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Cost Competitiveness

Complexity to Confidence

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

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

WEBSITE
www.icmai.in

The Institute of Cost Accountants of India

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

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

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

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

MISSION STATEMENT

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

VISION STATEMENT

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

IDEALS THE INSTITUTE STANDS FOR

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

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

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EDITOR

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

PRINTER & PUBLISHER

CMA P V Bhattad
on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700016

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CHAIRMAN
RESEARCH, JOURNAL & IT COMMITTEE

CMA Avijit Goswami

EDITORIAL OFFICE

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

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EDITORIAL

Greetings!!!

Cost Competitiveness leads to upgradation of the productivity of all the resources, resulting in optimal utilization of resources and minimization of wastages. Cost Competitiveness is required for strategic planning and decision making for sustained growth. It is a systematic method to control the excess costs incurred resulting in cost advantage. The consideration of cost competitiveness starts in the market with pricing. A competitive advantage allows a company to produce or sell goods more effectively than other organizations. Several types of strategies are available in the business environment. Flexibility is an important feature of competitive business strategies. Business owners are flexible enough to use standard strategies or develop their own strategy.

Strategies for Staying Cost Competitive:

✤ ***Knowing the competition:***
Firstly it is required to find out the competitors, what they are offering and their unique selling point (USP). This will identify the areas required to compete in, as well as gives a platform for differentiating from the rival organizations.

✤ ***Knowing the customers:***
Customer expectations can change dramatically when economic conditions are unstable. Sales and marketing strategies are required to be revised on time to time based on their expectations.

✤ ***Differentiation Strategy:***
Business owners use competitive business strategies to differentiate their goods or services from others in the industry. Differentiation may be actual or perceived. Companies typically use advertising messages that describe a product similar to those in the market with a few subtle differences. This strategy encourages consumers to differentiate the product in their minds.

✤ ***Price Strategy:***
Many organizations develop pricing strategies to maintain a competitive advantage. These include penetration, economy, skimming, bundle and promotional strategies. Promotional pricing strategies may allow businesses to offer additional benefits to consumers, such as a buy-one-get-one-free business strategy.

✤ ***Step up marketing approach:***
More effort is required to make people aware about the organization, its product or services and its speciality. It doesn't have to be expensive; marketing can range from posters in window and leaflet drops through advertising campaigns in local media.

✤ ***Looking after existing customers:***
Existing customers are competitors' target market. So better customer service is required to be provided by being more responsive to their needs and expectations. If feasible, offering low-cost extras such as improved credit terms, discounts or loyalty schemes are needed to be considered.

✤ ***Target new markets:***
Selling into a greater number of markets can increase customer base. Further, online marketing nowadays is creating huge impact on customers and even narrowing the bridge to reach the overseas customers. It saves time, paper work and even it is an inexpensive way of marketing.

✤ ***Motivation for employees:***
Employees are often more impressed by a good and healthy working environment and benefits such as flexible working and structured career development.

✤ ***Future Forecasting:***
Proper planning and forecasting is a must to stay competitive in the market. A business that does not use forecasting techniques will likely succumb to their competition in a short period of time. This would assist a company to prepare in meeting customer demands.

Market globalization generates a new business environment where the management faces several strategic confrontations in the open economy. Moreover, customers are more fastidious, they insist upon low costs/prices, quality, time and innovations. Thus quest for sustainability has already started to transform the competitive background, which will compel the companies to change the way they think about products, technologies, processes and business models. The key to progress, particularly in times of economic crisis, is innovation.

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

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

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

Theme: *Economic Innovations - the game changer*

October 2016

Subtopics

- *Innovations in Finance and its impact on economy*
- *Accounting Standards as a game changer*
- *New tools in Strategic Cost Management*
- *Innovations in production process*
- *Innovations in IT/ITES*
- *Innovative ideas on Cost Management - role of CMAs*
- *Innovations in different sectors of economy - case study*

Theme: *The Changing Role of Management Accountants*

November 2016

Subtopics

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

Theme: *25 Years of Economic Reforms in India*

December 2016

Subtopics

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

Theme: *Indian Banking Sector in Transition*

January 2017

Subtopics

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

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

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

Directorate of Research & Journal

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

PRESIDENT'S COMMUNIQUÉ

If you just work on stuff that you like and you're passionate about, you don't have to have a master plan with how things will play out.

- Mark Zuckerberg

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

My Dear Professional Colleagues,

Namaskaar

I am happy to note that the Taxation Committee has organised 'Train the Trainers' programs for enriching the members' knowledge in the all-important area of GST. Programs are successfully completed in Delhi and Mumbai while Kolkata and Chennai are scheduled for September, 2016. Tax Research Department of the Institute under guidance of Chairman, Taxation Committee has prepared an e-book, Reading Material on Model GST Law. This technical literature is drafted in lucid language containing flow charts, illustrations and explanations for simplicity and ease of understanding for its readers. I appreciate the efforts of the Taxation Committee in this regard. Members are requested to share their relevant experience and opinion for further value addition.

Taxation Committee has prepared and submitted clause wise analysis on provisions of Model GST Law 2016. Suggestions submitted by the Institute on Model GST Law, with an objective of ease of compliance and ease of doing business in India, were well heard off during stakeholders consultation on 18thAugust, 2016 before the officials of Ministry of Finance and also before the Empowered Committee of State Finance Ministers on 30th August, 2016. With the help of our Regional Councils and Chapters, we look forward to hold more such technical programs, seminars, workshops on GST for proper awareness and knowledge dissemination across the country. Let us march forward together with the noble initiatives undertaken by the Government of India towards implementation of the biggest tax-reform through Goods and Services Tax(GST), facilitate investors to Make in India, contribute in making 'One India, One Tax' and be a tax-compliant economy.

Electronic filing of Return of Income Scheme

You are aware that the Central Board of Direct Taxes (CBDT) has modified the Electronic Furnishing of Return of Income Scheme, 2007 to include the name of Cost Accountants and Firms of Cost Accountants to enable them to be the authorized intermediaries to electronically file Income Tax returns on behalf of the taxpayers. On behalf of the Council of the Institute and also on my personal behalf, I would like to pay sincere gratitude to CMA P.V. Bhattad, Immediate Past President of the Institute for his efforts in vigorously following up this matter with CBDT. I assure you that with the combined efforts of Council, Members and Executives of the Institute the Institute will be able to achieve all the pending tasks successfully.

Meeting with VIPs

I wish to inform the members that I along with Vice-President met Shri Suresh Prabhu, Hon'ble Union Minister of Railways. Hon'ble Minister advised the Institute to come up with suggestions to optimise pricing of different services offered by Railways. On behalf of the Institute we assured him that Institute is ready to wholeheartedly support the Railways Ministry. We met Shri Kalraj Mishra, Hon'ble Union Minister for MSME and discussed about the role of Institute and its members in development of MSME sector.We also met Shri AR Meghwal, Hon'ble Minister of State for Finance and Corporate Affairs and discussed with him about the important professional matters. We also met Shri HasmukhAdhia, IRS, Hon'bleRevenue Secretary and discussed the role Institute is playing in the dissemination of knowledge with regard to development of GST law. He appreciated the Institutes initiatives and also advised to conduct more programs on GST Law and its development. We also met newly appointed Advisor (Cost), Ms. V. Geetha and discussed with her the issues pending with the CAB with regard to Cost Rules.

Initiatives by various departments of the Institute

CAT Department

The journey which we started in 2009 in terms of Skill Development through CAT continues. I am happy to share with you that on 8th Aug 2016 an MoU with AP State Skill Development Corporation was signed for offering CAT Course in the state of Andhra Pradesh. We will be joining States like Gujarat, West Bengal and Karnataka very soon for imparting Skill Development Course through CAT.

Continuing Professional Development Department

The webinars on 'Business Valuation', 'Reporting of Frauds w.r.t. Companies Act 2013', Income Declaration Scheme 2016' and 'Strategic Management' were well received by the members. Recorded webinars are available on Institute's website under Featured Links. Institute associated with FICCI as Support Partner in the FIBAC 2016-New Horizons in Indian Banking during 16-17 August 2016 at Mumbai.I feel happy to note the increasing number of programmes by our Regional Councils and Chapters. I sincerely appreciate their efforts in organizing various programs, seminars and discussions on the topics of professional relevance and importance for the members.I hope that our members are immensely benefitted by these programs and look forward for active participation of our members to enhance professional knowledge and skills.

Cost Accounting Standards Board (CASB)

The Council of the Institute has recently re-constituted Cost Accounting Standards Board (CASB) for the year 2016-17. I am fully confident that reconstituted Board will continue to bring new and limited revisions of the Cost Accounting Standards keeping in view latest legal and contemporary developments in India particularly GST and Ind AS. Goods and Service Tax (GST) is likely to be implemented in India from the next fiscal year and will have major implication on Indirect Tax Structure. Further, the Ministry of Corporate Affairs (MCA) has already issued a note outlining the various phases in which Indian Accounting Standards converged with IFRS (Ind AS), for Companies other than Banking Companies, Insurance Companies and NBFCs. Ind AS may have impact on the Cost Accounting Standards issued by the Institute. In view of above developments, the Secretariat of CASB is working on the impact of both GST and Ind AS on the existing Cost Accounting Standards issued by the Institute. The Board will also bring Guidance Notes for the other Cost Accounting Standards to explain the requirements of Standards and provide the guidance with practical examples and illustrations on technical issues relating to Cost Accounting Standards.

Cost Auditing and Assurance Standards Board (CAASB)

The Council of the Institute reconstituted Cost Auditing and Assurance Standards Board (CAASB) for the year. The Board has been entrusting with the responsibility to formulate standards and develop guidance notes in the areas of auditing, assurance, related services and quality control. Section 148(3) of the Companies Act 2013 provides that the cost auditing standards are to be issued by the Institute with the approval of the Central Government. Members are aware that the Institute after approval of the Central Government has already issued four Cost Auditing Standards on 11th September, 2015. On the recommendation of the Board, the Institute also approved additional 15 (fifteen) Standards on Cost Auditing (SCAs) and sent to the Central Government for its approval. These Standards after approval by the Government will be issued by the Institute shortly. Further, the Secretariat of CAASB is also developing Glossary of Terms as defined in the Standards on Cost Auditing and also the Frequently Asked Questions (FAQs) on these Standards.

The previous Board realizing the need for Capacity Building of the members of the Institute and for the purpose of proper advocacy had already decided to conduct Seminars/Programs on the Standards on PAN India basis. Some of the Seminars/ Programs/ Webinars have already been conducted by the Institute and next series is being taken up by the Institute shortly.

Examination Directorate

The Examination Directorate has been able to successfully declare Foundation, Intermediate, Final and 3 Diploma Courses results for June 2016 term of Examination. The Examinations were conducted at 121 centres in India and Abroad. I congratulate all the passed out students and wish them a bright future. I also wish best of luck to all those who could not cross the line this time.

International Affairs Department

The Institute was represented by CMA Dr. PVS Jagan Mohan Rao, CMA P Raju Iyer, and CMA Niranjan Mishra, Council Members in the meetings of various SAFA Committees, SAFA Board, SAFA Assembly and SAFA International Conference organised by the Institute of Chartered Accountants of Nepal during 12thand 13thAugust 2016 at Kathmandu, Nepal. CMA PVS Jagan Mohan Rao also represented the Institute as speaker in one of the sessions in the SAFA International Conference besides chairing the meeting of SAFA PAIB committee.

Membership Department

Members are kindly aware that the membership fee for the year 2016-2017 has become due on 1stApril 2016 and as per Regulations 7(6) & 7(7) of the Cost and Works Accountants Regulations, 1959 (as amended) the dues are to be paid latest by 30th September 2016. It is observed that some of our esteemed members are yet to pay their membership dues and I would like to request them to the clear their membership dues immediately and continue to enjoy the benefits of membership. As mentioned in my earlier communique, members can now pay their fees online, without any additional charges, through the Institute's Internet Payment Gateway on the linkhttp://www.cmaicmai.in/MMS/Login.aspx?mode=EU

Placement Department

I am joining members of this great profession in congratulating

PRESIDENT'S COMMUNIQUÉ

the June 2016 final qualified students and happy to inform that the Campus placement program for these students are scheduled in the month of October 2016 in Chennai/Mumbai/Delhi and Kolkata. I wish all these students a successful professional career. I also extend warm welcome to the Corporate to visit our campuses and find their future managers in our CMAs.

Professional Development Department

I wish to inform the members that due to initiatives of Professional Development Department of the Institute, the Department of Fertilisers, Government of India has formed a panel of Practising Cost Accounting firms for examination of Cost Data of P&K Fertiliser companies. In association with the PHD Chamber of Commerce and Industry, the Institute organised workshop on Corporate Laws & Regulations, 2016 (Recent Amendments) on 9th&10thAugust 2016 and an Educative & Knowledge Series on "Draft Model GST Law" on 5th&10thAugust, 2016. As an Institutional Partner with Governance Now, India Banking Reforms Conclave 2016 was organised on 24thAugust 2016 at Mumbai wherein issues such as lower productivity and profitability due to high Non-Performing Assets were taken up for discussions.During the conclave the Vice President of Institute addressed the participants in a session on "Financial Inclusion to promote inclusiveness in growth phenomenon of the country".

On sending of representations and regular follow up by PD Directorate, North Eastern Indira Gandhi Regional Institute of Health and Medical Sciences, Krishna Bhagya Jal Nigam Limited, Department of Health & Family Welfare, Government of West Bengal and Brahama Putra Valley Fertilizer Corporation Limited have recognised the role of Cost Accountants for various professional services. The department is committed to take up the professional development issues with stakeholders and I urge the members to bring all such issues to the PD Department for taking necessary action.

Research & Journal Department

I had an opportunity to attend a UGC Sponsored National Level Seminar on 'Start up India and its Prospect' on August 28, 2016 organized by the Institute in association with Naba Ballygunge Mahavidyalaya, Department of Commerce, Kolkata at the College Auditorium. In the inaugural session, Dr.SukumalDatta, Principal, Naba Ballygunge Mahavidyalaya, CMA Dr Asish K. Bhattacharya, Professor and Head, School of Corporate Governance and Public Policy, IICA, New Delhi deliberated on the concerned subject. In the two technical sessions and the Research session, renowned academicians enriched the seminar with their wonderful and inspiring presentations.

Another UGC Sponsored National Level Seminar had been organised by the Institute in collaboration with Shri Sikshayatan College based on the theme 'Contemporary Issues in Finance, Management and Economics' on August 26, 2016 at the college premises. Shri G K Khaitan, President, Shri Sikshayatan College, Dr Aditi Dey, Principal, Shri Sikshayatan College, and the Chairman, Research, Journal and IT Committee of the Institute were among the eminent dignitaries present in the inaugural session. Two plenary sessions and one technical session on Research Paper Presentations on the concerned theme were conducted by eminent speakers present in the seminar. The seminar aimed at tapping the issues revolving around Finance, Management & Economics in the current scenario.

Career Awareness Activities

The Institute in association with Calcutta University organized a Career Awareness Seminar on 'Commerce Education and Beyond' on August 27, 2016 at the University Centenary Hall. Shri Harshavardhan Neotia, President, FICCI was the Chief Guest of the Seminar. CMA (Dr.) Swagata Sen, Pro-Vice-Chancellor for Academic Affairs, University of Calcutta, Swami Suparnananda, Secretary, The Ramakrishna Mission Institute of Culture, Golpark, CMA Dr Asish K. Bhattacharya, Professor and Head, School of Corporate Governance and Public Policy, IICA, New Delhi, Prof. Suman K. Mukherjee, Renowned Economist, Prof Rajib Dasgupta, Head of the Department, Department of Commerce, University of Calcutta, Mr. VibhorTandon, Assistant Vice President, MCX, CMA Avijit Goswami, CMA Biswarup Basu, Council Members of the Institute and the Secretary of the Institute were among the eminent dignitaries present in the seminar and deliberated their views. The Quarterly publication of Research Bulletin, Volume 42 No II of July 2016 was released during the session. The Chairman, EIRC and the Director (Membership) of the Institute jointly conducted a CMA Career Awareness Programme aimed to spread an area of interest among the students over there. The Director (Research and Journal) of the Institute anchored the whole seminar. The response of the seminar was overwhelming and it was thoroughly attended by more than one thousand students and one hundred faculty members from more than fifty colleges across West Bengal.

Initiatives by Chapters and Regions

Bangalore Chapter celebrated its 100thBatch of Oral Coaching Classes on 6thAugust 2016.Ranchi Chapter of Cost Accountants organised its Annual Seminar on GST on 7thAugust 2016. I attended both the events and urged the Chapters, Members and Students to perform with dedication and vigour for the cause of profession and Institute. Number of other chapters also organised programs and seminars which I could not attend due to certain preoccupations and I congratulate them for taking initiatives to build the capacity of members and students.

I wish prosperity and happiness to members, students and their families on the occasion of Ganesh Chaturthi, Onam and Vishwakarma Pujaand wish them success in all of their endeavours.

With warm regards,

(CMA Manas Kumar Thakur)
1st September 2016

The Institute of Cost Accountants of India
(Council Committees for the year 2016-17)

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(Quorum: 4)

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Secretary
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6. CMA Avijit Goswami
7. CMA Vijender Sharma

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Other Committees

4. Disciplinary Committee U/s 21B(1)
(Quorum: 3)

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3. CMA P. Raju Iyer
4. Shri Debashish Bandopadhyay – Nominee of Central Government
5. Shri Rakesh Tyagi – Nominee of Central Government

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The Institute of Cost Accountants of India

(Council Committees for the year 2016-17)

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4. CMA Dr. P.V.S. Jagan Mohan Rao
5. CMA Papa Rao Sunkara
6. CMA P. Raju Iyer
7. CMA H. Padmanabhan
8. CMA Amit Anand Apte

Secretary (Research &Journal)
CMA Dr. Debaprosanna Nandy, Director (Research & Journal) & Editor
Secretary (IT)
Ms Anita Singh, Additional Director (IT)

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8. Continuing Professional Development Committee (Quorum: 4)

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Members
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3. Shri Sushil Behl, Government Nominee
4. CMA P.V. Bhattad, IPP
5. CMA Biswarup Basu
6. CMA Amit Anand Apte
7. CMA H. Padmanabhan
8. CMA A.B. Nawal

Secretary
CMA T.R. Abrol, Deputy Director (PD)

9. Cost Auditing & Assurance Standards Board (Quorum: 7)

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4. CMA Niranjan Mishra
5. CMA Amit Anand Apte
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8. CMA Mrityunjay Acharjee
9. CMA Ajay Deep Wadhwa
10. Nominee of MCA
11. CMA A.N. Raman
12. CMA Chandra Wadhwa
13. Nominee of - CII/FICCI/ ASSOCHAM/ PHDCCI
14. Nominee of - CII/FICCI/ ASSOCHAM/PHDCCI
15. Nominee of - CII/FICCI/ ASSOCHAM/PHDCCI
16. Nominee of CAG
17. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
18. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
19. Nominee of ICSI
20. Nominee of IIM - Dr. Pankaj Gupta

Secretary
CMA J.K. Budhiraja, Senior Director (Technical)

The Institute of Cost Accountants of India

(Council Committees for the year 2016-17)

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Members
2. Shri Surender Kumar, Government Nominee
3. CMA Balwinder Singh
4. CMA Dr. I. Ashok
5. CMA Amit Anand Apte
6. CMA H. Padmanabhan
7. CMA Avijit Goswami

Secretary
CMA Arnab Chakrabarty Sr. Director (Finance, Admin & HR)

11. WTO, International Affairs and Sustainability Committee (Quorum: 4)

Chairman
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Members
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3. Shri Ajai Das Mehrotra, Government Nominee
4. CMA Avijit Goswami
5. CMA P. Raju Iyer
6. CMA P.V. Bhattad, IPP
7. CMA A.B. Nawal

Secretary
CMA Tarun Kumar, Joint Director (President's Office / Vice President's Office)

12. Taxation Committee (Quorum: 6)

Chairman
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Members
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3. Shri Sushil Behl, Government Nominee
4. CMA Amit Anand Apte
5. CMA Papa Rao Sunkara
6. CMA Balwinder Singh
7. CMA Dr. P.V.S. Jagan Mohan Rao
8. CMA S. R. Bhargave
9. CMA N. Swain
10. Shri Sanjay Goyal

Secretary
CMA Chiranjib Das, Joint Director (Tax Research)

13. CAT Committee (Quorum: 4)

Chairman
1. CMA Dr. I. Ashok

Members
2. Shri Surender Kumar, Government Nominee
3. CMA Biswarup Basu
4. CMA Papa Rao Sunkara
5. CMA Amit Anand Apte
6. CMA Avijit Goswami
7. CMA H. Padmanabhan

Secretary
CMA L. Gurumurthy, Senior Director (CAT, Training & Placement)

14. Corporate Laws, Governance & Corporate Sustainability Committee (Quorum: 4)

Chairman
1. CMA Dr. P.V.S. Jagan Mohan Rao

Members
2. Shri K.V.R. Murthy, Government Nominee
3. Shri Ajai Das Mehrotra, Government Nominee
4. CMA Biswarup Basu
5. CMA Vijender Sharma
6. CMA Papa Rao Sunkara
7. CMA A.B. Nawal

Secretary
CMA Dibbendu Roy, Joint Director (Finance)

15. Members' Facilities & Services Committee (Quorum: 3)

Chairman
1. CMA Biswarup Basu

Members
2. CMA A.B. Nawal
3. CMA Niranjan Mishra
4. CMA Papa Rao Sunkara
5. CMA Vijender Sharma
6. CMA P. Raju Iyer

Secretary
CMA Arup S. Bagchi, Director (Membership)

The Institute of Cost Accountants of India
(Council Committees for the year 2016-17)

16. Members in Service & Training & Placement Committee (Quorum: 4)

Chairman
1. CMA P.V. Bhattad, IPP

Members
2. Shri K.V.R. Murthy, Government Nominee
3. CMA Dr. P.V.S. Jagan Mohan Rao
4. CMA A.B. Nawal
5. CMA Avijit Goswami
6. CMA Dr. I. Ashok
7. CMA Vijender Sharma
8. CMA H. Padmanabhan

Secretary
CMA L. Gurumurthy, Senior Director (CAT, Training & Placement)

17. Cost & Management Accounting & Election Reforms Committee (Quorum: 3)

Chairman
1. CMA Vijender Sharma

Members
2. Shri Ajai Das Mehrotra, Government Nominee
3. CMA Dr. P.V.S. Jagan Mohan Rao
4. CMA P.V. Bhattad, IPP
5. CMA Biswarup Basu
6. CMA Dr. I. Ashok

Permanent Invitee to Election Reforms Committee
CMA Kaushik Banerjee, Secretary

Secretary
CMA Nisha Dewan, Joint Secretary

18. Infrastructure Committee (Quorum: 4)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. Shri Ajai Das Mehrotra, Government Nominee
3. Govt Nominee CAG
4. CMA Vijender Sharma
5. CMA Dr. I. Ashok
6. CMA Dr. P.V.S. Jagan Mohan Rao
7. CMA P.V. Bhattad, IPP

Secretary
CMA Kushal Sengupta, Joint Director (Finance)

19. Cost Accounting Standards Board (Quorum: 9)

Chairman
1. CMA Balwinder Singh

Members
2. Shri Sushil Behl, Government Nominee
3. CMA Niranjan Mishra
4. CMA P. Raju Iyer
5. CMA Dr. P.V.S. Jagan Mohan Rao
6. CMA Avijit Goswami
7. CMA B.B. Goyal
8. CMA K. Narasimha Murthy
9. CMA D. V. Joshi
10. CA Chandrashekhar Chitale
11. PCA/Co-opted
12. CMA M.R. Rath
13. CMA Sushil Kothari
14. Nominee of Corporates/Industry
15. CMA Sham Wagh
16. Dr. Shailesh Gandhi, IIM-Ahmedabad
17. Shri Murli Ganesan, ITC Ltd.
18. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
19. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
20. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
21. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
22. Nominee of - CII/FICCI/ASSOCHAM/PHDCCI
23. Nominee of - CII/FICCI/ASSOCHAM/PHDCCI
24. Nominee of -CII/FICCI/ASSOCHAM/PHDCCI
25. Advisor (Cost)
26. Nominee of MCA
27. Nominee of CBEC
28. Nominee of CBDT
29. Nominee of ICAI
30. Nominee of ICSI

Secretary
CMA J.K. Budhiraja, Senior Director (Technical)

The Institute of Cost Accountants of India

(Council Committees for the year 2016-17)

20. Disciplinary Committee U/s 21D
(Quorum: 2)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. Shri Ajai Das Mehrotra – Nominee of Central Government
3. CMA P.V. Bhattad, Immediate Past President

Secretary
CMA Kaushik Banerjee, Secretary

21. Coordination Committee of The Institute of Cost Accountants of India, The Institute of Company Secretaries of India and The Institute of Chartered Accountants of India (Quorum: 2)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. CMA Sanjay Gupta, Vice- President
3. CMA P.V. Bhattad, IPP
4. CMA H. Padmanabhan

Secretary
CMA Tarun Kumar, Joint Director (President's Office / Vice President's Office)

22. Board of Discipline
(Quorum: 2)

Presiding Officer
1. CMA Jugal Kishore Puri

Members
2. CMA Avijit Goswami
3. One person designated under clause (c) of sub-section (1) of Section 16 – Member.

Secretary
CMA Rajendra Bose, Director (Discipline)

23. Board of Advanced Studies
(Quorum: 4)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. CMA P.V. Bhattad, IPP
3. CMA Sanjay Gupta, Vice-President
4. CMA P. Raju Iyer
5. CMA Balwinder Singh
6. CMA Neeraj Arora
7. CMA Dr. Asish K. Bhattacharyya
8. CMA T.C.A. Srinivasa Prasad

Secretary
CMA M.P.S. Arun Kumar, Deputy Director (Advanced Studies)

24. GST Advisory Board
(Quorum: 4)

Chairman
1. CMA Brijmohan Sharma, Past President

Members
2. CMA Upender Gupta, IRS, Commissioner (GST), CBEC Govt. of India
3. CMA Mrityunjay Acharjee, Associate VP, Balmer Lawrie & Co. Ltd.
4. CMA CA Rahul Renavikar, Ernst & Young LLP
5. CMA Mahammad Rafi
6. CMA P. Ravindar
7. CMA Dr. Pawan Jaiswal

Secretary
CMA Chiranjib Das, Joint Director (Tax Research)

25. Railway Advisory Board
(Quorum: 4)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. CMA Sanjay Gupta, Vice-President
3. CMA Partha Sarathi Bhatacharjee, Ex CMD, Coal India Limited
4. Shri R.K. Jain, IRS
5. CMA K. Narasimha Murthy
6. CMA D.K. Saraf, Chairman, ONGC
7. CMA Dr. M.B. Athreya

Secretary
CMA L. Gurumurthy, Senior Director (CAT, Training & Placement)

President and Vice President are Permanent Invitees to all the Committees except Disciplinary Committees.

Hon'ble Union Minister for Micro, Small and Medium Enterprises, Shri Kalraj Mishra, being felicitated by CMA Manas Kumar Thakur, President, CMA Sanjay Gupta, Vice President and Shri Sushil Behl, Government Nominee of the Institute.

Hon'ble Union Minister for Railways, Shri Suresh Prabhu, being felicitated by CMA Manas Kumar Thakur, President, CMA Sanjay Gupta, Vice President, Shri Sushil Behl and Shri Surender Kumar, Government Nominees of the Institute

CMA Sanjay Gupta, Vice President of the Institute felicitating Shri. Amardeep Singh Bhatia, Joint Secretary, Ministry of Corporate Affairs

Shri Gyaneshwar Kumar Singh, Joint Secretary, Ministry of Corporate Affairs being felicitated by CMA Sanjay Gupta, Vice President of the Institute

CMA Manas Kumar Thakur, President of the Institute hoisted the National Flag at Headquarters of the Institute on the occasion of 70th Independence Day on August 15, 2016

CMA Sanjay Gupta, Vice-President of the Institute hoisted the National Flag at Delhi office of the Institute on the occasion of 70th Independence Day on August 15, 2016

ICAI-CMA SNAPSHOTS

CMA Manas Kumar Thakur, President of the Institute, CMA Harijiban Banerjee and CMA Amal Das, Past Presidents of the Institute, CMA Kaushik Banerjee, Secretary of the Institute addressing about introducing CMA Syllabus 2016 at the Press Meet organized by the Institute on August 4, 2016 at Headquarters, Kolkata

Release of CMA Syllabus 2016 of the Institute at J N Bose Auditorium, Headquarters, Kolkata on August 4, 2016.

From Left: CMA Biswarup Basu, Council Member, Prof. Siddhartha Datta, Former Pro-Vice Chancellor, Jadavpur University, Swami Prajnatmananda Ji Maharaj, in-charge, Youth Programmes & Cultural Programmes, The Ramakrishna Mission Institute of Culture, CMA Manas Kumar Thakur, President of the Institute, CMA Partha Sarathi Bhattacharyya, Former CMD, Coal India Ltd, Prof. Sankar Kumar Sanyal, President, Howrah Chamber of Commerce & Industry, former Director, State Bank of India, Bengal circle, and CMA Kaushik Banerjee, Secretary of the Institute

Dr. Subbarao Ghanta, Special Secretary and Ex. officio Secretary to Chief Minister of AP and CMA Manas Kumar Thakur, President of the Institute, signed MoU with AP Skill Development Corporation on August 8, 2016 for introduction of CAT Course in the State of AP. Others seen are Council Members and Regional Council Members

CMA P V Bhattad, immediate past president of the Institute congratulating CMA Pradip H. Desai, newly elected Chairman of WIRC. Others seen are Council Members and Regional Council Members

CMA Manas Kumar Thakur, President of the Institute addressing the gathering on the occasion of the seminar based on the theme 'National Pension Scheme(NPS)' jointly organized by Bhubaneswar Chapter & NASDL e-Governance Infrastructure Ltd. in association with Business Standard on July 24, 2016. Seen on the dais from left: CMA Damodar Mishra, Secretary, CMA B.B. Nayak, Chairman, PD Committee, CMA Siba Prasad Kar, Chairman of the Chapter, CMA Niranjan Mishra, Council Member, CMA Siba Prasad Padhi and CMA C. Venkata Ramana, Regional Council Members of the Institute, Kolkata

Official launching of CAT ROCC Certificate by CMA Anas K(Director, ICMS) from Shri. P. K Kunhalikkutty, (Deputy opposition leader, Kerala Legislative Assembly) in the presence of CMA H Padmanabhan (Chairman, W.T.O, International affairs and Sustainability committee & Council Member) and Shri. K. K. Nasar (Chairman, Kottakkal Municipality)

The Institute in association with Department of Commerce, Calcutta University organized a seminar on 'Commerce Education and Beyond- The Professional Edge' on August 27, 2016 at the University's Centenary Hall. The initiative was deeply extended to create an awareness among the students pertaining to Cost and Management Accountancy. Uniformity was witnessed during the start –up phase of the event when all the veteran eminent invitees assembled to contribute after it was hit by a magnificent welcome address by CMA Kaushik Banerjee, Secretary of the Institute. CMA (Dr.) Swagata Sen, Pro-Vice-Chancellor for Academic Affairs, University of Calcutta deliberately said that commerce has to cover employability as well as equity. As a matter of fact, he feels that commerce is practical in nature and hence it is required to cement both academic and professional genres. When the turn came for the next player, interestingly Shri Harshavardhan Neotia , President, FICCI and Chief Guest of the seminar shook the ambience at a go when he revealed that he happens to be a former student of the Institute. He also claimed that effort and result are not proportional. Students felt happy when he mustered up his courage and distributed the statement "Enjoy Your Life......."

Meanwhile, Quarterly publication of Research Bulletin, Volume 42 No. II, July 2016 published by the Research and Journal Directorate of the Institute was released during the session. Swami Suparnananda, Secretary, The Ramakrishna Mission Institute of Culture, Golpark, the next speaker with his prfound knowledge stated that one must enjoy life but should lay stress over sacrifice too. He added that happiness is not about collection of things but of divine nature. Pulling the nature, CMA Dr Asish K. Bhattacharya, Professor and Head, School of Corporate Governance and Public Policy, IICA, New Delhi made it crystal clear by saying that to be in the top management level, one needs really to have the essence of management accountancy. Again CMA Manas Kumar Thakur, President of the Institute literally appreciated the state of being a commerce student. To support him, many other eminent speakers like Prof. Suman K. Mukherjee, Economist, in the next interactive session, motivated the students like anything to jog their minds and gear up for a fantastic career with Cost and Management Accountancy, a curriculum that the country needs. CMA Avijit Goswami and CMA Biswarup Basu, council members of the Institute addressed the gathering and enlightened the students about the CMA course curriculum. Prof Rajib Dasgupta, Head of the Department, Department of Commerce,

University of Calcutta delivered his vote of thanks. CMA Bibekananda Mukhopadhyay, Chairman, EIRC and CMA Arup Sankar Bagchi, Director (Membership) of the Institute jointly conducted a CMA Career Awareness Programme aimed to spread an area of interest among the students over there and strived to identify questions that lead to discussions rather than just need to be answered. Mr. Vibhor Tandon, Assistant Vice President and Mr. Diptendu Moulik , Senior Executive , Multi Commodity Exchange of India Ltd. (MCX) took an interactive session on Commodity Exchange. To give the entire venture the correct acknowledgement with his beautiful anchoring, CMA (Dr.) Debaprosanna Nandy, Director, Research & Journal of the Institute was eulogised to the fullest. There was an overwhelming response and the seminar was thoroughly attended by more than one thousand students and one hundred faculty members from more than fifty colleges across West Bengal.

COVER STORY

LOCALISATION & COST COMPETITIVENESS IN AUTOMOTIVE INDUSTRY : A CASE STUDY OF BOSCH

Industrial location is an increasingly important decision faced by both national and international firms. There are a number of examples which shows that how a particular industry has been developed in a particular location of a country even a country itself becomes location for a particular type of industry. There are many factors which influence the localisation of a particular industry and moreover all the factors are not equally important. Factors dominating depend on the type of industry and its key resources. The present paper is an effort to look inside localisation of automobile industry in reference to Bosch.

CMA Dr. Mukesh Chauhan
Assistant Professor
PG Department of Commerce
PG Govt College, Chandigarh

Location, localization and planned location of industries are often felt to be synonymous. But, the distinction among these three terms is of immense importance. Entrepreneurs locate their enterprises where the cost of production comes, the lowest at the time of establishing industries. This is known as 'location of industries'.

The concentration of a particular industry mainly in one area, as occurred with many industries in India, for example, textile industry in Mumbai is known as 'localisation of industries'. 'Planned location of industries' is a term whereby the location of industries is planned to give each industrial area a variety of industries so that large industries are dispersed and not localised.

It is not always possible to explain industrial location independently with the help of any one factor. In fact, several factors/ considerations influence the entrepreneur's decision in selecting the location for industry. Selection of industrial location is a strategic decision. It is a onetime decision and not be retracted again and again without bearing heavy costs.

Nonetheless, regardless of the type of business/enterprise, there are host of factors but not confined to the following only that influence the selection of the location of an enterprise:

(i) Availability of Raw Materials
(ii) Proximity to Market
(iii) Infrastructural Facilities
(iv) Government Policy
(v) Availability of Manpower
(vi) Local Laws, Regulations and Taxation
(vii) Ecological and Environmental Factors
(viii) Competition
(ix) Incentives, Land costs. Subsidies for Backward Areas
(x) Climatic Conditions
(xi) Political conditions.

Literature Review

Empirical studies of industrial location A review of empirical studies of industrial location reveals some of the most influential factors in making a decision to locate industrial plants at particular sites (Luttrell, 1962; Smith, 1966; Karaska, 1969; Cameron and Clark, 1966; Carnoy, 1972; Keeble, 1976; Dorward, 1979; Cobb, 1982; Forbes, 1982; Lloyd and Mason, 1984; Walters and Wheeler, 1984; Brusco, 1985; and Mason and Harrison, 1985; Mazzarol and Choo, 2003; Wood and Parr, 2005). Most often cited factors of industrial location are distance to market, distance to materials, prevailing wage rates (labor costs), productivity of workers, availability of labor, adequacy of transportation, closeness to producers, industrial climate, taxes, anticipation of market growth, transportation costs, availability of land for future site expansions, cost and availability of utilities, political climate toward business, population growth, and income levels of consumers. These factors can be classified into three basic categories: markets, labor, and community environment.

International location factors

Many authors point out that only a limited amount of research has been reported on factors influence international location decisions for contemporary manufacturing operations (MacCarthy and Atthirawong, 2003; Siebert, 2006; Carod, 2005). The literature on International literature on industrial locations falls into two categories: empirical studies, and works developing theoretical concepts. Both strongly suggest that the long term investor in foreign countries realizes that reactions of host governments are likely to be very complex (Vernon, 1968, 1971), McGregor and Walters (1977) attempted to identify those factors that had guided management's decision to invest abroad. The main determinants identified in that study are: accessibility, basic services available, environment, site costs, industrialization, labor and staff availability, host taxes and incentives, area reputation, the nature of the host government and its policies. Horst (1972) surveyed 1191 manufacturing corporations with foreign subsidiaries. He attempted to draw some inferences about the direct investment process by comparing the characteristics of firms investing in Canada with those not doing so, and of multinational firms with those which are solely domestic. Another study which investigated firm and industry determinants, is that of Vernon (1971), who studied 187 U.S. manufacturing corporations with six or more foreign subsidiaries. He identified a set of factors important to these firms. Rummel and Heenan (1978) studied the process undertaken by multinationals to analyze political risk. Their study reveals a host of factors considered important in making international industrial location decisions. These factors include domestic instability, foreign conflict, political climate, and economic climate. Other studies dealt with the disadvantages of locating abroad. Ballance (1987) analyzed the effect of incentives in location decisions.

Objectives of The Study

1. To discuss the theory of localisation
2. To explore the localisation of Bosch Limited
3. To draw conclusion regarding localisation

Research Methodology

The main source of data is of secondary type which has been collected through various reliable sources and also backed by extensive literature survey. The study is of descriptive nature.

Hypotheses Creation

Localization has several inherent advantages associated to it which can be utilized by the OEM (Original Equipment Manufacturer) manufacturers to have competitive advantage over others. Hence we can hypothesize the fact as follows:

H1: For best selling cars in any price segment, the percentage of localization is higher compared to other cars

H2: Car manufacturers who are rated high in quality of after sales service have a high degree of localization content in their cars

About Bosch

Started as a brain child of Robert Bosch in the year 1886, German multinational company Bosch has established itself as the one of the largest suppliers of automotive components all over the globe. Robert Bosch GmbH operates through its 440[1] subsidiaries and regional companies all over the world. Robert Bosch Stifung GmbH, a charitable foundation, is the primary investor having 92% of the total share capital in Robert Bosch GmbH. The Bosch family and the Robert Bosch GmbH hold the remaining of the share capital in the company. This ownership structure acts as the biggest proponent for entrepreneurial freedom and strategic investment decisions for the future growth of the company. Headquartered in Gerlingen, near Stuttgart, Germany and with an employee base of 300,000 spread across 60 countries, Bosch managed to obtain revenue of 49 Billion Euros[2] in the financial year of 2014 from its worldwide trade operations. 78% of this total operation came from operations outside Germany.

Spanning over 150 odd countries, Bosch caters to the need of the industry by manufacturing core products like automotive components, industrial and building equipment. On the basis of these product categories, Bosch has segmented its operation into four verticals i.e. automotive technology, industrial technology, consumer goods, energy and building technology. With a vision of development and sustenance, the Bosch group is continuously innovating for the holistic welfare of the society. Bosch invests around 10% of its total annual revenue towards research and development. This led to the filing of 4,500[3] patents in 2014 alone for the future development of high performance, efficient and eco-friendly products. In total Bosch group accounts for around 77000[4] patents and utility models through its worldwide operations.

Bosch in India

Bosch started its operation in India in the year of 1922 by establishing an import based model. Finding India to be a strategically important market, it set up its first production unit in 1951. Currently Bosch has 10 manufacturing units and 7 research and development facilities[5] across the country. The company has an employee base of over 26,000 in India and it generated revenue of $2 Billion in the financial year of 2014. It has also introduced a state-of-the-art R&D facility to provide its customer with good quality products according to their needs. Bosch is one of the biggest success stories of a foreign multinational company operating in India. The reason for the success can be attributed to the factor mentioned below:

(a) Customized & Price effective manufacturing: Bosch's core strength is derived from the price effective manufacturing of customized products according to the need of the Indian local market.

(b) Investment in R&D: Bosch's R&D facility in India is the largest outside its home market in Germany. It contributes in a significant way for local and global product development.

(c) Societal work and development initiative: Bosch India has invested heavily for the workforce development. It has helped Bosch in talent utilization across several verticals within the company.

Significance of Localization

Due to the plateaued growth of the automotive industry in developed markets like North America, Western Europe and Japan, the automotive companies have shifted their focus towards new growth potentials in developing countries. These companies are primarily focusing on countries like China and India their future growth strategies, which have seen a cumulative growth rate[6] of 25% and 15% respectively in automotive industry between 2001 to 2007 financial year. These two countries are expected to contribute more than 20% of the global car market in the FY 2015-16. Almost all major car manufacturers have set up their manufacturing/assembly unit in China and India. The primary reason for the same is the tax benefits they obtain by selling domestically manufactured/assembled cars. For example in India, if BMW chooses to import and sell its fully finished car, it has to pay a duty of 120% whereas if it imports a CKD the import duty for the same is just 40%. Therefore, it is economically wise to set up assembly /manufacturing units in India rather than to import fully finished cars.

This was the trend followed by most of the automotive players. However, due to increase in competition and a pressure to reduce prices, these companies are now forced to progress towards the next step of sourcing the components from within India/China. Therefore, localization or local sourcing has become one of the key long term strategies for these manufactures. The key advantages that can be leveraged through localization are explained below:

(a) Shielding from global economic fluctuations: Localization helps a manufacturer in shielding itself from any kind of global economic turmoil. This will maintain price stability in the domestic market irrespective of any global economic turmoil. The manufacturer can continue to thrive by leveraging localized supply of raw materials and domestic demand for different components.

(b) Better Revenue Generation: Because of low cost manufacturing and competitive pricing of the products, demand will be higher in case of the manufacturer. This in turn will help in achieving better revenue from both domestic and international markets.

(c) Low Cost Human Resource: Through localization, manufacturers can take the advantage of low cost human resource of a nation like India. By providing initial training and work specific insights, companies can utilize the vast knowledge pool of the country at a lower price. This will in turn help in bringing down the price for the product. As it can be seen from the following figure, manufacturers in countries like China, India, Indonesia, Thailand leverage the low cost human resource for cost effective production.

Exhibit-1: Cost of Human Resource

Source: http://www.dragonsourcing.com/product-localization

(d) *Reduction in Investment:* With localization, a manufacturer can continue their business without going for backward integration or foreign import. This helps in both controlling the capital investment and optimizing the operational investment for the manufacturer.

(e) *Reduction in Lead Time:* Localization can help in bolstering the supply chain by shortening the transportation time of raw materials or sub-system units from suppliers. This will not only reduce the production lead time but also help in minimizing the cost required for production pre-planning.

(f) *Faster Service Response:* With a shorter lead time, the manufacturer can respond quickly to the customer demands and grievances. This will lead to better customer satisfaction and customer engagement. Faster after-sale service will bring in more demand from customers requiring rapid resolution of the requirements and problems.

(g) *Need based Customization:* A manufacturer can implement mass product customization with the support from localized suppliers. Customers can be satisfied with quick but low price offerings based on their requirement. Customization can be done according to the emerging market demand at a faster pace.

(h) *Cost Benefits*: With localization, a manufacturer can source raw materials and sub-system units at a cost effective price. Again, this helps in keeping the manufacturer price competitive in the global market as well.

The Indian Automobile & Automotive Industry

India currently stands as the 7th largest producer in the world with an average annual production of 17.5 Million vehicles[7]. It is also expected to become the 4th largest automotive market by volume, by the end of 2015. The Indian car market is expected to have a potential growth of 6+ Million units annually by 2020. The Indian automotive sector valued at $100 Billion[8] at the end of financial year 2015, is one of the largest automotive industries all over the world. It contributes 22%[9] towards the nation's GDP from manufacturing sector. Riding on the waves of 'Make in India', the industry not only saw a growth of 3.90% in domestic passenger vehicle segment but also fortified the net export by 4.42% in the financial year of 2015. The passenger vehicle segment has an overall share of 14% towards the total contribution from Indian automotive industry. Indian government has also taken several initiatives to strengthen this contribution from the automotive industry. 100% FDI through automatic path has been allowed to improve technical and financial conditions of Indian automotive sector. Excise duty has also been slashed to encourage the domestic production ratio.

Leveraging these factors, several foreign vehicle manufacturers like Suzuki, Hyundai, Ford etc. have initiated their expansionary plans of their Indian operations to not only cater to the domestic Indian market but also view India to be an export hub. Indian car manufacturers like Tata and Mahindra have also gone global and completed some foreign acquisitions and have also started their export operations. Apart from the above factors, a huge demand from expanding middle class family with a higher disposable income, thrust on infrastructure spending[10] and road development in India have become the boosters for the growth of the sector.

This break-neck growth of worldwide automotive industry in the twentieth century brought about milestone changes in the price and performance of the diesel engines. These continuous improvements in the field of diesel engine manufacturing helped the Indian passenger and commercial vehicle segment to thrive. Diesel engine being the most efficient internal combustion engines has become the central driver in the nation's economic activities. Inherent performance parameters like better fuel economy, more power efficiency, and longer durability made diesel engines the most critical component in transportation, agricultural, industrial and mining activities. Several technological breakthroughs have also been achieved through collaborative research and development projects to bring down the emission levels making it more pro-business. But because of sluggish demand from global market, Society of Indian Automobile Manufacturers (SIAM) has forecasted Indian automotive industry to acquire a value of $145 Billion by the end of financial year 2016. Therefore, an Indian domestic operation has assumed important role for all car manufacturers and hence a primary emphasis is laid on localization in order to leverage the benefits.

The Discussion

Analysis of Hypothesis-1

In order to analyze the Hypothesis-1, the sales data and the percentage of local content of several cars from different car manufacturers in India have been considered:

In the Exhibit-2 provided in the following page, there has analyzed three different car segments in terms of price range. From the analysis, it has been observed that the top selling cars in any price range have high degree of localization content. Thus, it can be seen that the advantages leveraged through localization have a direct influence on the sales volume of the cars.

Exhibit-2: The sales data and the percentage of local content of several cars from different car manufacturers in India

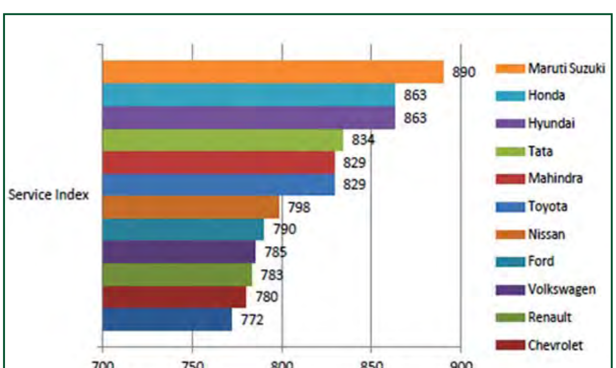
Model Name	Maruti Suzuki Alto 800	Hyundai Eon	yundai Gran i10	lkswagen Po	Maruti Swift Dezire	Toyota Etios	Honda City	Skoda Rapid	Ford EcoSpor	enault Dust	ahindra XUV5	Nissan Teran
rice Categor	RS. 3.14 – 3.95 Lakhs	Rs.3.09 - 4.2 lakhs	Rs. 6.48 -7.1 Lakhs	Rs. 5.44 – 8.50 Lakhs	Rs. 5.1 - 7.8 Lakhs	Rs. 6.03 - 8.4 lakhs	Rs 7.6 - 11.9 Lakhs	Rs. 7.69 - 11.8 lakhs	Rs.6.75 - 10.2 lakhs	s.8.30 - 11.3 Lakhs	Rs. 11.29 – 16.20 Lakhs	s.10.14 - 12. lakhs
Percentage of Localization	85%[11]	70%[12]	90%[13]	70%[14]	>95%[15]	70%[16]	92%[17]	60% to 65%	80%[19]	60%[20]	90%[21]	<88%[22]
Units sold[23] [Based on Au 014-June 201 sales data]	160976	68575	93,109	28,078	191,145	21,217	71,308	10,130	39344	25676	32264	13269

Source: Compiled from various sources

Analysis of Hypothesis-2

Car manufacturers who are rated high in quality of after sales service have a high degree of localization content in their cars. In a ranking released by JD[11] Power on Customer Service Index, Maruti Suzuki, Honda, Hyundai are ranked 1, 2 and 3 respectively with respect to customer service. An interesting aspect to this observation is that these three car manufacturers produce cars with average localization content over 90%. The reason for the high ranking can be attributed to the ease of availability of spare parts, time taken for spares replacement, cost of spare parts and service. These factors are direct advantages yielded due to localization. Hence, it can be seen that localization also helps in ensuring that high degree of service quality is maintained which yields to greater customer satisfaction, customer loyalty and increased sales.

Exhibit-3: Service Index of Various Car Brands in India



Source: http://india.jdpower.com/press-release/2014-india-customer-service-index-csi-study

From the above analysis, it is evident that an OEM car manufacturer can create a better brand value by providing responsive after sales service at a reasonable price point to its customer.

Thus, it can be observed that localization is extremely advantageous to boost the sales and achieve customer satisfaction. Car manufacturers like Suzuki, Hyundai have enabled their own Japanese and Korean Tier-1 suppliers to set up bases in India for implementing the Just-in-time systems and leveraging other localization advantages. However, with increasing market competition, car manufacturers should focus not only on their level of localization but also the localization of raw material sourced by their tier-1 suppliers. This process of localization can be termed end-to-end localization. For instance, the tier-1 suppliers like Bosch India are operating at an average localization of 20% to 30% whereas car manufacturers claim an average localization percentage to be around 80% to 90%. This mismatch in projects a potential for further improvement of localization which will benefit pre-sale and after-sale activities and contribute to cost benefits. Hence, it is highly important to analyse the constraints affecting the localization of tier-1 suppliers and solving them will help the car manufacturers to leverage the complete advantage from the entire value chain.

Factors Affecting Localization of Tier-1 Suppliers

From the secondary analysis of localization process in India, I came across several factors which affect the process of end-to-end localisation of Tier-1 suppliers. These factors can be segregated into three categories which are as follows:

1. **Quality constraints**:
   It is commonly observed that the quality of material supplied by the Tier-2 suppliers in India is not on par with their western counterparts. This can be attributed to lack

of technical expertise, workmanship skills, infrastructure, systems and non-adherence to industry best practices. The level of penetration of 6-sigma and quality control norms is very low in case of Tier-2 suppliers. Localization faces a major hard stop due to this as these materials do not match the high level of quality standards fixed by Tier-1 suppliers like Bosch, Delphi etc. Due to this the Tier-1 suppliers are forced to import the required raw materials to fulfil quality conformity.

2. **Technological and Economic constraints**:
   It is commonly found that the technology used by Indian Tier-2 suppliers in not on par with their western and Japanese suppliers. This is because of lack of development of indigenous technology in terms of electronics, precision machining and machine building. With the current technology base available in India, precision machining in terms of microns is not possible and investment in terms of importing precision tools and machines require a heavy financial investment which is not affordable for many Indian Tier-2 suppliers. Furthermore, importing these machineries and tools adds to a high fixed cost which further translates into higher price of the component produced. Again, Electronics manufacturing in India is still at its nascent stage and therefore, import of electronic goods contributes to a large chunk of India's overall imports.

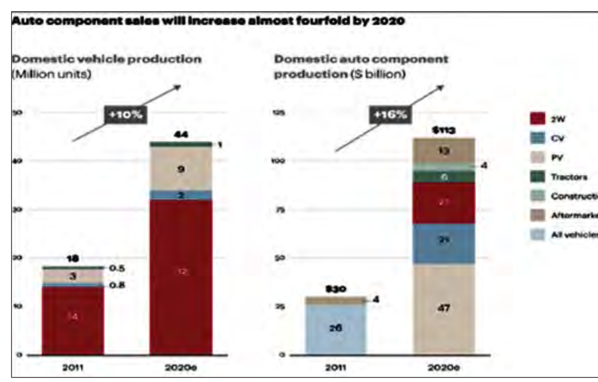
3. **Learning curve & Economies of Scale constraints:**

   In analysis I also observed that technologies used by Indian suppliers were introduced decades earlier in the developed countries. Therefore, the suppliers in the developed economies have garnered learning curve advantages and have developed efficient methods of mass production. Due to this, they are able to produce components at a cheaper price which cannot be matched by the Indian suppliers. This acts as a major deterrent to localization as it becomes unattractive for companies like Bosch. As they lose the primary cost benefit advantage, they would rather prefer to use the cost effective imported parts rather than the expensive locally manufactured materials.

4. **Economic & monetary impact of localization:**
   Indian auto component industry is one of the important parts of the Indian automobile industry. With the backing of Indian automobile industry which is the sixth largest market in the world, Indian auto component industry is also catching up the pace to become one of the strategic global sourcing hubs. This industry is estimated to attain a CAGR rate of 14%[12] in the financial period from 2013 to 2021. Currently Indian auto component industry is contributing around 7% towards the country's GDP. Apart from that, the industry registered an increase of 16.7% in terms of exported components as well. With a potential of 400% growth[13] ($30 Billion in 2011 to $113 Billion in 2020) in auto component segment, Indian auto component industry is attracting many global and Indian OEM manufacturers to invest in capacity and knowledge building activities and localization. Hence, many Indian auto component suppliers have also boarded this localization bandwagon to grab the long term benefits which can be segregated into two parts i.e.

Micro Benefits and Macro Benefits

Exhibit-4: Auto Component Sales Factors



Source:https://www.atkearney,cim documents/10192/3da62f2b-99e0-4751-a6e3-91f46f114e76

Micro Impacts:

Due to this new growth frontier in Indian auto component industry, component suppliers are deriving multitude of benefits, which can be termed as micro benefits. This has facilitated many suppliers to leverage the process of localization in order to grow across three dimensions, which are as follows:

1. New product development capabilities and diversification:

The financial constraint prevents the suppliers from acquiring advanced product development capabilities. Localization helps the component suppliers in leveraging the financial power of global and Indian OEM manufacturers to overcome the capital barrier. This not only boosts the suppliers to come up with new manufacturing capabilities but also pushes them to diversify into new product segments. This helps the supplier in acquiring new customers and in achieving a first mover competitive advantage over other new foreign as well as domestic entrants. Again, these capabilities help the suppliers in capturing future growth opportunities in the global market.

2. Augmentation of existing supply and service capabilities:

With the entry of many global OEM manufacturers, the demand for the implementation of global norms is also increasing. This is encouraging Indian automotive component suppliers to establish global supply networks. In turn, this is helping the Indian suppliers in becoming more competitive and agile in providing quality product and services to domestic and foreign OEM manufacturers. For instance, through the support from GM's supplier footprint team, 25% of GM's Indian supplier base has been developed to cater to its international operations. In this way, an Indian automotive supplier becomes an indispensable and strategic partner of a tier-1 supplier or OEM manufacturer.

Entry of many global OEM manufacturers are encouraging Indian automotive component suppliers to establish global supply networks that is helping the Indian suppliers in becoming more competitive and agile in providing quality product and services to domestic and foreign OEM manufacturers.

Macro Impacts

Localization has a bigger impact on the country as a whole compared to the impact on a micro level. Due to the ripple effects of investments made within the country, the economic and growth indicator of the country strengthens. These impacts are described as below:

1. Knowledge transfer and technological support:

Tie-ups with global OEM manufacturers have enabled Indian auto component suppliers in investing in knowledge development through R&D. Global tier-1 suppliers and OEM manufacturers facilitate many technological and financial supports in achieving a steep learning curve to match with the quality and pace of suppliers in developed countries like Germany and Japan. This in turn helps the Indian automotive component suppliers in avoiding the risk of falling behind in the game of advanced technology and support system. This can be backed by the Edel investment research report which talks about the 'accepted quality' standards of 80%[14] of total exported components to the USA and Europe.

2. Job creation and development of skilled workforce:

Localization attracts more foreign direct investment[15] which helps in creation of new technologies required for the capacity enhancement and efficient production. This in turn helps in creation of more job opportunities within a country. Government also provides provisional training to cater to the huge demand for skilled workforce. Again encouragement for Research and Development (R&D) culture and fortification of Information and Technology (IT) sector create more job options to augment the industrial production. With the development of skilled workforce, it becomes easier to manufacture quality products capable of competing with foreign made components and products.

Sample Study of Localization

In order to better understand the difficulties involved in localization it has been decided to take a material which Bosch has found as a bottleneck in terms of localization in India. Upon discussing with Bosch it was identified this material to be High Speed Steel, a raw material used by Bosch to manufacture common rail injectors. This particular grade of HSS is procured by Bosch from France & China and they are currently facing difficulties in localizing the same. The usage of this HSS is approx. 10 tonnages/ month and represents 3% of their total steel purchase.

Due to confidentiality issues, the composition of these steel is not mentioned. However, in our market research we identified a few vendors who are involved in manufacturing and selling alloy steels. Bosch has already touched base with some of these suppliers and hence we were able to identify the difficulties faced by the suppliers as well in our detailed interviews. The major difficulties are listed below

1. Constraints in the manufacturing process. As the Indian players are relatively new entrants and adopters of these technologies , they are facing difficulties in the manufacturing process such as hot forming and rolling areas
2. Cost competitiveness. The Indian companies suffer from a scale disadvantage and hence they are unable to match the price of their Chinese counterparts.
3. They understand Bosch's quality expectations but are unclear on how to achieve the same within the expected price range of Bosch.

Conclusion

With the study the following findings can be withdrawn:

- Localization has gained significant importance in the recent years as firms are forced to leverage the local resources in order to cope-up with rising raw material prices and also to improve supply chain efficiency.
- By implementing localization, firms are able to implement the Just in Time systems which reduces the inventory cost and also significantly cut down on the logistics cost.
- For best selling cars in any price segment, the percentage of localization is higher compared to other cars
- Car manufacturers who are rated high in quality of after sales service have a high degree of localization content in their cars
- The localization content of OEM car manufactures in India are in a higher range with many models crossing more than 90%. However, analysing the localization of Tier-1 suppliers we could see that there is a significant drop. For eg :- Bosch has an overall localization content of only 30% which is much lesser than the car manufacturers.
- This brings us to the conclusion that OEMs (car manufacturers) should focus on end-to end localization and must also focus on localizing the sources of raw materials of their Tier-1 suppliers as well.
- Localization is highly important for any developing nation on the whole as it helps greater dissemination of knowledge, technology and creates a skilled labour force.
- Considering a specific case of localization of Bosch, they have a major difficulty in localizing a particular composition of High speed steel used in their common rail injectors. Upon conducting interviews with existing steel makers in India we identified that they face issues in catering to Bosch's high specification. Apart from that they also suffer from cost competitiveness due to the scale advantage possessed by their European and Chinese counterparts.
- The suppliers understand the quality expectation of Bosch but require Bosch's inputs on how to achieve the quality in the expected price range. This is a challenge as Bosch is not an expert in manufacturing of their raw materials. A middle level solution to this problem would be enabling of technological tie-ups by Bosch via which their European suppliers can visit the Indian suppliers and transfer knowledge. We believe, Bosch with their volumes and leverage over their suppliers in Europe can enable these tie-ups. Bosch can also open up their global market to these Indian supplier to help them achieve volume scale efficiency.
- In conclusion, we would like to put forth our view that in order to make initiatives like "Make in India" successful and sustainable, there should be significant investments in R&D and also a primary focus on the technology and skill development of the nation as a whole. MA

Diesel engine being the most efficient internal combustion engine has become the central driver in the nation's economic activities. Inherent performance parameters like better fuel economy, more power efficiency, and longer durability made diesel engines the most critical component in transportation, agricultural, industrial and mining activities

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professordrchauhan@gmail.com

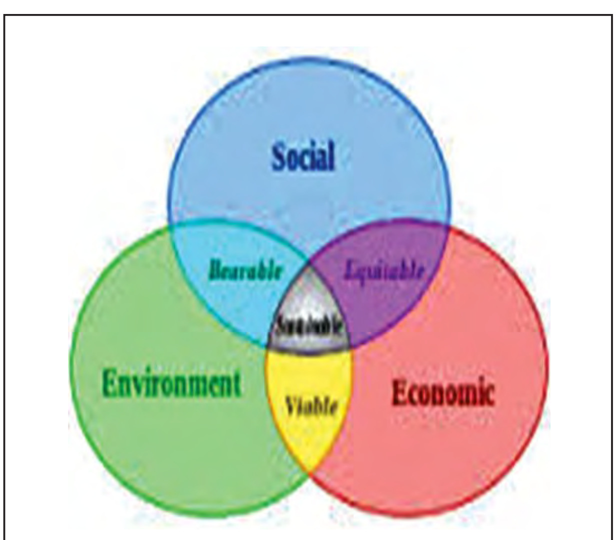
COST COMPETITIVENESS FOR SUSTAINABILITY

CMA Deepa R. Hinge
Lecturer in Bhonsala College
Nashik

Development of any country or community depends upon the industrial statues of that country. There are some popular benchmarks upon which development has been judge. Development means overall growth, growth of entire aspects of surroundings. Only one sided growth or one angle growth gives crisis among the society and society and development loses its utility. Business, activity which is doing under the intention of profit, but that activity should be continuous and having the perpetual succession in the over competitive world. Development does not means that to earn maximum profit .Every product and service is available and affordable to the community as a general according to their standard of living of life such situation is rarely held in the economy, as whole world is dynamic and over competitive.

For achieving the development, there are number of key policies are available but at the same time, every human being must take care of our surroundings and all ecological balance. For the development one thing must be clear, that there is to remain sustain for a long time in the competition so, development, sustainability competitiveness are the mutually interdependent.

Everybody wants to survive and sustain then it is developed and if it is developed, then it should be sustain in the competition between rivals. In today's dynamic world which is full of competition and, this cannot be avoided. The word sustainability key development policy space over past decades and its advancement regarded to environmental sustainability and inclusive growth. Such concept comprises social, economic, environmental component of sustainability. The definition of sustainability "Development which meets the needs of present which out compromising the ability of future generations to meet there own needs "



As shown in the diagram the term sustainability has broader scope which includes natural economic health social economic environment.

The concept of environmental sustainability includes two ideas,

1) Ecology: -

The idea of non human world is moral consideration.

2) Environmental: -

A broad based concerned with protecting the environment and in particular with the effect of environment damages.

Over past decades these ideas are prominent. Environmental and social sustainability are the simultaneously inputs of the growth process. They should not be considered in isolation, as they are integral part of the economic growth and process also. The concept of sustainability competitiveness places more emphasis than the concept of sustainable development, which does works on the importance of the productivity as a driver of prosperity and long term growth.

Sustainable competitiveness defines, "a set of institution policies and other factor that make a nation productive over the longer term while ensuring social and environmental sustainability."Although competitiveness can be equated with the productivity. Sustainable competitiveness can be linked to the broader concept it focuses on aspect that go beyond not merely economic outcomes to include other vital elements ,that render society sustainable and prosperous by ensuring high quality growth. The word sustainability has some crises also. Following are some broad categories-

1. Human and social

2. Environmental

3. Economy and business

The solution of these crises of sustainability is yet to the factor in the process for elimination of human greed.

"As earth provides enough to the society every man need but not every mans greed.

Sustainability also interdependent the cost competitiveness. The word cost has very much vital and which has great impact on the profitability, popularity of the products or the service in the markets. The cost competitiveness means" a product or service that is cost competitive that is cheap as compared to the similar product or service ". When the question comes to the cost and its competitiveness then following strategies are available.

- Kaizen costing for research and development innovation
- Target costing
- Overall cost management

No company cannot avoid cost increase and operating cost should not be adjusted every time with the increase cost Management and cost accountant always fight between this two term that is cost should be competitive and same time product should be qualitative one. Cost is to be maintained when company is able to utilize skills, workforce, inexpensive raw material controlled cost, creating effective and efficient cost model by using re- engineering and product design. There are different angles of the sustainability and competitiveness such as –

- Competitiveness and social sustainability.
- Competitiveness and economic sustainability
- Competitiveness and environment sustainability

As cost competitiveness and sustainability they are inter connected. Cost which is very integral part of the any product or service which decides popularity in the market, where as quality decides how long the product will held in the market .Sustainability means " to be remain in the market". If any business or company wants there product or service to be remain in the market, then the price of that product should be design in such a way that, it is cheap as compare to the other similar product if service which gives some unique utilities and quality. If any business or company is successful in managing these specification, then the product is going to sustain in the market for long period. But as there are cultural, fashion, changes ,business also changes according to all with the help of research and adopting different techniques of market survey. If product or service maintained the quality which the customer wants then customer also ready to pay extra for it. While doing all activities of the business cost is the integral part of that.

Last but not the least sustainability and competitiveness go hand in hand. It means product or service should be sustain in the market when it is cost competitive, and when it is cost competitive only it is sustainable, the word sustainability has broader scope, It includes environment social economic areas .bur in spite of all these cost should be the most vital element of sustainability. MA

hinge.deepa@yahoo.in

COVER STORY

Cost Competitiveness-

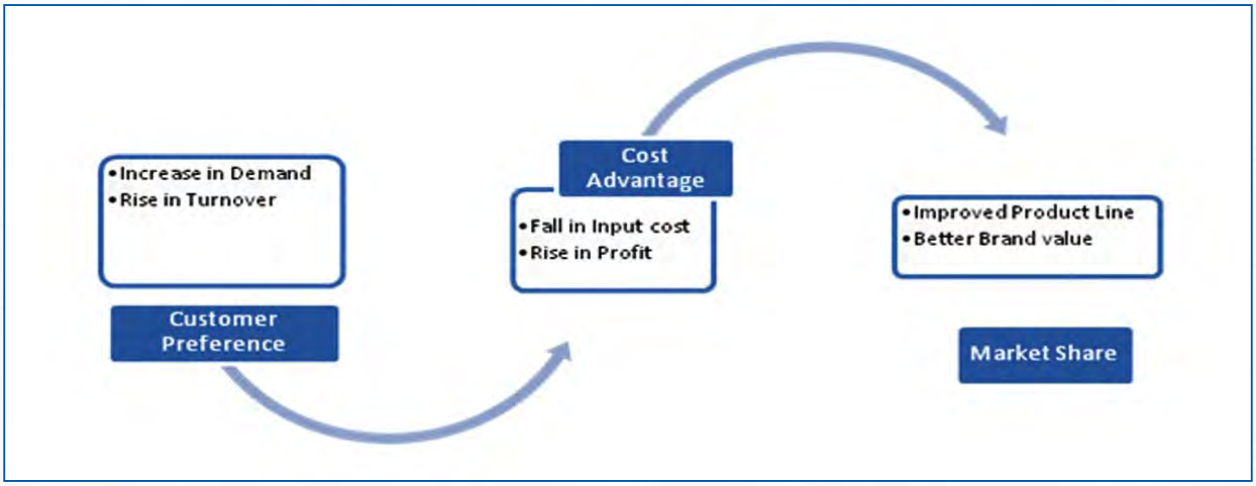
An Innovative Strategic Approach to boost up Market Share

CMA R. Ram Ganesh
Company Secretary cum Finance Manager
KSDC for SC& ST Ltd,
Thrissur

We professionals always give paramount importance in attaining a Competitive approach in all our vision and actions; similarly being competitive is the best methodology and trade secret for an entity to attain success sustaining factor and exponential growth. Competitiveness is the ability to provide output in an effective and efficient manner by an organization to its targeted client than its competitors. Being competitive is not a one time process, but is an end result of continuous brand building and focus on quality delivery. Competitiveness is not only limited to its market where their products are dealt, but also cover the social and global environment where it gets exposed to many uncertainties and unknown vicinity. Accordingly attaining a competitive strategy on cost is the first and best strategy an organization should adopt to build a strong share in the global market which would pave way to attain Profitability, ROI and very importantly Customer Satisfaction.

Cost Competiveness and its long run benefits

The thumb rule *Higher the Investment, Higher the Return* is being challenged by the Cost Competiveness factor, which means Cost Competitiveness is a strategic approach where the profitability is improved and increased in momentum with parallel reduction of cost. Cost Competitiveness may appear easy in theoretical scrutiny, but this is the most intricate technique where organizations face many unforeseen challenges while putting the same into practice. Cost Competitiveness includes many multiple balancing complexities which apparently many organizations go for a second thought on executing the plan. A touch on cost involves a cascading effect on Quality, Efficiency, Productivity and Turnover. Cost Competitiveness is not a flat cut on cost but is a systematic method to control the excess costs incurred and thereby results in cost advantage. In the present scenario all organization are on e platforms, where the deliverables and cost are of prime importance. There should be an end to an end analysis such that the dream of being cost competitive will become realistic. The major long run benefits of Cost Competitiveness are;



Role of Cost Competitiveness in Building Market Share

Market Share is defined as the ratio of an Entity's contribution to the Industry Contribution. Market share is the indicator in a particular segment that how well an organization performs against its Competitions. Market Share is also a metric of success which clearly specifies whether an Organization is a Market Challenger or a Market Leader. Market share is thus a sum product of Brand Penetration, Product Line, Profitability and Customer Loyalty. To improve market share, there should be continuous supply of products; for maintaining continuous supply, there should be increased productivity; for increase in productivity, there should be adequate investment; and this investment must have a cost competitive factor which will result in building Market share.

5 Step model for bridging Cost Competitiveness and Market Share

1. Cost factor must be given the top priority whenever a business decision is taken.
2. Rather than investing and innovating, a growing concern must always analyze the opportunity cost before it increases its product line.
3. The focus on investment in acquiring high quantity producing machinery must be substituted with quality generating resources, which would eliminate unwanted depreciation cost.
4. Expanding in local areas with improved marketing strategies must be adopted rather than high value Mergers and Acquisitions which is focused only on temporary brand value

and a premium goodwill.

5. Lean Accounting must be practiced in place of sophisticated reporting practices.

Challenges faced by Cost Competitiveness

Adopting Cost Competitiveness is a very difficult and complex mechanism as it involves an analytical approach and sensitive consequences. Following are the major challenges faced when adopting Cost Competitiveness strategy;

1. Excess reliance of cost competitiveness will result in less focus in other areas.
2. Each step in achieving Cost Competitiveness should be having at most care and any wrong step would lead multi faceted irrecoverable consequences.
3. Focus on Cost Competitiveness must be done only after ascertaining market demand and nature of Industry.
4. Cost Competitive strategy should not result in Disinvestment and blockage of capital.
5. Cost Competitiveness must be adopted only as a strategy to eliminate revenue leakage and must not be a burden to invest into new markets.

Conclusion

Cost Competitiveness is a system which must be introduced in an entity where there is capital expenditure more than what actually is required and measures can be adopted to improve profit figures by cutting short the costs. There are entities where systems are well framed such that no special Cost benefit strategies are in process however, the stages where the inputs pass through, are in better controllers of costs. In these scenarios, effort put in additional Cost Competitiveness strategy will result in failure and sometimes in uncontrollable disasters. Country like India has Buyers' Market and the seller is bound to produce what Customer actually requires and not that at what cost the seller decides. Too much focus on Cost will tempt him to reduce the prices to attract the customers which may give initial margin and he may not be able to survive in a competitive environment in the long run. An entity must first focus on improving Market Share with all Innovation and Strategy resources that he is acquaint with and after getting well established with a muscular customer base, Cost Competitiveness shall be implemented. It is always ideal that building Market Share may precede Cost Competitiveness. The Cost and Management Professionals have a pivotal role to advice the Management which has far reaching impact on the Business, especially with regard any decision based on adopting or discontinuing policies/ strategies related to Cost Control or High Value Investments. MA

rg0801@gmail.com

Cost Optimization –
Shared Service Center

SSC is a new organizational department which is set to take over all non-core activities from various BUs to gain efficiencies in routine processing by taking advantage of common practices and enabling technology and remove redundancies

CMA Ramesh Kumar Ganti
Freelance Professional
Secunderbad

In current business environment of constantly increasing cost of all resources and high speed at which technology is changing, the management need to evolve new strategy for sustaining the important support functions to work at optimal level and hence Share Service Centre (SSC) business model was evolved to keep the cost competitiveness of running the various support functions of the organization.

Meaning of SSC

Sourcing in business world implies acquiring materials and services after evaluating various suppliers which is optimum to the procuring business unit's (BU) within an organization. A BU can either be a plant or/and facility which have independent support functions like Finance & Accounts, HR, Admin, and IT. These BU's source the materials and services on their own and depend on head office mainly for budgeting and consolidation activities.

There are effectively 2 ways to optimize the sourcing of BU functions and they are:

Either "OUT-source" the sourcing activities to external 3rd party service providers; OR

to "IN-source" the sourcing activities by creating a shared service centre (even called Global Business Services or Global Business Centre)

The Company board, before a decision is taken to IN or OUT the sourcing activities, a thorough evaluation is done and will involve below high level parameters:

1. Cost of performing the activity (total cost of ownership of the process)
2. Is the process a core or a non-core for the BU
3. Risk and control
4. Technology enhancements
5. Improving the efficiency and effectiveness of the process

The above are only few important among other parameters.

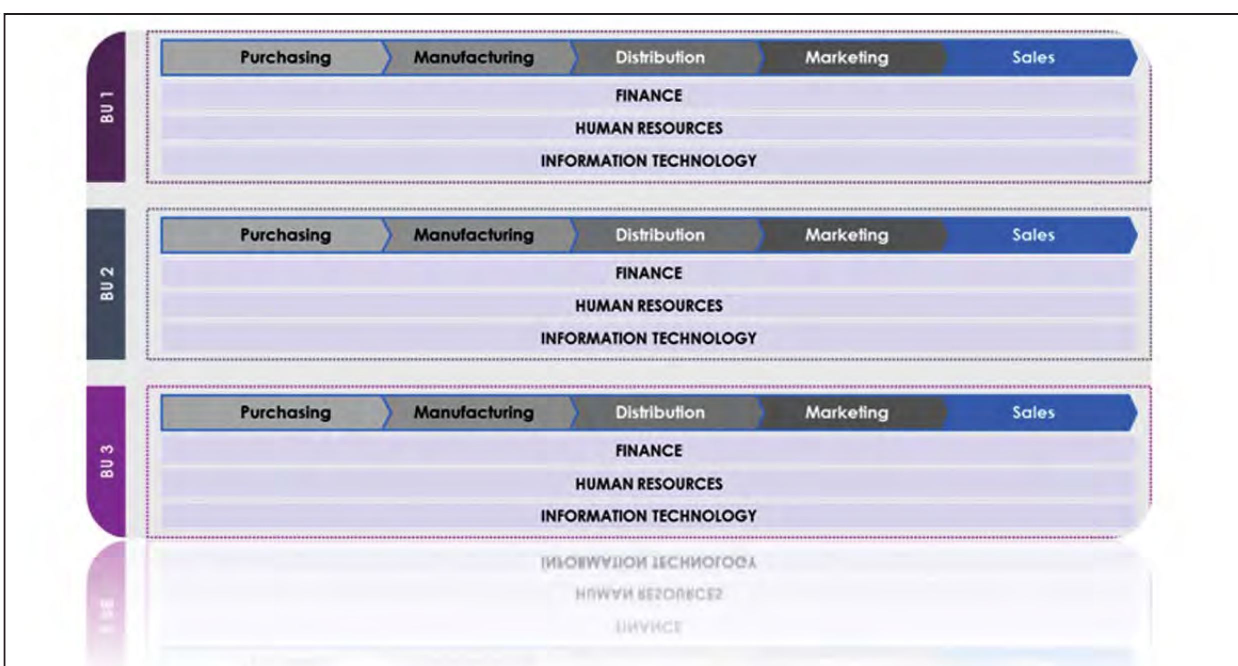
CMAs play a very pivotal role in arriving a decision to "make" (i.e. IN-source) or to "buy" (i.e., OUT-source). The project report will involve a detailed cost/benefit analysis, cash flow statement, IRR calculation of investment for SSC, project plan, project execution team, risk plan, among others.

In this article I will mainly focus on Shared Service Centre (SSC) setup i.e. IN-sourcing of BU's non-core activities.

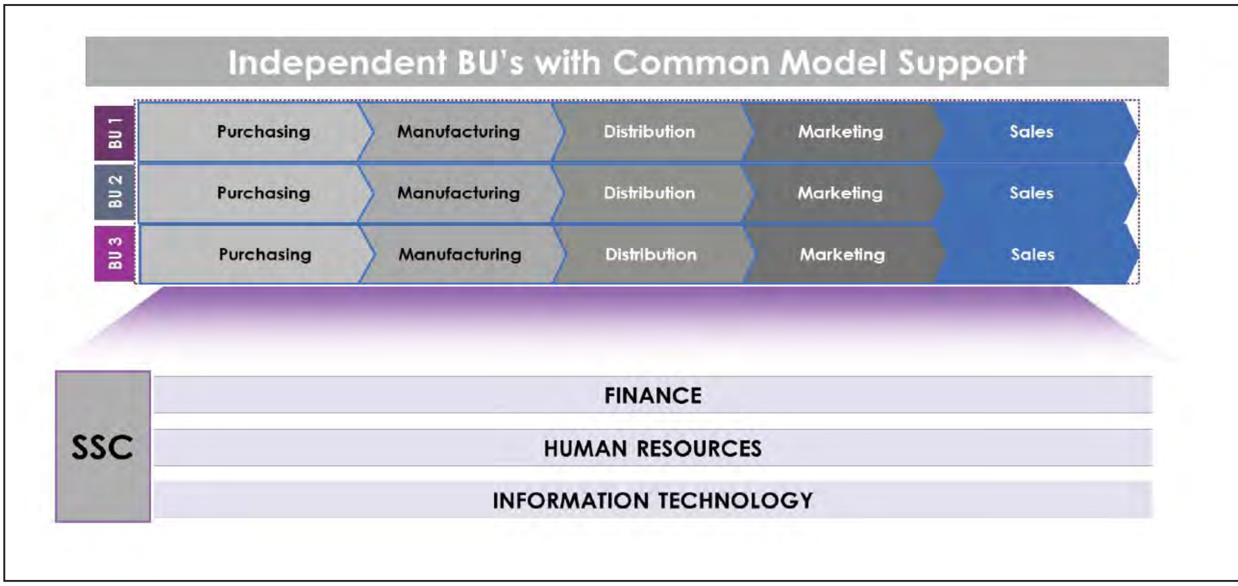
Org structure Pre- and Post- set up of SSC

SSC is a new organizational department which is set to take over all non-core activities from various BU's to gain efficiencies in routine processing by taking advantage of common practices and enabling technology and remove redundancies.

Pre-SSC: as we can note each BU will have the support functions independently and working in silos, which leads to redundancy of tasks, lack of negotiation capabilities with suppliers/vendors, non-standardized processes, additional resources, MIS and consolidation will take time, risk & control will be for each of the BU's



Post-SSC: the BU's can more concentrate on their core activities and let IN-source the non-core activities to SSC. Post setting up of SSC the departmental org structure will be as given below:



The advantages of the IN-sourcing by setting up SSC are given below:

- Cost reduction as all resource will be co-located at same place there will be optimization
- Standardization of way of working
- Faster processing
- Thru spend analytics better negotiation with suppliers to procure the materials and services at best prices
- Improvement in processes
- Better control over risks

SSC journey from set-up from Stabilization to world class

In general there are 3 stages for SSC to mature and start giving benefits to the organization:

During initial trend in setting up of SSC the main objective was cost reduction. SSCs since then have evolved and focus has shifted from cost reduction to efficiency improvement, automation of processes, Service Level Agreement for various processes for best in class delivery, and become a strategic finance partner for the company.

There are mainly 3 phases for SSC to achieve its ultimate aim of delivering strategic value to the organization as envisaged by CFO and board members. The 3 main phased of SSC are as under:

***Phase I** - Setup and stabilization phase-* during initial 1-2 years company will have 10-15% of cost savings due to consolidation of resources, giving up space at each BU, multitasking of resources among others. In the starting years company will also gain on:

- Standardizing and streamlining the processes
- Documenting and mapping the processes
- Creating single point of contact across BU's

***Phase 2** – Development Phase* – during 3-6 years of functioning of SSC there will be further cost saving of almost 15-20% (henace by end of 6th year of SSC the total cost saving will be in the range of 25-35%). Further the below benefits will accrue to the organization as a whole:

- Greater knowledge of processes and improving the activities for increased efficiencies
- Turning data into analytics for the organization to take informed decisions (like spend analytics, supplier groupings, reduced procurement cost, improved coordination among BU's)
- Better productivity and stronger controls (mitigation of risks)
- Sharing of best practices

***Phase 3** – World Class Operations phase* – from year 7 onwards, the SSC will function at the best in class level. This will involve, automation of processes, real time dashboard of health of SSC, contribution of SSC towards organizational goals, integration of all functions to work seamlessly. Additionally the SSC and organization can have following achievements:

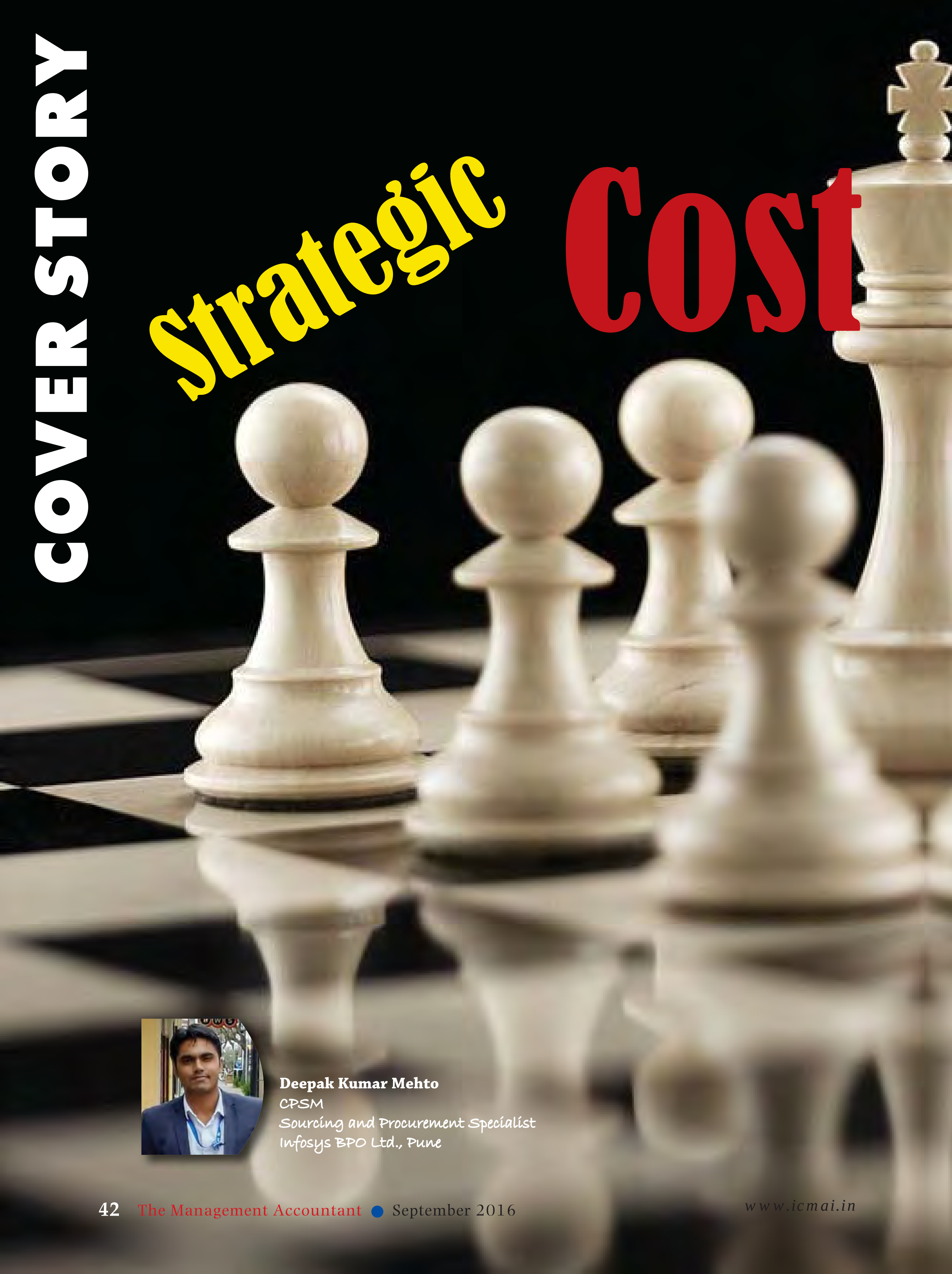
This article covers the steps which can be taken by organizations which are of mid to large size with multiple business units scattered at various locations (including at international locations) and they have support functions like Finance & Accounts, admin, HR, and IT. All these support functions work independently and not in coordination with other BUs. This article suggests ways to reduce the cost and improve efficiencies by adopting any of 2 strategies i.e. to outsource non-core activities to 3rd party service provider OR to create a new model of Share Service Centre and combine all the BU's non-core activities to be delivered by SSC. Further the article also covers different phases in life cycle of SSC from set-up > stabilization>development>world class. Also highlighted is what SSC will needs to achieve at each stage.

- SSC able to generate revenue by charging to BU's for the services provided
- Have a robust SLA in place which measures the performance
- Can be spin-off as a separate entity and provide service to larger industry
- Should be able to cater to international BU's (global scale of operations)
- Digitization of work flow (paper-less processing)
- Robotics Process Automation

Summary

SSC is a very robust model to implement for mid to large size organization which have many plants or BU's which are spread geographically. Immediate benefits can be felt in finance and HR operations. For SSC to be successful it should have complete sponsor of board, management and CFO should be involved for couple of years till it gets stabilized. MA

rkganti@hotmail.com



COVER STORY

Strategic Cost

Deepak Kumar Mehto
CPSM
Sourcing and Procurement Specialist
Infosys BPO Ltd., Pune

Analysis

Strategies are planned course of action for achieving the objective of any initiative undertaken at organizational/departmental/personal level. Strategies are designed and developed to impact key factors on which the success of initiative depends. Profit in very simple form is the difference of sales price and cost price. Companies cannot sustain profit levels by just increasing selling price, thus they have to work on the cost they are paying for manufacturing a product or providing a service. When the key cost drivers are identified, controlled and monitored then profits are positively affected. This activity is called as Strategic Cost Analysis.

Strategic Cost Analysis integrates cost data and strategy into every procurement initiative of an organization. Strategic Cost Analysis helps in identifying important resources and their judicious allocation for sustained success. The focus is on financial evaluation of various activities of organization for creating a competitive advantage. A successful organization always plans &controls costs and maintain information to make important commercial decisions. Initial step for understanding the cost drivers is to evaluate why a good/service cost what it costs. Precise and detailed cost data of the constituents of good/service can help in this regard.

Illustrative	Amount (Rs.)	Spend Reduction-10%	Revenue Increase-10%
Revenues	1000	1000	1350
COGs	700	630	945
Gross Profit	**300**	**370**	**405**
SG&A	150	150	185
Net Profit	**150**	**220**	**220**

Assumptions

I) COGS is 70% of Revenues

II) SG&A is 15% of the Revenues

In above illustration we see two strategies that could be employed to achieve an upward spike of 46.67% in net profit scenario, either work toward decreasing the cost of goods sold by 10% or increase the revenue by 10%. Depending on the feasibility of options, an organization can take correct course of action.Next evaluation is to determine the cost we believe we are ready to pay. Data like last price paid for the same good/service, prices paid by competitor etc. indicate a near about value. Lastly steps to improve are decided basis which strategies are made.Strategic Cost Analysis helps in: deciding product mixes and production volumes keeping wastage as minimum, eliminates unnecessary costs and helps in investing the reclaimed cost to other areas, countering suppliers' & competitors' activities and adapting to changes in customers' demands.

Strategic Cost Analysis integrates cost data and strategy into every procurement initiative of an organization. Strategic Cost Analysis helps in identifying important resources and their judicious allocation for sustained success.

When an organization analyze market through Porter's five forces (threat of new entrants, bargaining power of suppliers and consumers, threat of alternate good/service and intensity of rivalry among the existing firms), then the derived options for sustained profitability are cost leadership, product differentiation and focusing on niche good/service. Cost leadership is being a supplier that provides cheapest good/service but not always customer choose a product on just basis of price asked for it. Similarly following any one of the options may not be the ultimate baseline for an organization. Strategic Cost Analysis helps in identifying the correct option/s.

Organization use many approaches like cost accounting, management accounting, target costing, life cycle costing, ABC costing, Total cost of ownership etc. Quantitative approach of Cost accounting has been used for many years. Past and present cost data of an organization is recorded, classified and summarized under it. It helps to ascertain cost of production by identifying three major elements: material cost (direct and indirect), labor (direct and indirect) and overhead (production, office and administration, Sales and distribution etc.). Management accounting on the other hand works on both quantitative and qualitative approach by evaluating both financial and non-financial information to set goals and forecast strategies. It helps in preparing policies, strategies, budgeting, forecasting plans, making comparisons and evaluating performance of management.

ABC costing that is activity based costing helps in budgeting and fixing prices. It identifies activities in an organization and assigns cost of each activity with resources to all products/ services according to actual consumption by each. It segregates cost into fixed, variable & overhead and indicated cost drivers. It estimates the cost elements of complete product/service and helps in deciding to eliminate non value adding elements or re-engineer to improve processes.

Life-Cycle of a product/service go through stages from development or launch to growth, maturity, saturation and finally declination of sales. Cost vary through life cycle as high at initially due to investment in R&D. in Life cycle costing all costs are considered during the life cycle to understand what costs need to be recovered over the life of the product. Target costing is used in product development where we build a product which can cost under or up to an identified target cost. Target cost is determined basis the economy and customer purchasing interests. Target cost are aimed to be realized in mature stage of product life cycle. It is achieved through reducing costs before designing and identifying the gap between expected and target cost. Similar to life cycle costing, Total Cost of Ownership is a concept used to compare two different purchasing decisions. It encounters all the costs like pre-acquisition cost, purchasing costs, utilization & maintenance cost and salvage value.

Strategic Cost Analysis identifies appropriate value chains and assigns costs and assets to it. It diagnoses the cost drivers and help identify strategy to lower relative cost position through controlling cost drivers or reconfiguring the value chains. After this the cost reduction strategy is tested for sustainability. In the nut shell Strategic Cost Analysis is voluntary practice with no pre-defined rules and regulations thus the type of method depends on the size, structure and purpose of organization. MA

deepak.mehto88@gmail.com

Strategies for Staying Cost

Shri Anshuman Dey
Assistant General Manager
Tata Motors Ltd
Jamshedpur

CMA Mukesh Poddar
Project Manager
Tata Technologies Ltd
Jamshedpur

Cost competitiveness is a mantra to keep our organization healthy and wealthy. It is like blood pressure of a human being which need to be monitored on periodic basis. The periodicity depending on current condition of the person. Depending on age, weight and other physical conditions, doctors recommend a range within which blood pressure need to be maintained. In addition, medicines are prescribed for immediate recovery and change in lifestyle is recommended for prevention of same. Similarly cost competitiveness for an organization need to be understood in overall perspective of business environment, organization structure and business strategy adopted. Depending on uncertainties and other critical factors of business environment, periodicity of evaluation of cost competitiveness need to be decided and monitored upon. Severity of cost competitiveness impact on short term and long term sustainable business strategies will

Competitive

govern corrective as well as preventive strategic action plans.There are certain business scenarios where the cost competiveness is the indispensable strategy for survival. However, for all business scenarios cost competitiveness is necessary but not sufficient condition for sustainable business performance. We will explain it in detail later and now we will go through few basic strategies to remain cost competitive.

Strategy of Meaningful Measurement

As we know "Things which cannot be measured, cannot be controlled and improved upon", cost competiveness of an organization should be measured in a meaningful way. Faulty measurement system is responsible of death of many reputed organizations and therefore it is all the more important to institute a culture of trust and truthfulness across the organization to develop the capability to evaluate any favorable or adverse situation in holistic and realistic manner. Unless what we measure, have some conceivable effect on decisions and behavior, the measurement system will not matter at all. If we cannot identify a decision that could be affected by a proposedcost competiveness measurement system and how it could change those decisions, then that measurement system has no value. History tells us that measurement systems themselves are easily distorted to suit reporting purpose. In today's ERP driven world, plenty of data are made available through system. However, the challenge is the synchronization of right data at right time at right place. To meet this challenge value based support from various departments and divisions across the organization need to be well coordinated preferably with top down approach. Today's industry is knowledge, technology driven and therefore each one's opinion/suggestion/advise need to be respected and comprehended in overall perspective to evolve a good cost competitive measurement system which may reflect through tailor made ERPs.Interestingly a well-designed Costing system embeds entire activities of an organization to get the cost & Profitability of the Product/services in which the complete organization is directly or indirectly engaged with. A customized Product costing, Profitability Analysis system considering organization relevant key performance indicator must be developed and updated time to time with the change in the processes to have a meaningful measurement system.

Strategy of Strategic Cost Analysis

Strategic Cost analysis can make organization focused on meaningful cost competitiveness through which one can avoid or escape from competitive pricing trap. It is a three step process. First step to diagnose changing cost economics from the raw materials stage to the final price paid by the consumer. It involves constructing a value chain, a diagram that shows the value added at each step in the whole market process and exposes shifting cost components.Second step is to assess the long-run shifts in the cost position of competitors relative to one's own.Third step is to factor the implication of future inflation into own costs and those of the competition.

Given the realistic probability that rising capital and operating costs will affect each competing company in different manner, it is important for each company to probe the nature and size of the differences in order to understand the potential shift in competitive advantage. This is where a value chain comes in.To use it, a company must recast its own historical cost accounting data into the principal cost categories that eventually make up the value of its product. However, estimating the same cost elements for its rivals is a difficult and challenging task which usually gets addressed through market intelligence. The principal cost categorieswhere relative cost shifts can occur are of three main areas: (1) suppliers (2) company's own segment (3) forward channels.Plainly, the chain's makeup will vary from company to company as well as from business segment to business segment (product line, customer type, geographic area, or distribution channel). Although it makes sense to start with a value chain for a whole business, searching for variations by segment can reveal important differences in each product's cost competitiveness and the company's unwitting cross-subsidy of unprofitable products.

In value chain analysis (Refer Fig 1.1) we get a flavor of relative positions of operating and capital cost structure. When company is less affected by both relative operating and capital cost increases, company is in an excellent position to use your low-cost stance to win a higher market share by offering a lower price. Companies in the middle (either more or less affected by two variables) have less clear-cut strategies. Only a detailed analysis will reveal the trade-offs between higher and lower capital costs and lower and higher operating costs and what to do about them. In case both operating and capital costs are higher than those of competitors, company is about to be caught in the pricing trap and at the same time it would be hard to hold market share and, more important, company can't invest due to cost disadvantage in the short run (because the new capital requirements are unattractively high and leave no room for a return on investment at going market prices for the product).

		Capital Cost with respect to competition	
		Lower	Higher
Operating cost with respect to competition	Higher	Trade – off with detail analysis	About to caught in pricing trap Hard to hold market share
	Lower	excellent position to use your low-cost stance to win a higher market share by offer-ing a lower price	Trade – off with detail analysis

Fig 1.1

Strategy of Value Analysis & Value Engineering

Value Analysis is a creative approach which has its purpose of efficient identification of unnecessary cost i.e. cost which provides neither quality nor use nor life nor appearance nor customer features. It assesses product functions and value to cost ratios and explores opportunities for cost reduction. Value Analysis technique is used for existing products whereas Value Engineering technique is deployed for new products used to create functional break through by targeting value mismatches during product, process and project design.

The key focus of the Value Analysis approach is therefore the management of 'functionality' to yield value for the customer. If a company seeks to reduce the costs of producing a product, then it must seek out costs that are unnecessary or items of the product that provide no functional value to the customer. With this approach then the Value Analysis process is concerned with removing a specific type of cost. This cost can be removed without negatively affecting the function, quality, reliability, maintainability or benefit required by the customer. As such, the target for all Value Analysis activities is to find these costs as opposed to simply re-engineering a product design with noreal purpose to the re-engineering exercise. The Value

Analysis approach is therefore formal and systematic because it is directed towards highlighting and dealing with these 'recoverable costs' of production. The objective is to create value for money as opposed to creating new products that do not provide customer satisfaction but are relatively inexpensive.

It is a five phase process: Phase 1 (Orientation Phase): In this phase project and project team are selected. In reality, the selection of the product will be based on criteria that is specific to the business but it is preferable to start with a product that is sold in volume at a profit rather than attempting to correct a product that does not make a profit. Phase 2 (Functional Analysis): FAST (Functional Analysis System Technique) diagram approach is a standard practice adapted. Through this process primary and secondary functions are identified. Phase 3 (Creative Brainstorming): Alternate options are identified. Phase 4 (Analysis and Evaluation): Cost function matrix is designed to cost an existing product, service or system by function. Attributing cost to functions brings in perspective the costs to satisfy a function. By this approach one can estimate whether proper cost allocation to correct function requirement is ensured. Phase 5 (Implementation): It is a 3W process (What, Where, When) with top driven approach.

Strategy of "Sense and Respond System"

Cost competitiveness is measured on periodic basis. Once it is measured, corrective actions are taken and monitored till the next phase of measurement comes. In this orthodox system, organization is not agile enough to sense situations in advance and respond accordingly and effectively instead of waiting for the current action being evaluated in due course of time. In today's business environment, where political, environment, social, technology aspects are changing so fast that uncertainty factors are continuously increasing, any medium and long term strategy must be flexible enough to accommodate interim corrections as effective respond mechanism. The response mechanism may be either in terms of a) elimination b) creation of an activity or c) increasing d) reducing some correct factors of decision content. The organization structure and culture needs a certain level of maturity to welcome this kind of intelligent adjustment to ensure sustenance of business performance. Organizational procedures and systems prefer to be tuned towards a culture of result oriented accountability rather than process oriented accountability. The present status of cost competitiveness is an outcome of past decision and it will continue to do so in future unless we intervene in present. Flexibility in adaptation and adaptation of flexibility in cost competitive measurement and decision making system can ensure excellence in cost competitiveness. It is easier said than done. The bigger the organization the bigger the challenge for successful adaptation of "sense and respond strategy".

Conclusion

Today's business environment is becoming extremely complex and to grasp all the complicated changes taking place in the business environment is a tough assignment for a manager. How then should we go about tackling the still tougher assignment of formulating strategic plans for cost competitiveness. We can do so by classifying company's business in four categories:

To use value chain, a company must recast its own historical cost accounting data into the principal cost categories that eventually make up the value of its product. However, estimating the same cost elements for its rivals is a difficult and challenging task which usually gets addressed through market intelligence

Category 1:

This type of business consists of industries in which demand fluctuates in direct response to current economic condition (For example consumer durables) and the market has reached a matured state such that company shifts attention from market coverage and penetration to manage fluctuations in demand. Company will incur a loss every time there is a slump in demand. In such case cost competitiveness will be through lowering the breakeven point by increasing the ratio of variable to fixed cost. The urge to invest in additional production facilities must be restrained in favor of subcontractors, again in the interest of increasing the proportion of variable cost.

Category 2:

The market for these products remain much the same as in the past with no major fluctuations (For example Aluminum smelting, Textile etc.). Industries get impacted because of sharp rise in the cost of energy, materials and labors.In such industries where competition is international, cost competiveness through lowering breakeven point by reducing the operational cost will certainly help but will not be sufficient. Other strategy like Mechanical automation, Technological enhancement, Robotics can be introduced to construct an efficient plant will also help. At the same time, here the top management must seriously consider the possibility of vertical integration to restore the competitiveness.

Category 3:

The industries typically are heavy capital goods – have seen their prospect of high growth severely dampened by rise of price of oil and other fuels (For example Electric power industry). The strategy of reducing the break-even pointby increasing selling price will not help much. For this type of industry, price cost structure changed much to its disadvantage and a company producing capital goods will not stay viable for long even if it attempts to operate at a low breakeven point. But lowering the Break-even point by reducing its Fixed cost will be the right approach. It will either have to diversify into a different field or dispose of some of its large fixed assets which is now no more required and prepare to survive in a period of slump with almost no prospect of growth.

Category 4:

The industries in which product life cycles are getting progressively shorter (For example electronic industries). Market though highly technology intensive behaves like fashion industry. To cope with problems of shorter product life cycles, many companies need to realign their research and development efforts from basic to applied research – some companies even moving to shift control over research and development from engineering or production to marketing and thereby building their cost competiveness. Few are using computer-aided design and Manufacturing (CAD-CAM) to slash the turnaround time in Product design. Here the company must be prepared to move in fast the moment the market appears, grow profitably with the market and pull out smoothly when competitors are beginning to catch up.

Faced with the challenges of new economic environment the manager must decide in which of the above four business categories company belongs and based upon the identified category of business strategy of cost competitiveness can be deployed though general approaches like Lowering breakeven point, Vertical integration, Restructuring the industry or Product life cycle acceleration. MA

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Mukesh.Poddar@tatatechnologies.com

Input Cost of some External Factors

India Vs China

CMA S Srinivasan
Practising Cost Accountant
Chennai

For many consumer products, China has become the factory for the world. Due to comparatively lower price emanating from lesser cost of production, its products are sought all over the world. What makes the Chinese to produce goods at lesser cost than that of the others? Are the Indian -firms competitive enough with respect to their Chinese counterparts? To answer these questions, some important cost- elements are analysed in this study taking a Textile Yarn as reference.

The study attempts to identify the "external" factors of an organisation that contribute to lower cost for the Chinese manufacturers .The "External" factors identified are listed below.

A glimpse on the other internal factors like labour productivity and market determined rates like Cotton prices in China and India are also presented. Some details on number of workers disputes in China are also given for information.

The study also derived data on performance of a typical Spinning unit in China and India, for which conversion cost is taken as reference for the comparison of performance.

For China, other factors like cost advantage due to undervalued currency, minimal workers' health and safety regulations, lax environmental regulations and their enforcement, a highly efficient "industrial network clustering", the catalytic role of foreign direct investment (FDI) etc are NOT studied as it seems the reasons for a lower "China- price " extend well beyond these issues.

Why China and Textiles?

Although other countries like Bangla Desh, Vietnam, Indonesia, also compete with India by pricing their textile products at lower prices, it is China that gets a major market share due to its least price. So, the preparations to combat the Chinese- products in the international market are the preparations to combat products from any other countries in the world.

India -like China has a long experience in manufacturing textiles and necessary skill levels in producing any textile product are available, yet India could not beat China in the international market. Steps should be taken to lower the cost to effectively compete with China.

Factors compared

1. Overview of cost comparison
2. Comparative Labour Cost
   - Comparative Productivity.
   - Working hours/week.
   - No: of public holidays.
   - Overtime rates
3. Comparative power and diesel rates,
4. Comparative Bank Lending Rates
5. Comparative Tax details
6. Export Incentives/Assistance
   - Comparative cotton and yarn prices in respective markets.
   - Comparative cotton- area, production and yield.
   - Comparative Govt.assistance / Minimum support price for cotton.

Overall view of Cost Comparison.

The table below gives a snap shot of comparison of various essential cost-element of a typical Spinning Mill of 40,000 spindles working round the clock for 302 days in a year producing 4,000 tonnes per annum of yarn of average count Ne32-34s.

(The costs and revenue data are to be taken as approximate representative figures to draw some broad conclusions)

Typical Marginal Cost Statement of a Spinning Unit (Period:Oct- 2010)				Figs p.a			
Particulars		**China**			**India**		Ch-Ind
Count 32Ne	**S/Kg**	**$(000)**	% on sales	**S/Kg**	**$(000)**	% on sales	Diff.(000)
Sales qty(Kg000)		4,000			4,000		
Sales	3.87	15,480	100	3.40	13,600	100	-1,880
R.Mat'l	2.92	11,680	75.45	2.16	8,640	63.53	3,040
Power+Diesel	0.250	1,000	6.45	0.294	1,176	8.65	-176
Variable Cost	3.17	12,680	81.90	2.454	9,816	72.18	2,864
Contribution	0.700	2,800	18.1	0.946	3,784	27.82	984
Labour	0.209	836	5.40	0.212	848	6.23	12
Interest	0.112	449	2.90	0.187	748	5.50	-299

Typical Marginal Cost Statement of a Spinning Unit (Period:Oct- 2010)				Figs p.a			
Particulars		**China**			**India**		Ch-Ind
Count 32Ne	**S/Kg**	**$(000)**	% on sales	**S/Kg**	**$(000)**	% on sales	Diff.(000)
Other Fixed Cost	0.251	1,004	6.49	0.544	2174	15.99	-1170
Profit	0.128	511	3.300	0.0035	14	0.1	-497
Conv Cost	0.822	3,288	21.246	1.24	4,946	36.36	-1657

Conversion cost=Sales-Profit-RM Cost. All the cost calculations are shown in the annexures.

From the above table it is clear that the following costs need to be reduced in Spinning Units to effectively compete with China. Some require Government intervention and some require inward looking of the units. The difference in "Conversion Costs" is a whopping S 1.65M per annum for equal production.

Other fixed cost(include Factory Overheads that includes depreciation,Administration OH , S&D OH and the like-but other than labour, power& fuel-)~difference of $1,170,000.This again confirms the oft repeated rhetoric that Indian units suffer from high fixed cost burden and Textile units are no exception to this malady.

- Interest difference of $299,000 p.a
- Power & Fuel difference $176,000 p.a
- Labour difference S12,000 p.a

The assumptions on the various cost elements are discussed further below.

Assumption on Profit %:

The Profit % for India is taken as per the Q3 -2010 results of Textile units in the Southern Region of India - where the textile units are predominantly Spinning Mills.

Financial Performance—Southern Region (India)-Textile Units

As % of Operating Income

Net Sales	100	100	100
Raw Material Cost	61.7	60.9	61.2
Employee Cost	8.0	7.5	7.7
Power & Fuel cost	5.1	4.4	5.6
Other Operating Cost	16.8	16.4	14.2
OPBDIT	8.5	10.7	11.4
Interest	8.5	5.6	5.5
Depreciation	6.3	5.8	5.8
OPBT	-6.3	-0.6	0.1

Source: CII Publication: Jan-Mar2010

China: Details of Net Profit/sales in Textile Units

Year	% Net Profit/Op.Income
1980	20
1990	6.1
1995	3.2
2001	3.3

(Source:www.nrdc.org/international & http://eprints.sussex.ac.uk)(2010HYPERLINK "http://eprints.sussex.ac.uk)(2010)/")

Raw Material Cost

Annexure-1 &1a show the cotton cost per Kg in China and India during the period Jan 09 to Apr 10.Using regression equation, the price in Oct 2010 was derived.

China is the largest producer of cotton and yet it imports cotton to meet its high local demand for cotton and therefore, the cost to its textile mills is expected to be more than that in India.The price of cotton in Oct 2010 in China was about 30% more than that of India.

	China		India	
Lint Price S/Kg	Gr 328	2.60	S-6	1.99
Clean Cot(89% realisation) $/Kg	2.92		2.16	

It is presumed that similar level of technical skill is available in both the countries and therefore, both India and China have the same level of yarn realisation % from similar cotton.

[Cotton Gr328 of China and S-6 of India are similar cottons].

For India, the savings in cotton price per Kg of yarn sold is $0.76 and consequently an Indian Spinning unit of details said above, should gain about USD 3 million per annum on raw material cost when compared to the units of China.

Yarn Price

Annexure-1b,1c show the yarn price in China (in mid Oct.2010) in Chenguyi Market and Indian Cone yarn price in Mid Nov 2010. For cost comparison Count 32-34 Ne is taken.

Period Oct/Nov 2010.

China Price		India Price	
Count	S/Kg	Count	S/Kg
32-34	3.87	32-34	3.40
40	4.24	40	3.78

It may be noted that the price difference between 32-34 and 40Ne was almost same ($0.37 to 0.38 in both the countries).

Compared to India, the yarn price in China was about 14% higher and thus to some extent it could compensate its 30% higher cotton cost. With this higher yarn price in China, the difference in RM/Sales ratio between the two countries remains at 12%(China 75.5%, India 63.5%).

Labour Cost & Productivity

- **Minimum Wages**

  Effective from Jul 2010,the minimum monthly basic wage in China had been -Yuan 900 while the average of the actual has been around Yuan 1,000.The total wages including allowances has been about Yuan 1,300($ 200). After considering Chinese statutory working hours of 44 per week, the wages/hr is $1.05(^),the comparative figs for India are : Basic Rs 6,000,Allowances Rs.1,200, and the total is $160 p.m and for 48 hrs/week, the wages/hr is $ 0.78.

  It may be noted that labour wage is not cheaper in China but labour cost per unit output is. The tilt comes from labour productivity.

  (^)China: ($/hr) Wvg;Skilled-1.45, M/c tenter-0.76,Unskilled-0.66.(Vide Annexure-2a for details).

- **Labour Productivity**

  An earlier study(around mid 1970) has placed China-labour productivity at 13.7% of that of the U.S and India at 10.5% (of that of the U.S) meaning that Chinese labour is 30% more productive than the Indian counter-part. (Vide Annexure- 2c).

  Although this report shows a questionable wide gap between US on one side and China and India on the other side, but what is of relevance to this study is the relative productivity level between China and India. It is presumed that although the actual productivity levels would have improved in both the countries in recent years with respect to the U.S, the relative position between China and India would have remained the same.

  Annexure 2d gives the list of public holidays in China & India. It is to be noted that China declares even half holiday and in some cases, the holidays are applicable only to certain sections of the public like women, youth, children, armed forces etc and India should take a leaf from China on this issue.

- **No: of Legal/Public Holidays per annum**

China	India
11	14

Loss of three working days in a year is equivalent to about 1% less production for India w.r.t China.

Between China and India after considering "Sundays" or any one day per week as the weekly off and

a) different number of public holidays(i.e 11 Vs 14) and

b) different Over time rates (i.e.1.5 Vs 2.0)

The effective wage rate per hour works out to S 1.21 for China and $ 1.23 for India (Vide Annexure 2e). The computed wage bill p.a for China & India is shown in Annexure-2g and they are also used in the Cost Statement given in the initial part of this article. As said earlier,India loses $12K p.a.in labour cost.

India:To get an edge over China in textile manufacturing, if its wage hike cannot be avoided, a correspondingly more increase in productivity than the wage hike is required. Also reduction in no: of holidays and O.T rates will also help in getting an advantage in labour productivity but the practicality of implementing this suggestion is quite difficult considering resistance from labour unions and thus leaving increase in productivity as the plausible option. The higher productivity should also emerge on improving the working "atmosphere"(Eg: labour training, better maintenance, better layout, adequate ventilation, incentive for less absenteeism etc).There may be some investment that yield more benefit than its cost.

- **Workers' Disputes in China**

  Trend in No: of workers disputes(000s)

Year	No:of disputes (000s)	No: of employ-ees(000s)	Disputes/100 employees
1994	19		
1995	33		
1996	48		
1997	71		
1998	94		
2001	155	467	33

Year	No:of disputes (000s)	No: of employees(000s)	Disputes/100 employees
2002	184	610	30
2003	225	801	28
2004	280	765	37
2005	314	740	42
2008	690		

Nature of disputes: Wage arrears, Frozen wages, CBA breach, Decrease in social benefits, Suspended O.T.

The right to "Strike" was removed from China's constitution in 1982.Trade Union Law (Art.27)is not clear on "Right to strike/Go slow" but in practice number of strikes continue to grow in China. (According to Min.of HR- China ,the rise in disputes over 2007,in some regions is quite high - Guangdong-41% Jiangsu-50%, Zhajiang-159%).

5.Utilities

Annexure-3 gives the comparative water rates in some countries in the world including China. As expenses on water forms a very small part of overall cost no further analysis was taken up.

Annexure-4,4a & 4b give details on electric-power tariffs, cost and impact for China and India. The power rate in China is $0.07/unit and for India (avg.of TN.Maha,GJ &Raj)is $0.085/unit. The power bill taken in the cost statement is worked out in the annaexure-4b The unfavourable impact of higher power rate in India is $164,000 p.a.(i.e $0.041/Kg yarn).

This is an important area where through reduction in the power tariff a large saving can be brought about in India. A substantial improvement in power generation and distribution are also required.

Annexure-4c gives the rates of diesel, coal, gas for China and some selected countries.

The diesel rate per litre is: China-0.87, India-0.93 resulting in higher cost for India of $12,000 p.a (i.e $ 0.003/Kg yarn) in power generation through Diesel Generating Sets used for captive consumption due to (8%) power shortage.

6.Bank lending Rates:

	China	India
Avg rate 2006-10	6.5%	11%
Highest 1998	11%	
Lowest(2002)	5.3%	
Bench Mark rate(PBC 1 yr -Lending)	5.6%	

Bank lending rates in China is nearly 40% less than that of India. Average Interest cost (as a % of sales) for Indian textile units is about5.5%

.[Source: CII Publication: Jan-Mar2010 Financial Performance–Southern Region (India)-Textile Units]

7.Assistance on Exports (China).

Tax Rebate%	2009	2010
General Item	14	15
Textile	11	9
Clothing/Apparel	13	9
~~	~	~
Rebate rate for chemical fibres export %	9	5
Cotton Export subsidy/Kg ($)	N.A	0.29

Source: www.gov.ch/english/2007-04

In China, in line with WTO agreement, the incentives, assistance, subsidies are getting reduced gradually and therefore, the international price of various Chinese goods is likely to increase over the years to come.

India: Export Assistance:

Export Promotion Scheme(Target Plus)

Exporters who have achieved quantum growth in export-entitled to duty free credit, when incremental exports are substantially higher than the general actual export target.

Target for 2004-5 was 16%.The lower limit of performance for qualifying for the reward was at 20% for current year(2009-10). For incremental growth over 20,25 and 100%,the duty free credits would be 5,10 & 15% of FOB value of incremental export.

Legal Aid

Financial assistance would be provided to deserving exports on the recommendations of Export Promotion Councils to meet cost of legal expenses connected with the trade related matters.

EOUs

EOUs shall be exempted from Service Tax in proportion to their exported goods and services. EOUs shall be permitted to retain 100% of export earnings in EEFC accounts. Income Tax benefits on plant and machinery shall be extended to DTA units which convert to EOUs. Import of capital goods shall be on self-certification basis for EOUs. For EOUs engaged in Textiles & Garments manufacture leftover materials and fabrics up to 2% of CIF value of quantity of import shall be allowed to be disposed of on payment of duty on transaction value only.

8.Tax Details: 1.1.2008

Tax Details%	China	Remarks	Tax Details %	India	Remarks
Corporate	25	All	Corporate	30	Foreign
Corporate SSI	20		Indian Cos.	33	Incl.surcharge
Corp Hi-Tech	15				
VAT	17		CENVAT	10.3	
VAT(Tex &Gar)	16		Service Tax	10.3	
Utilities	13		VAT	12.5	
Books etc	4		Dividend,Interest	20	Non-Treaty
SSI	6		-Do-	15	Treaty Nations
Business Tax	3-5	If NO VAT	Royalty	30	Non-Treaty
Entertainment	20		-Do--	20	Treaty Nations
Consumpn Tax	3-45	On Non-essential			
Land Appreciation	20-40	On all immovables	S.T.Income Gains	55	All
Personal I.T(Max)	45			30	
Financial Year		1Jan-31 Dec	Financial Year		1Apr-31 Mar
W,H,Tax(Div,Int)	10	Reduced to9% in 2010	TDS	10	
Local Real Estate Tax	1.2	On assessed value			
Local Real Estate Tax	12	On Lease Value			

Due to the above mixed information , it is difficult to quantify the benefit for China and it can be presumed that there is no significant pecuniary disadvantage for India.

9.China: SWOT analysis w.r.t India (Textile Yarn)

A) Strength:

- One of the low power –tariff countries in the world. Cheaper than the rate in India
- High labour productivity resulting in least effective wage cost.
- Overhead costs are very less.
- Bank interest rates are less.
- Higher cotton yield (150% of world average) and double that of India.
- One of the world leading Chemical fibre producers- a substitute for cotton which is in short supply. This helps in better utilisation of the installed capacity when cotton is in short supply.
- Higher export incentives.
- Less corruption in Bureaucracy
- Illiteracy rate <2%In this illiterate women are 70%(Compulsory and free education till age of nine).

B) Weakness:

- Finer yarn counts like 80s C, 100sC and 120sC are produced a little,throwing opportunity for India to sell finer counts in world market with least competition from China.
- Increasing labour shortage and hence expected rapid rise in wage rates in coming years
- Consumption exceeding production and increasing dependency on cotton import
- Reduction in incentives/subsidies in line with WTO requirement will push the price up.
- Excessive dependency on external textile trade(40% of production is exported)
- Due to massive economic development, importing massive energy resources (oil,coal etc)leading to increase in the global price which affect China due to its heavy import of energy.
- Negative image on quality in some parts of the world.
- Chinese industry depends much on Government, for protection.
- Maoism, due to which FDI shy away from China.

C) Opportunity for China.

- Withdrawal of western countries from labour intensive textiles/clothing industry and shifting these units to China.
- Energy shortage results in development of unconventional energy like Wind, Bio-mass, solar, ocean-waves in China.

D) Threat

- Appreciation of Yuan resulting in lesser yield of Yuan from export.
- Compulsion from the world through WTO, to reduce assistance to cotton growers (resulting in less cotton growing

and rise in local prices),export subsidies, avoid child labour, counterfeiting and piracy, lax environmental regulations and enforcement, of safety and medical care for workers and allow free trade union activities.

- Increasing labour disputes
- Labour-cheap S.E.Asian countries catching up with China
- With one child policy aged(less productive)work force is expected in next 10 years.

10.Conclusion

The study points out the areas requiring attention for improvement in India to meet international competition. With educated labour, training, persuading trade unions for higher labour productivity , better working environment etc.productivity in India can be increased. Surplus Power generation with possible reduction in its tariff, lower fuel cost and bank interest rates, will reduce cost of production. Higher yield on cotton cultivation will also help in reducing cotton prices.

Remarks

Many authors have written about difficulty in getting reliable information on China. The author also experienced the same but has quoted the source of information wherever available.

Annexure-1:
Cotton prices in China (Jan 2009 to April 2010) Regression line fit

Period	Cot.Lint Prices			
(X)	(Y)	(x)=X-Mid pt	(x.Y)	x sq.
2009	S/kg			
Jan	1.62	-7.50	-12.15	56.25
Feb	1.64	-6.50	-10.66	42.25
Mar	1.68	-5.50	-9.24	30.25
Apr	1.80	-4.50	-8.10	20.25
May	1.81	-3.50	-6.34	12.25
Jun	1.81	-2.50	-4.53	6.25
Jul	1.82	-1.50	-2.73	2.25
Aug	1.83	-0.50	-0.92	0.25
Sep	1.91	0.50	0.96	0.25
Oct	2.00	1.50	3.00	2.25
Nov	2.07	2.50	5.18	6.25
Dec	2.17	3.50	7.60	12.25
Jan 2010	2.18	4.50	9.81	20.25
Feb	2.17	5.50	11.94	30.25
Mar	2.28	6.50	14.82	42.25
Apr	2.37	7.50	17.78	56.25
16	31.16	0.00	16.41	340.00
N	Sig(Y)	Sig(x)	Sig(x.Y)	sig x sq
a=(sig Y)/n	31.16/16=	1.95		
b=sig(x.Y)/sig(x sq)		16.41/240=	0.048	
Y=a+bx	For Oct2010 (x)=	13.50		
	Y(Oct2010)=	1.95+(0.048X13.5)=		**2.60**
Expected	**Cot.price per Kg in Oct2010=**	$ 2.60		

N.B:China Cotton Index- 328 stands for Gr-3, Staple 28mm. Source: Emerging Textiles.com

Annexure -1A

Trend in Cotton prices in India (Jan 2009 to April 2010) Regression line fit

Period	S-6 Cot.Lint Prices			
(X)	**(Y)**	**(x)=X-Mid pt**	**(x.Y)**	**x sq.**
2009	S/kg			
Jan	1.22	-7.50	-9.15	56.25
Feb	1.16	-6.50	-7.54	42.25
Mar	1.1	-5.50	-6.05	30.25
Apr	1.18	-4.50	-5.31	20.25
May	1.35	-3.50	-4.73	12.25
Jun	1.35	-2.50	-3.38	6.25
Jul	1.37	-1.50	-2.06	2.25
Aug	1.36	-0.50	-0.68	0.25
Sep	1.31	0.50	0.66	0.25
Oct	1.4	1.50	2.10	2.25
Nov	1.51	2.50	3.78	6.25
Dec	1.62	3.50	5.67	12.25
2010				
Jan	1.63	4.50	7.34	20.25
Feb	1.6	5.50	8.80	30.25
Mar	1.72	6.50	11.18	42.25
Apr	1.81	7.50	13.58	56.25
16	22.69	0.00	14.21	340.00
N	Sig(Y)	Sig(x)	Sig(x.Y)	sig x sq
a=(sig Y)/n	22.69/16=	1.42		
b=sig(x.Y)/sig(x sq)		14.21/340=	0.042	
Y=a+bx	For Oct2010 (x)=	13.50		
	Y(Oct2010)=	1.42+(0.042X13.5)=		1.99
Expected	**Cot.price in Oct2010= 1.99**			

For 2009 -10, Cotton Lint Price=$1.99

Annexure-1b

Market Prices-Yarn China: Changyi Mkt. $/Kg

	Oct10
Yarn $/Kg	China
OE16	2.44
OE21	2.85
OE32	3.43
21	3.65
32	3.87
40	4.24

Annexure 1c.

India Yarn Price per Kg		Dt: 13.11.10
S/Kg	Exchange@Rs45/$	
Cone Yarn	**This week**	**Last Month**
		Oct10
6s	1.67	1.67
10s	1.84	1.84
20s	2.93	2.82
30s	4.22	3.27
34s	2.73	**3.40**
40s	4.73	3.78

Annexure-1d

Cotton Yield Comparison China & India

		India	China	India	China
	Area	**Prodn**	**Prodn**	**Kg/Ha**	**Kg/Ha**
Year	**Hectre**	**000tons**	**000tons**		
1950-51	56.5			92	
1960-61	76.8			125	
1970-71	76.1			106	
1980-81	78.2	1336	2707	171	550
1990-91	74.4	1989	4148	267	750
1991-92	76.9	2023	5672	263	867
1992-93	75.4	2346	4510	311	660
1993-94	74.4	2066	3739	278	750
1994-95	78.6	2355	4342	300	785
1995-96	90.6	2893	4768	319	879
1996-97	91.7	3026	4203	330	890
1997-98	89	2686	4602	302	1016
1999=00	87	2652	3829	305	1028
2000-01	86	2380	4420	277	1196
2001-02	87	2686	5320	309	1103
2002-03	77			300	
2003-04	76			400	
2004-05	88			469	
2005-06	87			477	
2006-07	91			523	
2007-08	94			555	
2008-09	94			524	
2009-10	103			487	
2010-11	110			502	
1 Bale=	170 Kg	World avg 2010-11	Kg/hc-	700	

Annexure-2a Hourly Rate: China & India (Jul2010) after adj.of hrs/week

		China		India	
Exchange	1 US$		Y6.43		Rs45
Minimum	Wages pm	Yuan	900	Rs	6,000
Actual	Wages pm	Yuan	1,003	Rs	6,000
Actual	Allowance pm	Yuan	285	Rs	1,200
Total	Wages pm	Yuan	1,288	Rs	7,200
Total	Wages pm	$	200	$	160
Hrs	Per week		44		48
Total	Wages/hr	$	1.05	$	0.78

China:Actual wages in main cities: Shangai = 1,120, Guangdong,Zhenjing=1,000, Jiangsu, Shandong=Slightly less than 1,000

Annexure-2b Comparative Hourly Rate of different labour categories: ($) Jul-2010

	Skilled	M/C.Tenter	Unskilled
China	1.45	0.76	0.66
US	17.97	15.76	12.50`
Australia	14.98		11.51

Annexure-2c Hourly rate and productivity.

	Hourly Rate($)	Prod'tivity Index
U.S	16.78	100
China	1.05	13.7
India	0.78	10.5

Source:Economy,68 Varia 2006,The Economics of the "China Price",Peter Navarro'.

Annexure -2d Public Holidays in a year: China

Festival	Date	Legal Holidays
New Year's Day	Jan. 1	1 day
Spring Festival	subject to lunation	3 days (the last day of the last lunar month and the first and second days of the first lunar month)
Women's Day	Mar. 8	half day for women
Qingming Festival	Apr. 4 or 5	1 day
May Day	May 1	1 day
Youth Day	May 4	half day for youth above 14 years old
Children's Day	Jun. 1	1 day for children under 13 years old
Dragon Boat Festival	5th day of the 5th lunar month	1 day
Mid-Autumn Day	Aug. 15 according to the lunar calendar	1 day
National Day	Oct. 1	3 days (Oct. 1- 3)
Total		11 (for all)

Public Holidays in a year: India

1. REPUBLIC DAY 2010, ***2.*** INDEPENDENCE DAY 2010 ***3.*** MAHATMA GANDHI'S BIRTHDAY 2010. ***4.*** BUDHA PURNIMA 2010
5. CHRISTMAS DAY 2010 ***6.*** DUSSEHRA (VIJAY DASHMI) 2010 ***7.*** DIWALI (DEEPAVALI) 2010 ***8.*** GOOD FRIDAY 2010
9. GURU NANAK'S BIRTHDAY 2010. ***10.*** IDU'L FITR 2010 ***11.*** IDU'L ZUHA 2010 (BAKRID) ***12.*** MAHAVIR JAYANTI 2010.
13. MUHARRAM 2010 ***14.*** PROPHET MOHAMMAD'S BIRTHDAY (ID-E-MILAD) 2010

Total : 14 days *Source: www.india.gov.in*

Annexure-2e Hourly rate after adj.Working days, O.T rate & Prod.index

Base China	Hourly Rate($)	W.Days p.a=Tot-Sunday-H.days	OT-rate (10% W.days)	Eff.rate/hr	Prod.Index (P.I)	Eff.rate/hr. Aft.P.I
China	1.05	365-52-11=302	1.5	1.21	13.7	1.21
India	0.78	365-52-14=299	2.0	0.945	10.5	1.23

*Eff.rate/hr: China:1.05+(1.05*0.1*1.5)=1.21, India=(0.78*302/299)+(0.78*(302/299)*0.1*2)=0.945 per hour- both before considering Productivity Index. The hourly rate/hr after taking productivity index is China=$1.21 and India=$1.23*

Annexure-2f [Common Production &Kg/Labour-hr]

Avg gm/Sp.Shift	114
Utilisation	0.95
Spdls	40,000
days pa	302
OT (10%) days	30
Total days	332
shifts/day(22.5hrs/day)	2.8125
Tonnes p.a	4,045
Net of 1% H.W p.a (Tonnes)	**4,000**
No: of employees(base China)	**277**
Lab-hr pa(277X332X7.5=)	**6,89,730**
Kg/labour-hr	**5.800**

Annexure-2g

Cost figs in $	Same Employment of 277 persons in both		
Labour Cost	China	India	Remarks
Tot.Persons	277	277	Diff.in productivity adjusted in wage rates
Rate/hr	1.21	1.23	From Annexure 2e
Yarn Kg/labour-hr	5.8	5.8	From Annexure 2f
Rate/Kg	0.209	0.212	Ch=(1.21/5.8) Ind=(1.23/5.8)
Tonnes p.a	4,000	4,000	
Wages p.a ($000)	836	848	*Ch=(4KX0.209) , Ind=(4KX0.212)- Same Figs taken in Cost Statement also.*
			India loses about $12,000 p.a in labour cost.

Annexure-2h
China:Trend in total compensation per hour per employee

	2002	2003	2004	2005	2006	2010
In USD	0.57	0.62	0.67	0.70	0.81	1.05
In Yuan	4.73	5.17	5.5	5.94	6.43	6.76
Exchange USD-Yuan	8.33	8.33	8.21	8.48	7.94	6.43

N.B: Wages in China are rising and in 8 yrs, wages have nearly doubled in $ terms

The total urban manufacturing compensation in China is about 15% more than that in the rural centres.

China-Labour is well educated % higher wages and higher productivity may be due to this reason. So, Indian Textile units may employ persons with higher education.

Annexure-3 Water[$/cu.m(i.e.1,000lit)]

	China	US	UK	Germany	Brazil	S.Africa
$/cu.m	0.31	0.74	2.37	3.01	0.65	1.02

Annexure-4 Power

Power Calculations		0.25	0.450	0.200	0.100	Wt.avg	
		TN	Maha	Guj	Raj	India	
Exchange rate 2010		45	45	45	45	45	
Basic rate/unit 2010	Rs	4.00	3.40	4.00	3.90	3.720	
Other Charge2.5%		0.100	0.085	0.100	0.098	0.093	
Total	Rs	4.100	3.485	4.100	3.998	3.813	
Total $/unit	$	0.091	0.078	0.091	0.089	0.085	
KVA						2,000	
KVA Charge p.m	Rs	3.000	3.000	3.000	2.500	5,900	Avg.2.95
KVA Charge p.a	$					1,573	

N.B:Incentive on better P.F,higher load factor, late night consumption(22hrs-6hrs) and early payments, as well as penalty on low P.F are not considered above.

Anneuxre-4a
Power Cost in US$/Unit Yr-2007

	China	India	US	UK	Taiwan	Japan	Korea
	0.07	0.085	0.052	0.078	0.055	0.136	0.058

Annexure-4b Power Cost Comparison

		China	**India**
Utilisation		0.95	0.95
Spdls		40,000	40,000
days pa		332	329
hrs/day		22.5	22.5
No: of R/F		90	90

R/F KW (65%of tot)		16	16
Tot.KW		1,440	1,440
KW for the Mill		2,215	2,215
KVA(0.9)full load		2,462	2,462
Load factor		0.75	0.75
Effec. KVA for LF		1847	1847
Transformer KVA		2,000	2,000
Power Cut %		8	8
2215X0.75X0.92X332X22.5/=951		China 332 & India 329 days	
Kilo Units p.a		11,412	11,309
Tot.rate/unit($)		0.07	0.085
KWHr Bill pa($ 000)		799	961
KVA Bills pa($ 000)			**1.6**
Total Bill pa(S 000)		*799*	*963*
India loses S164,000 p.a			

Power Cut (Estimates) 8% in both China & India

Annexure-4c Petrol/Gasolene- US$/lit~0.946-(Ref. date 24.4.2010) Year 2006.

Item	Region	UoM	$(=Y 6.43)
Coal	Australia	Ton	61
	China	Ton	87
Crude Oil	World	Ton	638
Diesel **Diesel**	**India**	**Lit**	**0.93**
	China	**Ton**	**5,043**
Diesel	**China**	**Lit**	**0.87**
Nat.Gas	US	Mn BTU	53
	China	Cu.Mtr	2

Annexure - 4d Diesel Bill

Generation	**China**	**India**
P.Cut%	8	8
Gen Units p.a(000s)pa [China 11,412X8/92=]	992	983
Units/lit diesel	4.30	4.30
Diesel lit(000s) p.a	231	229
Rate($)/lit	0.87	0.93
Diesel Bill p.a ($000)	201	213
India loses S12,000 p.a due to higher diesel cost.		
Total Bill pa (Power+Diesel)	1,000	1,176
India loses $176,000 p.a in power bill w.r.t China		

Miscellaneous Details:
Productionof COTTON Mn tons. (figs in ( ) are %

	1961	2002	2004	2005	2006	2007	2008	2009
Production								Est
World	9.6	19.6	27.0	25.5	26.7	26.2	23.8	23.5
China	0.8(8)	4.9(25)	7.1(26)	6.6	8.0(30)	8.1	8.0(34)	7.3(31)
India	0.9(8.5)	1.9(9)	4.1(15)	4.1	4.8(18)	5.4	5.0(21)	5.3(23)
USA	3.1(32)	3.7(21)	5.1(19)	5.2	4.7(18)	4.2	2.8(12)	2.8(12)
Pak	0.32(3.3)	1.7(9)						
USSR	1.5(16)	1.4(5)						
Consumpn								
World			23.7	25	26.5	26.4	24.1	24.1
China			8.3	9.4	10.6	10.9	9.6	9.7
India			3.3	3.7	3.9	4.0	3.8	3.8
USA			1.5	1.3	1.1	1.0	0.9	0.9

Source:ICAC(USA) and FAOSTAT(Agriculture Database 2003)

Other Details:

	India	China	Remarks
(%)Share of Mfring in GDP(2006)	17	41	
(%)Share- text &clothing on tot.exports of all merchandise	20(2003-4) 15(2005-6)		Declining Share.
(%)population below poverty	36(1993-4) 27(2004-5)		Improvement

Source: Chapter 12 & 3 Book : India:The Emerging Giant" by Arvind Panagariya (Oxford University Press-USA)

The other factors affecting cotton price are:

Cotton Subsidy

Cotton subsidy from Government is an important factor that determines the local cotton price. The purpose of offering subsidy for cotton production is for raising farm incomes, preserving small farms and to reduce fluctuations in cotton prices. Subsidies reduce cotton price and due to difference in the level of subsidies given by different cotton growing countries, the local cotton prices differ and bring about different raw material cost to the textile units.

Govt.Assistance to Cotton Growers- US$/Kg

2001-2	Nation	1999/2000
0.47	US	0.75
0.23	China	0.43
1.37	EU	1.39
	India	See below MSP in India
=48%of avg.price	Avg/Kg($)2001-2	0.58
4,350	Tot.US$(Mn)	4,733

Source: ICAC 2000

Cotton exports are subsidised through direct payments made by the Chinese Government to exporting agencies. These payments attempt to bridge the gap between higher domestic prices and world prices. The government assistances in 2001-02 in S/kg are: China-0.23, US-0.47, EU-1.37, World average-0.58.

More than one-fifth of world cotton producer earnings during 2001/02 came from governments (of various countries) support to the sector

Minimum Support Price(MSP) in India

The other arm of the subsidy is minimum support price which induces farmers to cultivate cotton. The demand and supply situation determines the price. In China, procurement prices are generally set above world prices and provide producers with price support.

Govt Minimum Support Price(India) Rs/Qtl One Qtl=100Kg
For India: Source Hindu Business Line Jun11,2010

	2003/4	2005/6	2007/8	2009/10
Med.Staple	1,725	1,760	1,800	2,500
Long Staple	1,925	1,980	2,030	3,000

The average cotton price in 2009/10 was S1.45=Rs65.25/kg(@Rs45/USD)

Cotton Yield:

China's cotton yield has increased dramatically over the last 40 years. In the 1950s, the average yield was 225 kilograms/hectare. In the 1980s this increased to 750kg/ha and is currently(2001-2) at 1,177kg/ha.India's cotton yield in 2010 was 523Kg/hc(less than the world average of 700 kg/hc)while China' cotton yield is expected at 1,350Kg/hc.(Vide Annexure- 2d)

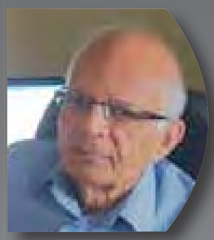
[Source:Understanding the impact of Cotton Subsidies on developing countries-WORKING PAPER -Ian Gillson, Colin Poulton, Kelvin Balcombe, and Sheila -May 2004]

India should put all out effort to improve cotton yield to get advantage from lower Raw material price and there is a vast scope for the improvement-considering that the present yield in India is about 30% less than that of the world's average. Higher yield will result in lower raw material price and it will be a great boon to textile manufacturers in India. MA

utexrwasrinivasan@hotmail.com

CORPORATE GOVERNANCE

THE LEANING TOWER OF



Vasant Raval
Professor, Heider College of Business
Creighton University
Omaha, Nebraska, USA

CA Alka Adatia
India

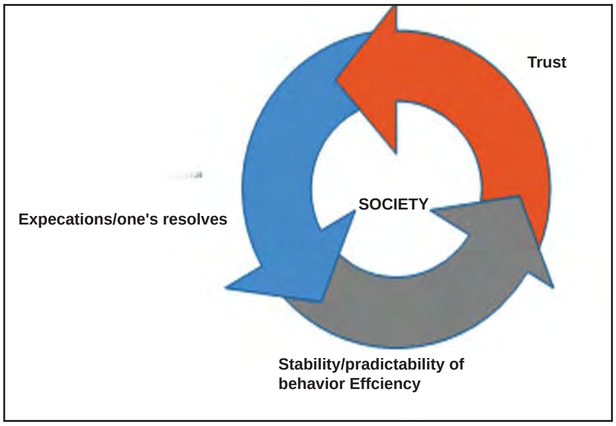
From its Greek root κυβερνάω [kubernáo], to govern means to steer in the right direction, an essential step in achieving almost anything. Like most other actions, governance too can be dictated from outside, which we call the compliance or rule-based approach, or be spirited from within, which we call the integrity or principles-based approach. Whereas we have seen a steep rise in the compliance mode of corporate governance, very little is evidenced in support of an alternative, the integrity approach. A purpose of this paper is to discuss this imbalance in today's corporate governance mix and suggest possibilities for embedding the integrity approach into the overall governance strategy.

CORPORATE GOVERNANCE

The foundation

Societies thrive on its members' trust in each other. Without it, stability and predictability of the group behavior would be precariously low, almost to a point where the social structure might suffer a complete breakdown. To quote Kenneth Arrow (1974, p. 23), "Trust is an important lubricant of a social system. It is extremely efficient; it saves a lot of trouble to have a fair degree of reliance on other people's word." Trust, visvas in Sanskrit, is compared to Oxygen. Just like life would not be a possibility without oxygen, societies would not be possible without the bedrock of trust (Schneier, 2012). Interestingly, we take almost ethereal presence of trust for granted, to a point where we do not even notice it. We trust, for example, that the laundry guy will deliver ironed shirts on time; that the subway trains would run uninterrupted; and that milk we buy in the morning is not poisoned. Figure 1 presents the trust cycle.

Figure 1. The Trust Cycle



Trust – its strength and reliability – depends on the society. Those who cooperate in complying with societal norms are called doves; because they do not violate trust, they are the key to sustainable trust in the interpersonal and inter-group relationships. But then not everyone cooperates, some defect some times and others may defect often (they are called hawks). When the hawks become active, one notices the trust gap. The debate concerning Mr. Vijay Mallya's motives and behavior in the media today illustrates this well. The defectors – violators of trust - cause turbulence in the trust levels and thus cause those in charge of governance(including regulators) to somehow contain the hawks. Fewer and more restrained the defectors, the more that the society will continue to thrive on mutual trust. Presumably, where a high level of trust exists, any impact of the compliance approach to governance would likely be modest, or may even go unnoticed.

What can the society do to contain the universe of the defectors? For this there are societal pressures, such as moral, reputational, and institutional pressures put in place (Schneier, 2012, p. 106). Another societal pressure, called security systems, is comprised of mechanisms that induce cooperation, prevent defection, induce trust, and compel compliance (Schneier, 2012, p. 104-105). Interestingly, moral pressures often are a matter of one's conscience, whileother societal pressures are externally induced.

A compromise of trust is a result oftwo interacting elements: the actor (agent, or doer), and the circumstances (context, mayain Sanskrit, the matrix) (Raval, 2016). Measures of governance that focus primarily on everything other than the actor's (executive, director, manager, employee, etc.) virtues belong to what we call the compliance approach. Guided by one's virtue, when the individual acts on his own will, he demonstrates the presence of the integrity approach. Butwhen the actor essentially considers existing rules as the best threshold for meeting the governance requirements, he sets in motion the compliance thinking. The integrity approach is likely to be more efficient; however, the developments on the integrity front are so limited that we have yet to learn how to engage it effectively in the overall governance mix.

Governance as related to organizations was formalized in light of the owner-manager separation. The corporate form of business thus elevated the notion of governance to the realm of business. With the shareholders not engaged in the daily management of business, it is essential that directors (generally called principals in a principal-agent relationship) oversee the management in order to ensure that the management acts within its fiduciary obligations. It therefore becomes necessary for the principal(e.g., the Board of Directors) to trust but verify how well the agent (e.g., the CEO) performed in delivering the interests of the shareholders. In a governance model, the principal could almost exclusively rely on the compliance approach, which we discuss first in the next section.

Compliance approach

In our view, the compliance approach is a generalized (universally applicable) solution to any form of governance. It is primarily rules-based and applies to every entity subject to the compliance requirements. The entity – its character, virtue, or integrity – becomes a non-issue, or plays an insignificant role. What takes over as a surrogate for values is the rule book.If you comply, you will find yourself in the good books of the enforcement army. Some might argue that the first sign of credibility in today's connected world is a clean bill of health in terms of compliance – a kind of litmus test in the due diligence process.

In concept, compliance triggers enforcement, that is, every defector is subject to the consequences of breaking the rules. The company affected may lose its reputation or brand image, and may experience a significant decline in its market value. Early this year, Valeant Pharmaceuticals lost 40% of its market capitalization is a short few days because of its inability to file 10K with the Securities & Exchange Commission in a timely manner due to some suspected moral compromises in its operations.

Once rules are set, they take the reputation of being the final word, much like principles or values. Rules are perceived as objective; they make enforcement possible; they provide the minimal threshold of behavior of those who are subject to the rules. The composition of requirements through a set of rules make potential breaches (1) difficult to maneuver, (2) more costly to engage in, and (3) less beneficial in the outcome to the actor. This is because the rules target compliance by increasing the benefits of cooperating (that is, complying) and steepen the consequences of defecting.

There are several potential problems with the rule-based approach (Raval, 2015). Rules may lack requisite variety due to gaps in the coverage of all likely situations. At times, rules may conflict in addressing a given scenario. The focus on rules could introduce rigidity, push the principles into the background, institutionalize unthinking behavior, result in legal absolutism, or encourage passive attitude toward governance because of the false sense of assurance that when rules are followed, everything is in order. Rules, especially those enunciated by law, may be limited in their jurisdiction.

Rules can also be challenged. For example, MetLife recently asked the court to relieve itself of the regulatory burden of being classified as "too big to fail," and it succeeded in its claim. There is also a chance that rules punish the innocent due to ineffective monitoring, overwhelming trust in the evidence, or poor justice; at the same time, some walk away from the crime due to their self-efficacy to maneuver through the act, glitches in the enforcement, flawed information search, or competent legal representation.

Rules are costly to implement. A considerable amount of research on the cost of compliance cropped up on the heels of the Sarbanes-Oxley Act, 2002. A study by the Financial Executives International estimated that for corporations in excess of $1 billion dollars in revenue, the first year cost of compliance with the act would be $4.67 million.More recently, researchers at Lafayette University found that per employee cost of federal regulatory compliance in the USA was $10,585 for businesses with 19 or fewer employees, compared with $7,755 for companies of 500 employees or more. Citing per employee cost of compliance and other data, Marie-Josee Kravis, a senior fellow at the Hudson Institute, argues that much slower net increase in business formation in recent years in the USA is due to a toxic regulatory brew, from Dodd-Frank to state licensing laws. Some even argue that the real cost is having people focus on the business instead of just complying with the details of the rules. Compliance is perceived as a deterrent for competitiveness and innovation. In this sense, chief executives presumably see the cost of compliance as an extra cost with very little added value and therefore, a drain on the monetary and human resources. And yet, the rules keep growing; the latest surge in the USA is provided by the voluminous Dodd-Frank law, which is 23 times longer than the Glass-Steagall Act passed in response to the 1929 Depression.

Powerful temptations to boil everything down to rules are constant. It is likely that in the shadow of the rules, one might feel comfortable in the concreteness of what to do. Such black-and-white picturing could make those who govern miss altogether any principles upon which the rule may stand. This loss of origins of a rule could escalate the trust gap, for the rules may be seen as arbitrary. Those subject to rules may not accept or acknowledge the authority of the rule-makers. Moreover, rules over time may need to be synchronized with new realities forced by constant change from forces such as the information technology advances. Unfortunately, however, this may not happen. In his well-researched book (2014), Phillip Howard asserts that paralytic effects of legal complexity are evident with ancient Roman law, with European civil codes of the 18th century, and now with the U.S. regulatory law.

Despite the limitations of rule-based governance, it is clear that rules will continue to exist. If greater degree of organizational wrong-doing is evident, then the regulators may impose even more rules in reaction to such compromises. On the other hand, the passion to impose rules could subside if there are fewer crimes. Broadly, the history shows that the rules are on the rise and cost of compliance has been emerging as a major concern on the part of those who comply. In light of this, it appears that relying solely on rules may not be a viable approach in the long-run. We need to look at the feasibility of introducing some elements of integrity as a pushback to sheer dependence on rules to seek order in the corporate community.

Integrity approach

The integrity is best illustrated by Dr. Kiran Bedi's experiments to awaken the inner consciousness of hard core criminals by offering the violators workshops in a specificmethod of meditation, called Vipassana, facilitated by Padma Bhushan Shri S.N. Goenka. If the criminal becomes aware of his fundamental constitution, there is a chance that he would understand his vulnerabilities; in future, this may guard him from indulging into illegal or immoral acts (Raval and Raval, 2010). A popular alternative is to make and enforce rules, to treat prisoners as mere captives, and "teach them a lesson" through punishment. But forces of compliance can fill the prisons in a hurry, and yet fail to provide a long-term viable solution to human frailty. For example, in dealing with the criminals, the objective in the USA is retribution and not rehabilitation. The USA has five percent of the world's population, but 25% its prisoners! The total cost of the correctional efforts is $80 billion annually. The country would not need so much prison capacity if some degree of success was achieved in governance through integrity. Reforming those who went astray could enhance value-centric behavior and turn more people to cooperate with rather than defect from the social norms. In this regard, Germany is probably on a better path; its government believes in prisoner rehabilitation with lower costs, fewer prisoners, and shorter prison terms.

The acceptance of integrity as the foundation for governance leads to the idea of self-governance. This is where the one who is governed accepts and abides by rules and may even rise above the rules. Perhaps the best example of self-governance is in the game of golf, where each player records her plays. In the story of The Legend of Beggar Vance (Pressfield, 1999), when his ball lands in a grassy terrain, the player moves a twig from under the ball and as a result, the ball moves slightly. Although no one other than his caddy sees this, he voluntarily counts the uncontrollable movement of the ball as a play. An unconditional acceptance of the rule is internally motivated and is a driving force in compliance.

It is best to examine the integrity (principles-based) approachin comparison to the compliance (rules-based) approach. The concreteness of compliance comes from a set of procedural – often explicit - requirements. Those who follow the ruleslikely would be considered compliant. A careful examination of the integrity approach suggests that when we rely on principled behavior, rules become unnecessary or at most the lowest common denominator.

The integrity approach rests on doing the right thing, where spirit of a dictate originating from within is more important that the articulated rule. Compliance may be driven by fear of punishment while integrity is nurtured by one's duty toward others. The compliance focuses on detection (followed by punishment), is prescriptive, is typically mandatory, and often forces blind obedience. In contrast, the integrity-driven approach focuses on prevention, is self-induced and self-enforced, is adopted volitionally, and nurtures alignment with one's virtues. Finally, compliance is relatively easier to implement; in contrast, because it relies on one's virtues and internal strength, the principles-based governance is more difficult to implement. At the current state of knowledge, we are almost always unsure if the integrity approach would deliver the results reliably. The seemingly objective and sure-footed compliance often ends with addressing symptoms; in stark contrast, integrity addresses the root-level phenomena. The promise of long-term success lies with the integrity approach, but for now, we cling to the safety-blanket of rules.

In the Eastern metaphysics, integrity and virtuous behavior are examined in depth. A distinction is made based on how one sees one's world in terms of one's rights and duties. The Rights (adhikara) view originates in one's self-centricity, implying "what's in it for me;" the Duties (dharma) view projects others' (family, society, employer, etc.) rights translating into his duties. The focus on rights allows one to take the compliance approach, which is inherently narrow, while the focus on duties makes the person constantly think of stakeholders' interests.

Properly implemented, the integrity approach could offer several significant benefits. First, the need for rules would diminish and thus reduce non-value added costs. For the doves, this is important, for they see little value in just following the rules and reporting the facts to regulators. Second, if business leaders become aware of their character traits and consequent vulnerabilities, they may guard against any "blind spots."Third, fewer rules would mean less bureaucracy and less need to revamp these rules over time. Phillip Howard makes a case in his book (2014) that the United States Congress rarely revises or repeals outdated legislation. Where self-dictated rules emerge from a value-centric mindset, there is no need to explicate and update rules; one would find the right thing to do from the inner corridors of one's disposition. To quote one of the most-revered ethicists, T. H. Green (1906, p.360): Into the duties which he is expected to fulfil he will put much more meaning than is put by those who claim their fulfillment, and will always be on the look-out for duties which no one would think the worse of him for not recognizing.

Balancing the governance structure

It is indeed clear that we as a society or as an organization – any group of people focused on a common goal – will need rules for governance. Establishing expectations through rules is expected to result in one's resolve to behave in certain ways, which enhances predictability. As a result, it becomes possible for the organization to work efficiently and to improve productivity.

Rules can also be designed to operate in the spirit of principles rather than highly specific, granular dictates. For example, the International Accounting Standards Committee leans on principles-based standard-setting and resists prescribing detailed rules for financial accounting and reporting. Under the precept "comply or explain," the preparerof financial statements deviating from the principle needs to offer an explanation.Internally, the code of conduct, mission statement, and various high-level policies adopted by an entity are examples of high-level rules, or "commandments" that set the tone at the top and shape the culture of the entity. A virtuous leader can thus help maintain an environment where the focus is on the right thing to do rather than just doing things right. Undoubtedly, this requires that the chief executive is value-centric and other regarding, exhibiting in all aspects her determination to standby her resolve to act in the best interests of her stakeholders.

In any organization, including families, the most significant message on integrity comes from the behavior of the leadership. The leaders set the tone-at-the-top which percolates throughout the organization and sends signals of what is the right thing to do. The organization's conscience is built upon the leaders' message orally, vicariously, and in written documents such as the mission and the code of conduct. There is evidence that a new breed of leaders is accepting the responsibilities of leadership by taking questions of culture more seriously. This generation of leaders (1) understands that it is possible to actually change the way organizations operate and (2) has a tremendous opportunity as also a big responsibility to actually get it right.

The success of integrity-driven organizations depends upon maintaining the quality and character of leadership across times. For this, the established norms of leader recruitment and selection may not be enough. After all, integrity is hard to assess; for this, one needs to observe the candidates for a long period of time across different contexts and thus understand the disposition of the candidate. In this regard, family-owned businesses in India would have had a higher rate of success in establishing virtue as the prime element of tone-at-the-top. In the USA, S.C. Johnson – a family-owned group of businesses – has adopted the practice of not involving more than one family member in each business. This eliminates possibilities of conflicts (related-party transactions, collusion, etc.) which may come in the way of the leader's exercise of integrity. Indeed, this is an example of how virtuous leaders may suggest guiding principles or best practices, which in turn can be adopted by other business executives. In this manner, the increasing presence of integrity-driven governance in the rules vs. principles mix would change over time in favor of principled-governance.

Just as rules impose costs of compliance, so does the principles-based governance. The renowned business leader with exemplary virtues, J.R.D. Tata, was asked in 1979 why the Tataconglomerate had not expanded as much in the 1960s and 1970s as did other groups. He replied, "I have often thought about that. If we had done some of the things that some other groups have done, we would have been twice as big as we are today." And he adds, "But I would not have it any other way." The reality is, the costs of integrity-driven governance are not as easily identified or measured as the costs of compliance-driven governance.

We need to also remember that the integrity-driven approach is not "bullet proof" (Raval 2016). There will be instances of a moral compromise in the form of a financial fraud even in the presence of high integrity. For example, the leader's willpower (strength to self-regulate) may have temporarily waned under stresses and challenges at a given time, and this may result in a vulnerability to succumb to a moral temptation. Although the actualization of vulnerability is not automatic, however small, the possibility of a wrongdoing exists for the time being.

Future governance reform

Broadly, governance measures thus far have been heavily influenced by the question, how did it happen? Very little of the character is considered, as in the question, why did someone do it? The irony is that if we comprehend the human side of indiscretions, it would likely result in understanding the cause rather than chasing the symptoms. While this may be an acceptable argument, the downside of virtue-based governance is that human vulnerability to temptations may not be wholly predictable. Therefore, failures or unexpected negative outcomes may surface where integrity is solely relied upon. This outcome is inevitable regardless of how the governance mix (rules vs. principles) is formed. There is hope, however, that in a balanced governance framework, the possibility of executive indiscretions diminishes greatly.

As a result, it is necessary to build a framework where both rules and principles are present in a balanced mix. The overlay of both collectively ensures a reasonable chance that fraud might be prevented. When such a mix is created, it is necessary to consider the kinds of rules that would complement or reinforce integrity. For example, rules that focus more on succession planning would probably yield better results because those in charge of governance will have a chance to assess and evaluate the human side of the candidate. On the other hand, disclosing the multiple of the executive's pay compared to the average salary in the company sheds little light on the leadership's virtues.

Undoubtedly, in a world flooded with the news of fraud, cheating, bribery, black money, and corruption, it is hard to get optimistic about trusting the leader's integrity. Where hawks dominate the scene, the immediate reaction is to resort to stiff countermeasures, including penalties and jail time. Trust in the executive's character is well founded only when those in charge of governance (1) comprehend how to assess a person's integrity and (2) have had a long and reliable exposure to the future leader across various formal and informal contexts. There is more to learn before any practices can be instituted with a high degree of confidence.

Despite the gloomy outlook, abandoning the inclusion of principles-based elements in the overall governance map would serve only as a disservice in the long run. Perhaps we should look at what the non-actors – business leaders of uncompromising character – have done to archive a flawless record. Among the influential players in the corporate governance domain, presumably the candidates with exemplary moral leadership in business and private life include J.R.D. Tata, Narayana Murthy, and Azim Premji. Beyond mere compliance, the path they have laid out for principled behavior can work as best practices in the integrity arena. When these tried and tested examples are followed by other leaders in the same league, perhaps there will emerge greater conviction in the integrity approach. This in turn could change over time the mix between rules and principles in the overarching governance framework. MA

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Foot Note

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[2]As reported in the Wall Street Journal, What's Killing Jobs and Stalling the Economy, June 4-5, 2016, A9.
[3]Rosa Parks defied the rules of racial segregation by taking a seat in a public transportation and thus became a powerful change agent.
[4]CBS 60 Minutes, Crime and Punishment, April 3, 2016.
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vasantraval@creighton.edu

Interest rate cut & loan from PSBs

Interest rate here is referring to the lending rate of the Banks and others FII to commerce and trade. Now, in India lending rate of Banks (Public Sector Banks or PSBs) is mainly depend on monetary policy of RBI. On other hand monetary policy depend on the conditions of economy, situation of world economy, and inflation rate. In recent past RBI has reduce the repo rate in few occasion and refuse to do the same in some time instead of request from all concern of economy.

On 09th Aug 2016 RBI has declare their Third Bi- monthly policy decision for 2016-17. Policy repo rate under the liquidity adjustment facility unchanged at 6.5 Percentage and CRR at 4% of the net demand and time liabilities. There is no major change in the repo rate and hence interest rate will be same.

RBI has put logic behind their policy decision (Ref Third

CMA Anit Mitra
Sr. Executive Business Administrative, Siemens Ltd Kolkata

Bi- monthly Policy Statement, 2016-17). RBI shows very optimist situation in some segments, though all segment not performing well as per the statement. Some of favorable effects are in servicing sectors, Fuel inflation remains low and Liquidity conditions eased significantly. But Industrial Production is still not good enough and Retail Consumer price Index still high.

This attracts observations from different corner of the stake holder and they are of the opinion that RBI should reduce the rate now to boost the economy by increase the demands for funds. Because foreign reserve ratio is good and moon soon up to first week of Aug'16 is more than average. So as per their opinion it is the right time that RBI should reduce the rate of interest to lending more to business units.

A cut in the rate of interest will increase the flow of funds to business units or in other words with cut in the rate of interest entrepreneur will approach banks for loans and existing corporate can finance their old loans with cheep finance. In totality this gives a push to the economy. It is correct and theoretically can be prove.

Now, let us try to understand if RBI would have reduce the rate of Interest then is that increase the demand for loan in India for capital expenditure by business units.

Theoretically investment depends on real rate of interest and not on market rate of interest. Inflation is the difference between market rate and Real rate.

With cut in the rate of interest increase investment when real rate of interest is positive, For example, if current rate is 2% and return from projects is 8% whereas inflation is 5% then real rate is 3% which is more than current rate of interest.

To simplify it further we can say theoretically when future return from project is more than Market rate (i < R) then fresh investment should happen in project more with every cut in nominal rate of interest.

Banks when cut their lending rate of interest it directly affect their interest income, because Bank has to pay for their funds that is interest on saving from individuals. If firms find economical to raise funds from publics (when real rate of interest is positive) then they directly raise the funds from publics. But this situation not possible in high inflationary economy, like India. ***Therefore, cut in interest rate and investment boost will mainly depend on Bank's lending policy.*** So, is bank will reduce their rate further to boost the economy – at present?

In mid 2016 Bank of Japan has declare zero interest rate but before that (almost 18 months prior to Japan) European Central Bank has declare below zero rate or negative rate of interest. In negative interest rate a lender is to be paid by the bank. But it also not gives much needed impetus to their economy.

In India aggregate deposit with Banks up to end of March 2016 grows only in single digit 9.9% over 2014-15. This growth rate is the lower in 53 years. A single digit growth was last recorded in 1962-63. That is Banks also have less fund in hand for lending.

Economist can describe the reason better but few factors can be identifying with common understanding. One of the factors most of the people are saying ***"inflation"***. But it is not inflation only. Currently One year interest rate on Fixed deposit ranging from 7.25% to 7.5% whereas Consumer price inflation rate is 4.8% but in 2013-14 when one year rate of interest on FD was 8.75% to 9% then Consumer price inflation was 9.5% . Therefore, inflation is not the reason.

Now, question is that is there any alternative source where people can park their money, like real estate or in gold. ***But Central Statistics Office (CSO) data show physical savings of households have registered a decline in 2013-14 and 2014-15, which is also corroborated by the slump in real estate, and fall in gold imports. And that makes for the second cause for surprise.***

There are some other explanation also available, it say that major reason of decline in bank deposit caused because of the sharp expansion in currency held by the public.

Some of the leading news papers have concluded election in 2016 and related withdrawal funds as the reason of decline. But we can reject the same because it was there in 2013-14, and 2014-15.

Second reason posted by many economists is the more and more KYC norms by Banks as part of the Centre's crackdown on money laundering. This is believed to have particularly impacted growth in high value fixed deposit.

Third reason of more fund holding by people due to increase in service tax rate since 2013-14 from 12.36% to 15%, therefore more and more people are meeting their payment for consume services through cash to avoid Tax. This is affecting both less revenue for Govt and fewer saving.

But most probable reason of the decrease in savings rate from house hold is the low income. There is little doubt that income in rural areas are under terrible stress. Still a major part of the Indian populations are living in the villages. In urban areas also Job creation not up to the mark. A recent Labour Bureau report has shown new jobs in eight industries — textiles, leather, metals, automobiles, gems & jewellery, transport, IT/BPO and handloom/powerloom — to have fallen to 1.35 lakh in 2015, from 4.21 lakh and 4.19 lakh in the previous two years.

The CSO data, in fact, points to a decline in household savings from 23.6% to 19.1% of GDP between 2011-12 and 2014-15. One doesn't need to, therefore, search for complicated explanations — to understand why bank deposit growth has fallen to single digits.

Beside fall in saving or loadable deposits, Bank basically PSBs, are under huge pressure of clearing NPA from their balance sheet and in such circumstances they will also not ready to take further risk of lowering their income. Now, if they cut the rate on saving in present situation that reduce deposit further one hand and more loan will increase the risk of further increase in NPA.

Therefore reduction of rate of interest can improve the supply of funds to industries and will give the impetus to growth is not correct in present scenario.

Hope Central Govt and other institution will appraise the situation and will give proper consideration on issue of interest rate cut as sole criteria to increase the lending from Banks to boost the economy.

To development of economy Govt should organize the supply sides and take necessary reforms program to create more opportunities.

Personally I am optimist on turn- around of economy due to program from central Govt e.g "Make in India" and other reforms like GST. All pending reforms should take place ASAP and Central govt must give proper attention on Make in rural India (separately to make rural Indian as investment destination) and develop MSME (Micro Small Medium Enterprise) through proper support both financially and for quality up-gradation like training centre, as the central point of development to boost the economy to grow at desire rate. MA

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anit_mitra2005@yahoo.co.in

INCOME DECLARATION SCHEME 2016

A Game Changing Policy To Curb Tax On Undisclosed Income

Dr. Megha S. Somani
Assistant Professor
M.M.K College of Commerce & Economics, Mumbai

CMA Jyoti M. Bhatia
Assistant Professor
St. Andrews College of Arts, Science & Commerce, Mumbai

Introduction on Policy Decisions taken in 1997

On June 18, 1997; Central Board of Direct taxes had launched Voluntary Disclosure of Income Scheme to curb the Undisclosed Income of the individuals in India. The aim of this scheme was to give an opportunity to Income or Wealth Tax defaulters to disclose their undisclosed income at the respective prevailing Tax rate [@ 30% for individuals; @ 35% for firms & companies].

Impact of 1997 Scheme:

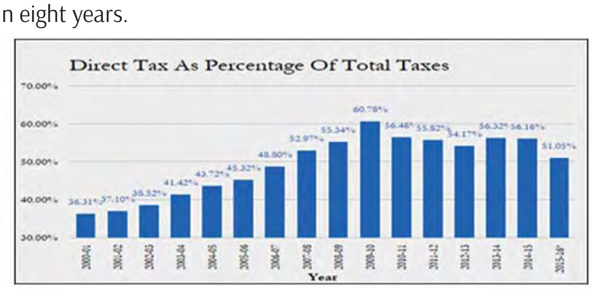
It was observed that around 3.5 lakh Individuals, Firms & Companies disclosed their undisclosed income. This brought revenue inflow of Rs. 78 billion to the Indian finance ministry.

Drawbacks of 1997 Scheme:

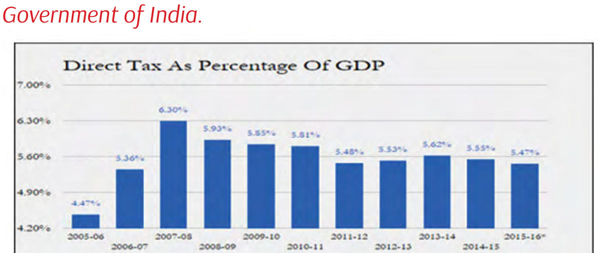
- This scheme did not penalize the declarant for having undisclosed income.
- The rate of tax was the rate prevailing on the respective date.
- There was a controversy against the scheme since no difference was reflected between honest tax payers and users of the scheme who had undisclosed income of the past years.

Need for Income Declaration Scheme in Finance Bill 2016

It was observed that in Assessment Year 2014-2015, only 48 million individuals were tax assesses which comprises of only 3.18% of India's population. Share of direct taxes as a percentage of all taxes reduced from 60.78 per cent in 2009-10 to 51 per cent in 2015-16; whereas direct-tax to GDP ratio has decreased from 6.3 per cent in FY 2007-08 to 5.47 per cent in 2015-16, the lowest in eight years.



Source: Income Tax Department, Central Board of Direct Taxes, Government of India.



Source: Income Tax Department, Central Board of Direct Taxes, Government of India.

Several efforts are taken by the Indian Government to trace and recover black money and undeclared income, by offering opportunity to people to declare their black money. This effort was first started in 1951 which led to tax collection of Rs. 10,89,00,000. In 1997, Voluntary Disclosure of Income Scheme was the most successful scheme which assisted in recovery of Tax on undisclosed income. Modi Government in its effort to increase revenue took a refined structure of Voluntary Disclosure of Income Scheme and framed Income Declaration scheme through Income tax department to curb the Black money and Undisclosed Income.

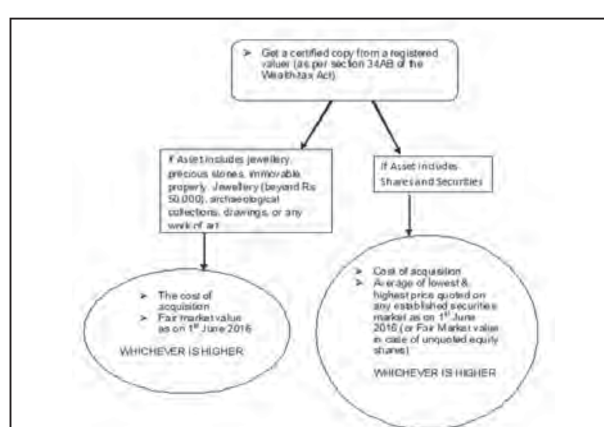
Introduction of Income Declaration Scheme 2016

- This scheme came into effect from June 1, 2016 and is framed under Chapter IX of the Finance Act 2016.
- This being refined structure of Voluntary Disclosure of Income Scheme is a chance to Income Tax defaulters to declare their undisclosed income in form of asset or otherwise pertaining to FY 2015-16 or earlier years.
- Under this scheme, the declarant can make a declaration from 1st June, 2016 to 30th September, 2016.ie. Declaration u/s 183 of the Finance Act 2016 can be filed only upto A.Y 2016-2017.
- Declarant is required to pay tax, surcharge and penalty on the declared undisclosed income.
- The declarant using this scheme will get immunity from penalty or prosecution proceedings under the Income-tax Act, 1961, and the Wealth-tax Act, 1957, related to such income / asset
- Confidentiality of the declarant shall be maintained.

Computation of Undisclosed Income Under this Scheme

List the Undisclosed Income (Income on which tax is not paid)

- Note: If asset is acquired from such undisclosed income and such asset is located in India- Value of such asset is calculated as per the following method:



Mode of Making Declaration

a) Electronically using Online filing through incometaxindiaefiling.gov.in
b) Application in writing to Principal Commissioner/ Commissioner of Income tax as per the Jurisdiction in Form 1 u/s 183 on or before September 30, 2016.

Computation of Tax Liability

		If undisclosed income = Rs. 100
a	Tax payable @ 30% of undisclosed income	30
b	Add: Surcharge (Krishi Kalyan cess) @ 25% of Tax payable [ie. ¼ of a]	7.5
c	Total tax	
d	Add: Penalty on above tax @ 25% of Tax payable [ie. ¼ of a]	7.5
	Total Tax	**45**
HENCE TOTAL TAX= 45% OF UNDISCLOSED INCOME		

Deadline for Payment

Total Tax on undisclosed income	Payment to be done by
Minimum 25%	30th November 2016
Additional 25%	31st March 2017
Balance amount (50%)	30th September

Points to be noted by DeclarantoOpting the Scheme:

- Declaration of undisclosed income or asset should have been chargeable to tax for any assessment year upto 2016-2017.
- Misrepresentation or suppression of facts or information will render the declaration void.
- Declarant is required to ensure correct valuation of undisclosed income payment of tax on the same since Tax, Surcharge and Penalty paid under Income Declaration will not be refunded.
- Declarant is liable to pay income tax at the rate of 30% of the value of undisclosed income plus a surcharge of 25% thereon. Additionally penalty at the rate of 25% of the tax is also required to be paid which gives a total tax payment of 45% under this scheme.
- Payment for tax under this scheme made should be from disclosed income.
- Once a declaration is rejected, it shall be deemed that no declaration was made.

Advantage to Declarant Availing this Scheme

This is an opportunity for the tax evaders to become law-abiding taxpayer by disclosing their unaccounted income or assets.
wThis scheme can save declarant from penal provisions, scrutiny or income tax enquiry for the declared income/ asset by paying the applicable tax, cess and penalty totaling 45% on undisclosed income.

It immunes the declarant from Benami Transaction (Prohibition) Act, 1988 subject to certain conditions.

Conclusion

'Your undisclosed income is like Bomb - Defuse the tension and declare your undisclosed income under Income Declaration scheme 2016.'- Widely used slogan to create awareness about the scheme.......

Since the scheme is an invitation to all tax evaders to disclose their income/ assets, it is a welcome step to collect additional revenue. This scheme attracts notonly to the non- declarant of income but also those assesses who disclose partial income which leads to mis-represent and suppress the facts. This scheme acknowledges honest tax payers by levy of penalty on declarant availing this scheme. Also valuation of Assets purchased from such undisclosed income is arrived at after considering its market (nominal) value rather than its historical cost.

It is anticipated that this scheme will bring effectiveness in taxation system and boost the Economy and balance India's Fiscal structure. It will also assist in boosting Tax to GDP ratio of India. The proceeds from this scheme are expected to be utilized for to boost the Infrastructure in India. MA

jm_bhatia@yahoo.co.in

MARKET SENTIMENT INDICATOR

Ganesh Sankar
Research Scholar
Institute for Financial Management and Research, Chennai

Dr. G. Balasubramanian,
Dean and Professor of Finance,
Institute for Financial Management and Research, Chennai

Traditionally trading decisions have been driven by the use of technical and fundamental analysis. Fundamental analysis studies the fair value of the asset using ratios, dividends, research etc. and compares it with the market value. If market price is below or above the fair value the trader makes a choice of buying or selling the asset. Technical analysis uses the historical price data of the asset to identify patterns or market trends to make trading choice. With the rapid growth in alternative channels to trade, like the market for derivatives, there has been increased use of alternative tools to make trading decisions. One such popular offshoot of the technical analysis is the market sentiment indicator. Market sentiment is the general prevailing attitude of traders towards a particular asset or market. The market sentiment can be bearish, bullish or neutral. There are many market sentiment indicators, namely, volatility index (VIX), put call ratio (PCR), 52 week high / low, to name a few. In this article we examine two popular indicators – VIX and PCR.

Volatility Index (VIX) was introduced in 1993 by the Chicago Board Options Exchange (CBOE) to measure the market's expectation of 30-day volatility implied by at-the-money S&P 100 Index option prices. It soon became the premier benchmark for U.S. stock market volatility. Due to the increasing popularity of the VIX, the benchmark was soon updated to compute volatility implied by a wider and core index of the U.S. equities namely, S&P 500. In 2004 and 2006 futures and options on VIX were introduced. In India VIX was introduced by National Stock Exchange (NSE) in November 2007. India VIX uses the computation methodology of CBOE, with suitable amendments to adapt to the NIFTY options order book.1 Whaley (2000) studied the relationship of VIX with respect to the stock market in the U.S. The study finds that the relationship between VIX and stock market is negative, that is, if VIX falls the index rise. It also finds that the relation between stock market returns and changes in the VIX is asymmetric. The stock market reacts more negatively to an increase in the VIX than it reacts positively when the VIX falls. There are two hypothesis for the observed inverse relationship; namely, leverage hypothesis proposed by Black (1976) & Christie (1982) and volatility feedback hypothesis proposed by French, Schwert, and Stambaugh (1987), Campbell and Hentschel (1992). The leverage hypothesis states that if stock price declines the relative proportion of equity to the firm value decreases, which makes the stock riskier and increases its volatility. The volatility feedback hypothesis states that the negative return tends to be intensified whereas the positive expected return tends to be dampened and this creates the asymmetric volatility situation. This article studies the relationship of VIX and the broad market index namely NIFTY 50 traded in the NSE.

Traders who expect rise in prices buy call options and put options are purchased in anticipation of a fall. Put call ratio (PCR) introduced by Pan and Poteshman (2006), is defined as the total volume of puts to the total volume of calls traded. It looks at the difference in trading volume between the puts and calls. A large value of the ratio (>1) would mean there are more put buyers than the call tilting the market sentiment to bearish and vice-versa. But Summa (2004) claims that since most equity option buyers are inexperienced traders who have limited capital, their extreme bets reflected in extreme PCR will invariably go wrong. Using data from CBOE the article proves that extreme value of PCR can be used as contrarian indicator betting a market reversal. This article looks at the relationship between PCR and the index in the Indian market.

Data

Data from National Stock Exchange (NSE) is used for the analysis. Globally NSE ranks 1st in terms of number of contracts traded in Index Options1. NSE provides historical data on India VIX and the index, namely NIFTY 50. Archive of daily index option contracts trade data are used to arrive at the daily volume of puts and calls. Using this, PCR is computed as the ratio of total volume of puts to total volume of calls. For the sake of liquidity only the near and next month contracts are used for analysis.

Analysis and Discussions

Volatility Index:

Table 1 below gives the descriptive statistics of India VIX for the period between April 2014 and June 2016. During this period it touched a low of 11.57% and went as high as 37.71% with a mean value of 17.46%.

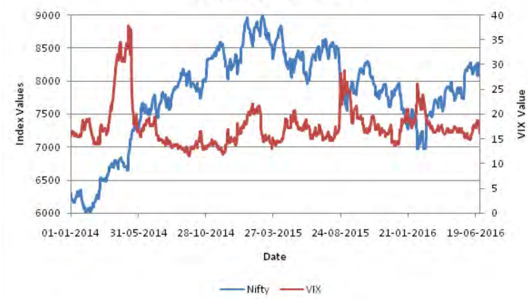
Table 1

	NIFTY 50	India VIX
Mean	7800	17.46
Median	7912	16.73
Max	8996	37.71
Min	6001	11.57

Source: Author computed value

Figure 1 below shows the movement of India VIX in relation to the index NIFTY 50.

Figure 1: Shows the movement of VIX in relation to NIFTY 50



From the figure it can be seen that a market fall is associated with a rapid increase in the VIX and a market rise is associated with a decrease in VIX. One can also notice that VIX has a tendency to move around the average, that is, a rise in VIX is associated with a subsequent fall to revert to its mean and vice versa. These results are in-line with studies from developed and other emerging market.

Put Call Ratio: Table 2 below gives the descriptive statistics of PCR computed using the NIFTY 50 Index Options contracts. Apart from PCR computed using volume (or the number of contracts traded) turnover (value) and open interest (OI) are also used. The theory behind the usage of 1) PCR based on turnover is that it gives a value weighted measure of the sentiment; 2) PCR based on open interest includes contracts which are held for a period more than a day which means the trader has more confidence on the bet. The ratios are computed using data between January 2014 and June 2016.

$$PCR_{Contracts} = \frac{(\text{Total volume of Puts})}{(\text{Total Volume of Calls})} \quad ....(1)$$

$$PCR_{Turnover} = \frac{(\text{Total value of Puts})}{(\text{Total value of Calls})} \quad ....(2)$$

$$PCR_{(Open\ Interest)} = \frac{(\text{Total Open Interest of Puts})(\text{Total}}{\text{Open Interest of Calls})} \quad ....(3)$$

With the growth of market for derivatives there are alternative avenues for extracting price and direction indicators apart from the conventional technical and fundamental analysis. One such widely used tool is the market sentiment indicator. Though there are various sentiment indicators there are two which are widely referred in literature and practice, namely, volatility index and put call ratio. In this article we look at how these two indicators relate to the underlying broad index, the National Stock Exchange's NIFTY 50.

Table 2

	PCR_Contracts	PCR_Turnover	PCR_OI
Mean	0.98	0.93	1.06
Median	0.97	0.93	1.04
Max	1.53	1.45	1.60
Min	0.48	0.42	0.68

Source: Author computed value

PCR computed on the total volume traded has a mean value of close to 1. It has moved between an extreme value of 1.53 on the higher side and 0.48 on the lower side.

Figure 2 below plots the PCR computed on the total volume for the period between January 2014 and June 2016. Since there is a lot of side way movement on a daily basis, a trend is created using the 21 day EMA as suggested by Summa (2004). This smoothens the PCR and aids in better analysis.

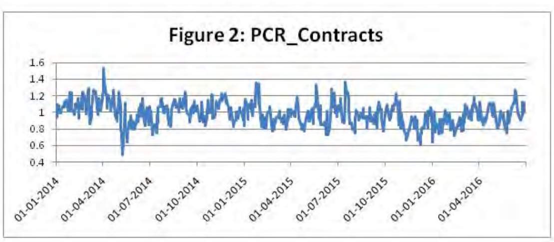
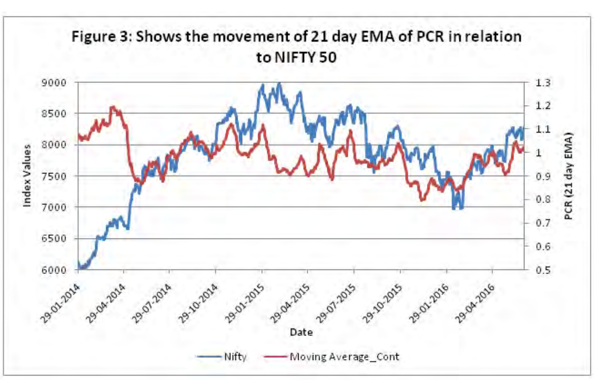
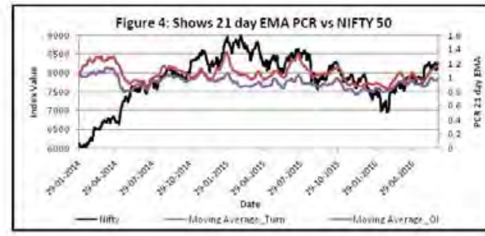


Figure 3 shows the plot of 21 day EMA PCR (computed on volume) with the index values.



Contrary to the popular belief that PCR is a contrary indicator, the evidence from Indian index option market shows otherwise. A high extreme value of PCR is associated with a market peak which is followed by a subsequent market crash. A contrary indicator would suggest that a high PCR would lead to a reversal of general belief that the market is bearish and hence the prices will go up. Figure 4 shows that the results are robust to alternative specification of PCR using turnover and open interest.



Conclusion

The recent data from India shows that though the relationship between VIX and index price behaves similar to other markets, the relation between PCR and index is different. Contrary to some of the studies in developed markets, the recent Indian data of the relationship between PCR and index shows PCR as a non contrarian indicator. As a trader looking to use PCR as a market sentiment indicator, a high value corresponds to a bearish sentiment and low value corresponds to a bullish sentiment. MA

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Foot Note

[1]A detailed computational methodology is available in www.nseindia.com

[2]Source: National Stock Exchange, Monthly Derivative Update (June 2016)

[3]Open Interest is defined as the total number of outstanding contracts held by market participants at the end of a day

ganesh.sankar@ifmr.ac.in

ABC TOOLS IN IT COMPANIES

Dr. N.Narsaiah
Associate Professor
Vijay Rural Engineering College
Nizamabad

Prof.T.Satyanarayana Chary
Dean and Professor
Telangana University, Dichpally
Nizamabad

Information Technology (IT) companies require very relevant and timely cost information to make better managerial decisions that improves competitiveness in terms of costs reduction, quality and profitability enhancement. So, the IT companies must focus on ways to increase customer satisfaction through an effective cost system that can ensure a perfect and optimum resources consumption and cost ascertainment.

The relevant cost system is an essential one in IT sector as the cost is usually charged to a single overhead cost pool and then allocated to specific engagements, usually, as a percentage of direct labor cost. This charge for overhead will distort the total cost of the engagement if different types of IT services cause costs to be incurred that are not in proportion to the number of hours worked or the direct employees cost incurred. If the traditional cost accounting systemarbitrarily allocates costs to IT services rather than allocating costs that reflect the true inputs, the firm will not be competitive when bidding IT services.

So, IT companies require a new cost system namely known as ABC method to ascertain the cost accurately as IT companies find the costs by various functions such as professional development, IT projects, administration or client development, and IT enabled services. It is also proved many times by researcher that the results of ABC are significantly different from the traditional cost allocation approach, hence, it can be asserted that in performance evaluation and making the cost predictions over future engagements such type of cost analysis is desirable and more meaningful.

About ABC

ABC[1] has explored itself to be a very powerful tool for products and services cost and profitability analysis. The most appropriate way of ABC is to allocate costs to IT services through the various activities in place of IT companies that can be measured by cost drivers. The ABC method is the technique that could bring the significant improvement in the quality of allocation IT services overhead cost. This method is able to incorporate both physical measures of IT companies' over purchases and services by following causal principles in the costing system.

Traditional cost accounting system may help the managers in arriving the accurate decision making, under the environment of resources allocation to cost objects inaccurately. Whereas in ABC method, improved over the traditional cost method by using a two-stage allocation procedure and multiple cost drivers. In the first stage, in IT companies it identifies significant activities and overhead costs assigned to each activity in proportion to the resources consumed. Then Cost drivers are identified to appropriate allocates the resources to cost objects and each of the cost pools (Group of activities). Under stage two, the overheads are allocated from the cost pool to the final outputs of IT services in proportion to the amount of the cost consumed. Thus works as ABC benchmark for IT companies for better cost analysis and profitability analysis.

Objective of the Study and Sample Size

The main objective of the study is to find out the cost of IT companies through consumption of resources by activities and profit generated by such activities through ABC method. The study is done on the basis of five top IT companies operating in India selected based on market capitalization ranking as the criteria among the IT companies.

Data Sources and Methodology

The present study is an explorative and analytical research and the required data was formed through the financial reports, cost reports and company websites. The activity cost was analysed through average activity cost of IT companies. The study covers the time period of five years from 2008-09 to 2012-13.Simple averages and t-Test are employed to analyse the data and examine the authenticity of findings.

Hypothesis of the Study

To ascertain the objective of the study the following hypothesis is formulated and tested:

- ***Ho:*** There is no significant difference in profits generated by various activities under ABC method.

Benefits through ABC in it Companies

Many facts and changes are discovered by IT companies after successful implementation of ABC. Therefore, the benefits that a company can derive are found through ABC are:

- Provide very clear, concise, compelling comparisons to prestigious world class organizations spending on IT, and as a result identified anomalies and suggested proper significant actions to be taken to improve the IT's performance through the ABC in the IT Companies.
- In terms of budgeted plans and execution of action ABC can helps to top management to understand the financial impact of strategic decisions over IT companies spending.
- ABC assists to develop future IT spending over the projects and generate alternative funding scenarios also.
- ABC identify systems and peripherals in the applications and develop of new software portfolios that are nearest to the end of their useful life and should be replaced them.
- ABC improve more meaningfully allocate the resources of projects and assess derive profitability over the projects to the IT companies.
- ABC system establishes significant communication of IT costs to top level management and the IT client's base in an understandable and familiar form.
- ABC has most frequently observed that the IT functions and activities in IT companies along that focusing over the Research & Development process (innovated and modified systems development), a production process (systems operation), a maintenance process, and a customer service process (the help desk).
- ABC system employed in IT companies it can assist on the other management practices like as performance measurement, strategic planning, outsourcing.

Implimentation Stages of ABC In It

ABC is very frequently used as a part of Total Cost Management (TCM). The implementation process of ABC in IT companies is traced through the six stages, they are as under:

Stage1: Prepare the glossaries to Identify activities in IT companies and formulate similar type activities as cost pools.

Stage 2: Direct cost allocation to IT services (example as selling cost of specific IT Services).

Stage 3: Allocate the cost (IT resource) to cost pools.

Stage 4: Identify the cost drivers.

Stage 5: Compute the activity driver rate.

Stage 6: Allocate activity cost to IT service using the activity rate and consumption of cost driver size to final output of IT services.

Resource Consumption and Profit Generation under ABC Method.

Initially, ABC emerged as a powerful profit analysis tool in the late nineties ABC was used extensively in diverse industrial companies. This success stemmed to IT companies from ABC's ability to reveal the hidden sources of profitability and embedded cost and to serve as a catalyst for decisions to improve profitability. Over time in IT companies ABC adapted to new areas such as cost-to-service activities, customer profitability, channel profitability, and the use of ABC outputs to perform capacity planning and drive predictive modeling.

ABC system estimate the cost of resources used in IT companies to produce IT services to clients. Based on this demand and the various activities required and the time taken by various activities as well the total resources requirement is calculated. Thus, the resources of the IT industry can match with the business plan of the various business units and they can plan for the resources for themselves. This in turn to saves resources being charged and estimate unutilized resources capacity of the IT companies. Once this demand is converted into the resource requirement and the same is planned for the second step where the calculations of the cost of such IT services can be estimated and accumulated through the cost pool[2].

ABC can give management a better understanding over the profit as the utilization of resources takes effectively. Therefore, many top IT Companies namely, TCS, Wipro Limited, Infosys Limited, Tech Mahindra and HCL Technology found often resource consuming activities. Hence, such types of activities of those companies are identified and presented through table 1 to give clarity and understanding about the consumption of resources.

TABLE 1: AVERAGES OF RESOURCES CONSUMING ACTIVITIES OF SELECT IT COMPANIES (For the period 2008-09 to2012-13)

Resource consuming Activities	Averages of Resource consuming Activities of IT Companies (₹ in Crores)				
	TCS	WIPRO Limited	Infosys Limited	Tech Mahindra	HCL Technology
Functional Requirement analysis	1534.66	3753.2	1293	558.9	8,365
Document Creation	31.876	103.9	4.8	19.56	60.048
Recruitment and training	165.206	10607.92	15,053	2262.84	404.412
Employees Cost	11870.794	266.16	83.6	50.12	19.2
Communication	452.826	193.76	122.2	104.26	24.278
Rent	728.042	38.24	12.8	25.32	49.8
Planning and Designing	290.362	38.8	10.4	184.42	372.08
Project Management and Performance	351.568	1412.2	3780.25	303.54	239.46
Operation Support	182.688	1452.68	71.6	32.2	279.4
Technical Support	271.4	200.76	158	39.16	2
Keeping Current	271.206	25.74	24	1	31.8
Setup and configuring	183.654	206.2	44.4	23.44	10.68

Resource consuming Activities	Averages of Resource consuming Activities of IT Companies (₹ in Crores)				
	TCS	WIPRO Limited	Infosys Limited	Tech Mahindra	HCL Technology
Service of equipments and Programs (maintenance and repairing)	232.854	40.74	8.4	16.54	59.8
Travelling and conveyance	477.09	70.18	39	22.58	0.368
Support for users	196.386	881.68	104	353.1	109.666
Marketing Support	305.964	28.32	52	6.06	13.2
Advertisement and Sales promotion	355.654	42.84	21.4	3.98	49.834
Supervision & Administration	192.724	260.2	6	25.72	63.756
Activities Total cost	**18,095.05**	**19,618.16**	**21,010**	**4032.40**	**10,158.16**
Total Profit (or)Loss	**20,373.88**	**7,760**	**4610**	**1430.62**	**1144.402**
Total Sales Revenue	**38,468.93**	**27,377.80**	**25,620**	**5438.36**	**11.302.56**

Source: Compiled Data from IT Companies

Cost and Profit Analysis of Activities

Through the five years data of select IT companies' resource consuming activities, the averages obtained in terms of cost and profit in per cent and presented through Table 2. The averages are calculated using the following formulas;

Average per cent of resource consume activities cost

$$= \frac{\textbf{Average of Resource consume Activities}}{\textbf{Average of Activities Total Cost}} \text{ X } 100$$

As well Average profit generated through the resource consume activities as

$$= \text{Total Profits Average } X \ \frac{\textbf{Average of Resource consume Activities}}{\textbf{Activities Total cost Average}}$$

The results of select IT Companies after applying the above said formulas presented through the table 2 and explained analysis of average of resource consuming activities cost over total cost and proportion of profit generated by activities. IT companies though they follow similar type of cost accounting methodology in ascertainment of the cost i.e., ABC the activity wise cost and profit share by each and every activity as well dominance of activities in sharing the cost and profit may differ quietly, because, the nature as well as expertise of the company in performing various activities.

As the present study is an analytical one with the upshot of five case problems namely, TCS, Wipro Ltd, Infosys Ltd, Tech Mahindra and HCL the data with regard to average activities cost over total cost and average profit generated by such companies as analysed and compared.

It is evident from the table that in all five companies Employees Cost found as the first and foremost activity in taking the lion-share of total cost as well generating highest volume of profit over the total profit. On the other hand, the activities that have taken least share in cost and generated lowest profit are: Set up and configuring cost, Recruitment and Training, Marketing support, Functional Requirement Analysis, Personal Power Cost in the case of TCS, Wipro Ltd, Infosys Ltd, Tech Mahindra and HCL respectively. Hence, the other activities, viz, Document Creation, Communication, Rent, Planning & Design, Project Management & Performance, Operation Support, Technical support, Keeping Current, Service of equipment, Computing Cost, Travelling & Conveyance, Advertisement & Sales Promotion, Supervision & Administration have taken averagely a similar share of the cost over the total cost and generated almost same level of per cent of profits over the total profit during the study period (See table 2 for details).

TABLE: 2 ANALYSES OF AVERAGE ACTIVITIES COST OVER TOTAL COST AND PROPORTION OF PROFIT GENERATED BY ACTIVITIES

Resource consume Activities	TCS		Wipro Ltd		Infosys Ltd		TECH Mahindra		HCL	
	Cost (%)	Profit (%)	Cost (%)	Profit (%)	Cost (%)	Profit (%)	Cost (%)	Profit (%)	Cost (%)	Profit (%)
Functional Requirement Analysis	8.48	1727.944	19.126	1484.11	6.153	283.65	13.85	194.84	82.347	942.38
Document creation	0.1761	35.88	~	~	--	--	--	--	--	--
Recruitment & Training	0.913	186.028	0.5294	41.084	0.022	1.0531	0.485	6.818	0.6108	6.99
Employees Cost	65.6	13365.86	54.057	4194.64	71.644	3302.81	56.114	788.86	3.9811	45.56
Communication	2.502	509.85	1.356	105.246	0.3978	18.34	1.24	17.47	0.19	2.163
Rent	4.023	819.733	0.987	76.617	0.581	26.81	2.585	36.347	0.2389	2.734
Planning & Design	1.604	326.94	0.1948	15.121	0.06	2.8085	0.627	8.827	0.4902	5.61
Project Management& Performance	1.9428	395.83	0.1977	15.342	0.0494	2.2819	4.573	64.292	3.662	41.909
Operation Support	1	205.66	7.196	558.419	18.572	856.2	7.53	105.81	2.3573	26.977
Technical Support	1.4998	305.58	7.4027	574.426	0.3407	15.71	0.798	11.225	2.7505	31.476
Keeping Current	1.4987	305.356	1.023	79.385	0.752	34.66	0.9711	13.65	0.0196	0.225
Set up and Configuring	1.014	206.7799	0.1311	10.17	0.1142	5.265	0.0198	0.2788	0.313	3.582
Service of equipments and programs (Maintenance & Repairing)	1.286	262.1764	1.05	81.536	0.211	9.742	0.581	8.171	0.1195	1.367

Resource consume Activities	TCS		Wipro Ltd		Infosys Ltd		TECH Mahindra		HCL	
	Cost (%)	Profit (%)	Cost (%)	Profit (%)	Cost (%)	Profit (%)	Cost (%)	Profit (%)	Cost (%)	Profit (%)
Computing Cost	--	--	0.2076	16.109	0.0399	1.843	0.4101	5.766	0.5886	6.736
Personal Power Cost	--	--	0.3576	27.75	0.1856	8.5571	0.5599	7.8718	0.0036	0.0416
Travelling & Conveyance	2.636	537.177	4.4929	348.638	0.4949	22.81	8.756	123.097	1.0795	12.354
Support for Users	1.0852	221.113	0.1443	11.198	0.2474	11.409	0.15	2.1126	0.1299	1.487
Marketing Support	1.6908	344.494	0.2183	16.94	0.1018	4.695	0.0986	1.3875	0.4905	5.613
Advertisement & Sales Promotion	1.9654	400.442	1.3259	102.88	0.02855	1.316	0.6378	8.966	0.6275	7.181
Supervision & Administration	1.065	217	--	--	--	--	--	--	--	--

Source: Data Progressed

Test of Hypothesis and Findings

In order to examine the hypothesis of the study t-Test is employed. Table 3 represents analysis of t-Test results: The First and foremost company is TCS, whose mean of average activity cost is 4.99909 and profit is 1018.69. Similarly, the Wipro Ltd's results are: 4.999865 as average activity cost and profit generated is 387.98055, followed by Infosys Ltd , 4.9997625 average activity cost and profit is 230.49803, whereas, TECH Mahindra's Mean activity cost found as 5.231857895 and profit generated through activities is 73.55887895 and finally, HCL Technology found the same as 5.256842105 in terms of Mean of average activity cost as well as profit as 60.15887368. However, through the analysis highest profit generated company is found as TCS and lowest profit generated company is HCL Technology.

Moreover, sample size of select five IT companies reported that the Pearson Correlation is less than 1 or equal to 1.On the other hand, TCS Company at 19 degree of freedom and at 5% level of significance reported the values through t-Test one- tail and two- tail are respectively 0.068239548 and 0.136479096, these values are less than the t critical values of one- tail is 1.729132792 and two- tail is 2.09302405. Hence, it can be concluded that the TCS company finds a significant profits generated through the activities that consume resources.

Similarly, t-Test results of Wipro Ltd., at 19 degrees of freedom and at 5% level of significance the calculated values of t-Test at one- tail and two- tails are 0.04363032 and 0.08726064 respectively, these values are less than the t-test critical values of one- tail 1.729132792 and two- tail 2.09302405. Hence, it can be concluded that the Wipro Ltd., finds a significant profit generated through the resources consuming activities. Whereas, results of Infosys Ltd., at 19 degree of freedom and at 5% level of significance the calculated values through t-Test at one- tail and two- tails are 0.092411092 and 0.184822185 respectively; these values are less than the t-test critical values of one- tail 1.729132792 and two- tail 2.09302405. Hence, it can be concluded that the Infosys Ltd., company finds a significant profits generated through the resources consuming activities .

In the case of Tech Mahindra at 18 degrees of freedom and at 5% level of significance the calculated values of one- tail and two- tail are 0.046767272 and 0.093534545 respectively; these values are less than the t-test critical values of one- tail 1.734063592 and two- tail 2.100922037. Hence, it can be concluded that the Tech Mahindra Company finds a significant profits generated through the resource consuming activities t. Finally, t-Test result of HCL Technology at 18 degree of freedom and at 5% level of significance the calculated values of one- tail and two- tail are 0.118243611 and 0.236487222 respectively; these values are less than the t critical values of one- tail 1.734063592 and two- tail 2.100922037. Hence, it can be concluded that the HCL Technology Company finds that a significant profits are generated through the resource consuming activities. Therefore, all the select five IT companies are generated significant profits through the resources consuming activities (See table 3).

Table: 3 Hypothesis Results: t-Test: Paired Two Sample for Means

	TCS		Wipro Ltd		Infosys Ltd		TECH Mahindra		HCL Technology	
	Cost	*Profit*	*Cost*	*Profit*	*Cost*	*Profit*	*Cost*	*Profit*	*Cost*	*Profit*
Mean	4.99909	1018.692165	4.999865	387.98055	4.9997625	230.49803	5.231857895	73.55887895	5.256842105	60.15887368
Variance	206.8035926	8584878.13	153.7943442	926028.0572	264.0675606	561204.9348	165.8977194	32787.92477	350.0735798	45847.58751
Observations	20	20	20	20	20	20	19	19	19	19
Pearson Correlation	0.99999999		1		1		0.999999983		1	
Hypothesized Mean Difference	0		0		0		0		0	
df	19		19		19		18		18	
t Stat	-1.5548597		-1.80307174		-1.37601066		-1.77075380		-1.2246666	
P(T<=t) one-tail	0.068239548		0.04363032		0.092411092		0.046767272		0.118243611	
t Critical one-tail	1.729132792		1.729132792		1.729132792		1.734063592		1.734063592	
P(T<=t) two-tail	0.136479096		0.08726064		0.184822185		0.093534545		0.236487222	
t Critical two-tail	2.09302405		2.09302405		2.09302405		2.100922037		2.100922037	

Source: Computed in Excel v 2007

As resources are fragile elements, the best cost management can optimize them properly and ensure the better consumption that leads to cost. So accurate cost ascertainment is essential to compute the cost and analyse profitability. Activity Based Costing (ABC) is emerged to provide the accurate information of costs for finding strategies and making rational decisions. ABC is a subset of Activity-Based Management (ABM), which is used to identify and evaluate activity wise cost of the firms and adjudging the performance of the organizations. The study makes a modest attempt on the analysis of activities of IT companies, resource consumption and profit generation of such activities in an analytical way.

Conclusion

Application of ABC analysis can easily be extended to IT industry to ascertain the services cost accurately. The analysis of activities that consumed resources and generated profits reported that TCS is top in effective consumption of resources and generated profits and HCL is found as least one. The IT companies should accept the key underlying philosophy of ABC that the use of ABC and its complexity by the results of select companies as a cushion agent.

Hence, ABC analysis allows IT companies to identify the specific work steps pertaining to individual IT services and groups of services. Then, IT companies can identify the costs that are required to provide IT services and expected to 'go away' from unnecessary costs. In that way ABC is the better cost and profitable measure and eliminates un-profitable activities costs and services. However, as this example demonstrated, costs that do not 'go away' might be better deployed by producing more profitable IT services or even to serve customers with greater cost saving potential. MA

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Foot Note

[1]ABC's originators Robin Cooper's and Robert Kaplan recommended it for economic, normative, realistic and deterministic reasons that are, it represents best value, accurately represents financial events and aids rational decision making and contracting. Alleged benefits include: increased cost awareness and understanding; better tracing of costs to objects; superior allocation of overheads to cost objects; and financial (cost driver rates) and non-financial (cost driver volumes) measures for cost management and operational decision (Hopper & Major, 2007).

[2.] Group of activities

ANNEXURE

Table 1: Resources consuming Activities of TCS from 2008-09 to2012-13

Resource consume Activities	Financial Years				(₹ in Crores)	Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Functional Requirement analysis	1068.26 [9.88 %]	1,031.2(-3.46) [8.19 %]	987.79 (-4.21) [6.99 %]	1,933.55 (95.74) [9.54 %]	2,652.50 (37.18) [8.12%]	1534.66
Document Creation	33.67 [0.331 %]	54.39 (61.53) [0.43 %]	16.17 (-70.27) [0.11 %]	20.08 (24.18) [0.09 %]	35.07 (74.65) [0.10%]	31.876
Recruitment and training	173.03 [1.60%]	120.9(-30.07) [0.96 %]	112.21 (-7.25) [0.78 %]	170.76 (52.17) [0.84 %]	249.13 (45.89) [0.76%]	165.206
Employees Cost	5961.17 [55.16 %]	7,370.0(23.63) [58.58 %]	7,882.43 (6.95) [55.45 %]	14,100.41(78.88) [69.63 %]	24,039.96(70.49) [73.67%]	11870.794
Communication	308.42 [2.85 %]	390.33 (26.55) [3.10 %]	422.87 (8.33) [2.97 %]	375.6 (-11.17) [1.85 %]	766.91 (104.18) [2.35%]	452.826
Rent	423.85 [3.92%]	595.89 (40.58) [4.73%]	720.53 (20.91) [5.06%]	734.77 (1.97) [3.62%]	1165.17(58.57) [3.57%]	728.042
Planning and Designing	264.87 [2.45 %]	221.3(-16.43) [1.79 %]	464.24(109.74) [3.26 %]	258.84 (-44.24) [1.32 %]	242.56 (-6.28) [0.74%]	290.362
Project Management and Performance	315.26 [2.91 %]	423.51 (34.33) [3.36 %]	387.68 (-8.46) [2.7 2%]	312.66 (-19.35) [1.54 %]	318.73 (1.94) [0.97%]	351.568
Operation Support	218.29 [2.02%]	164.49 (24.64) [1.30%]	158.49 (-3.64) [1.11%]	184.69 (16.53) [0.92 %]	187.48 (1.51) [0.57%]	182.688
Technical Support	379.69 [3.51%]	467.28 (23.06) [3.71%]	145.89(-68.77) [1.02%]	234.56 (60.77) [1.15 %]	129.58 (-44.75) [0.39%]	271.4
Keeping Current	158.22 [1.46%]	196.23 (24.02) [1.55%]	233.72 (19.10) [1.64%]	292.1 (24.97) [1.44 %]	475.76 (62.87) [1.45%]	271.206
Setup and configuring	88.46 [0.81%]	146.89 (66.07) [1.16%]	345.6 (135.31) [2.43%]	126.76 (-63.32) [0.62 %]	210.56 (66.10) [0.64%]	183.654
Service of equipments and Programs (maintenance and repairing)	145.53 [1.34%]	176.53 (21.30) [1.40%]	212.77 (20.52) [1.49%]	219.67 (3.24) [1.08 %]	409.77 (86.53) [1.25%]	232.854

Resource consume Activities	Financial Years			(₹ in Crores)		Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Travelling and conveyance	419.45 [3.88%]	408.64 (-2.57) [3.24%]	341.9 (-16.33) [2.40%]	398.81 (16.64) [1.96%]	816.65 (104.77) [2.50%]	477.09
Support for users	112.29 [1.03%]	113.45 (1.03) [0.90%]	456.2 (302.15) [3.20%]	131.56 (-71.16) [0.64%]	168.43 (28.02) [0.51%]	196.386
Marketing Support	218.38 [2.02%]	224.46 (2.78) [1.78%]	245.68 (9.45) [1.72%]	455.66 (85.46) [2.25%]	385.64 (-15.36) [1.18%]	305.964
Advertisement and Sales promotion	169.48 [1.56%]	328.46 (93.80) [2.61%]	949.02(188.93) [6.67%]	152.43 (-83.93) [0.75%]	178.88 (17.35) [0.54%]	355.654
Supervision & Administration	346.87 [3.21%]	145.4(-58.06) [1.15%]	129.8 (-10.70) [0.91%]	145.89 (12.39) [0.72%]	195.66 (34.11) [0.59%]	192.724
Activities Total cost	**10,805.19**	**12,579.64**	**14,213.17**	**20,248.8**	**32,628.44**	**18,095.05**
Total Profit (or)Loss	**11,814.33**	**15,233.24**	**15,815.75**	**28,645.03**	**30,361.04**	**20,373.88**
Total Sales Revenue	**22,619.52**	**27,812.88**	**30,028.92**	**48,893.83**	**62,989.48**	**38,468.93**

Source: Financial Reports
* Figures in ( ) are growth rates
** Figures in [ ] are percentage in Activities Total Cost

Table 2: Resources consuming Activities of WIPRO Limited from 2008-09 to2012-13

Resource consume Activities	Financial Years			(₹ in Crores)		Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Functional Requirement analysis	3626.3 [26.11%]	4546.3 (25.37) [27.32%]	5037.6 (10.80) [28.08%]	3208.6 (-36.30) [13.51%]	2347.2 (-26.84) [9.06%]	3753.2
Recruitment and training	70.4 [0.50%]	41.1 (-41.61) [0.24%]	151.3 (268.12) [0.84%]	127.1 (-15.99) [0.53%]	129.6 (1.96) [0.50%]	103.9
Employees Cost	7065.5 [50.88%]	9100.4 (28.80) [54.69%]	9035.6 (-0.71) [50.37%]	12,660.5(40.11) [53.30%]	15177.6(19.88) [58.64%]	10607.92
Communication	261 [1.87%]	197 (-24.52) [1.18%]	215.9 (9.59) [1.20%]	240.8 (11.53) [1.01%]	416.1 (72.79) [1.60%]	266.16
Rent	128.6 [0.92]	166.7(29.62) [1.00%]	184.8(10.85) [1.03%]	215.4(16.55) [0.90%]	273.3(26.88) [1.05%]	193.76

Resource consume Activities	Financial Years (₹ in Crores)					Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Planning and Designing	32.4 [0.23%]	25.6 (-20.98) [0.15%]	34.8 (35.93) [0.19%]	48.8 (40.22) [0.20%]	49.6(1.63) [0.19%]	38.24
Project Management and Performance	25.6 [0.18%]	36.5 (42.57) [0.22%]	40.1 (9.86) [0.22%]	43.6 (8.72) [0.18%]	48.2 (10.55) [0.18%]	38.8
Operation Support	1392.6 [10.02%]	1076.3(-22.7) [6.46%]	1452.8 (34.98) [8.10%]	1514.7 (4.26) [6.37%]	1624.6 (7.25) [6.27%]	1412.2
Technical Support	110.9 [0.79%]	110.9 (0) [0.66%]	134.8 (21.55) [0.75%]	3354.4(2388.42) [14.12%]	3552.4 (5.90) [13.72%]	1452.68
Keeping Current	153.2 [1.11%]	186.3 (21.60) [1.11%]	200.5 (7.62) [1.11%]	233.4 (16.40) [0.98%]	230.4 (-1.28) [0.89%]	200.76
Setup and configuring	16.4 [0.11%]	18.4 (12.19) [0.11%]	23.8 (29.34) [0.13%]	34.2 (43.69) [0.14%]	35.9 (4.97) [0.13%]	25.74
Service of equipments and programs (maintenance and repairing),	56.5 [0.40%]	78 (38.05) [0.46%]	133.6 (71.28) [0.74%]	431.1 (222.67) [1.81%]	331.8 (-23.03) [1.28%]	206.2
Computing Cost	25.2 [0.18%]	34.8 (38.09) [0.20%]	42.6 (22.41) [0.23%]	49.5 (16.19) [0.20%]	51.6 (4.24) [0.19%]	40.74
Persons Power Cost	53.4 [0.38%]	62.3 (16.66) [0.37%]	71.4 (14.60) [0.39%]	81.7 (14.42) [0.34%]	82.1 (0.48) [0.31%]	70.18
Travelling and conveyance	504.2 [3.63%]	668.4 (32.56) [4.01%]	856.4 (28.12) [4.77%]	1094.7 (27.82) [4.60%]	1284.7 (17.35) [4.96%]	881.68
Support for users	15.4 [0.11%]	20.8 (35.06) [0.12%]	27.8 (33.65) [0.15%]	34.5 (24.10) [0.14%]	43.1 (24.92) [0.16%]	28.32
Marketing Support	26.8 [0.19%]	31.6 (17.91) [0.18%]	43.2 (36.70) [0.24%]	52.8 (22.22) [0.22%]	59.8(13.25) [0.23%]	42.84
Advertisement and Sales promotion	347 [2.49%]	238.5 (-31.26) [1.43%]	247.9 (3.94) [1.38%]	323.1 (30.33) [1.36%]	144.5 (-55.27) [0.55%]	260.2
Activities Total Cost	**13,884.6**	**16,639.9**	**17,934.9**	**23,748.9**	**25,882.5**	**19,618.16**
Total Profit (or)Loss	**6,095**	**9,059.6**	**8,365.6**	**7,934**	**7,344**	**7,760**
Total Net Sales(Revenue)	**19,979.6**	**25,699.5**	**26,300.5**	**31,682.9**	**33,226.5**	**27,377.80**

Source: Financial Reports

* Figures in ( ) are growth rates

** Figures in [ ] are percentage in Activities Total Cost

Table 3: Resources consuming Activities of Infosys Limited from 2008-09 to2012-13

Resource consume Activities	Financial Years (₹ in Crores)					Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Functional Requirement analysis	1,081 [8.36%]	1,037 (-4.07) [6.33%]	1,083 (4.43) [5.34%]	1,386 (27.97) [5.52%]	1877 (35.42) [6.17%]	1293
Recruitment and training	3 [0.02 %]	6 (100) [0.03%]	2 (-66.66) [0.009%]	5 (150) [0.019%]	8 (60) [0.02%]	4.8
Employees Cost	8,590 [66.50%]	10,913 (27.04) [66.67%]	14,856 (36.13) [73.26%]	18,340 (23.45) [73.13%]	22,565(23.03) [74.19%]	15,053
Communication	57 [0.44%]	58 (1.75) [0.35%]	84 (44.82) [0.41%]	94 (11.90) [0.37%]	125 (32.97) [0.41%]	83.6
Rent	50 [0.38%]	60 (20) [0.36%]	62 (3.33) [0.30%]	190 (206.45) [0.75%]	249 (31.05) [0.81%]	122.2
Planning and Designing	12 [0.09 %]	10 (-16.66) [0.06%]	13 (30) [0.06%]	14 (7.69) [0.05%]	15 (7.14) [0.04%]	12.8
Project Management and Performance	8 [0.06%]	6 (-25) [0.03%]	10 (66.66) [0.04%]	13 (30) [0.05%]	15 (15.38) [0.04%]	10.4
Operation Support	2690 [20.82%]	3812 (41.71) [23.28%]	3795 (-0.44) [18.71%]	4390 (15.67) [17.50%]	4824 (9.88) [15.86%]	3780.25
Technical Support	56 [0.43%]	62 (10.71) [0.37%]	55 (-11.29) [0.27%]	90 (63.63) [0.35%]	95 (5.55) [0.31%]	71.6
Keeping Current	122 [0.94 %]	147 (20.49) [0.89%]	122 (-17.00) [0.60%]	184 (50.81) [0.73%]	215 (16.84) [0.70%]	158
Setup and configuring	21 [0.16%]	20 (-4.76) [0.12%]	22 (10) [0.10%]	28 (27.27) [0.11%]	29 (3.57) [0.09%]	24
Service of equipments and Programs (maintenance and repairing)	27 [0.20%]	25 (-7.40) [0.15%]	22 (-12) [0.10%]	64 (190.90) [0.25%]	84 (31.25) [0.27%]	44.4
Computing Cost	4 [0.03%]	6 (50) [0.03%]	8 (33.33) [0.03%]	12 (50) [0.04%]	12 (0) [0.03%]	8.4
Persons Power Cost	28 [0.21%]	38 (35.71) [0.23%]	34 (-10.52) [0.16%]	43 (26.47) [0.17%]	52 (20.93) [0.17%]	39
Travelling and conveyance	97 [0.75%]	108 (11.34) [0.66%]	61 (-43.51) [0.30%]	129 (111.47) [0.51%]	125 (-3.10) [0.41%]	104
Support for users	46 [0.35%]	39 (-15.21) [0.23%]	35 (-10.25) [0.17%]	60 (71.42) [0.24%]	80 (33.33) [0.26%]	52
Marketing Support	15 [0.11%]	15 (0) [0.09%]	11 (-26.66) [0.05%]	29 (163.63) [0.11%]	37 (27.58) [0.12%]	21.4

Resource consume Activities	Financial Years (₹ in Crores)					Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Advertisement and Sales promotion	10 [0.07%]	6 (-40) [0.03%]	3 (-50) [0.01%]	6 (100) [0.02%]	5 (-16.66) [0.01%]	6
Activities Total Cost	**12,917**	**16,368**	**20,278**	**25,077**	**30,412**	**21,010**
Total Profit (or) Loss	**2,731**	**5,325**	**2,464**	**6,177**	**6,353**	**4610**
Total Net Sales(Revenue)	**15,648**	**21,693**	**22,742**	**31,254**	**36,765**	**25,620**

Source: Financial Reports

* Figures in ( ) are growth rates

** Figures in [ ] are percentage in Activities Total Cost

Table 4: Resources consuming Activities of Tech Mahindra from 2008-09 to2012-13

Resource consume Activities	Financial Years (₹ in Crores)					Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Functional Requirement analysis	171.9 [6.33%]	871.8 (407.15) [22.74%]	1,169.5 (34.14) [25.10%]	259.7 (-77.79) [6.46%]	321.6 (23.83) [6.50%]	558.9
Recruitment & Training	25.2 [0.92%]	17 (-32.53) [0.44%]	11.8 (-30.58) [0.25%]	18.4 (55.93) [0.45%]	25.4 (38.04) [0.51%]	19.56
Employees Cost	1,559.9 [57.46%]	1,855.6(18.95) [48.41%]	1,943.8 (4.75) [41.72%]	2,604.7 (34.00) [64.87%]	3,350.2(28.62) [67.78%]	2262.84
Communication	8.3 [0.30%]	13.1 (57.83) [0.34%]	73.9 (464.12) [1.58%]	65.8 (-10.96) [1.63%]	89.5 (36.01) [1.81%]	50.12
Rent	79 (2.91%)	76.7(-2.91) (2.00%)	103.1(34.41) (2.21%)	124(20.27) (3.08%)	138.5(11.69) (2.80%)	104.26
Planning and Designing	14.6 [0.53%]	15.9 (8.90) [0.41%]	23.4 (47.16) [0.50%]	34.2 (46.15) [0.85%]	38.5 (12.57) [0.77%]	25.32
Project Management and Performance	75.1 [2.84%]	232.8 (209.98) [6.19%]	384.6 (65.20) [8.44%]	107.0 (-72.17) [2.74%]	122.6 (14.57) [2.55%]	184.42
Operation Support	189.3 [6.97%]	286.1 (51.13) [7.46%]	393.2 (37.43) [8.44%]	298.5 (-24.08) [7.43%]	350.6 (17.45) [7.09%]	303.54
Technical Support	9.6 [0.35%]	31.2 (225) [0.81%]	68.5 (119.55) [1.47%]	22.3 (-67.44) [0.55%]	29.4 (31.83) [0.59%]	32.2
Keeping Current	3 [1.21%]	12.5 (-62.12) [0.32%]	24.9 (99.2) [0.53%]	55 (120.88) [1.36%]	70.4 (28) [1.42%]	39.16

Resource consume Activities	Financial Years (₹ in Crores)					Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Setup and configuring	~	0.3 (100) [0.007%]	1.5 (400) [0.03%]	1.2 (-20) [0.02%]	1.0 (-16.66) [0.02%]	1
Service of equipments and Programs (maintenance and repairing)	6.3 [0.23%]	19.2 (204.76) [0.50%]	23.9 (24.47) [0.51%]	27.5 (15.06) [0.68%]	40.3 (46.54) [0.81%]	23.44
Computing Cost	2.4 [0.08%]	15.6 (550) [0.40%]	28.6 (83.33) [0.61%]	17.8 (-37.76) [0.44%]	18.3 (2.80) [0.37%]	16.54
Persons Power Cost	12.4 [0.45%]	8.6 (-30.64) [0.22%]	18.7 (117.44) [0.40%]	32.6 (74.33) [0.81%]	40.6 (24.53) [0.82%]	22.58
Travelling and conveyance	506.2 [18.64]	344.2 (-32.00) [8.98%]	348.7 (1.30) [7.48%]	293.7 (-15.77) [7.31%]	272.7 (-7.15) [5.51%]	353.1
Support for users	4.6 [0.16%]	6 (30.43) [0.15%]	9 (50.0) [0.19%]	10.4 (15.55) [0.25%]	0.3 (-97.11) [0.006%]	6.06
Marketing Support	2.8 [0.10%]	3.6 (28.57) [0.09%]	4.2 (16.66) [0.09%]	3.5 (-16.66) [0.08%]	5.8 (65.71) [0.11%]	3.98
Advertisement and Sales promotion	13.7 [0.50%]	22.7 (65.69) [0.59%]	27 (18.94) [0.57%]	38.7 (43.33) [0.96%]	26.5 (-31.52) [0.53%]	25.72
Activities Total Cost	**2,714.3**	**3,832.2**	**4,658.3**	**4015**	**4,942.2**	**4032.40**
Total Profit (or)Loss	**890.4**	**524.9**	**481.9**	**2,504.6**	**2,751.3**	**1430.62**
Total Net Sales(Revenue)	**3,604.7**	**4,357.8**	**5,140.2**	**6,395.6**	**7,693.5**	**5438.36**

Source: Financial Reports

* Figures in ( ) are growth rates

** Figures in [ ] are percentage in Activities Total Cost

Table 5: Resources consuming Activities of HCL Technology from 2008-09 to2012-13

Resource consume Activities	Financial Years (₹ in Crores)					Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Functional Requirement analysis	9,492 (85.45%)	9,245 (-2.60) (85.51%)	8,268 (-10.56) (79.80%)	8,184 (-1.01) (81.24%)	6,636 (-18.91) (78.63%)	8,365
Recruitment and Training	66.92 (0.60%)	73.32 (9.56) (0.67%)	60 (-18.16) (0.57%)	52 (-5) (0.56%)	48 (-7.01) (0.62%)	60.048

Resource consume Activities	Financial Years (₹ in Crores)					Average of Resource consume Activities
	2008-09	2009-10	2010-11	2011-12	2012-13	
Employee Cost	293 (2.63%)	326 (11.26) (3.01%)	448.31 (37.51) (4.32%)	459.99 (2.60) (4.56%)	494.76 (7.55) (5.86%)	404.412
Communication Expenses	12 (0.10%)	11 (-8.33) (0.10%)	44 (300) (0.42%)	15 (-65.90) (0.15%)	14 (-6.66) (0.16%)	19.2
Rent	18.39 (0.16%)	23 (25.06) (0.21%)	25 (8.69) (0.24%)	26 (4.00) (0.25%)	29 (11.53) (0.34%)	24.278
Planning and Designing	52 (0.46%)	46 (-11.53) (0.42%)	48 (4.34) (0.46%)	59 (22.91) (0.58%)	44 (-25.42) (0.52%)	49.8
Project Management and Performance	484 (4.35%)	379 (-8.80) (3.50%)	308.4 (-18.73) (2.97%)	390 (26.62) (0.54%)	299 (-23.33) (3.54%)	372.08
Operation Support	174.3 (1.56%)	189.64 (8.80) (1.75%)	275.4 (45.22) (2.65%)	277.66 (0.82) (2.75%)	280.3 (0.95) (3.32%)	239.46
Technical Support	213 (1.91%)	254 (19.24) (2.34%)	269 (5.90) (2.59%)	314 (16.72) (3.12%)	347 (10.50) (4.11%)	279.4
Keeping Current	2 (0.01%)	2 (0.01%)	2 (0.01%)	2 (0.01%)	2 (0.02%)	2
Setup and configuring	46 (0.41%)	32 (-30.43) (0.29%)	21 (-34.37) (0.20%)	33 (57.14) (0.32%)	27 (-18.18) (0.32%)	31.8
Service of equipments and programs (maintenance and repairing)	8.73 (0.07%)	11.04 (26.46) (0.10%)	16.64 (50.72) (0.16%)	12.63 (-24.09) (0.12%)	11.66 (-7.68) (0.13%)	10.68
Computing Cost	74 (0.66%)	65 (-12.16) (0.60%)	49 (-24.61) (0.47%)	68 (38.77) (0.67%)	43 (-36.76) (0.50%)	59.8
Persons Power Cost	0.22 (0.001%)	0.32 (45.45) (0.002%)	0.46 (43.75) (0.004%)	0.38 (179.58) (0.003%)	0.46 (21.05) (0.005%)	0.368
Travelling and conveyance	32.82 (0.29%)	30.45 (-7.22) (0.28%)	388.74(1176.65) (3.75%)	47.22 (-87.85) (0.47%)	49.1 (3.98) (0.58%)	109.666
Support for users	12 (0.10%)	14 (16.66) (0.12%)	11 (-21.42) (0.11%)	16 (45.45) (0.15%)	13 (-18.75) (0.15%)	13.2
Marketing Support	55.32 (0.49%)	51.68 (-6.57) (0.47%)	50.32 (-2.63) (0.48%)	46.95 (-6.69) (0.46%)	44.9 (-4.36) (0.53%)	49.834
Advertisement and Sales promotion	71.53 (0.64%)	57.06 (-20.22) (0.52%)	74.9 (31.26) (0.72%)	64.29 (-14.16) (0.63%)	51 (-20.67) (0.60%)	63.756
Activities Total Cost	**11,108.23**	**10,810.51**	**10,359.77**	**10,073.12**	**8,439.18**	**10,158.16**
Total Profit (or)Loss	**1258.54**	**1526.3**	**1188.23**	**823.44**	**925.5**	**1144.402**
Total Net Sales(Revenue)	**12,366.77**	**12,336.81**	**11,548**	**10,896.56**	**9,364.68**	**11.302.56**

Source: Financial Reports
* Figures in ( ) are growth rates
** Figures in [ ] are percentage in Activities Total Cost

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

MANAGEMENT ACCOUNTANCY

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER 2016

Saturday 10th December, 2016 09.30 A.M to 12.30 P.M	Saturday 10th December, 2016 02.00 P.M to 05.00 P.M	Sunday 11th December, 2016 09.30 A.M to 12.30 P.M	Sunday 11th December, 2016 02.00 P.M to 05.00 P.M	Monday 12th December, 2016 09.30 A.M to 12.30 P.M
Management Accountancy	Advanced Management Techniques	Industrial Relations & Personnel Management	Marketing Organisation & Methods	Economic Planning & Development

EXAMINATION FEES

Per Group	Rs 2500/-

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

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

2. **Last date for receipt of Examination Application Form without late fees is 30th September, 2016 and with late fees of Rs 300/- is 10th October,2016.**

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

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

5. Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro,Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad, Guwahati, Hardwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu,Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry,PortBlair, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

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

CMA M P S Arun Kumar
Dy.Director (Advanced Studies)

Eastern India Regional Council

The Institute of Cost Accountants of India-Bhubaneswar Chapter

On July 3, 2016 the chapter organized a Personality & Interview Skill Development programme for its pursuing final students at its premises. Shri Amit Kumar Tripathy, one of the best soft skill trainers at Odisha guided the students and shared various techniques before facing interviews. On July 17, 2016 a Practitioner's Meet was held on the theme 'Review of CST in the Context of GST'. CMA Sudhansu Kumar Sahu, Past Chairman of the chapter, DGM (Finance), CESU and Guest Faculty on Direct & Indirect Tax at Chapter and CMA B.B. Nayak, Chairman, Professional Development Committee, DGM (Finance), GRIDCO Ltd were the resource persons on the said occasion. Various career counseling programmes had been organized in different colleges in July 2016 at Bhubaneswar. The Chapter and NSDL e-Governance Infrastructure Ltd jointly organized a seminar on 'National Pension Scheme (NPS)' in association with Business Standard on July 24, 2016 at CMA Bhawan. CMA Manas Kumar Thakur, President of the Institute inaugurated the seminar as Chief Guest and CMA Niranjan Mishra, Council Member and Chairman, RCs & Chapters Co-ordination Committee of the Institute, Kolkata, CMA Shiba Prasad Padhi, RCM, CMA C. Venkata Ramana, Regional Council Member and Chairman, Students Facilitation Committee, EIRC of the Institute, CMA Siba Prasad Kar, Chairman , CMA Bibhuti Bhusan Nayak, Chairman, Professional Development Committee & CMA Damodar Mishra, Secretary of the chapter were among other eminent members present in the seminar. The speakers in the technical session were Shri Prasenjit Mukherjee, Assistant Vice President, NSDL e-Governance Infrastructure Ltd., Mumbai, Shri Sandeepan Mukherjee, Manager, NSDL e-Governance Infrastructure Ltd., Kolkata who deliberated in detail about the 'National Pension System (NPS)' and CMA N.B.Tripathy, G.M (Finance), NALCO Ltd addressed on 'Post retirement planning & employee and NPS – perspective of organization', Mr. Prasenjit Mukherjee explained the nuances and benefits of NPS to a packed and interactive audience. CMA Uttam Kumar Nayak, Vice Chairman cum treasurer of the chapter coordinated the technical session. A press meet was also organized to mark the seminar and highlight the profession attended by various press and electronic media representatives.

The Institute of Cost Accountants of India-South Odisha Chapter

The Chapter celebrated the 70th National Independence Day at its premises unfurled by CMA Binod Bihari Nayak, chairman of the chapter. He narrated about the importance of the day and said how the patriots had sacrificed for the nation in freeing our nation from the clutches of the British rule. He also emphasized about the discipline to be maintained by the students, faculties as well as by the staff.

The Institute of Cost Accountants of India-Durgapur Chapter

On August 11, 2016 the Chapter organized a career counseling programme at DAV model school, Durgapur with the support of Headquarters of the Institute. CMA Susit Kumar Chakrabarti, secretary of the chapter, CMA P.K. Somaddar, managing committee member and CMA S.K. Bhattacharya, RCM were also present in the programme and interacted with the students. On the same day the chapter organized a professional development programme on 'Income Declaration Scheme 2016'. Shri, Ajay Kumar Keshari, IRS, Joint Commissioner of Income Tax, Durgapur was the chief guest and speaker on the topic. The programme was chaired by Shri S.K. Bhattacharya, RCM and CMA P.K.Nayak, Vice Chairman of the chapter was the rapporteur of the programme. Shri Deepak Kedia, IRS, ACIT, Durgapur was also present in the programme. CMA Rafikul Islam Chowdhury, a senior member of the chapter gave the vote of thanks. On August 15, 2016 the independence day had been celebrated at the chapter and CMA P.K.Nayak, Vice Chairman of the chapter unfurled the national flag. The programme was attended by the members and staffs of the chapter.

Northern India Regional Council

The Region organized a Residential Regional Convention from June 10, 2016 till June 12, 2016 for the very first time at Kufri, Shimla and the theme was based on 'CMAs- Enablers of Paradigm Shift in Business Strategies'. Chief Guest, Mr. Anirudh Singh, honorable MLA of the local constituency inaugurated the convention and had detailed discussions regarding the use of technical expertise of CMAs for Himachal Pradesh and his constituency as well especially in the infrastructure projects of the state government. CMA D C Bajaj, Former President of the Institute and present member of AERA inaugurated the technical session and shared his views on the changing and challenging roles of CMAs in various projects of Government of India. On June 11 and 12, 2016 during this convention, a C F O Conclave was held and chaired by Shri D C Bajaj, Former President of the Institute & present member of AERA and attended by Mr Sanjeev Sharma, Director Finance, MDS Ltd., Mr S K Jaiswal, Director (Cost), Ministry of Defence, Mr N K Grover, GM (F & A) CWC. During the conclave, key role of CMAs in the public as well as corporate sector was discussed and contribution which CMAs can make in sectors like Electricity, Railways, Water Resources etc. where huge money of Government had been invested was also discussed. On June 21, 2016, the Region observed the second International Yoga Day celebrations at CMA Bhawan, New Delhi. On June 26, 2016, for the first time in the history of NIRC, CMA Lady Summit had been organized with special emphasis on GST. The eminent personalities included Padamshree Naina Lal Kidwai Ji, Eminent Banker and Former Chairman HSBC Bank, presently working as Chairperson Max Financial Services, Ms. Meenakshi Lekhi Ji, Honorable Member of Parliament, Ms. Sarika Choudhary Ji, Member, Delhi Commission for Women in the presence of CMA PV Bhattad Immediate Past President, CMA Manas Kumar Thakur, President of the Institute, CMA Sanjay Gupta, Vice President of the Institute. The Region organized a seminar on 'Panel Discussion on GST Theories and Economics' on July 3, 2016 at CMA Bhawan, New Delhi. Keynote speaker, Mr. Krishnan Agarwal, Sr. Manager Indirect Tax, Deloitte Haskins & Sells LLP. and CMA Rakesh Bhalla, former Chairman, NIRC. Mr. Krishnan Agarwal and CMA Rakesh Bhalla shared their valuable experience and the knowledge on the above theme.

The Institute of Cost Accountants of India- Jaipur Chapter

The Chapter conducted career counseling programmes at its premises from July 16, 2016 till July 28, 2016. During this tenure, CMA P.D. Agrawal, Director Coaching and his team of staff members explained the students about CMA Course including career prospects after qualifying the CMA Course. A large number of students attended the counseling programs.

Southern India Regional Council

The Institute of Cost Accountants of India- Bangalore Chapter

On August 6, 2016 the chapter organized an event of inaugurating the 100th batch of oral coaching classes by CMA Manas Kumar Thakur, President of the Institute and he delivered the inaugural address. CMA Chidambara G, Chairman-coaching of the chapter provided update on the coaching activities and emphasized on the focus areas of the chapter on the same. CMA YH Anegundi, CMA Suresh Gunjalli, CMA V Murali, CMA GN Venkataraman addressed the students and highlighted the importance

and opportunities for the profession and guided students on how to succeed in the Institute examinations and make a great career from the profession. On August 15, 2016 the chapter celebrated the 70th Independence Day at its premises. Shri B.K. Murali, Air Vice Marshal (Retd.) and Dr. Manish Mokshagundam, Journalist participated in the celebrations. The National Flag was hoisted by CMA Girish K, Chairman of the chapter in the presence of the dignitaries, members and students. Sri B K Murali, shared his experience in the Army. Further as a part of CSR initiative, CMA Girish K, chairman and CMA H R Sreepada, vice-chairman along with CMA Geetha, Managing Committee Member visited the Government School in Puttenahalli, Bangalore and distributed school bags to students.

The Institute of Cost Accountants of India- Hyderabad Chapter

On July 3, 2016, CMA N. Srinivasan, Director, Fastbreak Competencedev Pvt. Ltd conducted a detailed workshop to the students about the tips for preparing the profile/ resume. On July 22, 2016 the chapter organized a

student programme on 'Look at CMA' organized by CMA D. Zitendra Rao, Member, SIRC. He explained the students about the relevance of the Cost and also role of the 'Management Accountant' in an organization. Various career counseling programmes were conducted at different dates of July 2016 at various colleges of Hyderabad.

The Institute of Cost Accountants of India-Coimbatore Chapter

On July 16, 2016 the Chapter organized a PD programme on the theme 'Cost & Management Accounting – Corporate Planning Tool' where CMA P. Prakash, Sr. Cost Accountant, Premier Spg & Weaving Mills P Ltd., Coimbatore gave a lecture on the topic with practical illustrations. On July 31, 2016 another

PD programme on 'Fitness Tips for Day to Day Life' was conducted where Dr. R. Muthukumar, Retired Senior Civil Surgeon, ESI Coimbatore provided useful health tips and presented a demo of exercises. Various career counseling programmes were conducted at different dates of July 2016 in different colleges of Coimbatore.

The Institute of Cost Accountants of India -Trivandrum Chapter

On June 21, 2016 the Chapter organized a professional development programme on the theme 'Health Care – The Yoga Route'. The guest speaker was Sri V.J Issac, Yoga Practitioner and former Additional Director, Economics & Statistics Department, Government of Kerala. Sri V J Issac elaborately discussed about the origin and benefits of yoga practice and narrated case studies on how life style diseases could be avoided by regularly practicing

yoga exercises. Chairman of the chapter, CMA Manoharan Nair G S appraised that practice of yoga is the best way for healthy life and avoiding medicines. On August 15, 2016 the Chapter celebrated 70th Independence Day where CMA Manoharan Nair G S, chairman of the chapter hoisted the National Flag and addressed the gathering. A large number of members and students participated in the function and jointly recited the National Anthem.

The Institute of Cost Accountants of India - Visakhapatnam Chapter

On July 20, 2016 the chapter conducted an 'Academicians Meet' at CMA Bhawan. Chief guest Prof K.Siva Rama Krishna, Ph.D Pro Vice – Chancellor, Gitam University emphasized the need of the CMA course in the present competitive world and stressed the importance of CMA Course to Engineering under graduate students so that they become a double edged weapon both in the field of engineering and costing.

On July 27, 2016 the Chapter and the New India Assurance Co Ltd organized a professional development programme on 'Insurance Awareness and Role of CMA in Insurance Claim Management'. Sri M. Anakaiah explained about the asset base of New India which is largest public sector general insurance company and said IRDA estimated that general insurance premium will reach Rs 2 Lakh crores by the year 2021. CMA U. Lakshmana Rao explained the role of CMAs in supporting insurers and insured, surveyors and loss assessors. On August 21, 2016, the chapter conducted Press Meet on launching of CMA Syllabus 2016 at CMA Bhawan as per the instruction of Headquarter of the Institute. CMA P.V.N. Madhav, Chairman of the chapter addressed on the Meet.

Western India Regional Council

The Region organized a CEP on 'Role of CMAs in Present Scenario – with respect to Project Finance & Restructuring of Loans' on July 15, 2016 at its office. Mr. K. C. Jani, Ex-ED – IDBI Bank was the speaker for the programme who provided information about project finance, re-structuring of loans, new regulation like NCLT & Bankruptcy Act and scope of CMAs to excel in these areas. On July 23, 2016 the Region organized two CEPs at Thane, SMFC, where the first one was on 'Model GST Law – Key features of the draft Model GST Law' where chairman of Taxation Committee of the Institute, CMA Ashok Nawal shared important features of draft Model GST Law. The other CEP was on 'Amendment in the Companies (Cost Records &Audit) Rules, 2016'. CMA Harshad Deshpande, RCM, the speaker, gave the updates about new industry covered like broadcasting sector. On August 15, 2016 the Region celebrated the 70th Independence Day at Thane SMFC. CMA Pradip H Desai, chairman, WIRC hoisted the National Flag. CMA Debasish Mitra, immediate past chairman, WIRC, CMA Kailash Gandhi, vice chairman WIRC were also present in the programme.

The Institute of Cost Accountants of India -Pimpri Chinchwad Akurdi Chapter

The Chapter participated in Education Fair – Aspire 2016 arranged by Lokmat Group on June 11 and 12, 2016. The Chapter conducted a seminar on Draft model GST Law and Role of CMA in GST on June 18, 2016. In the first technical session, CMA L D Pawar provided a lucid explanation of the Model GST Law with many examples. In the second technical session, CMA Pradeep Deshpande explained the role of CMA in GST. On June 21, 2016 the chapter celebrated International Yoga Day by conducting seminar on practical meditation for Cost Accountants. Yoga Guru, Ms. Dhanashri Mulay, renowned yoga expert first conducted session wherein she explained the importance of Yoga in daily life and how it can be useful for our members to reduce stress. On July 23, 2016 the chapter conducted seminar on New Returns under MVAT by CMA L D Pawar and gave a detailed explanation on the subject. The chapter conducted a seminar on 'Discussion on GST' by CMA L D Pawar and CMA Pradeep Deshpande on August 6, 2016. In the technical session CMA L.D. Pawar gave a detailed explanation on the GST Return and CMA Pradeep Deshpande explained the role of CMAs in GST.

The Institute of Cost Accountants of India-Navi Mumbai Chapter

The Chapter organized an inaugural function for oral coaching batch on July 31, 2016. CMA Rajneesh Jain, CFO of Reliance Jio Infocom, the chief guest of the function explained the importance of CMA in the era of global industrial competition. Prof. B.S. Pandey, HOD of Accountancy and Commerce of Rajiv Gandhi College Arts, Commerce & Science, and Dr. Vivek Bhoir , Prof., K.B. Patil College were the guests of honour. The Chapter jointly with K. B. Patil College of Commerce, Vashi, Navi Mumbai celebrated the 70th Independence Day on August 15, 2016 where the National Flag of India was hoisted by Dr. V. S. Shivankar, Principal, K. B Patil College.

The Institute of Cost Accountants of India-Surat South Gujarat Chapter

The Chapter organized a student's programme on 'How to succeed in professional examination ie CMA exams' at the chapter's conference hall. CMA P. D. Modh, senior practicing CMA and Educationalist elaborated on the themes viz positive attitude, goal setting, time management and setting priorities. He gave various tips for preparation, he also emphasized on hard work and notes, practical examples and case study. On July 17, 2016 a CEP on 'Emotional Intelligence' had been organized by the chapter at its office. The key note speaker, CMA P. D. Modh, senior practicing cost accountant from Ahmedabad dealt with the subject and provided a brief idea about it.

The Institute of Cost Accountants of India-Ahmedabad Chapter

On July 9, 2016 the Chapter organized a CEP programme on 'Over View – Income Declaration Scheme 2016 & Model GST Law' and CMA Hetal Shah, Jt treasurer of the chapter welcomed Shri Ajai Das Mehrotra, Principal Commissioner of Income Tax and Govt. Nominees to ICAI council, the Chief Guest, Shri P H Chaudhary, Jt. Commissioner, Shri H K Dev, Jt. Commissioner, Shri Deepak Parikh, ITO, Shri Shreeram Kaza, General Manager, Alembic Pharmaceuticals, members and participants. In the first session, Shri Ajai Das Mehrotra and his team explained the features of Income Declaration Scheme, 2016 in a very lucid manner and in the 2nd session, Shri Shree Ram Kaza, General Manager, Alembic Pharmaceuticals, Baroda submitted presentation on GST Law.

Customs

Notifications:

Tariff:

✤ The Central Government hereby makes the following further amendments in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 96/2008-Customs, dated the 13th August, 2008 published vide number G.S.R. 590 (E), dated the 13th August, 2008, namely:- In the said notification, in the Schedule, after serial number 33 and the entries relating thereto, the following serial number and entry shall be added, namely:-

S. No.	Name of Country
"34	Republic of Guinea-Bissau"

[Notification No. 46/2016-Customs New Delhi, dated the 23rd August, 2016]

✤ The Central Government hereby exempts fabrics (including interlining) imported into India against a valid Special Advance Authorisation (hereinafter referred to as the said authorisation) issued by the Regional Authority in terms of paragraph 4.04A of the Foreign Trade Policy from the whole of the duty of customs leviable thereon which is specified in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the Customs Tariff Act) and from the whole of the additional duty, safeguard duty and anti-dumping duty leviable thereon, respectively, under sections 3, 8B and 9A of the Customs Tariff Act, subject to the following conditions.

For details see the following link – http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-tarr2016/cs45-2016.pdf

[Notification No. 45/ 2016 – Customs New Delhi, the 13th August, 2016.]

✤ The Central Government hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 52/2003-Customs, dated the 31st March, 2003, published in the Gazette of India, Extraordinary, vide number G.S.R. 274 (E), dated the 31st March, 2003 herein after referred to as the said notification, namely:-

2. In the said notification, in the opening paragraph, -

(i) in condition (2), for the words "in Customs bond and subject to such other condition", the words "subject to such conditions" shall be substituted;

(ii) in condition (4b), the words "and following the procedure of in-bond movement of goods" shall be omitted;

(iii) condition (5) shall be omitted;

(iv) in condition (6), in clause (xiii), for the words and figures "Baggage Rules, 1998", the words and figures "Baggage Rules, 2016" shall be substituted;

(v) in condition (11), for the words "shall be installed outside the bonded premises for this purpose", the words "shall be installed outside the premises of the unit" shall be substituted; and

(vi) in condition (13), in clause (iv) for the words "outside the bonded premises", the words "outside the premises of the unit" shall be substituted.

3. In the said notification in paragraph 2, in the proviso, for the words "outside the bonded premises", the words "outside the premises of the unit" shall be substituted.

4. In the said notification in paragraph 4, the words "or to debond", "or debonding", "debonding or" and ", as the case may be" wherever they occur shall be omitted.

5. In the said notification, in paragraph 6, for clause (vii), the following clause shall be substituted, namely:- "(vii) the unit shall be required to have a premises for secure storage of goods procured duty free under this notification and the final products manufactured or produced therefrom and the details of the premises shall be declared to the said officer.".

6. In the said notification, in paragraph 7, the words "out of the bonded premises to the granite quarries", the words "out of the premises of the unit to the granite quarries" shall be substituted.

7. This notification shall come into force with effect from 13thAugust, 2016.

[Notification No. 44/2016-Customs New Delhi, the 29thJuly, 2016]

✤ The Central Government hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 27/2011-Customs, dated the 1st March, 2011, published in the Gazette of India, Extraordinary, vide number G.S.R. 153(E), dated the 1st March, 2011, namely :- In the said notification, in the Table, after serial number 63 and the entries relating thereto the following entry shall be inserted:

64	1701	Organic sugar upto 10,000 MT in a year beginning with October and ending with September subject to the following conditions: (i) The export of organic sugar is done in terms of the Public Notice No.73 (RE-2013)/2009-2014 dated 18th November, 2014 and No.10/2015-2020 dated 5th May, 2015 of the DGFT; and (ii) The exporter produces a Registration-cum-Allocation Certificate (RCAC) issued by the Agricultural and Processed Food Products Export Development Authority (APEDA) certifying the quantity of export of organic sugar eligible to be exported by claiming exemption from export duty: Provided that for the period ending with 30th September 2016, the exemption shall be restricted to 2500 MT.	Nil

[Notification No. 43 /2016-Customs New Delhi, the 26th July, 2016]

The Central Government hereby makes the following further amendment in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 12/2012- Customs, dated the 17th March, 2012, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 185(E), dated the 17th March, 2012, namely:- In the said notification, in the ANNEXURE, in Condition No. 28A, for the words "the Apparel Export Promotion Council or the Synthetic and Rayon Textile Export Promotion Council", occurring at both places, the words "the Apparel Export Promotion Council or the Synthetic and Rayon Textile Export Promotion Council or the Cotton Textiles Export Promotion Council" shall be substituted.

[Notification No. 42/2016-Customs New Delhi, the 11th July, 2016]

The Central Government hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 27/2011-Customs, dated the 1st March, 2011, published in the Gazette of India, Extraordinary, vide number G.S.R. 153(E), dated the 1st March, 2011, namely :- In the said notification, in the Table, after serial number 62 and the entries relating thereto the following entry shall be inserted, namely:-

(1)	(2)	(3)	(4)
"63	1701	Sugar exported against a valid Advance Authorization issued by the Regional Authority that is to say the Director General of Foreign Trade appointed under section 6 of the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) or an officer authorized by him to grant an authorization under the said Act subject to the conditions that: (a) Exports are effected in proportion to the import of raw sugar against the said Advance Authorization; (b) Advance Authorization holder has not got the said Authorization invalidated; (c) Advance Authorization holder has not procured raw sugar from the domestic market; (d) At the time of clearance of export consignment at port, the exporter submits a copy of the bill of entry as documentary proof of import of raw sugar under the said Advance Authorization to the jurisdictional proper officer of customs.	Nil ".

Note.- The principal notification No.27/2011-Customs, dated the 1st March, 2011 was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 153(E), dated the 1st March, 2011 and last amended vide notification No.37/2016-Customs, dated the 16th June, 2016 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 607 (E), dated the 16th June, 2016.

[Notification No. 41/2016-Customs New Delhi, the 6th July, 2016]

Non-Tariff:

✤ In exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the following amendments in the Notification of the Central Board of Excise and Customs No.112/2016-CUSTOMS (N.T.), dated 18th August, 2016, with effect from 27th August, 2016, namely:-

In the SCHEDULE-I of the said Notification, for serial No.12 and the entries relating thereto, the following shall be substituted, namely:-

SCHEDULE-I

Sl.No.	Foreign Currency	Rate of exchange of one unit of foreign currency equivalent to Indian rupees	
1	2	3	
		(a)	(b)
		(For Imported Goods)	(For Export Goods)
12.	South African Rand	4.90	4.55

[Notification No. 117/2016 - Customs (N.T.) Dated the 26th August, 2016 04 Bhadrapada, 1938 (SAKA)]

✤ In compliance with the directions of Hon'ble CESTAT's Final Order No. 41672-41675/2015 dated 11.11.2015, remanding the matter for de novo proceedings, passed in 4 appeals as stated in column (4) and (5) of the Table below, pertaining to noticee mentioned in column (2) of the said Table, and in exercise of powers conferred by sub-section (1) of section 4 and subsection (1) of section 5 of Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby appoints the Commissioner of Customs, Chennai-II, Custom House, Chennai to act as a Common Adjudicating Authority to exercise powers and discharge duties conferred or imposed on officers mentioned in column (3) of the Table in respect of the Order-in-Original mentioned in column (3) of the Table, for purpose of adjudication, namely:-

Sl. No.	Name of the Noticee and Address	Order-in-Original Number and dated and the officer who had passed the Adjudication Order	Appeal Number before the Hon'ble CESTAT, Chennai	Appeal filed by
(1)	(2)	(3)	(4)	(5)
1.	M/s Nagarjuna Oil Corporation Limited, Chennai	75/11-12 dated 19.01.2012 of Assistant Commissioner of Customs, Nagapattinam	C/323/2012	Noticee
		15051/11 dated 04.03.2011 of Deputy Commissioner of Customs, Custom House, Chennai	C/324/2012	Noticee
		10/11 dated 29.11.2011 of Assistant Commissioner of Customs,Cuddalore	C/141/2012	
		2/12 dated 09.03.2012 of Assistant Commissioner of Customs, Cuddalore	C/40701/15	Noticee

[Notification No. 116/2016 -Customs (N.T.) New Delhi, dated the 26th August, 2016]

✤ In exercise of the powers conferred by sub-section (2) of section 141 read with section 157 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the following regulations to further amend the Handling of Cargo in Customs Areas Regulations, 2009, namely:-

1. (1) These regulations may be called the Handling of Cargo in Customs Areas (Amendment) Regulations, 2016. (2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Handling of Cargo in Customs Areas Regulations, 2009 (hereinafter referred to as 'the said regulations'), in regulation 5, namely:-

a) in sub-regulation (3), for the word "thirty", the word "ten" shall be substituted:

b) in sub-regulation (4), the following proviso shall be inserted, namely:-

"Provided that the condition of furnishing of bank guarantee shall not be applicable to ports notified under the Major Ports Act, 1962 (38 of 1963) or to the Central Government or State Governments or their undertakings or to the customs cargo service provider authorised under Authorised Economic Operator Programme."

[Notification No. 115 /2016-Customs (N.T.) New Delhi, dated the 26th August, 2016]

✤ In exercise of the powers conferred by sub-section (1) of section 4 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.78/2014-Customs (N.T.) dated the 16th September, 2014 published vide G.S.R. No. 655 [E], dated the 16th September, 2014 namely:-

2. In the said notification, in the Table, against serial number 23, for the entry in column 2, the following entry shall be substituted namely:- " Port of Visakhapatnam, Gangavaram port, Visakhapatnam International Airport, Container Freight Station at Bayyavaram Village, Kasimkota Mandal, Visakhapatnam District, Visakhapatnam, Special Economic Zone and the areas under the Greater Visakhapatnam Muncipal Corporation of Visakhapatnam in the state of Andhra Pradesh".

[Notification No. 114/2016-Customs (N.T.) New Delhi, the dated 26th August, 2016]

✤ In pursuance of notification No. 60/2015-Customs (N.T.), published vide number G.S.R. 453(E), dated 4th June 2015 in Gazette of India, Extra-ordinary, Part-II, section 3, sub-section (i), and as amended by notification No. 133/2015-Customs (N.T.), published vide number G.S.R. 916(E) dated 30th November 2015 in Gazette of India, Extra-ordinary, Part-II, section 3, sub-section (i), issued by the Government of India, Ministry of Finance, Department of Revenue, under clause (a) of section 152 of the Customs Act, 1962 (52 of 1962), the Director General, Revenue Intelligence, hereby appoints officers mentioned in column (5) of the Table below to act as a common adjudicating authority to exercise the powers and discharge the duties conferred or imposed on officers mentioned in column (4) of the said Table in respect of noticees mentioned in column (2) of the said Table for the purpose of adjudication of show cause notices mentioned in column (3) of the said Table.

For details see the following link – http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt-caa-dri-01-2016.pdf

[Notification No. 1/2016-Customs (N.T./CAA/DRI) New Delhi, dated the 22nd August, 2016]

✤ In exercise of the powers conferred by section 157 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and

Customs hereby rescinds the notification of the Government of India in the Ministry of Finance, Department of Revenue (Central Board of Excise and Customs) number 81/2011-Customs (N.T.) dated the 25th November, 2011 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 840 (E), dated the 25th November, 2011, except as respects things done or omitted to be done before such rescission.

[Notification No. 113/2016 - Customs (N.T.) New Delhi, the 22nd August, 2016 31st Shravana , Saka 1938]

✤ In exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and in supersession of the notification of the Central Board of Excise and Customs No.106/2016-CUSTOMS (N.T.), dated 4th August, 2016, except as respects things done or omitted to be done before such supersession, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currencies specified in column (2) of each of Schedule I and Schedule II annexed hereto, into Indian currency or vice versa, shall, with effect from 19th August, 2016, be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

For details see the following link – http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt112-2016.pdf

[Notification No. 112/2016 - Customs (N.T.) New Delhi, dated the 18th August, 2016 27 Shravana, 1938 (SAKA)]

✤ In exercise of the powers conferred by sub-section (1) of section 5 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby invests the officers specified in column (1) of the Table below, with the powers of the Customs Officer of the rank specified in column (2) of the said Table, in the jurisdiction specified in Notification No. 77/2014-Customs (N.T.), dated the 16th September, 2014 published in the Gazette of India, Extraordinary Part-II, Section 3, Sub-Section(i), vide G.S.R. 654 (E), dated the 16th September, 2014, namely:-

Customs Officer	Rank of the Customs Officer whose powers is to be exercised
(1)	(2)
All Principal Commissioners who have been given additional charge of a Chief Commissioner vide Office Orders of the Central Board of Excise and Customs No. 79/2016 dated the 14th July, 2016 and 86/2016 dated the 26th July, 2016 respectively.	The Chief Commissioner.

[Notification No. 111/2016 -Customs (N.T.) New Delhi, the 18 August, 2016]

✤ In exercise of the powers conferred by sub-section (2) of section 75 of the Customs Act, 1962 (52 of 1962), sub-section (2) of section 37 of the Central Excise Act, 1944 (1 of 1944), and section 93A and sub-section (2) of section 94 of the Finance Act, 1994 (32 of 1994), read with rules 3 and 4 of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995, the Central Government, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No.110/2015-Customs (N.T.), dated the 16th November, 2015, published vide number G.S.R. 861 (E), dated the 16th November, 2015, namely:-

2. In the said notification, in the Notes and conditions, in paragraph (10), after clause (b), the following proviso shall be inserted, namely:-

"Provided that where exports are made against Special Advance Authorisation issued under paragraph 4.04A of the Foreign Trade Policy 2015-20 in discharge of export obligations in terms of Notification No. 45/2016-Customs dated 13th August, 2016, the rates of drawback specified in the said Schedule shall apply as if in the said Schedule-

the heading A and heading B are heading C and heading D, respectively; and

the entries in columns (4), (5), (6) and (7) against the Tariff items in the said Schedule below all Chapters, except Chapter 61 and 62, are NIL, and those in Chapters 61 and 62 are as specified in the Table annexed hereto;".

3. In the said notification, after the Schedule, the following Table shall be inserted.

[Notification No. - 110/ 2016 - CUSTOMS (N.T.) New Delhi, dated the 13th August, 2016]

✤ In exercise of the powers conferred by sub-section (2) of section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise & Customs, being satisfied that it is necessary and expedient so to do, hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001.

For details see the following link – http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt109-2016.pdf

[Notification No. 109/2016-CUSTOMS (N.T.) New Delhi, 12th August, 2016 21 Shravana, 1938 (SAKA)]

✤ Amending Import Manifest (Aircraft) Regulations, 1976
[Notification No. 108/2016-Cus (NT), dt. 11-08-2016]

✤ Amending Export Manifest (Aircraft) Regulations, 1976
[Notification No. 107/2016-Cus (NT), dt. 11-08-2016]

✤ Rate of exchange of conversion of the foreign currency with effect from 5th Aug., 2016
[Notification No. 106/2016-Cus (NT), dt. 04-08-2016]

✤ Exchange Rate notfn. with effect from 04th Aug., 2016 thereby amending Notfn. 102/2016-Cus (NT)
[Notification No. 105/2016-Cus (NT), dt. 03-08-2016]

✤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Sliver
[Notification No. 104/2016-Cus (NT), dt. 29-07-2016]

Anti Dumping Duty

✤ Seeks to extend the levy of anti-dumping duty on imports of 1-Phenyl-3-Methyl-5-Pyrazolone originating in, or exported from, People's Republic of China, (imposed vide notification No.80/2011-Customs, dated the 24th August, 2011) for a period of one year i.e. upto and inclusive of the 23rd August, 2017.
[Notification No. 47/2016-Cus (ADD), dt. 19-08-2016]

✤ Seeks to extend the levy of anti-dumping duty on imports of Caustic Soda, originating in, or exported from Chinese Taipei (imposed vide notification No.79/2011-Customs, dated the 23rd August, 2011) for a period of one year i.e. upto and inclusive of the 22nd August, 2017.
[Notification No. 46/2016-Cus (ADD), dt. 19-08-2016]

✤ Seeks to levy provisional anti-dumping duty on Cold -rolled flat products of alloy or non-alloy steel originating in or exported from China, Japan, Korea RP and Ukraine.
[Notification No. 45/2016-Cus (ADD), dt. 17-08-2016]

Seeks to levy provisional anti-dumping duty on Hot-rolled products of alloy or non-alloy steel imported from China, Japan, Korea RP, Russia, Brazil and Indonesia.
[Notification No. 44/2016-Cus (ADD), dt. 08-08-2016]

✤ Seeks to impose anti-dumping duty on the imports of Viscose Staple Fibre excluding Bamboo Fibre originating in or exported from Peoples Republic of China and Indonesia for a period of five years.
[Notification No. 43/2016-Cus (ADD), dt. 08-08-2016]

✤ Seeks to impose anti-dumping duty on the imports of PVC Flex Film originating in or exported from the Peoples Republic of China for a period of five years
[Notification No. 42/2016-Cus (ADD), dt. 08-08-2016]

✤ Seeks to finalize the provisional assessments in respect of imports of PVC Flex Film, originating in or exported from ChinaPR by M/s Haining Tianfu Warp Knitting Co. Ltd., Peoples Republic of China (Producer) and M/s Manna, Korea RP (Exporter), at rate of anti-dumping duty imposed vide Notification No. 82/2011-Customs (ADD) dated 25th August, 2011 [and extended vide Notification No. 43/2015-Customs (ADD) dated 18th August, 2015].
[Notification No. 41/2016-Cus (ADD), dt. 08-08-2016]

✤ Seeks to extend the levy of anti-dumping duty on imports of certain Rubber Chemicals, namely MBTS [Dibenzothiazole disulphide] originating in, or exported from, People's Republic of China, (imposed vide notification No. 98/2011-Customs, dated 20th October, 2011) for a period of one year i.e. upto and inclusive of the 19th October, 2017.
[Notification No. 40/2016-Cus (ADD), dt. 08-08-2016]

✤ Seeks to extend the levy of anti-dumping duty on imports of Sodium Nitrite, originating in, or exported from Peoples Republic of China, (imposed vide notification No.46/2014-Customs(ADD), dated 8th December, 2014) for a period of one year i.e. upto and inclusive of the 16th August, 2017.
[Notification No. 39/2016-Cus (ADD), dt. 08-08-2016]

✤ Seeks to amend notification No. 103/2011-Customs, dated 23.11.2011 to extend ADD on Opal Glass Ware originating in or exported from China PR & UAE.
[Notification No. 38/2016-Cus (ADD), dt. 04-08-2016]

✤ Seeks to amend notification No. 50/2011-Customs, dated 22.06.2011 to extend ADD on sewing machine needles originating in or exported from China PR
[Notification No. 37/2016-Cus (ADD), dt. 04-08-2016]

✤ Seeks to extend the levy of anti-dumping duty imposed vide notification No.81/2011-Customs, dated the 24th August, 2011 on imports of Polytetrafluoroethylene (PTFE) originating in, or exported from, People's Republic of China for a further period of one year i.e. upto and inclusive of 23rd August, 2017.

[Notification No. 36/2016-Cus (ADD), dt. 02-08-2016]

Central Excise

Notifications:

Tariff:

✤ Seeks to further amend notification No.12/2012-Central Excise dated 17.03.2012 so as to levy Basic Excise Duty at a concessional rate of 2% on Aviation Turbine Fuel drawn by operators or cargo operators from the Regional Connectivity Scheme (RCS) airports for a period of 3 years

[Notification No. 32/2016-CE, dt. 26-08-2016]

✤ Amends Notification No.22/2003-Central Excise dated 31.3.2003

[Notification No. 31/2016-CE, dt. 24-08-2016]

✤ Seeks to further amend notification No.12/2012-Central Excise, dated 17.03.2012 so as to withdraw the excise duty exemption on ethanol produced from molasses generated in the sugar season 2015-16 (i.e. 1st October, 2015 to 30th September 2016), for supply to the public sector OMCs for blending with petrol

[Notification No. 30/2016-CE, dt. 10-08-2016]

✤ Seeks to amend notification No. 17/2011-Central Excise, dated the 1st March, 2011, so as to exclude handicrafts falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986), from the purview of excise duty exemption for "handicrafts".

[Notification No. 29/2016-CE, dt. 26-07-2016]

✤ Seeks to amend notification No. 8/2003-Central Excise dated 1st March, 2003, so as to increase the SSI Exemption limit and the SSI Eligibility limit for articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986).

[Notification No. 28/2016-CE, dt. 26-07-2016]

Non Tariff:

✤ Giving the powers of Chief Commissioner to Principal Commissioner who have been given the additional charge vide office orders No. 79/2016 dated 14.07.2016 and 86/2016 dated 26.07.2016

[Notification No. 43/2016-CENT dt. 18-08-2016]

✤ Specification of 17th August, 2016 as the date on which clause (v) of rule 5 and rule 6 of Central Excise (Amendment) Rules, 2016 notified by Notificaton No. 8/2016- Central Excise (NT) dated 1st March, 2016, shall come into force

[Notification No. 42/2016-CENT dt. 11-08-2016]

✤ Seeks to amend CENVAT Credit Rules, 2004 so as to withdraw the facility to avail of CENVAT credit of duty paid on molasses generated in the sugar season 2015-16 (i.e. 1st October, 2015 to 30th September 2016) which is used for producing ethanol for supply to public sector OMCs for blending with petrol by omitting rule 6 (6) (ix) of the CENVAT Credit Rules, 2004.

[Notification No. 41/2016-CENT dt. 10-08-2016]

Service Tax

Notifications:

✤ Giving the powers of Chief Commissioner to Principal Commissioner who have been given the additional charge vide office orders No. 79/2016 dated 14.07.2016 and 86/2016 dated 26.07.2016

[Notification No. 37/2016-Service Tax dt. 18-08-2016]

Income Tax

Notification:

✤ In exercise of the powers conferred by sub-section (1E) of section 206C read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (21 st Amendment) Rules, 2016.

(2) They shall come into force on the date of their publication in the Official Gazette. 2. In the Income-tax Rules, 1962 (hereafter referred to as the said rules), after rule 37CA and before 37D, the following rule shall be inserted, namely:—

"Class or classes of buyers to whom provisions of sub-section (1D) of section 206C shall not apply. 37CB. (1) The provisions of sub- section (1D) of section 206C in relation to sale of any goods (other than bullion or jewellery) or providing any service shall not apply to the following class or classes of buyers , namely:—

i. Government;
ii. embassies, Consulates, High Commissions, Legation or Commission and trade representation, of a foreign State;
iii. institutions notified under United Nations (Privileges and Immunities) Act, 1947".

[Notification No. 75/2016/F. No. 370142/19/2016-TPL. New Delhi, the 19th August, 2016]

✤ In exercise of the powers conferred by sub-section (1) and sub-section (2) of section 199 of the Finance Act, 2016 (28 of 2016), the Central Board of Direct Taxes, makes the following rules further to amend the Income Declaration Scheme Rules, 2016 (hereinafter referred to as the principal rules) namely:-

1. (1)These rules may be called the Income Declaration Scheme (Third Amendment) Rules, 2016.

(2) These rules shall come into force from the date of their publication in the Official Gazette.

2. In the principal rules, in rule 3, in sub-rule (1), in clause (d), after sub-clause (II) following shall be inserted, namely:-

'Provided that where the acquisition of immovable property by the declarant is evidenced by a deed registered with any authority of a State Government, the fair market value of such property shall, at the option of the declarant, may be taken on the stamp duty value as increased by the same proportion as Cost Inflation Index for the year 2016-17 bears to the Cost Inflation Index for the year in which the property was registered:

Provided further that where the immovable property was acquired before the 1st day of April,1981, the provisions of the first proviso shall have effect as if for the words "stamp duty value", the words "the fair market value of the property as on 1st day of April, 1981 on the basis of the valuation report obtained by the declarant from a registered valuer", and for the words "Cost Inflation Index for the year in which the property was registered", the words "Cost Inflation Index for the year 1981-82" had been substituted.

[Notification No. 74/2016/ F.No.142/8/2016-TPL New Delhi, the 17th August, 2016]

✤ 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, Uttarakhand Environment Protection and Pollution Control Board, a body constituted by Government of Uttarakhand, in respect of the following specified income arising to that Board.

[Notification No. 73 /2016, F. No.196/18/2016-ITA-I, New Delhi, the 17th August, 2016]

✤ 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, Tamil Nadu Electricity Regulatory Commission, a body constituted by Government of Tamil Nadu, in respect of the following specified income arising to that Commission, namely:-

(a) amount received in the form of government grants;

(b) fees levied under clause (g) of sub-section (1) of Section 86 read with Section 181 of the Electricity Act, 2003;

(c) penalties levied u/s 146 of the Electricity Act, 2003;

(d) interest income earned on government grants; and

(e) interest income earned on fee/revenue received under the Electricity Act, 2003.

2. This notification shall be effective subject to the conditions that Tamil Nadu Electricity Regulatory Commission,-

(a) shall not engage in any commercial activity;

(b) activities and the nature of the specified income remain unchanged throughout the financial years; and

(c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) section 139 of the Income-tax Act, 1961.

3. This notification shall be deemed to have been apply for the period 01.06.2011 to 31.03.2012 and financial years 2012-13, 2013-14, 2014-15 and 2015-16.

[***Notification No. 72 /2016 F.No.196/3/2012-ITA-I, New Delhi, the 17th August, 2016]***

✤ 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, National Skill Development Corporation, a body constituted by Central Government, in respect of the following specified income arising to that Corporation, namely:-

(a) long-term capital gain out of investment in an organisation for skill development;

(b) dividend and royalty from skill development venture supported or funded by National Skill Development Corporation;

(c) interest on loans to Institutions for skill development;

(d) interest earned on fixed deposits with banks; and

(e) amount received in the form of Government grants.

2. This notification shall be effective subject to the conditions that National Skill Development Corporation,-

(a) shall not engage in any commercial activity;

(b) activities and the nature of the specified income remain unchanged throughout the financial years; and

(c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) section 139 of the Income-tax Act, 1961.

3. This notification shall be deemed to have been apply with respect to the Financial Years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21.

[Notification No. 71 /2016, F. No. 196/39/2015-ITA-I, New Delhi, the 17th August, 2016]

✤ In exercise of the powers conferred by sub-section (1) and sub-section (2) of section 199 of the Finance Act, 2016 (28 of 2016), the Central Board of Direct Taxes, makes the following rules further to amend the Income Declaration Scheme Rules, 2016 (hereinafter referred to as the principal rules) namely:-

1. (1) These rules may be called the Income Declaration Scheme,

(Second Amendment) Rules, 2016.

(2) These rules shall come into force from the date of their publication in the Official Gazette.

2. In the principal rules, in rule 4, in sub-rule (5), after the words "submission of proof of", insert the words "full and final".

3. In the principal rules, in Form-2, after the table, for the portion beginning with the words "The declarant is hereby directed" and ending with the words "shall be deemed never to have been made." the following shall be substituted, namely:- "The declarant is hereby directed to make the payment of sum payable as per column (5) of the above table, as specified below:-

(i) an amount not less than twenty-five per cent. of the sum payable on or before 30th day of November, 2016;
(ii) an amount not less than fifty per cent. of the sum payable as reduced by the amount paid under clause (i) above on or before 31st day of March, 2017;
(iii) the whole of the sum payable as reduced by the amount paid under clause (i) and (ii) above on or before 30th day of September, 2017. In case of non-payment of the amount as specified above, the declaration under Form-1 shall be treated as void and shall be deemed never to have been made.".

4. In the principal rules for Form-3, Form shall be substituted.

[Notification No. 70/2016, F. No. 142/8/2016-TPL, New Delhi, the 12th August, 2016]

✤ 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, Haryana State Pollution Control Board, a body constituted by Government of Haryana, in respect of the following specified income arising to that Board, namely:-

(a) grant from Central Government;
(b) grant from State Government; and
(c) consent fee for permission for setting up industry in the state of Haryana.

2. This notification shall be effective subject to the conditions that Haryana State Pollution Control Board,-

(a) shall not engage in any commercial activity;
(b) activities and the nature of the specified income remain unchanged throughout the financial years; and
(c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) section 139 of the Income-tax Act, 1961.

3. This notification shall be deemed to have been apply for the Financial Year 2014-15 and shall apply with respect to the Financial Years 2015-16, 2016-17, 2017-18 and 2018-19.

[Notification No. 69/2016/F. No.196/33/2014-ITA-I, New Delhi, the 11th August, 2016]

✤ Whereas, a Protocol amending the agreement between the Government of the Republic of India and the Government of Mauritius, signed on 24th August, 1982 for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains, and for the encouragement of mutual trade and investment, (hereinafter referred to as the said Protocol) as set out in the Annexure to this notification, was signed at Mauritius on the 10th day of May, 2016;

And whereas, the said Protocol entered into force on the 19th day of July, 2016, being the date of the later of the notifications of the completion of the procedures as required by the respective laws for entry into force of the said Protocol, in accordance with paragraph 1 of Article 9 of the said Protocol;

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 90 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that all the provisions of said Protocol, as annexed hereto as Annexure, shall be given effect to in the Union of India, in accordance with Article 9 of the said Protocol.

[Notification No. 68/2016/F. No. 500/3/2012-FTD-II, New Delhi, the 10th August, 2016]

✤ In exercise of the powers conferred by section 295 read with clause (aa) of subsection (1) of section 12A of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:—

1. (1) These rules may be called the Income-tax (20thAmendment) Rules, 2016.

(2) They shall come into force from the date of their publication in the Official Gazette.

[Notification No. 67/2016/F. No. 370142/22/2016-TPL, New Delhi, the 9th August, 2016]

✤ In exercise of the powers conferred by sub-section (1B) of section 139 of the Incometax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following amendment in the notification of the Government of India, Ministry of Finance (Department of Revenue), issued vide S.O. 1281(E) dated the 27th July, 2007, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii) dated the 27th July, 2007, namely:-

2. In the said notification, in para 5, in clause (1), for sub-clauses (c) and (d), the following sub-clauses shall be substituted, namely:-

"(c) a firm of Chartered Accountants or Company Secretaries or Cost Accountants or Advocates, if the firm has been allotted a permanent account number; or

(d) a Chartered Accountant or Company Secretary or Cost Accountant or Advocate or Tax Return Preparer, if he has been allotted a permanent account number; or".

[Notification No. 66/2016/F. No.133/89/2015-TPL, New Delhi, the 9th August, 2016]

✤ In exercise of the powers conferred by sub-clause (f) of clause (iii) of sub-section (3) of section 194A of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies the Micro Units Development & Refinance Agency Limited (MUDRA) for the purposes of sub-section (3) of said section. 2. This notification shall come into force from the date of its publication in the Official Gazette.

[Notification No. 65/2016/F. No. 275/28/2015-IT (B), New Delhi, the 5th August, 2016]

✤ 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 Headload Workers Welfare Board, a body constituted by Government of Kerala, in respect of the following specified income arising to that Board, namely:-

(a) levy collected under the Kerala Headload Workers Act, 1978 (20 of 1980) Kerala Headload Workers rules 1981 and schemes there under;

(b) registration fees collected from members registered with the board as beneficiaries;

(c) amount received in the form of grants-in-aid and loan from Government;

(d) interest income received from investment;

(e) sums received as deposit from employers as per Para 27 of Kerala Headload Workers (regulation of employment and welfare) Scheme 1983 formulated under section 13 of the Kerala Headload Workers Act, 1978 (20 of 1980);

(f) contribution from the members as defined in the Kerala Headload Workers Act, 1978 (20 of 1980) Kerala Headload Workers rules 1981 and schemes there under;

(g) interest on loans and advances given to staff of the board and workers; and

(h) sums received as wages from employers as per Para 24(a) and 24(b) of Kerala Headload Workers (regulation of employment and welfare) Scheme 1983 formulated under section 13 of the Kerala Headload Workers Act, 1978 (Kerala Act No.20 of 1980).

2. This notification shall be effective subject to the conditions that Kerala Headload Workers Welfare Board-

(a) shall not engage in any commercial activity;

(b) activities and the nature of the specified income remain unchanged throughout the financial years; and

(c) shall file return of income in accordance with the provision of clause (g) of sub-section (4C) section 139 of the Income-tax Act, 1961. 3. This notification shall be deemed to have been apply for the Financial Year 2014-15 and shall apply with respect to the Financial Years 2015-16, 2016-17, 2017-18 and 2018-19.

[Notification No. 63/2016/F. No. 196/30/2015-ITA-I,New Delhi, the 26th July, 2016]

✤ Whereas, an Agreement between the Government of the Republic of India and the Government of Saint Kitts and Nevis was signed at New York on the 11th November, 2014 (hereinafter referred to as the said Agreement);

And whereas, the date for the entry into force of the said Agreement is the 2nd day of February, 2016 being the date of the later of the notifications of the completion of the procedures as required by the respective laws for entry into force of the said Agreement, in accordance with the provisions of article 13 of the said Agreement.

And whereas, paragraph 2 of the article 13 of the said Agreement provides that the provisions of the said Agreement shall have effect forthwith from the date for the entry into force;

Now, therefore, in exercise of the powers conferred by section 90 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that all the provisions of the Agreement between the Government of the Republic of India and the Government of Saint Kitts and Nevis for the Exchange of Information relating to taxes, as set out in the said agreement, appended as Annexure hereto, shall be given effect to in the Union of India with effect from the 2nd day of February, 2016

[Notification No. 62/2016 F. No. 503/09/2009-FTD-I, New Delhi, the 21st July, 2016]

✤ In exercise of the powers conferred by section 32 and section 32AD of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies the districts of the state as backward areas.

For details see the following link –http://www.incometaxindia.gov.in/communications/notification/notification612016.pdf

[Notification No. 61/2016,New Delhi, the 20th July, 2016]

Contributed by
Taxation Committee
Institute of Cost Accountants of India

Role of CMAs in Cost Competitiveness – Complexity to Confidence

✤ ***Value Chain Management:***

Value Chain Management is a strategic tool to compute the significance of the customer's perceived value. By facilitating companies to determine the strategic advantages and disadvantages of their activities and value-creating processes in the marketplace, value chain analysis becomes indispensable for assessing competitive advantage. Value chain is a revelation of complete business as a sequence of activities in which usefulness is added to the products or services produced and sold by an organization to enhance value maximization and cost competitiveness. The CMAs in this regard can provide decision support to the managers in each activity for creating effective framework of value chain management.

✤ ***Target Costing:***

Target Costing is generally implemented during the development and design phases of the manufacturing or service process. It is a proactive planning for cost management and cost competitiveness. The target cost is reached by recognizing a selling price for the product or service, and then deducting the amount of profit margin required from that product or service by the company's overall long term margin requirements. If costs surpasses after the target cost has been set, the CMAs need to identify process changes to meet the target cost. Here, CMAs can also find out a target cost for a newly designed product or service to satisfy customer's need.

✤ ***Supply Chain Management:***

Supply Chain Management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies. It is said that the ultimate goal of any effective supply chain management system is to reduce inventory with the assumption that products are available when needed. In this context, the CMAs can apply Lean Manufacturing or Just-in-Time techniques for reducing wastages, maximize cost efficiency, and secure a competitive advantage.

✤ *Performance Management:*

Performance Management is the term used to describe the process set by an organization to ensure all employees are sentient of the level of performance expected of them in that role, as well as any individual objectives they will need to achieve overall organizational objectives. By setting targets, for strategic business units and as well as for departments for effective performance measurement, the CMAs can assist in the assignment of responsibility for the achievement of business targets by individual managers. They can also use competitive cost benchmarking to quantify organizational performance and costs to compare against competitors and identify why their performance and costs are different, and apply that insight to strengthen competitive responses and implement proactive plans.

✤ *Total Quality Management:*

Total Quality Management is one integrated administrative system with strategic perspectives and has as unique goal to assure the customer's satisfaction and the continuous improvement of the business and the production processes of the organization. The improvement of the processes' quality requires the engagement of everyone, from the senior administration until the last employee; otherwise, single attempt for the solving of certain problems are condemned to fail. Here, CMAs can facilitate Managers to discover wasteful and inefficient processes and implement newer, more cost competitive ways of producing the same products. CMAs can even seek to improve intangible assets like a company's image and brand. Customer's insight of a brand is important for sales as well as product pricing strategies.

✤ *Cost-Benefit Analysis:*

The CMAs are competent enough to carry out Cost-Benefit Analysis to evaluate the feasibility of projects under consideration. It can be used to project the potential benefits of investing in marketing ideas, product development, infrastructure enhancements and operational changes. If all potential costs are compared accurately and the benefits outweigh the costs, the considered investment may be a good choice. The information obtained during a cost-benefit analysis makes budgeting easier. It also facilitates business owners to assess the potentiality of the project, consequently helps in effective investment planning to earn high return on investment and use remaining capital to fuel additional projects.

✤ *Risk Mapping for Cost Competitiveness:*

Risk Mapping is the process by which organizations methodically identify the risks attaching to their activities in pursuit of organizational objectives and across the portfolio of all their activities. Hence, CMAs can frame effective risk management techniques for risk assessment, risk evaluation, risk treatment, risk reporting as well as cost competitiveness. The focus of good risk management is the identification and treatment of those risks in accordance with the organization's risk appetite. Thus, CMAs can also implement Enterprise Risk Management approach to align risk management with business strategy and insert a risk management culture into business operations.

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

EXAMINATION TIME TABLE & PROGRAMME – DECEMBER- 2016

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m.
14th December, 2016 Wednesday	Fundamentals of Economics & Management
15th December, 2016 Thursday	Fundamentals of Accounting
16th December, 2016 Friday	Fundamentals of Laws & Ethics
17th December, 2016 Saturday	Fundamentals of Business Mathematics & Statistics

Examination Fees

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

1. **The last term of Foundation examination in 2012 syllabus will be December, 2016.**
2. **The Foundation Examination will be conducted in Offline, descriptive (Pen & Paper) mode only**. E**ach paper will be of 100 marks and for 3 hours duration.**

3. Application Forms for Foundation Examination can be filled up either through online **or** in offline mode.

4. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form.

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

.

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

6. Last date for receipt of Offline Examination Application Forms without late fees is 30th September, 2016 and with late fees of Rs. 300/ is 10th October, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/-will be waived and the last date for application is 10th October, 2016.

7. Examination Centres: Adipur -Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad , Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad,Guntur,Guwahati, Haridwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, Pune, Raipur ,Rajahmundry, Ranchi,Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

7. A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.
8. Probable date of publication of result: **21st February, 2017.**

A. Das
Director
(Examination)

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

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL COURSE EXAMINATION TIME TABLE & PROGRAMME –DECEMBER 2016

	PROGRAMME FOR SYLLABUS 2012	
Day & Date	**Intermediate** **Time: 9.30 A.M. to 12.30 P.M.**	**Final** **Time: 2.00 P.M. to 5.00 P.M.**
Saturday, **10th December, 2016**	Financial Accounting	Corporate Laws and Compliance
Sunday, **11th December, 2016**	Laws, Ethics and Governance	Advanced Financial Management
Monday, **12th December, 2016**	Direct Taxation	Business Strategy & Strategic Cost Management
Tuesday **13th December, 2016**	Cost Accounting & Financial Management	Tax Management & Practice
Wednesday, **14th December, 2016**	Operation Management and Information Systems	Strategic Performance Management
Thursday, **15th December, 2016**	Cost & Management Accountancy	Corporate Financial Reporting
Friday, **16th December, 2016**	Indirect Taxation	Cost & Management Audit
Saturday, **17th December, 2016**	Company Accounts and Audit	Financial Analysis & Business Valuation

EXAMINATION FEES

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

1. Application Forms for Intermediate and Final Examination has to be filled up either through online or in offline modes. The examination application form can also be downloaded from the Institute website www.icmai.in and the student may apply in offline mode by attaching demand draft of requisite examination fees. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of $ 10 per form. Online fees will be accepted through online mode (including Pay-fee Module of IDBI Bank).

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

3. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.
(b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.

4. Last date for receipt of Examination Application Forms without late fees is 30th September, 2016 and with late fees of Rs. 300/- is 10th October, 2016. In case of online Examination Application with payment gateway by using Credit/Debit Card or Net banking, the late fees of Rs.300/- will be waived and the last date for application is 10th October, 2016.

5. THE LAST TERM FOR EXAMINATION IN 2012 SYLLABUS FOR INTERMEDIATE & FINAL EXAMINATION WILL BE DECEMBER, 2016

6. The Finance Act 2015 will be applicable for the Subjects Direct Taxation, Indirect Taxation and Tax Management & Practice under Syllabus 2012 for the purpose of December 2016 term of Examination.

7. The Companies (Cost Records & Audit) Rules 2014 will be applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) for December 2016 term.

8. The provisions of the Companies Act 2013 will be applicable for Paper 6 - Law, ethics and Governance (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) to the extent notified by the Government at least six months prior to the date of the examination.

9. If a student obtains at least 60 per cent marks in any paper, the benefit of carry forward/exemption is allowed for the immediately successive three terms of Examination only.

10. Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad,Guntur, Guwahati, Haridwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry,Port Blair, Pune, Raipur ,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

11. A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.

12. Probable date of publication of result: Inter & Final – 21th February, 2017.

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

A. Das
Director (Examination)

CMA 2016-17 CAREER AWARENESS PROGRAMME

CAREER AWARENESS PROGRAMMES HELD DURING AUGUST 2016 *

Date	HQ/Region/Chapter	Venue
16.08.2016	SIRC	Sri Kanyaka Parameswari College for Wormen, Parrys, Chennai
16.08.2016	Bangalore	APS College, Bangalore
18.08.2016	Bangalore	St Claret College, Bangalore
23.08.2016	Bangalore	APS College, Bangalore
17.08.2016	Nellore	Sreenivasa Junior College
01.08.2016	Ranipet-Vellore	Voorhees Higher Secondary School
09.08.2016	Trivandrum	Mar Ivaneous College. Thrivananthapuram
13.08.2016	Trivandrum	Government Higher Secondary School, Kottarakkara, Kollam
06.08.2016	Vizag	Presidency Degree College
01.08.2016	HQ	Gokhale Memorial Girls' School
11.08.2016	Durgapur	DAV Model School, Durgapur
04.08.2016	EIRC	Army Institute of Management
06.08.2016	EIRC	Belur High School (H.S.)
08.08.2016	EIRC	Naihati Mahendra High School
08.08.2016	EIRC	Bhatpara High School (H.S.)
09.08.2016	EIRC	Agarpara Mahajati Vidyapith
10.08.2016	EIRC	Ghola High School (H.S.)
11.08.2016	EIRC	Santragachi Kedarnath Institution (Boys)
17.08.2016	EIRC	Bally Jora-Aswatthatala Vidyalaya
19.08.2016	EIRC	Madhyamgram High School
23.08.2016	EIRC	Narayanpur Haricharan Tarafdar High School
23.08.2016	EIRC	Shyamnagar Kanti Chandra High School
24.08.2016	EIRC	Vivekananda Mission Mahavidyalaya
24.08.2016	EIRC	Mahisadal Raj High School
24.08.2016	EIRC	Geonkhali High School
26.08.2016	EIRC	Baje Shibpur B K Paul Institution
26.08.2016	EIRC	Central Modern School

30.08.2016	EIRC	St. Joseph & Mary's School
02.08.2016	Bhubaneswar	Mothers Public School, Bhubaneswar
03.08.2016	Bhubaneswar	KITT International School, Bhubaneswar
10.08.2016	Bhubaneswar	Nayagarh Autonomous College, Nayagarh, Odisha
20.08.2016	Bhubaneswar	Deba Ray College Bhubaneswar
17.08.2016	Bhubaneswar	D A V Public School
23.08.2016	Bhubaneswar	BJB Junior College
27.08.2016	Bhubaneswar	BJEM Public School, Bhubaneswar
27.08.2016	Bhubaneswar	SAI International School, Bhubaneswar
27.08.2016	Bhubaneswar	TIMES GURUKUL (Residential College), Bhubaneswar
29.08.2016	Bhubaneswar	DAV Public School, Pokhariput,, Bhubaneswar
31.08.2016	Bhubaneswar	Ramadevi Women"s Autonomous College, Bhubaneswar.
11.08.2016	Durgapur	DAV model School, Durgapur
09.08.2016	Patna	Dayanand Kanya Vidyalay, kannu sah lane, Mithapur
20.08.2016	Navi Mumbai	RamSheth Thakur College of Commerce and Science, Kharghar
13.08.2016	Nasik Ojhar	KTHM College, Gangapur Road, Nashik
10.08.2016	Vapi-Daman-Silvasa	SSR College of commerce , Silvassa
25.08.2016	Vapi-Daman-Silvasa	KBS Commerce college, Vapi
	Vapi-Daman-Silvasa	N B Mehta College, Bordi (Umbergaon)
22.08.2016	NIRC	Somerville School
26.08.2016	NIRC	The Mann School
29.08.2016	NIRC	Senior Sec. School, Govt. Co-Ed
30.08.2016	NIRC	Laxman Public School
	Faridabad	Aggarwal College , Ballabgarh (Commerce College)
	Faridabad	DAV Century College, Faridabad (Commerce College)
	Faridabad	Government College, Hodel
	Faridabad	Navjivan School, Sec-10 Faridabad
	Faridabad	AVM School, Ballabgarh
	Faridabad	DAV School, Ballabgarh
	Faridabad	Government School, Sec- 8, Faridabad
	Faridabad	D.C. Model School, Faridabad
	Faridabad	Bala Ji School, Ballabgarh
	Faridabad	Arun Nagar Commerce Classes, No 3A, NIT Faridabad – For students doing B. Com
27.08.2016	HQ	Calcutta University

PROGRAMMES HELD IN JULY 2016 BUT REPORTED IN AUGUST 2016*

12.07.2016	Madurai	Virudhunagar Hindu Nadars' Senthilkumara Nadar College
13.07.2016	Madurai	American College
13.07.2016	Madurai	Lady Dock College
18.07.2016	Madurai	Sri Kaliswari College
21.07.2016	Madurai	Gtn Arts & Science College
29.07.2016	Ranipet-Vellore	Don Bosco Higher Secondary School
30.07.2016	Vijaywada	Sree Rasthu Function Hall, Vijayawada
23.07.2016	WIRC	Maharashtra College of Arts Science and Commerce
07.07.2016	Pune	Siddhivinayak College
14.07.2016	Pune	Siddhivinayak College
21.07.2016	Pune	Ness Wadia College
22.07.2016	Pune	Marathwada Commerce College
28.07.2016	Pune	Kaveri College from Kanada Sangh
13.07.2016	Navi Mumbai	K B Patil College, Sector-15A, Vashi
16.07.2016	Navi Mumbai	K B Patil College, Sector-15A, Vashi
18.07.2016	Navi Mumbai	K B Patil College, Sector-15A, Vashi
27.07.2016	Navi Mumbai	Rajiv Gandhi College of Arts, Commerce & Science
29.07.2016	Aurangabad	Deogiri College of Arts & Commerce
22.07.2016	Howrah	Maria Day School, Howrah
21.07.2016	Bhubaneshwar	ODM Public School, Bhubaneswar
23.07.2016	Bhubaneshwar	Salepur College, Salepur

* *As reported till 01-09-2016*

At the helm

On August 20, 2016, a National Unity Conference was organized by Global Economic Progress & Research Association, New Delhi on the occasion of 72nd Birth Anniversary of our Late Prime Minister of India, Shri Rajiv Gandhi to felicitate individuals with their exceptional outstanding achievements in their respective fields across India. Former Union Minister of State for Planning, Govt. of India, Hon'ble M.V. Rajasekharan was invited as the chief guest of the programme.

Hon'ble Dr. H. Shivanna, Vice Chancellor, University of Agricultural of Sciences, Hon'ble T. Nithyakumar, Collector, Hon'ble M. Lakshmi Narayana Samy, BSNL Advisory Committee, Dr. I.S.Basha, Editor, The Indian Observer were the guests of honour of the programme.

This is a matter of pride that CMA Haresh Lokegaonkar, the member of the Institute, from the state of Maharashtra was selected and had been congratulated for his outstanding achievement as Young Social Activist for unmasking corrupt practices be it on the post of Sheriff of Mumbai, the matters concerning MMRDA Skywalk Maintenance Scam or issues affecting public at large like LBT(Local Body Tax) for Small and Medium Traders and Consumer Unions or non appointment of office bearers on Maharashtra State Human Rights Commission resulting in pendency of more than twelve thousand cases with Commission or arranging anshans in protesting Gau Hatya at Azad Maidan.

CMA Haresh Lokegaonkar is the youngest person felicitated by this organization in the category of social work and he is also invited regularly on various media platforms for debate shows on legal, political and issues affecting public at large.

IOD® Institute Of Directors

Building Tomorrow's Boards

16th LONDON GLOBAL CONVENTION 2016

on Corporate Governance & Sustainability

17 - 20 October, 2016
Millennium Hotel Mayfair, London

In Association with

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Theme:

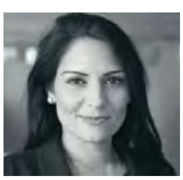
Board's Evolving Role
in an uncertain **Global Economy**

also presentation of
GOLDEN PEACOCK AWARDS

GLOBAL BUSINESS MEET
at House of Lords

Special Training Film on
'FALSE ASSURANCE'
at Chartered Accountants' Hall, ICAEW

Galaxy of Speakers



The Rt. Hon. Priti Patel MP
Hon'ble Cabinet Minister & Secretary of State for International Development Govt. of UK

Lord Tariq Ahmad
Transport Minister for Aviation, International Trade and Europe, Department for Transport Govt. of UK

Mr Sanjiv Goenka
Chairman, RP-Sanjiv Goenka Group

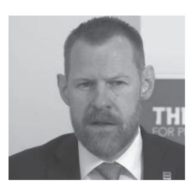
Mr Sunil Kant Munjal
Chairman, Hero Corporate Service Ltd. & Jt. MD, Hero MotoCorp

Mr Ravi Parthasarathy
Chairman, IL&FS Ltd.

H. E. Marwan Jassim Al Sarkal
CEO, Sharjah Investment and Development Authority, Shurooq

Lord Karan Bilimoria CBE
DL Founder & Chairman, Cobra Beer Partnership Ltd, UK

Mr Rob Whiteman
Chief Executive, The Chartered Institute of Public Finance & Accountancy



Mr Alan Hatfield
Executive Director – Strategy and Development ACCA

HE Sulaiman Hamid Almazroui
United Arab Emirates Ambassador to the UK

Mr Adel Abdulla Ali
Chief Executive Officer, Board Member Air Arabia

Mr Keith Skeoch
CEO, Standard Life plc

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Fax : 91-11- 41008705 E-mail: info@iodglobal.com

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