



WIRC BULLETIN

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From the Desk of Chairman



There was very good beginning of New Year and there were number of programs conducted in the month of January 2015 with the qualitative difference.

We had newly taken premises at Thane and CEPs and Coaching's are also getting conducted from the new premises of Thane SMF Centre. We

have executed 5 years agreement.

REGIONAL COST CONVENTION 2015 will be always memorable on account of qualitative difference and management of the same. From the bottom of my heart, I congratulate CMA Debasish Mitra and all managing committee members of Navi Mumbai Chapter of Cost Accountants. Detailed report of Regional Cost Convention is given separately in this bulletin.

The takeaway from Regional Cost Convention were:

- Strengthen the SME and MSME Sectors with Cost Competitiveness and make them self-sufficient for tomorrow's MNC and TNC
- Implementation of a Performance Management System (PMS) as Internal Mechanism for building organizational strategy
- Build TRUST in the organization
 - Transparent (above board decisions)
 - Responsible (behavioural)
 - Uncompromising (commitment to high moral position)
 - Self-regulated (beyond the legal minimum required)
 - Temperate (self-restraint, no excessive risks)
- Be "A PERFECT"
 - A - Accountability
 - P - Participatory
 - E - Equitable and inclusive
 - R - Responsive
 - F - Follow the rule of law
 - E - Effective and efficient
 - C - Consensus oriented
 - T - Transparent

- Implement IFRS and use as effective tool ensuring Governance
- Challenge the limits

I express my infinite gratitude to CMA Dr. Paritosh Basu, Dr. Shailesh Gandhi, CMA Milind Date, CMA C. S. Adawatkar, CA CSR. Venkitachalam, CMA Amar Kulkarni, CA Ashok Verma, CMA Keshav Kulkarni, CMA Rammohan Bhawe, CMA Jayant Manmadkar, CA Jayesh Kariya for deliberating on the subjects and given excellent presentation. I will always remain obliged to our CMA ICON Mr. M. V. Tanksale - CEO of Indian Banks' Association for his continued guidance. I also express my thanks to all members of Executive Committee, Past Chairmen of WIRC and Past presidents of ICAI of our Region.

NATIONAL COST CONVENTION

I have attended National Cost Convention at Hyderabad. It had also lot of take aways through number of panel discussions on "Make-In-India & Make-India", "Grow-In-India - Grow India" focusing on Agriculture, "Build India" - Efficient & Self-Sufficient Infrastructure" focusing on infrastructure, "Make in India - Intelligent & Inviting" focusing on Smart Cities for Tourism. "Make In India - Make it Excellent", "Clean India and cleaning the Mess". It was delighting to listen the good work of CMAs from Hon. Minister - Shri M Venkaiah Naidu, Union Minister of Urban Development, Housing and Urban Poverty-alleviation and Parliamentary Affairs. This National Cost Convention has made bench mark in all respect including Panel discussion, Panelist and number of delegates. I congratulate for exemplary leadership of Hon. President, CMA Durga Prasadji & Chairman of Convention Committee - CMA P V Bhattad.

CONTINUOUS EDUCATION PROGRAMS (CEPs)

We had CEPs on Valuation of Business, 122nd Constitutional Amendment Bill 2014, Companies Act Amendment Bill 2014, Companies (Cost Record & Cost Audit) Amendment Rules 2014, and Changing Role of Internal Auditor at Thane SMF Centre, Pune and WIRC.

I really appreciate all efforts of Chairman of Professional Development Committee, who had accepted the challenging role and exhibited his skills and made a remarkable difference by way of number of high profile speakers and number of varied subjects. We have created a road for capacity building and exhibited different roles of Cost Accountants in various spears of activities including core subjects of Costing & Cost Audit.

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Glimpses of the Workshop on The Companies (Cost Records & Cost Audit) Amendment Rules 2014 held on 24th January 2015 at Thane SMFC



CMA Kishore Bhatia



CMA Pramod Kumar



CMA Ashok Nawal



CMA Vinay Mulay



CMA Poonam Shah



View of audience



CMA Vidhyasagar Tyagi interacting with participants during CEP organized by WIRC on 31st January 2015.



View of participants during CEP organized by WIRC on 31st January 2015.

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FORTHCOMING EVENTS

WIRC also arranged CEP on "Enterprise Risk Management relate to Insurance" on 7th February 2015 at Borivli SMF Centre, where Mr. Sundar Krishnan of Reliance Life Insurance Company Limited will be the faculty.

WIRC has arranged Seminar on 60 acts in 6 Hrs. jointly with Aurangabad Chapter of Cost Accountants on 14th February 2015 as a measure of capacity building

We have plan Campus Interview on 13th February 2015 at Ghatkoper for the Cost Accountants who had experience of 2-5 years. 5 Companies have already communicated their willingness.

This will set new benchmark of WIRC.

We have arranged half day seminar on 12th February 2015 at WIRC on "Port operations and opportunities to CMAs -An awareness", where CMA Lakshmi Deosthalee of Mumbai Port will be the faculty. This month also there will be CEPs on every Saturday. CEPs will be on Debt Finance, Internal Audit, Forensic Audit and Workshop on Excise & Service Tax.

I appeal to all CMAs to participate in the seminars. Even Corporate delegates also can attend CEPs and Seminars.

STUDENTS

WIRC jointly with Ahmedabad Chapter of Cost

Accountants have arranged Students Convention at Ahmedabad on 7th February 2015. I appeal to all students to attend the same.

ELECTION 2015

As you aware term of existing Regional Council Members and Central Council members will be over in this year and there will be Election on 5th & 6th June 2015. I appeal to all CMAs to exercise your right voting and elect the competent members, which will take the profession at new heights and bring new opportunities to CMA community and also to make stronger manufacturing and service sectors. Needless to say, focus also should be cleaning India and Cleaning Institute with transparent working.

PRACTITIONERS' CONVENTION

Finally, Chairman of Convention Committee of Practitioners' Convention have decided the date & venue. It will be held on 16th March 2015 at Mumbai Cricket Association (MCA), Bandra-Kurla Complex, Mumbai. It will have great opportunity to discuss new avenues of practice as well as strengthening the profession.

I appeal to all practicing Cost Accountants for enrolling to the said convention and make it a grand success.

CMAASHOK B. NAWAL

REPORT – REGIONAL COST CONVENTION 2015

Regional Cost Convention - 2015 was jointly organised by The Western India Regional Council (WIRC) and Navi Mumbai Chapter of the Institute of Cost Accountants of India (ICAI) on the 16th and 17th January, 2015 at Vashi, Navi Mumbai, Maharashtra.

Mr. Bipin Shah, President, Thane Belapur Industries Association was the Chief Guest of the Convention which was presided over by CMA Dr. A.S. Durga Prasad, President, ICAI and CMA P.V. Bhattad, Vice President, ICAI. CMA- Ashok Nawal, Chairman, WIRC, CMA G.R. Paliwal, Chairman, Convention Committee, CMA Debasish Mitra, Chairman Professional Development Committee, CMA B.N. Sapkal, Chairman, Navi Mumbai Chapter & Co-convenor spoke in the Inaugural session.

In his address, CMAAshok Nawal expressed his gratitude to the Chief Guest, the President of ICAI, the Vice - President, ICAI, the Past Presidents, the Past Chairmen of the Regional Councils & Chapters, and the Central and Regional Council members, who had shown their passion to the profession by personally attending the Convention. He felicitated CMA V.S. Datey and termed him as the "Indirect Tax Guru". He praised the President of the Institute for taking positive actions to gear up the

affairs of the Institute and also appealed to all members to take a pledge to be positive in contributing our might to the cause of "Make in India". He also welcomed the participants who had shown up in very large numbers.

CMA G.R. Paliwal, in his address, explained the meaning of "Make in India" concept and stated that this is a new National Program to facilitate faster development of the economy with best manufacturing practices and ensuring inclusive and sustained growth.

CMA P V Bhattad stated that this Mission is a huge opportunity for CMA profession. He stated that WIRC has always been pro-active in the matter of professional development, technical upgradation, and betterment of students/members. He announced that a National Convention is coming up on 31st January '15 and 1st February '15 at Hyderabad and appealed to all for good participation in that event too.

In his key-note address, CMA Dr. A.S. Durga Prasad, President, ICAI congratulated WIRC and the Navi Mumbai Chapter for taking up this theme at the appropriate time as we should never crib about the past but rather look at the plethora of opportunity such Mission throws open to the CMA Profession. He also stated that

strong Institute-Industry relation should be built up-as mutual partners in the task of "Make in India" leading to Nation building. He highlighted that areas such as Health, Education Sector and Sports Sector should be tapped by the CMAs to expand the scope of the Profession instead of simply cribbing over lost opportunities like more areas for cost audit approvals etc. He appealed to every CMA to be optimistic, to be humble and to build relation in both the Domestic and International arena, to take the CMA Profession to greater heights. He also appraised of the steps taken by the Institute regarding New MOU with CIMA, the MOU signed earlier with Australia - all of which will go to build the Brand CMA further. He requested the members to first feel that we are major players in the economy and the action will automatically follow. He then released the SOUVENIR brought out on the occasion.

Shri Bipin Shah, the Chief Guest of the Convention, in his inaugural address, congratulated the organisers for holding the Convention on such a highly relevant theme. He stressed on the importance of Cost Accountants and how companies like CIPLA and G.D. Birla showed us the way in Cost reduction. He stated the "Money saved is Money earned" and any step taken by the CMAs in suggesting saving in costs or cost reduction and control will greatly help the Industry. He stated that in the year 2013 India has ranked II in Bulk Drug production and poised to be the Leader by 2015.

CMA Debasish Mitra, in his address, congratulated the Navi Mumbai chapter which became vibrant over the years and came forward to co-convene this Convention with WIRC. He appealed to the President of the Institute to consider National Level programmes on Internal audit, forex markets, Business valuation, economy updates etc. to strengthen the members knowledge and keep them up-to-date. He stated that members no longer attend CEP for earning credits but they come for value addition. He also stated that there are many untapped talented CMAs and appealed them to voluntarily come forward and share their knowledge at such forums.

The chairman, Navi Mumbai chapter, CMA B.N. Sapkal proposed the vote of thanks at the inaugural session. He felicitated the senior members of the Chapter who were behind the formation and nurturing of the Chapter. He remarked "Let's Dream and Do".

The first Technical session was flagged off by CMA B.M. Sharma, Past President, ICAI. CMA R.B. Kothari, Chairman-Ahmedabad chapter, introduced the speaker, CMA Dr. Paritosh Basu and CMA Dinesh Birla, Secretary, WIRC proposed the vote of thanks. The session of CMA Paritosh Basu was studied with illustrations, matrices and statistics. Through a powerful presentation, Dr. Basu succinctly brought out the sub-theme of "financial activism and Strategic management in MSMEs" and the role that can be played by CMAs. For the success of the Mission "Make in India" he stated that India should be integrated with Bharat - a shift from urban to rural support. National Skill Development Mission should be implemented and stated that we should bring resources for value

Generation closer to Human capabilities for Growth. He suggested various roles for CMAs in the Mission such as promoting Pro-active technical advisory centre, unlocking potential of "green logistics and scrap recycling, District level CMA service centres, value creation and reverse logistics measures, establish Metal and agri-bazars, Introduce full value chain finance, shared CMA services etc. He stated that Innovation should be the mantra for MSEs. Speaking on strategic cost management he added that we should be capable of dealing with emerging realities and vagaries of business. We should move to unexplored areas, Reach to the market and offer risk management services. He appealed to treat Cost Management as a way of Life and Value Creation as an Utility and not cost centre. He ended quoting "Don't challenge your limits, limit your challenges".

The next session on "Improving bottom line through improving cost competency was addressed by Dr. Shailesh Gandhi, Professor, IIM, Ahmedabad. CMA Shrenik Shah, (Past Chairman, WIRC and RCM) chaired the session. CMA Vivek Bhalerao, Past Chairman, Navi Mumbai Chapter introduced the speaker. Dr. Shailesh Gandhi in his technical session highlighted the importance of Cost Accounting Standards Board, the bottom-line measures, Organisation performance Management and management system, strategic planning and strategic execution. He discussed with examples the framework for Strategic Management system. He stated that the key result areas like profitability, customer service, cost of capital and attrition rate require deep analysis. He dwelt on Value creation concept like EVA and economic performance and said the Cost competency areas include Production, distribution, sales & marketing, administration and asset utilisation and capital structuring. He stated that Business Process Engineering can be ideally addressed in any firm most effectively by the Cost Accountants and Engineers and this offers huge scope for the CMA profession. He stressed on value based cost reduction, ABC and Target costing tools, PQF(price, quality and functionality). CMA Shrenik Shah felicitated the speaker and CMA S.N. Mundra, Chairman, Surat Chapter proposed the vote of thanks for the session.

The next session "Corporate Governance- Beyond Compliance" was handled by renowned speaker CMA Milind Date. This session was chaired by CMA G.R. Paliwal and CMA L.D. Pawar, Chairman-Pimpri-Chinchwad-Akurdi chapter proposed the vote of thanks. CMA Date stated in a lighter vein that the industry badly affected by the Make in India campaign will be the tourism industry and stated that Corporate Governance (CG) is not as perceived-a dry subject full of regulations and compliances but much beyond this. The main factor in CG is the issue of credibility of India Inc. He elaborated saying that Governance is nothing but Collective wisdom and involves 3 "S" factors- Skill / Scale /Speed and the process of Governance is complete only by proper decision taken, implemented, monitoring and evaluation of the same. He cited examples of Infosys and other companies in this regard. He stated the CG involves TRUST-

Transparency, Responsiveness, Uncompromising attitude, Self-regulation and Temperate mind set. He talked about Governance and Agency theory, the drivers of Lasting Organisation, the challenges, the role of Independent Directors, documenting Governance standards etc. He emphasised that Value based Governance help in Creating Value, Enhancing Value and Protecting Value and urged CMAs to participate as a pool of the Govt. in effective Corporate Governance.

CMA C.S. Adawadkar was the next speaker in the technical session and he spoke on "Management of Governance of the Govt." He stressed on the importance of good CG which takes its root from the Directed principles of State Policy framework. He identified 20 Sectors for Managing Governance. His speech was filled with illustrations and interesting study of multiplexes, the success of PK, Mars Mission etc. He critically examined the performance indicators and stated that major areas of improvement in managing Governance should be setting up performance measures, Increased accountability, Nodal agency for monitoring performance, Monthly reports and debate on electronic media on the performance. He stated the CG factor suffers in Govt. mainly due to avoidance of error syndrome, 3-year rotation policy of the CEO, Non-accountability, No emotional attachment etc. He urged the CMAs to take up this area as a challenge and fine tune the same.

The next speaker Mr. Ashok Kumar Verma, Head -accounts & Finance, Sterlite India Ltd. spoke on Maximum Governance through IFRS and how Indian GAAP and IFRS differed. The speech was well received.

The Post lunch session on day 1 was anchored by CMA Pradnya Chandorkar CA & CS R.V. Venkitachalam - Chairman of Bizsolindia, spoke on 'Maximum Governance and Minimum Govt.' He stated that 2014 was a year of slogans but it should be followed by 2015 as "Year of Delivery". He stated that Maximum Governance can be ensured by Managing Policy driven by people centricity, rebuilding institutions, reforming Govt. spending, stopping plunder of National resources, professional governance, creating transparent policies etc. He further stated that Minimum Govt. should mean Minimum not minimised Govt., Scandinavian and Chinese models, quality of bureaucracy, increased role of technology etc. He stated that the Impact of this over profession will be creation of Movers over Controllers, shift in onus of compliance, self certification etc. and that professional bodies like CMA have a huge role to play in this regard.

Next in session, CMA V.S. Datey, who chaired the proceedings, spoke on the Make-in-India and its "Impact on the Profession". He emphasised the need of CMAs to look beyond the rules for Governance and really ensure the same in substance and spirit. CMA Ram Mohan Menon, Chairman, Goa Chapter proposed the vote of thanks. CMA V.S. Datey, was felicitated by the Chairman, WIRC CMA Ashok Nawal who described Mr. Datey as the "Icon of the Institute".

The concluding session on Day-1 was a Panel discussion

chaired by CMA Ram Mohan Bhave on "Maximum Governance through IFRS" where moot questions like whether Scams can be stopped by implementing IFRS?, What will IFRS achieve, What role Accountants can play in achieving Governance and Corporate Governance or Government Governance and impact of NPAs in Banks were discussed and deliberated. The panel comprised of CMA M.K. Narayanaswamy, Vice chairman, Navi Mumbai Chapter, Mr. Amar Kulkarni, Head Finance and Accounts-Kone Cranes and Mr. Keshav Kulkarni-Head -accounts and Finance, Kango, South Africa. On the questions raised, Mr. Keshav Kulkarni stated that under IFRS the auditors cannot give vague and qualified audit report and they have to state that the accounts are IFRS compliant and scams like Satyam can be avoided. Further Consolidation accounting would focus on any scams connected with transfer of funds to other companies. CMA Narayanaswamy stated that IFRS would bring in more stability by means of Component accounting etc. Mr. Amar Kulkarni stated that India's commitment to G-20 will be fulfilled by IFRS implementation. Mr. Keshav Kulkarni stated that exempting companies with less than Rs. 250 crores of Net worth from IFRS compliance may prompt companies to form subsidiaries and manipulate to avoid IFRS. He requested Chairman of WIRC to take up the matter at appropriate forum for reduction of this cut off limit. CMA R.M. Bhave cited the example of Kingfisher being not declared as a Not a going concern and being funded by Bank even after default, such practices will be stopped by IFRS. CMA Narayanaswamy stated that shortage of professionals for implementing IFRS in huge no. of companies could come as a hurdle in implementation. The House was asked whether they are ready for IFRS implementation and over 70% answered in the affirmative manner, thus assuring that our professionals are keen in IFRS implementation. CMA Narayanaswamy suggested that professional development centres and E-learning platforms could be introduced in this regard. While concluding CMA R.M. Bhave stated that IFRS will take care of governance in corporates, IPSAS will do the same in public sector undertakings and GASAB in Govt. departments. He thanked the panelists for the lively discussion.

On the second day (17th Jan '15) the first technical session was chaired by Dr. Sanjay Bhargave, CCM-ICAI and the speaker was CMA Jayant Manmadkar -CFO, Mahindra Life space Ltd. CMA R.M. Kandoi, Vice chairman, Vapi chapter introduced the speaker, The speech was on "Foundation of Growth-Infrastructure". CMA Jayant Manmadkar outlined how Infrastructure developed over the past 10 years has changed the pace of life. He raised issues like should we grow gradually or take a Leap? He stated that Planning commission report indicates 36% of these investments in urban area is by Private Sector which is expected to go upto 48% by 2013-17. He emphasised that along with Physical infrastructure we should also develop digital infrastructure in a big way. Detailing the special features of Infrastructure projects he explained the roles to be played by the Govt., Private

sector and CMAs in this venture. He said that Govt. should set a sharp vision, walk the talk and simplify implementation. The Private sector should commit sensibly, meet the commitments so made and think long term. CMAs have a large role like giving inputs on project viability, foresight on external factors, driving the risk/reward trade off. He explained at length the Mahindra World City projects in Chennai and Jaipur and how they have entered into this space in a big way for building Integrated Business cities. He stated that we should work with the Govt., CSR objectives will also be served and stressed on digital infrastructure development. Summarising the discussion, he stated that Infrastructure is a high potential area to fuel growth but business models have to be robust. CMA R.K. Patel, Vice chairman, Baroda Chapter proposed the vote of thanks.

The Last technical session was on "Infrastructure-Growth & Opportunities" handled by the speaker Mr. Jayesh Kariya, Sr. Partner, KPMG. CMA Samir Rakshit, Chairman, Raipur Chapter chaired and introduced the speaker. In his talk Mr. Jayesh Kariya brought in concept of Red roses and Green roses and stated that in promoting Infrastructure we should grow and preserve the green roses- hinting at the environment losses that can occur. He stated that our country has the resources, knowledge and finance and what is lacking is only Leadership. Developing specialist skills and talent is the key to success. He stated that Infrastructure is a dynamic concept -susceptible to changed prescriptions over geography, time and Innovations. He stated that CMAs can be Trusted advisors and value based consultants in these projects. He detailed the challenges faced in funding and how to overcome them. He urged CMAs to develop knowledge of other subjects too, be fungible and integrate with IT consultants to become a Global Player. CMA Suresh Saluja Ex-Chairman, Nagpur chapter proposed the vote of thanks.

The Valedictory session was chaired by Chairman-WIRC, CMA Ashok Nawal. The Guest was the Institute's Icon CMA M.V. Tanksale, Chief Executive, Indian Banks Association. CMA Debasish Mitra introduced the Guest and CMA G.K.Das, Secretary, Navi Mumbai Chapter proposed the vote of thanks.

In his address, CMA Ashok Nawal, summed up the essence of the proceedings of the 2 days convention and thanked the speakers and members who made it happen. He thanked the audience for their keen participation. He congratulated Navi Mumbai chapter and its office bearers for the excellent manner in which they hosted the convention. He committed on behalf of the Institute to respond proactively to the Mission-Make in India. He dwelt on Gandhian Socialism - and rural urbanisation. He requested Mr. Tanksale to take up the CMAs role in Concurrent audit of banks, audit of cooperative societies/banks. He stated that WIRC has attempted to deliberate and give momentum of thinking - not as a passenger but as a Driver to carry the Mission to its logical destination. Past President CMA V.V. Deodhar stated that such

conventions strengthen the infrastructure of CMA profession.

The Guest Speaker, CMA Tanksale spoke at length on the foreign money inflows and how they may be temporary and hence better funding options are to be worked out. He stressed the role of CMAs in prescribing better framework for stressed assets for banks. He stated that CMAs will now be included to perform stock audits and concurrent audits. Even forensic audit is an area that CMAs can develop and told that CMAs need to command by competence to get these extra activities into their fold and increase the scope of their operations. He congratulated the Institute and the organisers for holding such a relevant convention at appropriate time and urged the Institute to come out with say 10 take - aways from this Convention by way of Bullet points to be pursued and implemented over a definite time line.

This suggestion was welcomed by the Chairman-WIRC CMA Ashok Nawal. He thanked with gratitude Mr. M V Tanksale for taking his valuable time to be the Guest and address the participants. He assured the house that the take-away from this convention will be put up on the Institute's (WIRC) website for further carrying forward for implementation. He further expressed happiness that in the 2 days of the Convention participants remained attentive all along thereby meaning that such conventions are not only for Networking but also for professional development /increasing knowledge base.

The chairman also felicitated Mr. K.P. Unnikrishnan (Head-Admin of WIRC) on the occasion for his dedicated service to the Institute over years with an eye on economy and promoting students/members welfare.

The other speakers in the session were CMA Debasish Mitra, Chairman, Professional Development Committee who thanked Mr. Tanksale for his immediate response to the invitation and congratulated Navi Mumbai Chapter for their positive role in organising the Convention. CMA G K Das, Secretary, Navi Mumbai Chapter of the Institute proposed the vote of thanks. While addressing, he thanked WIRC for the opportunity given to hold the convention and also elaborated on the opportunities available to CMAs by empanelment with CAG for Internal audit etc.. He also felicitated Past President CMA V.V. Deodhar on the occasion who congratulated the Institute and expressed happiness at the way the Convention was held and carried through. He stated that such conventions strengthen the infrastructure of CMA profession.

The Chairman of WIRC of the Institute thanked the dignitaries and the large audience present for making the convention a grand success. The Convention was very well attended and appreciated by the delegates.

The programme was compered by CMA M.K. Narayanaswamy, CMA Amit Sarker and CMA Pratyush Chattopadhyay.

The 2 days Convention was a great success and concluded on a highly encouraging note for the CMA profession. The programme ended with National Anthem. ■

GST CORNER

By CMA Ashok B. Nawal

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Hon. Finance Minister Shri. Arun Jaitely have tabled 122nd Constitutional Amendment Bill in the Loksabha in the month of December 2014. Now, this is expected to discuss in Joint House i.e. of Loksabha & Rajyasabha, since there is no majority in Rajyasabha for NDA Govt. and therefore it is most likely that bill may get pass by the MPs and NDA Govt. will try to get the votes to the extent of 50% of existing strength of Loksabha and Rajyasabha. Thereafter min. 50% state need to approve such amendments.

Considering the political wind, its seems to challenging job for NDA Govt. this will be the litmus test of NDA Govt. for their commitments to Mission of "Make-In-India". In the month of January 2015 nothing has much been progressed in GST except for friendly meeting of Hon Finance minister Arun Jaitely with ADMK Chief and powerful lady Jayalalitha.

Meanwhile let us address various issues which has not been addressed so far either in the first draft or second draft report of expert group.

TRANSITIONAL ISSUES:

- Accumulated Cenvat credit- input CG & Service Tax - Whether the said credit will be allowed to utilize for payment of CGST?
- Cenvat credit lying in stock at all locations - Since on every transaction / movement of goods and services, CGST / SGST / IGST will be applicable, how element of tax already paid on the stock of each business person will be ascertain and whether it will be allowed. What will be the mechanism of declaration and verification thereof?
- VAT Refunds - Number of VAT refunds are pending with various State Govt., since tax will be collected by consuming state, what will be the revenue mechanism from which refund will be paid? Generally said Govt. allow such refund to be adjusted against future dues and which will not be allowed in GST regime.
- Pending adjudicating proceeding and results thereafter - Whenever duty was paid from cenvat accounts, after adjudication in favour of assessee, generally such amount was allowed to be re-credited to cenvat account. Whether it will be allowed in GST regime.
- Duty Demand if any for the period prior to date of implementation of GST and Payment thereof and input credit admissibility - There has to be clear cut provision of payment of earlier dues and subsequent

provision of re-credit if applicable, otherwise cash refund will be given. As far as duty demands are confirmed in favour of department, it will have no issue.

- Refund / rebates/ drawbacks already filed or to be filed prior for the period of date of implementation of GST - It should also no issues, if refund, rebates and drawbacks are allowed in cash.
- Stocks at all locations, warehouses and out of inter-state and intra-state movements. - There should be a clear cut provision in the law to take the credit of taxes already paid based on the declaration of stocks lying at any place. However, there is no mechanism to physically verify the stock and hence self-declaration and credit contains in stock should be allowed. This issue has not been addressed so far.
- Goods in transit - It is absolutely difficult to establish goods in transit on the given date for all the assessee since some of the goods might have been duty paid. What will be the mechanism to adjust such duty payment?
- Rejection of material out of material procured from the date of implementation and treatment of duty thereof - The issue is that not material, since in GST regime each movement of goods and services, there will be applicability of the GST.
- Projects in hand / WIP - normal business model and works contract model - It will be a difficult model to establish and work out tax content therein and input content in service tax & VAT under Works contract is already incurred. How the credit will be allowed under SGST, CGST & IGST.
- Stocks on which import / excise duty is paid and subsequent sale thereof - There should be a clear cut provision in the law to take the credit of taxes already paid based on the declaration of stocks lying at any place. However, there is no mechanism to physically verify the stock and hence self-declaration and credit contains in stock should be allowed. This issue has not been addressed so far.
- Incidents of CST in stocks of RM, inputs, WIP & FG - Some of the stocks might have incurred the incidence of GST, whether credit will be allowed of CST content in all the stocks and what will be the mechanism to identify and verify the same.
- Stocks lying with registered dealers, imports - first stage and second stage and subsequent sale - Some of the stocks might have incurred the incidence of

GST, whether credit will be allowed of CST / VAT / Excise content in all the stocks and what will be the mechanism to identify and verify the same.

- 50% CENVAT not availed on CG, entitlement thereof in GST regime - AT present 50% of Cenvat Credit is allowed on capital goods in the first year of receipt whether after introduction of GST 50% credit will be allowed, so that there is no double incidence of tax.
- Service Tax payment made on advances received and services provided in GST regime - Service tax is paid even on the advances received against services to be provided in the future, since service tax has been already levied and collected, whether there will be double taxation again in the GST regime when services are completed.
- Service tax not paid when services are provided and payment not made - Under the reverse charge mechanism, service tax payment is made after payment in the service provider or after 6 months, whichever is earlier. Whether CGST / SGST will be required to be paid on such services availed prior to implementation of GST?
- Impact on stocks of the dealers presently in exemption category by way of turnover or dealing with goods - This will be additional complex in arriving at taxes already paid and content in the stock. What will be the mechanism to take the accuracy, especially when there is no one to one co-relationship exist and material is received from all locations including that of material received from J & K, Kutch, North Eastern State, Himachal Pradesh and Uttarakhand where area based exemptions are granted.
- Impact on stocks of the dealers/ manufactures who has paid tax on MRP basis like manufacturers covered under MRP based assessment or chemist or druggist - Number of products are covered under MRP based

assessment under Section 4A of Central Excise Act 1944 and similarly, certain pharmaceuticals products are covered under MRP based assessment even for payment of VAT. What will be the mechanism to found out the accuracy and taxes content in various stocks lying at various places after implementation of GST?

- Dealers in tobacco, narcotics, alcoholic beverages, etc. - Since this products are taken out of GST regime, there will no issues.
- On the date of implementation of GST, real estate sector, power sector, transport, passenger sector- what happens to stock-in-trade. What happens in stock-in-trade with share brokers, etc.?- Number of additional services will be under the net of GST. What will be the mechanism to ascertain to stock in such sectors? And what is the mechanism for avoiding taxation which was not existed earlier?
- At present, some states has granted exemption on VAT on inputs to EOU. Stock- whether SGST required to be paid on stocks of such EOUs - At present exemption have been granted under VAT for EOUs & SEZs. What happens to such stock and subsequent clearance thereof?
- Entry tax already paid on the goods in stocks and thereafter subsumed in GST regime - Whether entry tax already paid on the goods in stock, will have to suffer additional Tax Burden or entry tax content in the stock will be allowed to credited and utilized from SGST account?

There may be number of issues. Some of the illustrative issues have been given to start debate, so that proper solution is arrived before introduction of GST to avoid chaos and confusion.

Readers are requested to send their queries or suggestions to resolve such issues to the author.

CHAPTER NEWS

PIMPRI-CHINCHWAD-AKURDI

Report of Seminar held on 24.01.15

CEP Seminar on Cost Audit Rules 2014

The Pimpri-Chinchwad-Akurdi Chapter of the ICAI had organized seminar on - "Cost Audit Rules (2014)" on January 24, 2015 at CMA Bhawan, Pimpri.

CMA Laxman Pawar, Chairman gave welcome speech and welcomed the guest speaker CMA Kirit Mehta, Practicing Cost Accountant.

In the Technical session, CMA Kirit Mehta explained the recent amendments in Cost Audit Rules. He explained

the subject beginning with the history of how Cost Audit Rules were implemented and later on how various amendments were introduced. The latest Cost Audit Rules were covered in detail with various practical examples. He also explained the implication of the Rules and scope available to members in practice.

The session was well attended by members in practice and from industry. After the technical session, CMA Pradeep Deshpande gave vote of thanks.

After the seminar, Chapter hosted Dinner as celebration of Best Chapter award. All students of Chapter, faculties and members with families were present for the celebration.

Glimpses of Regional Cost Convention 2015



Welcome speech by CMA A. B. Nawal



Mr. Bipin Shah, President, Thane Belapur Industries Association lighting the lamp



CMA (Dr.) A.S. Durga Prasad, President, ICAI lighting the lamp



Mr. Bipin Shah is being felicitated by CMA A.B. Nawal



CMA (Dr.) A. S. Durga Prasad, is being felicitated by CMA Ashok Nawal



CMA P.V. Bhattad is being felicitated by CMA G.R. Paliwal



Dignitaries on dais - Inaugural Session



Release of Souvenir



Chapters Meet in Progress



CMA (Dr.) A. S. Durga Prasad felicitating CMA V. S. Datey



Mr. Bipin Shah



CMA (Dr.) A. S. Durga Prasad



CMA P.V. Bhattad



CMA G.R. Paliwal



CMA Debasish Mitra

Glimpses of Regional Cost Convention 2015



CMA B.N. Sapkal



CMA M.K. Narayanaswamy



Dr. P.C. Basu



Prof. Shailesh Gandhi



CMA V.S. Datey



CMA Milind Date



CS R. Venkitachalam



CMA C S Adawadkar



CMA Jayesh Kariya



CMA M V Tanksale



Felicitation of CMA P.S. Nadkarni, Past President ICAI



Felicitation of CMA V.V. Deodhar, Past President ICAI



Felicitation of CMA Dr. D.V. Joshi, Past President ICAI



Felicitation of CMA B.M. Sharma, Past President ICAI



Felicitation of CMA Dr. S.R. Bhargave, CCM-ICAI

Glimpses of Regional Cost Convention 2015



Felicitation of CMA Amit Apte, CCM-ICAI



Felicitation of CMA Vivek Bhalerao



Felicitation of Dr. P.C. Basu, Speaker



Felicitation of Prof. Dr. Shailesh Gandhi, Speaker



Felicitation of CMA Milind Date, Speaker



Felicitation of CMA M.K. Narayanaswamy,



Felicitation of Mr. Amar Kulkarni, Speaker



Felicitation of Mr. Keshav Kulkarni, Speaker



Felicitation of CMA Rammohan Bhawe, Speaker



Felicitation of CMA Jayant Manmadkar, Speaker



Felicitation of CMA Jayesh Kariya, Speaker



Felicitation of CMA M. V. Tanksale, Hon. Guest



Cultural Programme



Valedictory Session



View of audience



Risk Assessment Audit: A Practical Approach

CMA Sukrut Mehta

All fellow management accounting professional are familiar with the various types of audits being undertaken by companies in India. "Risk Assessment Audit" is one of these audits but is not as prevalent or widespread among Indian companies. The key differentiator between a Risk Assessment Audit and all other types of audits is that focus is on potential gains and exposures to danger rather than a simple view of historic events.

"A Risk Assessment Audit not only learns from historic events of the company and its industry, it utilizes sound management accounting principles to best estimate the potential for future gains and losses."

While the scope and field of a Risk Assessment Audit can vary to a large extent based on the expectations of the Board or management of the company, the most elementary areas to covered are as under:

- Operational Risks
- Financial Risks
- Business Control Risks
- Strategic Risks
- IT Risks
- Market Risks

Before we discuss each of these in greater details, let us first understand why is a 'Risk Assessment Audit' important to all stakeholders especially for the employees of the company. Risk Management is becoming the new attraction for the businesses as it assures of all potential banana skins in the company's chosen path or strategy. Thus, the companies that use this tool are becoming more self-aware and conscious while taking an opportunity head on which seems to be a major risk. The industry at large is perplexed as to what is the preferred route for them so that the chances of failure from the risk approached to can be reduced. Professional managers have been inherently known to have a lower risk appetite than the promoters or entrepreneurial colleagues.

All Risks must be clearly distinguished as to whether do they affect the company's effectiveness or efficiency. Any company's effectiveness can be reviewed and measured using KRAs (Key Result Areas) while its efficiency is measured using KPIs (Key Performance Indicators). KRAs are usually related to the money value that the activity or processes contributes either on the cost or revenue side. KPIs on the other hand help assess the rate of contribution or value addition that the process or people within it have generated. So let us now understand the various fields of Risk Assessment Audits, which details should be covered and the best known mechanisms for performance control and tracking:

1) **Operational Risks:** In a manufacturing or trading concern, Operational Risks of a company are related to the processes of physical movements of inventory (RM, PM, Consumables and FG). These processes including all sourcing activities, production activities and supply-chain activities of the company. It must be noted that Budgeting as tool for determining short term future gives great insight into these processes and it is usually based on scrutiny of the previous period's performance. Thus, when assessing operational

risks, the auditor must begin in the same manner as he would while budgeting.

- Product**
- Sales Budget - provides which products are to be sold, at what prices, when and to whom
 - Production Budget - provides which products are to be manufactured or procured and when (including product quality requirements)
- Input**
- Procurement Budget - includes quantity, rate and thereb value estimates of all inputs i.e. Raw Materials, Packing Materials and Consumables
 - Labor / employee Budget - helps estimate the various manpower requirements, both at factory and for support functions of the organization
- Overhead**
- Factory Overheads - these include all expenses at factory and form a part of the product manufacturing cost and help understand product level and customer based contributions
 - Other Overheads - These include administrative, Supply chain, IT, HR, finance and general management expenses of the company.

Product Quality, manufacturing efficiency (including but not restricted to capacity utilization, material yield analysis, utility yield analysis, CPM and reduction in process days using WMS or warehouse management systems) and distribution efficiency of supply chain are three processes that will demand much scrutiny under Operational Risks

- 2) **Financial Risks:** While financial audit and a majority of internal audit exercises focus on the various aspects of financial and accounting standards being followed, under Risk Assessment there is a very urgent and apparent need to review four mission critical areas, namely;
- a) **Cash Cycles** - Not just existing ones, but review of long term sourcing and customer contracts to ensure continuous reduction of cash cycles to enable cash surpluses;
 - b) **Method of Funding:** Most auditors comment on the existing or historic Debt to Equity ratios while failing to correspond to various risks associated with the repayments of loans and shareholder expectations in near to distant future. A quarterly repayment / dividend plan must be prepared and considered alongside the company cash cycle to avoid any cash crunches;
 - c) **Bank Dealings:** A company's banking relationships provide an insight into their dependence and comfort while doing business. In today's world a company's capability to perform and deliver swift results is as much dependent on its banking relations as on order fulfillment capacity. The risk auditor must assess the time and offerings of the current banking relations and communicate any shortfalls or investment opportunities that may be missed;
 - d) **Taxation:** This is one area where despite continuous focus and efforts, long term views and sustainable,

process driven controls and measurement performances are always missing. While companies have been successful in implementing near six sigma level efficiencies in manufacturing, sourcing and sales, taxation is still widely viewed as the Holy Grail which can only lead to a Pandora's box of worries.

- 3) **Business Control Risks:** Any company that does not continuously strive to improve and simplify its internal processes and delegations is bound to stop growing and feel an invisible ceiling. Internal infrastructure of the company is as important as any asset or machinery that it requires to produce its goods. Business Control Risks thus focus on three key areas, namely;
 - a) **Management Control Systems:** Management Control systems are all control mechanisms, processes, managers, approvals and performance reviews that the company installs as a part of its Strategy Implementation. While the strategy is still formed by the Board, connecting the dots to ensure its implementation and goal congruence is only undertaken through MCS;
 - b) **Process / Employee Dependence:** Whenever a process or machine becomes a key limiting factor in the functioning of the company, it is imperative to ascertain whether it leads to the highest individual value addition or is it truly irreplaceable in the overall process. Similarly, certain individuals or employees start acting as crash gates or milestones in the product approval process due to their learnings and knowledge which is developed over a long period of time. These dependences can severely hamper the sustainability and growth prospects of any organization;
 - c) **Succession Planning:** In the India Inc scenario, there is still a severe lack of succession planning mainly due to the stringent control that the promoters and entrepreneurs enjoy. Most Public limited companies also suffer from this very problem.
- 4) **Strategic Risks:** While we all know about the external factors and how they may influence the company, it is important to note that analyzing these will take a lot of effort and are methods to be used subjective to the industry of operation. Apart from External factors, certain internal factors also affect the company's strategic vision and planning capabilities;
 - a) **Customer Segmentation:** If all customers of a company are in the same industry, then its fate for growth and sustainability is restricted to that industry. It is always favorable to be serving at least 3 complimentary or non-competing industry segments;
 - b) **Sourcing Risks:** Dependence on a single point of contact for sourcing of key materials is one of the biggest mistakes that companies fall prey to. Even if they continue to purchase from a single source, a ready list of alternatives need to be verified at frequent intervals;
 - c) **Management Team and Board Risks:** This the most apparent and unaddressed strategic risk. While many board members are active participants in the strategy formations, not all of them may be aligned to the overall company vision. Such misalignment is the core cause of promotion of self-fulfilling goals and targets by both the professional management and Board of Directors of the company. A simple checklist of 20 questions covering their views on existing and future strategy, its

formation and implementation can help ascertain the extent of top management risks within the company;

- 5) **IT Risks:** Technology has become increasingly disruptive towards business practices. While 'work from home' was inexistent and unheard of in most parts of the world till the year 2000, the developments in the new millennium have allowed for it to be every more acceptable as an office standard. Every company needs to not just embrace technology, they are expected to identify trends and keep ahead of the curve in three key areas;
 - a) **Systems:** With the advent of technological advancement that we are going through, there are various possibilities to automate and streamline processes by systematic replacement of existing systems. Not just the support side, software and hardware changes can lead to massive savings and cost reductions by undertaking simple cost benefit analysis of all systems;
 - b) **Security:** With all data and business know how being transferred to 1s and 0s, it is imperative to safeguard this business advantage and secure oneself from the potential loss of key competencies due to data theft. Also, customer trust and loyalty is greatly affected based on the security of data that your company is committed to;
 - c) **Knowledge to Intellect:** With every step in every activity being recorded, reviewed and measured, there is a great need to start focusing on use of data. Management Accountants need to analyze the data and be a progressively involved partner in conversion of business knowledge to employee and process intellect. Data backed Decision making is the most useful and value added activity that management accountants should be most comfortable and well positioned to undertake;
- 6) **Market Risks:** Any business is only as successful as its customers. Market analysis and customer dependence reporting make the sale team ever more focused and conscious of their efforts. The following analysis usually form the basis for Market Risk Assessments;
 - a) **Type and Frequency of Sales:** Sales split into various products, areas, industries, demographics and customers helps analysis dependencies and profit contributions;
 - b) **Process of Tendering / Pricing:** Tendering and pricing activities that are not correlated to the actual or estimated costs for supply or support can be disastrous for companies. However, most companies continue to focus on marginal costing based tendering processes and do not consider the total cost of the servicing a client;
 - c) **Effective Success Rate of Tenders:** This report not only judges the effectiveness and efficiency of the sales team but also helps analyze the competition and where the company stands against it. In India, certain industries are in perennial price wars and suffer from oversaturation whereas others operate in near monopolistic conditions due to incremental key competitive advantages;

While the Risk Assessment Audit is a great insight into the future of the company and direction, the key to successful execution is to align company strategy to implementation processes.

Message from Chairman Professional Development Committee



Respected Professionals,

At the outset on behalf of the Professional Development Committee (PDC) of WIRC of The Institute of Cost Accountants of India conveying my highest gratitude to all of you for the overwhelming response and support extended towards the professional development activities of the WIRC, since August 2014.

I believe that area of Cost Audit / Cost record are very important to our profession particularly to our members who are in practice. However at the beginning of tenor I had taken a conscious decision to extend the horizon of profession and choose program for professional development on such areas where along with practicing members, members from industry who represent more than 95% of our profession will be benefited.

As per the new initiative taken by the Professional Development committee, members are now well informed about program to be conducted through SMS, email. Most of the presentations made by our learned speakers are uploaded in the website under "Resources" of the WIRC for future academic purpose for our members and students.

It is my privilege to give a snap shot of some of our CEP/ Full day / Half day seminar conducted post August '14 like Anti Dumping Duty and Role of CMA, Corporate Debt Restructuring, Indian Debt market, Over View of Corporate Credit Rating, Advance Excel, Internal Audit, Over View of Corporate Credit Rating, SAP and Costing, New cost Audit rules., Financial Derivative etc. It is worth mentioning that speakers were resourceful and most of them were unknown to our members. A true professional development can happen only when we can bring the un tapped human

resources of our profession into the institute activities on a regular basis.

On behalf of the council I am committed to conduct program towards horizontal growth of profession regularly up to the last day of the tenor of the existing council. Some of targeted topics are mentioned as follows,

CARR on Port and related activities, Business Forecasting, Recent Changes in the Companies Act, Technical Analysis for Equity, Commodity and Currency market, Credit Default Swap - Regulation & Valuation, Power Sector in India - Realities, Regulation & Valuation, Chemical sector in India, Infrastructure sector in India, Business Valuation - Pvt equity / Merger and Acquisition / Public issue etc. Kindly pay your attention on the WIRC website for final schedule of programs.

Professional Development Committee of WIRC has conducted successfully the Regional Cost Conference under with association of Navi Mumbai Chapter (one of the most dynamic chapter of the WIRC) at Vashi, Navi Mumbai. Full report of the same has been published in this bulletin.

I appeal to our members, kindly come forward and share your experience / knowledge with other members and be a part of the professional development movement of the WIRC.

THINK BEYOND HORIZON

With warm regards

CMA Debasish Mitra

Chairman Professional Development Committee of
WIRC of The Institute of Cost Accountants of India
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Commerce & Accountancy Talent Hunt - 2015

CMA B. F. Modi,

Chairman, Vapi-Daman-Silvassa Chapter of Cost Accountants, vapi@icmai.in

As a part of our Social responsibility Vapi-Daman-Silvassa Chapter of Cost accountants organised "Commerce & Accountancy Talent Hunt - 2015". The basic idea was to create awareness about the Commerce and accountancy profession in students of this area. The students of 11th and 12th standard and students of undergraduate courses were covered.

Salient features of the competition were as under:

- 1) Students were bifurcated in two Categories - Category I for School students and Category II for college students.
- 2) There was written test of 100 marks of Multiple choice Questions separately for each category. 40% marks for Commerce questions and 60% on Accountancy.
- 3) Separate question papers were set for each category. The questions were selected from our foundation course, CPT and competitive examinations in this field.
- 4) There was provision of Negative marking equal to 25% of the wrong answers.
- 5) Students securing First three highest marks in each category were awarded cash prizes.
- 6) First 25 students in each category were awarded merit certificate and memento.
- 7) All the students participating were awarded Participation certificates.
- 8) A function was organised inviting parents and school/college principals to present the awards to the successful students. The function was attended by all the 50 students with their parents and representatives of respective schools/colleges.

Success of the competition :

- 1) We received more than 650 entries involving 14 schools and 5 colleges of this area.
- 2) Actual no. of students appearing in the examination were 582.
- 3) Institute is well recognised by these schools and colleges. In fact there was interaction with Principals three times (a) Introducing the competition (b) Allotting roll nos. to students for the examination (c) Award function.
- 4) The Institute is now well known in the area by direct involvement of the Institute with students, parents and Principals/staff of the school/colleges.
- 5) This has improved brand image of the institute in a big way.
- 6) We have mobile nos. of all these students which will help us to follow up for admissions in future.
- 7) CMA Shrenik Shah took special efforts to attend the award function which gave further fillip and value to the whole activity.

Future Action :

Looking to the success of the seminar in reaching the ultimate customer i.e. students we shall be conducting such event every year. With this program, most of the colleges/schools have now invited us for career counselling and educating their students on our courses. The program for next year will cover more colleges and schools which could not be covered this year. Over a period of 3 years we target to cover all schools/colleges with an ultimate aim to establish our position firmly and see that brand CMA is well established.

CEP REPORT

On 24th January 2015 WIRC organized Full day Workshop on The Companies (Cost Records & Cost Audit) Amendment Rules 2014 at thane SMFC. CMAs Ashok Nawal, Kishore Bhatia, Pramod Kumar, Vinay Muley, Poonam Shah were the speakers.

On 31st January 2015 WIRC organized CEP on Changing Role of Internal Auditor : Journey from Compliance to Consulting. CMA Vidyasagar Tyagi, Asst Vice President - Internal audit, Reliance Industries Ltd was the speaker.

Seven Deadly Sins

*"Wealth without work
Pleasure without conscience
Science without humanity
Knowledge without character
Politics without principle
Commerce without morality
Worship without sacrifice."*

– Mahatma Gandhi



Indirect Tax Reconciliation & Turnover Reconciliation between Financial Accounts and Excise & Service Tax

By CMA Ashok B. Nawal

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Companies (Cost Records & Cost Audit) Amendment Rules 2014 specifies in CRA -1 to provide the particulars relating to item of Costs to be included in the Books of Accounts.

Para 28 of CRA -1 provides Cost Statement which is to be maintained on monthly, quarterly and annually showing quantitative information in respect of each goods or service under reference and showing details of available capacity, actual production, production as per excise records, capacity utilization (In-house), Stock Purchased for Trading, Stock & other adjustments, Quantity available for Sale, Wastage and Actual Sales during Financial Year and previous year. Similarly, company needs to provide the cost statements (monthly, quarterly and annually) in respect of reconciliation of indirect taxes showing the details of total clearance of goods or services, assessable value, duties or taxes paid, Cenvat or VAT or Service Tax credit utilized, duties or taxes recovered and interest or penalty paid.

Further, Annexure to CRA - 3, Part A (4) provides the note in the heading of product and service details for the company as a whole, wherein difference has to explain if any between turnover as per Annual Account and Turnover as per Excise / Service Tax records.

By virtue of introduction of the provision, there is a mandate in the law to provide for reconciliation between turnover of financial accounts and Turnover as per Excise / Service tax records, which will be useful to the management, Statutory Auditors, Cost Auditors and Central Excise Auditors also.

Annexure to CRA - 3, Part D (6) provides details to be furnished for duty payable, duty paid and duty recovered for excise, service tax and VAT. Cost Audit Report is required to be submitted alongwith Tax Audit Report and observations thereon are also to be recorded in the Tax Audit Report Para.

Similarly, Central Excise Authorities and Service Tax Auditors including Special Auditors i.e. Chartered Accountants and Cost Accountants, CAG Auditors can demand Cost Audit Report and hence it is important to make reconciliation on monthly basis. This will also be a useful management tool for the company, who wish to be always statutory compliant.

Turnover as per Financial Accounts includes sales, sales return, excise duties (in some cases), exports at contractual prices (CIF, DDP etc) but excludes sample sale, free gifts, free sales on schemes etc since such clearances do not have any commercial / realisable value. Further, sales can be directly from the factory, from

clearing and forwarding agents, from depots, consignment sales etc and sales are accounted in accordance with provisions of Sale of Goods Act, 1930. The turnover will include Sales from manufacturing premises, trading activities, Third Party Sales and also sale on loan licensee basis or Principal to Principal basis.

Excise Turnover as reported in Table 3 of ER-1 / ER-2 / ER-3 / ER-8 specifies "**Details of The Manufacture, Clearance and Duty Payable**" which inter alia includes,

- Clearance from the factory for direct sale either on Transaction value or assessable value worked in terms of valuation Rules read with Section 4 of Central Excise Act, 1944 or Section 4A of Central Excise Act, 1944.
- Clearance from factory for stock transfer in terms of Rule 5 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000.
- Clearance for captive consumption at value in terms of Rule 8 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000.
- Clearance for free gifts at assessable value based on proportionate value to be determined in terms of Rules 4 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000

Assessable Value can be different on various reasons based on different rules including that of value when goods are cleared to related parties or value of free goods and services supplied.

Turnover has been defined in the notification issued under Rule 5 of Cenvat Credit Rules, 2004 and said definition has been made applicable to Rule 7 of the Cenvat Credit Rules, 2004 for transfer of ISD credit from Head / branch office to the Units. The definition is reproduced below,

- (E) – Total turnover means sum total of the value of -
- all excisable goods cleared during the relevant period including exempted goods, dutiable goods and excisable goods exported;
 - 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
 - all inputs removed as such under sub-rule (5) of rule 3 against an invoice, during the period for which the claim is filed.

Value of Inputs removed as such is not reflected in Central Excise return. Turnover has not been defined in either Central Excise Act, 1944 or Rules made thereunder. In our opinion, turnover as per Excise Records for this

purpose means, the assessable value of the clearances as shown in table 3 of Central Excise Return and therefore difference will have to be arrived after considering following illustrative points,

- a) Sale at transaction value from the manufacturing premises
- b) Difference between actual sales from depots and assessable value in terms of Rule 5 Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 of at the time of clearance.
- c) Difference between the value reflected in sales for exports and value as reflected in returns. The difference may be on account of time of booking, terms of payment (CIF, FOB, DDU etc), Foreign Exchange Rate etc.
- d) Value of free gifts and Samples
- e) Value of Sales returns and further sales after repairs / reprocessing etc in terms of Rule 16 of Central Excise Rules, 2002
- f) Trading Sales
- g) Debit Notes / Credit Notes not reflected in central excise returns

It is also stated that income reflected from Service in Profit & Loss Account also needs to be reconciled with Service tax turnover as reflected in ST-3 Return.

As a matter of facts, there is basic difference in Accounting of service income as per Accounting Standards and taxable value as per service tax. Accounting Standard - 9 to be followed for accounting of service income which is reproduced below,

7.1 Revenue from service transactions is usually recognised as the service is performed, either by the proportionate completion method or by the completed service contract method.

- (i) *Proportionate completion method-Performance consists of the execution of more than one act. Revenue is recognized proportionately by reference to the performance of each act. The revenue recognised under this method would be determined on the basis of contract value, associated costs, number of acts or other suitable basis. For practical purposes, when services are provided by an indeterminate number of acts over a specific period of time, revenue is recognised on a straight line basis over the specific period unless there is evidence that some other method better represents the pattern of performance*
- (ii) *Completed service contract method-Performance consists of the execution of a single act. Alternatively, services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed until the execution of those acts. The completed service contract method is relevant to these patterns of performance and accordingly revenue is*

recognised when the sole or final act takes place and the service becomes chargeable.

Whereas Turnover as per service tax return will only be reflected as Taxable value of service in ST-3 return.

Taxable value as per Finance Act, 1994 as amended is defined 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;
- (b) [* * *]
- (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 2[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.]

67A. The rate of service tax, value of a taxable service and rate of exchange, if any, shall be the rate of service tax or value of a taxable service or rate of exchange, as the case may be, in force or as applicable at the time when the taxable service has been provided or agreed to be provided.

Explanation.- For the purposes of this section, "rate of exchange" means the rate of exchange service and referred to in the Explanation to section 14 of the Customs Act, 1962.;

Taxable value also includes advances received for services to be provided. Further, Service Tax (Determination of Value) Rules, 2006 provides for,

- a) Different method for valuation in case of Works Contracts
- b) Abated value for specified services
- c) Inclusion and exclusion of certain value like Commission, Reimbursement of expenses in connection with providing services

Further Rule 3 provides that manner of determination of value

3. Manner of determination of value.- Subject to the provisions of section 67, the value of taxable service, where such value is not ascertainable, shall be determined by the service provider in the following manner:-

- a) the value of such taxable service shall be equivalent to the gross amount charged by the service provider to provide similar service to any other person in the ordinary course of trade and the gross amount charged is the sole consideration;
- b) where the value cannot be determined in accordance with clause (a), the service provider shall determine the equivalent money value of such consideration which shall, in no case be less than the cost of provision of such taxable service.

Therefore in almost all the cases value of services as per Financial Account will differ with taxable value of service tax.

We give below illustrative points of differences:

- a) Advances Received against the services to be provided
- b) Differential on account of valuation methods as mentioned above
- c) Value of declared services might have been accounted in books of accounts under different heading e.g.: Penalties and detentions, recovery of notice pay, Write backs etc.

If such type of reconciliation is made on monthly, quarterly and yearly basis which will also provide insight to take policy decision and strategic decision.

It is also expected in Cost Audit Report to reconcile Duty Payable, Duty Paid and Duty Recovered. It is observed that Duty Payable, Duty Paid and Duty Recovered are taken from summary of Central Excise Returns, service tax returns and VAT Returns. However it is recommended to ensure amount reflected in Central Excise and Service tax returns are accurate. In other words, responsibility of ensuring "Duty Payable" is casted on Cost Auditors and hence utmost care needs to be taken while filling this part of the audit report.

Cost Auditor needs to be acquainted with Provisions of Central Excise Act, 1944, Finance Act, 1994, VAT Act and Rules made thereunder.

Such type provisions will help to brand cost accountant as Doctors of Indirect Tax...!!



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL and Aurangabad Chapter of ICAI

announces

Full day Seminar on 60 Laws (Laws & Compliances)

Date: Saturday 14th February 2015 Time: 9.30 a.m. to 5.30 p.m.

Venue: Grand Hall, Hotel Atithi, Near Seven Hills, Jalna Road, Aurangabad

Speakers: **CMA Ashok Nawal**, *Chairman WIRC*

CMA Saswata Banerjee, *Practising Cost Accountants*

Fees: Corporate/Self Sponsored **Rs.600/-** Practising CMA Members - **Rs.500/-** CMA Students - **Rs.400/-**

(4 CEP Credit hours will be provided)

For Details

visit: www.icmai-wirc.in

OR

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Glimpses of Seminar on Cost Audit Rules 2014 Organized by Pimpri Chinchwad Akurdi Chapter on 24-1-2015



Chairman, L. D. Pawar giving welcome speech



CMA L.D. Pawar welcoming speaker - CMA Kirit Mehta



Audience at the Seminar

Glimpses of Talent hunt examination organized by Vapi-Daman-Silvassa Chapter on 18th January 2015



CMA Shrenik Shah addressing the students at Talent hunt 2015



CMA Shrenik Shah presenting award to winner of Talent hunt competition



View of students appearing Talent hunt examination



View of participants at Award function of Talent hunt



Congratulations

CMA Dhananjay Joshi, Past President ICAI has been awarded Ph.D. (Doctorate) by University of Pune on the subject "An Assessment of Cost Audit as a tool for performance measurement evolution and evaluation of Cost Audit system in India since inception".

He did his research under the guidance of **CMA (Dr.) N. M. Vechalekar**

Glimpses of Seminars on The Companies (Cost Records & Cost Audit) Amendment Rules 2014 organised by WIRC on 10th January at YASHADA, Pune



CMA Kunal Banerjee, Past President ICAI lighting the lamp. Also seen CMAs L.D. Pawar, Shrenik Shah, B.M. Sharma, A.B. Nawal and V.S. Datey



CMAs Shrenik Shah, B.M. Sharma, Kunal Banerjee, A.B. Nawal and Debasish Mitra.



CMAs Neeraj Joshi, Shrenik Shah, B. M. Sharma, Amit Apte, A. B. Nawal & Debasish Mitra



View of audience

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

ANNOUNCES

ALL INDIA PRACTITIONERS' CONVENTION

Day & Date: Monday, 16th March 2015

Venue: Mumbai Cricket Association, Recreation Centre, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

For further details please visit websites - www.icmai.in/www.icmai-wirc.in



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