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Ref. No. DS-3/1/1/10 January 12, 2010

Finance (No.2) Act 2009, involving Assessment Year 2010-2011 will be applicable for the subjects Business Taxation (Intermediate) and Strategic Tax Management (Final) under Syllabus 2002 for the purpose of June 2010 term of Examination.

Arnab Chakraborty
Director-Studies

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Arnab Chakraborty
Director-Studies

Editorial

Pension Ponderables

"Old age is the most unexpected of all things that happen to man."--Leon Trotsky

An age bomb is ticking in India with the current elderly population of nearly 75 million expected to increase to 160 million by 2020. Around one-eight of the world's elderly population lives in India. Caring for the aged is part of our social tradition and ethos with explicit recognition of Vanaprastha or 'retirement stage' and action taken by family and community to facilitate the same. Unfortunately, in India, Old Age seems to be most unanticipated and consequently groundwork for it is quite inadequate. With globalization and migration, the joint family system is on the decline (at least in urban areas) and to that extent the challenge of caring for the aged has become greater for society and the government. The traditional and informal methods of old age income security are not able to cope with the trends of increased life span and enhanced medical expenses during old age.

Pension savings are the primary source of security for retirement. Pensions are expected to achieve the goals of minimizing poverty in old age; smoothening inter temporal life consumption, which fluctuates significantly and ensuring that retirees do not outlive their pension benefits. This has been achieved in different countries and different sectors by following specific retirement benefit schemes like pay-as-you go, which are Defined Benefit plans and publicly funded. However there is an increase in the greying population on account of increased life expectancy due to advances in medicine, decline in population growth and improved lifestyle requirements at old age. All these factors are putting pressure on the social security system and also impacting the corporate's balance sheets due to greater pension outlays. In such a scenario, corporates would like to move away from Defined Benefit to Defined Contribution schemes but are being met with substantial opposition from employees due to fall in the benefits.

India has to grapple with an additional problem of larger coverage of the population under the social security net especially the unorganized sector (An OASIS report estimates that nearly 90% of the workforce is not covered by any of the mandatory schemes and they depend on other financial savings, investment in gold or on family support) and the ability of the state to sustain its current schemes for government employees, owing to the fact that pension payments constitute a major share of the government's expenditure and thus any increase in pension payment will add to the already woeful fiscal deficit of the country.

The existing schemes like Provident Fund schemes are characterized by under performance and are viewed more as modes of tax evasion by the salaried income earners rather than as a fund that would cover expenditure during the lifetime after retirement. Investment restrictions owing to archaic regulations; under developed annuity markets, which result in limited returns and inadequate development of the insurance sector that has a symbiotic relationship with the pensions sector, have hindered pension reforms in our country. Apart from addressing the commercial and economic considerations of pensions; reducing the wide chasm between the pension benefits of the public and private sectors and linking health care issue with retirement benefits are also required to take care of the social aspect of pensions.

The Old Age Social and Income Security (OASIS) report has led to the formulation of the New Pension Scheme (NPS) in India from 2009. The NPS is a first of its kind social security scheme and is proposed to remove the many ills that plague the current pension sector in India.

In the current issue we focus on the salient features of the NPS and examine the accounting standards relating to retirement plans. Cost Accounting Standard- 7 on Employee Cost released by ICWAI also considers the aspect of retirement plans. As advisors/ consultants, Cost & Management Accountants have an important role in recommending the most suitable and cost effective pension plans for their clients.

• President's Communique •

Dear Professional Friends,

SEASON'S GREETINGS TO ALL OF YOU.

I am happy to note that the year 2010 has been a good start for ICWAI with the following events:-

ICWAI elected to Vice Presidentship of South Asian Federation of Accountants (SAFA):

After 14 years, our Institute has got the turn of occupying the Vice Presidentship of SAFA and this has happened on 23rd January 2010 when SAFA Assembly elected ICWAI Council Member, Shri A.N. Raman as its Vice President for the year 2010 with an overwhelming unanimous support. While sharing this glad news, I have to inform that many of our members are not thinking about the contribution by our Institute through this body and hence I am specifically requesting all the members to understand the functioning of SAFA, Confederation of Pacific and Asian Accountants (CAPA) and International Federation of Accountants. These are the bodies, which are monitoring the good Cost and Management Accountant Practice at SAARC Regional level, at the Asia Pacific level and at the world level. If our good Cost and Management Accountant practices are shared with these bodies, which we are doing, it could bring ICWAI to high reckoning. This enables ICWAI to earn a place to have a say in all the matters of SAFA, including Cost and Management Accountancy.

I congratulate Shri A.N. Raman on my behalf and on behalf of the ICWAI Council and other Professional Members of ICWAI for having occupied the seat, and wish him the best tenure of 2010 as Vice President of SAFA. Several opportunities are getting opened to the Cost and Management Accountants and we are taking the lead to spread these first to the SAARC regional body and then to the other higher levels. I am sure the new Vice President of SAFA will be able to achieve the above professional aspirations and bring laurels to our profession and the Institute. The job will continue further till 2011 when ICWAI occupies the seat of President ship of SAFA in the beginning of year 2011 when we can continue the 2010 achievements and contribute further in the coming years.

Shri Komal Chitrakar of Nepal elected as President of SAFA for the year 2010:

On behalf of ICWAI, I congratulate Shri Komal Chitrakar for taking over the Presidentship of SAFA for the year 2010.

Emerging Professional Matters:

I am getting several suggestions and advices relating to many professional matters which are in the pipe line like Company Law Bill 2009, Introduction of GST, Direct Tax Code, Adoption of International Financial Reporting Standards (IFRS), the name change and Expert Group recommendations to MCA, etc. Since these matters are in several stages of follow-up, I can only assure the members that all the suggestions given by our friends are being taken care of and we are continuously monitoring and following up on all these matters to get our due recognition and we are hopeful of the same.

Co-ordination Committee meeting with the Institute of Chartered Accountants of India:

I am glad to inform you that a Co-ordination Committee meeting was held recently with the Institute of Chartered Accountants of India (ICAI) and the dialogue has started with the understanding of points on both sides wherever we can work together to arrive at a consensus for giving relief to some of the problems arising for students and members of both the Institutes. I am sure in the coming months, when we come out with certain recommendations, the students and members should be very happy and this dialogue will continue further also.

Visits to the Regions and Chapters during December 2009 and January 2010:

It was a record admission to ICWA Courses in the current batch at SIRC, Chennai. Over 1,000 students had assembled for the inaugural function along with their parents. The Principal Secretary of Tamil Nadu Government inaugurated the classes. Other Office-bearers who spoke on the occasion, highlighted the importance of

• President's Communique •

education in Cost and Management Accountancy. The students and parents were happy to react to the suggestions give by the Chief Guest and other people and were happy about the scope for Cost and Management Accountants, which the Institute is working for. Some faculties also gave advice to the students and suggestions to the parents to see that students who take the initial registration for ICWAI Course should have a zeal to complete the Final examination for which all infrastructure are provided by the Regional Council and the Institute.

I was also happy to share some details with the officials on clarifications asked by Media. A good coverage came from Chennai Media.

The Nagpur Chapter of Cost Accountants had arranged a very educative seminar on GST and Indirect Taxes bringing the knowledgeable Resource Persons including top officials from Central Excise and Customs. The value addition of the seminar is that members were suggesting for conduct of number of such seminars and work-shops on the above topics so that our students and members will be able to take the lead in the matters of Service Tax, Excise Duty, Customs Duty, VAT and future GST with the Corporate world.

I was happy to attend along with few Central Council colleagues, a function of Surat Chapter of Cost Accountants. An excellent programme of recognizing the top achievers in the Institute examination was held and this will go a long way in propagating the quality additions to our studentship registration as well as enhancing the quality and quantity of members. Chairman-WIRC was present along with WIRC Council colleagues.

The Surat Chapter of Cost Accountants also arranged an "Investor Awareness Programme" with the participation of Resource Persons from the respective fields like Stock-Brokers, Mutual Fund Executives, Investors, Banks and Insurance Companies. Members are aware that the Investor Awareness Programme conducted by ICWAI in co-ordination with MCA is attracting good number of participants and we are confident of achieving the desired goal of MCA in corporatising India, particularly in formation of LLPs, etc., which the Government is keen to encourage. ICWAI will be conducting this programme for another one year in various cities in the country and I once again appeal to all the Chapters and the four Regional Councils to make this Investor Awareness Programme a big success and this will add visibility of ICWAI which is necessary for our future growth.

The Noida Chapter of Cost Accountants organized a Members' Meet and the inauguration of first Oral Coaching Batch for ICWAI Courses to cater to the needs of students around Noida and particularly the interior parts of U.P. I have taken the opportunity to advise all members and students that we should propagate the CAT course to the nook and corner of India and to reach this to village level 10+2 students so that they can be brought into the mainstream for achieving inclusive growth. It is our desire that all of us should take steps whatever is necessary in propagating the admission of rural students for this course. The Institute has assured all the facilities to all the colleges wherever they start this course and see to it that ICWAI will be a partner of the Government in its revolution of achieving inclusive growth.

It is my appeal from now onwards till 31st March 2010 to all our members to bring more and more non-members who have passed ICWAI examination into our fold by applying for our Membership. I am happy to inform that for the last six months, addition to our Associates and Fellowships is on the increase. However, we have to achieve quite a lot if we have to be regarded as a sizeable number to work and contribute in propagating the Cost and Management Accountancy to the whole of India, if not to the world community.

With regards,

Yours sincerely

(GN Venkataraman)
President
Date : 1st February, 2010

New Pension System - An Effort towards an Inclusive Safety Net for Old Age

Dr. Netra Apte*

Human race is blessed with intelligence. The various scientific and medical inventions especially through the last century have increased the life expectancy. At the same time, increasing economic factors like inflation, dynamic business environment and globalization, coupled with equally changing social milieu has made human lives complex. The average life expectancy in India has gone up to 65 years plus, both for males and females. This means that duration of post-retirement life (most private sector employers in India normally have 60 years as the age of retirement) has increased compared to what prevailed when India got its independence. The key imperative is how does one sustain one's lifestyle and still manage dependents after retirement. As shown in the Figure1, one can understand that finding new source of income after the age of 60 is not possible for the majority of the population. Also expenditure on medicines would go up in this age. In a situation where rising inflation along with limited source of income, that is returns on savings, has to be managed, it is crucial to have enough savings to survive with pride.

Thus importance of pension system can be expressed with Figure1.

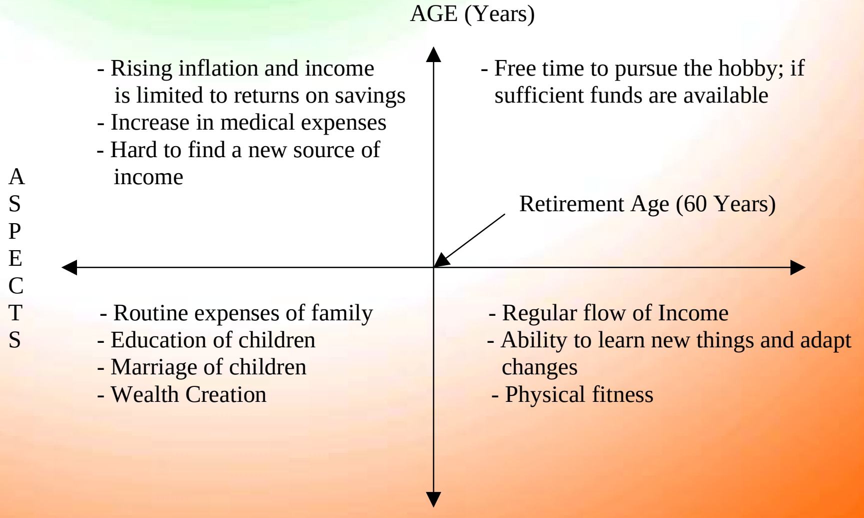
Old Age Social and Income Security (OASIS) Report, 2004, has stated that out of 314 million workers, 47 million are regular salaried employees of whom only 11 million are covered by Government pension and about 23 million are governed by the mandatory EPS and the EPF, constituting about 11 % of the workforce. The remaining 90%, consisting mainly of the unorganized sector including the self-employed and people working under casual contract are totally outside the safety net of pensions at present. This challenge gets further compounded if we take into consideration the projected age profile of India's population in future.

B.Com, AICWAI, MMS, Ph.D

Projected Age Profile

Percentage of total population	2005	2010	2015
0-14 years	33.70%	31.50%	29.60%
15-64 years	61.60%	63.60%	65.20%
Over 65 years	4.70%	4.90%	5.20%

Source: Statistical Outline of India 2004-05



Plotting of Age against different aspects in life (Figure 1)

Let us see the projected age profile for India.

The OASIS Report highlighted to the government the need for a designing a pension plan to help address the key challenge of providing people save for their post-retirement life.

Before discussing the New Pension System (NPS), let us see the available instruments for saving for retirement.

Available instruments for retirement:

Till now Provident Fund for government employees, Provident Fund for private sector and Public Provident Fund were the instruments available to a person for retirement provision. Insurance companies are also providing Pension Fund Policies. But many such policies require the minimum premium to be more than Rs. 12000/- per year, which may become unaffordable to many people. Hence, government designed an affordable plan which is inclusive of the unorganized sector, agricultural workers and large section of people, the New Pension System (NPS). With changes in socio-economic environment, the government has also carried out a major change before introducing NPS. That is, from earlier schemes which offered "Defined Benefit (DB)", now it has been shifted to "Defined Contribution (DC)". Provident Fund for government employees, for private sector and Public Provident Fund, all are defined benefit scheme. That means, benefit to be received by the person is assured.

[1]All over the world there has been a tendency to switch over from DB to DC system. It has certain key reasons. The forces of globalization have caused changes in job frequently; people moving from one organization to another, from one country to another, making it almost impossible to run a DB system. Other reason includes the weakening of trade unions across the globe and the decreasing rate of interest which has led to employers finding it increasingly difficult to sustain the funding required to build up the benefits on the DB system. Since environment now has become too dynamic to afford defined benefit system, the concept of defined contribution has evolved. Under this system, returns are market driven. They are not fixed or assured. A person who wishes to make a provision for the old age can contribute as per his or her wish and ability. Hence, Pension Fund Regulatory and Development Authority (PFRDA) has been established by the Government of India, Ministry of Finance to promote old age security. NPS is now available to all citizens of India with effect from May 1, 2009 other than government employees already covered under NPS.

[2]Under NPS, two types of accounts will be available to the account holder:

1. Tier I account: Account holder can contribute the savings for retirement into this non- withdrawable account.
2. Tier II Account: This is a voluntary savings facility. An account holder will be free to withdraw the savings as per his or her wish.

But, at present only Tier I account system is available. Tier II system will start as per PFRDA's decision and subsequent notification.

Let us see the procedure for opening this account and various aspects of working of NPS.

Who can join?

A citizen of India, whether resident or non resident, subject to the following conditions:

1. Person should be between 18 -55 years of age as on the date of the submission of the application form.
2. Person should comply with Know Your Customer (KYC) norms.

Who cannot join?

1. Undischarged insolvent
2. Individuals of unsound mind
3. Pre - existing account holders under NPS.

How to enroll in NPS?

To enroll in the NPS, person needs to submit the registration form to the point of presence service provider (POP-SP) of his or her choice. There are currently 22 POP - SP'S. ICICI Bank Ltd, LIC of India, State Bank of India are few of them.

After the account is opened, Central Record Keeping Agency (CRA), shall mail a welcome kit to the account holder containing the subscriber's unique Permanent Retirement Account Number Card. This account number will be the primary means of identifying and operating the account.

Fund Managers: The subscriber of NPS need to choose a pension fund from the following list:

1. ICICI Prudential Pension Funds Management Company Ltd.
2. IDFC Pension Funds Management Company Ltd.
3. Kotak Mahindra Pension Fund Ltd.
4. Reliance Capital Pension Fund Ltd.
5. SBI Pension Funds Private Ltd.
6. UTI Retirement solutions Ltd.

How much does the subscriber needs to contribute?

Minimum contribution per year - Rs. 6,000/-

Minimum amount per contribution - Rs. 500 (12 installments minimum per annum)

Minimum number of contributions - 4 per year

What are the benefits of joining the NPS?

- It is voluntary.
- It is simple.
- It is flexible: One can choose his/her own investment option and pension fund and see money grow.
- It is portable: One can operate your account from anywhere in the country, even if one changes the job, city or pension funds manager.
- It is regulated: NPS is regulated by PFRDA, with transparent investment norms and regular monitoring and performance review of fund managers by NPS Trust.

What investment choices the subscribers have?

The NPS offers you two approaches to invest your money:

- Active choice: Individual funds
- Auto choice: Lifecycle fund

Active choice: Individual funds

The account holder has choice to actively decide as to how your NPS pension wealth is to be invested in the following three options.

Asset class E:

Investments in predominantly equity market instruments.

The investment in this class of asset would be a subject to a cap of 50 %, as it bears high risk.

Asset class C:

Investments in fixed income instruments other than Government Securities.

Asset class G :

Investments in Government securities.

Auto choice - Lifecycle Fund

Those account holders who cannot decide the allocation of funds in the above mentioned three classes, they can go for this option. Here, the fraction of funds invested across the three

[1]R. Vaidyanathan, Pension Business In India, IIMB Management Review, September 2004

[2]New Pension System , Offer Document

assets classes will be determined by a predefined portfolio, which is decided on the basis of the age of the account holder.

It is important to note that neither the Active choice nor the Auto choice provide assured returns.

When can a subscriber withdraw the amount?

Tax Benefits

Tax benefits would be applicable as per the Income Tax Act, 1961 as amended from time to time.

Charges:

Contributors have to pay two types of charges.

Fixed charges

1. Rs. 50 /- (One time charge for issuing permanent retirement account number)
2. Rs.40 (initial subscriber registration and Rs. 20 for any subsequent transactions)
3. Rs.350/- (Annual maintenance charge)
4. Rs. 10/- for every transaction from fund value.

Variable charges

1. 0.0075 - 0.05 % of fund value per annum as custodian charge.
2. 0.0009% of the fund value per annum as investment management fees.

Account opening and Permanent Retirement Account maintenance charges of the CRA are not static; annual maintenance charges and per transaction fee will decline to Rs. 250 and Rs. 4, respectively, when the number of accounts with CRA reaches 30 lakhs.

Let us now see how NPS is different from existing options for pension fund.

Let us see now an illustration of Unit linked pension plan of a private insurance company and of Account under New Pension System.

1. Since minimum contribution for private insurance companies generally is Rs. 15000 per Annum, Illustration is worked out for the amount of Rs. 15000 per year.
2. Term considered for 10 years. i.e. 50 year old person enters in the scheme and continues up to the age of 60 years.
3. Service tax is not included in the illustration but it will be subject to the prevailing tax laws and rates .
4. In the Illustation of Private Insurance company, service tax is added back to the Fund value to eliminate the effect of service tax.
5. 10 % Rate of return is assumed
6. For pension rate of interest is assumed at 8.14%
7. Calculations under New Pension System are not published by the Office of New Pension System.
8. Service tax, rate of return, Rate of interest for pension may change as per rules and regulations and Economic conditions.

* The above illustration is only indicative and not for any investment decision -making. Please check with your respective insurance companies and/or NPS intermediaries for advice before making any decision.

One can observe that

- Charges in NPS are much lower than private insurance companies. Hence the amount of pension per year is more in NPS than Insurance companies.
- Though illustration is made foe Rs. 15000 per year, in NPS minimum amount to be invested is Rs. 6000/- . So many people can afford it.
- To be successful, NPS needs more volumes, that is, number of accountholders, along with the efficiency. Otherwise it would be difficult to sustain.

Challenges about fee structure

NPS has attracted a lot of criticism, much of which focuses on levying administrative charges even on the

Vesting criteria	Benefits
At any time before 60 years of age	Person is required to invest at least 80 % of the pension wealth to purchase a life annuity from any IRDA – regulated Life insurance company. Rest 20% of the pension wealth may be withdrawn as a lump sum.
On attaining the age of 60 years and up to 70 years of age	At exit, required to invest minimum 40 percent of accumulated savings (Pension wealth) to purchase life annuity from any IRDA regulated Life insurance company. One can choose to purchase an annuity for an amount greater than 40%. The remaining pension wealth can either be withdrawn in a lump sum on attaining the age of 60, or in a phased manner, between age 60 and 70, at the option of the subscriber.
Death due to any cause	In such an unfortunate event, option will be available to the nominee to receive 100% of the NPS pension wealth in lump sum. However, the nominee wishes to continue with the NPS, he/she shall have to subscribe to NPS individually after following due KYC procedure.

minimum annual contribution of Rs. 6,000/-. However, if we observe the value chain of this system, the long term benefits of the critical services and sustainability of the model, one would find it cost-effective.

NPS, being a defined contribution pension system, involves several specialized entities for collecting contribution, managing funds and rendering various services to the members. The entities involved in NPS management are pension fund managers (PFM), central record keeping agency (CRA), point of presence (POP), trustee bank, custodian and annuity services providers (ASP). These entities act in a cohesive and orderly manner under the PFRDA guidelines and NPS trust supervision to ensure safety security and growth of assets to provide maximum risk adjusted return and timely service to the subscribers. The regulator needs to ensure that the cost is not a burden on the system, impacting long term earnings of the fund. At the same time, fee structure should also provide sufficient incentives for efficient performance of the various entities involved in managing pension funds to conduct business in a professional manner, observing investment ethics. Hence, it will be useful to understand at the international practices under the pension systems.

International practice of fee structure

International practice of fee structure and cost regulation in DC private pension system varies widely across different countries. While some countries put a limit on various fees, some leave them to market forces. There is also variation in the composition of fee structure globally. In most Latin American countries, fees are charged on contribution basis and some such as Peru and Columbia do not charge

	Existing options including Provident Fund, PPF and plans offered by Insurance companies	New Pension System
1	These are Defined Benefit schemes (except Unit-Linked Policies)	This is a Defined Contribution scheme.
2	Available only to a limited section of the population.	Available to all citizens of India.
3	If an employee changes the job, he/she needs to shift his/her Provident Fund to the new company.	Account number is portable. One can operate his/her account from anywhere in the country, even if one changes the job, city or pension fund manager.
4	Fee structure for Unit-linked pension plans and other policies by Insurance companies varies from company to company. Hence, people find it difficult to compare across plans.	Standard fee structure.
5	Minimum contribution per year is around Rs. 15,000/- in case of Insurance companies.	Minimum contribution per year is Rs. 6,000/- per year.

Illustration for Pension Plan

New Pension System

Year	Contribution	Fixed charges	Amount Invested	Fund value	Variiable charges	Management Fees	Net fund
1	15000	500	14500	15950	8	0	15942
2	15000	430	14570	33563	17	0	33546
3	15000	430	14570	52928	26	0	52901
4	15000	430	14570	74218	37	1	74180
5	15000	430	14570	97625	49	1	97575
6	15000	430	14570	123360	62	1	123297
7	15000	430	14570	151654	76	1	151576
8	15000	430	14570	182761	91	2	182668
9	15000	430	14570	216962	108	2	216851
10	15000	430	14570	254564	127	2	254434
	Annual Pension at 8.14% rate		**20711**				

Insurance Company ULIP

Policy Year	Annualised premium	Amount available for investment	Policy admin. charges	Fund Management charges	Fund Value at end
1	15000	15000	1980	195	14198
2	15000	15000	1980	392	29363
3	15000	15000	1980	606	45798
4	15000	15000	1980	838	63609
5	15000	15000	1980	1089	82911
6	15000	15000	0	1382	106235
7	15000	15000	0	1713	131735
8	15000	15000	0	2073	159371
9	15000	15000	0	2462	189320
10	15000	15000	0	2885	221777
Annual Pension at 8.14% rate				**18053**	

fund management fees separately but include it in the contribution fees. Countries such as Australia and Chile charge both types of fees. Costs of managing private pension also depend on the nature of collection of contribution and record maintenance. In Colombia, Uruguay and Poland centralized agencies collect contribution and distribute funds among the pension fund managers while Chile, Peru and Hungary have decentralized collection system and contributions are collected by the pension fund managers. In Chile, Mexico and Peru, there is no limit on fees, but there is not much variation in actual fee structure even without any cap. Average administrative charges, including funds management fees, vary from 1% to 1.8%. Generally, the asset management fees vary from 0.5% to 1.5% in eastern European countries.

While going through the international fee structure, it will be useful to know some of the value added services which really help to achieve the goal of an account holder. In the UK, after four years of public debate, it was decided that every provider of DC pensions would be required to give an annual statement showing the likely projected value of the individual's fund at retirement age and the amount of pension it might buy at current prices. The values would only be estimates and would depend on unknown variables that would inevitably change over time. But since the statement would be given every year, expectations would practically be managed on an ongoing basis.

Conclusion:

While concluding, we can say that government of India has taken a good step for covering the people under safety net of pension plan. But it needs to promote the concept with marketing efforts to reach the general public. The instrument will not be bought off the shelf without persuasion. International experience also suggests that voluntary participation is usually very low - around 5%, and in the absence of employer sponsorship, increase in participation can only be stimulated by active marketing.

Besides this, success of NPS is dependent on number of people joining this plan. For that along with marketing activities, it is extremely important to win the confidence of investors. Let us see how to win the confidence of people and what can be the major concerns of people?

- Individuals accumulate fund for their old age and hence safety of that corpus is extremely important along with the rate of return.
- Since Active choice is offered to public, it is important to make them aware of the risk and returns in the various options.
- [5]The pension regulatory body should be given both power and resources to carry out spot checks and detailed investigations independent of any complaint.
- It is essential to ensure that subscriber receive clear and good quality information on their pension accumulation.
- [6]Promptness in account settlements is the important service that people generally look for.
- Government should clarify the taxation aspect of contribution of pension, and pension to be received. Taxation aspect should be at par with Life insurance at least up to a certain limit.
- As NPS has the minimum contribution amount of Rs. 6000 per annum and also provision to participate in equity market through NPS, it certainly is affordable to many people. Those people who are not coming under any pension schemes can participate in NPS. As we know though Public Provident Fund (PPF), has minimum annual contribution is Rs.500/-, it gives defined return and not allow to participate in equity market. Hence NPS gives better chance to an account holder to cope up with inflation.

If marketed properly and administered efficiently, NPS is an excellent plan to provide safety net to people in their old age. Along with providing a financial safety net, NPS will also provide a life of dignity to India's senior citizens.❑

[5]S.P.Subhedar: The pension Regulatory Environment In India- A Suitable Model, ,Pension Business in India, IIMB Management Review , September 2004

[6]Shubhabrata Das : Survey on Pension Perceptions,Pension Business in India, IIMB Management Review , September 2004

IAS 26, Accounting and Reporting by Retirement Benefit Plans - A Closer Look

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International Accounting Standard (IAS) 26, Accounting and Reporting by Retirement Benefit Plans, prescribes the principles for reporting of retirement benefit plans. Retirement benefit plans are sometimes referred to by various other names, such as 'pension schemes', 'superannuation schemes' or 'retirement benefit schemes'. In July 1985, the International Accounting Standards Committee (IASC) issued the Exposure Draft E27, Accounting and Reporting by Retirement Benefit Plans. In January 1987, the IASC issued IAS 26, Accounting and Reporting by Retirement Benefit Plans, operative for financial statements of retirement benefit plans covering periods beginning on or after January 1, 1988. In 1994, the IASC reformatted IAS 26. In April 2001, the International Accounting Standards Board (IASB) resolved that all Standards and Interpretation issued under previous Constitutions continued to be applicable unless and until they were amended or withdrawn.

Objective

The objective of IAS 26 is to specify measurement and disclosure principles for the reports of retirement benefit plans. All plans should include in their reports a statement of changes in net assets available for benefits, a summary of significant accounting policies and a description of the plan and the effect of any changes in the plan during the period.

Retirement benefit plans are normally described as either defined contribution plans or defined benefit plans, each having their own distinctive characteristics. Occasionally plans exist that contain characteristics of both. Such hybrid plans are considered to be defined benefit plans for the purposes of IAS 26.

For defined contribution plans, the objective of reporting is to provide information about the plan and the performance of its investments.

For defined benefit plans, the objective of reporting is to provide information about the financial resources and activities of the plan that will facilitate an assessment of the relationships between the accumulation of resources and plan benefits over time.

Scope and Application

IAS 26 applies for financial statements of retirement benefit plans, where such financial statements are prepared. It deals with reporting to all participants as a group, and specifically does not deal with reports to individuals about their retirement benefits. IAS 26 does not deal with other forms of employment benefits such as employment termination indemnities, deferred compensation arrangements, long service leave benefits special early retirement or redundancy plans, health and welfare plans or bonus plans. It also does not deal with government social security type arrangements.

IAS 26 regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan. All other standards apply to financial statements of retirement benefit plans to the extent that they are not superseded by IAS 26. Note that IAS 19, Employee Benefits is concerned with the determination of the cost of retirement benefits in the financial statements of employers having plans. Hence IAS 26 complements IAS 19.

Retirement benefit plans with assets invested with insurance companies are subject to the same accounting and funding requirements as privately invested arrangements. Accordingly, they are within the scope of IAS 26 unless the contract with the insurance company is in the name of a specified participant or a group of participants and the retirement benefit obligation is solely the responsibility of the insurance company.

Many require the creation of separate funds, which may or may not have separate legal identity and may or may not have trustees, to which contributions are made and from which retirement benefits are paid. IAS 26 applies regardless of whether such a fund is created and regardless of whether there are trustees.

Some retirement benefit plans have sponsors other than employers; IAS 26 also applies to the financial statements of such plans.

Key Definitions

Retirement benefit plans are arrangements whereby an entity provides benefits for employees on or after termination of service (either in the form of an annual income or as a lump sum) when such benefits, or the contributions towards them, can be determined or estimated in advance of retirement from the provisions of a document or from the entity's practices.

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Defined contribution plans are retirement benefit plans for which the amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon.

Defined benefit plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and / or years of service.

Funding is the transfer of assets to an entity (the fund) separate from the employer's entity to meet future obligations for the payment of retirement benefits.

Participants are the members of a retirement benefit plan and others who are entitled to benefits under the plan.

Net assets available for benefits are the assets of a plan less liabilities other than the actuarial present value of promised retirement benefits.

Actuarial present value of promised retirement benefits is the present value of the expected payments by a retirement benefit plan to existing and past employees, attributable to the service already rendered.

Vested benefits are benefits, the rights to which, under the conditions of a retirement benefit plan, are not conditional on continued employment.

Prescribed Accounting Treatment

Defined contribution plans

The financial statements of a defined contribution plan shall contain a statement of net assets available for benefits and a description of the funding policy.

Under a defined contribution plan, the amount of a participant's future benefits is determined by the contributions paid by the employer, the participant, or both, and the operating efficiency and investment earnings of the fund. An employer's obligation is usually discharged by contributions to the fund. An actuary's advice is not normally required although such advice is sometimes used to estimate future benefits that may be achievable based on present contributions and varying levels of future contributions and investment earnings.

The participants are interested in the activities of the plan because they directly affect the level of their future benefits. Participants are interested in knowing whether contributions have been received and proper control has been exercised to protect the rights of beneficiaries. An employer is interested in the efficient and fair operation of the plan.

The objective of reporting by a defined contribution plan is periodically to provide information about the plan and the performance of its investments. That objective is usually achieved by providing financial statements including the following:

(a) a description of significant activities for the period and the effect of any changes relating to the plan, and its membership and terms and conditions;

(b) statements reporting on the transactions and investment performance for the period and the financial position of the plan at the end of the period; and

(c) a description of the investment policies.

Defined benefit plans

The financial statements of a defined benefit plan shall contain either:

(a) a statement that shows:

(i) net assets available for benefits,

(ii) actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits, and

(iii) resulting excess or deficit

(b) a statement of net assets available for benefits including either

(i) note disclosing actuarial present value of promised retirement benefits, distinguishing between vested benefits and non-vested benefits, or

(ii) a reference to this information in an accompanying actuarial report

The actuarial present value of promised retirement benefits shall be based on the benefits promised under the terms of the plan of service rendered to date based on either current salary levels or projected salaries. Disclosure of the basis is necessary. Changes in actuarial assumptions with significant effect on the actuarial present value of promised retirement benefits shall also be disclosed.

The financial statements shall explain the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits, and the policy for the funding of promised benefits.

Under a defined benefit plan, the payment of promised retirement benefits depends on the financial position of the plan and the ability of contributors to make future contributions to the plan as well as the investment performance and operating efficiency of the plan.

A defined benefit plan needs the periodic advice of an actuary to assess the financial condition of the plan, review the assumptions and recommend future contribution levels.

The objective of reporting by a defined benefit plan is periodically to provide information about the financial resources and activities of the plan that is useful in assessing the relationships between the accumulation of resources and plan benefits over time. This objective is usually achieved by providing financial statements including the following:

(a) a description of significant activities for the period and the effect of any changes relating to the plan, and its membership and terms and conditions;

(b) statements reporting on the transactions and investment performance for the period and the financial position of the plan at the end of the period;

(c) actuarial information either as part of the statements or by way of a separate report; and

(d) a description of the investment policies.

Actuarial present value of promised retirement benefits

The present value of the expected payments by a retirement benefit plan may be calculated and reported using current salary levels or projected salary levels up to the time of retirement of participants.

The reasons given for adopting a current salary approach include:

(a) the actuarial present value of promised retirement benefits, being the sum of the amounts presently attributable to each participant in the plan, can be calculated more objectively than with projected salary levels because it involves fewer assumptions;

(b) increases in benefits attributable to a salary increase become an obligation of the plan at the time of the salary increase; and

(c) the amount of the actuarial present value of promised retirement benefits using current salary levels is generally more closely related to the amount payable in the event of termination or discontinuance of the plan.

The reasons given for adopting a projected salary approach include:

(a) financial information should be prepared on a going concern basis, irrespective of the assumptions and estimates that must be made;

(b) under final pay plans, benefits are determined by reference to salaries at or near retirement date; hence salaries, contribution levels and rates of return must be projected; and

(c) failure to incorporate salary projections, when most funding is based on salary projections, may result in the reporting of an apparent over funding when the plan is not over funded, or in reporting adequate funding when the plan is under funded.

The actuarial present value of promised retirement benefits based on current salaries is disclosed in the financial statements of a plan to indicate the obligation for benefits earned to the date of the financial statements. The actuarial present value of promised retirement benefits based on projected salaries is disclosed to indicate the magnitude of the potential obligation on a going concern basis which is generally the basis for funding. In addition to disclosure of the actuarial present value of promised retirement benefits, sufficient explanation may need to be given so as to indicate clearly the context in which the actuarial present value of promised retirement benefits should be read. Such explanation may be in the form of information about the adequacy of the planned future funding and of the funding policy based on salary projections. This may be included in the financial statements or in the actuary's report.

Frequency of actuarial valuations

In many countries, actuarial valuations are not obtained more frequently than every three years. Where actuarial valuation has not been prepared at the date of the financial statements, the most recent valuation shall be used as a base and the date of the valuation shall be disclosed.

Financial statement content

For defined benefit plans, information is presented in one of the following formats which reflect different practices in the disclosure and presentation of actuarial information:

(a) a statement is included in the financial statements that shows the net assets available for benefits, the actuarial present value of promised retirement benefits, and the resulting excess or deficit. The financial statements of the plan also contain statements of changes in net assets available for benefits and changes in the actuarial present value of promised retirement benefits. The financial statements may be accompanied by a separate actuary's report supporting the actuarial present value of promised retirement benefits;

(b) financial statements that include a statement of net assets available for benefits and a statement of changes in net assets available for benefits. The actuarial present value of promised retirement benefits is disclosed in a note to the statements. The financial statements may also be accompanied by a report from an actuary supporting the actuarial present value of promised retirement benefits; and

(c) financial statements that include a statement of net assets available for benefits and a statement of changes in net assets available for benefits with the actuarial present value of promised retirement benefits contained in a separate actuarial report.

In each format a trustees' report in the nature of a management or directors' report and an investment report may also accompany the financial statements.

Those in favour of the formats described in (a) and (b) believe that the quantification of promised retirement benefits and other information provided under those approaches help users to assess the current status of the plan and the likelihood of the plan's obligations being met. They also believe that financial statements should be complete in themselves and not rely on accompanying statements. However, some believe that the format described in (a) could give the impression that a liability exists, whereas the actuarial present value of promised retirement benefits does not in their opinion have all the characteristics of a liability.

Those who favour the format described in (c) believe that the actuarial present value of promised retirement benefits should not be included in a statement of net assets available for benefits as in the format described in (a) or even be disclosed in a note as in (b), because it will be compared directly with plan assets and such a comparison may not be valid. They contend that actuaries do not necessarily compare actuarial present value of promised retirement benefits with market values of investments but may instead assess the present value of cash flows expected from the investments. Therefore, those in favour of this format believe that such a comparison is unlikely to reflect the actuary's overall assessment of the plan and that it may be misunderstood. Also, some believe that, regardless of whether quantified, the information about promised retirement benefits should be contained solely in the separate actuarial report where a proper explanation can be provided.

IAS 26 accepts the views in favour of permitting disclosure of the information concerning promised retirement benefits in a separate actuarial report. It rejects arguments against the quantification of the actuarial present value of promised retirement benefits. Accordingly, the formats described in (a) and (b) are considered acceptable under IAS 26, as is the format described in (c) so long as the financial statements contain a reference to, and are accompanied by, an actuarial report that includes the actuarial present value of promised retirement benefits.

Valuation of plan assets

Retirement benefit plan investments shall be carried at fair value. For marketable securities, the fair value is the market value. Where plan investments are held for which an estimate of fair value is not possible (e.g. reliable measurement cannot be achieved), a disclosure explaining the reason for not using fair value is required. Where some investments are carried at amounts other than market value or fair value (e.g. market value obtained from a thinly traded market), fair value (e.g. valuation technique) is generally disclosed, if not carried in the books.

Prescribed Disclosures

Financial statements of a retirement benefit plan (either defined benefit or defined contribution) shall contain the following information:

1. a statement of changes in net assets available for benefits
2. a summary of significant accounting policies
3. a description of the plan and the effect of any changes in the plan during the period

Financial statements provided by retirement benefit plans include the following, if applicable:

(a) a statement of net assets available for benefits disclosing:

(i) assets at the end of the period suitably classified;

(ii) the basis of valuation of assets;

(iii) details of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security;

(iv) details of any investment in the employer; and

(v) liabilities other than the actuarial present value of promised retirement benefits;

(b) a statement of changes in net assets available for benefits showing the following:

(i) employer contributions;

(ii) employee contributions;

(iii) investment income such as interest and dividends;

(iv) other income;

(v) benefits paid or payable (analysed, for example, as retirement, death and disability benefits, and lump sum payments);

(vi) administrative expenses;

(vii) other expenses;

(viii) taxes on income;

(ix) profits and losses on disposal of investments and changes in value of investments; and

(x) transfers from and to other plans;

(c) a description of the funding policy;

(d) for defined benefit plans, the actuarial present value of promised retirement benefits (which may distinguish between vested benefits and non-vested benefits) based on the benefits promised under the terms of the plan, on service rendered to date and using either current salary levels or projected salary levels; this information may be included in an accompanying actuarial report to be read in conjunction with the related financial statements; and

(e) for defined benefit plans, a description of the significant actuarial assumptions made and the method used to calculate the actuarial present value of promised retirement benefits.

The report of a retirement benefit plan contains a description of the plan, either as part of the financial statements or in a separate report. It may contain the following:

(a) the names of the employers and the employee groups covered;

(b) the number of participants receiving benefits and the number of other participants, classified as appropriate;

(c) the type of plan-defined contribution or defined benefit;

(d) a note as to whether participants contribute to the plan;

(e) a description of the retirement benefits promised to participants;

(f) a description of any plan termination terms; and

(g) changes in items (a) to (f) during the period covered by the report.

It is not uncommon to refer to other documents that are readily available to users and in which the plan is described, and to include only information on subsequent changes.

Notwithstanding the items which are listed above, any information that supports the objective of reporting or is relevant to all participants as a group shall be disclosed.

Comparative Indian Standard

The Accounting Standard comparative to IAS 26 is under preparation by the Institute of Chartered Accountants of India (ICAI).

Conclusion

Many retirement benefit plans provide for the establishment of separate funds into which contributions are made and out of which benefits are paid. Such funds may be administered by parties who act independently in managing fund assets. In India, the Pension Fund Regulatory and Development Authority (PFRDA) was established in 2003 by Government of India to act as a regulator for the pension sector. As a first step towards instituting pensionary reforms, Government of India and the State Governments moved from a defined benefit pension to a defined contribution based pension system by making it mandatory for its new recruits.❑

CANCELLATION OF REGISTRATION UNDER REGULATION 25(1) OF CWA ACT, 1959 REGISTRATION NUMBERS CANCELLED FOR JUNE-2010 EXAMINATION

UPTO

ERS/000904

NRS/001818 (EXCEPT 96, 119, 127, 140-145, 488-499, 533-600, 901-923, 937-950)

SRS/002191 (EXCEPT 2062–2104)

WRS/001818

RSW/075376

RAF/005824

RE-REGISTRATION

The students whose Registration Numbers have been cancelled (inclusive of the students registered upto 31st December-2002) as above but desire to take the Institute's Examination in June-2010 must apply for **DE-NOVO** Registration and on being Registered DE-NOVO, **Exemption** from individual subject(s) at Intermediate/Final Examination of the Institute secured under their former Registration, if any, shall remain valid as per prevalent Rules.

For **DE-NOVO** Registration, a candidate shall have to apply to Director of Studies in prescribed Form (which can be had either from the Institute's H.Q. at Kolkata or from the concerned Regional Offices on payment of Rs. 5/-) along with a remittance of Rs. 2000/- only as Registration Fee through Demand Draft drawn in favour of THE ICWA OF INDIA, payble at KOLKATA.

Wishing you a very happy and Prosperous New Year.

Date: 27th January, 2010

Arnab Chakraborty,
Director of Studies

AS (15) - Accounting for Retirement Benefits in the financial statements of employer - Review and comparative study of AS- 15 with IAS-19 and FAS-36 (USA)

S. Murugan*

Recently the audit findings of nationalized banks revealed that the annual charge to the profits towards future employees benefits were inadequate so as to meet the committed level of employee benefits. The resultant accumulated shortfall was found to be beyond the reach of the banks to recoup from the normal business operation and sought permission to recoup in a distributed manner over the period of 3 to 5 years.

If this kind of blunder of gross negligence could happen in a professionally managed organized sectors, then the reliability of the defined employee benefits is to be questioned and the matter deserves a thorough research.

Applicability of the Standard

The enterprises which fall in any one or more of the following categories, at any time during the accounting period:

(i) Enterprises whose equity or debt securities are listed whether in India or outside India.

(ii) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors' resolution in this regard.

(iii) Banks including co-operative banks.

(iv) Financial institutions.

(v) Enterprises carrying on insurance business.

(vi) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 crore. Turnover does not include 'other income'.

Objective

The objective of this Statement is to prescribe the accounting and disclosure for employee benefits. The Statement requires an enterprise to recognize:

(a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

(b) an expense when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Scope

1. This Statement should be applied by an employer in accounting for all employee benefits, except employee share-based payments.

2. This Statement does not deal with accounting and reporting by employee benefit plans.

3. The employee benefits to which this Statement applies include those provided:

(a) under formal plans or other formal agreements between an enterprise and individual employees, groups of employees or their representatives;

(b) under legislative requirements, or through industry arrangements, whereby enterprises are required to contribute to state, industry or other multi-employer plans; or

(c) by those informal practices that give rise to an obligation. Informal practices give rise to an obligation where the enterprise has no realistic alternative but to pay employee benefits. An example of such an obligation is where a change in the enterprise's informal practices would cause unacceptable damage to its relationship with employees.

4. Employee benefits include :

(a) short-term employee benefits, such as wages, salaries and social security contributions (e.g., contribution to an insurance company by an employer to pay for medical care of its employees), paid annual leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

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(b) post-employment benefits such as gratuity, pension, other retirement benefits, post-employment life insurance and post-employment medical care;

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation; and the accounting for such benefits is dealt with in the Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India. 8 (d) termination benefits. Because each category identified in (a) to (d) above has different characteristics, this Statement establishes separate requirements for each category.

5. Employee benefits include benefits provided to either employees or their spouses, children or other dependants and may be settled by payments (or the provision of goods or services) made either:

(a) directly to the employees, to their spouses, children or other dependants, or to their legal heirs or nominees; or

(b) to others, such as trusts, insurance companies.

6. An employee may provide services to an enterprise on a full-time, part-time, permanent, casual or temporary basis. For the purpose of this Statement, employees include whole-time directors and other management personnel.

7. The following terms are used in this Statement with the meanings specified: Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees

Appraisal of Accounting Standard (15)

Employer - Employee relationship

The Standard does not define the term " employee". Paragraph 6 of the Standard states that an employee may provide services to an enterprise to an enterprise on a full-time, part-time, permanent, casual or temporary basis and the term would also include he whole-time directors and others management personnel. The Standard is applicable to all forms of employer-employee relationships. There is no requirement for a formal employer employee relationship.

Employee benefits from informal relationship

Paragraph 3 (c) of the Standard defines employee benefits to include those informal practices that give rise to an obligation where the enterprise has no realistic alternative but to pay employee benefits.

Carried forward for Earned leave

Paragraph 7.2 of the Standard defines 'Short-term' benefits as employee benefits (other than termination benefit) which fall due wholly within twelve months after the end of the period in which the employee render the related service. Paragraph 8 (b) of the Standard illustrates the term 'Short-term benefits' to include "short term compensated absences (such as paid annual leave) where he absences are expected to occur within twelve months after the end of the period in which the employees render the related employee service".

Measurement of cost of compensated absence

The cost of compensated absences should be measured as the additional amount the enterprise expects to pay as a result of the used entitlement. When an employee avails the leave at a future date the cost of such leave would be the compensation and other benefits, which the employee would e paid for the period of his absence. In some enterprises the amount payable to an employee on encashment would be paid in case the leave is availed. For instance, an enterprise could have a practice of paying only basic wage when leave is enchased whereas he employee would be entitled to basic wage, allowances and other benefits when the leave is availed. Such situations would require estimation for the additional amount the enterprise expects to pay.

Carried forward of sick leave upto the time of retirement

Sick leave is one of the types of compensated absences. Sick leave is conditional on the future event of an employee reporting sick. An obligation arises as the employee renders service, which in creases the employee's entitlement (Conditional or unconditional) to future compensated absences. Accumulating paid sick leave creates an obligation because any unused entitlement increases the employee's entitlement to sick leave in future periods. The probability that the employee will be sick in those future periods affects the measurement of that obligation, but does not determine whether that obligation exists.

Concessional loan given to employees - Employee benefit

There granting of a loan by an enterprise to an employee at a concessional rate of interest results in a benefit to an employee. At present the value of such benefit is recognized over he period of the loan by accounting for the interest income at the stipulated rate instead of at the market rate.

Interest from Provident Fund - Defined benefit plan or defined contribution plan

Section 17 of the Employee Provident Funds (EPF) Act, 1952 empowers the Government to exempt any establishment from the provisions of the Employees' Provident Scheme, 1952 provided that the rules of the provident fund set up by the establishment are not less favorable than those specified in section 6 of the EPF Act and the employees are also in enjoyment of other provident fund benefits which on the whole are not less favorable to the employees than the benefits provided under the Act.

Accordingly, provident funds set up by employers, which require interest shortfall to be met by the employer would be in effect defined benefit plans in accordance with the requirements of paragraph 26(b) of AS 15.

Gratuity benefit scheme covered under group insurance scheme

A key distinction between defined contribution plans and defined benefit plan is that in the case of defined benefit plans the actuarial risk (that benefit will cost more than expected) and investment risk fall, in substance, on the enterprise. If actuarial or investment experience are worse than expected, the enterprise's obligation may be increased. Where a gratuity scheme is covered under an insurance policy, the payments to the insurance company under the policy would not be considered a defined contributions if the actuarial risk and investment risk is borne by the enterprise.

Separate trust created by enterprise to administer a defined benefit plan

Where an enterprise has created a separate trust to administer a defined benefit plan, the fair value of the trust assets (net of liabilities) out of which the obligations are to be settled directly would be deducted from the present value of the defined benefit obligation and the net total would be recognized in the Balance Sheet.

Defined benefit scheme covered under a Group Gratuity scheme

In the case of defined benefit schemes covered under a Group Gratuity or other defined benefit scheme with an insurance company where the actuarial risk and investment risk have not been transferred from the enterprise, the actuarial valuation certificate provided by the insurance company can be relied upon by the enterprise.

Treatment of under provisioning made under pre-revised AS-15

Enterprise to which the pre-revised AS 15 was applicable, were required to comply with the provisions of the Standard in the preparation and presentation of the financial statements. In case an enterprise had not created a provision for retirement benefits as per the earlier Standard, the amount of benefit as at the commencement of the financial year when the revised Standard is first applied would be prior period item as it represents an omission in the preparation of the financial statements of earlier periods.

Disclosure requirements in respect of accounting policies on revised standard

Accounting policies refer to the specific accounting principles and other methods of applying those principles in the preparation and presentation of financial statements. Accordingly, any change in the application for the principles of accounting for employee benefits based on the revised AS 15 as compared to the pre-revised Standard including the methods of applying those principles would be a change in accounting policy and should be dealt with as per the requirements of paragraph 32 AS 5.

Gratuity

- Contribution by the employer to the fund may be own fund created under trust or to any insurance company.
- Contributions to be calculated on the basis of acturial valuation for both of above cases.
- Contributions to be based on estimated salary at the time of retirement.
- The difference between the estimated provision made every year and actual gratuity paid at the time of retirement to be booked in Profit and Loss account of the year of retirement.
- As there is possible to have huge difference between provisions and actual gratuity, the estimate should more accurate
- The provisions of the earlier years may have to be adjusted due to retrospective effect of wage revision, changes in Govt. policies etc.
- But, the standard is silent about such prior period adjustment of provision in the current year which result in huge amount of booking expenses in the year retirement and unnecessarily lowering the profit of the enterprises.

Encashment of Earned Leave and sick leave

- Contributions are made out of own funds
- Contributions / provisions are made based on actuarial valuation and
- On the basis of pattern/ ratio of availing and encashment of leaves
- Provisions are based on estimated wages at the time of retirement.
- The difference between estimated wages and actual wages at the time of retirement to be booked in the profit and Loss account of the year of retirement.
- Many enterprises has two categories of earned leave - encashable and non- encashable.
- These leaves are credited to employees account with such distinction.
- Encashable leaves may encashed either during the service or at the time of retirement.
- But, non- encashable can be encashed only at the time of retirement.

- The provisions for the encashment of earned leave to made for both categories of the leave.
- But, the standard does not explicitly mentioned to make provision for the both categories.
- There may be difference between the amount paid on availing the leave and encashment either during the service or on retirement due to PF contributions and Dearness allowance given on availing leave alone.
- The method of treatment of such difference is not stated in the Standard.
- Similar to gratuity, there may be changes in prior period provisions due to changes in wage revision effected retrospectively from the previous year.
- The standard is silent on about point.

Similarly there may be changes in the ratio of leave availed and encashed by employees. Hence, such ratio to be studied periodically and if any change in it, suitable corrections to be done in the provisions with a view to avoid wide difference between provision made during the years and actually paid at the time of retirement.

The standard is silent on the on the above point.

The earned leave can be accumulated by employees only upto to the maximum limit as fixed by the organization. Whenever the organization changes the maximum limit at any time, not only the current year provision to be modified but also the earlier years provisions to be adjusted, otherwise it will affect the expenses booked in the profit and loss A/c of the year of retirement.

The standard is silent on the above situation.

Encashment of earned leave at time of retirement is taxable subject to limit and that of sick leave is fully taxable.

Any change in above tax laws will reflect the behavior of employees in availing/ encashing the earned leave during the service.

Hence, if there is any change in the tax laws the ratio of availing / encashment of leave to be reviewed and provisions to be adjusted suitably.

Provident fund

Contributions may be made to the Contributory Provident Fund administrated by Central Govt. or own fund created under trust.

Disbursement on retirement will be from such trust or CPF administrated by Central Govt.

The contributions to the fund is only on cash basis, hence, on payment of arrears of contributions suitable adjustments to be done in prior period provisions to avoid unnecessary excess booking of expenses in year or payment of such arrears. The interest on such arrears also to adjusted suitable.

Medical facility

There may be reimbursement of medical expenses of retired employees or providing medical facilities by the employer.

Standard insist to book the expenses of reimbursement and it is silent in booking expenses of medical facility provided to retired employees. However suitable amount to booked for providing medical treatment to retired employees as the number of retired employees taking medical treatment in hospital of their ex- employer is variable in number and uncertain.

Pension

There may be contributory or non contributory schemes.

In contributory pension scheme, contributions may be deposited in own fund or family pension fund maintained by Central Govt.

In either case the expenses of contributions to be booked in the profit and loss account of the relevant year.

Disbursement of funds are from the fund.

Illustrative Disclosures

Appendix B

This appendix is illustrative only and does not form part of the Statement. The purpose of the appendix is to illustrate the application of the Statement to assist in clarifying its meaning. Extracts from notes to the financial statements show how the required disclosures may be aggregated in the case of a large multi-national group that provides a variety of employee benefits. These extracts do not necessarily provide all the information required under the disclosure and presentation requirements of AS 15 (2005) and other Accounting Standards. In particular, they do not illustrate the disclosure of:

(a) accounting policies for employee benefits (see AS 1 Disclosure of Accounting Policies). Paragraph 120(a) of the Statement requires this disclosure to include the enterprise's accounting policy for recognising actuarial gains and losses.

(b) a general description of the type of plan (paragraph 120(b)).

(c) a narrative description of the basis used to determine the overall expected rate of return on assets (paragraph 120(j)).

(d) employee benefits granted to directors and key management personnel (see AS 18 Related Party Disclosures).

Comparison with IAS 19, Employee Benefits (as amended in December 2004) Revised AS 15 (2005) differs from International Accounting Standard (IAS) 19, Employees Benefits, in the following major respects:

Employee Benefit Obligations
The amounts (in Rs.) recognised in the balance sheet are as follows:

	Defined benefit pension plans		Post-employment medical benefits	
	20X5-20X6	20X4-20X5	20X5-20X6	20X4-20X5
Present value of funded obligations	20300	17400	-	-
Fair value of plan assets	18420	17280	-	-
	1880	**120**		
Present value of unfunded obligations	2000	1000	7337	6405
Unrecognised past service cost	-450	-650	0	0
Net liability	**3430**	**470**		
Amounts in the balance sheet:				
Liabilities	3430	560	7337	6405
Assets	0	-90	0	0
Net liability	3430	470	7337	6405

Comparison of Accounting Standard (15) with International Accounting Standards (IAS-19)

International Accounting Standard (IAS)

1. Recognition of Actuarial Gains and Losses

IAS 19 provides options to recognize actuarial gains and losses as follows :

(i) by following a 'Corridor Approach', which results in deferred recognition of the actuarial gains and losses, or

(ii) immediately in the statement of profit and loss, or

(iii) immediately outside the profit or loss in a statement of changes in equity titled 'statement of recognised income and expense'.

The revised AS 15 (2005) does not admit options and requires that actuarial gains and losses should be recognised immediately in the statement of profit and loss. The following are the reasons of requiring immediate recognition in the statement of profit and loss:

(a) Deferred recognition and 'corridor' approaches are complex, artificial and difficult to understand. They add to cost by requiring enterprises to keep complex records. They also require complex provisions to deal with curtailments, settlements and transitional matters. Also, as such approaches are not used for other uncertain assets and liabilities, it is not appropriate to use the same for post-employment benefits.

(b) Immediate recognition of actuarial gains and losses represents faithfully the enterprise's financial position. An enterprise will report an asset only when a plan is in surplus and a liability only when a plan has a deficit. Framework for the Preparation and Presentation of Financial Statements notes that the application of the matching concept does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities. Deferred actuarial losses do not represent future benefits and hence do not meet the Framework's definition of an asset, even if offset against a related liability. Similarly, deferred actuarial gains do not meet the Framework's definition of a liability.

(c) Immediate recognition of actuarial gains and losses generates income and expense items that are not arbitrary and that have information content.

(d) The primary argument for the 'corridor approach' is that in the long term, actuarial gains and losses may offset one another. However, it is not reasonable to assume that all actuarial gains 56 or losses will be offset in future years; on the contrary, if the original actuarial assumptions are still valid, future fluctuations will, on average, offset each other and thus will not offset past fluctuations.

(e) Deferred recognition by using the 'corridor approach' attempts to avoid volatility. However, a financial measure should be volatile if it purports to represent faithfully transactions and other events that are themselves volatile.

(f) Immediate recognition is consistent with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies. Under AS 5, the effect of changes in accounting estimates should be included in net profit or loss for the period if the change affects the current period only but not future periods. Actuarial gains and losses are not an estimate of future events, but result from events before the balance sheet date that resolve a past estimate (experience adjustments) or from changes in the estimated cost of employee service before the balance sheet date (changes in actuarial assumptions).

(g) Any amortisation period (or the width of a 'corridor') is arbitrary.

(h) Actuarial gains and losses are items of income and expense. Recognition of such items outside the statement of profit and loss, as per the option (iii) above is not appropriate.

(i) Immediate recognition requires less disclosure because all actuarial gains and losses are recognised.

(j) Immediate recognition is also permitted under IAS 19. Providing only one treatment is in line with the ICAI's endeavour to eliminate alternatives, to the extent possible.

(k) The existing AS 15 (1995) also requires immediate recognition of actuarial gains and losses.

2. Recognition of Defined Benefit Asset

Both IAS 19 and revised AS 15 (2005) specify an 'asset ceiling' in case of a situation of defined benefit asset. AS 15 (2005) provides that the asset should be recognised only to the extent of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. IAS 19, on the other hand, provides that the asset should be recognised to the extent of the total of (i) any cumulative unrecognised net actuarial losses and past service cost; and (ii) the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. IAS 19, however, also provides that the application of this should not result in a gain being recognised solely as a result of an actuarial loss or past service cost in the current period or in a loss being recognized solely as a result of an actuarial gain in the current period. The aspect with regard to unrecognised net actuarial losses is not relevant in the context of revised AS 15 (2005) since it does not permit the adoption of 'corridor approach'. In respect of past service cost, it is felt that in a situation of defined benefit asset, the asset, to the extent of unrecognised past service cost, should not be required to be recognised in view of the prudence consideration for preparation of financial statements 57.

3. Disclosures

As compared to IAS 19, AS 15 (2005) requires lesser disclosures in respect of defined benefit plans considering the information overload. For example, while IAS 19 requires disclosure of sensitivity information, five year histories of present value of the defined benefit obligations, fair value of plan assets, experience adjustments arising on plan liabilities and plan assets etc., AS 15 does not require the same.

Termination Benefits - Recognition of Liability IAS 19 provides that an enterprise should recognise termination benefits as a liability and an expense when, and only when, the enterprise is demonstrably committed to either

(a) terminate the employment of an employee or group of employees before the normal retirement date; or

(b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. It further provides that an enterprise is demonstrably committed to a termination when, and only when, the enterprise has a detailed formal plan for the termination and is without realistic possibility of withdrawal. It is felt that merely on the basis of a detailed formal plan, it would not be appropriate to recognise a provision since a liability cannot be considered to be crystalised at this stage. Accordingly, the revised AS 15 (2005) provides criteria for recognition of liability in respect of termination benefits on the lines of AS 29, Provisions, Contingent Liabilities and Contingent Assets.

Transitional Provisions

In respect of transitional liability for defined benefit plans, IAS 19 provides that if the transitional liability is more than the liability that would have been recognised at the same date under the enterprise's previous accounting policy, the enterprise should make an irrevocable choice to recognize that increase as part of its defined benefit liability (a) immediately, under IAS 8 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies; or (b) as an expense on a straight-line basis over up to five years from the date of adoption subject to certain conditions. IAS 19 also requires that if the transitional liability is less than the liability that would have been recognized at the same date under the enterprise's previous accounting policy, the enterprise should recognize that decrease immediately under IAS .

Review on Financial Accounting Standards (FAS)-36 Accounting and Reporting by Defined Benefit Pension Plans (USA)

FAS 36 Summary

There is a need for comparability in disclosures about the financial status of pension plans made in employers' financial statements. Accordingly, this Statement requires revised disclosures about defined benefit pension plans in employers' financial statements. The revised disclosures include the actuarial present value of accumulated plan benefits and the pension plan assets available for those benefits, both as determined in accordance with FASB Statement No.35, Accounting and Reporting by Defined Benefit Pension Plans. Employers having plans for which accumulated benefit information is not available will (1) continue to make the disclosures with respect to vested benefits called for by APB Opinion No. 8, Accounting for the Cost of Pension

Plans, and (2) disclose the reasons why the information required by this Statement is not provided

Findings & Suggestions

1. Provision for both Categories of Earned Leave :

In many enterprises, Earned leave includes two categories - encashable & non - encashable. The non- encashable earned eave can be encashed only at the time of retirement. Few enterprises are of the view that earned leave for encashable purpose means only encashable earned leave, but not non encahsable leave.

The AS-15 does not explicitly mentioned about the necessity of making provision for both.

For instance, an employee many have encashable earned leave of 250 days and non encashable earned leave of 75 days. Provision to be made for both, otherwise the provision will be under stated.

Hence, the Accounting Standard to be modified such that provision to be made for both the type of earned leave

2. Booking Expense / Provision of Post-retirement Medical Facility

For post- retirement medical facility provided by the employer, the provision for the same is not insisted by AS15. As the beneficiaries of such facility is variable in number and uncertain, provision to be made.

For instance, if an employer provide medical facilities to all his existing and retired employees, the necessary provision to be made for expensed incurred for the treatment of retired employees.

Hence, the Standard to be changed such that expenses to be booked for the treatment of retired employees like reimbursement of medical expenses.

3. Treatment of Difference between Current Years Salary and Last Drawn Salary

Treatment for difference between provision made every year for gratuity and earned leave on the basis of current year salary and actual amount paid on the basis of last drawn salary at the time of retirement is not stated in AS-15

The provision of gratuity and leave encashment to be made on the basis of estimated salary at the time of retirement. However, most of the organizations are making provision on the basis of current year salary only. Hence, the treatment of difference is not mentioned in AS15

For instance, existing monthly salary of an employee Rs 15,000 and his estimated salary at the time of retirement after 10 year is Rs25,000. If the provision is made on the basis of Rs15,000. Then at the time of retirement the gratuity and leave encashment will be on the basis higher than Rs 15,000, hence the difference will be booked in that year's profit and Loss account and profit will be unnecessarily reduced.

Necessary provision to be included in standard that provision to be made only on the basis of estimated salary at the time of retirement.

4. Treatment of Difference between Availment and Encashment of Earned Leave

Differential benefits between availment and encashment of leave (salary elements not considered for encashment- eg. PF on encashment) and where it goes on encashment, not mentioned in the AS-15. The method of treatment of such difference is not stated in the Standard.

For instance, while availing the earned leave an employee may get his salary of Rs 10,000 and also the employer's contribution to PF Rs 1200 (12% on 10,000), however if he encash the leave he will get only Rs10,000. The method of treatment of difference of Rs1200 is not stated in AS-15.

Necessary modification to be done in the Standard to include treatment of above difference.

5. Adjustment of Prior Period Provision on Retrospective Changes in Salary

The provisions of the earlier years may have to be adjusted due to retrospective effect of wage revision, changes in Govt. policies etc. The AS-15 do not state anything on it.

For instance, the monthly salary of an employee for the year 2XX1.2XX2 and 2XX3 were Rs 15,200,15900 and17,100 respectively. The provision for Gratuity and leave encashment was done accordingly On retrospective wage revision the salary of the employee was hiked to Rs 17,500,19,950 and 21,500 for the above years. The necessary adjustment for the differential amount of Rs2,300, Rs4050 and Rs4,400 to be done in the relevant years.

Hence, necessary modification to be done in the standard to include the adjustment of the above difference.

6. Treatment of Difference due to Change in Ratio of Leave Availment & Encashment

There may be changes in the ratio of leave availed and encashed by employees, suitable corrections to be done in the provisions with a view to avoid wide difference between provision made during the years and actually paid at the time of retirement. The standard is silent on the on the above point.

For instance, as per the study the ratio of earned leave availed and encashed may be 80:20 these ratio may be changed at any time accordingly provision to be modified.

Necessary modification to be done in Standard to state the periodic study of the pattern of availing and encashing the leave by the employees.

7. Treatment of Adjustment of Provision due to Change in Maximum Limit of Accumulation of Earned Leave

The earned leave can be accumulated by employees only upto to the maximum limit as fixed by the organization. Whenever the organization changes the maximum limit at any time, not only the current year provision to be modified but also the earlier years provisions to be adjusted, otherwise it will affect the expenses booked in the profit and loss A/c of the year of retirement. The standard is silent on the above situation.

For instance, the maximum limit of leave accumulation by the employees in an organization may be 300 days which may be increased by the organization to 325 days at any time and hence the earlier years provision to be adjusted and current and subsequent year provisions to be done as per revised limit on accumulation of leave.

The standard to be changed to include the necessity of adjusting the earlier years provisions.

8. Adjustment due to Delayed Payment of Provident Fund Contri-bution

The contributions to the fund is only on cash basis, hence, on payment of arrears of contributions suitable adjustments to be done in prior period provisions to avoid unnecessary excess booking of expenses in year of payment of such arrears. The interest on such arrears also to be adjusted suitably.

For instance, the total Provident Fund contributions of an employer for the month of march of the previous year was paid only on June of the subsequent year. Hence, PF provision of the previous year would be less and subsequent year will be high.

Necessary inclusion in the standard to be done include the accrual basis treatment of Provident Fund contributions by the Employer.

Conclusion

Indian Accounting Standards for Retirement Benefits in the financial statements of employer has by and large adequately addressed the employee's benefits.

However, in line with International Accounting Standards some modifications are to be done in the Indian Standards.

As in India, employee welfare measures are now only started, the Indian standard is to be updated continuously till the employee's welfare measures are fully completed.❑

HEARTY CONGRATULATIONS

Shri M P Gupta, member of ICWAI has been promoted as Joint General Manager, Finance in M/s HMT Limited (Tractor Business Group), Pinjore w.e.f. July 1, 2009. We wish Shri Gupta the very best in his future role.

PEOPLE AT THE HELM

Mr. Sunil Kumar Jain, M-11875, a Cost Accountant of 1989 batch, and Company Secretary by qualification, has recently been promoted as Chief Financial Officer - CE & HA business of Videocon Industries Limited. Mr. Jain has served as Vice Chairman of Aurangabad Chapter of Cost Accountants during the term 2004-2006, and actively participated in various initiatives at the Chapter.

RETIREMENT

Shri Bimalendu Chakraborty has retired from the services of the Institute on January 31, 2010 after a long and distinguished innings. We wish Shri Chakraborty a happy and healthy life in future years.

Life Insurance

A. L. Prasad*

Services sector now constitute a significant portion of our economy. There is therefore need for creating cost consciousness in these areas so as to maintain efficiency.

The relationship between Input and Output is necessary for performance measurement. Cost Accounting system is best suited for building input output relationship.

Insurance be it Life or General is an important service to the society. When our economy has been opened for Private and Foreign companies, regulatory bodies need reliable data for fixation of charges for different services. Cost data are important drivers for performance measurement. Insurance companies incur cost for different types of activities. There is need for developing proper cost accounting sytem for working out cost of these activities. In the absence of reliable cost information for different activities firm guidelines cannot be laid down for administering the above charges. Thus it is necessary to build cost accounting records for different charges. Action for controlling and reducing the charges cannot be taken in the absence of proper cost data. The need for above information becomes more important in welfare state when Government want to subsidies certain types of services.

The business of Life Insurance is different from other businesses in the sense that money lying with insurance companies is hard earned money of common man who have invested it after years of saving for safety and growth. Any lapse in the management of Life Insurance business directly affects the life of common man.

Life Insurance provides big relief to the people in case of some mishap or untimely death of the Insured. In a welfare state like ours, in the absence of insurance, protection to the insured's family becomes the responsibility of the state. This way life insurance companies help the state in mitigating its social responsibilities. The Life Insurance companies help the state and the society yet in another way. That is by investing the money lying with them in Government Bond and shares and securities of Public and Private sector enterprises. Life Insurance therefore serves the interest of both the state and the society. Life Insurance, therefore is need of modern day life.

The products of each Life Insurance company are different and unique. Each product is having an attractive name and alluring features. In actual practice the real benefit to the common man is different from what is stated in the literature of each product. Common man fails to understand the underlying idea behind this. In many cases the real thing is not even explained to them properly. The insurance companies camouflage the people with rosy pictures of their products. The result is that at the time of claim or maturity when people do not get what they expect, frustration starts and they loose interest in Insurance. Insurance appears to them a liability instead of necessity.

Life Insurance companies sell different types of Policies to the people. The different Policies being offered by the Life Insurance companies to the people fall under the following main categories:

Term Plan, Endowment Plan and ULIPS (Unit Linked Insurance Plan)

The terms and conditions of both Term plan and Endowment plan are simple and not difficult to comprehend. ULIPS on the other hand combines the features of both Life Insurance as well as Investment. Part of the premium received from ULIP policy holders is used for Life cover and balance amount is invested in different types of Funds– Equity Fund, Debt Fund, Balance Fund etc. as decided by the policy holder. Other Policies being sold in the market such as Whole life policy, Money back policy Pension plans etc are only variations of the above.

The Insurance first invests the premium and then deduct following charges by cutting equivalent number of units. (i) Mortality Charges. (ii) Administrative Charges (iii) Fund Management Charges (iv) Allocation Charges etc. There is need for working out cost of above charges.

The Insurance companies are doing business in hundreds and thousands of crores. In the absence of proper record regarding the above charges it is not possible to do justice to the policy holders money lying with Insurance companies. There is need for controlling arbitrariness of different charges being recovered by the Insurance companies. This assumes greater significance because entire money lying with Life Insurance is hard earned money of Common man who has invested the same with Insurance companies after saving it for a number of years for safety and growth.

It is true that policy holders money is kept in Trust and the Trust invests the same in different Funds such as Equity Fund, Debt Fund, Balance Fund etc. There is however need for examining how the charges for the above funds are worked out.

I have gone into the above matter and have developed a Format for working out the cost of different life insurance products. The Formats for working out cost of different Life Insurance products are enclosed for scrutiny. Members are requested to go through the same and offer their comments/suggestions so that the same can be improved further.

*AICWA

Cost Statement of a Term Plan

Sr	Elements of Cost	Amount
1	Salaries and wages	
2	Mortality charges	
3	Rental charges	
4	Depreciation	
5	Selling and Distribution Overhead	
6	Administrative Overhead	
7	Total Cost	
8	Cost per plan	

Cost Statement of an Endowment Plan

Sr	Elements of Cost	Amount
1	Salaries and wages	
2	Depreciation	
3	Rental charges	
4	Selling and Distribution Overhead	
5	Administrative Overhead	
6	Total Cost	
7	Cost per plan	

Cost Statement of an Investment Plan

Sr	Elements of Cost	Amount
1	Salaries and wages	
2	Depreciation	
3	Rental charges	
4	Fund Management Charge	
5	Selling and Distribution Overhead	
6	Administrative Overhead	
7	Total Cost	
8	Cost per plan	

Cost Statement of an ULIP

Sr	Elements of Cost	Amount
1	Salaries and wages	
2	Depreciation	
3	Mortality Charge	
4	Fund Management	
5	Rental charges	
6	Selling and Distribution Overhead	
7	Administrative Overhead	
8	Total Cost	
9	Cost per plan	

Working notes - 1

Concordance List of Life Insurance policies & Life Insurance Products

Sr	Life Insurance Policies		Life Insurance Products	
	Name of Policy	Numbers	Life Insurance	Investments
1	Term Policy	250	250	
2	Endowment Policy	200		200
	ULIPS			
1	Single	200	200	
2	Single	200		200
3	*Double	650	650	650
	Total	1500	1100	1050
				2150
				650*
				1500

Working Notes 2
Selling & Distribution Overhead

Sr	Elements of Cost	Amount
1	Salaries and wages	
2	Agents' Commission	
3	Brokerage	
4	Advertisement	
5	TOTAL	0

Working Notes 3
Administration Overhead

Sr	Elements of Cost	Amount
1	Salaries and wages	
2	Printing Charges	
3	Office expenses	
	Total	0

Accrual Accounting in Government : An Analytical View

Accrual Account is a new solution for effective management of accounting function that gives an accurate financial performance and position for any organization including government. The present paper is a modest attempt to discuss on the conceptual frame work, comparison, transition and principles of accrual accounting in government with suitable illustrations and a case analysis in a comprehensive manner.

Dr. T. Satyanarayana Chary*
K.Vara Prasad**

Introduction

Accounting and Financial Reporting standards (AFRS) are essential for improved public accountability and efficient functioning of our democratic system of company type of business. AFRS play a pivotal role in fulfilling the Governments responsibility to be accountable for its acts of omission and commission while expending the money from the public exchequer. Besides, AFRS can also facilitate a better understanding of the decision making process vis -a - vis economy, polity and society, which in turn enhances better understanding of the impact of decisions of the government on the society directly. Not only that, even they provide a standardized framework within which the financial position of government can be assessed as it is the hallmark of democratic governance.

Government Accounting in India was cash basis accounting. It records transactions only when cash is received or paid during the reporting period. There is no recognition to the expenditure incurred but not paid and the income earned but not received. Distinction between capital and revenue nature transactions is maintained in accounts at the time of recording. Similarly, this system also maintains incomplete or partial asset accounting as well as liability accounting procedure. Not only that, violation of principle of matching expenditure with revenue, non recognition of some period costs like depreciation, cost of government services etc, are not identifiable under this system.

As a fact known to everyone, the Government was following the method of cash base accounting system in India that was found as incomprehensive one. hence, the growing converge between public and private accounting standards and practices created a need to review the conceptual framework underpinnings of government accounting system and deficiencies in cash base system to ensure an effective financial management and greater transparency. In this direction, the Twelfth Finance commission recommended adoption of Accrual Based Accounting (ABA) for the union and the state governments. The central government has accepted the recommendation and the finance minister directed the Government Accounting Advisory Board (GASAB) and CAG to recommend an operational frame work and a road map for its implementation.

The Concept of Accrual Based Accounting (ABA)

ABA refers to a set of accounting principles used for recording the events that determine when the effects of transaction or events are recognized for financial reporting purposes. It truly recognizes economic value of financial flows transferable, exchangeable, extinguishable, whether or not cash is exchangeable at that time. The associated cash flows generally follow the event after sometime and may or may not take place during the same accounting period. In this system of accounting, transactions enter in books of accounts when they become due, in which book-keeping shifts from single entry to double entry system. Infact, in the cash system of accounting transactions are entered when there is actual flow of cash and revenue is recognized only when it is actually received as well as expenditure is recognized only on the outflow of cash.

Hence, transition from only cash system to cash and accrual system can ensure many benefits as better management of receivables and payables, which has been highly neglected by the government in the past and better Assets & Liabilities management that needs to be focused so as to improve the same for the effective Accountability. Besides, better management of contingent Liabilities considered to flow from accrual accounting is also expected. Hence, this system can also bring into the forth and provide the following benefits.

1. Assessment of full cost and service delivery.

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2. Assessment of fiscal sustainability of operations.
3. Assessment of Liquidity position of government
4. Better understanding and appreciation of financial statements.
5. Provides comprehensive information on financial position
6. Assists in ascertaining future sustainability of programmes.
7. Provides the operating performance of an entity.
8. Discloses the Accounting policies used in preparation of financial statement for better understanding
9. Assures optimal use of scarce resources.
10. Provides information on expenses that help in knowing the consequences of cost policies and enables comparison with alternative policies.
11. Subsidy calculation can be extracted from the accounts, that helps in Rationalization.
12. Information on income streams to meet short and Long term liabilities and to assess the payment period (short or long) and nature (cheap or cost).
13. Tax assessed but not received, Bills raised but not paid, liabilities occurred but not paid will be accounted for.
14. Accrual accounting system retains the advantages of Cash and overcomes the limitations by inclusion of Cash as a base item.

    Flow statement & Financial Statement.

Hence, the advantages of Accrual Accounting in social sector as the government engaged in such activities is numerous in nature as the Accrual System assist the government in meeting its objectives of Accuracy, Granularity and Comparability. Besides, it can also ensure better control on resources and operations so as to able to stand up to the scrutiny of stewardship, an essential element of democratic functioning, on the other hand, per unit cost of service is one of the important parameter in government for performance evaluation of a department of the government organization. Through ABA clear view of financial position of the government with transparency and optimization of resources is possible. Finally, it can be asserted that ABA can act as a tool for managerial decision making for the government, to achieve their objectives efficiently and effectively.

Cash Vs Accrual Basis Accounting

Cash basis accounting is a very simple form of accounting when a payment is received for the sale of goods or services, a deposit is made, and the revenue is recorded as of the date of the receipt of funds -no matter when the sale was made. Checks are written when funds are available to pay bills, and the expense is recorded as of the check date-regardless of when the expense was incurred. The primary focus is on the amount of cash in the bank and the secondary focus is on making sure, all bills are paid. Little effort is made to match revenues to the time period in which they are earned, or, to match expenses to the time period in which they are incurred.

Accrual basis accounting matches revenues to the time period in which they are earned and matches expenses to the time period in which they are incurred. While it is more complex to cash basis accounting, it provides much more information about the business. Hence, the accrual basis allows us to track receivables (amounts due from customers on credit sales) and payables (amounts due to vendors on credit purchases). The accrual basis also allows us to match revenues to the expenses incurred in earning them, and gives us more meaningful financial reports (See table I and Exhibit III to understand well the differences between Cash Basis and Accrual Basis Accounting System).

Transition Towards Accrual Accounting

Internationally Accrual Accounting has been introduced as a part of wider management reforms in public sector. Countries namely Australia, Canada, UK and Newzland have approached the issue of accounting reforms and have been successful to a large extent. Countries such as USA and Spain combined the Modified Accrual Accounting (MAA) with cash budgeting. Hence the shift towards accrual accounting is conspicuous in India as well as many local bodies - Panchayati Raj institutions and municipal bodies etc. To ensure uniformity of practices in this regard, there is a need for formulation of a single set of high quality financial reporting standards for local bodies, which will set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events in general for the purpose of financial statements of local bodies. Recognizing the need to harmonize and improve accounting and financial reporting among Local Bodies, the Institute of Charted Accountants of India (ICAI), constituted the Committee on Accounting Standards for Local Bodies.

The composition of the Committee on Accounting Standards for Local Bodies is broad based and ensures participation of all active and interest groups. The committee has representatives of Comptroller and Auditor General, Controller General of Accounts, National Institute of Urban Affairs, Ministry of Urban Development, Ministry of Panchayati Raj, Directorates of Local Fund Audit Departments, Directorates of major Local Bodies and other eminent professionals. As the committee comprises of professional bodies associated with local bodies, it is

Table-I

CASH BASIS	ACCRUAL BASIS
Revenues are recorded when they received, which may be before or after they are earned.	Revenues are recorded when they are earned, which may be before or after they are recorded
Expenses are recorded when they are paid, which may before or after they are incurred	Expenses are recorded when they are incurred, which may be before or after they are paid.
Financial statements reflect revenues and expenses based on when transactions were entered rather than when revenues were earned or expenses incurred	Financial statements match revenues to the expenses incurred in earning them, and more accurately reflect the results of operations.
No receivables are recorded	A receivable is recorded when payment is not received at the point of sale.

beyond-doubt that the road map for this practice can be so perfect and effective for all governmental departments including local bodies.

Principles of Accrual Accounting

As the base of accounting shifts from cash to accrual, the nature and timing of recognition undergoes a fundamental change. Transactions are recorded at the time when economic value is created, exchanged , transformed, transferred or impaired irrespective of whether cash is actually exchanged or not. Hence, the general Accrual Accounting principles that are followed by the governments are:

(1) Revenues are recognized when there is an increase in future economic benefit related to increase in an asset or a decrease in liability. Revenue received but not earned in the reporting period will be treated as current liability. Revenue earned and not received will be treated as current asset

Ex: Tax assessed but not received: license fee/ royalty due but not received.

(2) Expenses are recognized when there is a decrease in future economic benefit related to a decrease in an asset or an increase in liability. Expenses are recognized in the period in which they relate irrespective of whether or not they are paid. Expenses incurred and not paid would be accounted as Current Liabilities. An estimate of receivables not collectible by government would be charged off as an expense. Depreciation is recognized in the reporting period as an expense. Impairment of assets is accounted for as an expense.

(3) Assets are recognized in accounts when future economic benefits or service potential flows to the entity on account of past events. Both current and long term assets are recognized. At present, capital expenditure is consolidated into a single cumulative figure in the finance Accounts and write offs charged to this amount. This does not give information about the kinds of assets not charged for depreciation. Hence, in accrual accounting, assets may have to be classified into categories and consumption of fixed assets in terms of depreciation be accounted for as per accounting policies. Inventories are recognized at cost or net realizable value whichever is lower. Receivables are accounted for along with provision for doubtful receivables.

(4) Liabilities are recognized when there is a present obligation from the past events, which could result in outflow of economic resources. At present only long term liabilities are recognized in government. In accrual system, both long term liabilities and current liabilities may have to be recognized. Hence, the existing defined benefit pension liability may be shown on actual valuation basis.

(For More details of this convergence of cash base to cash and accrual base in government accounts see the table II and Exhibit I & II)

Accrual Accounting and Government

There is a strong case for ABA in governments in India. Accrual accounting is expected to result in improved financial discipline, decision making and other key advantages in governmental activities, they are:

(a) Impact on the asset liability position of the government

(b) Future sustainability of the programmes

(c) Estimation of Future funding requirements of asset maintenance and replacement.

(d) Plan for repayment of liabilities

(e) Management of liquidity position of the government

(f) More comprehensive and complete view of assets and liabilities

(g) Better information of expenses and revenues is provided

(h) Provides a financial estimate of loss of revenue on account of failure of administration

(i) Full cost of goods and services is available for appropriate pricing decisions

Table-II
Replacement of GPFS Cash to GPFS Accrual

Existing Cash basis GPFS		Possible Accrual basis GPFS	
Statement	**Information Focus**	**Statement**	**Information Focus**
Appropriation Accounts	Compliance reporting on legislative appropriations & grants	Statement of Operating performance	Income and Expenditure using matching concept and the operating surplus or deficit
Finance Accounts	Statement of functional head distribution of government receipts & disburments during the year, debt and other obligations at the end of the year, Financial Assets and guarantees.	Statement of operating position	Balance sheet of Government indicating all assets and liabilities.
		Statement of Sources and uses of cash	A cash flow statement with either inbuilt structure to include appropriation accounts for budget compliance requirements or a separate statement to supplement.

(j) Comparison of cost at which services are provided by government in different reporting periods and regions is possible

(k) Both implicit and explicit subsidies can be captured

(l) Intraregional equity issues can be better handled

(m) The financial statements would depict the burden of the present government passes on to the future governments.

Hence, to derive the above benefits, the governments are ought to have more from traditional rules as laid down in various official pronouncements to principle based systems. So GASAB has been vested with the responsibility of development of accounting standards for governments through a notification. GASAB needs to issue Accrual Basis Accounting Standards GASAB has embarked on issue of Accounting Standards on accrual basis for facilitating pilot studies at Government of India and State Governments. These Standards are issued as "Indian government Financial Reporting Standards "(IGFRS) and are harmonized with IPSAS.

GASAB has drawn up a detailed roadmap involving various steps to be taken during the course of migration. Taking into account the various experiences and road map has visualized a time frame of 10-12 years. GASAB has also prepared an operational frame work indicating the stages in which migration may take place. It also indicates the deviation from the commercial system of accounting on account of specific requirements of government activities.

Consequently, discussion on Accrual Accounting has been going from a long time by various experts and committees. It has gained importance and strengthened with the government accepting the recommendations of the 12th Finance commission to migrate towards accrual accounting. Government has entrusted the task of drawing up a detailed roadmap and preparation of operational frame work to Government Accounting Standards Advisory Board constituted by the Comptroller and Auditor General with support of Government of India.

As the responsibility for compilation of accounts of Government of India rests with controller General of Accounts. Even, the accounts of all the State Governments are compiled by the comptroller and Auditor General of India. Both the accounting authorities have embarked on pilot studies at union and states respectively to arrive appropriate model of accrual accounting in India.

A Case Analysis of ABA

Here is a case of ABA with regard to Sahashra Agro Farms that explain the gaps and differences between statements based on accrual adjusted information and statements based on cash accounting. This example is developed based on the case given by tremp.tamu.edu.

Sahashra Agro Farms appears to be moderately profitable on a cash basis. However, after adjusting the cash basis income statement to approximate an accrual basis income statement for the same period, net income after tax increased from 18000/- to 46000/-. Because the accrual adjustments, gross revenues were greater by 25000/-(175000 to 200000/-). While total expenses were less by 19000/-(149000/- to 130000/-). However, because of the accrued and deferred income taxes, the expenses for income taxes is increased by 16000/- (from 8000/- to 24000/-).

After making the accrual adjustments to the income statement, cash grain farm was shown to be more profitable than had been portrayed by the cash basis method of accounting. The more critical situation would occur if the accrual-adjusted net income showed the business to be less profitable than the producer may have been led to believe by relying solely on cash basis income statements.

Hence, the illustration shows that the computing income on a cash basis can mispresent true profitability for an accounting period when there is a time lag between the exchange of goods and services and the related cash receipt or cash disbursement. Such distortion can be substantially reduced by considering the net changes in certain balance sheet accounts. (See table III to understand the practicality of Accrual Basis Accounting with a comparison of cash basis one through the numerical data of case problem.)

Conclusion

It is beyond doubt that ABA System will help in ascertaining the right position of assets & liabilities of government, which is not possible under current system. This would help in better fund management and evaluation of performance of various departments

Table-III

Income Statements: Cash Basis (Left) and Accrual -Adjusted Basis (Right)

Sahashra Agro Farms (cash basis)		**Sahashra Agro Farms (Accrual basis)**	
Receipts		**Revenues**	
Sahashra Agro Sales	150,000	Cash receipts from Sahashra Agro Sales	150,000
Government Programme Payments	25000	Change in Sahashra Agro inventory	+20,000
		Government programme Payments	25000
		Change in accounts receivables	+5000
Total Cash Receipts	**175000**	**Gross Revenues**	**200,000**
Expenses		**Expenses**	
Cash Operating Expenses	85000	Cash Disbursement For Operating Expenses	85000
Interest Paid	37000	Change in accounts Payable	-12000
Total Cash Expenses	**122000**	Change in Prepaid Expenses	+1000
Depreciation	27000	Change in unused Supplies	-2000
		Change in investments In growing crops	-4000
		Depreciation	27000
Total Expenses	**149000**	**Total Operating Expenses**	**95000**
Net farm income from operations (cash Basis)	26000	Interest paid	37000
Gain/loss on sale of farm Capital assets	0	Change in accrued Interest	-2000
Net income before tax (cash basis)	26000	**Accrual Interest Expense**	**35000**
Income taxes & S.S Taxes paid	80000	**Total Expenses**	**130000**
Net Farm Income After Tax	**18000**	Net farm income from operations	70000
Note: Because the IRS requires capital assets (Mach, equipment, buildings etc.,) to be depreciated over the useful life of the assets, the common practice, even with cash basis accounting, is to record a depreciation charge.		Gain/loss on sale of farm Capital assets	0
		Net Farm Income	**70000**
		Income taxes & S.S Taxes paid	8000
		Change in income taxes & S.S taxes payable	+3000
		Changes in current portion of Deferred taxes	+13000
		Accrual income Taxes & S.S Taxes	24000
		Net Farm IncomeAfter Tax (Accrual basis)	**46000**

Source: http://trmep.tamu.edu

effectively. Further, accrual system of accounting can help in estimating cost of services more appropriately that could form a crucial input for managerial decision making for the well-being of India.

With regard to ABA the government should ensure the output and outcome of the spending that commensurate with the inputs and the long term fiscal sustainability and however, the adoption of accrual system of accounting, governments are too expected to be better positioned in assessing their financial performance and position.

Notes:

1) It doesn't provide a clear & complete view of financial position, as the information regarding assets and liabilities are not available for fixed assets (land, building). Information about capital work in progress of dams, power plants etc., are not available. It doesn't provide full information on current assets. eg: accrued income like outstanding royalty, fees, service charges.

Full Information not available about government liabilities (Pensionary commitments, interest due, bills payable etc.,). Unit cost and total cost of services provided by government departments like health, water supply, and transportation can't be ascertained. It neglects the transactions by not recording expenditure already incurred but payment not made. eg: supplies Made, salary, telephone charges. And it provides a wrong view of income received, as advance tax receipts are recognized as income. Matching principle was not given due weightage. No disclosures are made about accounting principles

Exhibit-I

Adjusting Cash Basis Records to Appropriate Accrual Basis Records.

Cash Basis	Adjustment to Cash Basis	Equals Accrual Basis
Cash receipts	-Beginning Inventories +Ending Inventories -Beginning accounts receivable +Ending accounts receivable	Gross revenue
Cash disbursements	-Beginning accounts payable +Ending accounts payable -Beginning accrued expenses +Ending accrued expenses +Beginning prepaid expenses -Ending Prepaid Expenses +Beginning unused supplies (fuel, chemical etc.,) -Ending unused supplies +Beginning investment in growing crops -Ending investment in growing crops.	Operating expenses
Depreciation expense	No adjustment (note 1)	Depreciation expense
Cash net income (pre tax)		Accrual adjusted net income (pre tax)
Cash income taxes and social security taxes	-Beginning income taxes and S.S taxes +Ending income taxes and S.S taxes -Beginning current portion of deferred tax liability + Ending current portion of deferred tax liability(Note 2)	Accrual adjusted income taxes and S.S taxes
Cash net income (after tax)		Accrual adjusted net income (after tax)

Exhibit-II

A broad frame work for transition to accrual accounting

Stages	Expenses	Revenues	Assets	Liabilities	Contingent Liabilities
Current Stage	Exp-current & capital	Receipts	Financial Assets	Stock of Public debt and Borrowings on public account	Guarantees
Stage-I	Current Expense on accrual basis and capital expenditure on cash basis	Receipts	Financial Assets	Stock of public debt and borrowings on public account + Payables	Guarantees
Stage-II	Current Expense on accrual basis and capital Expenditure on cash basis (Excluding Expenditure on military Assets)	Non-Tax Revenues on accrual basis + Tax revenues on cash basis	Financial Assets + Receivables + Military Assets	Stock of Public debt and borrowings on Public Account + All other liabilities (except superannuation benefits, compensated leaves, provisions, and social security	Guarantees
Stage-III	All expense s on accrual basis + Depreciation	-do-	All Assets (excluding infrastructure, land, heritage, intangible assets)	All liabilities (except superannuation benefits, compensated leaves, provisions, and social security)	All Explicit contingent liabilities
Stage-IV	All expenses on accrual basis + Depreciation +provisions	-do-	All assets including infrastructure and land (excluding heritage and intangible)	-do-	All Explicit contingent liabilities
Stage-V	All Expenses	All Revenues on accrual basis	All Assets	All liabilities	All Explicit contingent liabilities

on which basis financial statements are prepared. It provides space for fiscal opportunism.

2) It is possible to have an income tax and social security tax receivable (Refund due) or a deferred tax asset. In these instances the signs (+/-) of the Period would be reversed when making the accrual adjustments.

3) Because depreciation is non cash expenditure, technically it would not be reflected on a cash basis income statement. Instead, the statement would show the cash payments for property, facilities and equipment rather than allocating the cost of the asset over its useful life. However, because the internal revenue code requires capital assets to be depreciated even for cash basis tax payers, the common practice is to record depreciation expense for both cash basis and accrual basis income accounting.

Exhibit-III:

Differences between Cash Accounting and Accrual Accounting

	Cash Accounting	Accrual Accounting
Operational requirements	Relatively simple	Relatively complex
Links to traditional budget and revenue systems	Relatively strong	Relatively weak
Coverage	Records only transactions that result in cash payments or receipts	Records estimated non-cash transactions as well
Timing	Records only transactions that occur within the accounting period	Records the estimated future effects of current transactions and policy changes
Audit and Control	Relatively simple	Relatively demanding

Throughput Accounting - A Tool to Manage Inventory During Recession

Atul Shiva*
Monica Sethi*

Introduction:

Ever since the development of Cost Accounting in 1890, Labour cost has been the most volatile, significant and vulnerable cost in the product cost. The labour cost depends primarily on how efficiently managers used labour in an organization. Eliyahu M Goldratt argues that under current conditions labour efficiencies leads to decisions that harm rather than help organizations. Throughput accounting, therefore, removes standard cost accountings reliance on efficiencies in general and labour efficiency in particular from management practice. Many cost and financial accountants agree with Goldratt's critique, but they have not agreed on a replacement of their own and there is enormous inertia in the installed base of people trained to work with existing practices.

The Concept of Throughput Accounting: Throughput Accounting is an alternative to cost accounting proposed by Eliyahu M Goldratt. It is not based on standard costing or Activity Based Costing. Throughput Accounting is not costing and it does not allocate costs to product or services. It can be viewed as business intelligence for profit maximization. Throughput Accounting is the management accounting system based on the theory of constraints, which was popularized by Goldratt's business novel - 'The Goal'. According to him the concept of allocating costs to products is wrong and leads to erroneous decisions. Many, especially by ABC advocates, have criticized Goldratt's viewpoint. It seems that ABC advocates are now partially agreeing with Goldratt, as it is better for sort term decision, however, for long tern cost must still be allocated to products.

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Measures of Throughput Accounting: Goldratt's alternative begins with the idea that each organization has a goal and that better decisions increase its value. Throughput Accounting uses three measures of Income and expense:

(A) Throughput (T) is the rate at which the system produces 'goal units'. When the goal units are money, throughput is sales revenue less the cost of raw materials (T = S-RM). Throughput can arise only when there is a sale. Idle stock does not count. Throughput is similar to contribution of Marginal Costing i.e. Sales - Variable Costs.

(B) Investment (I) is the money tied up in the system. This is money associated with Inventory, machinery, buildings and other assets and liabilities. Theory of constraints given by Goldratt recommends inventory be valued strictly on totally variable cost associated with creating the inventory, not with additional cost allocations from overhead.

(C) Operating expense (OE) is the money the system spends in generating 'goal units'. For physical products, OE is all expenses except the cost of the raw materials. OE includes maintenance, utilities, rent, taxes etc.

All the organizations where Throughput Accounting is utilized must try to understand these above mentioned facts as how to increase their throughput by reducing investment and operating expenses. Throughput Accounting is an important development in modern accounting that allows managers to understand the contribution of constrained resources to the overall profitability of the enterprise.

Inventory Cost Management via Throughput Accounting:

Besides managing capacity levels, managers in companies and industries with high fixed costs care about decisions that affect their operating income numbers i.e

1. Top management uses operating income numbers to evaluate the performance of managers. Operating income also affects a company's stock price. Therefore, any stock based compensation such as stock options that managers receive would also be affected.
2. Planning decisions typically include analysis of how the alternatives under considerations would affect future reported income.
3. Planning decisions typically include analysis of how h alternatives under considerations would affect reported income.
4. Reported income is often used to evaluate the performance of managers.

Inventory costing choices relate to which manufacturing costs are treated as inventoriable costs. There are three types of Inventory-Costing:

1. Absorption Costing: It is a method of inventory costing in which all variable manufacturing costs and all fixed manufacturing costs are included as inventoriable costs. In other words, inventory absorbs all manufacturing costs.
2. Variable Costing: It is a method of inventory costing in which all-variable manufacturing costs are included as inventoriable costs. All fixed manufacturing costs are excluded from inventoriable costs.

The fixed manufacturing costs are treated as costs of the period in which they are incurred.

3. Throughput Costing: It is also called as super-variable costing which matches only for direct materials focusing on throughput contribution. The concept of Throughput Costing can effectively utilized to manage the Inventory cost Management system. The advocates of throughput costing maintain that, in the short run, manufacturing costs other than direct materials are relatively fixed. Some managers maintain that even variable costing promotes an excessive amount of costs being inventoried since it is only the Direct Material Cost that is truly variable. All the other costs are costs of the period in which they are incurred. In particular, variable direct manufacturing labour costs and variable indirect manufacturing costs are regarded as period costs and deducted as expenses of the period.

The concept of Throughput costing can be explained with the help of an example mentioned as below viz a viz absorption costing and variable costing.

	2006	2007	2008
Beginning Inventory	0	200	50
Production	800	500	1000
Sales	600	650	750
Ending Inventory	200	50	300

Selling Price	1000
The variable manufacturing cost per unit:	
Direct material cost	110
Direct manufacturing labour cost	40
Indirect manufacturing cost	50
Total variable manufacturing cost per unit	200
Variable marketing cost per unit sold (all indirect)	190
Fixed manufacturing costs (all indirect)	120000
Fixed marketing costs (all indirect)	108000

The calculations clearly illustrate why managers whose performance is measured by reported income and the choice of method between absorption costing, variable costing and throughput costing. If the unit level of inventory increases during an accounting period, less operating income will be reported under variable costing and throughput costing than absorption costing. Conversely, if the inventory level decreases, more operating income will be reported under variable costing and throughput costing than absorption costing.

The overall evaluation of Comparative Income effects of Absorption costing, Variable costing and Throughput costing is as below:

After evaluating Throughput Accounting in comparison of traditional cost accounting, the following observations can be derived on the basis of decision-making criteria of finance managers

1. Throughput Accounting focuses only on overall cost reduction of the company while cost accounting takes into account the decision relating to cost reduction per unit of the company.
2. Throughput Accounting tries to maximize only throughput of the concern while cost accounting does not tackle into account the impact on throughput.
3. In Cost Accounting any increase inefficiency is acceptable whereas in Throughput Accounting only increased in efficiencies that increase throughput or that reduces overall cost are acceptable.

Criticism to Throughput Accounting:

1. The major limitation of Throughput Accounting is that it is primarily oriented towards the achievement of short-term objectives of the organization. Throughput accounting focuses only on fixed supply of resources and maximize throughput. The theory ignores all other aspects relating to the product mix in future except materials. It concentrates on maximizing throughput, inventory management and the impact on operating expenses only.
2. Another shortcoming of Throughput Accounting is that the operating expenses of the company are unrelated to decisions made about the product sold and customers served. The approach of Throughput Accounting is that only throughput can be traced to the products. There must not be any attempt made to trace operating expenses to the products, whereas operating expenses represents how much the company is paying to have its resources available to generate throughput. Therefore the company must track its capacity levels, constraints and idleness so as to generate enough flexibility to increase the production volume and product variety to increase its throughput without increasing operating expenses.
3. The application of Throughput Accounting is limited for internal reporting systems of the company only. Since Absorption costing is utilized for external reporting systems and is famous among practicing corporate finance professionals supported by GAAP and for tax considerations, thereby making very less scope for Throughput Accounting in use.

Conclusion:

The Theory of constraints as described by Throughput Accounting is based on its basic assumption that whatever period is being analyzed; the company will always have at least one

SITUATION - III: THROUGHPUT COSTING

	2006	2007	2008
Revenues:	600000	650000	750000
Rs 1000*600; 650; 750 units			
Less: Direct Material COGS			
Opening Stock	NIL	22000	5500
Direct Material	88000	55000	110000
Less: Closing Stock	(22000)	(5500)	(33000)
Total Direct Material COGS	66000	71500	82500
Throughput Contribution	534000	578500	667500
Less: Other Costs			
Manufacturing Costs	192000	165000	210000
(Fixed Cost + Variable Cost * Units Produced)			
(120000 + 90*800; 500; 1000 units)			
Marketing Costs	222000	231500	250500
(Fixed Cost + Variable Cost * Units Produced)			
(108000 + 190*600; 650; 750 units)			
Total Other Costs	414000	396500	460500
Operating Income	120000	182000	207000

The summary of the operating income differences during 2006-2008 is as below:

	2006	2007	2008
Absorption Costing Operating Income	168000	146000	267000
Variable Costing Operating Income	138000	168500	229500
Throughput Costing Operating Income	120000	182000	207000

constraint. The basic difference between Activity Based Costing and Theory of Constraint is that in short term a company will have few constraints, however in long term it will not. Activity Based Costing assumes that in long run all of company's resources are equally important. Activity Based Costing has cost drivers and tries to increase local efficiencies everywhere. In ABC a chains long-term resistance can be accomplished by strengthening any link. However, the view of Theory of Constraints is that chain's resistance is determined by its weakest link. Therefore Theory of Constraints is recommended for short-term decisions and activity based costing for long-term decisions. If corporate finance professionals agree with a view that a company is a system, and that a system will have very few constraints, theory should use only throughput accounting. f they do not think that the company will have few constraints in the long run if they believe high level efficiencies everywhere will lead to good overall performance, Activity based costing should be used for long term decisions.

Major Findings	Absorption costing	Variable Costing	Throughput Costing
1. Are fixed manufacturing costs inventoried?	Yes	No	No
2. Is there a production – volume variance?	Yes	No	No
3.Are classifications between variable and fixed costs routinely done?	Infrequently	Yes	Yes
4. How do changes in unit inventory levels affect operating income? Production = Sales Production > Sales Production < Sales	 Equal Higher Lower	 Equal Lower Higher	 Equal Lower Higher
5. What are the effects on Cost-Volume-Profit-Analysis?	Driven by (a)unit level of sales (b)unit level of production (c)chosen denominator level	Driven by unit level of sales	Driven by unit level of spending for direct materials costs as product costs.
6. Application of GAAP	Yes	No	No
7. External Reporting Purposes	Applied	Not utilized	Not utilized

Maintenance Spares Management : Cost Reduction Approach

B. C. Patel*

Introduction

Maintenance means keeping of Plant & Machinery as well as equipments at a standard operating condition involving inter-alia, operations of repairing, adjusting and replacing of spare parts, tools, accessory or attachment or component of sub-assemblies, assemblies etc; etc; "Spare" means a part or sub-assembly or assembly for substitution, i.e. ready to replace an identical similar part or sub-assembly or assembly, if it becomes faulty or worn-out. "Component" means one of the parts or sub-assembly or assembly, of which a manufactured product is made up and into which it may be resolved, and includes an accessory (or attachment). "Accessory" (or attachment) means a part, sub-assembly or assembly that contributes to the effectiveness of a piece of equipment, without changing its basic operation / functions. "Part" means an element of sub- assembly or assembly not normally useful by itself and not amenable to further dis-assembly for maintenance purposes. It can be a component spare or accessory depending upon the nature of its usefulness/requirement. "Consumable" means any item which participates or is required in a manufacturing process but does not form part of the end product.

Failure of spares/parts is of a highly probabilistic nature and it may require high capital investment.

The industrial/business units have to optimize spares inventory value and also meet the normal requirements at shortest notice. The aim should be to achieve surety in availability of exact materials/spares when required and simultaneously to minimize capital blocked up in inventories.

Current Indian Scenario

Barring some industries/companies the spares inventory management in India is unscientific and many decisions are arbitrary. There are hardly detailed records of plant / equipment wise consumption/replacement of spares in terms of quantifies. For planning the inventory of spares, generally the engineers concerned arbitrarily assume certain quantities requirements, to be procured and stocked. This hardly takes care of the failure rates of parts of the concerned industry in past in the prevailing conditions of respective plant and equipments. In absence of maintenance history cards for important equipments, etc.; it is difficult to have rational decisions. Further, at times, most of the time of maintenance persons is spent (or wasted?) in the last minute search of the required spares in the store-room at the time of stoppage/ break-down, because neither the maintenance person nor the store/ godown people are clear about specifications of required spare-parts. Dead stock of huge quantities are , at time, kept which are supplied with the machines/equipments. In some cases, for which they were initially bought are scrapped(or not in use) or may have become obsolete etc ; In some other situations there may be qualitative deterioration of spares under storage.

Further parts of same or identical specifications might have been stored under different symbols or identifications. In some rare cases different spares may have been kept with one code. At times stock of essential spare parts (with more lead time) may be very low.

Need for Approach

In the above present day scenario, the Indian Industry is faced with a situation of unduly high level of spares inventory, thereby locking up a sizeable capital which by better management can be reduced and released for other purposes. The capital so locked up is estimated at Rs.40,000 /- million in the form of obsolete and non-moving spares. Unlike other items (raw materials) and consumables, spare parts quantum requires more frequent review and assessment. This part of management being complex, requires sophisticated decision making techniques. Uninterrupted industrial production is essential so as to enhance competitive strength in national and international markets. Carefully regulated maintenance of Plant Machinery and other equipment/ services can make a sizable contribution to the overall productivity of the industrial entity. Abrupt shut-downs and frequent break-downs of plants/ equipments for repairs are always expensive propositions in terms of loss of marketable production / services. It is therefore, necessary to take calculated steps so as to obviate such unpleasant situations. Sound spares management as a part of repairs and maintenance function would go a long way in increasing productivity.

Analysis & Tools

(a) **Major Steps:-** Steps involved in better spare inventory management:

i) Detailed realistic classification / condification;

ii) Minimum/maximum quantities to be stocked under various situations;

*FICWA

iii) Procurement procedure considering lead time;

iv) Inspection, preservation storage, etc; of spares;

v) Norms for insurance spares, vital essential spares;

vi) Periodical review of spares consumption & segregation of worn-out, replaced & obsoletes;

vii) Role of N.D.T. methods; application of computers; micro-processors, Online condition monitoring etc;

viii)Manufacture of spares internally, utilizing spare capacity of own repairs/workshop, reconditioning and reclamation of used/ replaced spares, if feasible.

(b) **Classification:-** Following basis may be used to grade spares for plant/manufacturing units :

In factories having multi manufacturing unite/departments a particular plant forms the most significant stage from the point of view of;

a) Production Capacity;

b) Quality of Product;

c) Production Cycle Time;

d) Cost of the machineries installed, etc ;

Other factors can be determined suitably. The unit possessing maximum weightage becomes the most important unit. Other units are classified in the descending order.

The equipment can be classified into ABC groups on point ranking method of following factors:

a) Capital Investment;

b) Useful Service Life ;

c) Capacity utilization;

d) Quality standards & accuracy/ tolerance desired ;

e) Repair Expenses;

f) Cost of down times ;

g) Safety consideration;

From the overall production operation point of view these factors should be given appropriate weightage and different degrees of respective factors may be designed, Equipment may be grouped into ABC spare part of equipments falling in "A" category should have major consideration while deciding stock levels.

Vital, essential and desirable spare parts; spare parts of machines should be classified in terms of criticality of the part. Vital parts are those which must be available when needed. Here down time costs are comparatively higher in case of failure of this part e.g. crank shaft of a reciprocating compressor. Essential parts are those needed in time but within a reasonable quantum of delay, as their procurement (& delay) will affect seriously; e.g. piston rings. Desirable category includes those which are not immediately required and/or items which can be substituted ; e.g. oil seals.

Difficulty in procuring the parts :

Scarce items are those which require very long lead time for procurement. Imported items & items requiring fabrication as per specifications fall in this category. Difficult items are those which require 2 to 3 months for procurement. All indigenous items which are not available easily ex-stock and/or to be obtained from equipment manufacturers fall in this category-easy items are those which are available readily ex-stock.

(c) **Quantitative Analysis:-** To decide the quantity of each spare part to be stocked broadly the items are divided into two categories on the basis of rate of consumption ;

(A) Fast moving items that are common to a number of machines, which are consumed almost regularly. Bearing; oil seals, v-belts, washers, bolts, pins etc; fall in this category;

(B) Slow moving items and items that are special to a machine (insurance spares). The consumption of these items, in absence of reliable failure rate, records is difficult to predicts. The quantity to be stocked for those items may be based upon.

(C) i) Industry-wise and past experience.

ii) Manufacturers/suppliers recommendations and

iii) Criticality of the spare part(s); (d) Procurement / Replenishment:- For Fast Moving Spare Parts, there can be

(A) Fixed period review : Physical balances of items in store and consumption are reviewed and if necessary revised at regular intervals, usually once in a quarter and the quantities consumed is replaced;

(B) Fixed quantities review : Re-order levels are established for some of the fast moving items. As soon as the item reaches the order level the quantity equivalent of economic order quantity is ordered. The E.O.Q can be decided, based on following factors:

i) Inventory carrying cost;

ii) Ordering Cost:

iii) Size of the packing available;

iv) Quantity discounts;

Re-order level = Safety stock +- consumption during the lead time; Safety Stock = (0.5 to 1.5) times lead time consumption. The following formula may be used to arrive at approximate quantity of E.O.Q. which can be modified considering (iii) & (iv)

$$\text{E.O.Q.} = 2 : \sqrt{\frac{\text{A.S.}}{\text{i P}}}$$ where

A = Annual Consumption Quantity

S = Cost of Placing/Processing an order

i = Cost of carrying unit inventory value made up of cost of interest, insurance handling, recording, obsolescence, deterioration, space etc;

p = Price of one unit.

The above formula can be simplified for practical application as under :-

$$E.O.Q. = K\sqrt{\frac{A}{P}} \qquad \text{Where } K = 2\sqrt{\frac{S}{i}}$$

For an organization over a period of time S and i should remain constant.

Control of slow-moving items or special spare parts :-

(a) Direct issue replacement : Every time an item is used a fresh item is purchased. The number of item to be stocked will depend upon the criticality of the item and the failure rate determined from the maintenance records.

(b) Project items or major overhaul purchases. These are the items required for minor additions in the plant or major overhauls of equipments. Their detailed requirements are estimated and exact quantities are ordered, for these works only.

We may have to depend on :

(a) Foreign suppliers for sophisticated and imported machinery;

(b) Indigenous manufacturers of machinery who at times may hot completely cooperate for supply of required spares.

(c) Indigenous manufacturers of spare parts who may not be fully equipped or expertised. Following guidelines may help in simplifying the procedure :

i) Whenever the necessity of a spare-part arises, first finalize the complete specifications. At this stage any necessary modifications thought of, for better performance should be indicated in the drawing. At this stage metallurgical details or at least the properties required should be mentioned,

ii) Before importing spares, all exploitation of import substitution should be done.

iii) Small, tiny engineering/workshop Units may not be properly equipped for necessary testing. Here, the purchaser has to make use of this capacity of influence to help the manufacturers in getting the needful testing done, iv) Education the manufacturers regarding the availability of specific raw materials, important testing & other facilities.

v) Improvement of Spare Parts should be a continuous profess. Each time a Spare Parts is ordered, all the earlier experiences should be taken into consideration,

(e) Control of consumption:

Norms of specific consumption for high value input should be fixed and enforced, For this purpose up-to-date record of failure rates and associated reasons for failure of all critical parts is a must.

All these should aim at prevention of failures and extension of life period of parts;

As the size and age of the industry grows accumulation of scrap obsolete and surplus spares assume serious proportions, following items need disposal:

i) Used and worn out tools; etc

ii) Equipment and Components that have outlived their useful life (Dead Wood),

iii) Stock of wrong spares that might have been accumulated, due to various reasons.

iv) Obsolete items of spares and stores;

v) Spares procured much in excess of requirements etc;

No useful purpose can be served by keeping and preserving these things as they occupy valuable space and a lot of money is blocked up in preserving and keeping them in safe custody and keeping of records. This needs review: It is suggested to have periodical examination (and inter-actions with persons concerned) of all and such non-moving, idle, slow-moving spares and classify them into say :

i) Spares of definite use (SHALL USE)
ii) Spares of probable use (MAY USE)
iii) Spares of no. use.

After this classification, appropriate action can be initiated to keep items of definite use category and find alternative uses or dispose off the probable use and no use category spares.

(f) Disposal

"Disposal Committee" may be formed to decide the disposal actions.

This committee may consist of the following members:

i) Maintenance in-charges;

ii) Stores In-Charges;

iii) Accounts Executive;

iv) Senior Managerial Person;

v) Coordinator.

A time-bound review meeting and report may go a long way in the right direction, of control of spares.

Reclamation :

Reclamation is much cheater than manufacture of new items for replacement. In addition to the traditional Indian skills in reclamation, latest known technologies available are:

i) Metallising;

ii) Hard facing;

iii) Metalock Process;

iv) Thermit Welding;

v) Eutectic Welding; etc;

With the availability of reclamation facilities at hand, not only the demand for more spares and components comes down but also the impact of "STOCK OUT" and "DOWN TIME" gets minimized. Conclusion :

Above views & suggestions need to be interacted with concerned & related functional persons for it's implementation. Repairs and maintenance costs are bound to be reduced over a longer period: more specifically, maintenance spares would be available with least possible "down" time, resulting in increased productivity and cost reduction.❑

Two separate sets of Accounting Standards u/s Section 211(3c) of the Companies Act agreed upon by the core group for convergence of Indian Accounting Standards with IFRS

FOR BANKING AND INSURANCE COMPANIES THERE WILL BE SEPARATE ROADMAP

The Core Group, constituted by the Ministry of Corporate Affairs for convergence of Indian Accounting Standards with International Financial Reporting Standards (IFRS) from April, 2011, that held its meeting on 11th January 2010 agreed that in view of the roadmap for achieving convergence, there will be two separate sets of Accounting Standards u/s Section 211(3C) of the Companies Act, 1956.

First set would comprise of the Indian Accounting Standards which are converged with the IFRSs which shall be applicable to the specified class of companies. The second set would comprise of the existing Indian Accounting Standards and would be applicable to other companies, including Small and Medium Companies (SMCs).

The first set of Accounting Standards (i.e. converged accounting standards) will be applied to specified class of companies in phases:

(a) **Phase-I:-** The following categories of companies will convert their opening balance sheets as at 1st April, 2011, if the financial year commences on or after 1st April, 2011 in compliance with the notified accounting standards which are convergent with IFRS. These companies are:-

a. Companies which are part of NSE - Nifty 50

b. Companies which are part of BSE - Sensex 30

c. Companies whose shares or other securities are listed on stock exchanges outside India

d. Companies, whether listed or not, which have a net worth in excess of Rs.1,000 crores.

(b) **Phase-II :-** The companies, whether listed or not, having a net worth exceeding Rs. 500 crores but not exceeding Rs. 1,000 crores will convert their opening balance sheet as at 1st April, 2013, if the financial year commences on or after 1st April, 2013 in compliance with the notified accounting standards which are convergent with IFRS.

(c) **Phase-III :-** Listed companies which have a net worth of Rs. 500 crores or less will convert their opening balance sheet as at 1st April, 2014, if the financial year commences on or after 1st April, 2014, whichever is later, in compliance with the notified accounting standards which are convergent with IFRS.

When the accounting year ends on a date other than 31st March, the conversion of the opening Balance Sheet will be made in relation to the first Balance Sheet which is made on a date after 31st March.

Companies which fall in the following categories will not be required to follow the notified accounting standards which are converged with the IFRS (though they may voluntarily opt to do so) but need to follow only the notified accounting standards which are not converged with the IFRS. These companies are: -

(a) Non-listed companies which have a net worth of Rs. 500 crores or less and whose shares or other securities are not listed on Stock Exchanges outside India.

(b) Small and Medium Companies (SMCs).

Separate roadmap for banking and insurance companies will be submitted by the Sub-Group I in consultation with the concerned regulators by 28th February, 2010.

The draft of the Companies (Amendment) Bill, proposing for changes to the Companies Act, 1956 will be prepared by February, 2010 incorporating the recommendation of Sub-Group 1 Report.

Revised Schedule VI to the Companies Act, 1956 according to the converged Accounting Standards has been submitted by the ICAI to NACAS which, after review, will submit to the Ministry by 31st January, 2010. Amendments to Schedule XIV will also be made in a time bound manner.

In respect of the converged Accounting Standards, the Chairman of the Accounting Standards Board of ICAI will submit the converged version of Accounting Standards to NACAS from time to time for recommendations and onward submission to Ministry. However, convergence of all the accounting standards will be completed by ICAI by 31st March, 2010 and NACAS will submit its recommendations to the Ministry by 30th April 2010.

(Set up under an Act of Parliament in the year 1944-founder member of IFAC, CAPA & SAFA)

51st NATIONAL COST CONVENTION

EASTERN INDIA REGIONAL COUNCIL

The Institute of Cost and Works Accountants of India

at **FORTUNE PARK PANCHWATI, KOLKATA**

Kona Expressway, Santragachi, Howrah - 711 403, W.B.

Phone : 91-33-39884444

On 23rd, 24th & 25th April, 2010

TIME	23rd APRIL FRIDAY	24th APRIL SATURDAY	25th APRIL SUNDAY
09.00 – 09.30	Registration	-	-
09.30 – 10.30	INAUGURATION		
10.30 – 11.00	TEA		
11.00 – 12.00	Discussion Meet (Persons from the Regulatory Body)	Discussion Meet (Persons from the Regulatory Body)	Discussion Meet (Madams' Day Out)
12.00 – 13.00	Technical Session with the Corporate Giants (Cost Accounting for Strategic Competitiveness - Iron & Steel)	Technical Session with the Corporate Giants (Cost Accounting for Strategic Competitiveness - power)	Technical Session with the Business & Industry Associations. (Di rect Tax Code & GST)
13.00 – 14.00	LUNCH		
14 .00 – 15.00	Technical Session with the Corporate Giants (Cost Accounting for Strategic Competitiveness - Infrastructure)	Technical Session with the Corporate Giants (Cost Accounting for Strategic Competitiveness - IT – ITES)	LUNCH
15.00 – 16.00	Technical Session with the Corporate Giants (Cost Accounting for Strategic Competitiveness Banking)	Technical Session with the Corporate Giants (Cost Accounting for Strategic Competitiveness - Telecommunication)	Valedictory Session & Prize Distribution
16.00 – 16.30	HIGH TEA		-
16.30 – 17.30	Technical Session with the Corporate Giants (Cost Accounting for Strategic Competitiveness Insurance)	Technical Session (Competition Commission)	
17.30 – 18.30	Technical Session (IFRS)	Regions & Chapters' Meet	
19.00 Onwards	-	Cultural Programme & Convention Dinner	

Registration Fees	
Delegate	Rs. 7000/- per Delegate
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Inside Half Page (Black & White)	Rs. 7,000
Inside Quarter Page (Black & White)	Rs. 4,000
Display Banner [At Convention venue (3' x 6')]	Rs. 50,000

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- Backdrop banners (3 in no) will be put up at the location.
- The event will be mentioned as Corporate lunch hosted by your company in the Program schedule.
- Two insertion in the EIRC NEWS monthly journal published by EIRC OF ICWAI and one inside back cover insertion in the souvenir.

Memento Sponsorship

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Technical Paper

Rs. 2,00,000/-

- The company will be allowed to send 5 (Five) numbers of delegates at free of cost.
- Banner (1 in No.) will be put up in the Convention Venue.
- One Full page (Black & White) insertion on the Souvenir.

Conference Kit

Rs. 2,00,000/-

- The company will be allowed to send 5 (Five) numbers of delegates at free of cost.
- Banner (1 in No.) will be put up in the Convention Venue.
- One Full page (Black & White) insertion on the Souvenir.
- Name of the advertiser will be displayed in the Kit.

High Tea

Rs. 1,00,000/-

- The company will be allowed to send 3 (Three) numbers of delegates at free of cost.
- Banner (1 in No.) will be put up in the Convention Venue.

Tea

Rs. 50,000/-

- The company will be allowed to send 2 (Two) numbers of delegates at free of cost.

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Rs. 35,000/-

- The company will be allowed to send 1 (One) number of delegate at free of cost.

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The Institute of Cost and Works Accountants of India
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Dear Sir,
We are pleased to inform you that we are interested in: [Tick which is applicable]

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c) To enroll the following person(s) as delegates for the 51 st National Cost Convention. Delegate Details:

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Designation:.. ☐ Veg ☐ Non-Veg
2) Name:..
Designation:.. ☐ Veg ☐ Non-Veg
3) Name:..
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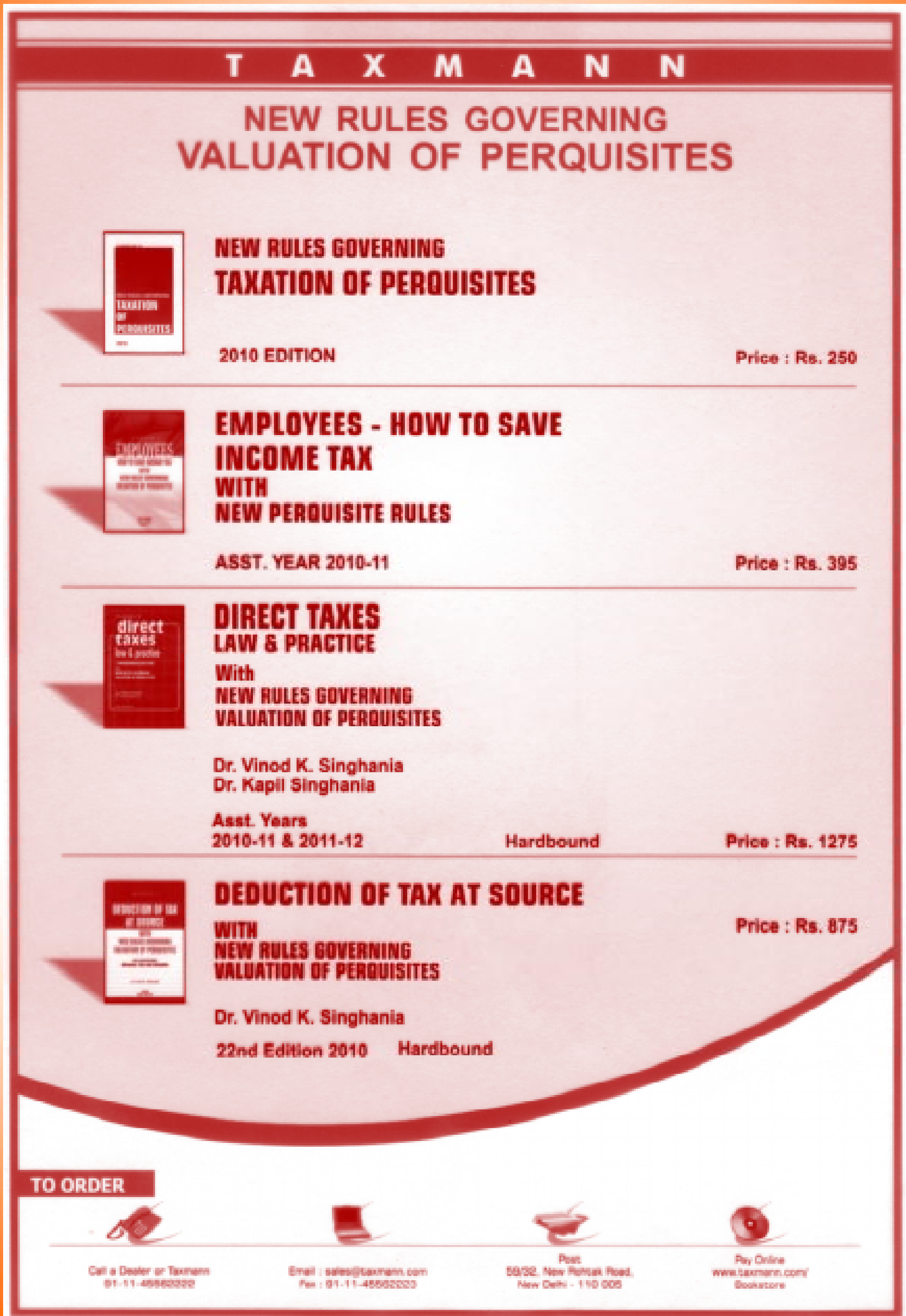
[Attach more pages if no. of persons is more than three(3)]
Bank Draft/Cheque should be drawn in favour of **'51 st National Cost Convention of ICWAI'** payable at Kolkata.

Signature with seal



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Avenues and Revenues- A Study on the Pricing Strategies of Telugu TV Channels

Dr. K. V. Ramana Murthy*
Dr. K.V.Achalapathi**

The paper deals with the pricing (cost and revenue) strategies of Telugu TV channels. The required data are collected by administering a structured questionnaire to the media experts. Tariff cards from the advertisers and the programme schedule of Telugu TV channels are also used for the analysis. A linear programming model has been developed to find the optimal mix for the entertainment specific channels in Telugu TV sector.

Pricing strategies play an important role in the success of a channel. In Telugu TV stream, some channels believe in in-house productions, some in external productions and some believe in both. The Channels have to take the major heads of expenditure into consideration while arriving at strategic decisions. They have to evolve a strategy in such a way that their Revenues are not only sufficient to meet their expenditure, but also earn sufficient profit or surplus for the long term purposes.

When it comes to the question of fixing appropriate rates for different programme slots, certain factors such as channels rating, programme rating, tariffs fixed by the competitors, time slot allotted for the programme, ratings given by the channels themselves and external agencies and so on play an important and pivotal role.

Some of the major expenditure heads for Telugu TV channels are

The Major Sources of advertisement Revenue are: Spot buy, Sponsorship, Associate sponsorship, Branding, Scrolling, Patches, Time check and Paid channel subscription

Spot Buy: Specially prepared capsules of 10 seconds for varying durations for insertion of advertisements in between the half an hour slots.

All the TV channels consider half an hour programme as one slot which again is divided into three parts - 24 minutes for the programme, 4 minutes for advertisements and 2 minutes to promote their programmes (promos).

The 4 minute advertising period is again divided into 24 advertisement slots of 10 seconds each, which in short is called spot buy for 10 seconds.

1.3 Objectives of the study:

- To know about the pricing strategies of the Telugu TV channels.
- To formulate a LPP model to find the optimal mix

1.4 Methodology: The required data has been collected through secondary sources such as Tariff cards of the channels and websites. Statistical tools such as Geometric mean, co-efficient of variation, co- efficient of range have been used for analysis. A linear programming model has been developed to suggest optimal mix for the entertainment specific channels.

The channels covered under the study are ETV2, TV9, Gemini News (earlier 'TEJA NEWS'),[News specific], Gemini Music (earlier 'Adithya Music')[Music specific], Gemini TV, Teja TV, ETV, MAA TV, Vissa TV, Zee Telugu (earlier 'Alpha Telugu'),and DD 8 [Entertainment specific].

1.5 Analysis and findings of the study: The findings of study are highlighted in 1.5.1, 1.5.2, 1.5.3, 1,5.4 and 1.5.5 in the subsequent part of the study.

1.5.1 Consolidated Statement Showing Tariff Rates:

The following summary statement shows the details pertaining to the lowest and highest tariff rates of different channels.

Head of expenditure	Proportion approximately (%)
Cost of revenue	70-80
Staff remuneration	05-06
General administration	10-11
Financial charges	02-03

The Major Sources of Revenue are as follows.

Source of income	Proportion approximately (%)
1. Advertisement income	55-60
2. Broadcast fee	15-20
3. Income from pay channels	2-3%
4. Cable distribution revenue	10-15
5. Programme licensing fee	1-2

*Lecturer in Commerce, Vijayanagar College of commerce
**Professor of Commerce, Osmania University

Table 1.a: Tariffs / Commercial Rates

	SPONSORSHIP			
Channel	Lowest Rate (Rs.)	FCT Seconds	Highest Rate (Rs.)	FCT Seconds
Gemini	1,76,000	100	5,28,000	300
Gemini Music	DANA	DANA	DANA	DANA
Vissa	1,10,000	200	4,20,000	320
DD 8	8,000	120	1,00,000	90
Zee Telugu	27,000	90	54,000	90
E TV 2	36,000	90	1,26,000	90
Maa TV	12,500	50	81,000	90
TV 9	DANA	DANA	DANA	DANA
Teja	DANA	DANA	1,00,000	200

The following observations emerge from table 1 (a) and (b):

- Spot buy and sponsorship rates of Gemini are on the higher side compared to the other Telugu TV channels. As it is a dominant force it sets its own prices. Gemini follows market leader strategy.
- The lowest rates of sponsorship and spot buy of DD8 are relatively lower. However, their highest rates of sponsorship and spot buy are slightly higher than the rates offered by Maa TV and Zee Telugu. It appears that the pricing decision of DD8 is centralized.
- Zee Telugu is trying to attract more number of advertisers by offering the rates which are closer to Maa TV and relatively lesser than the top rated channels. It shows that Zee TV considers MAA TV as its close competitor.
- Maa TV quotes relatively lower rates when compared to E TV and Gemini.
- The tariffs quoted by ETV2 for certain time bands are slightly higher than TV9.
- The tariff rates of all channels are subject to change and allowance rate goes up as the number of advertisement slots goes up.
- News specific channels are trying to pool resources through time check, patches, scrolling etc in addition to spot buy. The scope for branding in news specific channels when compared to entertainment channels is relatively lower.
- Ø The advertisement agencies provide interface between the TV channels and the sponsors for which they receive commission at 15 percent approximately.

From the above analysis it can be observed that every channel has its own Unique selling proposition.

1.5.2 Revenues of Telugu TV Channels: The revenues of Telugu TV Channels for a period of five years are presented hereunder:

Gemini TV and TV 9 are maintaining their number one position in Telugu General & Telugu news respectively. Out of the old non-government channels, ETV lost some share perhaps due to over -emphasis on routine serials. Among the new channels, Maa and Zee Telugu are the major gainers. Teja & Maa TV may pose a very tough competition and threat to ETV in the near future. The cost and revenue strategies of Telugu TV channels reveal that there is a neck to neck competition between Teja & ETV for 3rd and 4th position .Gemini occupies first position followed by Maa TV. With the launch of about 15 new Telugu TV channels

Table 1.b: Tariffs / Commercial Rates

	Associate Sponsorship				Spot Buy	
Channel	Lowest Rate Rs.	FCT Seconds	Highest Rate Rs.	FCT Seconds	Lowest Rate Rs.	Highest Rate Rs.
Gemini	DANA	DANA	DANA	DANA	8,000	20,000
Gemini Music	DANA	DANA	DANA	DANA	400	750
Vissa	65,000	180	3,00,000	240	2,500	12,000
DD 8	DANA	DANA	DANA	DANA	2000	15000
E TV	DANA	DANA	DANA	DANA	3000	14,500
Zee Telugu	18,000	60	36,000	60	3,000	6,000
E TV 2	24,000	60	84,000	60	4,000	14,000
Maa TV	7,500	30	36,000	40	2,500	12,000
TV 9	DANA	DANA	DANA	DANA	3000	12,000
Teja	DANA	DANA	DANA	DANA	2,500	5,000

(Source: Tariff cards supplied by the channels)
* DANA - Data not available (Here, the tariffs are fixed as per the ratings of the programmes)
** Depending on the popularity of the programme, rates will be changed

Table 2: Revenues of Telugu TV Channels: An analysis

Channel	%Share As on 14 June 2004 * 1	%Share As on 27 Feb 2005 * 2	%Share As on 2006 * 3	%Share As on 2006 * 4	%Share As on 2006-07 * 5	%Share As on April'07 *6	%share as on April'08 *7
Gemini	44	38.9	32	36.9	22.11	42	18.4
E TV	37	24.3	15-16	19	11.59	18.3	10.33
Maa	8	-	-	9.1	8.87	12	11.52
Teja	6	19.9	11-13	21	11.64	11.4	10.29
Tv 9	1	-	-	4.6	3.77	3.66	2.73
E TV 2	1	-	-	3.7	2.26	2.55	1.69
Zee Telugu	-	-	-	4.1	3.31	7.1	5.71

(Source: Secondary from websites listed at the end of the presentation)

Table 3: Revenue Share of TV Channels - An Evaluation
(Major players in entertainment specific service providers in Telugu TV sector

Channel	Co-efficient of Range	Arithmetic mean	Standard deviation	Co-efficient of variation
Gemini	0.157	38.76	4.17	10.76
Teja	0.448	14.46	5.09	35.20
ETV	0.396	23.04	7.57	32.89
Maa	0.333	9.30	2.49	30.75

(Basis: Table 2)

and expansion of cable TV programmes across the state, the revenues of old Telugu TV channels seem to decline in 2008.

The following observations are made from table 3:

1. The Co-efficient of range reveals that Gemini is maintaining its position with low dispersion rate followed by Maa, ETV and Teja. Therefore the revenues of Gemini and Maa are consistent and not subject to wild variations.
2. The average revenue as shown in column 3 reveals that Gemini has a major revenue share and is in the top position followed by ETV, Teja and Maa TV
3. Standard deviation shows that Maa TV is maintaining a consistent record and it is gradually improving its position. However, its average revenue though not negligible is relatively lower than the revenue share of top two channels and closer to the third.
4. Co-efficient of variation shows that Gemini's revenues are more consistent followed by Maa, ETV and Teja.
5. Geometric mean over the given period indicates that ETV's revenues during the period of study are decreasing at 2.63% per annum whereas Maa TV's share is increasing by 2.1% every year. Therefore, it is most likely that ETVs loss is MAA TVs gain. Nothing much can be stated about Zee Telugu's share of revenues which is gradually increasing, as it is a relatively new channel

1.5.3 Optimal Mix: An attempt is made to find the optimal mix that suits channels as per the classification made according to their revenue generation capacity. Accordingly the channels are categorized into top rated channels, channels in the fray, channels which are lagging behind. A Linear Programming model is used to find the number of mega budget, moderate and low budget programmes to be produced by the channels per week by taking the projected revenues and costs per week.

The projected revenues and costs are computed as follows:

Programming costs of mega, moderate and meager budget are taken to be Rs 1, 00,000, Rs. 40, 000 and Rs 15,000 respectively. Other expenses and incidentals @10.71 percent have been added to the programming costs. The calculation is made on the basis of percentage of projected incidentals to the projected programming costs. The costs in respect of channels in the fray and channels which are lagging behind are taken to be 5 percent and 10 percent less than the top rated channels.

The projected costs are shown below:

Formulation of Linear Programming Problem: In order to ascertain the optimal mix a channel has to adopt, linear programming has been formulated. The model is purely suggestive and advisory. (*X1, X2 & X3 denote Mega budget, Moderate budget and Low budget programmes respectively.)

Top Rated Channels: There are 24 spot buy slots in 4 minute tenure of advertising in a 30 minute slot (The duration of each spot buy is 10 seconds). The rates for the mega, moderate and low budget programmes are taken as Rs. 10000, Rs. 4000 and Rs. 2500 per spot buy of 10 seconds respectively. The projected cost per week is taken to be Rs.1,80,00,000.

Max Z = 2,40,000 X1 + 96,000 X2 + 60,000 X3... Objective function

Subject to X1 + X2 + X3= 336 … Time slot constraint

(24hrs x 2 half an hour slots x 7 days=336 slots)

1,10,715 X1 + 44,285 X2 + 17,145 X3 < 1,80,00,000.. Cost constraint

X1, X2, X3 >0.. Non negativity constraint

Solution: X1= 130.8 ~ 131 slots.

X3= 205.2 ~ 205 slots.

Z= max Rs.4, 37, 04,623

Category of the programme	Top rated channels Rs.	Channels in the fray Rs.	channels which are lagging behind Rs.
Mega budget	1,10,715	1,05,000	1,00,000
Moderate budget	44,285	42,140	40,000
Meager / low budget	17.185	16,430	15,700

As per solver (excel), a combination of 131 mega budget and 205 low budget programmes would provide optimum mix which would generate a maximum spot buy revenue of Rs. 4,37,04,623. The channel's revenue can be projected on the basis of this figure. The channels may not be in a position to generate any revenue for 8 hrs between 11 p.m. and 8 a.m., and out of the other slots, some remain unsold. Keeping these factors in view the revenue projection is made as follows.

The projected monthly revenue would be around 8 crores in rupees.

Gemini is occupying the top position among the Telugu TV channels with revenue of about eight to ten crore rupees per month. The revenues of MAA TV and ETV are around Rs 6 to 7.5 crores per month. The projected revenue as per linear programming problem is very much closer to the top channels revenue. Hence it can be concluded that 131 mega budget programmes and 205 low budget programmes in a week would be the optimal mix for a top rated channel to fare well in Telugu TV sector.

Similar type of projection through LPP is made for channels in the fray and the channels which are lagging behind.

Channels in the Fray: Here, the revenues are brought down by 20 percent and costs are reduced by 5 percent. The projected cost per week is taken to be Rs 1, 50, 00,000

As per solver (excel), a combination of 107 mega budget and 229 low budget programmes would provide optimal mix and The projected monthly revenue would be around 5 crores in rupees. Teja TV and ZEE Telugu are the channels which are in the fray among the Telugu TV channels with a revenue of about five crore rupees per month. The projected revenue as per linear programming problem is very much closer to the revenues of these channels. Hence it can be concluded that 107 mega budget programmes and 229 low budget programmes in a week would be the optimal mix for a channel in the fray to fare well in Telugu TV sector.

Channels which are lagging behind: Here, the revenues are brought down by 40 percent and costs are reduced by 10 percent. The projected expenditure per month is taken to be Rs 1.20,00,000. As per solver (excel), a combination of 80 mega budget and 256 low budget programmes would provide optimal mix and the projected monthly revenue would be around Rs 2 crores.

Among the Telugu TV channels Vissa, DD8 and Gemini music with revenue of less than 2 crore rupees per month are lagging behind in the competition as far as revenues are considered. The projected revenue as per linear programming problem is very much closer to the revenues of these channels. Hence it can be concluded that 80 mega budget programmes and 256 low budget programmes in a week would be the optimal mix for a channel which is lagging behind to fare well in Telugu TV sector. All the channels in the entertainment specific sector are producing about 50-70 mega budget programmes in a week and as per the solution to the LPP, this area is under utilised.

1.5.4 The other findings of the study are as follows:

1. The establishment cost which is a one time cost ranges between 25 crores and 100 crore rupees for a Telugu TV channel. There fore in order to sustain and for the effective pay back period, the channels are relying heavily on Cinema and cinema based programes
2. The focus of Zee Telugu TV channel in the initial stages of its launch was on promotional programmes, give aways and contests. DD8 is adopting societal marketing approach. Gemini music follows market penetration policy. Gemini TV follows market leader policy. Maa TV quotes relatively lower tariffs when compared to ETV and Gemini TV. The strategy of Teja TV is closer to a bypass attack through which it has brought down the revenue share of its close competitors.
3. The major source of Income for all the channels is spot buy. The news specific channels pool additional sources through Time check, Patches and scrolling.
4. The channels follow one price policy for scrolling and cable tariffs.

1.5.5 Effect of pricing strategies on the

Particulars	Amount (Rs.)
Maximum advertisement revenue as per LPP solution per week	4,37,04,623
Less: Allowance of 1/3rd for time slots between 11 pm and 8 am	1,45,68,207
	2,91,36,416
Less: Allowance @25% for discount & unsold slots during the timings not covered above	72,84,104
Projected revenue per week	2,18,52,312

Strategy	Impact on	
	cost	Revenues
1. Repeat programmes	Reduction to the extent of 20- 30 percent	May go up by around 3 percent
2. Dubbed versions	Reduction to the extent of 30- 50 percent	May go up by around 5-10 percent
3. Agreements with cinema producers for the acquisition of cinema rights	Reduction to the extent of 15- 25 percent	May go up by around 15 percent
4. Centralization of marketing department	Reduction to the extent of 10- 20 percent	May go up by around 10 percent
5. In – house productions	Reduction to the extent of 10- 20 percent	May go up by around 5 to 7 percent
6. Staffing (assigning various heterogeneous tasks to the staff)	Reduction to the extent of 20- 25 percent	May go up by around 2 to 3 percent
7. Content library	-	May go up by around 2 to 3 percent
8. DTH and CAS	Costs may go up by 10 percent	May go up by around 25 to 30 percent
9. Digital Transmission in place of analogue Transmission	Reduction to the extent of 20- 25 percent	May go up by around 2 to 3 percent
10. Own print medium in addition to the channel	Costs may go up by 2-3 percent due to advertising expenditure	May go up by around 5 to 7 percent
11. Mega budgeted reality shows	Costs may go up by 20-30 percent due to the cost of sets	May go up by around 15 percent

outcomes: The following table shows the effect of certain strategies and methods adopted by the TV channels on their cost and revenues. The percentages are calculated on projections based on the projected costs and revenues.

It may kindly be noted that the above calculations are purely based on the projections made by the researchers. The outcomes however are dependent on the initiatives and strategies of the channel, adaptability and also the commitment levels of the personnel.

1.6 Conclusion: The success of a Telugu Television channel depends on blending of the programmes as per the viewer's perception / choices, and also the financial and non-financial resources available with the channel. The cost and revenue strategies are evolved on the basis of ratings for the programmes, viewers preference for programmes and channels, time bands, agreement with the private producers, direct and indirect cost involved, competition prevailing, feed back from advertisers and marketing staff, brand sponsor decision, price Vs non-price competition, equipment and infrastructure available, brand leadership, stability and so on.

Teja TV's strategy is closer to a by pass attack; ETV in spite of it being attacked by the lower price competitors has neither increased nor decreased its price. Gemini follows market challenger strategy; MAA TV is following market challenger strategy; Gemini music follows market penetration policy. The strategy of Gemini news channel appears to be fixing price below the competitors' price; the focus of Zee Telugu is on promotional programmes, contests and give aways. The channel, fixes price below competitors' price as done by Teja TV. The revenues of DD8 and Vissa are meager and they need product modification, market modification and brand repositioning. The low income generating channels should try to adopt line pruning and line modernization. ETV appears to follow single price policy for prime band programmes.

Price competition in Telugu TV segment is increasing due to the increase in the number of competitors in the fray. The success of any channel depends on its ability to impress upon the viewers with qualitative programmes and cost effective strategies.

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Global Financial Crisis, Risk Management & Financial Stability

Global financial crisis in the aftermath of US sub-prime crisis has posed a serious threat to the financial stability. There is a need to draw lessons for future, especially from a financial stability perspective in order to rebuild the global financial architecture. Financial stability ensures efficient and smooth inter-temporal allocation of resources, precise assessment and reasonable pricing of financial risks, and comfortable absorption of economic shocks, and therefore, is sine qua non for the economic well-being of any country. As such, restoring sand maintaining financial stability is the biggest challenge for the central banks world over. This paper makes an attempt to provide an insight over these issues.

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Global financial crisis as a consequence of unprecedented events in the aftermath of US sub-prime crisis has badly affected the global economy and posed a serious threat to the global financial stability. Since the start of the crisis, the credit write-downs on U.S. - originated assets by all holders are now estimated at USD 2.7 trillion . The total write-downs, including the assets originated in other mature market economies, could reach USD 4 trillion over the next two years, approximately two-thirds of which may be taken by banks . Even the emerging economies are not spared from its adverse implications, despite a lower degree of exposure of their financial institutions and comparatively less developed nature of the financial markets. The crisis has also necessitated a phase of consolidation and restructuring to safeguard financial stability amidst the crisis. In this context, financial stability challenge refers to maintaining smooth functioning of financial system and ensuring the system's ability to facilitate and support the efficient functioning and performance of the economy; and having in place the mechanisms to prevent financial problems from becoming systemic or from threatening the stability of the financial and economic system, however, without undermining the economy's ability to sustain growth and perform its other important functions .

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Global Financial Crisis: A Recapitulation

A recapitulation of the genesis of the global financial crisis helps in drawing lessons for future, especially from a financial stability perspective. Now, it is well established that the crisis in the US financial markets emanated from the neglect of the fundamental tenets of banking and finance in the mad rush for business expansion and profit maximization even to the extent of greed, at the cost of common business prudence. This was manifested in form of drying of liquidity in the market, which ultimately brought global giants on their knees. A review of the run-up to the events leading to the unbelievable meltdown at Wall Street reveals that it was a crisis waiting to happen due to the inherent weaknesses in the financial architecture and regulatory lapses in the US markets. It began with a glut of cheap liquidity and ended in an unforeseen collapse of the markets and institutions due to liquidity crunch. In a way, liquidity has been both the cause and effect of the global fiasco. Following paragraphs present a summary of events, which led to the global crisis.

a. Liquidity Glut: The low interest regime ushered in boost the sagging economy resulted in dramatic fall in the interest rates in the US economy during 2001 to 2005-2006. The stable financial environment with an abundance of cheap liquidity prompted institutions and investors alike to go for aggressive investing and sub-prime lending in the commercial and residential real estate and consequent complex structured products that emanated through the process of securitization and use of special investment vehicles. However, in most of the cases, such euphoria resulted in mispriced and excessive risk taking.

b. Lax Credit Appraisals: The problem of ill-informed and incorrect risk pricing was further compounded by loosened credit standards and poor underwriting practices, which propagated at each stage of the complicated process in which a risky home loan was originated, became an asset-backed security that then formed part of a collateralized debt obligation (CDO) that was rated and sold to investors.

c. Ratings and Structured Products: Another grey area was the blind reliance on rating agencies to evaluate the risks. Too much weight was given to the assigned ratings and too little to either the product documentation or independent investigation of the underlying instruments. In fact, overemphasis on quantitative risk measurement, especially for credit risks, without applying an overall approach to risk management did a lot of damage. Moreover, the complex structured products suffered from both a degradation of the underlying collateral, mostly sub-prime mortgages and insufficient understanding of how the structures would work during an economic meltdown. The extent and speed of rating downgrades of mortgage-backed securities and other structured products compounded the problem. The market learned to its peril that the ratings of structured credit securities are more likely to suffer rapid and severe downgrades than are other corporate securities. Frequent and volatile downgrades badly hit the investors' confidence in the rating process, created apprehensions in the market and led to its ultimate collapse.

d. Loss Provisions: With the downgrades, the mark-to-market (MTM) losses of banks soared and resulted in poor quarterly results, which were not taken favourably by the market. Markets instead believed that that these institutions were hiding the real losses in their books. The declining faith spread like an epidemic and gave short-sellers a chance to bring doom in the market, which created a vicious circle of confidence erosion and crashed valuations. It is important to note that MTM losses were a major component of losses posted by US investment banks, after which they were ruthlessly hammered by the market.

e. Funding Liquidity Risk: The shattering of market confidence was further accentuated by the heavy dependence on wholesale funding with high leverage by these institutions which resulted in a huge funding liquidity risk, a major risk that was conveniently ignored during the days of liquidity glut. The trend toward the use of wholesale funding was motivated by a stable, low-interest-rate environment. However, in adverse situations, the wholesale market dried and fled to safer havens, thereby making it really difficult for institutions to remain funded and liquid. The gravity of the problem of poor funding liquidity was further compounded by the trading illiquidity in the structured products. As the valuations went haywire, the over-the-counter (OTC) market of asset-backed securities (ABS), credit default swaps (CDS), collateralized debt obligations (CDO) gradually dried up. This exposed the vulnerability of investments made by banks in such instruments and raised questions on the strength of the balance sheets and the huge risks of the hefty leverage and funding mismatch at big investment banks. The sudden shrinking of the overnight Repo market also contributed to the downfall.

f. Market Collapse: The more serious stresses arose when it was discovered that the funding methods used by banks to hold these illiquid, hard-to-value structured credit products were flawed. Many of these products were being held in off-balance-sheet entities of major banks, i.e., structured investment vehicles (SIVs). There was the problem of opacity as the exact holdings of these entities were not transparent. With deteriorating confidence, many holders of securities that were backed by illiquid structured credit products cashed out of their holdings, especially if they suspected the credit products held were exposed to sub-prime mortgages. The drying up of the market in-turn led to unprecedented illiquidity in the inter-bank market due to the complete absence of funding and consequent tendency of banks to hoard liquidity in view of the lost confidence. This ultimately resulted in a total collapse of markets and forced giants like Lehman, Merrill Lynch, Bear Stearns, et.al. to close their shutters.

The review of the factors causing the global meltdown clearly indicates that the correct measurement, management and pricing of the risk are very importance in the financial sector. Moreover, the risk management functions of individual financial institutions should encompass a systemic perspective and financial stability overview for all their decisions and actions. At times, it happens that individual actions and decisions which otherwise look perfectly rational, might prove hazardous from a systemic perspective. For example, in case of liquidity crunch, hoarding of liquidity by individual institutions might make sense at the micro level, but such individual actions collectively lead to a complete collapse of the market at the systemic level. Moreover, the risk management architecture in the financial sector assumes greater significance in view of the increasing volumes and complexities of financial transactions and also from the financial stability angle. Developing a robust and secure financial infrastructure is now being increasingly recognised as a key component of financial stability framework.

Banking and Risk Management

Risk is understood as quantifiable uncertainty about the future outcomes. A certain degree of risk is inherent in any form of business and the banking is no exception. Rather, banking is an inherently risky business due to high leverage, asset-liability mismatches and dependence on short term borrowings, which result in a significant degree of funding and market liquidity risks. Liquidity strains are one of the greatest threats to the banking due to possibility of systemic failure, contagion and 'run' on the bank, if the public confidence is eroded. Funding Liquidity Risk, i.e., the risk of not rolling over of funding by the counterparties and the Market Liquidity Risk of a generalized disruption in assets markets leading to illiquidity are the fundamental reasons for bank failures across the globe. Investment banks, though slightly different from the traditional banks, are also subject to such risks which are generic to the banking, finance and investment business. Nevertheless, the aggressive financing and investment strategies adopted by these institutions also expose them to a significant degree of risk of downfall even on account of slightest miscalculation and failure in reading the market correctly. Added to that, the credit risk is always the most fundamental risk in the banking operations. Operational and reputational risks are inherent in any form of business and so in the case of banking. Since, the banking is a matter of public confidence, all kinds of risks, viz., credit risk, market risk, operational risk or any other type of risk impinge upon each other and affect the overall risk profile of a bank. The fiduciary responsibility in banking and the onus of protecting depositor's money makes the risk management as the single most important managerial function in the banking operations. This in turns helps in maintaining macro financial stability by allowing smooth operations in the financial system and ensuring confidence in the institutions, markets and financial infrastructure.

Recent Developments

However, in recent years banks have added significant quantum of illiquid assets in their trading books and therefore, trading books have also become a source of liquidity strains. Although banking involves a number of risk factors viz., credit risk, market risk, operational risk, reputational risk etc., yet the liquidity risk remains the single most important factor affecting the survival of highly leveraged institutions like banks. Recent liquidity crunch in certain large international banks as well as in the market as a fall-out of the global turmoil has further strengthened the need of sound liquidity risk management in banks and financial institutions. Funding liquidity risk is the risk that a bank might not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without adversely affecting either the day-to-day operations or the financial health of the bank. It differs from the market liquidity risk, which is the risk that a bank might not easily offset a trading position without significantly affecting the market price of the trading assets due to the inadequate market depth or a generalised market disruption. However, in certain cases, such as run on a large systemically important bank, the same factors might trigger both types of liquidity risks. While, the funding liquidity risk is more important in the context of the banking book, the market liquidity risk has greater relevance in the context of assets in the trading book. The global financial crisis has shown that the challenges to financial stability are increasingly becoming more complex and as such, there is a need of an integrated approach to risk management comprising, effective risk management, precise risk pricing, market discipline mechanism, due diligence and appropriate policy responses.

Financial Stability

Financial stability is a situation in which the financial system is capable of satisfactorily performing its three key functions simultaneously, i.e., efficiently and smoothly facilitating the inter-temporal allocation of resources from savers to investors and the allocation of economic resources generally; accurate and well managed assessment and reasonable pricing of forward looking-financial risks, and third, comfortable if not smooth absorption of financial and real economic surprises and shocks . As a matter of fact, all these three aspects, viz., inter-temporal allocation of resources, risk assessment and pricing as well as shock absorption ability encompass both endogenous as well as exogenous elements. It is being increasingly recognised that threats to financial stability arise not only from external shocks and surprises but also from the disorder created by imbalances caused by endogenous factors over a period of time during which most often expectations and risks are mispriced. In terms of risk pricing, financial stability is also understood as a condition in which an economy's mechanisms for pricing, allocating and managing financial risks are well stabilized . Risk management and precise risk pricing therefore, form an integral part of financial stability framework. While the ultimate goal of a financial stability framework remains to prevent problems from occurring or resolve problems if prevention fails; however, to get a clear perspective into the issues concerning financial stability, one has to visualise it as a continuum ***(Figure - 1).***

Since the financial system is dynamic, the financial stability continuum reflects different possible combinations of the financial system's constituents. Such continuum originates from the assessment of the financial stability and ranges from 'inside stability corridor' to 'outside the stability corridor' with an in-between 'near boundary stability corridor'. A combination of exogenous and endogenous factors affects this continuum, about which a regular assessment should be made. Depending upon the assessment and other related factors, necessary action is taken. In case, the financial system is assessed to be in the zone of stability, the appropriate policy is mainly preventive, aimed at maintaining stability by market disciplining mechanisms and official supervision and surveillance. Further, if financial system is assessed to in the state of stability but moving towards the boundary with instability (for instance, increasing asset price bubble), the remedial action is moral suasion and intense supervision. Finally, in case financial system is found to be in a state of instability, the appropriate policies are 'reactive' aimed at problem resolution and bringing the system back in the zone of stability.

Restoring Global Financial Stability

The crisis has highlighted many weaknesses in the global financial system architecture, some unknown knowns and many known unknowns. The global meltdown has however, provided an opportunity to initiate effective steps to streamline the global financial system and safeguarding financial stability by addressing the cracks, loopholes and regulatory lapses. The Working Group on 'Enhancing Sound Regulation and Strengthening Transparency' constituted by G20 leaders has also reviewed the global turmoil and made recommendations for strengthening international regulatory standards, enhancing transparency in global financial markets and to ensure that all financial markets, products and participants are appropriately regulated or subject to oversight, depending on their circumstances.

A number of steps are to be taken for repairing the damage, strengthening the system and preventing any future catastrophe by the developed as well as emerging economies. A summary of these is as under -

1. Liquidity Maintenance - As the crisis was primarily catalyzed by a liquidity crunch and consequent collapse of market confidence, therefore, as a prerequisite, the central banks must prevent runs on banks and financial institutions. They can do so by reassuring depositors that bank deposits are safe and also by providing liquidity to financial institutions against good collateral. Although, at times, the classic moral hazard of central banking comes in its way, yet liquidity maintenance in the system is of utmost importance.
2. Managing Assets Toxicity and Excessive Risk Taking - Identifying and dealing with assets toxicity is a major issue. Regulators must remove the reasons leading to presence of distressed and toxic assets on the balance sheets of financial institutions. There are deeper structural issues, which are to be resolved. One of the root causes of this crisis is the regulatory failure to guard against excessive risk-taking in the financial system, especially in the US. We must ensure it does not happen again, not only in US but anywhere including in the emerging economies. The importance of prudential regulation, accounting standards and transparency needs to be manifested. Regulations need to be made simple, easily comprehendible and implemented and supervised thoroughly. The role of market players as well as credit rating agencies needs to be rethought, with greater public scrutiny.

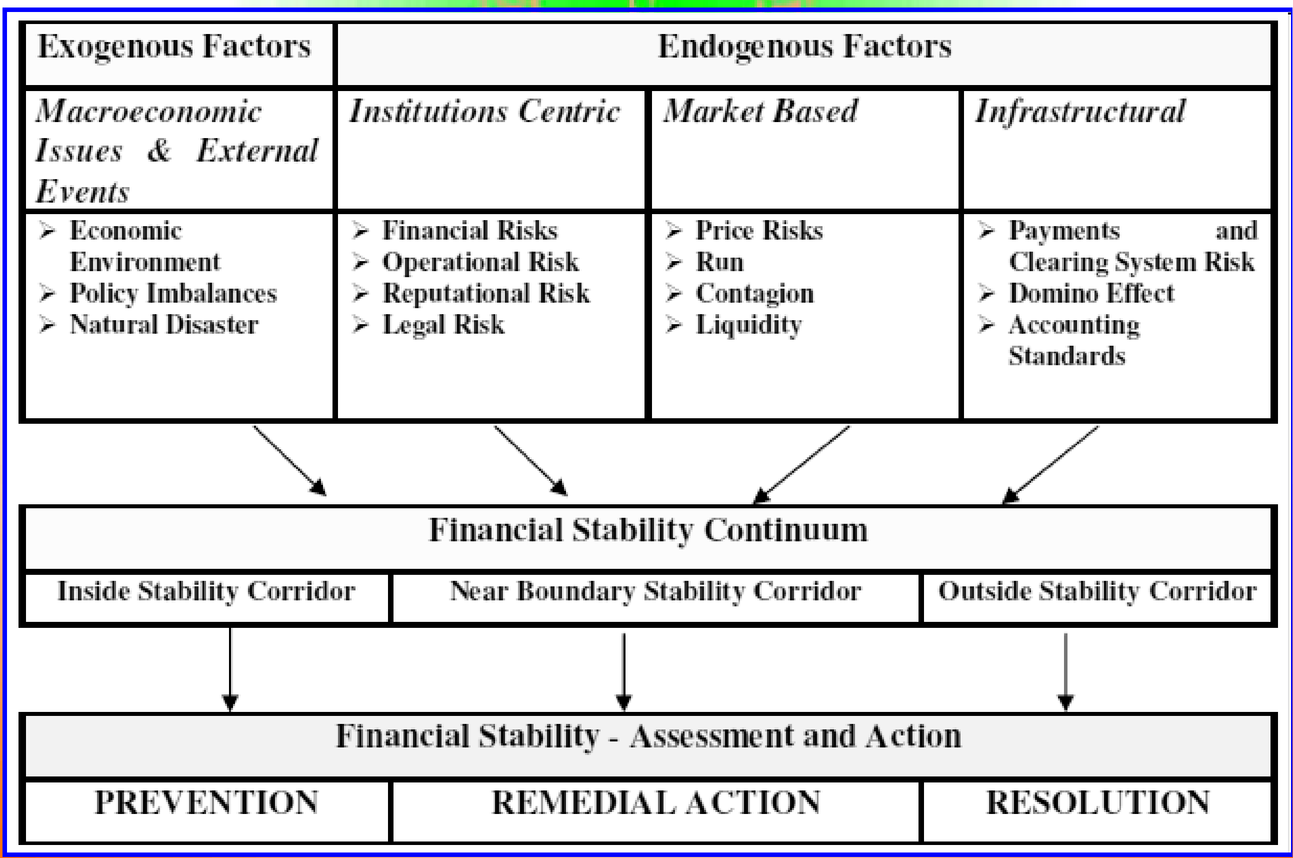

Figure 1: Financial Stability- Factors, Continuum and Actions [Based on Schinasi, 2006]

However, this requires improved coordination mechanisms between various financial authorities as well as mandates for all financial authorities to take account of financial system stability, and effective tools to address systemic risks.

3. Capital Augmentation - Recapitalization of weak but viable institutions and careful liquidation or restructuring of failed institutions needs to accorded priority. Another issue at the core of this crisis was the fact that the financial system had too little capital. Although adequacy of capital to cushion against risks of such magnitude is debatable, yet, as the system shrinks and bad assets are removed, many institutions might lack sufficient capital to safely extend fresh credit to the economy. The banking system needs additional equity to absorb further write-downs as credit deteriorates, and risks broaden to encompass non-bank institutions. While this is of immediate importance to US and European financial systems, nevertheless, the need for capital augmentation is equally pronounced in the emerging economies. Likely impact of global deleveraging process also necessitates substantial capital augmentation. Financial institutions and households, in particular, had built up record levels of debt and are now seeking to reduce their leverage. Deleveraging in advanced economies and balance sheet adjustments has strong negative global ramifications, particularly for emerging economies.

4. Managing Systemic Risks - Risk management at individual banks has so far largely focused on protecting the institution while conveniently ignoring systemic risks. As a result, actions and management practices, which make sense at the level of one institution to ensure its survival, have resulted in collective irrational outcomes. There is an urgent need to expand the scope of regulation and oversight needs to include all systemically important institutions, markets and instruments. This requires enhanced information for financial authorities on all material financial institutions and markets. Large complex financial institutions require particularly robust oversight given their size and global reach.

5. Good Corporate Governance - Good corporate governance, as part of a country's legal infrastructure, is highly relevant for the stability of financial markets and systems. This view has gained increasing acceptance from the lessons learnt from the present financial crisis and also those of the last two decades. It is widely accepted that a framework of good corporate governance should be based on incentives to induce various interest groups to be committed to their expected roles and responsibilities. As regards the incentives of the management for prudent behaviour, the crisis has shown, among other things that the confusion regarding the principal-agent relationships between the management and the board can result in serious negative outcomes, such as unsound risk taking by management . Moreover, the compensation practices should promote prudent risk taking. Promotion of well functioning corporate governance has always been in the interests of financial stability. Respective central banks have a duty to adopt preventative approach, while focusing on promoting well functioning corporate governance in banks and financial institutions as a part of financial stability mechanism.

6. Market Discipline - Another important aspect of the financial stability process has been the role of market discipline. The more efficient financial markets are; the more one can rely on market discipline as an effective incentive for bank directors, management, shareholders and supervisors. While structuring the legal and supervisory framework, the need to strike a balance between regulation and incentives from adhering to those rules by exploiting market discipline is far greater in today's circumstances. Better market discipline helps an endogenous governance system. However, until perfect market conditions can be achieved with a self-imposed governance system, the externally prescribed regulations are the only way out. However, even when the regulations are largely exogenous, they should be oriented to work with the market forces rather than acting against them.

7. Regulations and International Alignment - Crisis resolution is extremely complex in a world of wide-spread risks, tiered structures and derivatives. Central banks are required to innovate rapidly and move ahead of the market to contain the outbreak, repair the system and prevent any such recurrence. Greater standardization of derivatives contracts, rating methodologies and the use of risk-proofed central counterparties; improved accounting standards that better recognize loan-loss provisions; effective enforcement of regulation that is coordinated internationally by national authorities and international standard setters working together and assisting each other in strengthening financial regulatory and oversight frameworks are needed. Complications could arise from the lack of coordination between national regulators due to regulatory arbitrage across national jurisdictions. As such, international alignment of financial sector

regulations has become a necessity for global financial stability.

Conclusion

The genesis of the global financial crisis can be attributed to three major factors, viz., excessive risk taking and incorrect risk pricing; liquidity mismanagement; and lack of regulation to keep pace with market innovations as well as failure to understand their systemic implications. As a result, the global financial markets have been badly hit and financial stability challenged. Nevertheless, by exposing the inherent weaknesses in the system, it has provided an opportunity to improve upon the financial system architecture including risk management, which must be taken on priority. Moreover, impact of real economy on the financial stability should also be recognised and necessary precautions should be taken accordingly. Bringing back the credibility in the global systems, improving risk management systems and reclaiming the market confidence is essential to repair the damage and deal with the challenges in safeguarding global financial stability.

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[2] ibid

[3]Schinasi, G J; Safeguarding Financial Stability: Theory and Practice, 2006, IMF, p.p. 100

[4]Structured products entail aggregating multiple underlying risks, such as market and credit risks, by pooling instruments and creating products subject to those risks and then dividing the resulting cash flows into "tranches" or slices, paid to different holders as per their respective risk appetite and return preference. [http://www.imf.org]

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Letter to Editor

DEFER IMPLIMENTING CAS MANDATORILY w.e.f 1st April, 2010

Dear Mr. President,

Greetings to you at the Dawn of the New Year, and wish you and your collegues all the best to carry the profession farther, to meet the ever growing demands of the Cost Accounting Faternity.

The Council of ICWAI, has decided in its wisdom, to make Cost Accounting Standards Mandatory w.e.f, 1st April 2010. As you, and your Council is aware, due to various reasons the progress on Cost Accounting Standards, particularly the one on Generally Accepted Cost Accounting Principles has been delayed and is yet to be Pronounced/ Released by CASB of ICWAI.

The Emphasis on Cost Accounting Standards arose, as a result of the Expert Group on Cost Accounting Record Rules, Report Rules, and Standards, dispensing with Record Rules, and following Principle based Approach, with reporting based on Cost Accounting Standards. As on date, the 1st January, 2010, MCA is yet to implement the recommendations of the EG report. At this stage making Cost Accounting Standards mandatory for reporting is akin to putting the Cart before the Horse.

Secondly, for any new procedure to be followed, time has to be given of at least one financial year, for the auditor and auditee, after the new reporting system comes into effect, as is normally done by the other Professional Bodies.

Thirdly, the industry and stake holders, must respond to the New Reporting System, when only the Cost Accountant/ Auditor can effectively comment in his report, based on the Cost Accounting Standards.

In view of many issues not getting settled, I feel the wisdom of the Council, should be to place things in proper positioning, before implementing the reporting based on Cost Accounting Standards.

I am sure you will be able to ponder over these issues, raised by me, and give a considered reply, which is awaited, in the interest of the Cost Accounting Community at large.

Regards,

V.Kalyanaraman

Past President, ICWAI & Practicing Cost Accountant
Dated 1st January 2010

HEARTY CONGRATULATIONS

to Shri Vinayak S. Khanvalkar on being elected as President of the Institute of Company Secretaries of India (ICSI) w.e.f. January 19, 2010

And

to Shri Anil Murarka on being elected as Vice President of the ICSI w.e.f. January 19, 2010.

HEARTY FELICITATIONS

Shri Pramod Gupta, our member has been promoted as Plant Finance Controller at General Motors, Halol. He was working as Sr Manager-Finance responsible for GPSC Finance. In his last assignment before joining GM India, Shri Gupta worked with Climate Systems India Limited.

PEOPLE AT THE HELM

Mr. Kalyan Kumar Ghosh (M-11726) has been appointed as full time Director to the Board of West Bengal State Electricity Distribution Company Ltd. (WBSEDCL). Mr. Ghosh was formerly Executive Director (Finance) of WBSEDCL. We wish Mr. Ghosh the best for his new responsibility.

HEARTY FELICITATIONS

Mr. Sunil Deshmukh, FICWA (M-10691), LLB. and Company Secretary by qualification has been promoted as Managing Director of Indo-Jordan Chemicals Company Ltd., Amman in Jordan. Mr. Deshmukh has served as Chairman of Aurangabad Chapter of Cost Accountants in 1999-2001. We wish him the very best for his future roles.

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1st Fl., Laxmi Towers,
Bandra-Kurla Complex,
Bandra (East),
Mumbai 400051

M/24057
Shri S. Sivaramakrishnan,
BCOM, FICWA
Plot No. 45, Meenakshi Nagar,
Guduvancherry 603202

M/24119
Shri Akhil Jain,
MCOM, FICWA
Akhil Jain & Co., 34,
Vidhyapuram, Makronda,
Sagar 470003

M/24237
Shri Venkata Reddy Ramireddy,
BSC, MBA(FIN), FICWA
Mecon House, 75 & 76, 40Ft. Road, Shree Ashok Nagar,
P.O. Gandhinagar,
Neyveli 607308

M/24276
Shri Rajendra Kumar Joshi,
MCOM, MSC, FICWA
Flat No. B-403, Dhauladhar Apartment, Plot No. 15,
Sector-5, Dwarka,
New Delhi 110075

M/24300
Shri Muttavarapu Veera Pratap Kumar,
MCOM, FICWA
Pratap & Associates,
C/o. Shri M. Venkateswara Rao, #21,
H. No. 8-2-393/2, Beemavaley Apts., Road No. 5,
Banjara Hills,
Hyderabad 500034

M/24303
Shri P. Ashok Rao,
BCOM, ACA, FICWA
`Radhika`, No. 32, Mruthyunjay Nagar, (Angol Road), (Behind Ashirwad Mangal Karyalaya),
Tilakwadi,Belgaum 590006

Admission to Associateship
Date of Admission :
10th November 2009

M/28297
Ms Annapurna Shiv Kumar,
BCOM, AICWA
Plot No. 43/1, Sector-7, Behind Janata Market, Vashi, Navi Mumbai 400703

M/28298
Shri N Ramesh Natarajan,
BCOM, ACA, AICWA
458, Cross Cut Road, Tatabad,
Coimbatore 641012

M/28299
Shri Vasudevarnivas Purushothaman Kishore,
MCOM, AICWA
New No. 40, Vasudevar Nivas,
R.S. Nagar, Kavundam Palayam,
Coimbatore 641030

M/28300
Shri K. R. Narayanan,
BCOM, AICWA
F-184, Anna Nagar East,
Chennai 600102

M/28301
Shri S. Vijayaraghavan,
BCOM, ACA, AICWA
No. 38, "Murali Krishna Apartments", 5th Trust Cross Street, Mandavelippakkam,
Chennai 600028

M/28302
Shri Saroj Raj Ray,
MCOM, MBA, AICWA
C/o. A K Thakur, F/132, Sector-27, Noida 201301

M/28303
Ms Suchitra S.,
MCOM, AICWA
380, 7th Cross, Saraswathi Nagar, Vijayanagar West,
Bangalore 560040

M/28304
Shri Khole Amit Shankar,
MCOM, AICWA
Building No. J5/9, Vighnaharta, Aditya Nakoda Enclave No. 1, Co-op. Hsg. Society,
Opp. to Big Bazar,
Sinhgad Road,
Pune 411030

M/28305
Shri Susanta Ghosh,
BCOM(HONS), AICWA
Flat No. HC 6/12, 197 Flat (HPL Complex), Priyambada, Haldia, P.O. Khanjanchak
Dist- Purba Midnapur
Haldia 721602

M/28306
Shri Hemant Kumar Gupta,
BCOM, AICWA
B-602, Shakti Apartment, Plot No. 18, Sector-5, Dwarka,
New Delhi 110075

M/28307
Shri Joshi Jayashree Shrikant,
BCOM, ACA, AICWA
153 Valmore Court, Hopewell Grant, Pennington New Jersey, U.S.A., Pin - 08534-5191,
New Jersey

M/28308
Shri Mohan D.,
BCOM, AICWA
1282, Krishna Road,
4th Cross,
BEML Layout, Rajarajeshwari Nagar, Bangalore 560098

M/28309
Shri Sethuraman Ganapathy,
BCOM, AICWA
C/o. Jarir Investment, Post Box 3196,
3rd Floor, Olaya Street, Olaya, Riyadh-11471, Saudi Arabia,

M/28310
Shri Kondapuram Anil Kumar,
BCOM, AICWA
Flat - 303, Malineni Towers Road -4, Mallikarjuna Colony, Old Bowenpalli,
Secunderabad 500011

M/28311
Shri Dinesh Singh Adhikari,
BCOM, MFM, AICWA
RZ-2681-B, First Floor, Street No. 28, Tuglakabad Extension,
New Delhi 110019

M/28312
Shri Manoj Kumar,
MCOM, AICWA
Metro Apartment, Block : A-5, Flat No. 4A, Sector-71,
Noida 201301

M/28313
Shri Rajaraman Pattabhiraman,
BCOM, ACA, AICWA
5407, Blairmore CT. Katy TX 77450, U. S. A.,

M/28314
Shri Balajee,
BCOM, ACA, AICWA
B-19, Palanam Apartments,
146-B, Luz Church Road,
Mylapore, Chennai 600004

M/28315
Ms Naghma Salim,
MCOM, AICWA
C/o. Mrs. Sucheta Chatterjee,
7E, Ballygunge Station Road,
Kolkata 700019

M/28316
Shri Lekhan Natwarlal Thakkar,
BCOM, AICWA
C/101, Hari Om Tower,
Near Swati Restaurant,
Near Law Garden,
Navrangpura,
Ahmedabad 380009

M/28317
Shri Ashok Kumar Jha,
BCOM(HONS), AICWA
C-4-96, Indradeep Society,
Nr. Mahila College Road,
Jamnagar 361008

M/28318
Shri Narayan Babu,
MCOM, AICWA
18, Dr. Lohiya Colony, Jail Road, Shahjahanpur 242001

M/28319
Shri Amit Bhatia,
BCOM(HONS), AICWA
C-4-16-C, Keshav Puram,
Near Wazirpur Depot-I,
New Delhi 110035

M/28320
Ms. Santosh Rani,
MCOM, BED, AICWA
1608/I, Old Gadda Khana,
Near Play Ways School, Arya Samaj, Patiala 147001

M/28321
Shri C.V.L.N.S. Subramanyam,
BCOM, AICWA
HIG-30, Sai Baba Temple Street, N E Layout,
Seethammadhara,
Visakhapatnam 530013

M/28322
Shri Jaideep Tiwari,
BCOM, AICWA
A-3 Nehru Nagar, Bilaspur,
Bilaspur 495001

M/28323
Shri V. S. Venkatesh,
BCOM, AICWA
B-608, Bldg.- I,
Koyna Co-op. Hsg,
Soc. Ltd., Narendra Complex, Vaishali Nagar, Dahiser (East),
Mumbai 400068

M/28324
Shri Manoj Kumar Mishra,
BCOM, LLB, AICWA
L-1/106, Sector-G, L.D.A. Colony, Kanpur Road,
Lucknow 226012

M/28325
Shri Hemant Sota,
BCOM(HONS), AICWA
A-11, Surajmal Vihar,
Delhi 110092

M/28326
Shri Ranjit Jha,
BSC(HONS), AICWA
Ranjit Jha & Associates Deep Apartment, G-4, HA-20,
Sachindra Lal Sarani,
Aswininagar, Baguiati,
Kolkata 700059

M/28327
Shri Kanker Singh Rana,
MCOM, AICWA
DA-282, Sheesh Mahal Apartment, Shalimar Bagh,
Delhi 110088

M/28328
Shri Chandranil Agasti,
BCOM(HONS), AICWA
H/O. Pradeep Chandra, 20/5A, B.G. Bye Lane, Naktala,
Kolkata 700047

M/28329
Ms Priyanka Das,
BCOM(HONS), AICWA
Mr. Netai Ghosh,
C/o. A M Ghosh,
88E/1, Dum Dum Road,
Kolkata 700030

M/28330
Shri Tarkeshwar Kumar Sriwastawa,
MCOM, MBA(F), AICWA
7/C, P K Das Lane, Near Kali Mandir, Rishra, Dist- Hooghly,
Rishra 712248

M/28331
Shri Ravinder Singh,
BCOM, AICWA
House No. 2471, Phase-XI,
Sector-65, SAS Nagar,
Mohali 160062

M/28332
Shri Kulkarni Amit Anant,
BCOM, AICWA
71, Rambaug Colony,
Chitralekhashree Hsg. Society,
Flat No. 17, Paud Road,
Kothrood, Pune 411038

M/28333
Shri Karthikeyan Rajendran,
BCOM, AICWA
LIG-1, Flat-2A, Greenwood
Sonata, Shrachi,
New Town, Rajarhat,
(Next to City
Centre II), Kolkata

M/28334
Shri Santanu Ghosh,
BCOM(HONS), AICWA
I-4/96, 1st Floor,
Sector-16, Rohini,
Delhi 110085

M/28335
Shri Jose Kurian,
MCOM, AICWA
C-80, NH-3, NTPC Colony,
Vindhyanagar, Singrauli,
Singrauli 486885

M/28336
Shri Chhedi Prasad,
BCOM(HONS), FCA,
AICWA
N 14/92-A, Saraynandan,
Khojwan Bazar,
Varanasi 221010

M/28337
Shri Pokala Vansi Nagendra
Madhav, BCOM, MBA,
AICWA
HIG-9, Pitapuram Colony,
Visakhapatnam 530003

M/28338
Shri Goutam Guha,
BSC, AICWA
B-4, FB/9, Arundhati
Apartment, Chawlpatty, Near
Arnapurna Oil Mill, Baguiati,
Kolkata 700059

M/28339
Shri Chaitanya Kumar Swain,
MCOM, AICWA
Nirmala PH-4B, Flat No. 10,
Green Row, Laskarpur,
Kolkata 700153

M/28340
Shri L. Ananthanarayanan,
BCOM, AICWAF-5,
Prakriti, 367/368,
100 Feet By Pass Road,
Velachery, Chennai 600042

M/28341
Shri Swarup Kumar Dutta,
BSC, AICWA
C/o. R C Kumar Makal Tala
Kalimandir, P.O. Bally
Durgapur, Dist- Howrah
Bally-Durgapur 711205

M/28342
Shri Ashok Kumar,
MSC, AICWA
H. No. 309, Mini MIG,
Hemant Vihar, Barra-2,
Kanpur 208027

M/28343
Shri Suvendu Sekhar Sahoo,
MCOM, AICWA
14/19, 2nd Floor, 3rd Street,
T G Nagar, Nanganallur,
Chennai 600061

M/28344
Shri Vinay Kumar,
BCOM(HONS), AICWA
C/o. Mithun Chakraborty, 38,
Motilal Gupta Road,
Kolkata 700008

M/28345
Mrs Komal Satish Deshpande,
MCOM, AICWA
"Divyash", 710,
Sind Co-op Hsg. Society,
Aundh, Pune 411001

M/28346
Shri Dibin Sebastian,
BCOM, AICWA
Pattathil House, Chengal,
Kalady, Kalady 683574

M/28347
Ms Savitha R,
BCOM, AICWA
Flat - F, Brindavan Flats,
45, Sathsangam Street,
Madipakkam,
Chennai 600091

M/28348
Shri Suresh Chandra Nanda,
MCOM, LLB, AICWA
Qtr. No. 2RB-34, Cesu
Colony, Arundeyo Market,
Cuttack 753012

M/28349
Shri Vipin Namdeo,
MCOM, AICWA
C-114/1, Vidhya Palace
Colony, Near Keshav Vidhya
Pith School, Aero-Drum Road,
Indore 452005

M/28350
Shri Manohar Shankar
Indulkar,
MCOM, AICWA
A-27, Sanjivani Samrat CHS
Ltd., Nandivali Road, Opp.
DNC Highschool, Dombivli
(East),Mumbai 421201

M/28351
Shri Malay Kumar
Roychowdhury,
BCOM, AICWA
Meh-13, Kanishka Road (S),
Durgapur, Dist- Burdwan
Durgapur 713204

M/28352
Shri Tanmoy Das Gupta,
MCOM, AICWA
14, Sukumar Roy Path, City
Centre, Durgapur 713216

M/28353
Shri Nayeemuddin,
MCOM, AICWA
C/o. Mohd. Shah, H. No. 16-7-
385/4, Azampura,
Post- Sahifa,
Hyderabad 500024

M/28354
Ms Naga Durga Deepa Jupudi,
BCOM, AICWA
148/D, Vengala Rao Nagar,
Near Water Tank,
Hyderabad 500038

M/28355
Shri Hanuma Reddy Palagati,
BCOM, MBA, AICWA
No. 38, Gangai Nagar (1st Floor),
5th Main Road, Velachery,
Chennai 600042

M/28356
Shri Maha Sagar Mayur
Pasalapudi,
BCOM, AICWA
Plot No. 26, Madhura Nagar
(Phase-3), Near Pragati Nagar
(JNTU), Nizampet
(P),Hyderabad 500090

M/28357
Shri Rohan Kumar Bindala,
BCOM, AICWA
22-1-521, Kattelguda,
Hyderabad 500024

M/28358
Shri Pakala Venkata Ranga Rao,
BCOM, AICWA
S/o. P.V.V. Narayana Rao, Plot
No. 28, H. No. 1-1-27/1/28, Sri
Raja Rajeswari Nagar, Nr. Ashok
Manoj Nagar, Kapra,
ECIL-PO.,Hyderabad 500062

M/28359
Shri Diptiranjan Panda,
BSC, AICWA
Plot No. 334/2525, Vinayak
Nagar, Mahanadi Vihar,
Cuttack 753004

M/28360
Shri Goutam Gurudas Murkunde,
BCOM, AICWA
202, Trimurti Darshan Bld.-2,
Parnaka, Opp. Shani Mandir,
Vasai - West Thane 401201

M/28361
Shri Naveen Bhardwaj,
BCOM, AICWA
403, Bustan Tower-C,
AL Nahda,
Sharjah United Arab
EmiratesSharjah

M/28362
Shri A. Boopathy,
BSC, BL, FCS, AICWA
11, Vinayagar Koil Street, Ellai
Pillai Chavady, Puducherry,
Puducherry 605005

M/28363
Shri Tarak Nath Saha,
BCOM(HONS), AICWA
Aswinipally, PO. Barasat,
Dist. - 24 Parganas (N),
West Bengal, Barasat 700124

M/28364
Ms C. U. Usha,
MCOM, AICWA
C-508, Natraj CHS., Shiv
Shrusti Complex, Mulund
Goregaon Link Road, Mulund
West, Mumbai 400080

M/28365
Shri Koustav Goswami,
BCOM(HONS), AICWA
138, S.N. Roy Road, PO.
Sahapore, PS. Behala,
Kolkata 700038

M/28366
Shri Anand Jha,
BCOM, AICWA
25, Lake Temple Road,
Kolkata 700029

M/28367
Shri Rajendra Nath Garai,
BCOM(HONS), AICWA
120, Pratapgarh (Near Kunja
Bhaban) Garfa, P.O.
Santoshpur,
Dist- 24 Parganas (S),
Kolkata 700075

M/28368
Shri C.V. Mahesh Kumar,
BCOM, AICWA
Survey No. 5-8 & 17-23,
Krishnapuri Colony, West
Marredpally,
Secunderabad 500026

M/28369
Shri Rakesh Bihari,
BCOM(HONS), MBA,
AICWA
C-76, NH-3, NTPC Colony,
Vindhyanagar,
Singrauli 486885

M/28370
Shri Navin Kumar,
BCOM(HONS), AICWA
C-150, NH-2, NTPC Colony,
Vindhyanagar,
Singrauli 486885

M/28371
Shari Ramakant Hegde,
BCOM, MBA, ACS, AICWA
Flat No. F3, Nish-3
Apartment, 5th Cross,
Ashwath Nagar, RMV II
Stage, Bangalore 560094

M/28372
Ms Pooja Kaushik,
BCOM, AICWA
Vill- Kondli, Pandit Mohalla,
Delhi 110096

M/28373
Shri Rajesh Sai Iyer,
BCOM, MBA, AICWA
25-13 Madhuban, Ritherdon
Road, Chennai 600007

M/28374
Shri Manchikalapudi Yathish
Krishna,
MCOM, AICWA
D. No. 8-3-320/1/3/4, G-2,
Saiparivar Apartments,
Yellareddyguda
Hyderabad 500073

M/28375
Shri N. Ramkumar,
MSC, AICWA
No. 5, 14th Cross Street
Extension,
New Colony Elumacai Nagar,
Chrompet, Chennai 600044

M/28376
Shri Samir Nath,
BCOM(HONS), AICWA
E-404, Jaipuria, Sunrise Green,
12A AAhinsha Khand,
Indrapuram,
Ghaziabad 201010

M/28377
Shri Balarama Somayajula
Ravi,
BCOM, MBA, BAL, AICWA
GA-12, SBH Colony,
Gaddiannaram, Dilsukhnagar,
Hyderabad 500660

M/28378
Shri Barun Kumar Banerjee,
BCOM, AICWA
A-8/17, Kalyani, PO-Kalyani,
Dist - Nadia, Kalyani 741235

M/28379
Shri Rohan Ulhas Vernekar,
MCOM, AICWA
585, Kasba Peth, Rale Estate,
`B` Building, Pune 411011

M/28380
Shri Jinson Stephen,
BBM, AICWA
Flat # 220, International City,
China Cluster Building B4,
P.O. Box 121026 Dubai,
United Arab EmiratesDubai

M/28381
Shri Rajneesh,
BSC(HONS), AICWA
A-66, Kendriya Vihar, Sector-
56, Gurgaon 122002

M/28382
Shri Saurabh Kumar Mishra,
MCOM, AICWA
492/3C Mahaveer Block,
Bholanath Nagar, Shahdara,
New Delhi 110032

M/28383
Shri Sanjeev Suman,
BSC, AICWA
C/o. Rakesh Kumar 2/12,
Moulsiri Road, Shipra Sun City,
Indirapuram, Ghaziabad 201010

M/28384
Shri Deepak Kumar Upadhyay,
BA, AICWA
F-48, J.P. Nagar, Rewa,
Rewa 486450

M/28385
Mrs Monika,
MCOM, AICWA
E-128, Sector-55, Noida 201301

M/28386
Shri Chanchal Dua,
MCOM, MBA, AICWA
85-A, Ramesh Nagar,
New Delhi 110015

M/28387
Shri Narendra Kumr Surana,
AICWA
G-66, 1st Floor, Masjid Moth,
Greater Kailash Part-II,
New Delhi 110048

M/28388
Shri Sanjeev Kumar Dhiman,
BCOM, AICWA
S/o. K C Dhiman H. No. 15,
Laxmi Enclave, N.A.C.,
ZirakpurMohali 140603

M/28389
Shri Sanjeev Lohani,
BCOM, AICWA
Pocket- E 73-D, Dilshad Garden,
New Delhi 110095

M/28390
Shri Sanjay Kumar Pathak,
BCOM, AICWA
53, Adarsh Nagar (Durga Lane),
Konnagar, P.O. Bara Behra,
Dist- Hooghly,
Konnagar 712246

M/28391
Shri Hemanth Kumar D,
BSC, AICWA
Door No. 381, 8th Main,
5th Cross, RPC Layout,
Vijaynagar, Bangalore 560040

M/28392
Shri Rajnish Jain,
MCOM, AICWA
2-B-115, Sector-2,
Vasundara, Near Mewar
Institute, Ghaziabad 201012

M/28393
Shri Pilaka Venkata Rao,
BCOM, MBA, AICWA
OMQ 149/01, Airforce
Station, Mohanbari,
Dibrugarh 786012

M/28394
Shri S. Vijayaraghavan,
BCOM, AICWA
Plot No. 409, Andal Nagar
Extension, First Street,
Velacherry, Chennai 600042

M/28395
Shri Satyaveer Singh,
BSC, AICWA
SMQ P-78/3,
Bani Camp Air Force Station,
Najafgarh, New Delhi 110043

M/28396
Shri Md. Mujahid,
MCOM, AICWA
B-20, Baldeo Sahay Lane,
Church Road, Ranchi 834001

M/28397
Shri Jagdish Chandra Heda,
MCOM, LLB, AICWA
3 DH 24 Prabhat Nagar,
Hiran Magari, Sector - 5
Udaipur 313002

M/28398
Shri Joby Thottappattukudiyil
Saju,
BSC, AICWA
Thottappattukudiyil (H),
Kadathy, Meckadampu-PO.,
Muvattupuzha,
Ernakulam 682316

M/28399
Shri Vinod Kallayil Sasidharan,
BCOM, AICWA
Kallayil House,
PO- Peramangalam, Thrissur,
Thrissur 680545

M/28400
Shri Jagadeesha Pandith,
BSC, AICWA
No. 10, 10th Main,
Maheswara Nilaya,
Hoskerehalli,
Bangalore 560085

M/28401
Shri Chandan Goswami,
MCOM, AICWA
Qtr. No. Bhabani-29, NRL
Township, PO. NRP.,
Dist- Golaghat,
NRP Complex
(Dt. Golaghat) 785699

M/28402
Shri Mritunjay Prasad,
MCOM, AICWA
AV-15/6, Aditya Nagar,
Malkhed, Dist- Gulbarga,
Gulbarga 585292

M/28403
Shri Kandha Kumar S.,
BCOM, AICWA
27/1287, Devi Kripa,
River Landing Lane,
Boat Jetty Road,
VaduthalaKochi 682023

M/28404
Shri Keyur Janak Jani,
MCOM, AICWA
302, Vasan Apartment, Link
Road, Opp. Sharda Gram,
Dahisar (East),
Mumbai 400068

M/28405
Shri Saikat Kumar,
BCOM, AICWA
P-66, Block - B,
" Pitri Chaya ",
Poddar Prem, Lake Town,
Kolkata 700089

M/28406
Shri Krishnan Vaidyanathan,
MCOM, MSC, AICWA
Corp. No. 15, H. No. 42016,
6th Main, Shamanna Layout,
Banaswadi, Bangalore 560043

M/28407
Shri Mangesh Mukund Deokar
Bhosale, BCOM, ACA,
AICWA
A/24, Anjana C.H.S. Ltd.,
Pestom Sagar, Road No. 6,
Chembur, Mumbai 400089

M/28408
Shri Ajay Kumar,
MCOM, AICWA
F-53, CSIR Appartment,
Maharani Bagh,
New Delhi 110065

M/28409
Shri N. Sampath Kumar,
BSC, FCA, AICWA
A-1403, Avalon, Cliff Avenue,
Hiranandani Gardens, Powai,
Mumbai 400076

M/28410
Ms Shah Priyanka
Rameshkumar,
MCOM, AICWA
36, Shrikant Nagar Society,
Nr. Vyas Vadi, Nava Vadaj,
Ahmedabad 380013

M/28411
Shri Hitesh Vinodray Parikh,
BE, AICWA
Reliance Greens, Sector-7,
Block 112-C, Opp. R I L,
Motikhavdi,
Jamnagar 361142

M/28412
Shri Suman Kumar Jha,
BCOM, AICWA
G/1, Kiran Apartment,
297, B.B.D. Road, Hindmotor,
Dist- Hooghly,
Hindmotor 712233

M/28413
Shri Vamsi Krishna
Andavarapu,
BCOM, AICWA
Apt 71, 150 Howth Road,
Clontarf, Dublin - 3
Ireland,Dublin

M/28414
Shri Subramani Veera Raghavan,
BSC, ACA, AICWA
No. 372, "Ramya",
5th Main Road,
K. R. Puram Extention,
Bangalore 560036

M/28415
Shri Sumit Gupta,
BSC, MCOM, AICWA
182/6, Vijay Nagar,
Kanpur 208005

M/28416
Ms. Margaret K. M.,
BSC, AICWA
Kaithakulathu Nirappil House,
P.O. Monippally
Kottayam 686636

M/28417
Ms Gopa Chakrabarty,
BSC, AICWA
"Saisadan", Flat No. B2, D/126,
Ramgarh, P.O. Naktala,
Kolkata 700047

M/28418
Shri Deepak Ahuja,
BCOM, FCS, MBA, LLB,
AICWA
F-1, N.V.D.A. Colony,
Near Civil Lines,
Khandwa 450001

M/28419
Shri Kumar Aman Bharti,
BCOM(HONS), AICWA
Qrt No. C/11, Gandhi Nagar,
Kanke Road,
Ranchi 834008

M/28420
Shri Sunil Kumar Gupta,
MCOM, AICWA
Dinkar Nagar, PO- Hatia Railway
Colony, Dist- Ranchi
Ranchi 834003

M/28421
Shri Rajesh Kumar Hotta,
BE, AICWA
At- Usta Jagannath Pur,
PO. Pattapur, Dist- Ganjam
Ganjam 761013

M/28422
Shri Akshya Kumar Swain,
MCOM, AICWA
C/o. T.V. Rao, B/2,
Annapurna Quarters,
R.C. Church Road,
Berhampur 760001

M/28423
Shri Nishi Kanta Mishra,
BCOM(HONS), LLB,
AICWA
C/o. Uma Kanta Mishra
At- Baseli Sahi, West Gate
Jagannath Temple,
Puri 752001

M/28424
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Admission to Associateship on the Basis of MOU with IMA, USA
Date of Admission : 20th November 2009

C/28461
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C/28463
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HEARTY CONGRATULATIONS

It is a matter of great honour for ICWAI that our Central Council Member, Shri A. N. Raman has been elected as the Vice President of SAFA. A Cost Accountant and a Chartered Accountant, Shri. Raman has held many prestigious global positions viz. member of the Financial and Management Accounting Committee of IFAC for 1995-97, Advisor to the Institute of Certified Management Accountants of Sri Lanka, member of the Review Group constituted by the IFAC Board to review its deliverables of PAIB and has also been nominated to IFAC PAIB for the term 2010. A frequent contributor of articles on cost management to leading business dailies and a consultant on training on cost management to various top rung companies, Shri Raman specializes in new trends in management accounting. We congratulate him on his new responsibility and wish him all the best.

ANNOUNCEMENT

ESSAY COMPETITION

We are happy to announce that the essay competition **'Cost Management - Key to survival in current global meltdown'** has received a very good response, which would not have been possible but for the enthusiastic participation of our members and students. We thank all contributors for their interest. The winners' names will be announced shortly and the awards will be presented in the forthcoming National Award in Excellence in Cost Management to be held in March 2010 at New Delhi.

Buoyed by the heartening response of the essay competition, we propose to hold another essay competition.

The topic for members is

"ROLE OF COST AND MANAGEMENT ACCOUNTANTS IN CHANGED SCENARIO"

and the topic for students is

"CORPORATE SOCIAL RESPONSIBILITY- EXPECTATIONS FROM COST AND MANAGEMENT ACCOUNTANTS".

The competition is open for all Indian Nationals.

In the **General** category, Grad CWAs, members and students of ICWAI above 25 years are eligible to participate.

In the **Students** category, only students of ICWAI in the age group 17- 25 years are eligible to participate.

First prize: Rs.20,000/-, Second Prize: Rs.15,000/- and Third prize: Rs.10,000/- in each category.

Terms and conditions

1. Entries may be submitted by individuals or jointly to Deputy Director (Research & Journal), ICWAI, 12 Sudder Street, Kolkata-700016.
2. Essay can be coauthored by student of ICWAI or member of ICWAI or Grad CWA only.
3. Essay should be in English only.
4. The essay should be accompanied by a declaration by the participant of the essay to confirm that it is original and that it has not been published earlier. Wherever required, reference must be quoted. This condition is mandatory.
5. Participants are required to clearly furnish their name, age, status- student/ member, address, email, phone number and one photograph along with the essay.
6. Participants shall be responsible for ensuring that all the information supplied by them regarding themselves is true, correct and complete. They shall keep the Institute informed of any change in information about them till the competition is over.
7. Entries should not exceed 5000 words.
8. The matter should be type written on one side of the page in 1.5 space. Each page should be signed by the participant/s.
9. Last date of submission is **15th April, 2010.**
10. Entries received after the last date will not be considered.
11. Entries received shall be the property of ICWAI and may be used freely.
12. ICWAI shall not be liable for any loss or damage of any nature incurred by the participant as a result of their participation in the competition. Participants shall indemnify ICWAI against any damages howsoever arising from their participation in the competition.
13. Participants shall comply with all national and international laws pertaining to Intellectual Property Rights.
14. Any or all of the terms of competition may be changed by ICWAI at any time without prior notice.
15. ICWAI reserves the right to stop or suspend the competition without assigning any reasons.
16. The award winners will be intimated by email/ post.
17. In case of any dispute or difference of opinion, the decision of ICWAI will be final.
18. Prizes will be given at a function organized by ICWAI. The winners will be provided second class AC return train fare or air ticket at the discretion of ICWAI. Lodging and boarding will also be provided as per Institute's rules.

DEPUTY GENERAL MANAGER
MARKET INTERMEDIARIES REGULATION AND SUPERVISION DEPARTMENT

SEBI/MIRSD/CRA/Cir-01/2010
January 06, 2010

All Credit Rating Agencies Registered with SEBI

Dear Sirs,

Sub: Internal Audit for Credit Rating Agencies (CRAs)

It has been decided in consultation with the credit rating agencies (CRAs) that the audit envisaged under Regulation 22 of the SEBI (Credit Rating Regulations), 1999 shall include an internal audit to be undertaken in the following manner:

a. It shall be conducted on a half yearly basis.

b. It shall be conducted by Chartered Accountants, Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest with the CRA.

c. It shall cover all aspects of CRA operations and procedures, including investor grievance redressal mechanism, compliance with the requirements stipulated in the SEBI Act, Rules and Regulations made thereunder, and guidelines issued by SEBI from time to time.

d. The report shall state the methodology adopted, deficiencies observed, and consideration of response of the management on the deficiencies.

e. The report shall include a summary of operations and of the audit, covering the size of operations, number of transactions audited and the number of instances where violations / deviations were observed while making observations on the compliance of any regulatory requirement.

f. The report shall comment on the adequacy of systems adopted by the CRA for compliance with the requirements of regulations and guidelines issued by SEBI and investor grievance redressal.

2. The time schedule for the internal audit shall be as under:

a. The CRA shall receive the report of the internal audit within two months from the end of the half-year.

b. The Board of Directors of the CRA shall consider the report and take steps to rectify the deficiencies, if any, and the CRA shall send an Action Taken Report to SEBI within next two months.

3. It is clarified that for the half-year October 2009 - March 2010, the CRA shall receive the report of the internal audit by May 31, 2010. Its Board of Directors shall consider the report and take appropriate measures to rectify the deficiencies and the CRA shall send the Action Taken Report to SEBI by July 31, 2010.

4. This circular is issued in exercise of the powers conferred by Section 11 (1) of the Securities and Exchange Board of India Act, 1992 read with the provisions of Regulations 19(1), 20 and 22 of the SEBI (Credit Rating Agencies) Regulations, 1999 to protect the interest of investors in securities and to promote the development of and to regulate the securities market.

Yours faithfully,

PRASANTA MAHAPATRA

Ministry of Finance

Government of India, Ministry of Finance, (Department of Revenue)

Notification No. 27/2009- Central Excise (N.T.) New Delhi, dated the December 30, 2009.

G.S.R. (E).- In exercise of the powers conferred by sub-rules (1) and (2) of rule 3 of the Central Excise Rules, 2002, the Central Board of Excise and Customs hereby invests the Commissioner of Central Excise (Appeals) Mangalore with all the powers of the Commissioner of Central Excise (Appeals) Bangalore-II, for the purpose of deciding the following appeals, in accordance with the provisions of section 35A of the Central Excise Act, 1944 (Act No. 1 of 1944), namely:-

Serial Number	Appeal Number (filed in the Office of Commissioner of Central Excise (Appeals) Bangalore-II	Respondent's name
1	466/08-BII (D)	M/s. Mangalore Ganesh Beedi Works, Kunigal
2	133/2009-BII (D)	M/s. H.R. Johnson (I) Ltd, Kunigal
3	143/2009-BII (D)	M/s. Big Bags (I) Pvt. Ltd., Peenya II Stage
4	22/2009-BII (D)	M/s. BPL Ltd., Doddaballapur

[F.No. 208/14/2009- CX 6]

(V.P. Singh)
Under Secretary to the Government of India

Circular No. 911 /01 /2010-CX
F.No.267/116/2009-CX8

Government of India, Ministry of Finance, Department of Revenue (Central Board of Excise & Customs) New Delhi dated the 14th January, 2010

To,
All Director Generals,
All Chief Commissioners of Central Excise (including LTU),
All Commissioners of Central Excise (including LTU).

Sir/ Madam,

Subject: Irregular availment of Cenvat credit on certain activities not amounting to manufacture-reg.

Reference has been received from field formations stating that though certain activities including connectorising, testing, repacking and relabeling of feeder cables, cutting of HR/CR coils into sheets or slitting into strips do not amount to manufacture, such processors are taking Cenvat credit and justifying their Cenvat availment on ground that they are paying duty on final products.

2. The matter has been examined. As per the provisions of Rule 3 of the CENVAT Credit Rules, 2004, read with Rule 6, credit of duty paid on the inputs is allowed only if these inputs are used in the manufacture of a final product. The Board vide circular dated 26.09.07 issued from F.No.93/1/2005-CX3, had clarified that if the process does not amount to manufacture, duty is not required to be paid and hence no Cenvat credit of duty paid on inputs is admissible. Attention is also invited to the provisions of Section 5B of the Central Excise Act, 1944, where an assessee, who has paid excise duty on a product under the belief that the same is excisable, but subsequently the process of making the said product, is held by the Court as not amounting to manufacture, in such cases, the Central Government may issue an order for non-reversal of such credit in past cases.

3. In view of above, following instructions are issued:-

(i) In cases where the process undertaken by an assessee indisputably does not amount to manufacture, the department should inform the assessee about the correct legal position and advise him not to pay duty and not to avail credit on inputs.

(ii) If the assessee has already paid duty, and in a situation where there is no manufacture as held by the Courts subsequently, and facts of the case are covered by the provisions of Section 5B of the Central Excise Act, 1944, the assessee is at liberty to approach the Central Govt. for issue of appropriate notification for regularization of the Cenvat credit availed.

4. Trade & Industry as well as field formations may be suitably informed.
5. Receipt of this circular may kindly be acknowledged.
6. Hindi version will follow.

Yours faithfully,
(Amish Kumar Gupta)
OSD (CX-8)

Circular No. 01 /2010-Cus.
F.NO.605/3/2009-DBK

Government of India, Ministry of Finance, Department of Revenue, New Delhi, the 11th January 2010.

To
All Chief Commissioners of Customs/Central Excise/Customs & Central Excise.
All Commissioners of Customs/Customs (P)/Customs &Central Excise/Central Excise.
All Director Generals of CBEC,
Chief Departmental Representative of Customs Excise & Service Tax Appellate Tribunal.

Sir/Madam,

Sub: Extension of Export Obligation period for the Advance License Holders who have imported raw sugar between 21.9.2004 and 15.4.2008-reg

I am directed to invite your attention to the above-mentioned subject and to say that, a reference was received from the Ministry of Agriculture Food & Public Distribution to consider extension of export obligation period for those Advance License Holders who had imported raw sugar between 21.9.2004 and 15.4.2008 but had not yet fulfilled their export obligations.

2. The reference was examined. The Cabinet Committee on Economic Affairs has decided that, the Advance Authorization Holder will be permitted to exrcise either of the following options as he chooses in respect of pending unfulfilled export obligations:-

(a) Further extension of time upto 31.12.2011 for export without payment of composition fees.

OR

(b) Abolition of export obligation for past imports provided the importer pays the customs duties as applicable during the relevant period on normal imports, on the quantity of unfulfilled export obligation.

3. Accordingly, it is clarified that the Advance Authorization Holders who have imported raw sugar between 21.9.04 to 15.4.08 shall be allowed to avail either of the options stated at para 2 above. Director General Foreign Trade has issued Public Notice No. 29/2009-14, dated 7.1.2010 in this regard.

4. These instructions may be brought to the notice of the trade / exporters by issuing suitable Trade / Public Notices. Suitable Standing orders/instructions may be issued for the guidance of the assessing officers. Difficulties faced, if any, in implementation of the Circular may please be brought to the notice of the Board at an early date.

Receipt of this Circular may kindly be acknowledged.

Yours faithfully,
-Sd-
(P.V.K. Rajasekhar)
OSD (Drawback)

Circular No. 120/01/2010-ST
F.No.354/268/2009-TRU

Government of India, Ministry of Finance, Department of Revenue, (Tax Research Unit)
New Delhi dated the 19th January, 2010.

To
All Chief Commissioners of Central Excise,
All Chief Commissioners of Customs,
All Chief Commissioners of Customs &Central Excise,
Director General of Service Tax,
All Commissioners of Service Tax,
Commissioner (Service Tax), CBEC.

Madam/Sir,

Subject: Problems faced by exporters in availing refund of excess credit - regarding

CENVAT Credit Rules, 2004 permit taking of credit of inputs and input services which are used for providing output services or output goods. In order to zero-rate the exports, Rule 5 of CENVAT Credit Rules, 2004 provides that such accumulated credit can be refunded to the exporter subject to stipulated conditions. Notification No. 5/2006-CE (NT) dated 14.03.2006 provides the conditions, safeguards and limitations for obtaining refund of such credit.

2. It has been represented by the exporters of services (mainly the call centres or the BPOs) that they are facing difficulties in getting refund under the said notification. In order to ascertain the causes for such delay a number of meetings were held with the refund sanctioning authorities. During these meetings the officers pointed out the following legal/procedural impediments partly responsible for such delays:

(a) The major reason causing delay in granting refunds as well as rejecting the claims is that as per the wordings of the notification, refund is permitted of duties/taxes paid only on such inputs/input services which are either used in the manufacture of export goods or used in providing the output services exported. As against this, the phrases used in the CENVAT Credit Rules permit credit of services used "whether directly or indirectly, in or in relation to the manufacture of final product" or "for providing output service". The field formations tend to take the view that for eligibility of refund, the nexus between inputs or input services and the final goods/services has to be closer and more direct than that is required for taking credit. Many refund claims are being rejected on this ground.

(b) Even if a nexus is considered acceptable, the officers processing the refund claims find it difficult to co-relate goods or services covered under a particular invoice with a specific consignment of export goods or specific instance of export of service.

(c) As per the notification, the claims are to be filed quarterly. For large exporters, the procurement of inputs/input services in a quarter is substantial resulting in each refund claim being accompanied with hundreds of invoices. Verification of these documents with corroborative documents showing exports (such as export invoices, bank certificates, shipping bills) consumes a long time;

(d) Though the notification prescribes that refund claims should be filed quarterly in a financial year, it is not clear whether the refund is eligible only of that credit which is accumulated during the said quarter or the accumulated credit of the past period can also be refunded; and

(e) In certain cases, the invoices accompanying the refund claim are incomplete in as much as either the description of service or its classification is not mentioned. In some cases, even the name of the receiver of the inputs/input services is also not mentioned.

3. The matter has been examined. At the outset it is necessary to understand that the entire purpose of Notification No. 5/2006-CX (NT) is to refund the accumulated input credit to exporters and zero-rate the exports. Accumulated credit and delayed sanction of refund causes cash flow problems for the exporters. Therefore, the sanctioning authorities are directed to dispose of the refund claims expeditiously based on the following clarifications to the issues raised in paragraph 2 above.

3.1 Use of different phrases in rules and notification [para 2(a)]:

3.1.1 The primary objection indicated by the field formations is that the language of Notification No. 5/2006-CX (NT) permits refund only for such services that are used in providing output services. In other words, the view being taken is that to be eligible for refund, input services should be directly used in the output service exported. As regards the extent of nexus between the inputs/input services and the export goods/services, it must be borne in mind that the purpose is to refund the credit that has already been taken. There cannot be different yardsticks for establishing the nexus for taking of credit and for refund of credit. Even if different phrases are used under different rules of CENVAT Credit Rules, they have to be construed in a harmonious manner. To elaborate, the definition of input services for manufacturer of goods, as given in Rule 2 (l) (ii) of CENVAT Credit Rules, 2004, includes within its ambit all services used "in or in relation to the manufacture of final products" and includes services used "directly or indirectly". Similarly Rule 2 (l) (i) of CENVAT Credit Rules also gives wide scope to the input services for provider of output services by including in its ambit services "used....for providing an output service". Similar is the case for inputs.

3.1.2 Therefore, the phrase, "used in" mentioned in Notification No. 5/2006-CX (NT) to show the nexus also needs to be interpreted in a harmonious manner. The following test can be used to see whether sufficient nexus exists. In case the absence of such input/input service adversely impacts the quality and efficiency of the provision of service exported, it should be considered as eligible input or input service. In the case of BPOs/call centres, the services directly relatable to their export business are renting of premises; right to use software; maintenance and repair of equipment; telecommunication facilities; etc. Further, in the instant example, services like outdoor catering or rent-a-cab for pick-up and dropping of its employees to office would also be eligible for credit on account of the fact that these offices run on 24 x 7 basis and transportation and provision of food to the employees are necessary pre-requisites which the employer has to provide to its employees to ensure that output service is provided efficiently. Similarly, since BPOs/call centres require a large manpower, service tax paid on manpower recruitment agency would also be eligible both for taking the credit and the refund thereof. On the other hand, activities like event management, such as company-sponsored dinners/picnics/tours, flower arrangements, mandap keepers, hydrant sprinkler systems (that is, services which can be called as recreational or used for beautification of premises), rest houses etc. prima facie would not appear to impact the efficiency in providing the output services, unless adequate justification is shown regarding their need.

3.2 One-to-one co-relation between inputs and outputs and scrutiny of voluminous record [para 2(b) & (c) above]:

3.2.1 Similar problem of co-relation and scrutiny of large number of documents was being faced in another scheme [Notification No. 41/2007-ST dated 06.10.2007] which grants refund of service tax paid on services used by an exporter after the goods have been removed from the factory. In Budget 2009, the scheme was simplified by making a provision of self-certification [Notification No. 17/2009-ST] whereunder an exporter or his Chartered Accountant is required to certify the invoices about the co-relation and the nexus between the inputs/input services and the exports. The exporters are also advised to provide a duly certified list of invoices. The departmental officers are only required to make a basic scrutiny of the documents and, if found in order, sanction the refund within one month. The reports from the field show that this has improved the process of grant of refund considerably. It has, therefore, been decided that similar scheme should be followed for refund of CENVAT credit under notification No. 5/2006-CE (NT). The procedure prescribed herein should be followed in all cases including the pending claims with immediate effect.

3.2.2 Procedure: The exporter should, alongwith the refund claim, file a declaration containing the following details:

(Rs. in lakh)

	Details of goods/services exported on which refund of input credit is claimed										
S. No.	Details of shipping bill/ Bill of export/export documents etc.				Details of input credit on which refund claimed						
(1)	(2)				(3)						
	No.	Date	Date of export order	Goods/ service exported	Invoice No., date and Amount	Name of service provider/ supplier of goods	Service tax/ Central Excise Regn. No. of service provider/ supplier of goods	Details of service/ goods provided with classification under FA 1994/ Central Excise Tariff	Service tax/ Central Excise duty payable	Date and details of payment made to service provider	
1.											
2.											

Documents attached to evidence the amount of service tax paid	Total export during the period for which refund is claimed	Total domestic clearances during the period for which refund is claimed	Total amount of input credit claimed as refund
(4)	**(5)**	**(6)**	**(7)**

The declaration should be certified by a person authorized by the Board of Directors (in the case of a limited company) or the proprietor/partner (in case of firms/partnerships) if the amount of refund claimed is less than Rs.5 lakh in a quarter. In case the refund claim is in excess of Rs.5 lakh, the declaration should also be certified by the Chartered Accountant who audits the annual accounts of the exporter for the purposes of Companies Act, 1956 (1 of 1956) or the Income Tax Act, 1961 (43 of 1961), as the case may be.

The Assistant or Deputy Commissioner may, after verification of the fact that the input credit has been correctly claimed, sanction the refund on the basis of the declaration. In case there is a doubt about the correctness of the claim of CENVAT credit on any service, the undisputed amount may be refunded and the balance claim may be decided after following the dispute settlement process.

3.3 Quarterly refund claims [para 2(d) above]:

As regards the quarterly filing of refund claims and its applicability, since no bar is provided in the notification, there should not be any objection in allowing refund of credit of the past period in subsequent quarters. It is possible that during certain quarters, there may not be any exports and therefore the exporter does not file any claim. However, he receives inputs/input services during this period. To illustrate, an exporter may avail of Rs.1 crore as input credit in the April - June quarter. However, no exports may be made in this quarter, so no refund is claimed. The input credit is thus carried over to the July-September quarter, when exports of Rs.50 lakh and domestic clearances of Rs.25 lakh are made. The exporter should be permitted a refund of Rs.66 lakh (as his export turnover is 66% of the total turnover in the quarter) from the Cenvat credit of Rs.1 crore availed in April-June quarter. The illustration prescribed under para 5 of the Appendix to the notification should be viewed in this light. However, in case of service providers exporting 100% of their services, such disputes should not arise and refund of CENVAT credit, irrespective of when he has taken the credit, should be granted if otherwise in order. Such exporters may be asked to file a declaration to the effect that they are exporting 100% of their services, and, only if it is noticed subsequently that the exporter had provided services domestically, the proportional refund to such extent can be demanded from him.

3.4 Incomplete invoices [para 2(e) above]:

In case of incomplete invoices, the department should take a liberal view in view of various judicial pronouncements by Courts. It had earlier been prescribed in circular No.106/09/2008-ST dated 11.12.2008 that the invoices/challans/bills should be complete in all respect. This circular was issued with reference to notification No.41/2007 dated 06.10.2007 as specific services eligible for refund under the notification has been specified. Thus, a stricter requirement exists under the said notification for ascertaining the actual service which has been used in the export of goods. In the case of refund under Rule 5, (i) so far as the nature of the service which has been received by the exporter can be ascertained; (ii) tax paid therein is clearly mentioned; and (iii) other details as required under rule 4(a) are mentioned, the refund should be allowed if the input service has a nexus with the service/goods exported as discussed earlier. In any case, the suggested Chartered Accountant's certificate should clearly bring out the nature of the service and this will assist the officer in taking a decision.

4. The instructions contained in this circular should be implemented with immediate effect and the pending claims may be disposed of accordingly. It is expected that with the clarifications provided and liberalization of procedure, most of the impediments to smooth and expeditious disposal of exporters' claims for refund of accumulated credit would be removed. The Board, therefore, expects that the concerned refund sanctioning authorities should decide all claims of exporters within 30 days of their receipt as has been prescribed in notification No. 17/2009-ST. Any lapse in this regard would be viewed seriously. In case of any doubt, an immediate reference may be made to the Board.

Yours faithfully,
(Roopam Kapoor)
Officer on Special Duty (TRU)
Tel: 23095590

SEBI

DEPUTY GENERAL MANAGER

Market Regulation Department - Division of Policy
Email: harinib@sebi.gov.in

SEBI/MRD/DoP/SE/RTA/Cir-03/2010 January 07, 2010

1. The Executive Directors/ Managing Directors of all Stock Exchanges
2. Registrars to an Issue and Share Transfer Agents

Dear Sir/Madam,

Sub: PAN requirement for transmission of shares in physical form

1. The Securities and Exchange Board of India (SEBI) vide circular ref. no. MRD/DoP/Cir-05/2007 dated April 27, 2007 made PAN mandatory for all securities market transactions. Thereafter, vide circular no. MRD/DoP/ Cir- 05/2009 dated May 20, 2009 it was clarified that for securities market transactions and off-market/ private transactions involving transfer of

shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/ RTAs for registration of such transfer of shares.

2. Based on representations/ clarifications sought by market participants and in continuation to the aforesaid circulars, it is hereby clarified that it shall be mandatory to furnish a copy of PAN in the following cases -

2.1. Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholders.

2.2. Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.

2.3. Transposition of shares - when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.

3. Incase of mismatch in PAN card details as well as difference in maiden name and current name (in case of married women) of the investors -

3.1. The RTAs can collect the PAN card as submitted by the transferee(s). However, this would be subject to the RTAs verifying the veracity of the claim of such transferee(s) by collecting sufficient documentary evidence in support of the identity of the transferee(s) as provided for at para. 2 in the SEBI circular no. MRD/DoP/Dep/Cir-29/2004 dated August 24, 2004 read with SEBI circular no. MRD/DoP/Cir-08/2007 dated June 25, 2007.

4. All Stock Exchanges are advised to:-

4.1. implement the above by making necessary amendments to the byelaws and Listing Agreement, as applicable;

4.2. bring the provisions of this circular to the notice of the listed companies for necessary compliance and also to put the same on their website for easy access to the investors; and

4.3. communicate to SEBI the status of the implementation of the provisions of this circular and the action taken in this regard in the Monthly Development Report.

5. All Registrars to an Issue and Share Transfer Agents are advised to:-

5.1. take necessary steps to implement the above decision.

5.2. disseminate the provisions of this circular on their website.

6. This circular is issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992, read with section 55A of Companies Act to protect interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

HARINI BALAJI

GENERAL MANAGER

DERIVATIVES AND NEW PRODUCTS DEPARTMENT

SEBI/DNPD/Cir- 50/2010 January 8, 2010

SUB: Standardized lot size for derivative contracts on individual securities

Available on www.sebi.nic.in

DEPUTY GENERAL MANAGER

INVESTMENT MANAGEMENT DEPARTMENT

SEBI/IMD/CIR No.15/191378 /2010, January 18, 2010

All Mutual Funds/Asset Management Companies (AMCs)
and Association of Mutual Funds (AMFI)

Dear Sir/Madam,

Sub: Advertisement by mutual funds.

1. Please refer to Regulation 30(1) and Schedule VI of SEBI (Mutual Funds) Regulations, 1996 on Advertisement Code.
2. It is essential for the investors to be aware that the investments made in mutual funds are subjects to risk and that the scheme related documents should be read before investing. Hence it was mandated that statements appearing in Clauses 10, 13 and 14 of Schedule VI of SEBI (Mutual Funds) Regulations, 1996 on Advertisement Code should appear in all advertisements. However, it is noted that the advertisements issued are generally lengthy and hence these disclosures are not bought to the attention of the investors.
3. In order to make these statements more prominent, it is advised that the disclosures as stated in Clauses 10, 13 and 14 of Schedule VI of SEBI (Mutual Funds) Regulations, 1996 on Advertisement Code shall be printed in bold.
4. All mutual funds shall comply with the above requirements in letter and spirit.
5. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of the SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Asha Shetty

Reserve Bank India

RBI/2009-10/291

DBOD. AML. No. 12841 /14.06.060/2009-10 January 21, 2010

Sub: List of Terrorist Individuals/ Organisations - under UNSCR 1267(1999) and 1822(2008) on Taliban/Al-Qaida Organisation

Available on www.rbi.org

RBI/2009-10/289

RPCD.CO.RRB.BC.No.48 /03.05.50 /2009-10 January 18, 2010

All Regional Rural Banks

Dear Sir,

Computation of Net Demand and Time Liabilities (NDTL) for the purpose of Maintenance ofCRR/SLR

It has been observed that the Regional Rural Banks (RRBs) are not following a uniform practice in reckoning their liability in respect of arrangements with correspondent banks (mainly sponsor banks) for remittance facilities. Under the arrangements, there is a transfer of funds by accepting bank to its correspondent bank and it is an obligation of the correspondent bank to honour the instruments. However, such transfer of funds and obligation of correspondent bank to honour the instruments in no way absolve the primary liability of the accepting bank issuing drafts and interest/dividend warrants to its customers. It is, therefore, advised that all RRBs should reckon the liability in the following manner:

i) When an RRB accepts funds from a client under its remittance facility scheme, it becomes a liability (Liabilities to Others) in its books. The liability of the RRB accepting funds will extinguish only when the correspondent bank honours the drafts issued by the accepting bank to its customers. As such, the balance amount in respect of the drafts issued by the RRB on its correspondent bank under the remittance facility scheme and remaining unpaid should be reflected in the RRB's books as an outside liability and the same should also be taken into account for computation of NDTL for CRR/SLR purpose.

ii) The amount received by correspondent banks has to be shown as ' Liabilities to the Banking System ' by them and not as ' Liabilities to Others ' and this liability could be netted off by the correspondent banks against their inter-bank assets. Likewise sums placed by banks issuing drafts/interest/duplicate warrants are to be treated as Assets within banking system in their books and can be netted off from their inter-bank liabilities.

2. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,
(A.K.Pandey)
General Manager

RBI/2009-10/ 286 January 13, 2010

A.P. (DIR Series) Circular No.25

Sub; Purchase of Immovable Property in India by Persons of Indian Origin (PIOs) - Amendment of the definition

Available on www.rbi.org

RBI/2009-10/287 DBOD.BP.BC.No. 69 / 21.01.002/ 2009-10 January 13, 2010

All Commercial Banks (excluding RRBs)

Dear Sir,

Retail Issue of Subordinated Debt for Raising Tier II Capital

Available on www.rbi.org

RBI /2009-10/274

A.P. (DIR Series) Circular No. 21 December 29, 2009

Sub; Advance Remittance for Import of Rough Diamonds

Available on www.rbi.org

RBI/2009-10/277

UBD.BPD.(PCB).Cir No. 39 /12.05.001/2009-10 December 30, 2009

Sub; UCBs - Liquidity Risk Management System in Non Scheduled Banks - Reporting

Available on www.rbi.org

RBI/2009-10/273
DPSS.CO.No.1357/02.23.02/ 2009-10 December 24, 2009

The Chairman and Managing Director / Chief Executive Officers
All Scheduled Commercial Banks including RRBs /
Urban Co-operative Banks / State Co-operative Banks /
District Central Co-operative Banks

Madam/ Dear Sir

Mobile Banking Transactions in India - Operative Guidelines for Banks

A reference is invited to the guidelines appended to our circular no. RBI/2008-09/ 208, DPSS.CO.No.619 /02.23.02/ 2008-09 dated October 08, 2008, on the captioned subject.

2. Based on the requests received from the banks facilitating mobile banking transactions, the guidelines are modified as under:

I. Transaction limit: In amendment of provisions of paragraph 8.1 of the above guidelines, banks are now permitted to offer this service to their customers subject to a daily cap of Rs 50,000/- per customer for both funds transfer and transactions involving purchase of goods/services. Presently, such transactions are subject to separate caps of Rs 5000/- and Rs 10000/ -respectively.

II. Technology and Security Standard: Transactions up to Rs 1000/- can be facilitated by banks without end-to-end encryption. The risk aspects involved in such transactions may be addressed by the banks through adequate security measures.

3. Remittance of funds for disbursement in cash:

In order to facilitate the use of mobile phones for remittance of cash, banks are permitted to provide fund transfer services which facilitate transfer of funds from the accounts of their customers for delivery in cash to the recipients. The disbursal of funds to recipients of such services can be facilitated at ATMs or through any agent(s) appointed by the bank as business correspondents. Such fund transfer service shall be provided by banks subject to the following conditions:-

I. The maximum value of such transfers shall be Rs 5000/- per transaction.

II. Banks may place suitable cap on the velocity of such transactions, subject to a maximum value of Rs 25,000/- per month, per customer.

III. The disbursal of funds at the agent/ATM shall be permitted only after identification of the recipient. In this connection, attention of banks is drawn to the provisions of the Notification dated November 12, 2009, issued by Government of India, under Prevention of Money Laundering Act, 2002, as amended from time to time.

IV. Banks may carry out proper due diligence of the persons before appointing them as authorized agents for such services.

V. Banks shall be responsible as principals for all the acts of omission or commission of their agents.

4. The directive is issued under Section 18 of Payment and Settlement Systems Act, 2007, (Act 51 of 2007).

Yours faithfully,
(G. Padmanabhan)
Chief General Manager
Final Guidelines, December 24, 2009

RBI/2009-10/283
DBOD.No.FSD.BC. 67 /24.01.001/2009-10 January 7, 2010

All Scheduled Commercial Banks (excluding RRBs)

Dear Sir

Disclosure in Balance Sheet - Bancassurance Business

In order to increase transparency in the financial statements of banks, Reserve Bank of India has from time to time issued circulars to banks requiring disclosures in the 'Notes to Accounts' to their Balance Sheet. These instructions were consolidated in the Master Circular No.DBOD.BP.BC.NO.22/21.04.018/2009-10 dated July 1, 2009.

2. As a further step in enhancing transparency, it has been decided that banks should disclose in the 'Notes to Accounts', from the year ending March 31, 2010, the details of fees/remuneration received in respect of the bancassurance business undertaken by them.

Yours faithfully
(P.Vijaya Bhaskar)
Chief General Manager-in-Charge

Latest Arrivals -ACES (Automation of Central Excise & Service Tax)

R. Gopal*

Central Board of Excise and Customs introduced a new Electronic filing Web based Centralized software application. It reduces the paper work and improves transparency, efficiency. Accessible at anytime (24X365) through the internet. Now all the Business houses including Small and Tiny Sectors have this internet connection which available at lowest Budgeted price now-a-days. Income Tax Department database is also linked with this for referring PAN Number.

Salient Features of this ACES

1. It can be accessed by Existing Assesses, new assesses and Non-assesses.
2. Easy filing of Returns, refund claims and Registration and Processing of Provisional Assessment Request.
3. Separate Modules available for Information of Credits and debits in Current A/c (Assessee's running Account) Cenvat Credit Account, Status of Confirmed and Unconfirmed demands.
4. Availability of Automatic Report Generation Option.
5. Separate soft pages available for case port folios, show cause notices, personal hearing memo, adjudication orders, Online filing of appeals with commissioner (Appeals), Appellate orders.
6. Availability of both on-line and off-line facility.
7. In case of Refund, PAN is authenticated with Income tax data base.
8. On-line facility of processing and viewing Export related documents.
9. To help the accessing users, online tutorials and user-manual sheet is also provided with this software.
10. Minimum requirements of computer to use this software is Pentium III, RAM 256 MB, Hard Disk 80GB and MS office 2003 version.
11. Separate Module is available for large tax payer unit (LTU) client. All pending items of work will be transferred to the concerned LTU automatically and intimation will be sent.

Security Measures of ACES

**User name once selected cannot be changed.

**But password can be changed at regular intervals

**Incorrect user name or password cannot be used for more than 5 Consecutive time. If you repeat, your account will be blocked. To unblock your account, contact Range officer.

**Your E-mail ID is mandatory. If change in E mail ID inform to Range Officer.

**Temporary Personal Identification Number (TPIN) consists of nine digit number with "t"

Other facilities

1. Availability of forms like A-1, A-2, ER-1, ER- 2, ST-1, ST-3A etc.,
2. On-line view of show cause notice and order-in-original etc

Future Expectations; A separate soft page is necessary for appointment of cost accountants for audit u/s 14A & 14AA to the list of various manufacturers and their reporting patterns. Provision for certification of value of stock transfers by cost accountants needs to be made in ACES. More Amendments are required after introduction of GST.❑

*Practising Cost Accountant.

ANNUAL SEMINAR 2010 OF ASANSOL CHAPTER OF COST ACCOUNTANTS

Asansol Chapter of Cost Accountants is organising its Annual Seminar on Sunday, the 7th March 2010 at 9.30 a.m. at **“DIPONI”**, Bharati Bhawan, Burnpur on “Managing Growth in Turbulent Times”.

CORPORATE BUSINESS WEEK

CUTTACK BHUBANESWAR CHAPTER

As per the notification of Ministry of Corporate Affairs, Government of India and instruction of the Regional council, Cuttack Bhubaneswar Chapter also celebrated the India Corporate Week from 14.12.2009 to 21.12.2009. On 20.12.2009 (Sunday), the chapter at its premises organized an Essay Competition amongst its students. 360 students participated in the competition. The topics were as per the guidelines of the Institute. Members of Managing Committee, Faculties and staffs of the Chapter were also present on this occasion.

EIRC

EIRC of ICWAI celebrated the India Corporate Week from 14th fo 21st December, 2009. EIRC organized a programme on "Investors Awareness" at Kolkata. Shri Mritrynjay ACharjee, Sr. Manager, Balmer Lawrie & Co. Ltd., Shri C.R.Chattopadhyay, former Chairman of EIRC and Shri R.P.Bhattacharya of United Bank of India were the speakers. In his welcome address, Chairman Shri Manas Kr. Thakur defined briefly about the objective of India Corporate Week and importance of the topic. Chief Guest of the programme Shri Chandan Choudhuri, Director (Finance), Bridge and Roof Co. (I) Ltd. Inaugurated the programme by lighting the lamp. The programme was attended by a good number of members, students and common people. Shri Saswata Dasgupta, RCM, was also present.

SILIGURI CHAPTER

Programme on India Corporate Week at Siliguri was held on 19th December, 2009. Shri Manas Kr. Thakur, Chairman, Shri Pallab Bhattacharya, Treasurer, Shri Saswata Dasgupta, RCM, EIRC, Prof. D.P.Nandy, Chairman, Siliguri-Gangtok Chapter of Cost Accountants, other officials of the chapter and a good number of people from Siliguri participated in the programme. Dr. Sanjiban Bandyopadhyaya, CCM and Shri Pallab Bhattacharya delivered on Investors Awareness, DTC, GST and some regulatory measures under Company Law.

RANCHI CHAPTER

EIRC of ICWAI, with Ranchi Chapter of Cost Accountants organised a workshop on the topic "Corporate Governance" under "India Corporate Week" on 21st Dec'09. Sri A.D.Wadhwa, Vice Chairman cum Secretary, EIRC of ICWAI introduced the topic while Sri A.K.Sao, Vice Chairman, RCCA welcomed the participants. Sri Ravi Bambha, Co. Secretary, MECON delivered the speech while Sri P.Chatterjee from S.N.Sinha Management School summed up the session. Sri S. K. Singh, Secretary, RCCA announced an essay competition from the side of EIRC and RCCA on the topic "India Inc. after five years" for the students. More than 150 participants attended the programme.

NASIK-OJHAR CHAPTER

Nasik Chapters of ICWAI' had celebrated 'India Corporate Week' during 14 - 21st December 2009.

On Monday, 14th Dec. 2009, at 6.00 pm, Hon. Chief Guest, Mr. M. N. Brahmankar, President, Nasik Industries & Manufacturers Association inaugurated The "INDIA CORPORATE WEEK" by lighting the lamp. Mr. R.N. Bhave,, F.I.C.W.A., FICSI, F.C.A, a leading consultant in IFRS was the Chairman of the programme. The programme was followed by Lecture on "Limited Liability Partnership" by Mr. V.S.Datey, Chairman, Nasik Chapter of Cost Accountants & Author of books on Indirect Taxes. Mr.R.K.Deodhar, Vice Chairman, Nasik - Ojhar Chapter of Cost Accountants proposed the vote of thanks. The programme was well attended by a large number of Professionals, Industrialists & students.

A "Corporate Run & Investor Awareness Programme" was organized on 19th December 2009. Mr. H J Acharya, Commissioner of Income Tax, Nasik and Mrs. Gite, Principal of Govt. Girls High School, Nasik inaugurated Corporate Run. Many students, Corporate Members, Members of ICWAI & many other School Students participated with lot of enthusiasm.

The Second Event in the evening on 19th December was "Investor Awareness Programme". Mr. R. K. Deodhar, Vice Chairman, Nasik Chapter of I.C.W.A.I. welcome the guests & the audience. The function was inaugurated by Mrs. Devayani Pharande - (Dep. Mayor Nasik Municipal Corporation). The Guest Speakers for the Investor Awareness Programme Mr. Mukesh Chothani & Mr. Prakash Mutha, (both are eminent investment consultants) enlightened the Investors about the risks & rewards related with Mutual Funds & Stock Market Investments & also solved the queries of "Aam Aadmi" on strategic investment in Stock Market and how to manage Investments in volatile Stock Market. Mr. Anurag Patwardhan, stressed the importance ofwatchout-investors.com', a website created by Government of India at free of cost and urged investors to avail of this facility time and again while going in for investment in shares and mutual funds. The Programme was well attended.

PUNE CHAPTER

As per the guidelines of MCA-Govt. of India, Pune Chapter of Cost Accountants observed India Corporate Week by organizing a lecture at PCCA Premises at Laxminagar Complex Pune on 18th Dec. 2009 on the subject of Corporate Governance in the evening. Shri Amit Apte, Vice Chairman WIRC delivered the lecture.

Present on the dais were Shri Pramod Dube, Chairman-PCCA, Shri Anant Dhavale, Chairman-Students Co-ordination Committee and Shri Amit Apte, Vice-Chairman, WIRC. Shri Pramod Dube Chairman PCCA introduced Shri Amit Apte to the gathering and felicitated him by offering a bouquet and a memento.

Shri Amit Apte in his speech explained the meaning of the phrase Corporate Governance and its objectives. He observed that on an average, businesses with superior governance practices generate 20 percent greater profits than other companies as per study based on 256 companies conducted at the MIT Sloan School of Management. He referred to the Role & Responsibilities of BoD. He referred to the provisions for listed companies in India as per Clause 49 of SEBI, Regulations, auditor's certification, Risk Management etc. Members and representatives from the Industry attended the programme in large number. Shri Anant Dhavale-Chairman, Students Co-ordination Committee gave vote of thanks.

METTUR SALEM CHAPTER

Mettur-Salem Chapter of Cost Accountants celebrated the 'Corporate Week' on 18-12-09.

Shri M Gopalakrishnan, Central Council Member and Guest of Honour of the celebration explained the role of professionals including Cost Accountants in assisting the Corporate in executing the activities under 'Corporate Social Responsibility'.

Chief Guest Dr Sarathy, Institute of Management Studies, Periyar University in his address cautioned that all the Corporate Sectors should have the social responsibility. They should not function only with the target of making profit.

PONDICHERRY CHAPTER

There were 2 programmes organised on the occasion of Corporate Week in Pondicherry:

1. An interactive Session with the Trade & Industrial Associations regarding l-'irst Discussion Paper on GST released by the Empowered Committee of State Finance Ministers. The Session was held at the Durbar Hall of Annamalai Hotel, Pondicherry at on 21 /12/2009 and presided over by the Chairman of Pondicherry Chapter and headed by Mr. M Raje Shekar, the Commissioner of Commercial Taxes, Government of Pondicherry.
2. Another programme was organized on the same day which was also attended by members of CII, Chamber of Commerce, various professional bodies like ICAI, ICSI, students and also corporates like GAIL (India) Ltd , Servo Packaging Put Ltd etc. The function was presided over by the Chairman of the Chapter Mr. C Viswanathan who welcomed all the guests and gathering.

COIMBATORE CHAPTER

The India Corporate Week celebrated on 16th Dec 2009 in the Joint meeting organized by Ministry of Company Affairs, Institute of Cost and Works Accountants Works Accountants of India-Coimbatore chapter & PSGRKrishnammal College, Coimbatore.

The programme was inaugurated by Mr. P. Rajagopalan Registrar of Companies, Tamilnadu, Coimbatore, who briefed on the role of the MCA and how such awareness will help building youth of the society. Mr. Rajagopalan also explained how the Corporate Social Responsibility should come from the heart and the youth should strive to be No.l in whatever field an individual chooses and excel. Mr. Rajagopalan also stressed the role of MCA to take the lead in implementing CSR code for the corporate sector aimed at inclusive growth of the society.

The Guest of Honour Mr. M.Gopalakrishnan, Central Council Member of the Institute of Cost and Works Accountants of India, gave a note on the reasons behind celebrating the India Corporate Week. .He also pointed out that the corporate sector aims at an inclusive growth, the awareness needs to be publicised to the students and general public through the events where our professional institute would also jointly take part.

The key note speaker Mr. R.Varadaraj, the Chief Operating Officer, of M/S Rajshree Sugars & Chemicals Ltd. Coimbatore narrated how the corporates take up the role of Corporate Social Responsibility.

The vote of thanks for the programme was given by Mrs. Meena Ramji, Secretary of ICWAI Coimbatore chapter, who thanked all the dignitaries on the dais for their valuable inputs and the audience for their active involvement. The progrmamme was well attended by members of ICWAI

Coimbatore chapter, faculty members of PSGR Krishnammal College and a good number of 225 students of the PSGR Krishnammal College.

COCHIN CHAPTER

As part of the India Corporate Week celebration, the following programme was conducted on 19th December by Cochin Chapter. 7.15am-Mass run flagged off by asst commissioner of police shri.Baby Vinod at Jawaharlal Nehru.

A Seminar on corporate governance was inaugurated by Justice T.R.Ramachandran Nair, Judge, Hon' High Court of Kerala.Shri.N Krishnamurthy, official liquidator Kerala presented the subject and Shri M.Gopalakrishnan,CCM spoke on Corporate Social Responsibility.

An Essay competition for the city college students was also held and the prizes were distributed by the Chief Guest of the Seminar.

RANIPET-VELLORE CHAPTER

As part of India Corporate Week Celebrations a seminar was organised on "Corporate Social Responsi-bility" on 21.12.2009. The meeting was presided over by Mr.K.Krishnamurthy, General Manager (Finance), BHEL, Ranipet and more than 70 corporate delegates were participated.

The meeting was welcomed by Mr.N.Babu, Chairman, and Ranipet Vellore Chapter of Cost Accountants.

Dr. I Ashok, Vice-Chairman, SIRC of ICWAI, Mr.M.Sethuraman, Patron, RVCCA, Mr.s.Ramachandran, Vice-Chairman, RVCCA and Mr. V. Sugavanesan, Treasurer, RVCCA were also present on this occasion.

Mr. A.Om Prakash Immediate Past Chairman, SIRC of ICWAI and Mr.S.Kannan, Senior DGM (Finance), BHEL, Ranipet spoke on this occasion about the topic.

Mr.S.Sezlian, Secretary, Ranipet Vellore Chapter of Cost Accountants proposed vote of thanks.

THRISSUR CHAPTER

The Thrissur Chapter of the ICWAI organised "India Corporate Week" celebrations on December 19, 2009. The three-hours programme was well attended by corporate delegates, members, general public and students of ICWAI and other colleges. Two technical papers were presented at the seminar. The paper on "Cost Management-An Effective Tool for Survival in Current Economic Scenario", was presented by Sri A. P. Madhu, FICWA Chairman of Thrissur Chapter. The paper on "Corporate Governance" was presented by Sri James Jos, ACA.

Grand Finale - Corporate Week Celebrations - 20 - 12- 09

As a grand finale to the 'India Corporate Week' Celebrations, SIRC of ICWAI organised a Programme on Sunday the 20th December, 2009 at its premises.

Shri V.C. Davey, Registrar of Companies Tamil Nadu Circle, Chennai was the Chief Guest for the programme. Earlier Shri A. Om Prakash, Chairman, Professional Development welcomed the distinguished audience. Shri M. Gopalakrishnan, Central Council Member - ICWAI who was the coordinator for the Southern Region for the Corporate Week Celebrations highlighted the various activities that took place in a week and he also informed the members that ICWAI has brought out 5 Exclusive Publications during the celebrations and the same was released by the Chief Guest.

Shri A.V.N.S. Nageswara Rao Chairman, SIRC explained the different initiatives taken by the Regional Council to spread the message of Corporate Week Celebrations jointly organised by the Ministry of Corporate Affairs and ICWAI. Shri A.N. Raman, Central Council Member - ICWAI stressed the need for the Corporate Social Responsibility. The Chief Guest in his address appreciated the efforts of ICWAI in joining hands with the MCA to make the celebrations, a grand success.

BANGALORE CHAPTER

The Bangalore Chapter has conducted India Corporate Week on Wednesday, the 16th December 2009 at Hotel Chalukya in a grand manner.

Shri G.N. Venkataraman, President-ICWAI, addressed the participants explaining the background of this programme. He said that there is a need to provide positive reinforcement to the contribution of the Corporate Sector for the economic and social development of the country. In this context, the Ministry of Corporate Affairs has proposed celebration of India Corporate Week during third week of December every year. This year, this is being celebrated from 14th to 19th December 2009 throughout the country.

Shri B.N. Harish, Registrar of Companies-Karnataka, Ministry of Corporate Affairs, also addressed the participants. In his speech, Shri Harish explained the salient features of Corporate Governance which helps the common man for economic and social development of the country.

Shri A. Om Prakash, Chairman-PD, SIRC, gave an over-view on Corporate Social Responsibility and Inclusive Growth.

There was a live interaction from the participants with the officials of ROC at the end of the programme.

REGIONS & CHAPTERS NEWS

EASTERN REGION

31st Eastern India Regional Cost Conference

The 31st Eastern India Regional Cost Conference, organized by Rourkela Chapter of Cost Accountants and Eastern India Regional Council of ICWAI, was held on 5th & 6th December 2009. The Chief Guest, Sri S. N. Singh, MD, RSP inaugurated the function by lighting the sacred lamp. In his inaugural address Mr. Singh gave emphasis on becoming competitive to both internal and external competitors in the field of steel business. Earlier in his welcome address, Sri V. Nandagopal, ED (F&A), RSP & Chairman, Rourkela Chapter of ICWAI welcomed all the dignitaries, delegates and students of Rourkela Chapter of ICWAI to the seminar. Sri M. K. Sahoo, Secretary of Rourkela Chapter presented the Secretary's report and Sri M. K. Thakur, President, EIRC spoke about the relevance of the topic of the seminar in present time. Sri B. C. Mohapatra, Vice Chairman of Rourkela Chapter proposed a vote of thanks.

First Technical Session - Threats & Opportunities - Indian Economy in the present economic Scenario.

At the outset, Sri R. K. Gupta, Ex-ED(F), SAIL & Ex-Director (Finance), KIO Co. Ltd, the Chairman of the session, introduced the topic and its relevance in the present time. He emphasized 'change' as the need of the day to cope up with the changing economic scenario. Then he handed over the session to the speaker of the session, Prof. Brajraj Mohanty, Strategic Mangement, XIMB.

Second Technical Session : Leadership is the key to the progress in the New Millennium

Sri A. K. Mishra, GM (P&A), SAIL, RSP, the chairman of the session, introduced the topic and its relevance in the present time. Er. Ajit Mahapatra, CMD, Kalinga Engineers Ltd., the speaker of the session, vividly elaborated the qualities of a good leader and an enterprising leader. His presentation along with good practical examples made the session valuable.

Third Technical Session : Values & Valuations

Sri C R Chattopadhaya, Ex-Chairman, EIRC, the chairman of the session, introduced the topic and its relevance in the present time. Prof. Banikanta Mishra, Professor Xavier Institute of Management, Bhubaneswar, the speaker of the session, discussed the pricing rationality of IPO. He also deliberated on the Book Value & Fair Value of an asset.

Fourth Technical Session : e procurement at RSP - A success story

Sri S S Mohanty, ED (P&A) SAIL, RSP, the chairman of the session, introduced the topic and its relevance in the present time. Sri Indranil Choudhry of mjunction, the speaker of the session, described the various advantages of e-procurement. As a success story implementation of e-procurement at Rourkela Steel Plant was discussed.

CUTTACK BHUBANESWAR CHAPTER

1. Modular Program for Final students and pass out students of June, 2009 term examination.

The Chapter conducted a series of programs during 7th October, 2009 to 14th October, 2009.

a) A session on "Personality Development" taken by Dr. RKS Mangesh Dash, Professor (HRM), IMIS, Bhubaneswar.

b) A session on "Cost Audit" taken by CMA. S.S.Sonthalia, one of the leading Practitioners in Orissa and Past Chairman of the Chapter and EIRC of ICWAI.

c) A session on "Direct Tax" taken by CA. P.K.Bal, Practitioner and one of the leading tax Practitioner in Orissa.

d) A session on "Interview Technique" taken by Shri A.K. Panigrahi, Ex-Director HR, NALCO.

e) A session on "Practical Aspect of CMA" taken by CMA. B. P. Mohapatra, CFO, CESU, Orissa and Past Chairman of EIRC of ICWAI and the Chapter.

f) A session on "Company Incorporation" taken by Shri J.Mishra.

g) A session on "Corporate Governance" taken by CS. K. N. Ravindra. comp secy NALCO

HALDIA CHAPTER

EIRC organized a programme on "Corporate Governance" at Haldia on 18.12.2009 to observe India Corporate Week. The programme was held at Indian Oil Management Academy Auditorium, Haldia Township in presence of Shri A.K.Roy, Executive Director, IOCL, Shri S.Dasgupta, Dy. General Manager (Finance), IOCL and other staff and officers of IOCL, Haldia Refinery. Members and students of ICWAI along with local people of Haldia were also present. Dr. Sanjiban Bandyopadhyaya, CCM, and Shri Pallab Bhattacharya, Treasurer, EIRC delivered on the subject. A brief idea on DTC, GST and recent amendments in Company Law was also given by the speakers. Shri Manas Kr. Thakur, Chairman, EIRC, Shri Saswata Dasgupta, RCM and Shri Prabir Banerjee, Professional Development Officer of EIRC were also present.

RANCHI CHAPTER

Ranchi Chapter of Cost Accountants organized its Annual seminar on "GST" on 8th November at Ranchi. Sri B. M. Sharma, Vice Presidentof ICWAI was the Chief Guest and Sri R. Mishra, Director (F), HEC, Sri P. G. Nandy, Director (F)-BCCL and Sri Manas Thakur-Chairman –EIRC of ICWAI, Sri A. L. Thakkar, Chairman, Ranchi Chapter were also present. Sri S. K. Singh, Secretary, Ranchi Chapter conducted the inaugural session.

Technical session was conducted by Sri A. D. Wadhwa, Vice Chairman of EIRC of ICWAI and addressed by Sri B. M. Sharma, Sri V. S. Datey, noted tax author and Dr Gaurav Vallabh from XLRI/MDI.

Shri A.D. Wadhwa, Vice Chairman cum Secretary, EIRC of ICWAI presented a talk on "Accounting

Services" and our profession on 12.10.2009 at Ranchi. It has attended by members of Rotary Club and students of different colleges.

Seminar at Guwahati

On 1st November, 2009 a seminar on Direct Tax Code was organized at Guwahati. Shri Manas Kr. Thakur, Chairman, EIRC was present in the programme. Shri Mrityunjay Acharya, Head of Corporate Tax, Balmer Lawrie & Co. Ltd., Spoke on the topic. Shri Pranab Gogoi, Minister of Law, Govt. of Assam, Shri T. M. Das, Director of Income Tax, North Eastern Region, Shri P. K. Sharma, Central Council Member (Govt. Nominee), ICWAI and Shri Nathulal Jain, Chairman, Guwahati Chapter of Cost Accountants were also present in the programme. The seminar was attended by a good number of participants from different areas of Assam.

Seminar on DTC at EIRC

A seminar on Direct Tax Code was also organized jointly with Income Tax Department, MoF, Govt. of India at EIRC Premises on 6th November, 2009. Shri Gautam Chaudhuri, Chief Commissioner of Income Tax, Kolkata was the Chief Guest of the programme. Shri Manas Kr. Thakur, Chairman, EIRC welcomed the participants while Dr. Sanjiban Bandyopadhyaya, CCM defined the Direct Tax Code. Shri Mrityunjay Acharjee, Sr. Manager Taxation, Balmer Lawrie & Co. Ltd., Shri P. K. Roy and Shri N. P. Sinha, both Commissioner of Income Tax spoke on the subject. Apart from the members of the ICWAI, a good number of officers from Income Tax Deptt. also attended the programme.

Seminar on GST at Jamshedpur

EIRC of ICWAI organized a seminar on Goods and Service Tax at Jamshedpur jointly with Singhbhum Chamber of Commerce on 17th November, 2009. Shri Rakesh Singh, a renowned practicing member spoke on the subject. Commissioner of Central Excise Shri Jha graced the chair of Guestin-Chief from EIRC Shri Manas Kr. Thakur, Chairman, Shri A. D. Wadhwa, Vice-Chairman and Secretary, Shri Pallab Bhattacharya, Treasurer and Shri K. K. Sarkar, Past Chairman and member were present. Office bearers and members of Singhbhum Chamber enjoyed the program and appreciated the value addition.

ASANSOL CHAPTER

3rd Quarterly Meet of Asansol Chapter of Cost Accountants

The 3rd Quarterly Meet of Asansol Chapter of Cost Accountants for the year 2009-10 was held on 5th December, 2009 at 6.30 p.m. at the Chapter Office on 'Resurgence of West Bengal'.

At the outset, Chairman Sri M.Viswanathan welcomed the members to the 3rd Quarterly Meet and introduced Prof. Sreemanta Sarkar, Head of Department of Economics, B.C. College, Asansol and Co-ordinatcr for BBA & BCA courses.

Sri Sarkar very eloquently presented the various steps taken by Government of West Bengal in recent times for improving industrialization, Health care. Education and infrastructure facilities with statistics. Many questions raised by the members were clarified.

Sri Utpal Majumdar, Vice Chairman of the Chapter gave vote of thanks.

Sri Subrata Banerjee, Secretary of the Chapter anchored the programme.

Evening Talk on "Economic Crisis" on 30.12.2009

As a part of the continuing education program and taking in to consideration the present economic scenario, the Chapter organized an Evening Talk on "Economic Crisis" on 30th December, 2009 (Wednesday) at 6.00 P.M at its Conference hall. Dr. D.V.Ramana, Professor XIMB, Bhubaneswar and Dr. A.K.Mohanty, Professor, Utkal University, Vanibihar, Bhubaneswar were the Speakers on the ocassion. CMA. S.Mohapatra, Chairman of the Chapter also addressed the audience. CMA. B.K.Pattnaik, Chairman PD Committee coordinated the entire program. Both speakers made a good presentation with example and enlightened the gathering with their flamboyant speech. The members participated in the discussion actively and very enthusiastically and the talk was very interactive. More than 100 members had attended the programme. The vote of thanks was extended by the Chairman, PD Committee.

DHANBAD-SINDRI CHAPTER

Dhanbad Sindri Chapter of Cost Accountants organized an evening talk show on "EVA" on 11th Dec'09 for its members at the Chapter building. Sri A.D. Wadhwa, Vice Chairman, EIRC of ICWAI was invited as speaker. Sri R. B. Roy, Chairman of the chapter with Sri B.M. Jha, Secretary of the Chapter welcomed the speaker and Sri K.C. Pratihar, special invitee with bouquet of flowers. Sri A. K. Nath introduced the topic. Later Sri A.D. Wadhwa discussed the topic in details.

In fact Economic Value Addition has become a tool of judging the real return of the company to its investors.

Sri P.K. Das proposed vote of thanks.

Members in large number were present on the occasion.

WESTERN REGION

KALYAN AMBERNATH CHAPTER

Career Counselling Programmes

Chapter organized Career Counseling Programmee on 15th Dec and 20th Dec 2009 at FRIENDZ CLASSES, Ulhasnaagr -4.for benefit of students appearing for Xll examination to be held in March 2010. Mr. G. B. Shamnani, Chairman of chapter explained to students about value and importance of course, also gave details of subjects. He explained to students about advantage of joining this professional course at under graduate level.Mr. Raju P. Chhatpar, Executive Secretary explained admission procedure for joining Foundation Course.Students listened with attention and raised questions, which were answered to their satisfaction. Lecture was followed by question answer session.

NASIK -OJHAR CHAPTER

Lecture on 'Roadmap to GST'

Nasik Ojhar Chapter of Cost

Accountants and Nasik Chapter of WIRC of ICSI had arranged a lecture on 'Roadmap to GST' by Mr. V. S. Datey, Author of Indirect Taxes and Chairman of Nasik Ojhar Chapter of Cost Accountants and Nasik Chapter of WIRC of ICSI, on 16th Nov. 2009.

Mr. Datey explained the back-ground of proposed GST. He elaborated outline of GST on the basis of first discussion paper released by empowered committee on 10th November, 2009. Mr. Datey stated that though many issues are not year clear, basic direction of proposed GST is clear. He stated that concept of IGST is excellent and will help in smooth implementation of GST.

Mr. R. K. Deodhar, Vice Chairman, Nasik Ojhar Chapter of Cost Accountants welcomed the audience. Mrs. Shilpa Parkhi, Cost Accountant and Company Secretary proposed vote of thanks.

Response to the lecture was overwhelming and tax practitioners, students and practicing members attended the lecture in large numbers.

NORTHERN REGION

KANPUR CHAPTER

Seminar on Goods and Service Tax

Kanpur Chapter of Cost Accountants organized Seminar on Goods and Service Tax on 06th December, 2009. Sri Suraj Prakash, D.G.M. (F), BHEL & Chairman, Noida Chapter of Cost Accountants was speaker of the Seminar. The programme was inaugurated with the lighting of lamp by Dr. R. C. Katiyar, Director, CSJM University, Kanpur. Sri A. K. Bhargava, Chairman Kanpur Chapter of Cost Accountants welcomed the Speaker and participants. Sri A. K. Awasthi, Advisor Kanpur Chapter of Cost Accountants delivered theme address.

Sri Suraj Prakash gave a detailed and comprehensive presentation on proposed GST in India and its impact on Industry which is stated to be rolled out on 1st April, 2010. The presentation concluded with positive impact of GST on industry. Large no. of members participated in the programme and took keen interest and raised no. of queries which were answered by the Speaker.

A programme of training of Officers/ Supervisory staff of Ordinance Factories from different parts of all over the country was organized in Ordinance Factories, Kanpur from 12.11.2009 to 20.11.2009. The programme was organised by Kanpur Chapter.

Seminar on Goods and Service Tax

Kanpur Chapter of Cost Accountants organized Seminar on Goods and Service Tax on 06th December, 2009 at Kanpur. Sri Suraj Prakash, D.G.M. (F), BHEL & Chairman, Noida Chapter of Cost Accountants was speaker of the Seminar. The programme was inaugurated with the lighting of lamp by Dr. R. C. Katiyar, Director, CSJM University, Kanpur. Sri A. K. Bhargava, Chairman Kanpur Chapter of Cost Accountants welcomed the Speaker and participants. Sri A. K. Awasthi, Advisor Kanpur Chapter of Cost Accountants delivered theme address.

Sri Suraj Prakash gave a detailed and comprehensive presentation on proposed GST in India and its impact on Industry which is stated to be rolled out on 1st April, 2010. His presentation included analysis of Taxation Powers between State and Centre Government as per Indian Constitution, recommendations of Kelker Task Force Committee, progress made so far in terms of GST implementation, Global perspectives of Goods and Service Tax.

The programme has been given wide coverage in media with 5 newspapers covering the event.

SOUTHERN REGION

BANGALORE CHAPTER

A) Meeting with the Hon'ble Chief Minister of Karnataka:

Shri G.N. Venkataraman, President-ICWAI, along with the Chairman and members of the Managing Committee of Bangalore Chapter, Chairman-PD and Secretary of SIRC, met the Hon'ble Chief Minister of Karnataka, Shri B.S. Yeddyurappa, on 15th October 2009 at Vidhana Soudha and thanked him for giving an opportunity for the Cost Accountants to conduct VAT Audit of Corporates by suitable amendment to Section 34(2) of K-VAT Rules. Our President also requested the Hon'ble Chief Minister to give proper recognition to Cost Accountants in the proposed Goods and Services Tax (GST). On this occasion, a Cheque for Rs. 1,01,000/- was handed-over to the Hon'ble Chief Minister towards Flood Relief Fund.

B) Professional Development Meet:

1) A Professional Development Meet was held on 19th September 2009 wherein Shri Nikhil Gavankar, Vice President-Accounting Services, M/s Goldman Sachs Services Pvt. Ltd., Bangalore, spoke on Randomness and Financial Markets. A large number of our members attended this programme and had an interaction with the speaker at the end of his lecture. The meeting was presided over by Shri M.R. Krishna Murthy, Chairman of Bangalore Chapter. The meeting ended with a vote of thanks by Shri A.V. Jayarama, Treasurer of the Chapter.

2) A Professional Development Meet was held on 30th September 2009 wherein Shri G. Jagannathan, Chief Executive Officer, M/s AARM Supply Chain Solutions, Bangalore, spoke on Reducing Liabilities by Post Sales Management. The speaker gave number of live examples which has resulted in reduction of liability to the organisation by adopting Post Sales Management. The meeting was presided over by Shri M.R. Krishna Murthy, Chairman of Bangalore Chapter. The meeting ended with a vote of thanks by Shri A.V. Jayarama, Treasurer of the Chapter.

C) Inauguration of October 2009 Semester Oral Coaching Classes:

The inaugural function of October 2009 Semester Oral Coaching Classes was held on 15th October 2009. Shri G.N. Venkataraman, President-ICWAI, inaugurated the Oral Coaching Classes. The President advised the students to put their best efforts to come out successfully as Cost and Management Accountants within a short span of time. Endowment prizes were distributed on this occasion to the meritorious students. The function was presided over by Shri M.R. Krishna Murthy, Chairman of the Chapter. Shri Dattatreya, Vice Chairman and Chairman-Coaching gave a report on the coaching activities. The meeting ended with a vote of thanks by Shri N. Shiva Kumar, Secretary of the Chapter.

D) Silver Jubilee Annual Commemoration Lecture:

The 21st Silver Jubilee Annual Commemoration Lecture was delivered by Prof. Lakshman Ravendra Watawala, President, The Institute of Certified Management Accountants of Sri Lanka, on 27th November 2009 at Hotel Atria. The topic of the lecture was Best Practices In Corporate Governance. Shri G.N. Venkataraman, President-ICWAI, addressed our members on this occasion. Shri A. Om Prakash, Chairman-PD, SIRC of ICWAI, gave an over-view of the programme. The programme was presided over by Shri M.R. Krishna Murthy, Chairman of the Chapter.

E) Dr. H.R. Subramanya Memorial Lecture:

The Fourth Dr. H.R. Subramanya Memorial Lecture was delivered by Dr. B. Venkatachalam, Managing Director, M/s Hexagon Capital Markets Ltd., at Hotel Chalukya, on 6th December 2009. The topic of the lecture was Changing Role of Cmas in Shaping The Indian Economy. Shri G.N. Venkataraman, President of our Institute addressed our members. The programme was presided over by Shri M.R. Krishna Murthy, Chairman of our Chapter.

HYDERABAD CHAPTER

CIMA's Global Head-Alliance and Learning Partnership-24.11.2009.

Ms. K. Peng Tam, Global Head-alliance and learning partnership (London) and Ms. Althea Paul, Southern representatives of CIMA addressed members and students about the MOU CIMA with ICWAI. They also explained in detail about the course contents, job prospects of the CIMA course. Members and students attended in large number and also had a very detailed interaction with the speakers. The programme was held on 24.11.2009 at Chapter premises. Shri A.V.N.S. Nageswara Rao, Chairman-SIRC of ICWAI also addressed the gathering on that occasion. The meeting concluded with a vote of thanks by Shri A. S. Nageswar Rao, Secretary, HCCA.

Stress Management-24.10.2009

Chapter had conducted on evening talk on 'Stress Management' on 24th October, 2009 at Chapter premises. Sri K. Panduranga Rao, Group Head-HR&Admn. IVRCL, speaker delivered an overview on the programme and explained at length on Stress Management. Sri S. P. Sarma, Vice Chairman, HCCA gave a welcome address and Sri Ch. Venkateswarlu, Chairman-Professional Development introduced the speaker of the day to the members. The programme concluded with vote of thanks by Sri Ch. Venkateswarlu, Chairman-Professional Development Committee.

THRISSUR CHAPTER

All Kerala Cost Convention, 2009

Thrissur Chapter of ICWAI hosted an All Kerala Cost Convention, 2009, on November 20 & 21, 2Q09. The theme of the Convention was Cost Management - Key to Performance Excellence. The programme was inaugurated by Sri. K.S. Srinivas, IAS, Additional Secretary, Industries Department, Government of Kerala. Sri.G.N. Venkataraman, President, ICWAI, presided over the meeting. Sri. A.S. Durgaprasad, CCM, Sri. M. Gopalakrishnan, CCM, Sri. N.P. Sukumaran, past President, ICWAI, Sri. A.N.S. Nageswara Rao, Chairman, SIRC of ICWAI, Sarva Sri. A. Om Prakash and Sunil Chacko, past Chairmen of SIRC of ICWAI, and Chairmen and officials of the other Chapters in Kerala, were among the other dignitaries present on the occasion.

Shri Biju Raphael, Vice-Chairman, proposed vote of thanks. A Souvenir was brought out to commemorate the occasion. Sri G. N. Venkataraman, President, ICWAI, released the Souvenir.

Seminar on Indirect Taxes - An Update:

A seminar on Indirect Taxes - An Update was organized by Bangalore Chapter at Hotel Atria, on 27* November 2009. Shri M.R. Krishna Murthy, Chairman of the Chapter welcomed the delegates and the Speakers. The seminar was inaugurated by Shri G.N. Venkataraman, President-ICWAI. The topics covered are Goods and Service Tax (GST), Value Added Tax (VAT), CENVAT and Service Tax. The speakers on the topics were Messrs. Naveen Purohit, Chartered Accountant, Raghavendra, Chartered Accountant, R. Vasudevan, Superintendent of Central Excise, Dr. B.V. Murali Krishna, Dy.Commissioner - Commercial Taxes and Shri Balamurugan, Joint Commissioner, Central Excise. There was a Panel Discussion at the end of the programme. More than 150 delegates participated in this seminar.

MYSORE CHAPTER

On 29th Nov 2009 Mysore Chapter of ICWAI, conducted the Seminar on Large Number of delegates participated in the Seminar. The Seminar was inaugurated by Sri. B. Rajaraman, President (Operations), Falcon Tyres, Mysore.

Sri. Sridhar K. Chari, Associate Professor, SDM Institute of Management Development, Mysore Resource person for "World Class Approach to Profit Management" and Sri. D.V.Manohar, Director - Tax, Deloitte Haskins & Sells, Bangalore was the Resource Person for "Tax Deduction at Source". Delegates were very much impressed the seminar.

President visit to Mysore Chapter:

On 28-11-2009, President, Sri.G.N. Venkataraman visited Mysore Chapter and interacted with members. On this occasion Sri.A. Om Prakash, Immediate Past Chairman, SIRC of ICWAI, Dr.I. Ashok, Vice Chairman, SIRC of ICWAI and Sri. B.R. Prabhakar, Secretary, SIRC of ICWAI were present and addressed the Members. While interacting with members, President elaborately explained the latest developments, of our Institute and opportunities enhanced for Practicing members, like VAT Audit in Karnataka.Sri.K. Gururaja Rao, Chairman, Mysore Chapter thanked President for the visit.❑