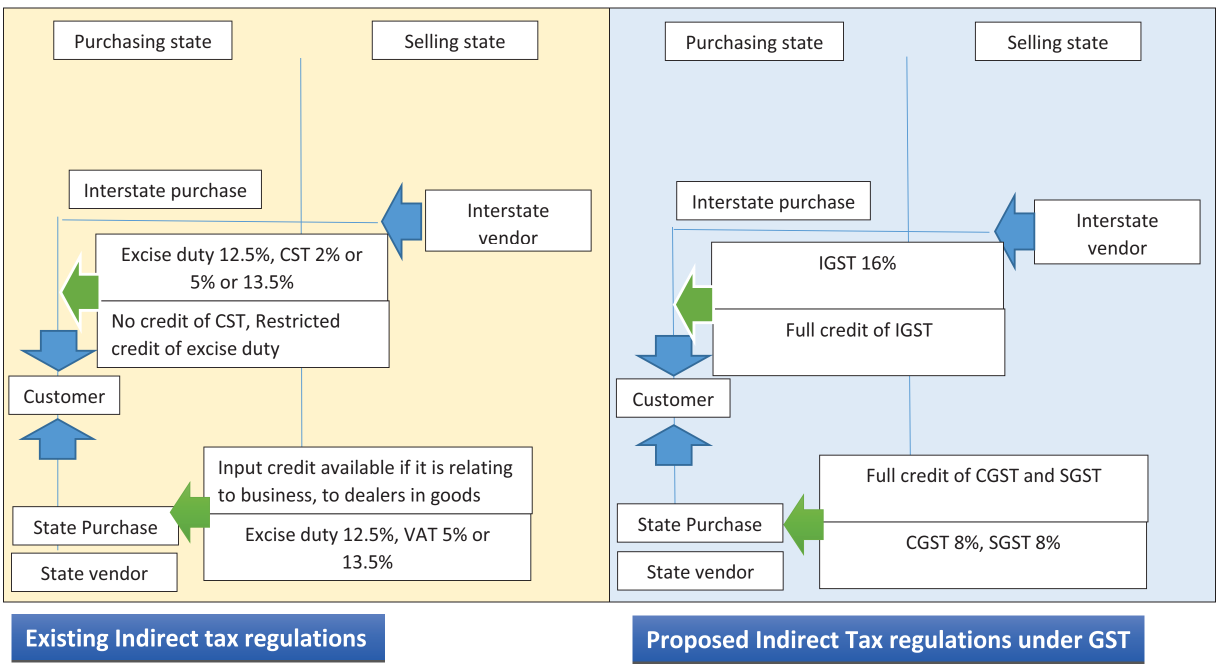
Type of transaction	Local	Interstate	Imported
GST applicable	CGST,SGST	IGST	BCD,CGST,SGST
Credit availability	CGST,SGST	IGST	CGST,SGST

Proposed utilisation of tax credits (Input Tax Credit or otherwise) in India under GST

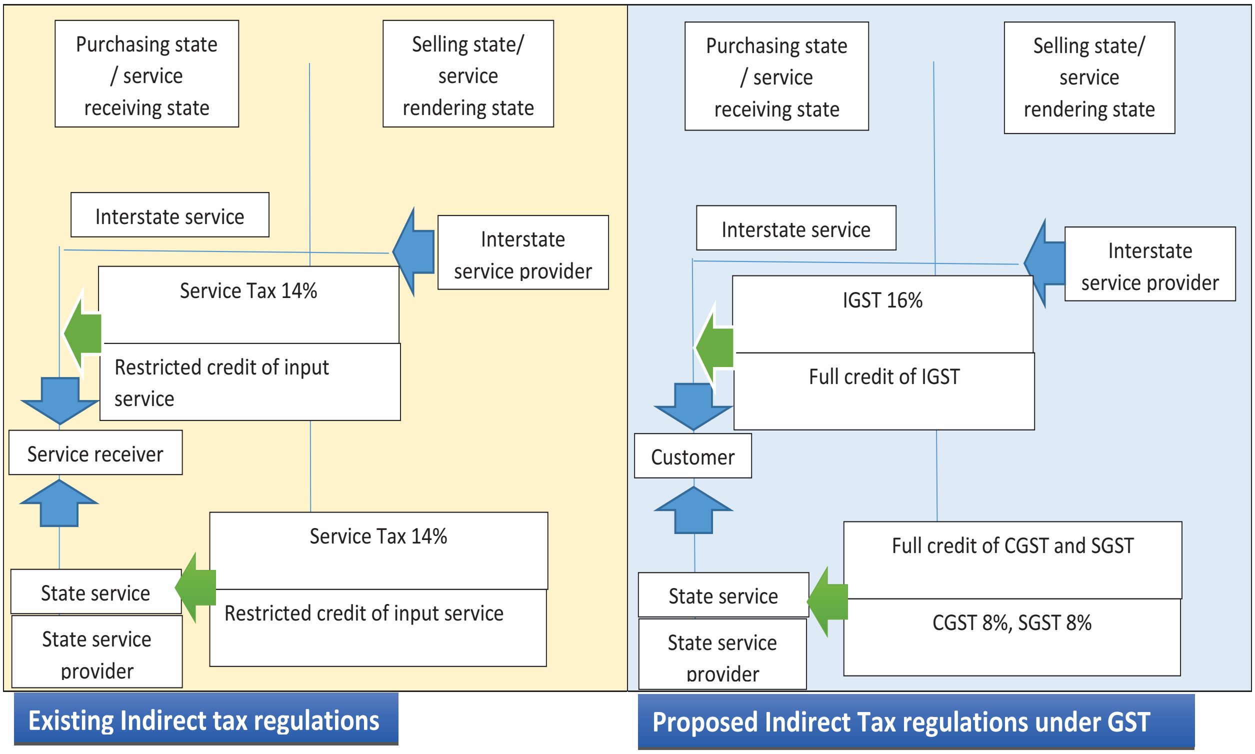
Nature of tax paid	Can be utilised for payment of:
CGST	CGST,IGST
SGST	SGST,IGST
IGST	CGST,SGST,IGST

There may be common threshold limit for manufacturer / dealers and service provider. The Composition scheme may be framed for small manufacturers and service providers (nature is yet to be known).The provisions of allowing transitional credits will also be a great concern particularly, business entity / units having multistate business place. The Additional tax of 1% levied by the states in case of interstate transactions will not be allowed for set off. Cross utilisation of credit between goods and services may be allowed. An example of the proposed impact of GST on goods and services are shown in the flow diagram A and B respectively:

(A)-Proposed impact on Purchase and sale of goods in India under GST



(B)-Proposed impact on rendering and receiving of service in India under GST



To nullify the cascading effect, GST legislations will act in two ways: (a) by allowing credit of IGST and (b) the CGST and SGST will be levied with facility of allowing full credit, unless they are specified under any negative list. This however have an exception as in case of petroleum, unless it is brought under the GST net. Further, with the clarity on SGST and CGST, the question of double taxation can be avoided. Till date there is no definition of the word "supply". There may be separate provisions for determining place of supply of goods and services

Practical example on mode of operation of the proposed GST in India

Local sale / purchase (within state) under GST: Following the place of consumption rules, local GST will be applied. GST will be levied by both the Central Govt. (called CGST) and the State Govt. (called SGST) on same transaction. An example, considering rate of CGST and SGST as same at 8% each:

Basic value charged for supply of goods (and / or services)	**10,000.00**
Add : CGST @ 8% (assumed)	800.00
Add: SGST @ 8% (assumed)	800.00
Total price charged for local supply (within state)	**11,600.00**

Interstate sale / purchase (sale to outside the state other than export) under GST: Following the place of consumption rules, IGST will be applied. IGST will be levied by the Central Govt. An example, considering rate of IGST at 16%:

Basic value charged for supply of goods (and / or services)	10,000.00
Add : IGST @ 16% (assumed)	1,600.00
Total price charged for interstate supply (supply to outside the state other than export)	11,600.00

Interstate seller will pay IGST after setting of IGST, SGST, and CGST on its purchase. Interstate purchaser will claim whole IGST in his state while disbursing his tax liability

Export (sale to customer outside the country) under GST: Following the place of consumption rules, for export zero rated GST will be applied. Example:

Basic value charged for supply of goods (and / or services)	10,000.00
Add : GST @ 0%	Nil
Total price charged for export (sale to customer outside the country)	10,000.00

Import (from outside the country) under GST: Credit on SGST and CGST available on imported input goods and capital goods. Both CGST and SGST will be levied on import of goods and service into the country and shall be collected by the Centre. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will go to the state where the imports are consumed. Full and complete set-off will be available on the GST paid on import of goods and services. An example will clarify the position:

Pre GST (assumed rates)		Post GST (assumed rates)	
Basic customs duty	10.00%	Basic customs duty	10.00%
Countervailing duty	8.00%	CGST (assumed)	8.00%
Customs cess	3.00%	SGST (assumed)	8.00%
SAD	4.00%		
Total duty	25.00%	Total duty	26.00%

In case of SEZ, due tax benefit will be given only in case of their processing zone. No credit will be allowed for sales by SEZ to Domestic Tariff Area (DTA).

Cross utilization of credits between goods and services be allowed under GST

Cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, the cross utilization of CGST and SGST would generally not be allowed except in the case of inter-State supply of goods and services under the IGST model

Monitoring of clearing process:

Dealers / manufacturers making inter-state clearance, will be required to submit simple return to CBEC with details of SGST credits used for paying IGST and IGST credits used for SGST. The NSDL and SBI will act as clearing corporation and clearing bank respectively.

The SGST credits for paying IGST will be transferred to the Centre and IGST credits used for paying SGAT will be transferred to States. Any adjustment, will be monitored through clearing house mechanism

Expected impact of GST in reduction of Manufacturing and service cost

The proposed Goods and Services Tax (GST) is expected to reduce manufacturing cost and benefit end-customers. The full credit of tax on interstate sale will reduce cost of procurement/production. No retention/disallowance on stock transfer of goods will also reduce cost of procurement. Credit of import duties will make imports cheaper for retailers. Today, entry tax is a cost in most cases, along with additional compliance burden. With GST, entry tax and its ills may be eliminated. Thus, all imported consumer goods will benefit. The elimination of multiple tax structure at central and State levels would make the sector viable and globally competitive.

However negative working capital impact will increase in initial cost of purchases including Imports due to an increase in tax rate. Job work transactions and stock transfers, currently no taxed, are likely to be taxed and will effect production outflow. Cost of procurement of services will increase from 14% to more than 18%. In addition the fate of area-based exemptions is still unknown

Expected impact of GST on logistics and supply chain

Logistics and supply chains is expected to see a major change with GST. Sourcing, distribution and warehousing decisions are currently planned based on state level tax mechanisms. It is expected that the Centre would levy IGST which would be CGST plus SGST on all interstate transactions. The inter-state seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases. Similarly the importing dealer will claim credit of IGST while discharging his output tax liability in his own State. This will expected to result in inter-state sales transaction becoming tax neutral when compared to intra-state sales.

GST is expected to enable more opportunity to explore alternate distribution models

In the current scenario, business units are having depots in destination states to counter CST. With GST regime, the supply chain network design would be purely based on logistics cost & customer service and provides a greater flexibility into Supply & Demand matching. This would lead to club many small warehouses and have bigger, fewer, and highly efficient warehouses and would reduce the share of unorganized sector in warehousing and improves the transit and consequently delivery times because of state border crossing are likely to be simplified.

Following table will clarify the issue:

Under existing scenario (pre GST)				in Rs
State 1		**State 2**		
Manufacturer		**Depot**	**Distributor**	**Retailer**
Purchase cost	100	130	150	160
Depot cost	0	10	0	0
CST	0	0	0	0
VAT	0	10	15	20
VAT Credit	0	0	(10)	(15)
Margin	30	0	5	10
Final price	**130**	**150**	**160**	**175**

Under proposed GST scenario				in Rs
Manufacturer		**Depot**	**Distributor**	**Retailer**
Purchase cost	100		140	160
Depot cost	0		10	0
CST	0		0	0
VAT	0		10	20
VAT Credit	0		0	(10)
Margin	40		10	5
Final price	**140**		**160**	**175**

GST is expected to benefit consumers, industry, trade, agriculture, importers & exporters

With the introduction of GST, all the cascading effects of CENVAT and service tax will be more comprehensively removed with a continuous chain of set-off from the producer's point to the retailer's point than what was possible under the prevailing CENVAT and VAT regime. Certain major Central and State taxes will also be subsumed in GST and CST will be phased out. Other things remaining the same, the burden of tax on goods would, in general, fall under GST and that would benefit the consumers. the GST will be payable by the Importer on a self-declaration basis. Place of supply rules will determine which state will have the authority to get the tax. However, the taxes so paid will be available as Input Tax Credit and therefore it would be a revenue neutral.

Glimpse of proposed administrative structure of GST:

The GST implementation group has proposed a complete revamp of the existing organizational structure, by way of a common centralized portal for online registration, e-payment, and return filing etc. The GST Commissionerates to be organized mostly on functional basis and there is a proposal for separate Audit and Anti-Evasion Commissionrates in each State, except in smaller states. The multi-locational and large tax paying units in complex business sectors would be audited by the Audit Commissionerates

Re-engineering of business processes:

Based on study of various practices, the Implementation Group has identified the following core business processes/changes as vital to the new tax administration: (i) Registration process; (ii) Filing of return and processing and payment of tax; (iii) Minimum information to be contained in a GST invoice and books of account of all taxpayers; (iv) Tax compliance issues – Audit & Anti-evasion; (v) Dispute Resolution System; (vi) IT system to streamline the operations of the tax administration; and (vii) Organization to handle a large number of taxpayers.

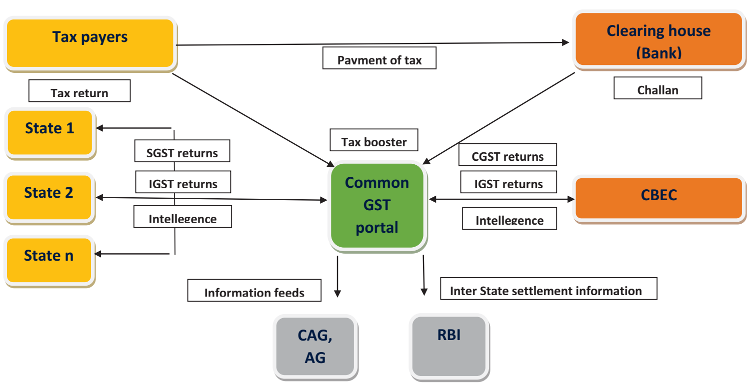
The IT Strategy for GST

The broad IT plan for enabling GST was presented to the Government of India and the Empowered Committee of State Finance Ministers. An IT infrastructure for GST is based on risk based scrutiny by tax authorities. Facilitation centres can be set up to ease the migration, reduce leakages, facilitate investments, Stakeholders, Small taxpayers, Corporate taxpayers, State tax authorities, CBEC, RBI, Banks, etc with four IT control activity :

1. Taxpayer filing of return through a standardized taxpayer interface.
2. States and CBEC to implement tax administration systems for assessments, audits, and enforcement
3. The taxpayer and tax authority systems will be connected with a Common GST Portal, operated by GSTN.
4. The common GST portal will reconcile the returns and the challans.

Tax computation and accounting-The tax returns can be filed at various levels like

(a) aggregate level
(b) dealer level
(c) invoice level and
(d) line item level .The Ministry of Finance, has set up an Empowered Group on IT Infrastructure for Common GST portal to be set up, and suggesting the modalities for setting up of a National Information Utility (NIU) A Bird's Eye View of the IT strategy may look like this:



Role of Professional Accountant beyond book keeping

A CMA / Accountant, is by virtue of his professional knowledge and practical training, will be well equipped to play a pivotal role as an advisor and facilitator for due compliances of law relating to goods and service Tax to the general business community. The nature of role to be played by a CMA can be:

Restructure of Business System- The Business would require restructuring their system to minimise taxation and require the services of CMAs / Accountants for the same.

Tax Planning- A CMA / Accountant is competent to analyze the impact of various alternatives and choose the most optimum way of doing business in order to minimize the Tax impact.

Advisory Services (Consultation)-A CMA / Accountant can interpret the proposed GST law and may provide required guidance and advisories to the business.

Certification Work-A CMA / Accountant can certify the record/documents required by the various authorities and banks.

Procedural Compliance-Like present Tax law, assessee would be required to take Registration, file returns, Pay Taxes, appear for assessment etc. A CMA / Accountant is well equipped to assist the business entities in ensuring all the above the necessary legal compliance.

Appellate Work-These are some of the roles which a CMA / Accountant would be playing after the implementation of GST.

The challenge of Accounting professional in general in GST regime

- Creativity will be more important. Instead of focusing tax rates, we need to focus more on loss / gain of business opportunities. Role of employees dealing tax compliance will confined beyond the traditional accounting and auditing activities.
- GST will demand more detailed record. Our system orientation will be more. More in-house system development is essential
- Professionals working in Accounting, Information Technology and Procurement divisions need to interact more frequently. Procurement Dept. need to be more equipped with commercial and tax knowledge. More professional opportunity will be available for internal control, internal audit, assistance to external audits and certification of tax credits, and procedural day to day jobs. MA

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COAL INDIA

Gunning for Green Coal

CIL HAS BEEN PLAYING A KEY ROLE IN MAINTAINING AND RESTORING THE COUNTRY'S GREEN COVER THROUGH SEVERAL SOCIAL AND ECO-DEVELOPMENT SCHEMES. IT'S ALSO CONTRIBUTING TO THE COUNTRY'S RENEWABLE ENERGY OUTPUT.

CMA Manjiri Patwardhan
Assistant Manager (Finance)
Western Coalfields Ltd, Nagpur

WCL HAS PLANTED MORE THAN 1.50 LAKH SAPLINGS IN THE MINING AND ADJOINING AREAS THROUGH FDCM AND MPRVVN. WCL, TILL DATE, HAS PLANTED 180.49 LAKH TREES IN MAHARASHTRA AND MADHYA PRADESH

Coal India Limited (CIL), a Maharatna company, has always been at the forefront to shoulder the responsibility to care for the environment. It has played a major role to protect the country's green cover, while at the same time, ushering India into the global league of energy majors. Being a mining company, it has obvious reasons and responsibilities, for a sustainable way of doing business. The company's Corporate Environmental Policy, 2012, contains the following key points in this regard.

1. Conduct mining and associated operation in an environmentally responsible manner to comply with applicable laws and other requirements related to environmental aspects. Design projects with due consideration for sustainable development.
2. Prevent pollution of the surrounding habitation by continuous monitoring and adopting suitable measures for environment protection.
3. Ensuring compliance of all applicable EC and FC conditions, and other statutory conditions issued by regulatory agencies.
4. Implement EMPs effectively in all mines to mitigate air, water and noise pollution, and reclaim degraded land and proper disposal of wastes.
5. Strive to conserve biodiversity.
6. Conserve natural resources through recycling of wastes on the principle of reduce, recycle and reuse. Put special thrusts on efficient energy utilisation as a measure to reduce the carbon footprint.
7. Strive for continuous improvement in environmental performances by setting targets, measuring progress and taking corrective action.
8. Create environmental awareness among the employees and the local communities through pro-active communication and training.

Sample

Western Coalfields Ltd (WCL), a CIL subsidiary, was selected as the subject of this study. WCL has both underground and opencast mines. The findings of the study were tallied with the sample data collected from Central Coalfields Ltd and South Eastern Coalfields Ltd, two other CIL subsidiaries.

Objective

The objective of the research was to determine whether CIL subsidiaries are extracting coal with the long-term perspective of sustainable development and environment friendly mining. If yes, then quantifying the efforts and investments towards ecological restoration and results achieved out of regarding afforestation, water management, medical and educational support for 'quality life', and reuse of industrial wastes.

Scope

The study of WCL mines covering both underground and opencast mines in Maharashtra and Madhya Pradesh.

Methodology

The research was carried out for a careful and critical investigation, in order to ascertain the objectives mentioned above. Primary data was collected by visiting mines, interviewing the miners, executives, local villagers, the general manager (environment), senior officers of the production department and the land oustees of Gondegaon village. Three questionnaires were prepared and submitted to various groups of employees, villagers, students, and others.

Secondary data was collected from the annual audit reports of the company and various MIS reports prepared at WCL.

The findings of the study are as follows.

Regarding afforestaion

WCL has planted more than 1.50 lakh saplings in the mining and adjoining areas through the Forest Development Corporation of Maharashtra (FDCM) and Madhya Pradesh Rajya Van Vikas Nigam (MPRVVN). WCL, till date, has planted 180.49 lakh trees in Maharashtra and Madhya Pradesh. Afforestation in the command areas of WCL are regularly monitored through satellite imagery which has revealed increase in the afforestation plantation in mining projects.

Land reclamation monitoring through the remote sensing technique was carried out in for 10 major opencast mines. Over five million cubic metres (coal and overburden) were completed in 2012-13 and are being monitored by the Central Mine Planning and Design Institute every year. The 10 mines were Sasti, Durgapur, Padmapur, Niljai, Mugoli, New Majri, Umrer, Ukni, Pimpalgaon, and Ghughus.

Satellite data for these mines revealed that plantation, carried out in the back-filled areas, external OB dumps and other areas, increased by 0.62 sq km in of one year. Green cover because of plantation increased from 17.18 sq km to 27.44 sq km in the last five years.

Water management

WCL efforts for better use of water include sedimentation pond/settling tank for treatment of the mine pumped out water, workshop effluent treatment plant with oil and grease trap for treatment, domestic effluent treatment for townships, and ground water recharge through rooftop rainwater harvesting schemes.

Strata waters

Water is becoming a scarce natural resource and requires urgent conservation. It needs to be augmented and harvested by applying suitable conventional and innovative techniques. Underground mining disturbs the deep aquifers whereas opencast mining disturbs both shallow and deep aquifers. In order to extract coal, large quantity of water accumulated at the pit bottom is required to be pumped out to the surface.

Abstraction of strata seepage water is compulsory for underground and open cast mining. WCL has taken initiatives to use the strata water for industrial and domestic use like dust suppression, washing of heavy earth movers, fire fighting, and mixing agent for sand stowing and plantation. Strata water is converted into drinking water for colony and rehabilitation sites by installing filter plants. WCL doesn't tap any other water resource like rivers and ground water. Daily savings of water for a 200-house colony is over 1.5 lakh litres.

In the water scarcity months, filtered water from Walni, Pipla and Patansaongi mines is poured into the water reserves of Nagpur Municipal Corporation. WCL has also given financial aid to panchayats to install pipeline for providing strata waters of New Sethiya underground mine for domestic consumption of villagers.

WCL is committed to improve the efficient use of water. Mine water accumulated in the mine pit. It is collected and temporarily stored in the central/main sump of adequate capacity away from the active coal face and the excess water is pumped out to the surface. This ensures systematic optimal pumping thereby minimising withdrawal of water and energy consumption. The pumped out water is primarily treated for settling of suspended coal particles in the mine pit sump and then in the settling tank located on the surface. The treated mine water is used in dust suppression, fire fighting, watering of plantation, industrial effluent treatment plants, and in supplying drinking/potable water to WCL colonies and the adjacent local population.

After ensuring maximum reuse within and around the mine premises, the excess mine water is pumped out into the nullah/stream for irrigation purpose.

Workshop effluent treatment plants

Water used in the workshop contains oil and grease extracts. To save soil and natural water resources from these impurities, WCL has installed effluent treatment plants.

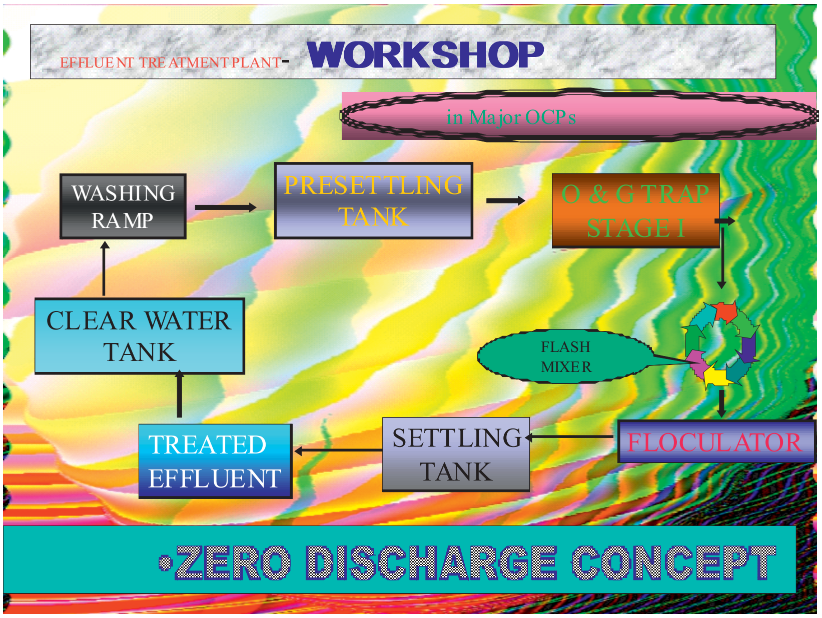
Mine water treatment cost-benefit analysis

Here is a cost-benefit analysis of the mine water treatment and purification plant.

- Cost of installation of treatment units like filtration and disinfection.
- Cost of providing and laying pipelines from mines to the treatment plant and from the latter to homes.
- Most gainful utilisation of the mine-pumped water which at any cost is to be pumped out to extract coal and would otherwise have been drained out to nullahs.
- WCL provides treated and disinfected water to its employees and in some cases to the peripheral population in the water scarcity areas.
- River water as source would be costlier as it would require construction of an intake well in river, and long pipelines. Besides, supply of river water would be irregular, particularly in summer.
- Mine water, on the other hand, is an assured source of water. The management is not dependent on outside supply.
- In view of the above, the benefit of the mine water treatment plant outweighs the cost.

Treatment of mine-pumped water for supplying as drinking water has been evolved by WCL as a comprehensive scheme for a long time, in tandem with the development of satellite townships. This mechanism ensures systematic and efficient use of water as a scarce and precious natural resource, river and ground water conservation, and optimum reuse of water.

Flow diagram of water treatment plant with zero discharge of impurities



Rehabilitation and resettlement of natives

Every year WCL, to improve the quality of life of villages around the mining areas, implements elaborate plans under its welfare measures, community and eco-development. It has constructed roads in rural areas, held medical camps, and family planning camps in various villages. The organisation has constructed 30 community halls and installed 46 hand-pumps to provide clean drinking water to the villagers.

Fly ash for back-filling

The sand for extraction coal is collected from the nearby riverbeds which in turn affects river streams. Huge quantity of coal is blocked in underground mines in the form of pillars because of scarcity of stowing material. By substituting sand with fly ash, waste generated in power stations can be utilised to extract the coal blocked in the form of pillars. It will reduce the cost of stowing. Land degradation in power plants because dumping of ash, can be drastically reduced.

Power generation from mine ventilation fan

High capacity ventilation fans run 24x7 in underground mines. Effort to generate electricity from fans by using windmill technique could be a success story. The pilot project is being carried out in the Saoner mine.

Solar energy

WCL has installed solar panels to supply electricity to its administrative offices. 60 kWp & 80kWp capacity solar panels have been installed in Ballarpur and Nagpur. Successful installation of solar panels in these two areas has motivated the company to replicate it in all areas of WCL. It is a general assumption that renewable solar energy is costly to install. A cost-benefit analysis (table 1) of 10 Kwp installed capacity will clear the doubts.

In Ballarpur & Chandrapur, savings in the first year will be 16.64 lakhs and 2.20 lakhs respectively, which will also reduce administrative cost.

Other initiatives

WCL has carried out sincere land reclamation efforts. There are now ecological parks, wetlands home to migratory birds, green cover, and places of boating, on the same piece of land which was a mining site earlier. Green cover surveillance is also carried out regularly. Debunking the myth that mining has absolute detrimental impact on environment, studies have revealed that in opencast projects plantation area, green cov-

BY SUBSTITUTING SAND WITH FLY ASH, WASTE GENERATED IN POWER STATIONS CAN BE UTILISED TO EXTRACT THE COAL BLOCKED IN THE FORM OF PILLARS. IT WILL REDUCE THE COST OF STOWING. LAND DEGRADATION IN POWER PLANTS BECAUSE DUMPING OF ASH, CAN BE DRASTICALLY REDUCED

Table 1: Cost-benefit analysis of 10 Kwp installed solar power capacity

Particulars	Units
Capacity of system (50% of connected load)	10 kWp
Area requirement (14 sq m per kW)	140 sq m
Cost of system (₹100/Wp)	₹10 Lakh
Subsidy (30% benchmark cost or 30% capital cost whichever is less)	₹3 Lakh
Net capital cost	₹7 Lakh
Units generated in a year (considering 4.2 units per day per kWp and 300 sunny days in a year)	12,600 kWh
Power rate per unit (₹/kWh) at Rayatwari sub-area office	₹7.19 per unit
Total amount saved in a year	₹90,594.00
Tax benefit of depreciation (in year one) i.e. 80% of written down value (₹7,00,000 x 80% x 33.36%)	₹1,86,816.00
Life of system	25 years
Payback period	5.7 years
Net saving in energy cost after payback period up to 25 years	₹17.48 lakhs

WCL EFFORTS FOR BETTER USE OF WATER INCLUDE SEDIMENTATION POND/SETTLING TANK FOR TREATMENT OF THE MINE PUMPED OUT WATER, WORKSHOP EFFLUENT TREATMENT PLANT WITH OIL AND GREASE TRAP FOR TREATMENT, DOMESTIC EFFLUENT TREATMENT FOR TOWNSHIPS, AND GROUND WATER RECHARGE THROUGH ROOFTOP RAINWATER HARVESTING SCHEMES

erage and back-filled area have increased because of proactive efforts of the company. Satellite surveillance indicates the increase in plantation area from 158.3 sq km in 2010-11 to 167.71 sq km in 2012-13. The mine sump areas have been designed in a way to act as water recharge basin, thereby increasing the level of groundwater table.

In its environmental policy statement, the company has subscribed to sustainable development and has taken active step to conserve the biodiversity. It also envisages green house gas measurement and reporting. Promotion to innovation for the broader cause of environmental conservation is manifested throughout the company. It has also embraced coal bed methane (CBM) technology, coal to liquid technology (CTL), and others as indicators of the progressive outlook of the company with respect to environment.

Conclusion

WCL is taking sincere efforts for environment protection, eco-friendly mining and sustainability. Yet there is always scope for improvement. CIL with its subsidiaries is dedicated to strike and maintain a balance between eco-friendly mining and energy security of India. MA

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Bonus Debentures: A Shareholder's Bounty

Bonus debentures are unheard even in countries that have a robust capital market system. The concept of bonus debenture is still evolving and is yet to gain ground among Indian companies.

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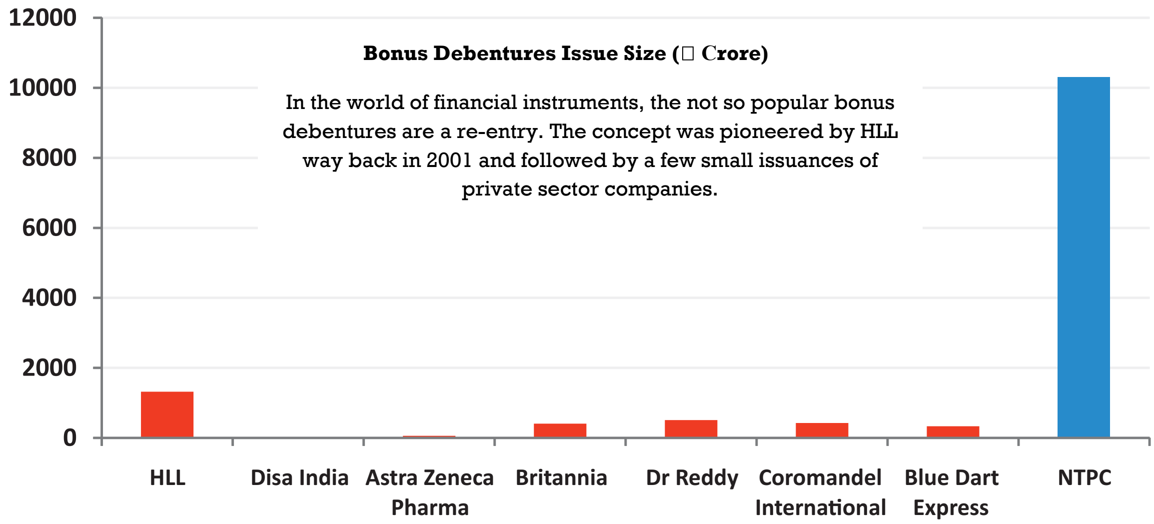
Value conscious companies often extend out of the way returns to shareholders. Organisations with large reserves and confident of earning positive free cash flows in the future can create a win-win situation for both the shareholders and the company by rewarding the members with bonus debentures, simultaneously restructuring its reserves to improve the leverage, and enhancing investor confidence without a significant impact on the cash which can continue to be deployed in the business.

Bonus debentures are free of cost, redeemable, and interest generating instruments that are issued out of free reserves and also tradable on the stock exchange.

NTPC Ltd, a Maharatna public sector undertaking (PSU), and the country's biggest power company, is the latest to join the small list of companies that have issued bonus debentures till to reward its shareholders.



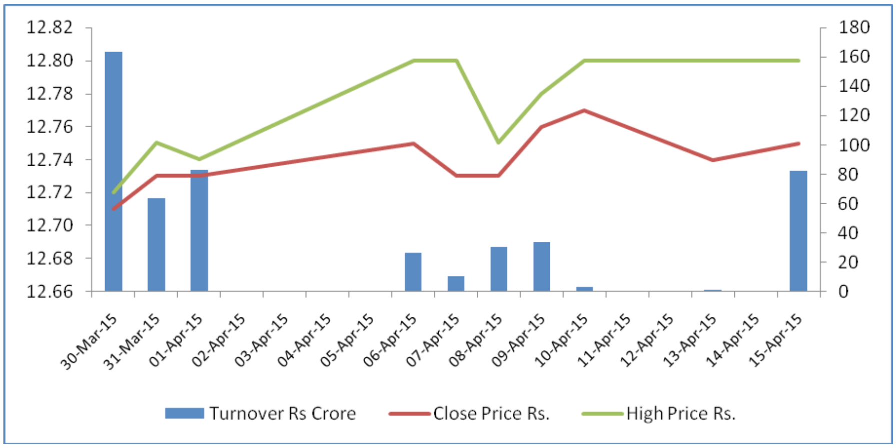
NTPC, in March, rolled out the biggest ever bonus debenture scheme and the first ever by a PSU, possibly triggering a several other big PSUs to follow. NTPC issued one bonus debenture of 12.50 face value for one equity share of 10 face value, aggregating to debentures worth 10,306.83 crore. The redemption of the debentures was staggered to avoid cash flow pressures, and unless there is a Black Swan event, redemption will not be a problem.

Salient features of the NTPC bonus debenture issue

- ✓ NTPC bonus debentures have a door-to-door maturity of 10 years, redeemable in 3 instalments at the end of the 8th, 9th, and the 10th year of ₹2.50, ₹5.00, ₹5.00 per debenture respectively.
- ✓ The bonus debentures carry an 8.49% fixed coupon, determined by adding a spread of 50 bps over the 10 year annualised G-Sec. The spread is very attractive considering the company has got AAA rating and that the debentures will be secured.
- ✓ The debentures are being traded on NSE and BSE and have no lock-in period.

A blockbuster opening, demand and return

The NTPC's bonus debenture (ISIN: INE733E07JP6) saw a huge demand in the secondary market, reflected in the huge volumes clocked and the premium offered over the face value.



Considering the closing price of 12.71 on the first day, the premium of 21 paisa per debenture translates to a gain of 1.65 percent in a single day over the face value. Investors who bought the NTPC stock at 137.15 (closing price on 10 February, the date of approval of the scheme of arrangement by shareholders), would have made a staggering return of 9.27 percent in about 50 days, even without factoring in any other capital appreciation.

Why bonus debentures

The bonus debentures are issued out of free reserves, thus restructuring the liability side of the balance sheet, by reducing the reserves and increasing the borrowings. NTPC has been generating positive free reserves at record levels, and as a result, built large undistributed profits to the tune of 72,418 crore as on 31March, 2014. Rewarding the shareholders by issuing bonus debentures achieves the dual purpose of distributing the accumulated profits to the owners, as well as retaining cash for ambitious capex plans. NTPC retains the ability to borrow at competitive rates because of its AAA credit rating and strong balance sheet. The improvement in leverage by this restructuring would see a positive return on equity.

The funds equivalent to the face value of the bonus debentures would be utilised for capital expenditure in various construction projects. The cost of debt, at 8.49 percent coupon, is very competitive compared to bank loans, thereby enabling the company to optimise its cost of power.

Bonus debentures vs bonus shares or special dividends

The cash outflow for the company starts only at a later date in case of bonus debentures, unlike a dividend where the outflow is immediate. However, as the debentures are tradable, the shareholders have the option to immediately monetise the instrument if they need cash or do not want to bear the interest risk.

Bonus shares are a traditional and popular way of rewarding investors. However the real reward exists only if the share price increases after issue of the bonus shares because of the expectation of better earnings as against the tangible reward offered by bonus debentures. The liquidation of bonus shares results in dilution of equity stake, which the promoters may not want. The increased equity base will result in fall of earnings per share (EPS), and servicing equity with same levels of dividend may not be sustainable. Bonus shares affect the supply side of shares in the market.

Taxation

From the shareholder's point of view

- ❖ The amount of bonus debentures is not taxable. At the time of redemption or sale by the holder, only the appreciation in the value over the face value is taxable as capital gain
- ❖ Interest paid on debentures is taxable at a marginal rate

From the company's point of view

- ❖ Dividend distribution tax is payable by the company because it is considered as deemed dividend under section 2(22)(b) of the Income Tax Act
- ❖ The interest paid is tax deductible

Bonus debentures, on the other hand, will be effective in optimal utilisation of surplus reserves without affecting the share price and EPS.

How are bonus debentures issued

All said and done, companies usually prefer to take the dividend or the bonus shares route, rather than issue bonus debentures. The answer lies in *how* these debentures are issued. Let us briefly understand the process and legal framework.

In India, the Companies Act provides the legal framework of operations for companies. However, there is no specific provision regarding the issue of bonus debentures. Companies have been issuing bonus debentures through a 'scheme of arrangement' under sections 391 to 394 of the Companies Act 1956 (corresponding sections under the Companies Act 2013 have not yet been notified), after taking approval of the court. The articles of association of the company may have to be altered if it does not provide for such an issue.

Clause 24(f) of the listing agreement also regulates the process of approval of the scheme of arrangement for issuing bonus debentures. The Reserve Bank of India, vide its 6 January 2014 circular, permitted the issue of bonus debentures to non-resident members subject to certain conditions prescribed therein.

In terms of the GSR no. 238 of 2 February 2, 1978, issued in terms of section 620 of the 1956 Act, read with rule 3(1) of the Government of India (Allocation of Business) Rules, 1961, and the second schedule thereto, the corporate affairs ministry has exclusive jurisdiction under the provisions of sections 391 to 394 regarding government companies.

The procedure for approval of the scheme of arrange-

Benefits to company

- ✓ Interest on bonus debentures is a tax deductible expense
- ✓ There is no immediate cash outflow at the time of issue, except to the extent of amount of dividend distribution tax
- ✓ Issue of bonus debentures does not expand the equity base for the company and thus does not dilute the EPS
- ✓ Increase the debt brings the advantage of leverage. ROE increases after the issue of bonus debentures

Benefits to shareholders

- ✓ Bonus debentures are a reward and issued to shareholders free of cost.
- ✓ Debentures are tradable and can be monetised.
- ✓ Not taxable in the hands of debenture holders. It is considered as deemed dividend and the dividend distribution tax is paid by the company. Only appreciation in value att the time of sale is taxable as capital gain.
- ✓ Debenture holders get regular interest income

ment is described in the Companies (Court) Rules, 1959, whereby an organisation has to undergo a two-phase process. In the first phase, the company seeks a court order to hold a shareholders/creditor meeting. After the shareholders/creditors have approved the scheme, court nod is sought to approve it under a confirmation petition. The court will fix a final date of hearing and ask to issue a public notice in newspapers for inviting objections to the scheme from public before it is finally approved.

Corporate laws of most of countries are silent on bond debentures. The Companies Act (2007) of Sri Lanka provides legality to the transaction under section 529 defining the word Distribution as "...the incurring of a debt to or for the benefit of a shareholder, in relation to a share or shares held by that shareholder, whether by means of a payment of a dividend, a redemption or other acquisition of the share or shares, a distribution of indebtedness or otherwise." Section 56 of provides the procedure for distribution to shareholders.

After the bonus debenture scheme is approved, the same has to be filed with the registrar of companies (ROC) after which the scheme becomes binding on the company, shareholders, creditors, and all other stakeholders. The debentures are then allotted to the shareholders and the application for listing and trading permission is moved before the stock exchanges where the same are proposed to be listed.

Conclusion

Bonus debentures are unheard even in countries that have a robust capital market system. The concept of bonus debenture is still evolving and is yet to gain ground among Indian companies. A legitimate question arises: 'Why only a few companies have used this option to reward shareholders?" The answer, perhaps, lies in the long legal procedures and approvals required to issue bonus debentures, which often takes a year or even more. From the shareholder's point of view, inadequate liquidity for these debentures in stock exchanges as compared to shares of the companies, is another area of concern.

None the less , successful implementation of the scheme of bonus debentures by the opting companies has created a positive environment for the instrument. For the investors, the company sends strong positive signal about its future growth prospects by issuing bonus debentures. As the instrument becomes popular the regulatory framework for the issuance needs to evolve as well. Specific clauses , guidelines, rules under the Companies Act , SEBI Regulations etc would be required to have an enabling legal environment and shorten the time required for issuance. MA

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Independent Director in Indian Companies

FOR THE FIRST TIME EVER, THE COMPANIES ACT AND SEBI, HAVE RECOGNISED THE IMPORTANCE OF INDEPENDENT DIRECTORS AND HAVE CLEARLY DEFINED THE CRITERIA FOR DESIGNATING SUCH A DIRECTOR AS A BOARD MEMBER

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Over the last four decades, corporate boardrooms in many developed and developing countries including India, have witnessed a remarkable growth in the power of independent directors. Regulatory reforms have been passed not only to make sure that boards have adequate number of independent directors but also to provide them a structure to make it possible for them to monitor corporate affairs more effectively. Independent directors have no pecuniary relationship with the company. This excludes not only full-time employees of the company but also their family members and the company's lawyers, bankers, consultants, suppliers, customers, debtors or creditors, or interlocking directors.

Independent directors in Indian companies

A case study is undertaken here, to examine the extent of adoption of corporate governance system concerning the independent directors in Indian companies, in the context of the provisions of the Companies Act (2013) and the new clause 49 of the Securities and Exchange Board of India and (SEBI) Listing Agreement, 2014.

Selection of sample

The study consists of BSE Sensex and NSE Nifty companies. The reason behind selecting these companies is that their scrips dominate and influence stock index movement. These companies also represent different industry verticals. The study is based on the 2013-14 annual reports of the companies.

All the 30 Sensex companies are included in the list of 50 Nifty companies. Out of the 30 Sensex and 50 Nifty companies, annual reports of 25 and 38 companies, respectively, were received. The study was thus carried out on 38 companies listed under the two indices. The final sample of the 38 companies was classified according to their industries (table 1).

Table 1: Company classification

Industry	Name of Company
Automobiles (2-wheeler)	Bajaj Auto
Automobiles(4-wheeler)	Maruti Suzuki, Tata Motors
Banking	HDFC Bank, ICICI, SBI, Bank of Baroda, PNB, Axis Bank
Cement	ACC, Ambuja, UltraTech
Paints, chemical and fertilisers	Asian Paints
Consumer products and FMCG	Hindustan Unilever
Diversified	ITC, Larsen & Toubro (L&T)
Engineering and construction	BHEL, DLF Ltd
Finance	HDFC, IDFC
Information technology	TCS, Tech Mahindra, Wipro
Iron and steel	Tata Steel, Jindal Steel & Power
Mining and metal	Hindalco, Sesa Sterlite
Pharmaceuticals	Cipla, Dr Reddy's, Lupin, Sun Pharma
Petroleum and natural gas	ONGC, Bharat Petroleum, Cairn India
Power	NTPC, Tata Power
Textile and Synthetics	Reliance Industries
Telecom	Bharti Airtel

Analysis of position

The study was made based on the mandatory and non-mandatory requirements stipulated by clause 49 of the listing agreement as applicable for the financial year 2013-14. The reports were examined and ascertained and the actual position is discussed hereunder.

Board structure

It has been observed that all private sector companies listed in stock exchanges have greater number of non-executive (outside/part-time) directors as compared to executive (inside/whole-time) directors in the boards, thereby conforming to the SEBI guidelines. The listed public sector undertakings (PSUs) like BHEL and BPCL have large vacancies for non-executive independent directors on their boards which have not been filled up by the government yet. For instance, BHEL has eight, and BPCL has five vacancies for independent directors. It confirms that the government has failed to adhere to the SEBI guidelines.

Four companies (11 percent) of the 38 are headed by the non-executive independent chairmen, one by the nominee chairman, and nine companies (24 percent) are chaired by 'other' non-executive chairmen.

Board strength

The study revealed that five public sector companies—SBI, Bank of Baroda, PNB, BHEL, and BPCL—failed to comply with clause 49 of the listing agreement because the proportion of independent directors in the boards of these companies are less than the minimum requirement of 50 percent of the full board strength. These companies are headed by the executive chairman-cum-managing directors (CMDs). The respective government ministries must seriously look into the matter. Only two public sector companies—ONGC Ltd and NTPC Ltd—complied with the SEBI clause. On the other hand, four private sector companies—ITC, L&T, DLF, and Jindal Iron & Steel—failed to comply with the clause.

Independent Sensex and Nifty companies

It was observed that there are 223 independent directors in the boards of the 38 companies (table 2), out of which, 195 and 28 directors were inducted in the boards of 31 private sector and seven public sector companies respectively. Out of 195 independent directors, 175 (90 percent) directors are in the boards of various private sector companies and the rest 20 (10 percent) independent directors are in the boards of private sector banks. Out of the 28 independent directors, 18 (64 percent) are in the boards of various public sector companies and the rest 10 (36 percent) independent directors are in the boards of public sector banks.

Table 2: Independent directors in Selected Sensex and Nifty companies in 2013-14

Organisation Type	Independent Directors		
	Total	Companies	Banks and others
Private sector	195	175	20
Public sector	28	18	10
Total	223	193	30

Selection, appointment and tenure

It was observed that all the 38 companies have either inducted or are in the process of induction of necessary action to fulfil the criteria for selection, appointment and tenure of independent directors in line with the provisions of the new Companies Act.

Lead independent director

Only three (eight percent) listed companies out of the 38—Reliance, Bharti Airtel and Wipro— appointed a lead independent director to represent and act as a spokesperson for independent directors as a group in order to work closely with the chairman and the chief executive officer (CEO) and take a lead role in the board evaluation process, apart from other important board functions. This is considered to be a good governance practice exhibited by these companies at par with the international standard of corporate governance.

Meeting

The survey revealed that out of the 38 listed companies, only two companies in the public sector domain—BHEL and ONGC—and Hindustan Unilever in the private sector, formed a committee of independent directors and held one meeting each in 2013-14. Reliance and Bharti Airtel disclosed independent director meetings although no such formal committee was formed. The remaining 33 companies are required to constitute and disclose full information on the committee/meeting of independent directors to comply with Companies Act and SEBI clauses.

Audit

Three listed banks and PSUs—Bank of Baroda, Punjab National Bank, and BHEL did not comply with the revised clause of the listing agreement because of lack of minimum requirement of the number of independent directors in the audit committee.

Nomination and remuneration

Three companies—Lupin, PNB, and BHEL—failed to comply with the minimum requirement of the number of non-executive directors (NEDs) in the nomination and remuneration committee. Bharti Airtel, Bank of Baroda, SBI, and PNB failed to comply with the provision of independent director as chairman in the committees.

Independent director committee

BHEL, ONGC and Hindustan Unilever were the only companies that formed the independent director committee in 2013-14.

Disclosure of remuneration

PNB was the only public sector company that didn't disclose the pecuniary transactions of its non-executive/independent directors with the organisation. All the 37 other companies disclosed it in their annual report 2013-2014. Seven (18 percent) of the 38 companies—PNB, SBI, Sun Pharma, Lupin, BPCL, ONGC, and Reliance—did not disclose the criteria for making payments to their non-executive/independent directors.

On the other hand, nine (24 percent) of the 38 companies did not disclose the information about the number of shares held by their non-executive/independent directors. The companies include Maruti Suzuki, Axis Bank, ACC, IDFC, Cipla, BPCL, NTPC, Reliance, and Bharti Airtel. Also, not a single company disclosed information about the shareholding of non-executive/independent directors in the company prior to their appointment.

Details of training imparted

Bajaj Auto, Maruti Suzuki, Axis Bank, PNB, Bank of Baroda, SBI, ICICI Bank, ACC, UltraTech Cement, IDFC, DLF, BHEL, Tech Mahindra, TCS, Tata Steel, Jindal Steel & Power, Sesa Sterlite, Cipla, Sun Pharma, Lupin, BPCL, and Bharti Airtel, did not disclose the details of training to independent directors in their annual report.

Conclusion

It is apparent from the micro-analysis of the 38 companies that their performance on the adoption of corporate governance system rather satisfactory in the light of the Companies Act and SEBI clauses. They, however, do not compare favourably with the international governance standards. MA

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The Articulation of Profit or Loss and Other Comprehensive Income

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An IFRS trainer, consultant and author

Introduction

After the recent notification by MCA on 16th February 2015, India Inc is finally gearing up for IFRS convergence. Thirty nine new Indian Accounting Standards (Ind AS) have been notified since then. With the deadline looming large on Indian corporate, it is imperative for an organisation or a finance professional to soak in as much information as quickly as possible to enable a smooth transition from current Indian GAAP to Ind AS. This section will be totally dedicated in simplifying complex accounting concepts and assist you in fathoming the intricacies and nuances of the new global accounting and finance language ie, IFRS.

Preamble

This case study aims to illustrate that although Profit or Loss and Other Comprehensive Income are, in substance, two separate statements (they can be shown as a single statement), there is an articulation between the two. *Profit or Loss (PL)* is the total of income (that should have been received) less expenses (that should have been paid), excluding the components of Other *Comprehensive Income (OCI)*, which is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners. The articulation of PL and OCI is done through reclassification adjustments, which are amounts reclassified to PL (as realised gains) in the current period that were recognised in OCI (as unrealised gains) in current or previous periods.

Para 93 of IAS 1: *Presentation of Financial Statements states*, "A reclassification adjustment is included with the related component of OCI in the period that the adjustment is reclassified to PL. The amounts may have been recognised in OCI as unrealised gains in the current or previous periods. These unrealised gains must be deducted from OCI in the period in which the realised gains are reclassified to PL to avoid including them in total comprehensive income twice."

Case Study Example

Statement of Profit or Loss for the period ended 31 December 20x4 (Extract)

(₹)

Revenue		8,700
Cost of sales		3,510
Gross Profit		5,190
Other income		150
Administrative expenses		(633)
Distribution expenses		(569)
Other expenses		(1,575)
Accounting Profit		2,563
Tax expense –		
Current tax expense (@ 40%)	1,002	
Deferred tax expense	90	
Deferred tax income	(144)	
Deferred tax liability	(12)	
Deferred tax asset	30	966
Profit for the period		1,597

No adjustment has been made to the following. A Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 20x4 is to be prepared by taking into consideration the following information –

Property, Plant and Equipment

Property, Plant and Equipment (₹)

Date	Heads of account	Carrying Amount			Tax Base			Original cost		
		Dr	Cr	Balance	Increase	Decrease	Balance	Increase	Decrease	Balance
20x4										
Jan 1				300			200			320
Dec 31	Depreciation		100	200		100	100		80	240
	Revaluation surplus	24		224						
	Deferred tax liability	16		240						

Employee benefits

Actuarial loss/(gain) on defined benefits retirement benefit plan (₹)

	Plan Liabilities	Plan Assets	Net Pension Liability
Balance bf (1 January 20x4)	3,000	(2,500)	500
Service costs –			
Current service costs	300	–	300
Past service costs	200	–	200
Loss on settlement	100	–	100
Net interest cost (@5%)	150	(125)	25
Benefits paid	(300)	300	–
Contributions paid	–	(500)	(500)
Actuarial loss/(gain) – balancing figure	50	(75)	(25)
Balance cf (31 December 20x4)	3,500	2,900	600

Financial asset measured at fair value through other comprehensive income

Investment in Debt Instruments (₹)

Date	Heads of Account	Carrying amount			Tax Base		
		Dr	Cr	Balance	Increase	Decrease	Balance
20x4							
Jan 1				220			200
Dec 31	Fair value gain	6		226			
	Deferred tax liability	4		230			
	Cash		230	–		200	–

Investment in Foreign Operation

(₹)

Date	Heads of Account	Dr	Cr	Balance
20x4				
Jan1				1,075
Dec 31	Foreign currency translation reserve	105		1,180
	Deferred tax liability	70		1,250
	Cash		1,250	–

Note: The carrying amount of foreign currency translation reserve as on 31 December 20x3 is ` 45 (net of tax).

Solution

Property, plant and equipment

There is no taxable/deductible temporary difference, since the accounting depreciation and tax depreciation are the same. Therefore, no deferred tax arises in profit or loss.

The difference between the carrying amount of a revalued asset and its tax base is a taxable temporary difference and gives rise to a deferred tax liability. The revalued carrying amount of property, plant and equipment (PPE) will be recovered through use and this will generate taxable income which exceeds the depreciation that will be allowed for tax purposes in future periods.

Journal

Property, plant and equipment	₹ 40
Revaluation surplus (Other Comprehensive Income)	₹ 24
Deferred tax liability (Other Comprehensive Income)	₹ 16

A portion of the revaluation surplus in respect of PPE is transferred directly to retained earnings, ie, not through profit or loss. In other words, it is not reclassified to profit or loss. The amount of revaluation surplus transferred is the net of tax difference between depreciation based on the revalued carrying amount of PPE (₹ 100) and depreciation based on PPE's original cost (₹ 80). The amount transferred is: ₹ (100 – 80) x 60% =₹ 12.

Journal

Revaluation surplus (Statement of Changes in Equity)	₹ 12
Retained earnings (Statement of Changes in Equity)	₹ 12

Employee benefits

The amount to be recognised in profit or loss for the period in respect of defined benefit plan is the aggregate of the following –

Current service cost	₹ 300
Past service cost	₹200
Loss on settlement	₹ 100
Net interest cost	₹ 25
	₹625

A deductible temporary difference arises in PL, and results in a deferred tax asset, when the amount allowed as deduction (ie, benefits paid ₹ 300) is less than the amount shown as expenses (ie, aggregate of service cost and net interest cost ₹625). The amount of deferred tax asset is = ₹ (625 – 300) x 40% = ₹130.

Journal

Deferred tax asset	₹ 130
Deferred tax income	₹130

Remeasurements of net defined benefit liability, ie, actuarial gains/(losses) arising in the period would be recognised in OCI. The amount is ₹ 25. The net of tax of this amount, ie, ₹ 25 x 60% = ₹ 15 will appear in OCI.

Journal

Plan assets	₹ 75
Plan liabilities	₹ 50
Remeasurement of definded benefit obligation (OCI)	₹ 15
Deferred tax liabilities (OCI)	₹ 10

Financial asset measured at fair value through Other Comprehensive Income

In the tax jurisdiction in which the entity operates, unrealised gains/(losses) arising on the revaluation of investments of this nature are not taxable (deductible) unless the investment is sold.

The gain on sale of investment in debt instruments is ₹ 30 (₹ 230 – ₹ 200), which is taxable. In effect, the net gain after tax ₹ 18 (₹ 30 x 60%) is reclassified from OCI to PL. Also, the corresponding deferred tax liability is reclassified from OCI to PL.

Journal

Fair value gain	₹ 18
Profit or loss	₹ 18
Deferred tax liability	₹ 12
Tax expense	₹12

Investment in foreign operation

The gain on foreign currency translation is measured through OCI and recognised as foreign currency translation reserve. On disposal of the foreign operation, the cumulative gain on foreign currency translation is to be reclassified from OCI to PL. Also, the cumulative deferred tax liability is to be reclassified from OCI to PL.

Journal

Foreign currency translation reserve	₹150 (45 + 105)
Profit or loss	₹ 150
Deferred tax liability	₹ 100 (30 + 70)
Tax expense	₹100

Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2014 (Extract) **(₹)**

Revenue		8,700
Cost of sales (3,510 + 100[1])		3,610
Gross profit		5,090
Other income		150
Administrative expenses (633 + 600[2])		(1,233)
Distribution expenses		(569)
Other expenses (1,575 + 25[3])		(1,600)
Accounting profit		1,838
Tax expense –		
Current tax expense (1,002 – 40[4] – 120[5] + 12[6] + 100[7])	954	
Deferred tax expense	90	
Deferred tax income (144 + 130[8])	(274)	
Deferred tax liability (12 + 12[9] + 100[10])	(124)	
Deferred tax asset	30	676
Profit for the period (*before reclassification adjustments*)		1,162
Amount reclassified from Other Comprehensive Income to Profit or Loss –		
Investment in debt instruments	18	
Investment in foreign operations	150	168
Profit for the period (*after reclassification adjustments*)		1,330
Other Comprehensive Income (net of tax)		
Items that will not be reclassified subsequently to Profit or Loss		
Revaluation surplus on property, plant and equipment	24	
Remeasurement of defined benefit obligation	15	39
Items that may be reclassified subsequently to profit or loss		
Investment in debt instruments –		
Fair value gain arising during the period	6	
Reclassification adjustments for amounts recognised in profit or loss	(18)	(12)
Investment in foreign operations –		
Exchange differences gain on translating foreign operations during the period	105	
Reclassification adjustment for amounts recognised in profit or loss	(150)	(45)
Total Comprehensive Income		1,312

[1] Depreciation on PPE
[2] Aggregate of service costs
[3] Net interest cost
[4] Tax deduction on depreciation
[5] Tax deduction on employee benefits
[6] Taxable amount of gain on sale of debt instruments
[7] Taxable amount of gain on disposal of foreign operation
[8] Deductible temporary difference on employee benefits
[9] Reclassification of deferred tax liability for investment in debt instruments
[10] Reclassification of deferred tax liability for investment in foreign operations

MA

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Taxation

Government notifies changes in I-T rules to comply with FATCA pact

The Revenue Department has amended income tax rules to provide for reporting of information with regards to financial assets and accounts, a month after India signed a tax information sharing agreement with the US. On July 9, India and the US signed tax agreement under the Foreign Account Tax Compliance Act (FATCA) that will enable automatic exchange of financial information between the two nations about tax evaders from September 30. The rules define various terms such as financial asset, financial account, excluded accounts, participating and non-participating financial institutions, among others. The norms prescribe information to be maintained by the reporting financial institution such as name, address, taxpayer identification number (assigned to the account holder by the country or territory of his residence for tax purposes) and date and place of birth (in the case of an individual) of each reportable person.

Source: http://economictimes.indiatimes.com/news/economy/ policy/government-notifies-changes-in-i-t-rules-to-comply-with-fatca-pact/articleshow/48410974.cms

Section 90 of the Income-Tax Act, 1961 - Double Taxation Agreement - Agreement for Exchange of Information With Regard to Taxes with Foreign Countries - San Marino

Whereas, an agreement (hereinafter referred to as the said agreement) between the Government of the Republic of India and the Government of the Republic of San Marino for the exchange of information with respect to taxes was signed at Rome, on the 19th day of December, 2013.

And whereas, the date of entry into force of the said agreement is the 29th day of August, 2014, being the date of the later of the notifications of completion of the procedures as required by the respective laws for entry into force of the said agreement in accordance with paragraph 1 of Article 11 of the said agreement;

And whereas, paragraph 2 of Article 11 of the said agreement provides that the agreement shall enter into force on the date of later of the notifications and shall thereupon have effect forthwith;

Now, therefore, in exercise of the powers conferred by section 90 of the Income tax Act, 1961 (43 of 1961), the Central Government hereby directs that all provisions of the said agreement between the Government of the Republic of India and the Government of the Republic of San Marino on the exchange of information with respect to taxes, as set out in the said agreement annexed hereto, shall have effect in the Union of India from the 29th day of August, 2014.

Source: Notification No.63/2015 [F.No.500/02/2003-Ftd-I], dated 12-8-2015

Section 10(23C)(vi) of the Income-Tax Act, 1961 - exemptions - University or other educational institutions - Notified University or other Educational Institution - Clarification on certain issues related to grant of approval and claim of exemption under section 10(23C)(vi) vide Circular No.14/2015 [F.NO.197/38/2015-ITA-I], dated: 17-8-2015

Sub-clause (*vi*) of clause (*23C*) of section 10 of the Income-tax Act, 1961 ('Act') prescribes that income of any university or other educational institutions, existing solely for educational purposes and not for purposes of profit, shall be exempt from tax if such entities are approved by the prescribed authorities. Such approval is not required in cases of university or educational institutions wholly or substantially financed by the Government [sub-clause (iiiab)] or if their aggregate annual receipts do not exceed Rs. 1 crore [sub-clause (iiiad) r.w. rule 2BC]. Thus, while granting approval to entities covered under sub-clause (*vi*), the prescribed authority has to ensure that the applicant institution must exist "*solely for educational purposes and not for purposes of profit*". There are several Provisos to clause (*23C*) of section 10 and prescribe, inter alia, various monitoring conditions subject to fulfillment of which only, the exemption can be availed. These monitoring conditions include mode and manner of application of funds, maintenance and audit of books of accounts in certain situations etc. Some other Provisos prescribe the manner of making application u/s 10(23C)(vi) and the circumstances when an approval granted earlier can be withdrawn.

Representations have been received seeking clarification on certain issues related to operation of section 10(23C)(vi). These have been examined by CBDT and clarifications are made:

Scope of enquiry while granting approval
Necessity for registration u/s 12AA while seeking approval /claiming exemption u/s 10(23C)(vi)
Generation of surplus out of gross receipts
Collection of amounts under different heads of fee from students
Impact of extraordinary powers of the Managing Trustees to appoint remove or nominate other trustees

Read more at: http://www.incometaxindia.gov.in/communications/circular/circular14_2015.pdf

Income-Tax (Twelfth Amendment) Rules, 2015 - Insertion of Rule 126

In exercise of the powers conferred by *Explanation 2* to clause (*1*) of section 6 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes makes the rules further to amend the Income-tax Rules, 1962, namely the Income-tax (Twelfth Amendment) Rules, 2015. In the Income-tax Rules, 1962, in Part XV, after rule 125, the following rule shall be inserted, namely:—

Rule 126: Computation of period of stay in India in certain cases —

(1) For the purposes of clause (1) of section 6, in case of an individual, being a citizen of India and a member of the crew of a ship, the period or periods of stay in India shall, in respect of an eligible voyage, not include the period computed in accordance with sub-rule (2).

(2) The period referred to in sub-rule (1) shall be the period beginning on the date entered into the Continuous Discharge Certificate in respect of joining the ship by the said individual for the eligible voyage and ending on the date entered into the Continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage.

Explanation: For the purposes of this rule,—

a).“Continuous Discharge Certificate” shall have the meaning assigned to it in the Merchant Shipping (Continuous Discharge Certificate-cum-Seafarer’s Identity Document) Rules, 2001 made under the Merchant Shipping Act, 1958 (44 of 1958);

b).“eligible voyage” shall mean a voyage undertaken by a ship engaged in the carriage of passengers or freight in international traffic where—

1).for the voyage having originated from any port in India, has as its destination any port outside India; and

2). for the voyage having originated from any port outside India, has as its destination any port in India.’.

Source: Notification No. 70/2015 [F.NO.142/12/2015-TPL]/SO 2240(E), dated: 17-8-2015

Section 10(46) of the Income-Tax Act, 1961 - Exemptions - Statutory Body/Authority/ Board/Commission - Notified Body or Authority - Kerala Shops and Commercial Establishments Workers’ Welfare Fund Board

In exercise of the powers conferred by clause (*46*) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, “Kerala Shops and Commercial Establishments Workers’ Welfare Fund Board”, a Board established under the Kerala Shops and Commercial Establishments Workers’ Welfare Fund Act, 2006 (Act 24 of 2006) in respect of the following specified income arising to the Board, namely:—

a).amount received in the Fund as established under section 3 of Kerala Shops and Commercial Establishments Workers’ Welfare Fund Act, 2006;

b).amount of interest income earned on bank deposits.

This notification shall be deemed to have been applied for the financial years 2013-2014, 2014-2015 and shall be applicable for the financial years 2015-2016, 2016-2017 and 2017-2018. This notification shall be effective subject to the condition, namely:—

a).that the Kerala Shops and Commercial Establishments Workers’ Welfare Fund Board does not engage in any commercial activity;

b).that the activities and the nature of the specified income of the Kerala Shops and Commercial Establishments Workers’ Welfare Fund Board remain unchanged throughout the financial years; and

c.)that the Kerala Shops and Commercial Establishments Workers’ Welfare Fund Board files return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of

the Income-tax Act, 1961.

Source: Notification No. 68/2015 [F.NO.196/18/2014-ITA-I], dated 13-8-201

Government levies 10 per cent import duty on wheat

The government imposed an import duty of 10 per cent on wheat until March 31 next year vide Notification No. 44/2015-Cus, dt. 04-08-2015, a measure aimed at helping the Food Corporation of India offload wheat of poor quality and making cheaper wheat from France, Russia and Australia unviable.

Read more at: http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2015/cs-tarr2015/cs44-2015.pdf

Govt hikes import duty on steel products again

The Finance Ministry has hiked the import duty on key steel products by 2.5 per cent vide Notification No. 45/2015-Cus,dt. 12-08-2015.

Read more at: http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2015/cs-tarr2015/cs45-2015.pdf

Banking

Interest Rates on Deposits – Deposits of Army Group Insurance Directorate (AGID), Naval Group Insurance Fund (NGIF) and Air Force Group Insurance Society (AFGIS)

As per circulars DBOD.No.Dir.BC.121/C.347 (26)-86 dated October 29, 1986, DBOD. No. Dir. BC.26/C. 347(26)-87 dated September 1, 1987 and DBOD. No. Dir. BC. 28/C.347(26)-87 dated September 11, 1987, in terms of which Public Sector Banks were permitted to pay additional interest of 1.28 per cent per annum over and above the normal rate of interest permissible in terms of directives on interest rates on deposits issued by Reserve Bank of India, only on the term deposits for two years and above of Army Group Insurance Directorate (AGID), Naval Group Insurance Fund (NGIF) and Air-Force Group Insurance Society (AFGIS), provided such deposits are not in any way linked with payment of insurance premia by the bank. In line with complete deregulation of interest rates on deposits, it has been decided to withdraw the prescription of offering additional interest of 1.28 per cent per annum on the deposits of AGID, NGIF and AFGIS. Accordingly, interest rates on such deposits should be at par with other deposits of similar maturity and amount.

Source: Notification No. RBI/2015-16/147[DBR.Dir.BC. No.33/13.03.00/2015-16] dated: August 06, 2015

Exposure Norms limit for the Standalone Primary Dealers (SPDs)

To facilitate greater level of participation in corporate bonds by SPDs, it has been decided to increase exposure ceiling limits in respect of single borrower / counterparty from 25 per cent to 50 per cent of latest audited Net Owned Funds (NOF) and in respect of group borrower from 40 per cent to 65 per cent of latest audited NOF only for investments in AAA rated corporate bonds. The existing norm of exposure ceilings for single borrower / counterparty and group borrower of 25 and 40 per cent respectively and other instructions contained in the IDMD circular dated March 27, 2014, mentioned above will continue to apply in respect of other investments in the corporate bonds.

Source: Notification No. RBI/2015-16/149 [DNBR.CO.PD. No.068/03.10.01/2015-16] dated: August 6, 2015

RBI hikes exposure limit for participation in corporate bonds by 'Standalone Primary Dealers'

To facilitate greater level of participation in corporate bonds by SPDs, it has been decided to increase exposure ceiling limits in respect of single borrower / counterparty from 25 per cent to 50 per cent of latest audited Net Owned Funds (NOF) and in respect of group borrower from 40 per cent to 65 per cent of of latest audited NOF only for investments in AAA rated corporate bonds vide *Notification No. RBI/2015-16/149 [DNBR.CO.PD. No.068/03.10.01/2015-16] dated: August 6, 2015.*

The existing norm of exposure ceilings for single borrower/ counterparty and group borrower of 25 and 40 per cent respectively and other instructions contained in the IDMD circular dated March 27, 2014, mentioned above will continue to apply in respect of other investments in the corporate bonds.

Read more at: http://pdicai.org/docs/RBI_149_88201514612426. PDF

Union Budget - 2015-16 Interest Subvention Scheme

As per Notification No. RBI/2015-16/152 [FIDD. No.FSD. BC.59/05.04.02/2015-16] dated: August 13, 2015, GOI has approved the implementation of the Interest Subvention Scheme for the year 2015-16 for short term crop loans upto Rs 3.00 lakhs with the following stipulations:

i) Interest subvention @ 2% per annum will be made available to the Public Sector Banks (PSBs) and the Private Sector Scheduled Commercial Banks (in respect of loans given by their rural and semi-urban branches) on their own funds used for short-term crop loans up to Rs.3, 00,000/- (Rs. three lakhs) per farmer provided the lending institutions make available short term credit at the ground level at 7% per annum to the farmers. This 2% interest subvention will be calculated on the crop loan amount from the date of its disbursement/drawal up to the date of actual repayment of the crop loan by the farmer or up to the due date of the loan fixed by the banks whichever is earlier, subject to a maximum period of one year.

ii) Additional interest subvention @3% per annum will be available to the farmers repaying the loan promptly from the date of disbursement of the crop loan up to the actual date of repayment or up to the due date fixed by the bank for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement. This also implies that the farmers paying promptly would get short term crop loans @4% per annum during the year 2015-16. This benefit would not accrue to those farmers who repay after one year of availing of such loans.

iii) In order to discourage distress sale by farmers and to encourage them to store their produce in warehouses against warehouse receipts, the benefit of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of up to six months post-harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.

iv)To provide relief to farmers affected by natural calamities, the interest subvention of 2% will continue to be available to banks for the first year on the restructured amount. Such restructured loans may attract normal rate of interest from the second year onwards as per the policy laid down by the RBI.

Banks may give adequate publicity to the above scheme so that the farmers can avail of the benefits. It is also advised as under:-

i) Claims in respect of 2% interest subvention and 3% additional interest subvention may be submitted in Formats I and II (enclosed) respectively to the Chief General Manager, Financial Inclusion and Development Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400001.

ii) In respect of 2% interest subvention, banks are required to submit their claims on a half-yearly basis as at September 30, 2015 and March 31, 2016, of which, the latter needs to be accompanied by the Statutory Auditor's certificate certifying the claims for subvention for the entire year ended March 31, 2016 as true and correct. Any remaining claim pertaining to the disbursements made during the year 2015-16 and not included in the claim for March 31, 2016, may be consolidated separately and marked as an 'Additional Claim' duly audited by the Statutory Auditors certifying the correctness.

iii) In respect of the 3% additional subvention, banks may submit their one-time consolidated claims pertaining to the disbursements made during the entire year 2015-16 latest by April 30, 2017, duly audited by the Statutory Auditors certifying the correctness.

Read more at: https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9984&Mode=0

Guidelines for Relief Measures by Banks in Areas affected by Natural Calamities

RBI has decided to allow State Level Bankers' Committees/District Level Consultative Committees/banks to take a view on rescheduling of loans if the crop loss is 33% or more. Banks may allow a maximum period of repayment of up to 2 years (including the moratorium period of 1 year) if the loss is between 33% and 50%. If the crop loss is 50% or more, the restructured period for repayment may be extended to a maximum of 5 years (including the moratorium period of one year). The relevant paras (5.5, 5.6, 6.3 and 6.7) of the guidelines have been suitably amended and the updated Master Circular has been placed on our website (www.rbi.org.in) simultaneously.

Source: RBI/2015-16/156 [FIDD No. FSD. BC.12/05.10.001/2015-16] dated: August 21, 2015

Foreign Direct Investment – Reporting under FDI Scheme on the e-Biz platform

With a view to promoting the ease of reporting of transactions under foreign direct investment, the Reserve Bank of India (RBI), under the aegis of the e-Biz project of the Government of India has enabled online filing of the Foreign Currency Transfer of Shares (FCTRS) returns for reporting transfer of shares, convertible debentures, partly paid shares and warrants from a person resident in India to a person resident outside India or vice versa.The design of the reporting platform enables the customer to login into the e-Biz portal, download the reporting form (FCTRS), complete and then upload the same onto the portal using their digitally signed certificates. The Authorised Dealer Banks (ADs) will be required to download the completed forms, verify the contents from the available documents and if necessary, call for additional information from the customer and then upload the same for RBI to process and allot the Unique Identification Number (UIN). The FCTRS services of RBI will be made operational on the e-Biz platform from August 24, 2015. The user manual for this service is Annexed to this Circular.

It may be noted that for the present, the online reporting on the e-Biz platform is an additional facility to the Indian residents to undertake their FCTRS reporting and the manual system of reporting as prescribed in terms of A.P. (DIR Series) Circular No.6 dated July 18, 2014 would continue till further notice.

The ADs will be required to access the e-Biz portal [which is hosted on the National Informatics Centre (NIC) servers] using a Virtual Private Network (VPN) Account obtained from NIC. ADs may refer to A.P. (DIR Series) Circular No.95 dated April 17, 2015 for financial aspects of obtaining/using the VPN accounts.

Source: RBI/2015-16/157 [A.P. (DIR Series) Circular No. 9] dated: August 21, 2015

Foreign Trade

Export Policy of Onions- increase in Minimum Export Price (MEP)

Export of onion for the item description at Serial Number 51 & 52 of Chapter 7 of Schedule 2 of ITC (HS) Classification of Export & Import Items shall be permitted subject to a Minimum Export Price (MEP) of US$ 700 F.O.B. per Metric Ton vide Notification No. 18 /2015-20 dated: 24 August 2015.

Amendment in export policy of edible oils

Export of Rice Bran oil in bulk has been exempted from the prohibition on export of edible oils. Also, the quantity ceiling on export of organic edible oils has been removed vide Notification No 17 /2015-20 dated: 6 August, 2015.

SEBI

Formats under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011(Regulations)

The formats for the reports/disclosures to be filed under the Regulations have been prescribed by SEBI vide circular No SEBI/CFD/DCR/SAST/ 1/2011/09/23 dated September 23, 2011, SEBI/CFD/DCR/SAST/ 2/2011/10/20 dated October 20, 2011and CIR/CFD/ POLICYCELL/11/2013 dated October 21, 2013. In order to ensure that adequate disclosures are made to help investors in taking an informed decision, it has been decided to modify the formats for disclosures under regulation 31of the Regulations vide Circular CIR/CFD/POLICYCELL/3/2015 August 05, 2015. The format for disclosures under regulation 31(1)/(2) of the Regulations is given in the below link:

http://203.199.247.102/cms/sebi_data/attachdocs/1438767276433.pdf MA

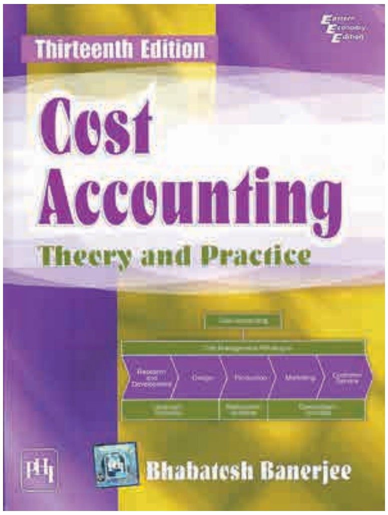
Cost Accounting – Theory and Practice

by CMA Dr. Bhabatosh Banerjee

'*Cost Accounting – Theory and Practice*' is a comprehensive text book providing an in-depth and insightful analysis of the conceptual aspects as well as practical usage of the methods and techniques of cost and management accounting. The current edition being the thirteenth one, it appears that the book has been revised from time to time in order to incorporate the new developments on the subject. The book contains 21 chapters suitably classified them into 7 parts. In addition, the official Terminology of the CIMA (Chartered Institute of Management Accountants), U.K., and Present Value Tables have been provided in the Appendix. Moreover, answers to Multiple Choice Questions as well as answers to the Problems given in the Exercises have been provided towards the end of the book for the benefit of the users.

Each chapter of the book starts with listing down the learning objectives of the chapter, thereafter the conceptual aspects have been lucidly dealt with appropriate illustrations and large number of worked out examples. The chapter ends with providing multiple choice questions and exercises for practicing, answers to which have been given at the end of the book.

THE CURRENT EDITION BEING THE THIRTEENTH ONE, IT APPEARS THAT THE BOOK HAS BEEN REVISED FROM TIME TO TIME IN ORDER TO INCORPORATE THE NEW DEVELOPMENTS ON THE SUBJECT.



PHI Learning Pvt. Ltd., Delhi – 110092, India, 13th Edition, 2014. 1044 pp. ISBN-978-81-203-4908-7. INR 695

Apart from the traditional methods and techniques of cost and management accounting, the contemporary issues like Strategic Cost Management, blending properly both the accounting and management aspects focussing on strategic considerations (Chapter 20) and Benchmarking, Value Analysis / Engineering, Decision-making using probability, etc. (Chapter 21) have been included in the book.

Wide coverage of almost all the relevant issues in cost and management accounting, user friendly lucid presentation with large number of illustrations and exercises for practice are the basic strength of the book. To keep the volume of the book in a manageable limit, perhaps the author has avoided the lengthy discussion on most of the contemporary topics in Chapter 21. However, dealing with the topics like Cost Reduction, Value Analysis/Engineering, Transfer Pricing, etc., in somewhat greater details may help the users further.

The students of undergraduate (B.Com., BBA), postgraduate (M.Com., MBA) and other courses (CMA, CA, CS, etc.), are likely to consider the book immensely helpful for learning the subject - Cost and Management Accounting. MA

CMA Dr. D.R.Dandapat
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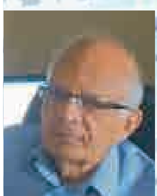
BIG

Big data is the new technology wave that has to do with enormous amount of unstructured data triggered by the internet-enabled environment. Management accountants have for long learned to integrate structured, quantitative data



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Organisations essentially represent a synergistic partnership between people, processes, and information. People play various roles within a defined organisational structure (hierarchic, for instance), processes support decision making and operations, and the information generated supports various roles within that structure. Galbraith (1974) had convincingly argued that organisations are essentially a reflection of how an entity deals with uncertainty and in the process, uses information to support decision making.

While all three—people, process, and information—are necessary for an organisation to function, the information revolution over the past several decades has attached greater importance to data and data processing. Early computer-based systems, constrained by hardware capabilities, were meant to process large batches of financial transactions efficiently and accurately. With advances in data processing speed and data management systems, the emphasis shifted to software as the catalyst. Soon real-time processing capabilities matured, relational databases emerged, and end-user computing became the norm. Thereafter, the internet took charge as the driver of the next revolutionary wave, putting innovation on the back of communication technologies and wireless networks. Expectations of 'anytime, anywhere' became economically and technologically feasible. Online everything became viable. Offshore outsourcing of information technology (IT) services prospered as a new global business

DATA IN Management Accounting

framework (Raval, 1999). Data servers on the web facilitated cloud storage and cloud computing (Raval, 2010). Currently, a new norm is being set by technological advances such as near-field communication (NFC) and mobile devices, virtual reality, and the internet of everything; and social advances, such as technologically supported social networks.

Now that we have a rich blend of potentially powerful systems components, the centre of attention goes to the resulting voluminous unstructured data generated outside of traditional and formal transaction processing systems. The most current surge in IT and business innovation is driven by the mind-boggling growth in what has been termed big data by TCS (2013). Big data represents an extremely large collection of data that can be best described as messy or unstructured.

What is big data?

The term big data was coined, not to distinguish from 'small' data because there's no such thing, but from the traditional, mostly transaction-oriented, and highly structured data, managed within the traditional data management systems, like relational data base management. These are the data, and information resulting from it, that the management normally uses to support operations, and make tactical and strategic decisions. In the established data management processes, the initial decision focuses on whether some data, if it can be captured, is of value to the organisation. Thus, for example, a university may not be interested in capturing data about its students' hair colour or shoe size, for these attributes have very little value. Data could change over time, and it may cost more to have the data than its potential value. Intuitively, the value of data a firm chooses to capture is apparent, and the focus is on controlling the cost of collection, processing, and information generation. Thus, what not to capture was determined at the 'front gate'.

Not so with big data that are generated and captured in their form almost continually; their anticipated value is not the initial motivation to capture data, because of the low or uncertain value. On the flip side, such data are generated constantly in troves and it is up to the organisation to exploit them to improve performance. In contrast to structured data, a major challenge posed by big data concerns finding value—by generating information—from these heaps of data. One may call it an exercise to find a needle in a haystack. And yet, the potential of big data cannot be denied.

The 2013 TCS Big Data Global Trend Study reports that of the 1,217 firms surveyed, 53 percent (643 firms) had undertaken big data initiatives in 2012 and of these companies, 43 percent predicted a return on investment of more than 25 percent. At the extreme end, the business model of a company may entirely rest upon big data. For instance, the 2012 World Economic Forum report on big data (page 5), said that the Global Viral Forecasting Company (San Francisco) uses advanced data analysis on information mined from the internet to comprehensively identify the location, sources, and drivers of local outbreaks before they become global epidemics.

EXECUTIVE LEADERSHIP FOCUSED ON DATA-DRIVEN DECISION MAKING COULD FACILITATE INTRODUCTION OF BIG DATA WITH EASE BECAUSE THE APPETITE TO USE DATA IS ALREADY INHERENT IN THE MINDSET

Big data is comprised of structured data that are not accommodated in the traditional data management systems, and all kinds of unstructured data related in some way to the enterprise. The category of unstructured data includes emails, multimedia content, videos, messaging content, images, and social media content. The key drivers of the phenomenal growth of unstructured data include mobile devices on wireless networks, electronic sensors, social networks such as Facebook and Twitter, and numerous (mostly wireless) applications for routine and non-routine tasks and queries. These data include incidental events which, at the unit level, have very little significance. One major stream of big data is thus identified as "exhaust data."

In contrast to the field of nanotechnology where scale is predefined for nano-materials, what is 'big' is left rather vague in the big data domain. With entities developing more capacity to deal with big data, the relative positioning of what would be considered 'big', has shifted to a higher plane. Regardless of size considerations, the three characteristics of big data are that they occur in huge volume (scale), at a high speed or velocity (constantly streaming), and represent an enormous variety (different forms) in its media and form (structured, unstructured, multimedia), making 3Vs (volume, velocity, variety) as the core elements for recognising big data. Because of these rather dramatically different characteristics of unstructured data, technologies and systems, and processes developed to manage such data are quite different.

Management accountant and big data

Accountants are in the business of creating information. The dominant role of accountants, however, was limited largely to structured data; however, the opportunity to create information that potentially produces value does not have to be constrained by whether the data you are working with, is structured or unstructured, quantitative or qualitative, financial or non-financial. If anything, it is highly probable that valuable information can be harnessed from unstructured data, something that may not exist in, or be extractable from structured sources. For example, auto insurance companies promote the use of a device that would track the driving habits of the insured. Such data are converted into insightful information about risks, unique to the insured. In turn, this would allow the carrier to price its insurance products in line with the subscriber's risks and even motivate subscribers to improve their driving patterns to better mitigate risks. Armed with such insights, management accountants can recommend an effective pricing strategy, reduce risks to the company while improving profitability, and help expand the subscriber base with the help of applications and devices to manage risks. This was possible because unstructured data provided additional insights to create value.

The application of big data in managerial accounting holds significant potential and many organisations are already involved in capturing and that to create value. Cities encourage residents to report potholes on the roads by sending images via smartphones, and local weather forecasting agencies help fans attending a major outdoor sports event track looming thunderstorms. Proctor & Gamble aligns its global supply chain dynamically using big data. Retail businesses track consumer buying behaviour to develop insights on consumer reaction to the week's menu of items on sale and what was purchased in response to the sales promotion. McKinsey Global Institute (MGI) reported in 2011 that a retailer using big data to the fullest has the potential to increase its operating margin by 60 percent.

EXECUTIVE LEADERSHIP FOCUSED ON DATA-DRIVEN DECISION MAKING COULD FACILITATE INTRODUCTION OF BIG DATA WITH EASE BECAUSE THE APPETITE TO USE DATA IS ALREADY INHERENT IN THE MINDSET

As such, the management accountant is likely to be involved in the use of qualitative or non-financial data, like the activity-based costing system or in a comprehensive dashboard such as the balanced score card. Even some of the routine requirements, such as variance analysis to track the causes of a significant deviation from the standard, may draw the management accountant into looking at unstructured data. Accountants in some firms could be ahead of the curve, attempting to produce triple-bottom line reports that include economic, social, and environmental performance reports in a unified format. Invariably, such reports would be a great deal of unstructured data. So, the leap from the use of structured data to the big data is not as insurmountable as it might first appear. Since management accountants are constantly in the business of sifting data to find information to build intelligence, they are the most likely candidates to team up with technology and executive leadership in finding ways to make big data work for their firm.

Thus, the argument for aggressive use of unstructured data to create value has merit and the best position in any organisation that could be empowered to lead the effort to use big data is the management accountant. As an expert in creating information to support all kinds of decisions, the management accountant should take the initiative to identify opportunities for the use of big data to create value, and propose the launching of experiments in the use of big data.

Challenges

Here are some of the challenges of incorporating big data in management accounting

The learning curve effect:

There is a learning curve involved in the use of unstructured data and in integrating structured data with unstructured data. Depending on the organisation and its human resource talent, the learning curve can be manageable or steep. If the company's leadership has not developed a data-driven mindset as part of its culture, having more data may not help much and they are likely to remain underutilised. On the other hand, executive leadership focused on data-driven decision making could facilitate introduction of big data with ease because the appetite to use data is already inherent in the mindset. Since most unstructured data result from the internet backbone, internet-centric companies like Netflix and others, are more likely to deploy big data than those who do not use the internet heavily in their operations. The 2013 TCS Big Data Survey (page 10) shows that companies that generate more than 75 percent of their revenue over the internet spend about six times more on big data than the light users of the internet.

Innovation and creativity are assumed:

These are not the function of big data. As Ackoff (1967) puts it, more data does not mean better decisions. Big data, specifically, are very different from the structured transaction-oriented data. Their use in creating value requires innovative thinking to develop non-traditional insights. Like data-driven mindset, the culture of innovation is assumed in successful exploitation of big data. Management accountants not only need to be aware of this prerequisite, but also should help the executive team in nurturing the environment of innovation.

Big data can be used in innovative ways to support traditional accounting and financial reporting value chain. For instance, big data may provide insights on how business risks are changing and whether the leads provided by the data suggest new fraud-risk factors. In management accounting, big data may lead to more reliable financial forecasts and more importantly, they may help discover drivers of revenue and margins and how to engage these drivers to improve operating performance. In sum, while the tool kit of the management accountant may remain unchanged, big data would likely induce a richer set of diverse inputs to unearth valuable correlations and causations.

Big data is big:

Finding a needle in the haystack could be a costly and uncertain adventure. Roe (2012) noted that according to IDC's newest estimate, 1.8 zettabytes (a zettabyte equals one trillion gigabytes) of digital data were created and replicated in the world in 2011. This is projected to climb to 7.9 zettabytes by 2015. In an experiment to squeeze value out of such enormous data, one might find that the process is messy, learning curve is steep, and potential payoffs are limited. Thus, it is likely that for a variety of reasons, effectively leveraging big data could pose a challenge. MGI has developed a measure to determine the relative ease of capturing the value potential of big data. It reports that ease of capturing value varies across sectors, with manufacturing, information processing, insurance, banking and finance, and healthcare sectors at the high end. The laggards include the government, art and entertainment, recreation, and educational services. So, the degree of challenge would vary depending on the sector.

Timely use of data is critical:

Some insights from big data may have ongoing benefit. In the auto insurance company example discussed earlier, the driver behaviour and resulting auto-insurance pricing decisions become ongoing information intelligence. However, much of the big data may be perishable; they relate to here-and-now states and therefore, are of value in the immediate window of time. For example, if a person is relaxing at Juhu beach in Mumbai at 7pm on Sunday night, sending him a discount coupon for dinner at a nearby restaurant on the next day is of little value. While time-sensitive information may also have some permanent impact on the management control system (like, logistics may be realigned using insights from big data on consumer behaviour), much of time-sensitive data may simply be contextual, may not reveal any pattern, and may be inconsistent, uninterpretable, or unreliable.

Conclusion

While technology development to manage big data as an information resource has taken the lead, potential users are still wondering if this is a myth. The path to successful deployment of big data is filled with uncertainty, and there is a chance that some environments would nurture big data experimentation more than others. Success, even spotty success, may mean competitive advantage; it may result in new or improved services, more efficient supply chain, better customer experience, and higher profit margins and income. Not being prepared to cope with the big data tidal wave could have serious consequences ranging from lower financial viability to total extinction. After all, big data exhibit traits of disruptive technology that could set a new norm over the next few years.

The management accountants are most suited to take the lead. They are producers of information and have knowledge of how to combine quantitative and qualitative data to draw insights from a holistic dashboard. They could help reshape their companies, calibrate information value chain, and balance the use of the traditional and big data optimally in their organisation. A status quo does not appear to be an attractive option.

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Eastern India Regional Council

Bhubaneswar Chapter of C-ost Accountants

On August 10, 2015 the Chapter organized a condolence meeting at its premises for departed soul of Late CMA P.D. Phadke, Former President of the Institute. CMA Niranjan Mishra, Council Member, CMA Shiba Prasad Padhi, Chairman, EIRC, Members of the Managing Committee, staffs of the chapter and students participated in large number and prayed for

his soul to rest in peace. The chapter observed the 69th Independence Day at its premises. CMA Ramaballava Misra, former Chairman and Managing Director, Heavy Engineering Corporation Ltd, Ranchi and a senior member of the chapter being the chief guest unfurled the National Flag and advised students about their role and responsibilities to build a vibrant India.

South Odisha Chapter of Cost Accountants

On July 12, 2015, the chapter conducted a seminar on 'Service tax and recent developments'. CMA Biranchi Narayan Mallick, Chief Finance Officer, Southco Ltd. Berhampur was the session chairman. CMA Ananda Sahu, Asst. Manager (F & A) Southco Ltd. the speaker elaborated about service tax with recent developments in power point presentation. CMA Ramesh Gochhayat, Sr. Manager (F & A) IRE Ltd. Berhampur,

the Chief Speaker clarified on the subject and CA Amarkant Padhi, a leading Chartered Accountant of M/s Amarkant & Associates, the guest Speaker eloquently spoke on various topics of service tax and updates. In the 2nd technical session CMA Niranjan Mishra, Council Member discussed about roadmap for the CMA profession and its future developments. CMA Shiba Prasad Padhi, Chairman, EIRC threw light regarding the change in mind set of the members for the development of the profession. CMA Ch. Venkata Ramana, Regional Council Member, EIRC also requested whole hearted co-operation from all levels for its professional

development and vote of thanks had been given by CMA Narasingha Chandra Kar, treasurer of the chapter. The chapter observed the 69th Independence day celebration at its premises. CMA B. B. Nayak, chairman of the chapter and CMA Ch. Venkata Ramana, Regional Council Member and chairman, Student Facility and Training Committee, EIRC narrated about the importance of the National day, also emphasized about the discipline to be maintained by the students, faculties as well as by the staffs.

Rajpur Chapter of Cost Accountants

The chapter conducted a seminar on the theme 'Service Tax a Source of Revenue – A Practical Approach' on July 26, 2015. Shri R. Srinivasa Naik, Addl. Director (Audit), Service Tax was the chief guest of the seminar elaborating on implementation aspects of service tax. CMA Manas Kumar Thakur, Vice President of the Institute and CMA Srikant Sahoo, Regional Council Member were the guests of honour. In the technical

session Shri Rahul Dhanuka of Khaitan & Co. LLP and CMA Mrityunjay Acharjee, Sr V.P. (Fin & Txn), Balmer Lawrie Ltd deliberated on the subject in details. Shri Dhanuka explained the areas where service tax is going to be delved into GST and the practicing areas of Cost Accountants in this regard. He also mentioned the recent amendments in service tax rules and also the areas where further clarifications are required. CMA Mrityunjay Acharjee dealt with a particular section of service tax which is real estate and gave point wise clarifications of the areas where service tax is attracted and also where it is doubtful. Secretary of the chapter, CMA Nazir Ahmed expressed his vote of thanks.

Patna Chapter of Cost Accountants

A seminar on WCT, GST & recent developments on Service tax was conducted by the Chapter on August 9, 2015 attended by professionals and employees from various industries viz. POWERGRID, NTPC, BSPTCL,

NBPDSCL, SBPDCL, BHEL, SAIL etc. Sri V C Gupta (IRS), Commissioner of Excise & Service Tax Audit, the chief guest emphasized on simple and wider tax procedures in service tax. Eminent speaker CMA Suraj Prakash, GM (Finance), BHEL deliberated on tax reforms and GST and also explained the advantages of

new tax system. CMA Mritunjay Acharjee, AVP, Balmer Lawrie & Co. Ltd. discussed the provisions of service tax in relation to valuation of taxable services and also detailed the procedures on determination of the taxable value after the amendments in 2015. The programme ended with vote of thanks by CMA Rizwan Ahmad, chairman of the chapter.

Northern India Regional Council

Lucknow Chapter of Cost Accountants

The Chapter organized an 'Inaugural Function' for the session, July till December 2015 commencing since July 13, 2015. Chief Guest, Dr S D Sharma, Principal, JNPG College deliberated the key features of the CMA

course. CMA Pawan Kumar Tiwary, vice chairman of the chapter detailed the new syllabus 2012 of CMA course as well as discussed the recent changes made in the examination pattern by the Institute. CMA Anjana Chadha, chairperson of the chapter, CMA Dharmendra Singh Saluja, secretary of the chapter, CMA Neha Sharma, joint secretary of the chapter and CMA Amit Yadav, treasurer of the chapter were among the other members present in the programme.

Jaipur Chapter of Cost Accountants

A seminar on SAP/ERP and Legal process of Arbitration was conducted by the chapter at its premises on

July 26, 2015. Key Speaker of the first technical session was Shri A.P. Shringi, Chief Financial Officer, Siegwerk India Pvt. Ltd. (German Company) and he detailed the usefulness of SAP/ERP for Cost & Management Accountants and also its importance for executives & practitioners in today's competitive world. His presentation was supported by Team Members Shri Jitendra Pannu, a trained SAP IT person and Shri Setu Pratap Chauhan, SAP Local Key user in Production Planning module of SAP. In the second technical session, key speaker was Shri Kamal Jaitely, Sr. Manager (Legal), Religare Finvest Ltd who detailed the practical aspects of legal process of arbitration.

Southern India Regional Council

Hyderabad Chapter of Cost Accountants

On July 10, 2015 a program on 'Healthcare Cost Management' had been organized by the chapter at CMA Bhavan. CMA S. Natarajan, Advisor, TDEC explained the need of cost management in health care sector and cited various illustrations and different elements of healthcare industry with costing formats. On July 18, 2015 a program on 'Practical aspects of Service Tax' had been held by the chapter where Sri Sunil Jain, IRS, Commissioner of Customs, Central Excise and Service Tax, Hyd-II, the Chief Guest briefed about the role of CMAs in educational organizations for filing returns etc. Technical Speaker Sri S. Suresh Kumar, Superintendent, Central Excise, Customs & Service Tax briefed about the Place of Provision rules and the Point of taxation rules in Service Tax. Sri Govind Dixit, Indian Revenue Services, Central Excise, Customs & Service Tax detailed the procedures of appeals and tribunals. CA S. Thirumalai, Senior Advisor, Indirect Tax, Deloitte, Haskins & Sells and Sri B. Shankar, Senior Advisor, Tax, Ernst & Young took a session where they answered and allowed open discussion on practical issues of law.

Both being experts in tax litigation, illustrated various case laws for better understanding of the members. On July 19, 2015 a get together had been conducted by the chapter for all the past chairmen & staffs of the chapter with immediate past president of the Institute, CMA Dr. A.S. Durga Prasad at CMA Bhavan to cherish their old memories. On July 24, 2015 a program was held by the chapter on the theme 'MSME Schemes and opportunities'. CMA P. Udaya Shanker, retired Director, National Institute for Micro, Small and Medium Enterprises highlighted on the theme and the role of CMAs in this regard. On the same day a student orientation had been conducted at Masterji College, Warangal. CMA Vijay Kiran Agastya, chairman of the chapter & CMA KVN. Lavanya, secretary

of the chapter addressed the students of the college in motivating them to pursue the CMA course. On July 25, 2015 a program on 'Infrastructure – insights' had been held by the chapter where past President, CMA B.V. Ramana Murty was the guest of honour of this program and discussed the challenges faced by the industry. Chief Guest, CA Rajgopal Swami,

Chief Governance officer & Chief Finance Officer, TATA Projects discussed about risk management in the industry. CMA M. Nanda Kishore, Executive Director, Ramky Estates & Farms Ltd., threw light on the funding challenges and CMA R. Balarami Reddy, Joint Managing Director, IVRCL Infrastructure & Projects Ltd. briefed upon the challenges faced by the industry from all the angles and provided a holistic view to the audience. On July 30, 2015 a programme

on 'Cost Audit for beginners' had been designed for young CMAs. CMA G. Anand Kumar and CMA NSV. Krishna Rao, Practising Cost Accountants detailed the format of the cost audit report and explained the need of cost audit and its origin. On July 30, 2015 a Career counseling was conducted by the chapter at CMS Junior College, SR Nagar & Kukatpally where CMA Vijay Kiran Agastya, chairman & CMA KVN. Lavanya, secretary addressed the students of the college in motivating them to pursue the CMA course.

Visakhapatnam Chapter of Cost Accountants

The chapter inaugurated the 5th session oral classes on August 9, 2015 at its premises. Immediate past

chairman and adviser of the chapter, CMA Prakash Uppalapati advised the students to focus on acquiring professional competence to serve the industry. Chief Guest, Swami Anantanandajee, Chinmaya Mission Visakhapatnam also advised students on engagement, envision and execution with body, mind, Intelligence. CMA T. Harinarayana, vice-chairman of the chapter, CMA M. Ramakrishna, secretary of the chapter, CMA CH. V.S.N. Krishna Kishore, Member of the chapter and faculty members also participated in the session. CMA U. Lakshmana Rao, member of the chapter proposed the vote of thanks.

Western India Regional Council

Pune Chapter of Cost Accountants

The Chapter organised a CEP on July 13, 2015 on the theme 'Critical issues related to service tax rates and recent amendments-A case study perspective' at its office. CMA Dr. S. R. Bhargave, Former CCM, a well known practising Cost Accountant and Excise Consultant from Pune was the speaker for this event. Dr. Bhargave discussed various amendments about the service tax rules which have taken place as per the Finance Act 2015 provisions and also explained the impact of recent changes in service tax rates which

have been made applicable from 1st June 2015 to different service providers and service recipients. CMA Meena Vaidya, treasurer of the chapter narrated proposed CEPs planned by the chapter during August and September 2015. The programme concluded with the vote of thanks by managing committee member of the chapter, CMA Nagesh Bhagane. Another CEP had been held by the chapter on July 25, 2015 based on the theme 'Future of Manufacturing Industries & Changes in Cost Accounting Approach' at its office where CMA Milind Date, the speaker focussed on changes that have taken place over the period and strongly recommended implementing modern costing techniques like ABC, Throughput Accounting, Theory of Constraints etc. in tandem with changing nature of manufacturing industry, pricing structure from cost plus approach to market driven approach. CMA Amit Shahane, secretary of the chapter proposed the vote of thanks.

Ahmedabad Chapter of Cost Accountants

The Chapter organized a CEP Programme on the theme 'Health care Cost Management' on July 5, 2015 at its office. CMA Nisha Diwan, Jt. Secretary, CEP, appealed the members to join Members Benevolent Fund scheme and also described its advantages. Shri Natra-

jan, Faculty submitted his presentation by highlighting health care cost management, an attempt for capacity building of CMAs in health care sector. CMA Manish Analkat, secretary of the chapter proposed vote of

thanks. On July 16, 2015 the chapter organized inauguration function of oral coaching classes where Shri Nitinbhai Parekh, CFO, Cadila Healthcare Ltd, the chief guest advised the students to work hard and diligently with huge effort and concentration for completion of the CMA examination. CMA V H Savaliya, chairman of the chapter emphasized the brief activities of the chapter that entered into the golden jubilee year in 2015. On August 8, 2015 a CEP Program on 'Reporting under the Company's Cost Accounting and Audit Rules 2014 and XBRL filing' had been organized by the chapter consisting of two sessions. CMA Ashwinbhai Dalwadi took the first session and CMA Malav Dalwadi took the second session. Various aspects of cost audit report and new features with new requirement under each Para like Comments of Audit committee, and the features necessary to enter for generating errorless XBRL Report had been highlighted in the sessions. CMA Manish Analkat, secretary of the chapter gave the vote of thanks.

Bhilai Chapter of Cost Accountants

The Chapter conducted a workshop on service tax on August 22, 2015 at CMA Bhawan. CMA N. K. Kapila, ED (F&A), Bhilai Steel Plant was the chief guest and he explained the growing importance of service tax in the present economy and expected that cost accountants would play an important role in compliance of service tax provisions. CMA S. N. Mahankaliwar, Chairman, Nagpur Chapter of Cost Accountants and Secretary, WIRC explained various schemes of the Institute and also desired that Cost Accountants should be called upon to conduct VAT Audit in the state of Chhattisgarh.

CMA Ashish Agrawal, secretary of the chapter delivered secretarial report and explained various kind of activities being carried out by the chapter since inception. CMA B. N. Agrawal, chairman of the chapter was also the key speaker of the workshop who humorously explained the salient provisions of the service tax law like Cenvat Scheme, Abatement provisions, Negative and Exemption List, etc. Senior officers of Bhilai Steel Plant, large number of participants represented by members of the Institute from Bhilai and Raipur as well as many students attended the workshop. CMA Abhishek Kochar nicely conducted the workshop and CMA S. Senthilkumaran ended the programme with vote of thanks

Nasik Ojhar Chapter of Cost Accountants

The Chapter organized a half day seminar on 'Understanding the MoUs of ICAI with other Professional Institutes and Service Tax Updates' on June 28, 2015. CMA Harshad Deshpande explained on the theme and Shri Ashok Nawal discussed on service tax followed by question answer session. The Seminar was coordinated by CMA Dr. Shilpa Parkhi, chairperson, CMA Pradnya Chandorkar, vice chairperson, CMA Suraj Lahoti, secretary and CMA Prashant Yeole, treasurer of the chapter. A career awareness programme had been organized by the chapter on July 21, 2015. During the programme, the participants were guided by

CMA Uday Kansara from CEAT Ltd. and CMA Bhushan Paranjape, Mahindra and Mahindra. CMA R.K. Deodhar informed the students about study techniques and CMA Pradnya Chandorkar, vice chairperson of the chapter explained all the information and detailed the syllabus to participants. CMA Suraj Lahoti, secretary of the chapter, gave the vote of thanks and the programme was co-ordinated by Shri Pankaj Bohar, stu-

dent representative of the chapter. On the same day the chapter organised an Investor Awareness Programme conducted in Marathi, for better understanding by common investors. Shri Jayant Redgaonkar, eminent Investment Consultant in Nasik stated the importance of investment planning in life and explained the need for systematic Investment plans. MA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

MANAGEMENT ACCOUNTANCY

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2015

Thursday 10th December, 2015 09.30 A.M to 12.30 P.M	Thursday 10th December, 2015 02.00 P.M to 05.00 P.M	Friday 11th December, 2015 09.30 A.M to 12.30 P.M	Friday 11th December, 2015 02.00 P.M to 05.00 P.M	Saturday 12th December, 2015 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 FEE

Per Group	Rs 2500/-

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

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

2. Last date for receipt of Examination Application Form without late fees is 10th October, 2015 and with late fees of Rs 300/- is 20th October,2015.

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 Rajendra Bose

Jt.Director (Advanced Studies)

Awardees of 12th National Awards for Excellence in Cost Management -2014

Private -Manufacturing: Organisation (Large)

Krishak Bharati Cooperative Ltd.

Reliance Industries Limited

Tata Power Solar System Ltd.

Videocon Industries Limited

Tamil Nadu Newsprint and Papers Limited

Private-Manufacturing: Organisation (Medium)

Zydus Takeda Healthcare Limited

Raymond Luxury Cottons Limited

Ferromatik Milacron India Pvt. Ltd.

Private-Manufacturing: Organisation (Medium)

Welspun Steel Limited

Private-Manufacturing: Organisation (Small)

Kothari Fermentation and Biochem Ltd.

The Awards were presented by **Col Rajyavardhan Rathore (Retd.), AVSM, Hon'ble Union Minister of State for Information & Broadcasting** in a glittering ceremony on 15th July 2015 at New Delhi.

Awardees of 12th National Awards for Excellence in Cost Management -2014

Public Manufacturing: Organisation (Large)

Steel Authority of India Limited

Hindustan Petroleum Corporation Limited

Public -Manufacturing: Organisation (Medium)

Cement Corporation of India Limited

Private-Service Sector (Large)

METRO Cash & Carry India Pvt. Ltd.

Public -Service Sector (Large)

Central Warehousing Corporation

Western Electricity Supply Company of Odisha Ltd.

North Eastern Electricity Supply Company of Odisha Ltd.

Public -Service Sector (Medium)

RailTel Corporation of India Ltd.

Public–Mining (Large)

Neyveli Lignite Corporation Limited

The Awards were presented by **Col Rajyavardhan Rathore (Retd.), AVSM, Hon'ble Union Minister of State for Information & Broadcasting** in a glittering ceremony on 15th July 2015 at New Delhi.

The Institute of Cost Accountants of India
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BEHIND EVERY SUCCESSFUL BUSINESS DECISION, THERE IS ALWAYS A CMA

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

EXAMINATION TIME TABLE & PROGRAMME – SEPTEMBER 2015

FOUNDATION COURSE EXAMINATION
(Multiple Choice Questions – Online Mode)

Day & Date	Foundation Course Examination	
	Syllabus-2012	
Saturday, 19th September, 2015.	**Paper – 1 & 2 (100 Marks)** **Time : 10 A.M. to 12.00 Noon** **Paper 1** : Fundamentals of Economics and Management (50 Marks) **Paper 2** : Fundamentals of Accounting (50 Marks)	**Paper – 3 & 4 (100 Marks)** **Time : 2 P.M. to 4.00 P.M.** **Paper 3** : Fundamentals of Laws & Ethics (50 Marks) **Paper 4** : Fundamentals of Business Mathematics and Statistics (50 Marks)

Examination Fees

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

1. **The Foundation Examination under syllabus-2012 will be conducted in M. C. Q. Mode through Online only.**

2. Total Questions: 100 (Multiple Choice Questions) in each session, Maximum Marks: 100 (Each Question will carry 1 Mark) in each session. There will be no negative marking for wrong answers.

3. **Foundation Examination will be conducted under 2012 syllabus only.**

4. **Application Forms for Foundation Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**

5. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**

6. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**

   (b) Students can also pay their requisite fee through payfee module of IDBI Bank.

7. **Last date for applying for Foundation Examination of September 2015 term is 4 th August, 2015.**

8. **Examination Centres**: Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Erode, Faridabad, Gandhidham, Ghaziabad, Guwahati, Hardwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nasik, Nellore, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Valsad, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat. **(If no examination centre is available at a particular location, examinees will be accommodated at the nearest Centre available)**

9. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
10. **Probable date of publication of result : 22rd September, 2015.**

A. Das
Director (Examination)

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

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2015

	PROGRAMME FOR SYLLABUS 2012	
Day, Date & Time	**Intermediate** 9.30 A.M. to 12.30 P.M.	**Final** 2.00 P.M. to 5.00 P.M.
Thursday, 10th December, 2015	Financial Accounting	Corporate Laws and Compliance
Friday, 11th December, 2015	Laws, Ethics and Governance	Advanced Financial Management
Saturday, 12th December, 2015	Direct Taxation	Business Strategy & Strategic Cost Management
Sunday, 13th December, 2015	Cost Accounting & Financial Management	Tax Management & Practice
Monday, 14th December, 2015	Operation Management and Information Systems	Strategic Performance Management
Tuesday, 15th December, 2015	Cost & Management Accountancy	Corporate Financial Reporting
Wednesday, 16th December, 2015	Indirect Taxation	Cost & Management Audit
Thursday, 17th December, 2015	Company Accounts and Audit	Financial Analysis & Business Valuation

EXAMINATION FEES

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

1. **Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM**.
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card.**
   (b) Students can also pay their requisite fee through payfee module of IDBI Bank.
4. **Last date for applying for December 2015 Examination is 25th October, 2015.**
5. **Finance Act 2014, involving Assessment Year 2015-2016 will be applicable for P7 - Direct Taxation, P11- Indirect Taxation and P16 - Tax Management & Practice for the purpose of December 2015 term of Examination. Refer clarification issued for December 2015, BoS(Academics)/9/08-02/2015-16 dated 25/8/2015.**
6. **The provisions of the Companies Act 2013 and The Companies (Cost Records & Audit) Rules 2014 – are applicable in December 2015 Examinations. Supplementary reading materials for both Intermediate & Final is uploaded in the website of the Institute. Refer clarification issued for December 2015, BoS(Academics)/9/08-02/2015-16 dated 25/8/2015.**
7. **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.**
8. **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,Port Blair, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.
9. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
10. **Probable date of publication of result : Inter & Final – 21st February 2016.**

A. Das
Director (Examination)

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

Role of CMAs in Securities Markets in India & Economic Growth

Risk Mapping

Well-developed securities markets are the strength of any financial system. Apart from providing the medium for channelizing funds for investment purposes, they aid in pricing of assets and serve as an indicator of the financial health of the economy. The Indian securities markets have witnessed extensive reforms in the post-liberalization era in terms of market design, technological developments, settlement practices and introduction of new instruments. The fluctuations in the Indian market are attributed heavily to cross border capital flows in the form of FDI, FII, etc. In this context, the CMAs can apply Risk Mapping techniques such as Value-at-risk and Sensitivity Analysis to measure the exchange rate risk resulting from a firm's activities, including the foreign exchange position.

Risk Management

Three things are important in this aspect- interest cost, inflation and foreign exchange rate. The interest rate commonly has a wide and varied impact upon the economy. When it is raised, the general effect is a lessening of the amount of money in circulation, which works to keep inflation low. It also makes borrowing money more expensive, which affects how consumers and businesses spend their money; this increases expenses for companies, lowering earnings somewhat for those with debt to pay. Finally, it tends to make the stock market a slightly less attractive place to investment. Again, measuring and managing exchange rate risk exposure is important for reducing a firm's vulnerabilities from major exchange rate movements, which could adversely affect profit margins and the value of assets. The CMAs can apply various Hedging Strategies and assist management in understanding the relationship between risk and return as well as curtail foreign exchange risks.

Portfolio Management

There is a broad consensus that stock market performance impacts the economy and that this influence has increased over the years. Appropriate investment strategy framework tends towards economic growth of the nation. Portfolio management presents the best investment plan to the individuals as per their income, budget, age and ability to undertake risks. The CMAs in this context can act as a portfolio manager; can suggest and fabricate the best and unique investment policy with minimum risks involved as per client's financial needs. They can also advice the clients, the best possible investment plan with maximum returns to the individual.

Cost Management

If we look back in the management of security market we will find high influence of cost management. In today's complex business environment, the success of a company heavily depends on cost management mechanism with a healthy cash flow. High interest rate, volatile exchange rate , debt crisis, rising fiscal and current account deficit , increasing operational cost and shrinking profit margin makes the thing more critical and highly dependable on managerial decision making in general and cost and management decision making in particular. Again, High operating leverage (measuring business risk) with high financial leverage (measuring financial risk) makes the concern more risky. If one should be high the other should be low indicates normal situation. If both are low situation will be ideal. If variable cost can be managed, contribution is high and interest is low, PBT will be high. The CMAs work in this line.

Transaction Risk Management

There are potentially large indirect benefits to having lower transactions costs associated with issuing securities, because these lower costs in the primary market are likely to have positive spillover effects in secondary markets. Thus CMAs through their professional expertise can assist management tactically and strategically hedge transaction risk to preserve cash flows and earnings, depending on the firm's treasury view on the future movements of the currencies involved.

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Sunday, August 23, 2015

PRESS RELEASE

Result declared for June,2015 term

New Delhi. The results of the June 2015 examination has been declared, today. The Institute conducts Intermediate / Final Examination twice in a year i.e. in June and December.
As per CMA P.V. BHATTAD, President of the ICAI, the pass percentage for Intermediate and Final under old syllabus is 18% and 19% whereas it is 14% and 17% under New syllabus.
The top three provisional rank holders of Final examination are from Vijayawada for New Syllabus and from Hyderabad & Bilaspur for old syllabus. Details are as below.

PROVISIONAL top 3 rank holders of Final Examination (2012 syllabus) June 2015 Term

	ALL INDIA TOPPER FIRST RANK	ALL INDIA TOPPER SECOND RANK	ALL INDIA TOPPER THIRD RANK
			
NAME	SATEESH KUMAR REDDY CHAPATHI	LAKSHMI ANUSHA CHITTURI	HARSHA SAI JULURU
Registration No	02121006956	02122007230	02132008103
CITY	VIJAYAWADA	VIJAYAWADA	VIJAYAWADA

PROVISIONAL top 3 rank holders of Final Examination (2008 syllabus) June 2015 Term

	ALL INDIA TOPPER FIRST RANK	ALL INDIA TOPPER SECOND RANK	ALL INDIA TOPPER THIRD RANK
			
NAME	VENKATA RAMESH CHOLLANGI	R GANESH	SUGGUNA ASHOK KUMAR
Registration No	02112041334	01101010607	02101014103
CITY	HYDERABAD	BILASPUR	HYDERABAD

EXPOSURE DRAFT

CAS – 2 (REVISED 2015)

COST ACCOUNTING STANDARD ON CAPACITY DETERMINATION

The following is the Cost Accounting Standard - 2 (Revised 2015) on "Capacity Determination" issued by the Cost Accounting Standards Board of the Institute of Cost Accountants of India. In this Standard, the standard portions have been set in bold italic type. These are to be read in the context of the background material, which has been set in normal type.

1. Introduction

1.1 This standard deals with the principles and methods of determining the capacity of a facility for producing goods or providing services by an entity.

1.2 This standard deals with the principles and methods of classification and determination of capacity of an entity for ascertainment of the cost of product or service, and the presentation and disclosure in cost statements.

2. Objective

The objective of this standard is to bring uniformity and consistency in the principles and methods of determination of capacity with reasonable accuracy.

3. Scope

This standard shall be applied to the cost statements, including those requiring attestation, which require determination of capacity for assignment of overheads.

4. Definitions

The following terms are being used in this standard with the meaning specified.

4.1 Abnormal Idle Capacity: Abnormal idle capacity is the difference between normal capacity and actual capacity utilization where the actual capacity is lower than the normal capacity.

Cost Accounting Standards Board

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4.2 Actual capacity utilization: Actual capacity utilization is measured in terms of volume of production achieved or service provided in a specified period.

Volume may be measured in terms of units produced or services provided or equivalent machine or man hours, as applicable.

Actual capacity utilization is usually expressed as a percentage of installed capacity.

4.3 Cost Object: An activity, contract, cost centre, customer, product, process, project, service or any other object for which costs are ascertained.

4.4 Installed capacity: Installed capacity is the maximum capacity of producing goods or providing services, determined either based on technical specification of the facility or through a technical evaluation.

4.5 Normal Capacity: Normal capacity is the volume of production or services achieved or achievable on an average over a period under normal circumstances taking into account the reduction in capacity resulting from planned maintenance.

4.6 Normal Idle Capacity: Normal idle capacity is the difference between installed and normal capacity.

5. Determination of Capacity:

5.1 Capacity shall be determined in terms of units of production or services or equivalent machine or man hours.

5.2 Installed capacity

Installed capacity is usually determined based on:

i) Technical specifications of facility.

ii) Technical evaluation. .

iii) Capacities of individual or interrelated production or operation centres.

iv) Operational constraints or capacity of critical machines or equipment.

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v) Number of shifts or machine hours or man hours.

In case technical specifications of facility are not available, the estimates by technical experts on capacity under ideal conditions shall be considered for determination of installed capacity.

In case the installed capacity is assessed or reassessed as per direction of the Government or regulator it shall be in accordance with the said directives.

In case of any change in installed capacity due to addition, deletion or modification, the same shall be reassessed from the date of such change.

5.3 Normal Capacity:

Normal capacity is determined after suitable adjustments to the Installed Capacity.

The adjustments may be of the following nature:

(i) Time lost due to scheduled preventive or planned maintenance

(ii) Number of shifts or machine hours or man hours.

(iii) Holidays, normal shut down days, normal idle time,

(iv) Normal time lost in batch change over

6. Presentation

6.1 Cost Statements shall present Installed capacity, normal capacity and actual production of goods or services provided, in absolute terms.

6.2 Actual Capacity utilization shall be presented as a percentage of installed capacity.

7. Disclosure:

7.1 The cost statements shall disclose the following:

1. Basis for arriving at different types of capacity.
2. Changes in the installed capacity or normal capacity with reason thereof.
3. Capacity enhanced through outsourcing.
4. Capacity outsourced to others.

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5. Details of actual production of goods or services provided.

a) Self-Manufactured goods or services provided through in-house facility

b) Goods Produced or services provided through outsourcing

6. Reasons for low capacity utilization.
7. Abnormal cost due to under-utilization of capacity.

7.2 Disclosures shall be made only where material, significant and quantifiable.

7.3 Disclosures shall be made in the body of the Cost Statement or as a foot note or as a separate schedule.

7.4 Any change in the principles and methods applied for capacity determination and its impact during the period covered by the cost statement which has a material effect on the capacity determination. Where the effect of such change is not ascertainable wholly or partly the fact shall be indicated.

REQUEST FOR COMMENTS

Cost Accounting Standards Board (CASB), the standard-setting body of the Institute,has approved the release of Exposure Draft of Cost Accounting Standard-2(Revised 2015) on Capacity Determination (CAS-2) in its 78th meeting held on 27th August 2015. The exposure draft has been hosted on the website for obtaining suggestions and comments on the same. The Exposure Draftshall be modified in light of comments received before being issued as a standard in final form.

Please submit your views / comments / suggestions on the proposed Exposure Draft, preferably by email, latest by 30thSeptember 2015. Emailed responses should be sent to: casb@icmai.in

Copies of this revised Exposure Draft may be downloaded from the CASB website at http://www.casbicwai.org

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Guidelines for Submitting Articles

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

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

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

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

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

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

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

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

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

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Declaration

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

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