



## Discussion Meeting on Budget organised by WIRC on 5th March 2016 at WIRC office



CMA Debasish Mitra, Chairman WIRC welcoming participants. Also seen CMAs V. K. Kanhere, V.S. Datey, A.B. Nawal, Harshad Deshpande



CMA V.S. Datey



CMA A. B. Nawal



CMA V. K. Kanhere

## 6th March 2016 at Thane SMFC



CMA Debasish Mitra, Chairman WIRC addresses the audience



Ms. Anjana Singh



CMA Amit Sarker

## Valedictory session of 12 days Orientation Programme on 12th March 2016



CMA A. B. Nawal, CCM guiding the students along with other Council Members during 12 days Orientation Programme organised by WIRC.



CMA Debasish Mitra, Chairman WIRC welcoming CMA Dhiraj Sachdev, Senior Vice President & Fund Manager, Equities, HSBC Global Asset Management during Alumni Meet conducted at WIRC on 19th March, 2016



## From the Desk of Chairman

Respected Colleagues,

At the outset on behalf of the entire Western India Regional Council (WIRC) I am congratulating Pune Chapter of Cost Accountants for securing Best Chapter Award in Category "A" under WIRC, also securing special award for Increase in students' / member's strength and also for conducting maximum number of programmes on professional interest. I also convey our highest gratitude for securing Best Chapter Award to following chapters, namely :-

1. Surat-South Gujarat Chapter under Category "B"
2. Navi Mumbai Chapter under Category "C"
3. Pimpri Chinchwad - Akrudi Chapter under Category "D"

We are confident that all said chapters will continue marking significant contribution towards development of our profession in future.

### Pre-placement Orientation Program

In the month of March 2016 the Institute successfully organised the pre-placement orientation program for the final passed students. WIRC has received positive feedback from students on the said program. I convey my thanks to CMA Pratyush Chattopadhyay, Head - Indirect Taxation, ACC and CMA B.N. Sapkal, Chief Manager (F & A), Lubrizol India Pvt. Ltd. for attending the concluding day of the orientation program i.e on 12th March. They delivered a memorable speech and conveyed best wishes to all students for forthcoming Campus interview to be conducted by the Institute in April 2016.

### Alumni Meet

WIRC conducted Alumni Meet for Members in Industry, at Mumbai on 19th March 2016, to discuss various issues pertaining to Professional Development. WIRC received an overwhelming response, and happy to inform that many senior members from Industry attended the Meet. Members shared their views/ideas and suggested various measures, which can be taken by the Institute to increase the scope and visibility of the profession. Details of the said program have been mentioned in this bulletin. On the occasion of Alumni Meet held at WIRC, CMA Dhiraj Sachdev, Senior Vice-President & Fund Manager, Equities, HSBC Global Asset Management, delivered a lecture on "Indian Equity Market - in a Globalized World," which was well appreciated by all senior members presented at the meet.

I have recently visited the All India Chapter's and Members meet at Munnar - Kerala, where I have presented views of said Alumni meet elaborately to honourable Central Council Members and other Chapter representatives to take necessary action jointly, to increase the visibility of our profession. Some salient points of said presentation are as follows :

- CMA's holding high position in Industry (preferably Nifty Companies) to be incorporated in Board of Studies / Syllabus change of the Institute.
- Institute must keep regular contact with HR department of at least NIFTY companies, which will ultimately help

the Institute at the time of Campus Placement.

- Start fresher / refresher courses on regular basis suitable to different industries - like Power / Mining Service Industry etc.
- Special Course / Certified courses may be conducted for members of industry/ Practice, who needs to upgrade themselves on regular basis, i.e -
  - Excel through Financial Modelling
  - Indirect Taxation
  - Direct Taxation
  - Forensic Audit
  - SAP and other related area
  - Bank Internal Audit / Stock Audit / Concurrent Audit
- Campus Interviews/Orientation to be conducted at Tire-II city as well.
- Implementation of Soft Infrastructure / Webinar in all chapter levels at large.
- Talent search among students of 11th to 12th standard to be undertaken by the Institute in all cities.
- Implementation of Soft Skill at Final course
- MOU with some Business School for some specific curriculum may improve the image of the Institute.

### CEP Programs

During the month of March, a couple of CEPs have been conducted by the PD Committee of WIRC. Our Central Council member and Chairman - Indirect Taxation Committee CMA Ashok Nawal and legendary CMA V. S. Datey and CMA Vishnu Kanhere presented their annual insight on the Union Budget at WIRC auditorium on 5th March 2016.

CMA Amit Sarkar and Ms. Anjana Singh from Deloitte made a presentation of Union Budget on 6th March 2016 at Thane SMFC.

Mr. Sanjeeb K. Mohanty Director, Arbitrator, ESEN Insurance Surveyors & Loss Assessors (P.) Ltd. presented a memorable presentation on "Opportunities of CMAs in the Insurance Sector on 11th March at WIRC.

WIRC had also organised a CEP on Advance Excel on 31st March 2016. Mr Shaikh Imran was the faculty of the same. Large numbers of members were benefited out of the said program.

Hope you might have noticed that, slow but steadily there is a change in WIRC and the profession at large in positive direction. Be a part of it. Send your constructive suggestions to WIRC to increase the visibility and scope of the profession.

Wish you all a Happy Gudi Padwa, Shubha Naba Barsha, Vaisakhi and Shree Rama Navami.

See you again

**CMA Debasish Mitra**



# Change the Practices in New Financial Year 2016-17

By CMA Ashok B. Nawal

Contact: +91 9890165001 • Email: nawal@bizsolindia.com

Hon. Finance Minister - Shri. Arun Jaitely have presented the budget on 29th February 2016. Though changes made in the Finance Bill, will be effective only after Finance Bill is passed in Lok Sabha & Rajya Sabha and thereafter giving assent to the bill by Hon. President of India. However, the changes which has been made through Non-Tariff notifications, amending Central Excise Rules, Rules under Custom Act 1962 & Service Tax Rules will be effective from the date specified in such notifications.

There are substantial changes, which will be effective from 1st April 2016, which has been enumerated below:

## v Central Excise Rules 2002:

- **Rule 8: Payment of duty:** An assessee, engaged in the manufacture or production of articles of Jewellery, other than articles of silver Jewellery but inclusive of articles of silver Jewellery studded with diamond, ruby, emerald or sapphire having the turnover of Rs. 12 Cr. in the year 2015-16 then such units will have to pay excise duty on monthly basis after crossing the turnover of Rs. 6 Cr.
- **Rule 11 (8): Goods to be removed on Invoice:** Now, digitally signed invoice can be handed over to the transporter while removing the goods from the Factory / Warehouse. There is no need to sign / attest the invoice copy.
- **Rule 12 (2) : Filing of Returns :** From April 2016 onwards, only monthly returns in the form of ER-1/ER-2 or Quarterly Return for SSI Units in Form ER-3 needs to be filed. Assesses paying 1% duty will have to file quarterly ER-8 Return. Annual Return in the format to be prescribed (not yet prescribed) to be filed on or before 30th November 2016 by all the assesses.

Kindly note, following returns have been discontinued and hence no need to file.

- **ER-4 :** Annual Financial Information Statement- in case of duty payment either through PLA or Cenvat or both together is more than Rs. 1 crore in previous financial year.
- **ER-5 :** Information relating to Principal Inputs- in case of duty payment either through PLA or Cenvat or both together is more than Rs. 1 crore in previous financial year.
- **ER-6 :** Monthly return of receipt and consumption of each of Principal Inputs- to be filed by the assessee required to submit ER-5
- **ER-7 :** Annual Installed Capacity Statement

It is always advisable to carry out internal audit of monthly returns submitted and if errors are noticed, it can be corrected through filing the revised return by end of same calendar month. In other words, April Return is filed on or before 10th May. Internal Audit shall be carried out immediately after filing the return, so that necessary corrections, if any, required to be made through revised return which needs to be filed by 31st May.

Similarly, Annual Return required to be filed on or before 30th November and it is advisable to carry out the internal audit for confirming the accuracy after reconciling with financial statement. However, if required, revised Annual Return can be filed within one month from the date of filing the original Annual Return.

Rather it is advisable, no sooner, financial accounts are audited Annual

Return to be prepared and the same can be audited prior to submission of Original Annual Return.

- **Rule 26: Personal Penalty:** If the assessee have paid duties, interest and 25% of penalty (25% of duty) then no personal penalty can be imposed on Directors, officers who have been alleged to be abated for evasion of duty or carrying goods needed to be confiscated.

## v Cenvat Credit Rules 2004:

- **Rule 2(a): Cenvat on Capital Goods:** Now, Output Service Provider can avail cenvat credit on wagons of sub-heading 860692. Needless to say, 50% in first year and 50% in the subsequent year.
- **Rule 2(a): Cenvat on Capital Goods:** Cenvat Credit can be availed on all office equipments received in the factory on or after 1st April 2016. Office equipments includes all assets such as furniture & computers that are absolutely essential for operations. However, it is necessary to receive the same in the factory for availing the cenvat credit. "Equipment" means "The act of equipping or fitting or state of being equipped, to supply with whatever is necessary to efficient action in the way".

Equipment received in the factory or office located in the factory premises, considering the definition of "Equipment" will include *Air Conditioners, Coolers, Printers, Photocopiers, Computers and anything which equips for running operations. In other words, even the electrical fittings, telephones, washing machine, Vacuum Cleaner, etc. will also be entitled for Cenvat benefits.*

Cenvat Credit on capital goods i.e. any goods for water pumping which is installed outside of the factory, can be availed.

- **Rule 2(k): Enhancement of definition of Inputs:** Now, any capital goods having value of Rs. 10,000/- per piece will be considered as input instead of capital goods, thereby will be entitled for 100% cenvat credit in the first year of receipt itself. Further Goods (other than capital goods) used for pumping of water for captive use will be entitled for Cenvat Credit as Inputs. It is compulsory to take credit as Input Credit. No option to take as Capital goods credit. Compulsory tracking in the credit availment system. In other words cenvat Credit has to be taken as input and not as capital goods. It is also to be noted that, if credit under capital goods is taken then balance 50% cannot be taken in the subsequent year considering the period of limitation for availing cenvat credit. Still, it will not be free from litigation. It is also advisable to track in ERP in the purchase order itself under the rate column and decide the tax code accordingly.
- **Rule 2(m): Enlargement of scope of Input Service Distributor:** Now even office of an outsourced manufacturing unit also will be considered as Input Service distributor. Registration of Input Service Distributor can be obtained by the office / warehouse of outsourced manufacturing unit or address of such unit to be included in the ISD Registration for distribution of Cenvat Credit to the outsourced manufacturing unit also. This is very beneficial provision to all assesses which are getting goods manufactured under loan licensing or the merchant exporters.
- **Rule 4(5): Conditions for allowing Cenvat Credit:** Now cenvat

credit can be allowed even if jigs, dies & fixtures directly sent by the vendors to the job workers. There is no necessity that these goods to be received first at the factory then only to be sent to the Job Worker. Further, Jigs, dies & fixtures can remain with the job workers for three years instead of one year. There is no need of taking any permission to send the jigs, fixtures, etc. which will be returned within 180 days. But if it is going to be more than 180 days, then necessary permission is to be obtained from the office of Asst. Commissioner / Deputy Commissioner, then such jigs, fixtures can be retained at Job workers premises for 3 years.

- **Rule 4(6): Conditions for allowing Cenvat Credit:** The cenvat credit on the service tax paid on payment on right of natural resources will available as Cenvat Credit proportionately over the period of assignment of such right.
- **Rule 6: Obligation of a manufacturer or producer of final products & a provider of output service:** Each assessee who is manufacturing excisable goods or exempted goods, trading, providing taxable output services or providing exempted services including non-taxable services will have to intimate in writing exercising option / selecting the option, whether such assessee will pay amount to 6% on clearance of exempted goods or 7% on value of exempted service or non-taxable service or assessee will opt for cenvat reversal in accordance with formula prescribed under Rule 6 (3A) of Cenvat Credit Rules 2004. This exercise has to be furnished immediately in the month of April but not later than 5th May (Payment date).

Now, there is no requirement to keep separate books of accounts for input and input services when manufacturer or output service provider provides excisable / taxable / non-taxable goods / service. This is the big relaxation. However, now precautions needs to be taken to ensure correct reversal under the said rule. The principles followed for such reversal will have to also match with cost statements and cost accounting policy of the assessee.

**Rule 6. Obligation of a manufacturer or producer of final products and a provider of output service.**

**Rule 6 Sub-rule (1) has been substituted w.e.f. 1.4.2016.**

1. CENVAT credit shall not be allowed on such quantity of input and input services as is used in or in relation to manufacture of exempted goods and exempted service.

**Sub-rule (2) has been substituted w.e.f. 1.4.2016.**

A manufacturer who exclusively manufactures exempted goods for their clearance up to the place of removal or a service provider who exclusively provides exempted services shall not be eligible for credit of any inputs and input services used.

**Sub-rule (3) has been substituted w.e.f. 1.4.2016**

Rule 6(3) - Options to a manufacturer of exempt & non-exempt goods and rendering of exempt & non-exempt services

In case of manufacture of exempt & non-exempt goods and rendering of exempt & non-exempt services the assessee has 2 options -

- (a) pay an amount equal to six per cent of value of the exempted goods and seven per cent of value of the exempted services, subject to a maximum of the total credit taken or
- (b) pay an amount as determined under sub-rule (3A).

The maximum limit prescribed in the first option would ensure that the amount to be paid does not exceed the total credit taken. The purpose of the rule is to deny credit of such part of the total credit taken, as is attributable to the exempted goods or exempted services and under no circumstances this part can be greater than the whole credit.

**Sub-rule 3A of Rule 6:**

(3A) For determination of amount required to be paid under clause (ii) of sub-rule (3), the manufacturer of goods or the provider of output service shall follow the following procedure and conditions, namely :-

- (a) the manufacturer of goods or the provider of output service shall intimate in writing to the Superintendent of Central Excise giving the following particulars, namely:
  - (i) name, address and registration number of the manufacturer of goods or provider of output service;
  - (ii) date from which the option under this clause is exercised or proposed to be exercised;
  - (iii) description of inputs and input services used exclusively in or in relation to the manufacture of exempted goods removed or for provision of exempted services and description of such exempted goods removed and such exempted services provided;
  - (iv) description of inputs and input services used exclusively in or in relation to the manufacture of non-exempted goods removed or for the provision of non-exempted services and description of such non-exempted goods removed and non-exempted services provided ;
  - (v) CENVAT credit of inputs and input services lying in balance as on the date of exercising the option under this condition;

**Checkpoint:**

- i. Option to be intimated immediately.
- ii. Whenever there is change in Bill of Material (BOM), the changes also to be informed, especially item which has been newly added and which was not included in earlier intimation should be added and intimated and the same has to be tagged for taking the credit and identifying with "A" or "B" as stated in the formula given below.
- iii. Whenever new product is going to be manufactured, the details of direct input also needs to be intimated and the same has to be tagged for taking the credit and identifying with "A" or "B" as stated in the formula given below.
  - (b) the manufacturer of final products or the provider of output service shall determine the credit required to be paid, out of this total credit of inputs and input services taken during the month, denoted as T, in the following sequential steps and provisionally pay every month, the amounts determined under sub-clauses (i) and (iv), namely:
    - (i) the amount of CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of exempted goods removed or for provision of exempted services shall be called ineligible credit, denoted as A, and shall be paid;
    - (ii) the amount of CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of non-exempted goods removed or for the provision of non-exempted services shall be called eligible credit, denoted as B, and shall not be required to be paid;
    - (iii) credit left after attribution of credit under sub-clauses (i) and (ii) shall be called common credit, denoted as C and calculated as, -  

$$C = T - (A + B);$$

*Explanation* - Where the entire credit has been attributed under sub-clauses (i) and (ii), namely ineligible credit or eligible credit, there shall be left no common credit for further attribution.
    - (iv) the amount of common credit attributable towards exempted goods removed or for provision of exempted services shall be called ineligible common credit, denoted as D and calculated as follows and shall be paid, -  

$$D = (E/F) \times C;$$

where E is the sum total of :

- (a) value of exempted services provided; and
- (b) value of exempted goods removed, during the preceding financial year;

where F is the sum total of-

- (a) value of non-exempted services provided,
- (b) value of exempted services provided,
- (c) value of non-exempted goods removed, and
- (d) value of exempted goods removed, during the preceding financial year:

Provided that where no final products were manufactured or no output service was provided in the preceding financial year, the CENVAT credit attributable to ineligible common credit shall be deemed to be fifty per cent. of the common credit;

- (v) remainder of the common credit shall be called eligible common credit and denoted as G, where, -

$$G = C - D;$$

*Explanation.* - For the removal of doubts, it is hereby declared that out of the total credit T, which is sum total of A, B, D, and G, the manufacturer or the provider of the output service shall be able to attribute provisionally and retain credit of B and G, namely, eligible credit and eligible common credit and shall provisionally pay the amount of credit of A and D, namely, ineligible credit and ineligible common credit.

- (vi) where manufacturer or the provider of the output service fails to pay the amount determined under sub-clause (i) or sub-clause (iv), he shall be liable to pay the interest from the due date of payment till the date of payment of such amount, at the rate of fifteen per cent. per annum;

(c) the manufacturer or the provider of output service shall determine the amount of CENVAT credit attributable to exempted goods removed and provision of exempted services for the whole of financial year, out of the total credit denoted as T (Annual) taken during the whole of financial year in the following manner, namely :-

- (i) the CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of exempted goods removed or for provision of exempted services on the basis of inputs and input services actually so used during the financial year, shall be called Annual ineligible credit and denoted as A (Annual);
- (ii) the CENVAT credit attributable to inputs and input services used exclusively in or in relation to the manufacture of non-exempted goods removed or for the provision of non-exempted services on the basis of inputs and input services actually so used shall be called Annual eligible credit and denoted as B (Annual);
- (iii) common credit left for further attribution shall be denoted as C (Annual) and calculated as, -

$$C(\text{Annual}) = T(\text{Annual}) - [A(\text{Annual}) + B(\text{Annual})];$$

- (iv) common credit attributable towards exempted goods removed or for provision of exempted services shall be called Annual ineligible common credit, denoted by

$$D(\text{Annual}) \text{ and shall be calculated as, -}$$

$$D(\text{Annual}) = (H/I) \times C(\text{Annual});$$

where H is sum total of-

- a) (a) value of exempted services provided; and
- b) (b) value of exempted goods removed;

during the financial year ;

where I is sum total of -

- (a) value of non-exempted services provided,
  - (b) value of exempted services provided,
  - (c) value of non-exempted goods removed; and
  - (d) value of exempted goods removed;
- during the financial year;

(d) the manufacturer or the provider of output service shall pay on or before the 30th June of the succeeding financial year, an amount equal to difference between the total of the amount of Annual ineligible credit and Annual ineligible common credit and the aggregate amount of ineligible credit and ineligible common credit for the period of whole year, namely,  $[A(\text{Annual}) + D(\text{Annual})] - \{(A+D) \text{ aggregated for the whole year}\}$ , where the former of the two amounts is greater than the later;

(e) where the amount under clause (d) is not paid by the 30th June of the succeeding financial year, the manufacturer of goods or the provider of output service, shall, in addition to the amount of credit so paid under clause (d), be liable to pay on such amount an interest at the rate of fifteen per cent. per annum, from the 30th June of the succeeding financial year till the date of payment of such amount;

(f) the manufacturer or the provider of output service, shall at the end of the financial year, take credit of amount equal to difference between the total of the amount of the aggregate of ineligible credit and ineligible common credit paid during the whole year and the total of the amount of annual ineligible credit and annual ineligible common credit, namely,  $\{(A+D) \text{ aggregated for the whole year}\} - \{A(\text{Annual}) + D(\text{Annual})\}$ , where the former of the two amounts is greater than the later;

(g) the manufacturer of the goods or the provider of output service shall intimate to the jurisdictional Superintendent of Central Excise, within a period of fifteen days from the date of payment or adjustment, as per the provisions of clauses (d), (e) and (f), the following particulars, namely:

- (i) details of credit attributed towards eligible credit, ineligible credit, eligible common credit and ineligible common credit, month-wise, for the whole financial year, determined as per the provisions of clause (b);
- (ii) CENVAT credit annually attributed to eligible credit, ineligible credit, eligible common credit and ineligible common credit for the whole of financial year, determined as per the provisions of clause (c);
- (iii) amount determined and paid as per the provisions of clause (d), if any, with the date of payment of the amount;
- (iv) interest payable and paid, if any, determined as per the provisions of clause (e); and
- (v) credit determined and taken as per the provisions of clause (f), if any, with the date of taking the credit.

#### Analysis :

#### Sub-rule (3A) has been substituted w.e.f 1.4.2016.

If option of reversal of cenvat credit in terms of sub rule 3A of Rule 6 has been opted then amount required to be reversed needs to be availed in the following manner.

1. Avail Cenvat credit on all the inputs and input services received in the factory or through Input Service Distributor except for abnormality like theft, fire etc. This amount will be denoted as "T"
2. Derive the amount as denoted "A"
  - a. Identify the inputs as described in the bill of material of the exempted goods/non-taxable services and as described in the cost sheet in accordance with Cost Accounting Standards No. 6.
  - b. Non-taxable service includes services which are exempted
  - c. Non-taxable services appearing in negative list of services or any

activity which is not included in the definition of service excluding activity of transfer of title of the movable and immovable goods.

- d. Further, if service is exported but amount has not been realized either in foreign currency or within 6 months or extended period as allowed by RBI will be also considered as exempted service.
  - e. Identify the input services which are directly attributable to the exempted goods or non- taxable services. The same can be identified from the cost sheet as required to be work out in accordance with Cost Accounting Standard No. 10.
    - 4.4 Direct Expenses: Expenses relating to manufacture of a product or rendering a service, which can be identified or linked with the cost object other than direct material cost and direct employee cost 4. Examples of Direct Expenses are royalties charged on production, job charges, hire charges for use of specific equipment for a specific job, cost of special designs or drawings for a job, software services specifically required for a job, travelling Expenses for a specific job.
  - f. Abated value also to be considered as a part of turnover of exempted service.
3. Derive the amount as denoted "B"
- a. Identify the inputs as described in the bill of material of the non-exempted goods and as described in the cost sheet in accordance with Cost Accounting Standards No. 6.
  - b. Non-taxable service includes services which are exempted or
  - c. Non-taxable services appearing in negative list of services or any activity which is not included in the definition of service excluding activity of transfer of title of the movable and immovable goods.
  - d. Further, if service is exported but amount has not been realized either in foreign currency or within 6 months or extended period as allowed by RBI will be also considered as exempted service.
  - e. Identify the input services which are directly attributable to the exempted goods or non- taxable services. The same can be identified from the cost sheet as required to be work out in accordance with Cost Accounting Standard No. 10.
    - 4.4 Direct Expenses: Expenses relating to manufacture of a product or rendering a service, which can be identified or linked with the cost object other than direct material cost and direct employee cost 4. Examples of Direct Expenses are royalties charged on production, job charges, hire charges for use of specific equipment for a specific job, cost of special designs or drawings for a job, software services specifically required for a job, travelling Expenses for a specific job.
4. Cenvat availed on Common input and input services will be denoted as "C":
- $$C = T - (A+B)$$
5. Reversal of Cenvat Credit will be as follows :
- $$D = (E/F) * C$$
- E=Value of exempted services+ value of exempted goods during the preceding financial year.
- F=sum of value of exempted services & goods and value of non-exempted services & goods
- G= common eligible credit
- $$G=C-D.$$
- Total credit to be retained = B+G
6. Valuation of Goods & Services to derive the turnover:
- a. Value needs to be determined in accordance with transaction value in terms of Sec 3 / 4/ Sec 4A of Central Excise Act 1944 read with

Central Excise (Determination of Price of Excisable goods) Rules, 2000.

In other words, value of the goods needs to be determined as follows:

- i. Value in terms of Section 4, when excisable goods other than applicable under section 4A are sold to non-related party and price is sole consideration then transaction value needs to be taken.
  - ii. When excisable goods covered under section 4A are removed then assessable value should be considered at MRP less abatement and the same should be considered as turnover of such goods.
  - iii. Whenever excisable goods are cleared to the related party or transaction value is not the sole criteria then valuation rules needs to be considered in accordance with rule 4, 5, 6, 7, 8, 9 & 10 of the Central Excise (Determination of Price of Excisable goods) Rules, 2000.
  - iv. When goods are exempted then value needs to be determined w.r.t transaction value. However, the principles of valuation will be the same as applicable for the excisable goods even for determination of turnover of exempted goods.
- b. Value of taxable service needs to be determined in accordance with Sec 67 of the finance act read with Service Tax (Determination of value) Rules 2006.

When service tax is paid on the abated value then taxable value should be considered as turnover for determination of taxable service and abated value will be considered in the turnover of non-taxable value and the same principle will apply for the determination of turnover of non-taxable service except for trading. E.g. if services are provided w.r.t. outdoor catering and transaction value is Rs. 1 lac in such circumstances taxable value will be Rs. 40,000/- and turnover will be Rs. 60,000/-. Each such service wise turnover to be ascertain for taxable and non- taxable services.

In the case of a taxable service, when the option available under sub-rules (7), (7A), (7B) or (7C) of rule 6 of the Service Tax Rules, 1994, has been availed, shall be the value on which the rate of service tax under section 66B of the Finance Act, read with an exemption notification, if any, relating to such rate, when applied for calculation of service tax results in the same amount of tax as calculated under the option availed? or

- c. In case of trading, turnover value to be ascertained as follows :
  - i. 10% of Cost of goods sold of traded item OR
  - ii. Trading Turnover - Cost of Goods sold

The higher amount of (i) or (ii) should be considered as turnover of exempted service w.r.t. traded goods. In any case, cost of goods sold, should be determined from the cost sheet / working of cost audit / financial statement.

- d. In case of trading of securities, shall be the difference between the sale price and the purchase price of the securities traded or one per cent. of the purchase price of the securities traded, whichever is more.

**Sub-rule (3AA) has been Inserted w.e.f 1.4.2016.**

**Analysis:**

in case a manufacturer or a provider of output service who has failed to follow the procedure of giving prior intimation, the Central Excise officer, competent to adjudicate such case may allow to follow the procedure as per sub-rule 3A of Rule 6 of Cenvat Credit Rules, 2004 and ask him to pay the amount prescribed subject to payment of interest calculated at the rate of fifteen per cent. per annum.

**Sub-rule (3AB) has been Inserted w.e.f 1.4.2016.****Analysis:**

The existing rule 6 of CCR (v) would continue to be in operation upto 30.06.2016, for the units who are required to discharge the obligation in respect of financial year 2015-16.

**Sub-rule (3B) has been Substituted w.e.f 1.4.2016.****Analysis:**

From 1st April 2016 onwards Banking and financial institutions can either reverse cenvat credit @ 7% on the total value of exempted services or reverse the Cenvat credit as per Sub-rule (3A) of rule 6 or reverse credit in respect of exempted services on actual basis in addition to the option of flat 50% reversal of Cenvat credit.

(3C) [\*\*\*].

(3D) Payment of an amount under sub-rule (3) shall be deemed to be CENVAT credit not taken for the purpose of an exemption notification wherein any exemption is granted on the condition that no CENVAT credit of inputs and input services shall be taken.

**Explanation I.** - "Value" for the purpose of sub-rules (3) and (3A),

- (a) shall have the same meaning as assigned to it under section 67 of the Finance Act, read with rules made thereunder or, as the case may be, the value determined under section 3, 4 or 4A of the Excise Act, read with rules made thereunder?
- (b) in the case of a taxable service, when the option available under sub-rules (7), (7A), (7B) or (7C) of rule 6 of the Service Tax Rules, 1994, has been availed, shall be the value on which the rate of service tax under section 66B of the Finance Act, read with an exemption notification, if any, relating to such rate, when applied for calculation of service tax results in the same amount of tax as calculated under the option availed? or
- (c) in case of trading, shall be the difference between the sale price and the cost of goods sold (determined as per the generally accepted accounting principles without including the expenses incurred towards their purchase) or ten per cent of the cost of goods sold, whichever is more.
- (d) in case of trading of securities, shall be the difference between the sale price and the purchase price of the securities traded or one per cent. of the purchase price of the securities traded, whichever is more.
- (e) shall not include the value of services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount?

**Explanation II.**- The amount mentioned in sub-rules (3), (3A) and (3B), unless specified otherwise, shall be paid by the manufacturer of goods or the provider of output service by debiting the CENVAT credit or otherwise on or before the 5th day of the following month except for the month of March, when such payment shall be made on or before the 31st day of the month of March.

**Explanation III.**- If the manufacturer of goods or the provider of output service fails to pay the amount payable under sub-rule (3), (3A) and (3B), it shall be recovered, in the manner as provided in rule 14, for recovery of CENVAT credit wrongly taken.

**Explanation IV.**- In case of a manufacturer who avails the exemption under a notification based on the value of clearances in a financial year and a service provider who is an individual or proprietary firm or partnership firm, the expressions, "following month" and "month of March" occurring in sub-rules (3) and (3A) shall be read respectively as "following quarter" and "quarter ending with the month of March".]

**(4)** No CENVAT credit shall be allowed on capital goods used exclusively in

the manufacture of exempted goods or in providing exempted services for a period of two years from the date of commencement of the commercial production or provision of services, as the case may be, other than the final products or output services which are exempt from the whole of the duty of excise leviable thereon under any notification where exemption is granted based upon the value or quantity of clearances made or services provided in a financial year.

**Provided** that where capital goods are received after the date of commencement of commercial production or provision of services, as the case may be, the period of two years shall be computed from the date of installation of such capital goods.

**Sub-rule (4) has been Substituted w.e.f 1.4.2016.****Analysis:** -

No Cenvat credit on capital goods used exclusively for manufacture of exempted goods or provision for exempted services shall be allowed for a period of 2 years from the date of commencement of commercial production or provision of service and where capital goods are received after the date of commencement of commercial production or provision of service, the period of two years shall be computed from the date of installation of such goods. However this provision will not be applicable for SSI.

(5) Omitted.]

(6) The provisions of sub-rules (1), (2), (3) and (4) shall not be applicable in case the excisable goods removed without payment of duty are either -

- (i) cleared to a unit in a special economic zone or to a developer of a special economic zone for their authorized operations? or]
- (ii) cleared to a hundred per cent. Export oriented undertaking? or
- (iii) cleared to a unit in an Electronic Hardware Technology Park or Software Technology Park? or
- (iv) supplied to the United Nations or an international organization for their official use or supplied to projects funded by them, on which exemption of duty is available under notification of the Government of India in the Ministry of Finance (Department of Revenue) No.108/95 Central Excise, dated the 28th August, 1995, number G. S R. 602 (E), dated the 28th August, 1995? or
- (iva) supplied for the use of foreign diplomatic missions or consular missions or career consular offices or diplomatic agents in terms of the provisions of notification No. 12/2012 Central Excise, dated the 17th March, 2012, number G.S.R. 163(E), dated the 17th March, 2012; or
- (v) cleared for export under bond in terms of the provisions of the Central Excise Rules, 2002? or
- (vi) gold or silver falling within Chapter 71 of the said First Schedule, arising in the course of manufacture of copper or zinc by smelting, or
- (vii) all goods which are exempt from the duties of customs leviable under the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) and the additional duty leviable under sub-section (1) of section 3 of the said Customs Tariff Act when imported into India and are supplied,
  - (a) against International Competitive Bidding? or
  - (b) to a power project from which power supply has been tied up through tariff based competitive bidding? or
  - (c) to a power project awarded to a developer through tariff based competitive bidding, in terms of notification No. 12/2012 Central Excise, dated the 17th March, 2012]
- (viii) supplies made for setting up of solar power generation projects or facilities.

**Analysis :**

Export of Exempted and non-exempted goods also will be considered for

exclusion for the purpose of reversal of cenvat credit under Rule 6 of Cenvat Credit Rules.

As per the rules, exports under bond is mentioned under the exclusion list in Rule 6(6) of Cenvat Credit Rules 2004. However export of exempted goods are also treated as export under bond, since these goods are excisable and exported under Nil rate of duty and Nil rate of duty is also the duty and therefore cenvat will be allowed on the same and therefore are excluded from the provisions of Rule 6.

The decisions of the following High Court:

- REPRO INDIA LTD. Versus UNION OF INDIA [2009 (235) E.L.T. 614 (Bom.)]
- UNION OF INDIA Versus SHARP MENTHOL INDIA LTD. [2011 (270) E.L.T. 212 (Bom.)]
- COMMISSIONER OF CENTRAL EXCISE Versus DRISH SHOES LTD. [2010 (254) E.L.T. 417 (H.P.)]
- Commissioner v. Drish Shoes Ltd. - 2015 (322) E.L.T. A112 (S.C.)]

**(6A)** The provisions of sub-rules (1), (2), (3) and (4) shall not be applicable in case the taxable services are provided, without payment of service tax, to a Unit in a Special Economic Zone or to a Developer of a Special Economic Zone for their authorised operations.

**(7)** The provisions of sub-rules (1), (2), (3) and (4) shall not be applicable in case the taxable services are provided, without payment of service tax, to a unit in a Special Economic Zone or to a developer of a Special Economic Zone for their authorised operations or when a service is exported or when a service is provided or agreed to be provided by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India.

**Sub-rule (7) has been Substituted w.e.f 1.4.2016.**

Sub-rule (7) is being amended so as to provide that credit taken on inputs and input services used in providing a service by way of "transportation of goods by a vessel from customs station of clearance in India to a place outside India" shall not be required to be reversed by the shipping lines. It may be mentioned here that this service presently qualifies as an "exempted service" on account of Rule 10 of Place of Provision of Supply Rules. Service by way of transportation of goods by a vessel from customs station of clearance in India to a place outside India is being excluded from the definition of "exempted service" by amending rule 2(e) of the rules as discussed above. Amendment in sub-rule (7) coupled with the corresponding amendment in the definition of Exempted Service is aimed at allowing credit of eligible inputs, input services and capital goods for providing the said service and providing Indian shipping lines a level playing field vis a vis the foreign shipping lines. The credit available may be used by Indian shipping lines to pay service tax on the services of transportation of goods by a vessel from outside India to the customs station of clearance in India, which would become taxable w.e.f 1st June 2016 after enactment of Finance Bill 2016.

- (8) For the purpose of this rule, a service provided or agreed to be provided shall not be an exempted service when:
- (a) the service satisfies the conditions specified under rule 6A of the Service Tax Rules, 1994 and the payment for the service is to be received in convertible foreign currency? and
  - (b) such payment has not been received for a period of six months or such extended period as maybe allowed from time to time by the Reserve Bank of India, from the date of provision.

Provided that if such payment is received after the specified or extended period allowed by the Reserve Bank of India but within one year from such period, the service provider shall be entitled to take the credit of the amount equivalent to the CENVAT credit paid earlier in terms of sub-rule (3) to the extent it relates to such payment, on the basis of documentary evidence of the payment so received.

**Rule 7. Manner of distribution of credit by Input Service Distributor**

The input service distributor shall distribute the CENVAT credit in respect of the service tax paid on the input service to its manufacturing units or unit providing output service or an outsourced manufacturing units, as defined in Explanation 4, subject to the following conditions, namely :-

- (a) the credit distributed against a document referred to in rule 9 does not exceed the amount of service tax paid thereon;
  - (b) the credit of service tax attributable as input service to a particular unit shall be distributed only to that unit;
  - (c) the credit of service tax attributable as input service to more than one unit but not to all the units shall be distributed only amongst such units to which the input service is attributable and such distribution shall be pro rata on the basis of the turnover of such units, during the relevant period, to the total turnover of all such units to which such input service is attributable and which are operational in the current year, during the said relevant period;
  - (d) the credit of service tax attributable as input service to all the units shall be distributed to all the units pro rata on the basis of the turnover of such units during the relevant period to the total turnover of all the units, which are operational in the current year, during the said relevant period;
  - (e) Outsourced manufacturing unit shall maintain separate account for input service credit received from each of the input service distributors and shall use it only for payment of duty on goods manufactured for the input service distributor concerned;
  - (f) Credit of service tax paid on input services, available with the input service distributor, as on the 31st of March, 2016, shall not be transferred to any outsourced manufacturing unit and such credit shall be distributed amongst the units excluding the outsourced manufacturing units.
- Explanation.*-The provision of this clause shall, mutatis-mutandis, apply to any outsourced manufacturer commencing production of goods on or after the 1st of April, 2016;
- (g) Provisions of rule 6 shall apply to the units manufacturing goods or provider of output service and shall not apply to the input service distributor.

*Explanation 1.* For the purposes of this rule, 'unit' includes the premises of a provider of output service or the premises of a manufacturer including the factory, whether registered or otherwise or the premises of an outsourced manufacturing unit.

*Explanation 2.* For the purposes of this rule, the total turnover shall be determined in the same manner as determined under rule 5:

Provided that the turnover of an outsourced manufacturing unit shall be the turnover of goods manufactured by such outsourced manufacturing unit for the input service distributor.

*Explanation 3.* For the purposes of this rule, the relevant period' shall be, -

- (a) if the assessee has turnover in the financial year' preceding to the year during which credit is to be distributed for month or quarter, as the case maybe, the said financial year; or;
- (b) if the assessee does not have turn over for some or all the units in the preceding financial year, the last quarter for which details of turnover of all the units are available, previous to the month or quarter for which credit is to be distributed.

*Explanation 4.* For the purposes of this rule, 'outsourced manufacturing unit means a job-worker who is liable to pay duty on the value determined under rule 10A of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 on the goods manufactured for the input service distributor or a manufacturer who manufactures goods, for the input service distributor under a contract, bearing the brand name of such input

service distributor and is liable to pay duty on the value determined under section 4A of the Excise Act.

**Analysis :**

**Rule 7 has been Substituted w.e.f. 1.4.2016.**

1. Input service distributor can also distribute the CENVAT credit in respect of the service tax paid on the input service to an "outsourced manufacturing unit" along with its own manufacturing units and units providing services whether registered or otherwise.

For the purposes of this rule, "outsourced manufacturing unit means a job-worker who is liable to pay duty on the value determined under rule 10A of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 on the goods manufactured for the input service distributor or a manufacturer who manufactures goods, for the input service distributor under a contract, bearing the brand name of such input service distributor and is liable to pay duty on the value determined under section 4A of the Excise Act.

However credit of service tax paid on input services, available with the input service distributor, as on the 31st of March, 2016, shall not be transferred to any outsourced manufacturing unit and such credit shall be distributed amongst the units excluding the outsourced manufacturing units.

2. Following steps to be followed for distribution of Cenvat credit through ISD
  - (a) The credit of service tax pertaining to specific unit should be identified and distributed to such unit only
  - (b) The credit of service tax attributable as input service to more than one unit but not to all units shall be distributed only amongst such units to which the input service is attributable and such distribution shall be pro rata on the basis of turnover of previous financial year.
  - (c) the credit of service tax attributable as input service to all the units shall be distributed to all the units pro rata on the basis of the turnover of such units on the basis of turnover of previous financial year.
  - (d) The Cenvat credit distributed against invoice/challan etc. document should not be more than the amount of service tax paid thereon.
  - (e) Total turnover shall be calculated as per the provision of Rule 5 of Cenvat Credit Rules, 2004 which is as follows.

"Total turnover" means sum total of the value of -

- (a) all excisable goods cleared during the relevant period including exempted goods, dutiable goods and excisable goods exported;
- (b) export turnover of services determined in terms of clause (D) of sub-rule (1) above and the value of all other services, during the relevant period; and
- (c) all inputs removed as such under sub-rule (5) of rule 3 against an invoice, during the period for which the claim is filed.
- (f) if the assessee has turnover in the financial year' preceding to the year during which credit is to be distributed for month or quarter, as the case maybe, the turnover of the said financial year to be considered for calculation of pro rata for distribution ; or;

if the assessee does not have turn over for some or all the units in the preceding financial year, the last quarter for which details of turnover of all the units are available, previous to the month or quarter for which credit is to be distributed.

- (g) The turnover of an outsourced manufacturing unit shall be the turnover of goods manufactured by such outsourced manufacturing unit for the input service distributor.

- (h) outsourced manufacturing unit has to maintain separate account for input service credit received from each of the input service distributors and shall use it only for payment of duty on goods manufactured for the input service distributor concerned
- (i) provisions of rule 6 shall apply to the units manufacturing goods or provider of output service and shall not apply to the input service distributor

**Check Points:**

1. Cost accounting principles of allocation of overheads as laid down in Cost Accounting Standard No. 3 read with Generally Accepted Cost Accounting Principles to be followed in case of allocation of Cenvat credit identified to particular unit.
2. Similarly, principles of apportionment of expenses as specified in Cost Accounting Standard No. 3 read with Generally Accepted Cost Accounting Principles are to be followed while distributing the Cenvat credit to more than one unit. When the Cenvat credit pertaining to input services are common to different units, these are to be apportioned to those units only on an equitable basis.
3. Balance common inputs should be apportioned / distributed based on the turnover ratio.
4. Ensure ISD is distributed only to the Units having appearing in the ISD Registration. It may also include the names and address of outsourced manufacturing units. It is mandatory to include such units in the ISD, since the wording is mentioned as "Shall".
5. It is not the option to Distribute to particular unit or not or otherwise except specifically mentioned above.

**Rule 7A. Distribution of credit on inputs by the office or any other premises of output service provider**

- (1) A provider of output service shall be allowed to take credit on inputs and capital goods received, on the basis of an invoice or a bill or a challan issued by an office or premises of the said provider of output service, which receives invoices, issued in terms of the provisions of the Central Excise Rules, 2002, towards the purchase of inputs and capital goods.
- (2) The provisions of these rules or any other rules made under the Central Excise Act, 1944, as made applicable to a first stage dealer or a second stage dealer, shall mutatis mutandis apply to such office or premises of the provider of output service.

**7B. Distribution of credit on inputs by warehouse of manufacturer**

- (1) A manufacturer having one or more factories, shall be allowed to take credit on inputs received under the cover of an invoice issued by a warehouse of the said manufacturer, who receives inputs under cover of invoices, issued in terms of the provisions of the Central Excise Rules, 2002, towards the purchase of such inputs.
- (2) The provisions of these rules or any other rules made under the Excise Act as applicable to a first stage dealer or a second stage dealer, shall, mutatis mutandis, apply to such warehouse of the manufacturer.

**Rule 7B has been Inserted w.e.f. 1.4.2016.**

Manufacturers with multiple manufacturing units can maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units. Also a manufacturer having one or more factories shall be allowed to take credit on inputs received under the cover of an invoice issued by a warehouse of the said manufacturer, which receives inputs under cover of an invoice towards the purchase of such inputs. Procedure applicable to a first stage dealer or a second stage dealer would apply, mutatis mutandis, to such a warehouse of the manufacturer.



# STRATEGIC COST MANAGEMENT IN WINNING BACK CLIENTS

**Mr. Indraneel Sen Gupta**

Master in Economics/MBA in International Business Management / ICAI Final / Journalist Global Business Strategist & Global Macro Economic Researcher



The profession of cost management has taken many changes over the years and now the current decade and the coming one are the era of strategic cost management. As I have been writing exclusively for this segment today I will accentuate on the key areas of balanced score card. I have already in my previous articles have covered extensively on balanced score card I find it to be one of the best tools for an organization to scale into new heights. Every year when the month of March comes up and annual review is being conducted the most important question being asked to sales or management team is that how many clients are being acquired. The question should be how many clients acquired in the last 5 years are still with the organization. This is the place and point from where a cost accountant and his reports creates a difference in the management system.

I find that companies focus on client acquisition and less on customer retention or winning back the client. Churning of clients has become a key factor. Low churning of clients is a key factor for the success of an organization which also leads to better balanced score. Competition has led to high number of churning and hence strategic cost management is very important for the cost control and reducing churning of customers. In today's market we can't afford to take double cost hurt while a customer leaves or churns. Even if the companies focus on customer retention they go on a limited approach as cost is too high in getting back a client. Now applying strategic cost management I find that cost accountants can help to create and also design the mix of product for the customer winning back the customer. Only acquisition of customer will be of no help if there is a leakage in the system from where customers change your products and services. Like a cost accountant who designs a sales mix he can design a product-client winning back based product.

Most companies incur high cost while winning back clients as they try to establish the brands again. The company must understand that the client is already aware about your brand and he has just changed the product or service. Hence, no requirement of re-establishing the brand to the same client. This saves huge cost. Now you need to figure out why the client changed the product or service.

If it's due to price then placing discounts solves the problem. If it's due to service then your operation needs a check up regarding the servicing part. If the client has moved out due to both then one needs to design a separate product of service and price combination for the same. The recent technology, particularly more-sophisticated customer databases, allows companies to draw on information about how people used their service the first time around to craft more-successful win-back offers.

For example in case you belong to an Insurance or telecom industry switching over the client is often and this is the place where you need to get into price and service part so that the client comes back to you. You don't need to incur high cost of brand establishment. A cost accountant helps to find how much you earned from the client compared to how many clients you acquired. Revenue per client is an important barometer to look into success of a product, its life cycle and in making decision regarding its sales mix and product mix designing. This mix will help the company to cut down on churning and improve its services and product prices. Every industry expands and then it falls back. It's mainly due to the ignorance of client retention and revenue per client. When an organization focuses on its 5 years old customers it gets a clear message to the industry and competitors that the organization is serious about its business, customers, products and services. A cost accountant helps to design this balance over the years since he knows the various angles of cost and how the benefit of reduction could enhance the sales. Service cost also comes down when efficient mix of the same is created.

## CEP Report - WIRC

- 1. Discussion on Union Budget** on 5th March 2016 at WIRC Office. CMA V.S. Datey, Author of many books on Indirect Taxation, CMA A.B. Nawal, CCM & Chairman Taxation Committee, ICAI and Dr. Vishnu Kanhere, Ph.D, FCA, FCMA were the speakers.
- 2. Discussion on Union Budget** on 6th March at Thane SMFC - CMA Amit Sarker, Director - Indirect Taxation, Deloitte and Mr. Anjana Singh, Director, Direct Tax, Deloitte were the speakers.
- 3. Opportunities in the Insurance Sector for CMAs** on 11th March at WIRC Office. Mr. Sanjeeb K. Mohanty, Director, Arbitrator, ESEN Insurance Surveyors & Loss Assessors (P) Ltd., was the speaker.
- 4. CEP on Advance Excel** on 31st March 2016 at WIRC Office. Mr. Shaikh Imran was the faculty for the same.

# Valuation for the Purpose of Excise

**CMA Ajay Kumar Singh**

Contact : +9195605 95825, 99908 33734 [cmajaysingh@gmail.com](mailto:cmajaysingh@gmail.com)



Supreme Court had accepted the Department's plea to reject the declared transaction value of cars sold at a substantially lower price than the cost of manufacture. In short it has directed to invoke the provisions of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 to assess Central Excise duty. The logic behind the judicial decision is that there is additional consideration, as postulated in rule 6, that is flowing from the buyer to the assessee. Hence, money value of such additional consideration could be added to the declared transaction value and so Department's claims have been agreed upon. In the above factual background, it was held by the Supreme Court that the tax authorities can reject the sale price and levy excise duty at manufacturing cost and profit.

FIAT had admitted before the apex court that the purpose of such pattern of sale was to achieve market penetration.

While the Supreme Court's verdict is based on the specific facts of the case, the Revenue authorities in India tried to apply the principles laid down by the Supreme Court in the said decision at a generic level in all cases where the goods were sold at a loss. The recent amendment does not contemplate a circumstance where any money is flowing back to the assessee. If at all is there any, the situation shall suo moto be governed by the main clause of rule 6 which reads thus:

"Where the excisable goods are sold in the circumstances specified in clause (a) of sub section (1) of section 4 of the Act except the circumstance where the price is not the sole consideration for sale, the value of such goods shall be deemed to be the aggregate of such transaction value and the amount of money value of any additional consideration flowing directly or indirectly from the buyer to the assessee." Here, the situation was where money value of the additional consideration flows back to the assessee from the buyer. The new version as appended to rule 6 is applicable where money value of additional consideration does not flow back. It reads thus:

"Provided that where price is not the sole consideration for sale of such excisable goods and they are sold by the assessee at a price less than manufacturing cost and profit, and no additional consideration is flowing directly or indirectly from the buyer to such assessee, the value of such goods shall be deemed to be the transaction value."

In both the main clause of rule 6 *ibid* and the newly added proviso clause the context is 'sale where price is not the sole consideration'. Deviation starts when 'there is' and 'there is no' additional consideration flowing back in the main clause and the newly added proviso clause respectively. In the former case, the additional consideration that is flowing back to the seller from the

buyer forms part of transaction value. One has to stop here to ponder if the alternative of the main clause is also true. In other words, when we remove the term "the aggregate of such transfer and the amount of money value of any additional consideration flowing directly or indirectly from the buyer to the assessee" it becomes "where the price is not the sole consideration for sale, the value of such goods shall be transaction value" which is same as the newly added proviso clause and emphatically contradictory to the provisions of section 4(1)(a).

Central Board of Excise and Customs (CBEC) issued circular number 979/03/2014-CX, dated January 15, 2014, clarifying the following:

- i) Mere sale of goods below the manufacturing cost cannot be taken as the sole basis for rejecting the transaction value
- ii) The circular quotes the Supreme Court wherein it has cited certain illustrations wherein the sale price lower than the cost of manufacture and profit would be accepted for assessing excise duty liability, like in the case of a company which intends to switch over its business or where the goods could not be sold within a reasonable time
- iii) Due care must be taken at the level of the Commissioner to determine whether the facts of the case are similar to the Fiat India case
- iv) Aspects such as the percentage of loss at which sale has taken place, the period for which such loss making price has prevailed, reasons for sale at such loss making price, etc., may be looked into by the field formation at the time of applying the principles of the Fiat India judgment during the course of audit
- v) The extended period of limitation may not be invoked by the Revenue authorities prior to the date of judgment in case of Fiat India, that is, before August 29, 2012.

**Conclusion:** The new amendment makes yet another incongruity. When the amendment decrees 'if the price is not sole consideration' it presupposes that there is additional consideration. So, by the word of the edict, there is additional consideration; however, price that is lower than manufacturing cost also shall be transaction value if such additional consideration is not flowing directly or indirectly from the buyer to such assessee. Hence, it contradicts with the main clause which warrants inclusion of money value of any additional consideration to the declared value so as to become transaction value while the amendment does not require the assessee to include any such additional consideration. ■



# Application of Cost Accounting Principles to Allocate, Apportion & Absorb Cost of Filtered Water

**CMA Rajesh Kapadia**

Any company usually has its own Filtered Water Plant to meet requirement for Demineralised Water Plant, Cooling Water Plant & Other domestic use.

It is imperative for the CMA Department to ascertain the cost of Filtered Water generated by Filtered Water Plant to charge Filtered Water cost to Demineralised Water Plant, Cooling Water Plant & for other use (if any) as well as to monitor, control & reduce cost of Filtered Water.

This cost can be ascertained by preparing Cost Sheet as exhibited in Annexure-I

After the ascertainment of Cost of Filtered Water as exhibited in Annexure-I, the following Cost Accounting Principles should be followed to allocate, apportion & absorb the Cost of Filtered Water.

**(1) Filtered Water for Demineralised Water Plant**

It will be allocated to Demineralised Water Plant

In Demineralised Water Plant Cost Sheet, it will appear as Cost of Filtered Water.

Cost of Demineralised Water Plant will be further allocated / apportioned to Boiler & Production Cost Centres

In Product Cost Sheet, it will appear as Steam Cost & Cost of Demineralised Water Plant respectively

**(2) Filtered Water for Cooling Water Plant**

It will be allocated to Cooling Water Plant

In Cooling Water Cost Sheet, it will appear as Cost of

Filtered Water.

Cost of Cooling Water Plant will be further allocated / apportioned to Air Compressor Unit & Production Cost Centres.

In Product Cost Sheet, it will appear as Cost of Compressed Air & Cost of Cooling Water Plant respectively.

**(3) Filtered Water for Drinking & Other Domestic Use**

In Product Cost Sheet, It will appear as Overheads Cost.

When the above mentioned Cost Accounting Principles are followed, it will result in Correct Cost Centrewise Allocation & Apportionment & finally its absorption in Final Product with exactness, accuracy & reliability.

Usually, every month, Filtered Water Plant submits one Statement or Report to CMA Department. This statement / report gives Cost Centrewise Consumption of Filtered Water.

Consumption of Filtered Water can be identified Cost Centrewise either by Installing Meters, or through some Technical Estimates, or through Utility Balancing Diagram or it can be computed by recording the rate of flow of water and the time during which water flows.

CMA Department should insist for Installation of Meters as well as their regular calibration preferably by an outside agency.

## Annexure-I : Cost Sheet of Diesel Generating Set for the Month of

	Unit	Qty.	Variable Cost		Fixed Cost		Total Cost		
			Rate	Total Rs.	Rate	Total Rs. Lacs	Rate	Total Rs. Lacs	%
Units Generated (Kwh)	Kwh								
Cost Particulars :									
(I) HSD	Klt								
(II) Electricity Duty									0%
(III) Cooling Water	Klt								0%
(IV) Salaries & Wages									0%
(V) Cons. Stores									0%
(VI) Repairs & Maint.									0%
(VII) Depreciation									0%
(VIII) Insurance									0%
Total Cost									100
Cost / Unit									

# INTERNAL AUDIT – ROLE OF COST ACCOUNTANTS

STUDY by CMA R. P. GORE and CMA S. R. PIMPLE

After inclusion of Cost Accountants in clause for Internal Audit u/s 138(1) of the Companies Act 2013, we find that there are some companies, which are including the Cost Accountants and inviting them in the advertisements along with Chartered Accountants for the work of Internal audit. There are many / organizations which are not including us in their bidding process / tendering process or in their advertisement for Internal Audit mainly because they are either not aware about our eligibility / entitlement or they do not want to make any change in the same old process of selection followed years after years.

We suggest that whenever such advertisement appears in local media, the local CMAs of that area or Chapters should take up our case and should make them aware about our capabilities -legally and professionally. We have to emphasize that it is our right to participate in the process of bidding / tendering. We enclose herewith copy of our letter addressed to PMRDA (Annexure I) as a sample letter. Maybe the chapters or the CMAs find some points as given in the letter, useful in drafting the letter or pleading our case to the company or the authorities particularly when it is government company or organization. We would be happy if that it is put to use by any Cost Accountant.

We find to our surprise that lots of Cost Accountants are not sure whether they could do the Internal Audit and whether they could get the assignment when they do not have (?) Internal audit experience (It is this question which prompted the note) We have tried to convince ourselves in this matter. In the same situation what would be the answer by any Chartered Accountants? They would, I am sure, never be bothered and would be assuming that their statutory auditing experience, or experience of concurrent audit would be sufficient for that purpose.

We reproduce sec 138(1) of the Companies Act 2013

'138. Internal audit (1) Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a Cost Accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company."

Thus it gives the Practicing Cost Accountant the entitlement to work in the field of Internal audit officially at par with Practicing Chartered accountant with the specific provision.

For Auditees for whom this is mandatory the rules framed have considered some criteria. Under the Rule 13 of Companies (Accounts) Rules, 2014, all listed Companies are required to appoint internal auditor whereas the criteria for unlisted company would depend first on basis

whether it is public limited company or private limited company and then depending upon its preceding years income, amount of loan, capital and deposit it would be decided whether the company is covered in Internal Audit mandatorily.

It may be thus noted that

1. The auditor can be Chartered or Cost Accountant or other Professional (may be technical expert / professional) He can be Employee auditor or external auditor (Does it mean that employed CMA's experience in Internal Audit field should also be considered at the time of offer in bidding / empanelment process?)
2. The appointment is to be made by the board and he has to report to the board. The Internal Auditor shall submit his report to the Chairman of Audit Committee, and when there is no such committee to the Board of Directors. The Internal Auditor or a senior representative of the firm of Internal Auditor shall attend the Audit Committee meetings. Section 138 states that "the Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board." When it came to the rule, explanation to Rule 13 runs as "the Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit." Thus, neither the Act nor the Rules is specifically saying about the manner or periodicity of internal audit. The periodicity of audit maybe on a quarterly basis (The Board may prescribe for a lesser period)
3. The scope of work is not defined but would be to audit of functions and activities of the companies. The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit. It would be better for the board and the Internal Audit if the Board shall (on the recommendation of the audit committee) give written terms of reference to the Internal Auditor
4. As per Sec 144 of the Companies Act, the Statutory Auditor (the cost auditor) can not take assignment of Internal Audit of the same company and vice versa
5. The Internal Auditors shall comply with the auditing standards.

The Companies Act 2013 made first time the Internal audit mandatory. We have tried to make comparative chart showing position of Financial audit, Cost audit and Internal audit. It shows that in lot of respect Cost Audit is having similarity in its approach and working ways with internal audit

## COMPARATIVE CHART

	<b>Statutory Financial Audit</b>	<b>Statutory Cost Audit</b>	<b>Internal Audit</b>
Applicability- under the Companies Act Section-wise	Sec 139(1): Subject to provisions of this Chapter, every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting and the manner and procedure of selection of auditors by the members of the company at such meeting shall be such as may be prescribed. Provided that the Company shall place the matter relating to such appointment for ratification by members in every annual general meeting	Sec.148 (2): If the Central Government is of the opinion that it is necessary to do so, it may by order direct that the audit of cost records of class of companies, which are covered under the sub section (1) and which havenetworth of such amount as may be prescribed or a turnover of such amount as may be prescribed shall be conducted in the manner specified in the order.	Sec.138 (1)Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a Cost Accountant or such other professional as may be decided by the Board to conduct the internal audit of the functions and activities of the Company.
Activity wise	The Auditor shall make a report to the members of the Company on the accounts examined by him and on every financial statements which are required by or under this Act to be laid before the Company in general meeting and the report shall after taking into account the provisions of this Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of this Act or any rules made thereunder or under any order made under sub section 11 and to the best of his information and knowledge, the said accounts, financial statements give a true and fair view of the state of the company's affair as at the end of its financial year and profit or loss and cash flow for the year and such other matters as may be prescribed.	Audit of the Cost Records under sub section (1) provided further that the auditor conducting the cost audit shall comply with the cost auditing standards. Explanation: For the purpose of this section the expression cost auditing standards are issued by the Institute of Cost and Works Accountants of India (now Institute of Cost Accountants of India) constituted under the Cost and Works Accountant Act, 1959 with the approval of Central Government. The auditor give opinion that the statements in the annexure to the Cost Audit Report gives/does not give a true and fair view of the Cost of Production or products/ rendering of services, cost of sales, margin and ther information relating to product(s)/ services under reference.	The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor formulate the scope, functioning, periodicity and methodology for conducting the internal audit.
Appointment	Members in Annual General Meeting on the recommendation of the Board of Directors and report is also given to the Members	Board of the Directors on the recommendation of Audit Committee. The report is given to the Board of Directors	Board of the Directors on the recommendation of Audit Committee. The report is given to the Board of Directors
Eligibility criteria	All Companies	Class of companies specified in the Cost (CRand A) Rules as amended. For regulated Industries Turnover Rs.50 or more Cr. And for unregulated industry Turnover Rs. 100 Cr. Or more.	1. Every Listed Co. 2. Unlisted Co. having paid up Share Capital Rs. 50 Crore or more turnover Rs. 200 crore or more or loan / borrowing from banks or FI o/s Rs. 100 cr or more or outstanding depositing Rs. 25 cr or more 3. Private Co. turnover Rs. 200cr or more and o/s loan/borrowing Rs. 100 cr or more

	Statutory Financial Audit	Statutory Cost Audit	Internal Audit
Objectives	Statutory Audit is conducted with the objective of ensuring truthfulness and fairness of the financial statements of an entity. Since external agency want an independent cheque on truthfulness of information provided, the audit exists.	Cost Accounting has evolved to control the costs and provide data for decision making. It is also audit of efficiency by optimizing resources and reducing wastages. Certifying Cost Statements and other data as true and FAIR.	Internal audit is conducted with the objective of review of internal controls, checks and financial or no financial operations of the organization. This is to effectively reduce risk of non-compliance and bringing economy in the organization in all areas of operations.
Method Used	Initially vouching and confirmations were basic tools. Now test checking of internal controls and system are tools for reliability of financial data.	Observations of operations minutely and analyzing the same was initial thrust. Now operations review and appraisal of management functions has become thrust area.	Evaluation of various internal controls and review of day to day operations to bring economy and reduce risk is prime areas.

In the present framework, Cost Audit serves / tries to serves the organization in following manner

- i. Management gets reliable data for its day-to-day operations like price fixing, control, decisionmaking, etc.
- ii. A close and continuous check an all wastages will be kept through a proper system of reporting to management.
- iii. Inefficiencies in the working of the company will be brought to light to facilitate corrective action.
- iv. Management by exception becomes possible through allocation of responsibilities to individual managers.
- v. System of budgetary control and standard costing will be greatly facilitated.
- vi. Reliable check on valuation of closing stock and work-in-progress can be established.
- vii. Helps in detection of frauds and errors.
- ix. Cost Audit ensures that proper records are kept as to purchases and utilization of material and expenses incurred on wages, etc. It also makes sure that the valuation of closing stock and work-in-progress is on fair basis. Thus, the shareholders are assured of a fair return on their investment.

By close observations of the above, we sense the similarities in the aims and objectives of the Internal Audit and Cost Audit. Both look for review of day -to-day operations and particularly to evaluation and improve the effectiveness of risk management, Control and governance process.

**Let us note the recent change CARO reporting (the Companies - Auditors report) order 2015. The earlier requirement of financial auditors reporting on the adequacy or not of Internal audit system in CARO has been dispensed off in CARO 2015 and now he is not required to report on that aspect. The latest change in Cost Audit scene is of notification dated 31st Dec 2015. However after the notification you find that the Cost Auditor is required / continued to**

**require to comment in his report CRA 3 on the adequacy or not of Internal audit system. Considering these two facts, as on today the Cost Accountants have more role to play than Chartered Accountant in Internal Audit.**

Let us look the same point from another angle The Institute of Internal Auditors have recently defined Internal Audit as "independent objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process." After going through the definition we can surely state that it includes to check / ensure various Internal and external compliances, to minimize risk and to monitor the internal controls, to optimize the resources - Cost and Processes and to see effective governance process and ethical practices

Take any cost audit report and we find that it is much comparable to the above Internal Audit report. We check the correctness/ calculations of excise duty; service tax and VAT thus all the indirect taxes are checked by us. We are reconciling the assessable values. Thus we check all indirect tax compliances or maximum external compliances. As part of our audit exercise, we check MIS and check the consumption parameters with standards or norms. We also study the budgets, compare it with actuals, try to find effectiveness of internal controls we find out product-wise cost, we also give details of the capacity utilization. Thus we are accustomed to study and work out Internal and external compliances

We are also knowing and reporting whether through performance report or report to the management the optimum use of resources Thus both audits are efficiency and effectiveness audits Now can this experience of Cost Audit not useful or to be considered for / counted for Internal audit?

It is indeed true we have better exposure to costing and

we do product costing going to deep extent and studying processes and raw materials keenly. We go through various process / machines and various ways in which costs can be reduced. In our Cost Audit report product-wise or department-wise cost of production and can particularly have better understanding of costs and

profitability and hence are surely could suggest / can advise the company for various ways to reduce the cost.

Thus it is our opinion based on the arguments given above that the COST AUDIT EXPERIENCE SHOULD BE CONSIDERED WHILE CONSIDERING EXPERIENCE FOR INTERNAL AUDIT ASSIGNMENTS.

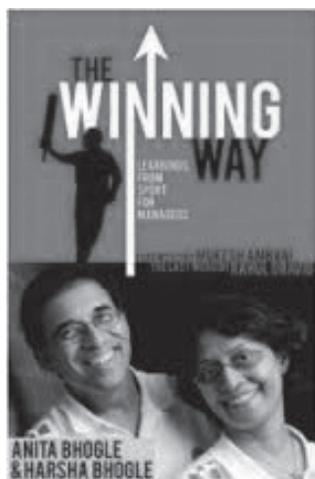
**Foot note :** The Institute of Chartered Accountants has developed Internal audit standards as given below. Till the time our Institute develops Internal audit standards, we feel there is no harm to go through the standards developed and use it

Steps	SIA No	Particulars	Steps	SIA No	Particulars
1	2	Basic Principles	6	3	Documents
2	7	Quality Assurance	7	9	Communications
3	1	Planning	8	4	Reporting
4	8	Term of engagement	9	5	Sampling
5	10	Evidence	10	6	Analytical Process

## BOOK REVIEW

### The Winning Way

Authors : Anita Bhogle & Harsha Bhogle



The Winning Way is a book co-authored by sports commentator Harsha Bhogle & advertising consultant Anita Bhogle (both IIMA alumni). The thing that distinguishes it from other books of its kind is that how the examples of success from sports can benefit the managers. In fact, the authors conduct corporate workshops under the same name. The book talks about how lessons from sports can be applied by managers. How champions keep their winning streak in spite of so many hurdles? Everyone of us is related to sports at some point or the other, be it as a player or a spectator.

The book is divided into 10 chapters and has a foreword by Mukesh Ambani. Over the chapters, the authors take us to different aspects of winning. The book states that not only ability, but attitude and passion can take a person far ahead than others. It also talks about the

burden of winning, how to manage it and what to learn while losing. Sports teaches us the best about how to digest defeat.

Accepting the change and the risk behind it has been beautifully explained with the change from Test to T20 and how corporate houses have managed change. The Winning Way also talks about leadership, what makes a good leader and how a good team player may not always be a good leader.

In the end they focus on the changing times in sports and business. The authors have interviewed a lot of sports personalities & top executives from leading companies and have inserted their quotes or opinions at the exact place in book in the different chapters wherever required. The last word is about being a team player and is written by a great team player, Rahul Dravid.

The Winning way, is a treat to read and to learn from sports for the corporate managers.

*Review by*

**Vasant D. Tondwalkar**

*Fresh CMA (passed in December 2015)*

Mail : tondwalkarvasant741@gmail.com • Contact : +91 9028050859



# Cost Sharing – Is it Service

By CMA Ashok B. Nawal

Contact: +91 9890165001 • Email: nawal@bizsolindia.com

Finance Act 1994 (amended every year) provides the provisions relating to service tax. It is always the debatable issue as to such type of cost sharing arrangement between Group Companies is the service. If yes, whether it falls under:

- (a) Management OR Business Consultant Services OR
- (b) Business Auxiliary Service OR
- (c) Support Service of Business or Commerce OR
- (d) Manpower Recruitment & Supply Service OR
- (e) None of the above.

Prior to introduction of negative list of services, there was no definition of service but number of services were defined and such definitions has been reintroduced even in the era of negative list and therefore let us understand definition of above services.

Services is defined under section 65B (44) as:

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

- (a) an activity which constitutes merely,--
  - (i) a transfer of title in goods or immovable property, by way of sale, gift or in any other manner; or
  - (ii) a transaction in money or actionable claim;
- (b) a provision of service by an employee to the employer in the course of or in relation to his employment;
- (c) fees taken in any Court or tribunal established under any law for the time being in force.

Explanation 1. - For the removal of doubts, it is hereby declared that nothing contained in this clause shall apply to,--

(A) the functions performed by the Members of Parliament, Members of State Legislative, Members of Panchayats, Members of Municipalities and Members of other local authorities who receive any consideration in performing the functions of that office as such member; or (B) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or

(C) the duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or State Governments or local authority and who is not deemed as an employee before the commencement of this section.

Explanation 2.-- For the purposes of this Chapter,

- (a) an unincorporated association or a body of persons,

as the case may be, and a member thereof shall be treated as distinct persons;

- (b) an establishment of a person in the taxable territory and any of his other establishment in a non-taxable territory shall be treated as establishments of distinct persons.

Explanation 3.- A person carrying on a business through a branch or agency or representational office in any territory shall be treated as having an establishment in that territory;

- Management Business Consultant has been defined under section 65(65)
  - Management OR Business Consultant" means any person who is engaged in providing any service, either directly or indirectly, in connection with the management of any organization or business in any manner and includes any person who renders any advice, consultancy or technical assistance, in relation to financial management, human resources management, marketing management, production management, logistics management, procurement and management of information technology resources or other similar areas of management;
  - Business Auxiliary Service has been defined under Section 65(19)
  - business auxiliary service" means any service in relation to, -
    - (i) promotion or marketing or sale of goods produced or provided by or belonging to the client; or
    - (ii) promotion or marketing of service provided by the client; or
    - (iii) any customer care service provided on behalf of the client; or
    - (iv) procurement of goods or services, which are inputs for the client; or
- Explanation**
- For the removal of doubts, it is hereby declared that for the purposes of this sub-clause, "inputs" means all goods or services intended for use by the client;]
- (v) production or processing of goods for, or on behalf of the client; or
  - (vi) provision of service on behalf of the client; or
  - (vii) a service incidental or auxiliary to any activity specified in sub-clauses (i) to (vi), such as billing, issue or collection or recovery of cheques, payments, maintenance of accounts and remittance, inventory management, evaluation or development of

prospective customer or vendor, public relation services, management or supervision, and includes services as a commission agent, but does not include any activity that amounts to "manufacture" of excisable goods.

Explanation. For the removal of doubts, it is hereby declared that for the purposes of this clause, -

- (a) "commission agent" means any person who acts on behalf of another person and causes sale or purchase of goods, or provision or receipt of services, for a consideration, and includes any person who, while acting on behalf of another person -
- (i) deals with goods or services or documents of title to such goods or services; or
- (ii) collects payment of sale price of such goods or services; or
- (iii) guarantees for collection or payment for such goods or services; or
- (iv) undertakes any activities relating to such sale or purchase of such goods or services;
- Support Services of Business or Commerce has been defined under Section 65 (104c):

"Support Services of Business or Commerce" means services provided in relation to business or commerce and includes evaluation of prospective customers, telemarketing, processing of purchase orders and fulfilment services, information and tracking of delivery schedules, managing distribution and logistics, customer relationship management services, accounting and processing of transactions, Operational or administrative assistance in any manner, formulation of customer service and pricing policies, infrastructural support services and other transaction processing.

**Explanation** - For the purposes of this clause, the expression "infrastructural support services" includes providing office along with office utilities, lounge, reception with competent personnel to handle messages, secretarial services, internet and telecom facilities, pantry and security;]

- Manpower Recruitment & Supply Service has been defined under Section (65) (68):
- Manpower Recruitment or Supply Agency" means any person engaged in providing any service, directly or indirectly, in any manner for recruitment or supply of manpower, temporarily or otherwise, to any other person

Generally Group Companies have common expenses on manpower, infrastructure, Administrative Support, etc. and share the cost based on the Cost Sharing Agreement and disputes are raised on applicability of service tax, since those shared cost either falls under any of the above categories considering the definitions of "Individual Service" except for "Management Consultancy", since each of the company of the group Company is the separate legal entity (i.e. person).

Though it falls under the definition of "Individual

Services" it needs to study, whether it falls under the definition of "Service". Any activity carried by one person for another (includes the one of the Group Company shared the cost for another) for consideration will cover under the definition of service and therefore it is important to understand the definition of consideration.

"Consideration" is first time defined in the Finance Act on 18.04.2006 Section 67(4) by way of inserting explanation as:

67. Valuation of taxable services for charging Service tax-
- (1) Subject to the provisions of this Chapter, service tax chargeable on any taxable service with reference to its value shall,-
- (i) in a case where the provision of service is for a consideration in money, be the gross amount charged by the service provider for such service provided or to be provided by him;
- (ii) in a case where the provision of service is for a consideration not wholly or partly consisting of money, be such amount in money, with the addition of service tax charged, is equivalent to the consideration;
- (iii) in a case where the provision of service is for a consideration which is not ascertainable, be the amount as may be determined in the prescribed manner.
- (2) Where the gross amount charged by a service provider, for the service provided or to be provided is inclusive of service tax payable, the value of such taxable service shall be such amount as, with the addition of tax payable, is equal to the gross amount charged.
- (3) The gross amount charged for the taxable service shall include any amount received towards the taxable service before, during or after provision of such service.
- (4) Subject to the provisions of sub-sections (1),(2) and (3), the value shall be determined in such manner as may be prescribed.

Explanation.-For the purposes of this section,-

- (a) "consideration" includes any amount that is payable for the taxable services provided or to be provided;
- (c) "gross amount charged" includes payment by cheque, credit card, deduction from account and any form of payment by issue of credit notes or debit notes and book adjustment, and any amount credited or debited, as the case may be, to any account, whether called "Suspense account" or by any other name, in the books of account of a person liable to pay service tax, where the transaction of taxable service is with any associated enterprise.

Definition of "Consideration" includes any form of payment by way of credit note / debit note of book adjustment and therefore all above transactions between the group companies albeit on Cost Sharing basis may also fall under the definition of "Service" and classification will be based on nature of expenses shared between them.

It view of the above, it is important to understand the judicial decisions :

- PALM GROVE BEACH HOTELS PVT. LTD. Versus COMMISSIONER OF C. EX., MUMBAI [2015 (38) S.T.R. 872 (Tri. - Mumbai)]

Manpower services provided by assessee on cost sharing basis to its group companies by employing various professionals like accountant, engineers, etc. - Whether taxable under business auxiliary service - In similar facts and circumstances of case in another group company of appellant wherein similar services were given to other group companies, the Commissioner appropriated the amount of Service Tax paid by appellant under business Support Service whereas he classified the service under Business Auxiliary Service without giving findings on such classification - Tribunal remanded the matter to Commissioner for decision on issue of classification as per the principles of classification in terms of sub-clauses of Clause (105) of Section 65 of Finance Act, 1994 - HELD : In view of similar facts and circumstances of activity/service in this appeal, matter remanded to Commissioner to pass a reasoned order. [paras 3, 4]

- GLAXO SMITHKLINE PHARMACEUTICALS LTD. Versus COMMR. OF S.T., MUMBAI-I [2014 (36) S.T.R. 349 (Tri. - Mumbai)]

Management Consultancy Service - Joint carrying out of day to day functions of business by Glaxo India and Burroughs Wellcome India Ltd. as per agreement of merger between them, construed by Department as 'Management Consultancy service' provided by Glaxo India - HELD : Nothing in said agreement relates or refers to management consultancy service - Terms and conditions relating to rendering of executory services and sharing of cost proportionately for same in said agreement - No evidence produced by department of rendering of any consultancy in field of management by Glaxo - Decision of Tribunal in appellant's own case [2006 (3) S.T.R. 711 (Tri.)], in identical matter, holding said services not classifiable under 'Management Consultancy Service', squarely applicable to present case also - Impugned order set aside - Section 73 of Finance Act, 1994. [paras 5.1, 5.2]

- MAHINDRA & MAHINDRA CONTECH LTD. Versus COMMR. OF S.T., MUMBAI-I [2014 (35) S.T.R. 634 (Tri. - Mumbai)]

Management Consultant service - Deputation of personnel such as executives, secretaries, receptionists, etc., to group companies - Recovery of 15% of wages/salaries as service charges - HELD : Collection of charges on account of deputation of staff - In view of Glaxo Smithkline Pharmaceuticals Ltd. [2006 (3) S.T.R. 711 (Tribunal)] and Daurala Organics [2009 (14) S.T.R. 620 (Tribunal)] services not classifiable under 'Management Consultant service' - In light of Sterlite Optical Technologies Ltd. [2009

(13) S.T.R. 582 (Tribunal)] and Carborandum Universal Ltd. [2010 (18) S.T.R. 473 (Tribunal)] impugned activities covered under 'Manpower Supply Agency Service'. [paras 5.1, 5.2, 5.3]

Demand - Manpower Supply Agency service - Period involved prior to introduction of levy on 'Manpower Supply Agency service' - Demand raised unsustainable in law - Section 73 of Finance Act, 1994. [para 6]

- DAURALA ORGANICS Versus COMMISSIONER OF CENTRAL EXCISE, MEERUT [2009 (14) S.T.R. 620 (Tri. - Del.)]

Management Consultant service - Deputing staff to group company - Staff deputed to group company and engaged in day to day activities - Personnel paid by assessee and amounts representing salary and allowances recovered - Management Consultant is one engaged in providing service relating to conceptualising, devising, development, modification, rectification or upgradation of any working system of organisation - Submission that activity to be considered as supply of manpower which taxable w.e.f. 16-6-2005 whereas present demand is for earlier period - Facts similar to earlier decided case law in favour of assessee - Activity not falling under Management Consultant service - Section 65(65) of Finance Act, 1994. [paras 6.2, 6.3]

- K. RAHEJA REAL ESTATE SERVICES PVT. LTD. Versus COMMR. OF C. EX., MUMBAI [2015 (39) S.T.R. 867 (Tri. - Mumbai)]

Stay/Dispensation of pre-deposit - Business Auxiliary Services - Recruiting staff for the group companies and supplying them to the group companies to deal with the activities undertaken by group companies - Such an activity does not, prima facie, come under the purview of Business Auxiliary Services as defined under Section 65(90) of Finance Act, 1994 - Prima facie case made out for grant of stay - Unconditional waiver from pre-deposit of dues adjudged against appellant granted and recovery thereof stayed - Section 35F of Central Excise Act, 1944 as applicable to Service Tax vide Section 83 of Finance Act, 1994. [paras 5.1, 6]

- Continental Drugs Company Pvt. Ltd. v. Commissioner - [2015 (39) S.T.R. J368 (Bom.)]

The Bombay High Court Bench comprising Hon'ble Mr. Justice S.C. Dharmadhikari and Hon'ble Mr. Justice G.S. Kulkarni on 27-7-2015 admitted the Central Excise Appeal No. 194 of 2014 filed by Continental Drugs Company Pvt. Ltd. against the CESTAT Final Order No. A/5/2014-WZB/C-I(CSTB), dated 11-12-2013 as reported in 2015 (39) S.T.R. 154 (Tri.-Mumbai) (Continental Drugs Company Pvt. Ltd. v. Commissioner). While admitting the appeal, the High Court passed the following order :

1. Having heard both sides, we find that the appeal raises a substantial question of law. It is admitted on the following substantial questions of law :

- (1) Whether the Hon'ble Tribunal, in the facts of the present case, was justified in holding that Appellant was providing "Security agency services" to its group companies?
  - (2) Whether the Hon'ble Tribunal, in the facts of the present case, was justified in holding that Appellant is "commercial concern" having regard to the fact that the activity undertaken by the Appellant was on a no profit basis?
  - (3) Whether in the facts and circumstances of the case, the Hon'ble Tribunal was right in sustaining the demand for extended period holding that the Appellant had suppressed the facts with intent to evade Service Tax?
2. "Respondents waive service."

The Appellate Tribunal in its impugned order had held that assessee rendered security services to various group companies for which they received consideration showing it as business income in their balance sheet and group entities which made payments to assessee's firm had claimed these as expenditure, thereby enjoying the benefit of income tax by reducing their profits. Claim of assessee that he was operating on no profit basis was not accepted and it was held that Service Tax was payable by him.

On limitation, it was held that bona fide belief is not blind belief but has to be based on reasonable measures taken to entertain such belief. Since assessee had not taken registration or followed statutory procedures, they had suppressed the facts and accordingly extended period of limitation was invocable in demand.

- **COMMR. OF CENTRAL EXCISE Versus COMPUTER SCIENCES CORPN. INDIA P. LTD.** [2015 (37) S.T.R. 62 (All.)]  
Manpower recruitment or supply agency - Section 65(105)(k) of Finance Act, 1994 - Service which is provided or to be provided, must be by a manpower recruitment or supply agency - Such a service has to be in relation to supply of manpower - Assessee obtained from its group companies directly or by transfer of employees, the services of expatriate employees - Assessee paid salaries of employees in India, deducted tax and contributed to statutory social security benefits such as provident fund - Assessee was also required to remit contributions, which had to be paid towards social security and other benefits that were payable to the account of employees under laws of foreign jurisdiction - No basis whatsoever to hold that in such a transaction, a taxable service involving the recruitment or supply of manpower was provided by a manpower recruitment or supply agency - Unless the critical requirements of clause (k) of Section 65(105) ibid are fulfilled, element of taxability would not arise. [paras 8, 9]
- **MAHINDRA & MAHINDRA CONTECH LTD. Versus COMMR. OF S.T., MUMBAI-I** [2014 (35) S.T.R. 634 (Tri. - Mumbai)]

Management Consultant service - Deputation of personnel such as executives, secretaries, receptionists, etc., to group companies - Recovery of 15% of wages/salaries as service charges - HELD : Collection of charges on account of deputation of staff - In view of Glaxo Smithkline Pharmaceuticals Ltd. [2006 (3) S.T.R. 711 (Tribunal)] and Daurala Organics [2009 (14) S.T.R. 620 (Tribunal)] services not classifiable under 'Management Consultant service' - In light of Sterlite Optical Technologies Ltd. [2009 (13) S.T.R. 582 (Tribunal)] and Carborandum Universal Ltd. [2010 (18) S.T.R. 473 (Tribunal)] impugned activities covered under 'Manpower Supply Agency Service'. [paras 5.1, 5.2, 5.3]

Demand - Manpower Supply Agency service - Period involved prior to introduction of levy on 'Manpower Supply Agency service' - Demand raised unsustainable in law - Section 73 of Finance Act, 1994. [para 6]

- **COMMISSIONER OF SERVICE TAX Versus ARVIND MILLS LTD.** [2014 (35) S.T.R. 496 (Guj.)]  
Manpower Recruitment or Supply Agency - Scope of - Deputation of some staff to subsidiaries/group companies for stipulated work or for limited period - All throughout direction/control/supervision remained continuously with assessee, who were not in business of providing recruitment or supply of manpower - Actual cost incurred by assessee in terms of salary, remuneration and perquisites was only reimbursed by group companies - There was no element of profit or finance benefit - HELD : Subsidiary companies could not be said to be client of holding company - Deputation of employees was only for and in interest of company - There was no relation of agency and client - Employee deputed did not exclusively work under direction of supervision/control of subsidiary company, and all throughout they would be under continuous control and direction of assessee - Assessee could not be said to be a commercial concern engaged in providing specified services to a client - Hence, they were not liable to Service Tax under Sections 65(68) and 65(105)(k) of Finance Act, 1994. [paras 5, 6]
- **COMPUTER SCIENCES CORPN. INDIA PVT. LTD. Versus COMMR. OF S.T., NOIDA** [2014 (35) S.T.R. 94 (Tri. - Del.)]  
Demand - Manpower Recruitment or Supply Agency Service - Overseas employees were either directly employed or transferred from other group companies - In addition to deductions from salaries towards provident fund and income tax, remittances made to group companies certain social security and other benefits payable under law of foreign jurisdiction - No amount over and above the remittances to seconded employees were paid to overseas group companies - HELD : Issue squarely covered by Volkswagen India Pvt. Ltd. [2014 (34) S.T.R. 135 (Tribunal)] - Tribunal in said case held that global employees working as employees and employee-

employer relationship present - Section 73 of Finance Act, 1994 - Section 65(68) and 65(105)(k) ibid. [paras 2, 4]

- VOLKSWAGEN INDIA (PVT.) LTD. Versus COMMISSIONER OF C. EX., PUNE-I [2014 (34) S.T.R. 135 (Tri. - Mumbai)]

Manpower Recruitment or Supply Agency service - Employment of foreign nationals, i.e., Global employees, previously employed with foreign/holding company - Payment of salaries through foreign/holding company - HELD : Global employees working as employees and employee-employer relationship present - No supply of manpower service rendered by foreign company - Method of disbursement of salaries not to determine nature of transaction - Orders-in-Original set aside - Sections 65(68) and 65(105)(k) of Finance Act, 1994. [2013 (29) S.T.R. 387 (Tribunal); 2013 (29) S.T.R. 317 (Tribunal) followed]. [paras 5.1, 5.2]

- GEICO PAINT SHOP INDIAP. LTD. Versus COMM. OF C. EX. & S.T., PUNE-III [2013 (32) S.T.R. 746 (Tri. - Mumbai)]

Stay/Dispensation of pre-deposit - Manpower

Recruitment or Supply Agency service - Assessee entered into agreement with their holding company in Italy for secondment of personnel to assessee - Part of salary paid in Indian Currency and part paid through holding company - Department contended that transaction involved is of supply of labour by foreign entity to Indian entity and liable to Service Tax - HELD : Inter-company secondment agreement provided that International Assignees shall be at the disposal of assessee as their direct employee and will work under direct control of assessee and their salary would also be paid by assessee - Prima facie deputation of employees within group companies would not come within the purview of supply of labour service - Sections 65(68) and 65(105)(k) of Finance Act, 1994 - Section 35F of Central Excise Act, 1944 as applicable to Service Tax vide Section 83 of Finance Act, 1994. [paras 2, 5, 6]

There are different views in the judicial pronouncement but decision of Gujarat High Court & Allahabad High Court have reached to the finality and therefore such deputation of manpower will not fall under the definition of services. However other expenses needs to be considered on following basis

Heads of Expenses	Nature / Basis of Cost Sharing
Salary	Deputation
Rent	Based on area
Electricity	Actual meter reading
Capital Assets like AC, Furniture, Office Equipments	Not to be considered in Cost Sharing Agreement
Mobile	Based on deputed manpower
Landline	On receipt of bill (detailed bill) only mark abbreviation of companies and debit
Telegram	Actuals on reimbursement basis
Fax services	On receipt of bill (detailed bill) only mark abbreviation of companies and debit
Postage	Actuals on reimbursement basis
Courier	Actuals on reimbursement basis
Traveling Conveyance	Based on deputed manpower
Insurance Coverage	Based on area
Communication Expenses	Actuals on reimbursement basis
Data Card, Leased Line, Online Transmission System	Actuals on reimbursement basis
Legal & Professional Fees	Actuals on reimbursement basis
Advertisement Expenses	Actuals on reimbursement basis

In case, even the litigations needs to be totally avoided then it is advisable to follow the practice of actual payment by the company where the person is deputed to another group company and employed in another group company by way of agreement. There is no bar in any labour laws that salary and other statutory payments cannot be made by any other persons on behalf of employer.

It will not be out of place to appreciate the advance ruling in the case of North American Coal Corporation India

Pvt. Ltd., Pune Ruling No. AAR/ST/13/2015, Application No. AAR/44/ST/2/2014 dtd. 6th November, 2015, wherein it has been held that there shall be no liability to pay service tax on the salary and the allowances payable by the applicant to the employee in terms of the dual employment agreement and such salary will not be eligible to levy the service tax as per the provisions of the Finance Act.

## "12 days Pre-Placement Orientation Program"

Institute has come with a new initiative started from the last batch called "12 days Pre-Placement Orientation Program" for the DECEMBER 2015 FINAL QUALIFIED opting for Campus Placement. Accordingly WIRC had organised the programmes from 1st March to 12th March 2016 at WIRC Office. Around 50 students participated in the programme.

Inaugural session was conducted on 1st March at WIRC office, Mumbai. CMA Debasish Mitra, Chairman WIRC & CMA Kailash Gandhi, Chairman Professional Development Committee WIRC guided the students.

We have also invited the candidates who were placed through our earlier Campus for sharing of experience with the fresher's. Accordingly the following 4 CMAs attended the programme and shared their experience.

1. CMA (Ms) Malavika
2. CMA Amit Didwania
3. CMA Nikita Karia
4. CMA Rohit Virkar

### Topics Covered in Orientation Programme:

SWOT Analysis - CMA Deepak Ukidave

Cost Accounting Exercise & Problems - CMA Sukrut Mehta & CMA M. S. Chandani

Resume Writing & Interviews Skills & Group Discussion Techniques - Ms. Mamta Deval

Personality Development - Mr. Zoheb K Bagkari

Expectation from Industry - CMA Kailash Dhabholkar & CMA Sukram Bisen

Career in PSUs - CMA Abhishek Kumar Singh

Career opportunities - in I.T. Sector - CMA Dr. V.V.L.N Sastry

PPT & Advanced Excel - IT Skills - Mr. Gajendra R. Shukla

Indirect & Direct Taxation and its implications - CMA Aditya Umarji

IndAS, Accounting Standards - CMA Kishore Mehta

PPT presentations was reviewed by Panel Members consisting CMAs Kailash Gandhi, Poonam Shah and Deepak Ukidave. Students were divided into 6 groups and each group has given half an hour time for presentation on different topics. The presentation given by students were excellent and the prizes were given to the group for the best presentation.

Executive Committee Members of WIRC had taken the feedback from the students of the training programme and they have received excellent feedback from the students of conducting such a structured programme which will benefit them a lot for appearing in Campus Placements.

Summing up session & evaluation and Felicitations

Programme conducted on 12th March at WIRC office. CMA Debasish Mitra, Chairman, WIRC, CMA Pratyush Chattopadhyay, Head- Indirect Taxation, ACC and CMA B.N. Sapkal, Chief Manager, (F & A), Lubrizol India Pvt. Ltd. attended the programme and distributed certificates to all students.

### ALUMNI MEET

WIRC conducted Pre Campus Alumni Meet for Members in Industry, for a get-together at WIRC office, Mumbai on 19th March 2016 at 5.30 p.m. to discuss various issues pertaining to Profession,

WIRC has received overwhelming response from the Industry and many Senior Members holding senior position in Industry attended the Meet. They have appreciated the initiative taken by Institute for having a brainstorming sessions for an hour. Members shared their views/ideas and suggested various measures can be taken by the Institute to increase the scope and visibility of the profession. They have assured the whole hearted support for strengthening the Institute activities.

On the occasion CMA Dhiraj Sachdev, Senior Vice President & Fund Manager, Equities, HSBC Global Asset Management, delivered a lecture on "Indian Equity Market - in a Globalized World,"

CMA Debasish Mitra, Chairman, WIRC - ICAI and CMA Kailash Gandhi, Chairman, Professional Development Committee WIRC were present on the occasion. Meeting was followed by dinner.

## *Hearty Congratulations*

### **BEST CHAPTER AWARD 2015**

In National - Regional Council & Chapters Meet held at Kerala on 26th March 2016, following Chapters under WIRC received "Best Chapter Award" for the year 2015

**Category A** - Pune

**Category B** - Surat-South Gujarat

**Category C** - Navi Mumbai

**Category D** - Pimpri-Chinchwad-Akrudi

### **Special Award**

Increase in students' strength Pune Chapter

Increase in members' strength Pune Chapter

Programmes conducted by the Chapters on professional interest Pune Chapter

# CHAPTER NEWS

## AHMEDABAD

### Report on Golden Jubilee Celebration

On occasion of completion of 50 years of service, Chapter had organized a two days seminar as a part of this celebration on 18th and 19th March 2016 at H.T. Parekh Auditorium, AMA followed by Member's Meet and dinner on 20th March 2016 at Sardar Vallabhbhai Patel Smruti Smarak, Shahibaug.

Theme for the two days seminar was 'Challenges and Opportunities under Emerging India'. The seminar was divided into six sessions, three sessions each day. On 18th March sessions that were taken were 'Smart Cities', 'Make in India' and 'Healthcare'.

In Inaugural Session, CMA Vinod Savaliya-Chairman of chapter welcomed all. CMA Manas Thakur -Vice president of The Institute, CMAA. G. Dalwadi - Chairman - Golden Jubilee Celebration Committee, CMA P.H. Desai Vice Chairman - WIRC addressed the gathering. Guest of honour Shri Kartikeya Sarabhai aptly drew our attention to the importance of environmental sustainability when we are heading towards development of future smart cities. Chief Guest for the day was Dr. Jaynarayan Vyas who gave an insight on the four major challenges against emerging India like Water Scarcity, Food Scarcity, ineffective utilization of energy & need for Skill development. CMA Manish Analkat - Secretary proposed vote of thanks.

In first technical session on 'Giving identity to a City' Shri Sashwat Bandyopadhyay and Deep Vadodaria shared their views about the 4th Industrial Revolution due in India i.e. integration of various utilities on a single platform through internet and how India being a Democratic Country believes in Inclusive Development unlike the bench marked nation like China and Dubai.

CMAs J B Mistry and Asim Mukhopadhyay delivered a session on 'Challenges and Opportunities - Make in India' and they highlighted the role of Management Accountants in Global Manufacturing and expressed how Cost Engineering is at the centre of any manufacturing concern stating that it is vital to Merge Virtual world with Real World.

IAS Shri Nagarajan made us realize the pains taken by government to rejuvenate the existing scenario of Health Care Sector in Rural Area stating 'Gauvkia atma honi chahiye aur sheher ki suvidha honi chahiye' and then participants departed on that day.

With the same enthusiasm the seminar began on 19th March. In the first session on 'Start Up India', Mrs. Hina Shah and CSV Mani Iyer expressed that it's not the finance that is the constraint but the lack of mentorship for entrepreneurial attitude. They also drawn attention towards the roles of CMA with the emerge of Start Ups in overcoming the challenges of Inefficiency, Ineffectiveness and Irresponsibility.

Talking on Power Sector, Shri P H Rana and Shri M B Kaka made us aware that most dependable source of energy is Sun and that Government has deployed Solar Policy 2015 to capitalize the same along with an insight on costing involved in Generation, Transmission, and Distribution of power that are minutely governed by the Power sector

Shri Sanjay Gaden and Shri Vivek Ogera briefed about the 3 major components of Digital India Scheme- Infrastructure, Services and Governances. They emphasized the importance of Digital Empowerment and necessity for Digital Transformation.

In the Valedictory session, CMA Vinod Savalia Chairman addressed the delegates, CMA P.H. Desai Vice Chairman - WIRC summed up the deliberations during these two days. CMA Ashok Nawal - Chairman -Indirect taxation Committee of our Institute briefed all the participants about the professional development. Seminar was ended with Vote of Thanks by CMA Ashish Bhavsar-Vice Chairman of Ahmedabad Chapter.

On 20th March, 2016 all members and students of Ahmedabad Chapter gathered for the Golden Jubilee Celebration. The event began at 4.00 pm with the felicitation of founder members and Past Chairmen of Ahmedabad Chapter. Members and Chairmen offered their blessings and shared the precious memories they had while upbringing and nurturing the Chapter. Kind Donors were also felicitated for their contributions in the growth of the Chapter. Dr. Ramzan Surani, a well-known motivational speaker then carried forward the event with its delightful speech on the theme of 'Let us win'. On completion of the speech, Guests and Member were guided to a specially organized a world class Light and Sound Show on the 'History of India' lastly highlighting the role of Sardar Vallabhbhai Patel. A merry evening and an occasion of celebration then came to an end leaving the memories in every participant's heart.

### Students' Convention

Students' Convention 2016 as a part of Golden Jubilee held at Ahmedabad Management Association (AMA) on 9th March 2016 (between 9.00 am to 5.00 pm). The function was inaugurated by Vice Chancellor of Gujarat University Dr. M N Patel as a Chief Guest and Dr. Ramakant Prusti, Principal of B P Patel College of Business Administration, Gandhinagar as a Guest of Honour. CMA V H Savalia-Chairman of Chapter, CMA Ashish Bhavsar-Vice Chairman of Chapter, CMA Manish Analkat-Secretary of Chapter, CMA P H Desai-RCM and Vice Chairman of WIRC, CMA P D Modh - Chairman of Students' Convention and Oral Coaching and CMA Prof. S S Shah-Ex-Chairman of WIRC and other senior CMAs, faculties and Administrative staff of Ahmedabad Chapter were present.

In Students' Convention, nearly 180 students were present from Ahmedabad chapter and other Management colleges. The students have made power point presentation on the recently developed topics like Make in India, Corporate Social Responsibilities, Start-up India etc. Judges were evaluated the presentation and declared prizes for the winners in each categories. The Students' convention was highly successful. It was organized by Students' Convention committee.

## AURANGABAD

### Half Day Seminar on Union Budget 2016

Half Day Seminar on Union Budget was organized by Aurangabad Chapter of ICAI jointly with Bizsolindia Services Pvt Ltd on 3rd March 2016 at Marathwada Mahsul Prabodhini, Aurangabad.

Mr Prashant Nandedkar Joint Commissioner, Sales Tax, Aurangabad was the Chief Guest & CMA A. B. Nawal (CCM - The ICAI, Kolkata), CMA Majoj Behede, CMA Manoj Malpani, Mr. Abhishek Malpani were the speakers.

CMA S. J. Deore, Chairman of the Chapter welcomed the Guest & Speakers. CMA S.R. Pimple introduced the Guest & Speakers to the audience while CMA M. R. Pandit briefed activities of the Chapter & theme of the Seminar.

CMA Bisheshwar Sen, Vice Chairman & Chairman P.D. Committee proposed vote of thanks & CMA S.R. Pimple coordinated the Programme.

### BARODA

1. Chapter participated in career counselling programme organised by MS University, Baroda. On behalf of Chapter CMA S J Joshi and CMA Y S Thakar and Mr. Dhaval Shah participated and guided the students
2. Chapter jointly with Baroda chapter of Company Secretaries organised evening talk on Analysis of Union Budget 2016-17 on 8th March 2016. CMA Alok Shah was the speaker.
3. Evening talk on Business Process on GST jointly organised by Baroda Chapter of Cost Accountants and EXIM club Vadodara. The learned speaker was Shri SreeramKaza, Head, Direct and Indirect Taxation, Alembic Group of Companies.

### KOLHAPUR-SANGLI

#### CEP on On-line Cost Accounting Solutions for Industry

On Sunday, the 7th Feb, 2016, a CEP was organised on the Subject: "On-line Cost Accounting Solutions for Industry- Particularly Sugar Industry" in the Chapter premises. It was conducted for the full six hours by CMA D.D Jadhav, an experienced & senior member of the Institute. He explained to the attending 23 members how the customized online web based cost accounting solution on double entry system works. In this system, he explained, it starts with each voucher of income & expense (revenue as well as capital) being translated & accounted for in Cost accounts. Secondly, Cost allocations / apportionments are accounted by cost transfer vouchers wherever required. Thirdly, product wise / service Activity wise/ department wise/cost centre wise cost accounting is done. This is based on integrated cost accounting system. Lastly, he explained in detail, the on-line facilities available.

CMA B.N.Mule, Treasurer of the Chapter, introduced the faculty and CMA A. A. Katyare, Chairman, proposed vote of thanks.

#### Core Accounting Solution & Raw Material Cost Analysis for Cattle Feed Industry

A CEP was organised on Sunday, the 28th Feb, 2016 at the Chapter premises. It was conducted for six hours in two parts of three hours each. The first part was conducted by CMA D.D Jadhav on the subject "Core Accounting Solution." The subject taken up by CMA Jadhav was an extension of the CEP he conducted on the 7th February 2016 in the Chapter. He explained how the On-line Cost Accounting Solutions for Sugar Industry, described by him some two weeks before, could be made applicable in any Industry & with what modifications. Second session was conducted by CMA A.B. Karpe, a respected Cost Accountant working in Co-operative Gokul Dairy in Kolhapur. His subject was "An Innovative & Novel Approach towards Raw Material Cost Analysis - especially for Cattle Feed Industry." He explained the subject with the actual figures for one year in the Cattle feed Unit of Gokul Dairy. The programme concluded with question answer session.

### NASIK-OJHAR

#### Seminar on "Union Budget - 2016"

Chapter in association with Nashik Chapter of WIRC of ICSI organized Half Day Seminar on 'Union Budget - 2016' on 06th March 2016 during 01.30 to 07.00 PM at Nashik Engineering Cluster, Ambad, Nashik.

CMA Dr. Shilpa Parkhi, Chairperson of Nasik Ojhar Chapter, welcomed all members and faculty. CMA V.S Datey Spoke on Budget Overview, Dr. Sanjay Bhargave and CMA Pradnya Chandorkar explained on service tax amendments, CMA R.K. Deodhar, discussed on Central Excise, Dr. Shilpa Parkhi explained Income tax, and Mr. Arun Sawant expressed views on Customs provisions. The response for the seminar was overwhelming. More than 120 participants were attended the seminar. As a green initiative movement, this time all the study material was provided in soft copy.

### PIMPRI-CHINCHWAD-AKURDI

#### CEP Seminar on "Budget 2016"

Chapter had conducted CEP seminar on Budget 2016 on March 3, 2016 at CMA Bhawan, Pimpri.

CMA Ashish Deshmukh, Chairman of Chapter gave introduction of the topic and welcomed the guest speakers, CMA Rahul Renavikar - Executive Director - Ernst & Young LLP, Mr. Mitesh Thakkar, Manager - Ernst & Young LLP and CMA L D Pawar, RCM.

In the first Technical session, CMA Rahul Renavikar explained the background of Budget 2016, Economic policies of the Govt and gave analysis of Changes in Customs and Service Tax. In Second Technical session, Mr. Mitesh Thakkar gave an in depth analysis of impact on Direct Taxes as per Budget. In third technical session, CMA L D Pawar explained the impact on Central Excise due to Budget. Thereafter, CMA B M Sharma, Former President-ICAI, gave a brief overview of the changes by Budget 2016. All the speakers then answered the questions raised by the audience.

The session was interactive and informative. The Seminar ended with Vote of Thanks by CMA Sandhya Nair, Director - PCA Chapter.

#### CEP Seminar on "Activity Based Costing - Part 2"

Chapter had conducted CEP seminar on Activity Based Costing, second part on March 12, 2016 at CMA Bhawan, Pimpri.

CMA Pradeep Deshpande gave introduction of the topic and welcomed the guest speaker, CMA C S Adawadkar.

In the Technical session, CMA C S Adawadkar first gave a brief overview of the part covered in the first seminar on Activity based costing and then continued to explain how this system can be implemented effectively in organizations.

The session was interactive and informative. The Seminar ended with Vote of Thanks by CMA Pradeep Deshpande.

### PUNE

#### 5th March 2016: Analysis of Budget 2016-17

Chapter had arranged half day seminar to understand the Changes in Direct and Indirect Taxes suggested by the Budget of the year 2016-17.

CMA V S Datey, CMA Dr Sanjay Bhargave, CMA N K Nimkar and Mr. Chandrashekhar Chitale were the faculties. Number of Corporate delegates, members and students attended the seminar.

#### 12th March 2016: Costing and Cost Audit in Healthcare Industry

Chapter had organised CEP on the subject on 12th March 2016. CMA N K Nimkar was the faculty. He explained the nature of the Healthcare Industry, its peculiarities and complete

organisation structure. He explained in detail the Cost Elements, Direct Cost Centres and Indirect Cost Centres. He also discussed the various parameters used by the Industry to find out the capacity utilisation and cost/margin review. The session was followed by question and answer session.

### **17th March 2016: Costing in IT Industry**

Chapter had organised CEP on the subject on 17th March 2016. CMA C S Adawadkar was the faculty He explained the nature of IT industry and revenue generated from various verticles/ services offered by the IT Industry. He also explained the costing elements and how the cost is allocated. The session was interactive and applauded by all participants.

### **18th & 19th March 2016: Advance Excel**

Chapter had organised workshop on Advance Excel on 18th & 19th March 2016. Shri Prasad Moghe was the faculty for the same. The faculty explained the various advance features of Excel like advanced filters, indexing, pivot tables and macros. Participants had brought their laptops and these hands on training helped them to practise the same. Some of the participants requested to conduct such value added sessions further.

## **SURAT-SOUTH GUJARAT**

### **Budget Meeting 5-03-2016**

Chapter participated in Public Meeting on Union Budget-2016 was organized jointly with The Southern Gujarat Chamber of Commerce and Industries, All Gujarat Federation of Tax Consultant (South Gujarat Region), Surat Branch of ICAI, The Southern Gujarat Income Tax Bar Association, Surat on 5-3-2016 at Gandhi Smruti Bhawan, Surat. Key note speakers were Shri Jaynarayan Vyas on Direct Tax and Shri Tushar Hemani on Indirect Tax. Members, students and general public actively participated in this public meeting.

### **Half Day Workshop on "Concurrent and Stock Audit - 16-03-2016**

A half day workshop on "Concurrent and Stock Audit - Scope and Importance for Bankers and Auditors" was organized by the Chapter on 16th March, 2016 at Chapter's Auditorium. In his welcome address CMA Manubhai Desai, Chairman of the Chapter elaborated activities and initiatives taken by Chapter for the benefit of members and students.

Shri Mukeshbhai Gajjar, President of South Gujarat Co-op Bank Association (SCOBA) was the Chief Guest. In his speech he welcomed Cost Accountants to join and take over Audit assignments in Co-op banks.

CMA Amit Apte, CCM and Chairman of Banking and Insurance Committee ICAI, was the Guest of Honor. He outlined the efforts done by ICAI to explore opportunities under stock and concurrent Audit for members.

Dr. Jatin Naik, Assistant General Manager of Surat People's Co-op Bank Ltd. was the key note speaker. He explained the duties of Auditors and how Cost Accountants could render value added services in Audit of Bank. The whole programme was co-ordinated by CMA Kenish Mehta who proposed the vote of thanks. More than 50 delegates including employees' of banks, Members and Students were present in this workshop.

### **Silver Jubilee Inauguration on 23-03-2016**

Chapter commenced its Yearlong Silver Jubilee Celebration on 23rd March 2016, co-incidentally the day was also Holi Festival

of Colors. It was on this day in the year 1992 that the Chapter was born. The celebration also marked a significant achievement in the history of chapter which was upgraded to Category B from C and also won the Best Chapter award this year.

The Programme started with Ganesh Pooja at Chapter's office which was performed by CMA Manubhai Desai, Chairman of the Chapter and one of the veteran members of the chapter along with members, students and office staff.

There was a student's programme on 'How to face interviews, followed by mock interview and at the end feedback by the panelists' Ms. Saumya Variava from National Group was the Faculty and Chief panelist. She gave brief idea about how to approach when students go for an Interview, personality awareness, how to answer the questions of interviewer, and what preparation has to be done for an interview? CMA Nanty Shah, Member of the Chapter and Co-Ordinator and Ms. Payal Rao, HR Manager of M/S. Magicrete Building Solutions Pvt. Ltd. were co-panelists. Students were benefited at large from this programme, especially those Final Passed Students who were going to appear for coming Campus Placement at WIRC, the programme was taken with huge applause by the student fraternity.

The last event of the day was a unique Seminar on "Business beyond Business - Spirituality and Management". Dr. Shivani Bilimoria from "Art of Living" (Shri Ravishankar) was the key note speaker. CMA Manubhai Desai, Chairman of the Chapter welcomed the participants and gave congratulations to members and students for winning Best Chapter Award by Surat SG Chapter in 'B- Category' in WIRC. He thanked all the Members, Students and stakeholders for making this achievement possible. In her address Dr. Shivani expressed her views how to manage the stress and how positive approach worked in our business or profession. She also gave some practical exercises. Mr. Balakrishna Agrawal, Regional Council Member WIRC of ICAI (Chartered Accountants) was the guest of honor. CMA Kenish Mehta, Member of the Chapter Co-ordinated the programme. More than 60 members, students and faculties along with their family members took benefit of this seminar.

## **VAPI-DAMAN-SILVASSA**

Chapter organised a seminar on Budget 2016 - Indirect Taxes on 9th March, 2016 at Hotel Kamat, Silvassa. The key speakers were Mr. Monish Bhalla, author of many books on Indirect taxes and Mr Deepak Kumar, Chief Commissioner (Retd). It was attended by over 55 delegates from industry and CMAs of this area.

### **Pune Central CEP Study Circle**

'Pune Central CEP Study Circle formed under the guidelines of the Institute of Cost Accountants of India organized its ninth function on 2nd March 2016. The topic of the program was Finance Budget overview (FY 2016-17) and changes in provisions of Indirect Taxes. Principal of Brihan Maharashtra College of Commerce, Pune, Mr. Rawal in his lecture took the overview of the Union Budget (FY 2016-17). CMA Nanda Barde and CMA Harshad Deshpande (RCM) gave the lecture and explained the changes in the provisions of Central Excise and Service Tax respectively. CMA Shekhar Sane explained the changes in the provisions Income Tax. CMA Prashant Vaze, Convener of the Study Circle along with CMA Varsha Limaye (Members of the Advisory committee of the Study Circle) arranged the Program. Members of the Institute as well as students of the college attended the program.

## Glimpses of Golden Jubilee Celebrations Ahmedabad Chapter



Lighting of Lamp by Chief Guest Dr. M N Patel at Students Convention



Dr. M. N. Patel, Vice Chancellor of Gujarat University alongwith other Dignitaries other during Students Convention



Dr. Jaynarayan Vyas, Chief Guest of Seminar; CMA Manas Thakur, Vice President of Institute, Shri Kartikay Sarabhai, Guest of Honour, alongwith other dignitaries on the Dias for Inauguration function



Speech by Shri Kartikay Sarabhai-Guest of Honour



Dignitaries on the Dias - 2nd Day Technical Session



Dignitaries on the Dias - Members' Meet



CMA Manoj Behede, CMA Bisheshwar Sen, CMA A. B. Nawal, Mr Prashant Nandedkar, CMA S. J. Deore, CMA Manoj Malpani & CMA Abhishek Malpani during Half Day Seminar on Union Budget 2016 organized by Aurangabad Chapter on 3rd March 2016



Mr Deepak Kumar, Chief Commissioner (Retd.) addressing at the seminar on Budget 2016, organised by Vapi-Daman-Silvassa Chapter

## Discussion Meeting on Budget organised by Pune Chapter on 5th March 2016



Chief Guest Shri G. Bhattachary (Principal Commissioner Service Tax, Pune)



CMA S. R. Bhargave



CMA S. R. Bhargave felicitating CMA V. S. Datey



Speaker CMA Rahul Renavikar being felicitated by CMA Ashish Deshmukh during CEP on Union Budget organized by Pimpri-Chinchwad-Akurdi Chapter



CMA LD Pawar, RCM speaking on Budget 2016 during CEP on Union Budget organized by Pimpri-Chinchwad-Akurdi Chapter



CMA CS Adawadkar addressing the participants during Seminar on "Activity Based Costing" organized by Pimpri-Chinchwad-Akurdi Chapter



CMA Amit Apte, CCM and Chairman of Banking and Insurance Committee ICAI addressing the participants during workshop on Concurrent and Stock Audit organised by Surat-South Gujarat chapter



CMA Kenish Mehta, Mr. Balkrishna Agrawal, Dr. Shivani Bilimoria, CMA Manubhai Desai, Mr. Manish, CMA Raman Ayer during inaugural function of the seminar organised by Surat-South Gujarat Chapter on occasion of Silver Jubilee



CMA Alok Shah interacting with participants during Seminar on Union Budget organised by Baroda Chapter



Mr. Arun Sawant, CMA R. K. Deodhar, CMA V. S. Datey and CMA (Dr.) Shilpa Parkhi, during Seminar on Union Budget organised by Nashik Ojhar Chapter on 6.3.2016

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