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CMA's' INDUSTRY BULLETIN



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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MESSAGE



CMA Balwinder Singh
President
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I compliment CMA Biswarup Basu, Vice President and Chairman, Members in Industry Committee and the other members of Members in Industry Committee, and Secretary of the Committee for their continued efforts in bringing out “CMAs’ Industry Bulletin” on monthly basis. This resourceful document has comprehensive information on the role played by the CMA professionals in various spheres of commerce and industry. CMAs steer the growth of industries by facilitating organizations to achieve cost competitiveness and excellence in operations. This requires them to keep abreast the latest developments in various Industries and other business domains. This monthly bulletin is an effort of the Institute to provide them with the support they need in order to succeed in their roles by providing the readers valuable articles, interviews of corporate leaders and various economic updates.

I express my gratitude to our resource persons for their valuable inputs and contribution in this edition.

I wish Members in Industry Committee all the success in its initiatives.

Stay safe and healthy!

With warm regards,

CMA Balwinder Singh
President
The Institute of Cost Accountants of India

MESSAGE



CMA Biswarup Basu
Vice President &
Chairman, Members in Industry Committee
The Institute of Cost Accountants of India

Greetings!!

I hope that this message finds you in the best of health and spirit!

We are happy to present before you this issue of “CMAs’ Industry Bulletin” with latest industry related information under the ‘Industry Focus’ and valuable articles from our authors for the readers.

This issue contains three important articles that have been shared by our authors; ‘Role of CMAs in Corporate Governance in Public Sector Organizations’, ‘How to Work From Home the right way’, and ‘German Costing System’. In the Industry Focus column we have covered Indian Banking Industry in detail. The ‘Export Overview’ in this issue is on Gem and Jewellery exports from India. Through this message I thank the authors who have contributed their valuable articles for this edition of e-bulletin.

A good number of Webinars have also been arranged in various relevant topics for the participants that are deliberated upon by expert and proficient resource persons. We hope the participants are taking maximum benefit of the same.

We hope you enjoy reading this issue of “CMAs’ Industry Bulletin”.

Stay Home, Stay Safe!!!

With Warm Regards

CMA Biswarup Basu
Vice President &
Chairman, Members in Industry Committee
The Institute of Cost Accountants of India



CONTENTS

Members in Industry Committee	Page - 3
Message from President	Page - 4
Message from Vice President & Chairman	Page - 5

Guest Column: Article from Industry Expert

ROLE OF CMAs IN CORPORATE GOVERNANCE IN PUBLIC SECTOR ORGANIZATIONS	Page - 7
HOW TO WORK FROM HOME (WFH) THE RIGHT WAY?	Page - 10
GERMAN COSTING SYTEMS	Page - 14

Industry Focus

Indian Banking Industry	Page - 17
-------------------------	-----------

Export Overview

Gem and Jewellery Exports from India	Page - 20
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ROLE OF CMAs IN CORPORATE GOVERNANCE IN PUBLIC SECTOR ORGANIZATIONS



CMA (Dr.) S K Gupta

MD & CEO

IPA of Institute of Cost Accountants of India

Business dynamic of today's market has changed and as a result, market needs to focus on performance, transparency and accountability in the business. Hence corporate governance has become important for all sectors including government organizations. Corporate Governance is steadily focusing on building the confidence of its various stake holders including Customers, Suppliers, employees, shareholders, Bankers and Society at large. As these Public-Sector Undertakings (PSUs) are socially responsible unit, it becomes utmost important for these organization to adhere to the tenets of corporate governance because these are run by tax payer money for their operations. Corporate governance can lead to efficient use of public funds, the decrease in expenses or budget deficits, the elimination of corruption and the increase in performance in public entities.

Corporate Governance is defined as "A set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders." It ensures Commitment to values and ethical conduct of business; Transparency in business transactions; Statutory and legal compliance; adequate disclosures and Effective decision making to achieve corporate objectives. Corporate governance in Public sector organizations is dictated mainly by Companies Act, 2013, Securities and Exchange Board of India (SEBI), Department of Public Enterprises (DPE), The DPE has issued governance guidelines on Corporate governance for Central Public-Sector Undertakings (CPSU's)

CMAs provide strategic information and analytical support to the management of an organization for creation, preservation and enhancement of the stakeholders value. The deep understanding of the activities, sub-activities and

the processes and systems of the company and the ability to monitor and assess the performance of each unit, product, business line through appropriate analysis has catapulted CMAs from Value adding to Value management advisor.

The key tenets of Corporate Governance and the role of CMAs is discussed as under

(A) Strategic performance management:

Strategic performance management mandates that a company develops a strategy to maximize value; It translates this strategy into short- and long-term performance targets defined in terms of the key value drivers. It develops action plans and budgets to define the steps that will be taken over the next year or so to achieve these targets. It puts performance measurement and incentive systems in place to monitor performance against targets and to encourage employees to meet their goals.

Cost and Management Accountants possess expertise in the areas of Cost management and can ably support creation and preservation of value of the organization through the following aspects:

- Provide timely and relevant information backed with appropriate analysis for improvement of the productivity of all the resources, resulting in optimum utilisation of resources and minimization of wastages.
- Provide information for strategic planning and decision making thus enabling management to take appropriate decisions for sustained growth.
- Provide segment and product wise business profitability so as to enable management to decide

for discontinuance of a product line / pull out from a market segment

- Help companies in proper costing enabling them to provide goods and services at a price that is affordable by marginal consumers in the rural, semi-urban areas and the common man.
- Protect the interests of the investors through focus on waste minimization, and optimum utilization of scarce resources.
- Assisting organizations in better corporate governance and value creation by focusing on efficient use of resources and thus enable Indian enterprises to effectively compete in the dynamic market environment.
- Provide Product/ activity wise cost details that are highly useful to the Independent Directors to effectively and efficiently discharge their duties.
- Continuously monitor and evaluate corporate performance and its economic / operational efficiency.
- Provides information for validation of financial statements and prevent inventory manipulation.
- Ensure maintenance of proper cost records for fulfilling the objectives laid down under National Voluntary Guidelines (NVG) for economic, environmental and social responsibilities of business as the information provided by the cost records is compatible with the information requirements under NVG.
- Provide reliable Cost Accounting data and Cost Assurance essential for early identification of industrial sickness.
- Set benchmarks for various activities and processes of the organization both in cost and physical terms
- Carry out variance analysis for monitoring operational costs and revenues for ensuring that the organization realizes its plans
- Provide specific critical information to the management for strategic decision making

(B) Sustainability and Business strategy

In today's dynamic and uncertain business world Importance of building Sustainable Value into the strategy of a business cannot be underestimated. Business strategy is most simply defined as the set of actions and activities a company invests in to gain competitive advantage and to maximize long-term value. CMAs can facilitate building a sustainable organization through:

Proactive Cost Governance: Create, implement and manage a proactive cost governance model to sustain cost reductions using an organizational mindset that is focused on Kaizen - continuous improvement.

Strategic Cost Management/ Operational Transformation: Implement structural changes using new technologies and digital interventions to the operating model and business processes to maximize value, sustain cost reductions and move to a more variable (vs. fixed) cost structure.

Cost Management as a Core Value: Every business has its own challenges, risks, and ways of doing things – but through it all, cost management remains a core value that can drive success. The differentiation and competitive advantage for a high growth business emanates from its ability to innovate. Effective cost management supports and supplements business innovation. Embracing a cost management framework is a key step towards building a sustainable business

(C) Value management

Public sector organizations have a key role to play in the economic development of the country. They must focus on value creation, value preservation and value enhancement. CMAs provide the critical facilitative support to the management in value management by:

- **Removing low value activities** – Bring in strategic priorities, Link strategic measures to goals of team and Individuals, Purge or reduce unessential low-value activities, Remove obstacles to goal congruence and sub-optimality
- **Focusing on results over activities** – Strategically relevant business to take precedence over business, Use focussed metrics and score cards for measurement and monitoring
- **Removing cycle-time sluggishness** – Set benchmarks, accept that competitors react more quickly, Communicate critical measures of performance, Cut through employee rivalries and excuse making
- **Removing ineffective customer management models** - Identify drivers for customer attraction and retention, Develop measuring models that reveal results from actions, Remove drivers that generates lower value, Watch and monitor customers' spend share
- **Removing functional silos and bring in goal congruence** - Integrate cross functional performance measurement, Balance performance metrics for responsibility accounting
- **Minimising churn of high yielding customers and employees** - Assess performance with pre-defined KPIs, Link customer care measures with performance, Give power of measurement to employees for self-assessment, Incentivise high performers

(D) Efficiency improvement through Strategic Cost Management

It is critical for companies today to streamline processes, rationalize systems, outsource non-core activities and improve the operating model making best use of IT Revolution and strategic cost considerations. With disruption becoming the new normal companies are duly recognizing that strategic cost management is vital to building a sustainable value creating business which entails Continually challenge the business model to shape investment choices, Analysing key cost data to show the cost implications of new opportunities, products and customers, Ensuring concern areas of customer and product profitability are understood and continually addressed, Ensure that growth is funded through cost efficiency. Robustly

track the execution of strategy against plans and manage performance, Embed a culture of cost consciousness and with focus on value creation in the organisation.

Management accounting, which was traditionally intended for internal use in organizations, has, through its ability to measure value and to present both current and forward-looking information, developed into a key instrument to organizations for delivering effective corporate governance to stakeholders. Management Accounting reports compare the expected values of alternative strategies that are designed by the organization. Such reports may enable the directors to understand the key value drivers of their organizations and the risks associated with them. Hence the reports assist them in choosing a strategy, which may optimize benefits

(E) Improving effectiveness of operations / activities

CMAs can play a vital role in improving effectiveness of operations / activities through

Value Chain Analysis: Value chain analysis is a useful way of thinking through the ways in which you deliver value to your customers, and reviewing all of the things you can do to maximize that value. It is an approach for breaking down the sequence (chain) of business functions into the strategically relevant activities through which value is added by the business. The objective is to identify the behaviour of costs and the areas for differentiation. Value analysis takes place as a three stage process: **Activity Analysis**, which involves identification of the activities that contribute to the delivery of your product or service. **Value Analysis**, which involves identification of the things that your customers value in the way you conduct each activity, and then work out the changes that are needed. **Evaluation and Planning**, which involves deciding what changes to make and plan how you will make them. By using Value Chain Analysis and by following it through to action, you can achieve excellence in the things that really matter to your customers.

(F) Risk Management

Boards are also required to maintain sound risk management and internal control systems and have to confirm in their annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. Good corporate governance means lower risk and poor corporate governance means higher risk; strong and independent risk management function becomes necessary to monitor and control enterprise-wide risk exposures.

Management accounting practices are generally regarded as important controlling tools in providing managers with financial and nonfinancial information to help them make better business decisions and maintain effective control over corporate resources. A key dimension of management accounting is Monitoring which is a periodically recurring task already beginning in the planning stage of the project. It helps clarify project objectives, link activities & resources to the objective and translates them into performance indicator to set targets. It allows results, processes and experiences to be documented and helps us understand the status of the project

at any given time. Monitoring acts as an alert that warns us about a problem to be remedied. The data acquired through monitoring is used for comparing actual results with the target for evaluation.

(G) Management oversight through cost accounting records and cost audit

Rules for maintaining cost accounting records and cost audit encourage use of technology and scientific tools like quantitative techniques, technical/ benchmarked standards, integrated software, etc and help preparing realistic budgets based on such tools. Thereby, it helps identifying wasteful expenditure, underutilized resources, other inefficiencies and frauds. Such outcomes are not expected from traditional accounting and financial audits, which are essentially concerned with recognition and audit of contractual and statutory transactions for the entity (company) as a whole.

Cost audits can be used to the benefit of management, Board, consumers and shareholders by • Helping to identify weaknesses in cost accounting systems, • Ensuring data integrity and Helping to drive down costs by detecting wastage and inefficiencies. • Helping the company management to improve its performance, productivity, competitiveness and governance mechanism

(H) Strengthening regulatory mechanism

In India, regulatory mechanism is being strengthened for each and every sector. Availability of detailed cost data is a pre-requisite for the effective functioning of any regulator. Today, more than 80% of international trade disputes relate to transfer pricing which in-turn requires cost data to determine the arms' length price. Benchmarking and assessment of competitiveness for different industries requires cost data. Competition Commission has been continuously seeking cost data for many sectors. Cost information plays a critical role in transfer pricing, predatory pricing, fixation of margin of dumping for the purpose of levying anti-dumping duty, free trade agreement, consumer protection, revival of sick companies and corporate governance.

Conclusion

The changing role of Cost and Management Accountants is in sync with the changing market environment and governance structure. From only providing information for the purpose of internal business activity, it has already moved towards creating value demanded by customer and other stakeholders. Moreover, Cost & Management Accountants now a days have more responsibilities than before as a result of decentralization and delegation of authority. Precisely, the role of CMAs is now shifted from "information-provider" to a strategist who is regarded as a savior of Corporate governance.

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HOW TO WORK FROM HOME (WFH) THE RIGHT WAY?



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In the past few weeks, Companies across the Globe have rolled-out a mandatory Work from Home (WFH) policy amid the spread of Novel Coronavirus (COVID-19) which has been declared as a pandemic by World health organization (WHO). Now every organization has been forced to adopt a Robust Work from Home Policy and Business Continuity Plan.

Pre-COVID-19 Scenario:

Work from Home is not a new concept since many Start-ups, Content Writers, Designers and Budding Professionals start their business journey by working from home. Many Big Corporates (especially in Information Technology Sector) have WFH policies, for facilitating flexi-working lifestyle of their employees'. So WFH had a remarkable presence before COVID also, its just that this concept has gone viral and everyone is adapting it to keep their businesses running.

Now Let us have a Look at the Real Challenges being faced by people:



New Concept for Many: For a lot of people, the concept is entirely new and as a result they are facing numerous challenges to maintain the pace of their work. It is quite intimidating for many, particularly for those who have kids to take care of, get distracted easily or if they are unfamiliar with working remotely.



Working Mindset: With family being around all the time and kids playing and everybody chilling, it often becomes difficult to focus your attention. Finding a silent zone at home to concentrate at Work is a Herculean Task.



Collaboration with Team and Clients: With face-to-face meetings no longer being an option, it becomes very tough to communicate information with teams and clients. This affects workflow to a great extent.



Sharing Documents: When you work with a team, sharing necessary files and folders every now-and-then virtually is an even greater challenge.



Team's Productivity Check: In times such as these, it becomes very difficult to review the work of your team and to see if they can submit the work on time as per the original plan.



Data Security: In case of remote working, files and folders are accessed by everyone, thereby putting the data at a huge risk of being leaked or misused. The biggest challenge for us to ensure the security of such data.

Amidst this Pandemic – Who is Thriving?

But if we see, there is one sector which is thriving amidst this pandemic- The Technology Sector. It entails solutions not only to the present situation, but it is the future of working for all organizations. Technology has helped us to eradicate all the present hurdles and facilitated connectivity and data flow in a way never experienced before.

Here are some suggestions for easily Navigating through these tough times and for reducing your hassles of Working from Home:



Developing a New Working Mindset: With a new mindset, it is easy to untangle the mental web of working in a brick and mortar office. If you're able to avoid distractions and stay focussed in your work, you can

easily stay productive just like you used to be in a brick and mortar office.



Get Used to Virtual Meetings: Just like we have moved from having long calls to WhatsApp Text Messaging, it's time to move from having virtual meetings. It saves time, enables flexi-timing overriding the time and travelling constraints, can be recorded and referred to future and much more. There are many available

communication tools like – Skype, Zoom, GoToMeeting, Slack etc. are few popular options.



Cloud Data Storage: This will make you independent and you won't have to depend on someone else to access your data, as it will be available at the click of buttons. For easy navigation, it is advisable to have data storage policy which determines the manner in which

the final data needs to be saved. This reduces confusion and unnecessary time spent in locating important files / folder. Google Drive, One Drive, Drop Box, We Transfer are some popular file storage and transfer tools / applications.



Project Management Tools: These tools help you to manage your projects efficiently by allowing you to delegate tasks, share attachments, send invitations to clients, set deadlines, label tasks and sub-tasks and, manage

team's progress, track time spent on each assignment and much more. Zoho Projects, Trello, Clickup, CCH iFirm are some popular Project Management Tools.



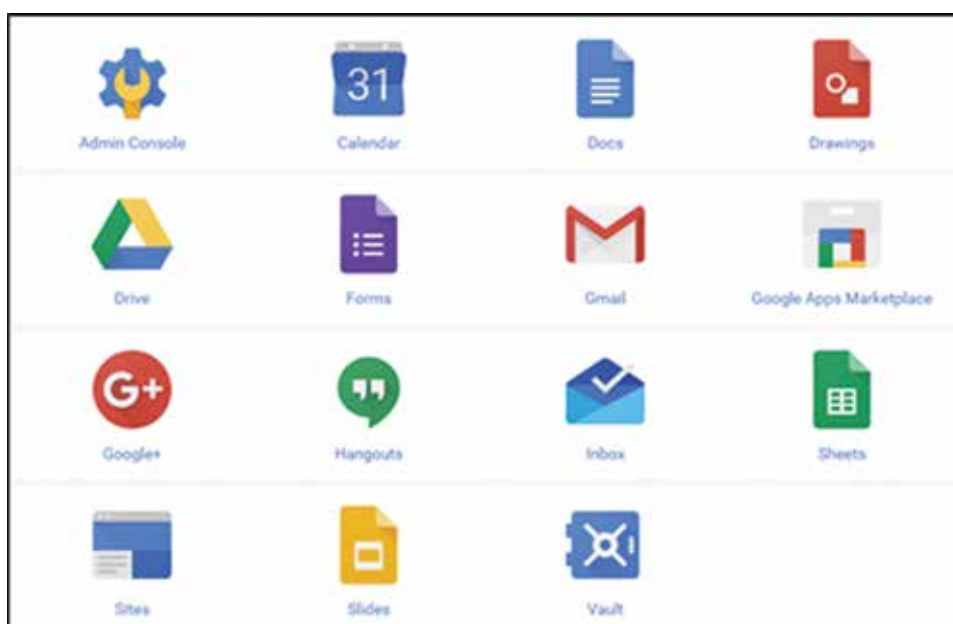
Data Security: As WFH entails storage and sharing of data, which is vulnerable to attacks, it is necessary to have some data security protocols. Using password managers (like Last pass, One pass etc.) to restrict access of passwords to staffs, having antivirus software installed (Quick Heal, Norton, Kaspersky etc.), avoiding opening of e-mails from unauthorized persons, not saving passwords on devices etc. are some basic security protocols for data security.



Cloud Accounting: It enables real time accounting of financial transactions which can be accessed anytime from anywhere around the world connected. The data are stored in cloud are highly secured, have inbuilt features like attaching bills / vouchers with your entries, connected banking (bank accounts syncs with accounting software), ready-made reports, audit trails, etc. QuickBooks, Zoho Books, Xero, Sage etc. are some popular Cloud Accounting Tools.

Some Big Players have come-up with All-in-One Business Solutions to enable seamless shift from Traditional to Digital Environment by coming-up with a Comprehensive Packages of various popular applications that integrates with one another for a seamless user experience. Companies Like Google, Microsoft and Zoho have come up with such applications

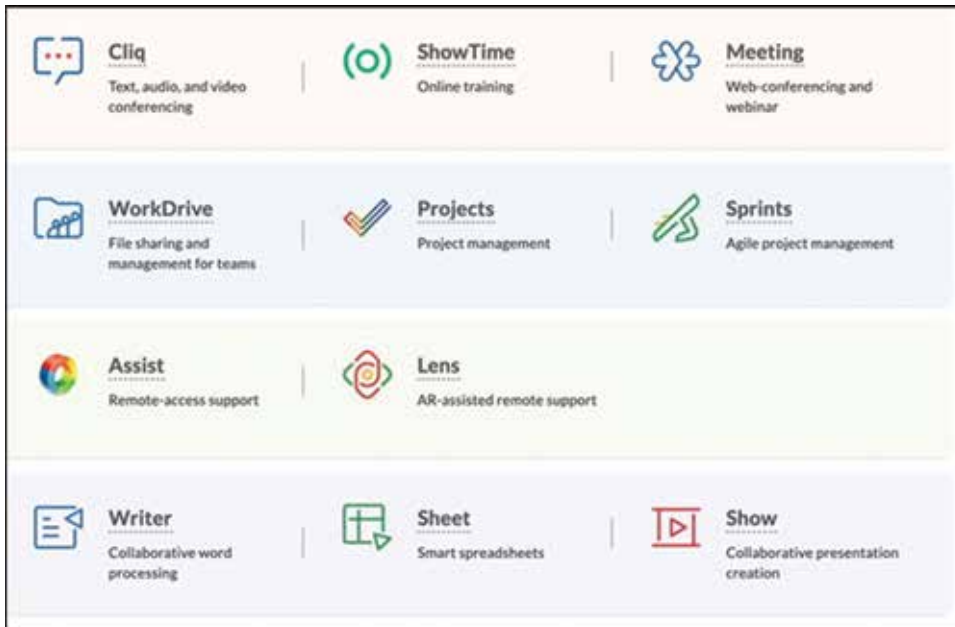
Comprehensive Business Solution Package by Google (G-Suite)



Comprehensive Business Solution Package by Microsoft (Office 365)



Comprehensive Business Solution Package by Zoho (Zoho Remotely)



WORK FROM HOME – THE WAY FORWARD

At the end of the day, it is about having good boundaries between home and work life.



If one can plan it out, communicate well, and exercise self-discipline, there is no reason one won't be able to manage professional and personal responsibilities with ease.

In the Post-COVID Scenario, more and more people will opt for working from their home as they will be able to save time spent on commuting and can give more time to their family and friend. With the sudden surge in WFH, now flexi-working and remote workforce doesn't seem to be the future anymore. It's Now!

With the right mindset, working from home can work like a charm.

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GERMAN COSTING SYSTEMS

Grenzplankostenrechnung (GPK)



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Introduction:-

Costing has plenty of techniques and methods inbuilt within itself. It is also highly flexible. Unfortunately, in our country we have been roaming around few traditional methods from its inception ignoring others which is not the fault of the subject but the inability of the practitioners. It was a pity that management accounting profession at international level did not bother to gather information of various practices followed throughout the world particularly in non-English-speaking countries. It was only in the late 1980's we were awakened by two learned authors Johnson and Kaplan through their book "Relevance Lost - The Rise and fall of Management Accounting" that the practices we follow particularly in UK, USA, India and few other countries is not the right one to determine the cost of products and services since Japanese companies were invading global markets in a very big way at that time and English speaking countries were unable to fight the competition with a more refined look at costs, emanating from best manufacturing practices.

Evolution of Costing Systems:-

American academicians and practitioners tried to understand the techniques and methodologies used by Japanese Multinational companies and started publishing papers of the same. Target Costing (**genka kikaku**), Kaizen, Kanban, 5S and others emerged from these studies. The first was primarily related to costs and the rest is meant for improved productivity, quality, and efficiency techniques. Parallely due to the emergence of Maruti Suzuki as No. 1

car manufacturer in India, these techniques were adopted by most of the auto component suppliers as the same was insisted upon by the end customer. All these techniques are exceptionally good practices which can be adopted without any reservations across the spectrum of small to large entities.

At the same time, it was a shock that Japanese did not practice any full-fledged costing system which could be easily adopted by the Indian companies. It was a revelation that they understood the logic that past is history which cannot be corrected and the best method of costing is that which can compute the cost, before even the first step is taken to manufacture the product. They also understood that cost can be optimized only through processes, quality, and best housekeeping at the shop floor level. At best cost variances may have to be analyzed more from the non-monetary parameters and that too on a shift wise basis wherever possible. This way "Poka Yoke" (Error Proofing) became equally applicable to Costing under the Japanese techniques. Moreover, the above Japanese techniques are mostly meant for Engineers and other skilled technicians who control the costs on the go, even on a shift wise basis, with little room for our members as well as our counterparts in USA, UK, and other countries. The main problem of the costing profession across the world is on concentration of the past rather than the present and future. One of the authors of the above book "Relevance Lost" Prof Robert Kaplan made further research at Harvard University and came out with an alternative method for allocating overheads using "activities" instead of conventional methods and probably it is one way of addressing the deficiencies of the conventional

costing systems. The other author Prof Johnson did not subscribe to his co-author's views and published a book namely "Profit Beyond Measure" in the year 2020. In this book he analyzed two international auto companies Toyota of Japan and Scania of Sweden for their best profit performance for a continuous period of five decades. Incidentally both these companies were from non-English speaking world and author did not give much of details of the best practices these companies were adopting in their costing systems for consistently making profits.

What is GPK:-

The above made the author of this article to search for best full-fledged costing practices adopted in the non-English speaking countries but language barrier made the job difficult. Incidentally, an opportunity emerged through one of the German customers to interact closely on internal practices involving quality, productivity, performance, and cost. A simple sheet of paper "Hourly monitoring sheet" was the sparking point to get glimpses of German Costing practices. Copy of a "Hourly Monitoring sheet" is enclosed but what is used inside the factory is in local language where the field level operator can understand and fill the same on his own.

American Universities as well as our counterpart "Institute of Management Accountants" USA also published articles on German Costing systems from the year 2000 onwards. They also tried to implement the same in the American companies and used the jargon "Resource Consumption accounting" for the same.

However, the undersigned found out that German customer was using just a modified "standard costing" routinely where the standards are derived from engineering and not the conventional terms used by the Cost Accounting profession. Along with the academic learning from some of the translated articles from German publications it was possible to find out that GPK is nothing but a combination of Marginal Costing and Standard Costing.

We are well versed with material accounting which we are using in many of our companies right now and the same is used by Germans also. Hence there is no change in the methodology as compared to our present practices of material accounting and only difference is, they are using "Standard Costing" rates for material issues instead of weighted average, FIFO, LIFO, and others.

More about GPK:-

Now let us analyze other items of manufacturing such as labour, power, machine, other items (tools, dies, jigs & fixtures), floor space, power consumption and other utilities. The hourly monitoring sheet captures all these items in a systematic manner and using standard costing principles costs could be assigned to products and services on a perpetual basis. ISO standards emerged from Europe only and the same could be used for most of the information required for setting standards of individual components. ISO also issues global benchmarks and averages of utilization of various inputs such as labour, machines and others

which could be used for setting internal standards through discussions with internal cross functional teams. It can be pointed out that all the standards referred to ISO etc. are all engineering, quality and process standards.

In Standard costing we use two variable components for each item. One will be invariably non-financial and the other being financial. For example, if we take Material, price is financial, and usage is non-financial. Similarly, in Labour rate is financial and efficiency is non-financial. The non-financial information could be gathered from the records of ISO or any of the standards being followed by entities. Although in this article manufacturing entity are referred mostly, they are equally applicable to service sector also. In service sector specially in the IT field the log in and log out requirements enable auto collection of key information and populating the same with an online cost system. The SOPs also enable strict implementation of the system without any room for deviation.

When the labour, machine, electricity and other resources are measured through Hourly Monitoring Sheets, the same could be linked with relevant standard costs to arrive at product costs in a logical manner. Based on the variance analysis done after the closing of the month, standards could be revised through discussions with the same internal cross functional teams. If variances are within tolerable limits, there is no need to revise the same on regular basis.

Even higher executives could be advised to record their usage of time on daily basis on each product and service so that the same could be incorporated in product costs. The author of this article earnestly feel that almost 90% of the costs could be linked to product/service costs. When we can logically link majority of these costs with products and service, contribution approach in the marginal costing principles could be straight away used for price fixing and other decisions with respect to products and services.

Why GPK is a Robust System:-

Since the GPK was developed by an automobile engineer late Mr. Plaut and an academician late Mr. Kilger it was made robust meeting both actual real time practice as well as academic validations. At the same time, it was designed right from the beginning in a highly flexible manner so that adoption across different sizes of the organization as well as multiple sectors made easy. Recording "Time related Costs" was the biggest challenge in the costing systems and Germans mastered the same over past several decades. Popular ERP system "SAP" is a German product and these techniques are built in the same and are being used by several leading German companies including Daimler Benz, Volkswagen, BMW, Siemens, Bosch, Deutsche Bank, Deutsche Post and others for several decades. Since the system is highly flexible many small and medium enterprises in German speaking countries such as Germany, Switzerland and Austria are using the same for several decades and also perfected it over this period.

Control through GPK:-

Since Standard Costing is used right from micro level,

fixing responsibility, and improving performance from lowest to highest levels is made possible. "Cost Management" is the main objective of GPK and inventory valuation is just a by product restricted to financial statements only. Even in inventory valuation of work in process, standard costs could be assigned to each process level completion of jobs and the valuation could be determined more accurately.

The system also enables us measure idle time of man, machine and other resources and the concerned division heads could be made responsible for wasting the precious resources of the organization. In effect the system fully supports performance management.

Rejection, rework, wastage, and spoilage are all recorded perpetually at each individual process level and the concerned manager could be made responsible for the losses.

Productivity improvements are possible using the system and the same operator manages two or three processes

simultaneously as the time taken for loading a component into a process is much less than the time taken by the machine to complete the process.

Conclusion:-

In conclusion, the system is the need of the hour in our country as well as for our membersto focus performanceimprovement of the organization. Our members have learnt Standard Costing during their academics, and they must unlearn what they have learnt and relearn the same from an engineering perspective for actual implementation at the field level. Most of our members uses Marginal Costing regularly in their organizations and they should now combinethe same withstandard costing techniques not onlyfor score keeping but also for overall performance management.

Annexure

WESTCOTT - STATOR LINE		DESCRIPTION OF LOSSES				PROCESS:		DATE :	
Quality Losses		Availability Losses				Performance Losses			
QL1:	QL6:	TL1:	TL6:	OL1:	OL6:	PL1:	PL6:		
QL2:	QL7:	TL2:	TL7:	OL2:	OL7:	PL2:	PL7:		
QL3:	QL8:	TL3:	TL8:	OL3:	OL8:	PL3:	PL8:		
QL4:	QL9:	TL4:	TL9:	OL4:	OL9:	PL4:	PL9:		
QL5:	QL10:	TL5:	TL10:	OL5:	OL10:	PL5:	PL10:		

HOURLY TRACKING										
TIME	Target Based on 100%DEE		Actual		Type	Quality (Pieces)			Losses (Mins)	REMARKS
	Places	Cum	Places	Cum		Losses	Scrap	Rework		
06.30-07.30										
07.30-08.00										
08.00-09.30										
09.30-10.30										
10.30-11.30										
11.30-12.30										
12.30-01.30										
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Industry Focus - Indian Banking Industry

Introduction

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPII).

Background Report

As on March 31, 2019, the total number of ATMs in India increased to 2,21,703 and is further expected to increase to 407,000 by 2021. As of 2017, 80 per cent of the adult population has bank accounts. As on March 31, 2019 the number of debit and credit cards issued were 925 million and 47 million, respectively.

Assets of public sector banks stood at Rs 72.59 lakh crore (US\$ 1,038.76 billion) in FY19. As per Union Budget 2019-2020, Provision coverage ratio of banks reached highest in 7 years. As per RBI, as of February 14, 2020, India recorded foreign exchange reserves of approximately US\$ 476.09 billion.

Deposits as of Feb 2020, stood at Rs 132.35 lakh crore (US\$ 1,893.77 billion) and credit to non-food industries reached Rs 100.41 lakh crore (US\$ 1.45 trillion) as on February 14, 2020.

Indian banks are increasingly focusing on adopting integrated approach to risk management. The NPAs (Non-Performing Assets) of commercial banks has recorded a recovery of Rs 400,000 crore (US\$ 57.23 billion) in FY2019, which is highest in last four years. Banks have already embraced the international banking supervision accord of Basel II, and majority of the banks already meet capital requirements of Basel III, which has a deadline of March 31, 2019.

As per Union Budget 2019-20, investment-driven growth requires access to low cost capital which requires investments of Rs 20 lakh crore (US\$ 286.16 billion) every year.

Reserve Bank of India (RBI) has decided to set up Public Credit Registry (PCR) an extensive database of credit information which is accessible to all stakeholders. The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed and is expected to strengthen the banking sector. In June 2019, RBI sets average base rate of 9.18 per cent for non-banking financial companies and micro

finance institutions borrowers for quarter beginning of July. The total equity funding of microfinance sector grew at the rate of 42 year-on-year to Rs 14,206 crore (US\$ 2.03 billion) in 2018-19.

Deposits under Pradhan Mantri Jan Dhan Yojana (PMJDY) stood at Rs 1.06 lakh crore (US\$ 15.17 billion) with 37.34 crore accounts registered. In May 2018, the Government of India provided Rs 6 lakh crore (US\$ 93.1 billion) loans to 120 million beneficiaries under Mudra scheme. As of November 2019, the total number of subscribers was 19 million under Atal Pension Yojna.

Rising incomes are expected to enhance the need for banking services in rural areas and therefore drive the growth of the sector. As of September 2018, Department of Financial Services (DFS), Ministry of Finance and National Informatics Centre (NIC) launched Jan Dhan Darshak as a part of financial inclusion initiative. It is a mobile app to help people locate financial services in India.

The digital payments revolution will trigger massive changes in the way credit is disbursed in India. Debit cards have radically replaced credit cards as the preferred payment mode in India, after demonetisation. Transactions through Unified Payments Interface (UPI) stood at 1.2 billion in November 2019 worth Rs 1.89 lakh crore (US\$ 27.08 billion).

As per Union Budget 2019-20, the government has proposed fully automated GST refund module and an electronic invoice system that will eliminate the need for a separate e-way bill.

Market Size

The Indian banking system consists of 18 public sector banks, 22 private sector banks, 46 foreign banks, 53 regional rural banks, 1,542 urban cooperative banks and 94,384 rural cooperative banks as of September 2019. During FY07-19, deposits grew at a CAGR of 11.11 per cent and reached US\$ 1.86 trillion by FY19. Deposits as of Feb 2020, stood at Rs 132.35 lakh crore (US\$ 1,893.77 billion).

The total equity funding of microfinance sector grew at the rate of 42 year-on-year to Rs 14,206 crore (US\$ 2.03 billion) in 2018-19.

Investments and Developments

Key investments and developments in India's banking industry include:

- In February 2020, The Cabinet Committee on Economic Affairs has given its approval for continuation of the process of recapitalization of Regional Rural Banks (RRBs) by providing minimum regulatory capital to RRBs for another year beyond 2019-20, that is, up to 2020-21 for those RRBs which are unable to maintain minimum Capital to Risk weighted Assets Ratio (CRAR) of 9 per cent, as per the regulatory norms prescribed by the Reserve Bank of India.
- In October 2019, the Department of Post launched

the mobile banking facility for all post office savings account holders of the CBS (core banking solutions) post office.

- Deposits under Pradhan Mantri Jan Dhan Yojana (PMJDY) stood at Rs 1.06 lakh crore (US\$ 15.17 billion)
- In October 2019, Government e-Marketplace (GeM) signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless and transparent payment system for an array of services.
- Transactions through Unified Payments Interface (UPI) stood at 1.32 billion in February 2020 worth Rs 2,21,995 crore (US\$ 31.76 billion).
- In August 2019, the government announced the major mergers of public sector banks which included United Bank of India and Oriental Bank of Commerce to be merged with Punjab National Bank, Allahabad Bank will be amalgamated with Indian Bank and Andhra Bank and Corporation Bank will be consolidated with Union Bank of India.
- The NPAs (Non-Performing Assets) of commercial banks has recorded a recovery of Rs 400,000 crore (US\$ 57.23 billion) in last four years including record recovery of Rs 156,746 crore (US\$ 22.42 billion) in FY19.
- The board of Allahabad bank approved the merger with Indian bank for the consolidation of 10 state-run banks into the large-scale lenders.
- As of September 2018, the Government of India launched India Post Payments Bank (IPPB) and has opened branches across 650 districts to achieve the objective of financial inclusion.
- The total value of mergers and acquisition during 2017 in NBFC diversified financial services and banking was US\$ 2,564 billion, US\$ 103 million and US\$ 79 million respectively @.
- The total equity funding's of microfinance sector grew at the rate of 42 year-on-year to Rs 14,206 crore (US\$ 2.03 billion) in 2018-19.

Government Initiatives

- As per Union Budget 2019-20, the government has proposed fully automated GST refund module and an electronic invoice system that will eliminate the need for a separate e-way bill.
- Under the Budget 2019-20, government has proposed Rs 70,000 crore (US\$ 10.2 billion) to the public sector bank.
- Government has smoothly carried out consolidation, reducing the number of Public Sector Banks by eight.
- As of September 2018, the Government of India has made the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme an open-ended scheme and has also added more incentives.
- The Government of India is planning to inject Rs 42,000 crore (US\$ 5.99 billion) in the public sector

banks by March 2019 and will infuse the next tranche of recapitalisation by mid-December 2018.

Achievements

Following are the achievements of the government:

- As on March 31, 2019 the number of debit and credit cards issued were 925 million and 47 million, respectively.
- As per RBI, as of February 14, 2020, India recorded foreign exchange reserves of approximately US\$ 476.09 billion
- India ranks among the top seventh economies with a GDP of US\$ 2.73 trillion in 2018 and economy is forecasted to grow at 7.3 per cent in 2018.
- To improve infrastructure in villages, 204,000 Point of Sale (PoS) terminals have been sanctioned from the Financial Inclusion Fund by National Bank for Agriculture & Rural Development (NABARD).
- The number of total bank accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) reached 373.4 million accounts were opened (as of August 2019).

Road Ahead

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge. As per Economic Survey 2018-19, working age population to grow by 9.7 million per year during 2021-31 and 4.2 million per year during 2031-41.

India's digital lending stood at US\$ 75 billion in FY18 and is estimated to reach US\$ 1 trillion by FY2023 driven by the five-fold increase in the digital disbursements.

Note: Conversion rate used as on January 2020, Re 1 = US\$ 0.01402

Notes: * - according to an FIS report, # - Microfinances Institution Network, @ - EY Annual Report

References:

Media Reports, Press Releases, Press Information Bureau, IBEF, IBA, RBI, Union Budget 2019-20, www.pmjdy.gov.in

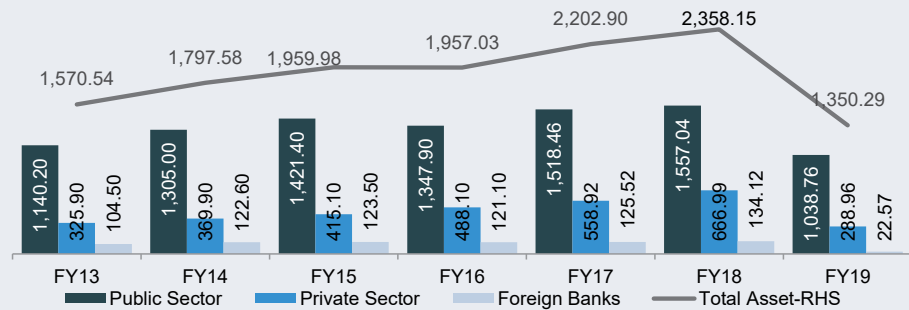
Disclaimer: This information has been collected through secondary research and the Institute is not responsible for any errors in the same.



Banking

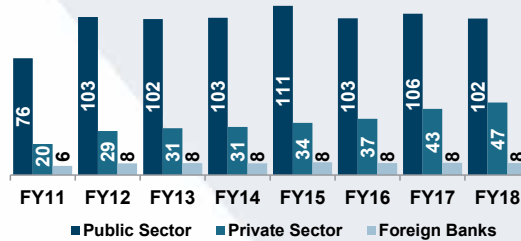
Market Size

Total Banking sector assets (US\$ billion)

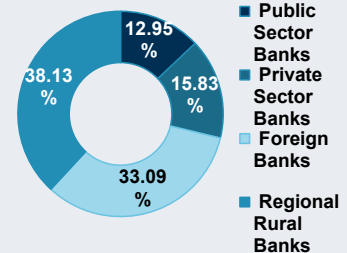


Sector Composition

Interest Income Growth (US\$ bn)



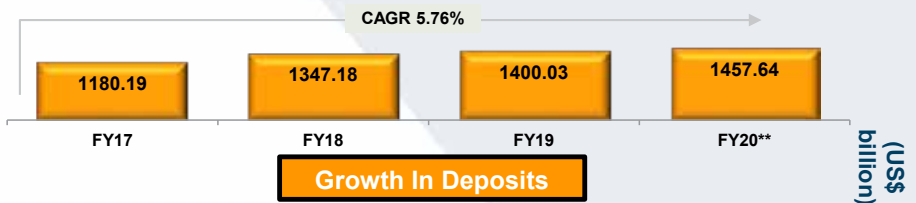
Breakup Of Banks in India (FY20)



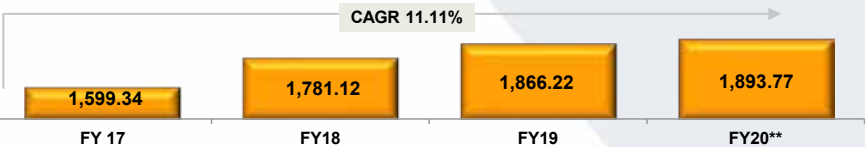
Note: Figures given for the breakup are exclusive of 1,542 Urban Cooperative Banks and 94,384 Rural Cooperative Banks operational in India.

Key Trends

Growth in Credit Off-take



Growth In Deposits



Note: CAGR between FY11 to FY19, ** - up to Feb. 14, 2020

Government Initiatives



Pradhan Mantri Jan Dhan Yojana



Atal Pension Plan



Pradhan Mantri Jeevan Jyoti Bima Yojana

Export Overview

Gem and Jewellery Exports from India

Introduction

The Indian Gems and Jewellery (G&J) sector is one of the largest in the world, contributing around 29 per cent to the global jewellery consumption. The sector employs over 4.64 million employees and is home to over 300,000 gems and jewellery players. The sector contributes 7 per cent to the Gross Domestic Product (GDP) of the country. India's exports of cut and polished

diamonds, gold jewellery and gemstones are forecasted to grow around 10 per cent year-on-year in FY19 according to Gems and Jewellery Export Promotion Council (GJEPC).

Indians have always been connoisseurs of precious stones and ornaments. Trade secrets of the jewellery business have been handed down over generations, ensuring continuity of traditional craft. Thus, India is today the world's largest diamond cutting and polishing centre. India has been adding





modern techniques to its traditional know how that are more in tune with global market trends.

Key Highlights

India is the most preferred country in terms of gems and jewellery export. The facts listed below give us an idea of India's position on the global gems and jewellery export map. Indian gems and jewellery are exported across continents.

- India is the world's second largest gold consumer.
- India's diamond exports ranked second in the world valued at US\$ 23.82 billion in FY19.
- In 2018-19, the net exports of gems and jewellery stood at US\$ 30.96 billion
- India's top export destinations for gems and jewellery are U.S, Europe, Japan and China. US account for nearly one-fourth of the country's total gems and jewellery exports.
- The net exports of gems and jewellery stood at US\$ 27.44 billion in FY20P (April 2019-February 2020, Provisional) whereas imports of gems and jewellery stood at US\$ 23.05 billion during same period.
- During April 2019-February 2020, India exported US\$ 17.69 billion worth of cut and polished diamonds, gold jewellery exports stood at US\$ 11.41 billion.

Gem and Jewellery Export Promotion Council

The Gem and Jewellery Export Promotion Council (GJEPC) undertakes direct promotional activities, including joint participation in international jewellery shows, sending and hosting trade delegations, and sustained image-building exercises.

Source: Export Promotion Council, IBEF, GJEPC India

Disclaimer: This information has been collected through secondary research and the Institute is not responsible for any errors in the same.



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