



# WIRC BULLETIN

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## From the Desk of Chairman



My Dear Professional Colleagues,

It is my pleasure once again to communicate with all of you through this column. The Indian economy is witnessing an upward trend, and to add to it the US economy is also showing signs of recovery from recession.

The Government of India is now entrusting more and more responsibilities on the Professionals and more particularly on Cost Accountants.

Members must be aware that Ministry of Corporate Affairs has mooted a panel for outsourcing of technical scrutiny of balance sheet of companies for the year 2009-10. The letter received from Ministry of Corporate Affairs was already published in the last month's bulletin. I am sure that all of you would take full advantage of this opportunity and ratify the faith reposed by government on our professional fraternity.

Last month witnessed some major events organized by Pune Chapter. On the 31<sup>st</sup> of October, Pune Chapter organized their Students day program and also inaugurated the Pimpri-Chinchwad-Akurdi Centre for their members and students. I had the privilege to attend both these programs and these were well attended by members and students. On 30/10/2009, Pune Chapter also took lead in organizing the meeting of Working Group of The Quality Review Board (QRB). The working group committee members held discussions with CMAs from Industry profession and academicians.

CMA G. N. Venkataraman, President of ICWAI, along with our CMA Sanjay Bhargave visited China for the seminar organized by CAPA in association with Chinese Institute of Certified Public Accountants, wherein they had the opportunity to interact with the representatives from Australia, Malaysia, New Zealand, Pakistan, Nepal, Bangladesh, Srilanka, Makau, China, Taiwan, Korea, Canada etc.

Friends, students are our most valued customers. They should not only be satisfied, but should also be enchanted and delighted, as they are one of the indispensable pillars of our profession. We should build a very strong foundation by strengthening these pillars. I am happy to inform you that I received overwhelming love, affection and enthusiasm from the students of all the chapters I visited, (noteworthy from the students of Pune Chapter) and I am fully confident that the future of our beloved profession is most secured in their worthy hands.

I would once again reiterate that all the chapters should be active in organizing various activities and seminars relating to Professional Interest. Updating of professional knowledge is utmost important to survive in the dynamic environment. Expectations of society are ever increasing and it is our moral duty to serve the profession in the best possible manner.

I also earnestly request that each and every member whether in practice or service should contribute in every possible manner to secure the overall growth of our worthy profession, with objective to attract more students to join our ICWAI course and to enlarge our membership base.

With Warm Regards,

**MANUBHAI K. DESAI**

## Inauguration of Pimpri – Chinchwad- Akurdi Center (PCAC) of Pune Chapter of Cost Accountants



Lighting of Lamp at the auspicious hands of Chief Guest Sou. Aparnatai Doke - Mayor PCMC. Accompanied by - (From L to R) CMA Pramod Dube - Chairman PCCA, CMA Amit Apte - Vice Chairman WIRC, CMA D R Kulkarni - Chairman PCAC, Mr. Shama Sundara - Guest of Honor, CMA Manubhai Desai - Chairman WIRC and CMA Ashwini Nande, Vice Chairman PCAC.

## Glimpses of Inauguration of Pimpri-Chinchwad-Akurdi Center (PCAC)



PCAC and PCCA Committee members welcome the Chief Guest Sou. Aparnatai Doke - Mayor Pimpri-Chinchwad Municipal Corpn.



Traditional welcome of Chief Guest Sou. Aparnatai Doke – Mayor PCMC by the students of PCCA.



CMA Dhananjay Joshi – Past President ICWAI and Managing Committee Members of PCAC in lighter moment with Chief Guest - Sou. Aparnatai Doke – Mayor PCMC



Chief Guest Sou. Aparnatai Doke - Inaugurates the Pimpri Chinchwad – Akurdi Center of Pune Chapter of Cost Accountants.



CMA D R Kulkarni - Chairman of PCAC briefs the audience about road map of PCAC



Chief Guest Sou. Aparnatai Doke expressing her best wishes to PCCA's PCAC in her inaugural speech.



Gracious presence of Past Presidents CMAs V. Kalyanraman, P. D. Parkhi, J. K. Puri, Dr. N. M. Vechelekar – Past Chairman WIRC, CMAs B R Fernandis, Dr. Gawade, D V Patwardhan – Past Chairman of PCCA and other members on inauguration of PCAC.



Members of Managing Committee of PCAC seen with Mr. Dyneshwar Bhalerao – Chairman standing committee of PCMC. (L-R) CMAs Pradeep Deshpande, Rahul Chincholkar, Harshad Deshpande, Dhananjay Joshi – Past president of ICWAI, Amit Apte - Vice Chairman WIRC, D T Londhe, Ashish Deshmukh and Sachin Gandhi

## **Inauguration of Pimpri – Chinchwad- Akurdi Center (PCAC) OF PUNE CHAPTER OF COST ACCOUNTANTS**

Pune Chapter of Cost Accountants extended their wings by opening a new center at Akurdi on 31st October, 2009 at the auspicious hands of honorable mayor of Pimpri Chinchwad Municipal Corporation Sau. Aprnatai Doke. Shri. Shama Sundara – Managing Director of Maharashtra Natural Gas Ltd was the Guest of Honor.

The center is known as **Pimpri-Chinchwad – Akurdi Center (PCAC)**.

The function commenced with traditional Isha Stawan. CMA. D. R. Kulkarni – Chairman of Working Committee of PCAC welcomed the Chief Guest, Guest of Honor and all Past Presidents, Central Council Members, Regional Council Members, Chapter representatives, professionals and Students.

Sou. Madhuwanti Sathe – Vice Chairman of Pune Chapter of Cost Accountants introduced the Chief Guest and offered her floral bouquet and memento. CMA. Ashish Deshmukh – member of Working Committee of PCAC introduced the guest of honour. CMA D R Kulkarni felicitated the guest of honour.

CMA Neeraj Joshi briefed the audience about the Institute, history in brief, pivotal role played by the institute in last 50 years since inception in the development of Indian economy. CMA Pramod Dube – Chairman of PCCA briefed about the activities and role played by PCCA in last 40 years for rendering services to the members, students, industry and society at large.

CMA D R Kulkarni – Chairman of Working Committee explained in detail the need of such a center in the prominent industrial belt of Pimpri Chinchwad, future plans, infrastructure and facilities created by the center. He explained that due to the facilities provided by the center, the students will get all kind of services in their local area and will enable them to have more time for studies. He also explained that the center is having excellent facilities of Seminar Hall and lot of professional development activities including CEP programs will be organized by PCAC for the benefit of members in the area.

The messages received from the President of ICWAI, CMA G. N. Venkataraman and Shri Gajanan Babar, honorable MP were read by CMA Pradeep Deshpande during the inaugural function.

The center was inaugurated at the auspicious hands of Sou. Aparnatai Doke, Mayor PCMC, along with Guest of Honor Shri Shama Sundara – MD of MNGL, CMA Manubhai Desai, Chairman WIRC, CMA Amit Apte, Vice Chairman of WIRC.

In the inaugural address, Sou. Aparnatai expressed her sense of fulfillment that the Pune Chapter of Cost

Accountants has taken cognizance of her recommendation for creating such facility in Pimpri Chinchwad municipal corporation area. She was very happy that the students from this industrial area will get educational facilities from a world class Institute and they will have better career and prospects. She also offered all possible assistance to the Center and wished the PCAC every success in their endeavor.

While offering best wishes to new center, honorable Guest of Honor, Shri Shama Sundara emphasized the role of professionals in the era of Liberalisation, Privatization and Globalization, and also added that CMAs have one more challenge to address and that is “Recession”.

CMA V. Kalyanraman, Past President ICWAI and SAFA blessed the students and PCAC and also advised students to look beyond books and to acquire practical experience and knowledge to be successful. CMA Pramod Parkhi Past President ICWAI congratulated PCCA and PCAC and viewed that PCAC has to meet the expectations of students and members in providing services. CMA J. K. Puri Past President ICWAI appreciated the efforts and vision of Pune Chapter in setting up such center which will go a long way benefiting the students and members. He also expressed that Pune Chapter and all such leading Chapters should open such centers in their vicinity which will only help the Institute to grow further. CMA Dhananjay Joshi Past President ICWAI congratulated PCCA team for their forward outlook and expected that PCAC working committee will set targets for themselves to excel in all spheres of their activities.

CMA V. C. Kothari CCM, was delighted to note that his suggestion of creating such facility in Pimpri Chinchwad area has come true by setting up this center by Pune Chapter of Cost accountants. S/s A. G. Dalwadi CCM, Manubhai Desai Chairman WIRC, Amit Apte Vice Chairman WIRC, P. V. Wandrekar Past Chairman WIRC, Dinesh Birla Treasurer WIRC, Dr. N. M. Vechalekar Past Chairman WIRC, and Past Chairmen of PCCA S/s B. R. Fernandes, D. V. Patwardhan, Dr. Gawade, N. M. Nimkar and other distinguished personalities from the profession and industry graced the inauguration of PCAC.

Vote of Thanks was proposed by CMA Sachin Gandhi, member working committee of PCAC

### **About PCAC of PCCA**

#### **Need for Center**

During the last 50 years, Pimpri-Chinchwad and Akurdi has become an industrial hub. Along with industry large residential townships are set up in this area with more than 15 Management Institutes, 20 colleges and over 500 industrial establishments.

Pune Chapter of Cost Accountants (PCCA) is already having coaching facility in this area which is operational for more than 20 years.

Pune chapter had taken a note of the growing necessity of providing full fledged facilities catering to the needs of the students and members and had taken a policy decision to establish such center.

### **Dream comes true**

With the support from members in the locality and vicinity of Pimpri Chinchwad and Akurdi a suitable premises was identified and now PCCA has set up PCAC which was inaugurated at the hands of the Hon. Mayor PCMC on 31<sup>st</sup> October 2009.

### **Objects of the Center**

The object of the center is to provide world class services and facilities to the students and professional members.

To the students - All services will be provided on single window basis. The aim is to reach at the door of student to enable them to save their energy and concentrate more on studies.

To the members – Provide value added services for enhancing the competency level thru continuous education programs, technical discussions, study circle meetings, discussion forums etc. Providing administrative services like accepting membership fees, attending to suggestions from members and so on.

To other stake holders – Provide Cost Management guidance to industry, training facilities to corporations and public administration bodies. Act as catalyst between the industry and various government organizations / departments. To carry out research and other activities for the welfare of the society at large.

### **Infrastructure and Facilities**

- The center is located at the prominent place, just a walking distance of 5 minutes from main Pune – Mumbai road at N.B. Arcade, Near PCMC Hospital, Akurdi.
- The center has built up area exceeding 3000 sq. ft.
- Excellent library with all type of books and periodicals.
- Reading room accommodating more than 50 students at a time with table and chair facility.
- Ultra modern seminar hall with LCD projector, internet connectivity accommodating over 80 delegates at a time.
- Administrative office working with modern communication facilities and office equipment.
- Chamber for Chairman and working committee meetings.
- Common terrace to organize special functions.

### **PCAC Working Committee**

A working committee is constituted consisting of all the members from Pimpri Chinchwad area. This committee will work in close liaison and co-ordination with the managing committee of PCCA.

1.	CMA D R Kulkarni	<i>Chairman</i>
2.	CMA Ashwini Nande	<i>Vice Chairman</i>
3.	CMA Sandesh Badkas	<i>Secretary</i>
4.	CMA Rahul Chincholkar	<i>Treasurer</i>
5.	CMA Shrirang Kardile	<i>Member</i>
6.	CMA D T Londhe	<i>Member</i>
7.	CMA Ashish Deshmukh	<i>Member</i>
8.	CMA Pradeep Deshpande	<i>Member</i>
9.	CMA Sachin Gandhi	<i>Member</i>

## **WIRC OFFICE - Telephone Nos. / Fax. Nos.**

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General Enquiry	31/32	
Computer Training & Library	33	comptrn@icwai-wirc.org
Postal Coaching	34 and 37	postal@icwai-wirc.org
Accounts & Administration	36	admin@icwai-wirc.org
Publication Department	39	publication@icwai-wirc.org
Oral Coaching	40	oral@icwai-wirc.org

**Website: [www.icwai-wirc.org](http://www.icwai-wirc.org)**

**Working days : Monday to Friday and 2nd, 4th & 5th Saturdays**

**Office Timings : 10 a.m. to 6.30 p.m.**

**Holidays : 1st & 3rd Saturdays, Sundays and Bank Holidays**

# IFRS CORNER

## Intangible Assets

CMA R.N.Bhave, CS, CA, CWA, IFRS-ICAI, Six sigma green belt & Dr. Anjali Bhave, CWA, DBF, Ph.D.  
3rd article in series - write queries to mohanbhave@gmail.com

Brackets generally show IFRS terminologies to become familiar.

Now intangible assets like research, customer list, patents will appear in Balance-sheet (SOFP), especially in acquisitions (business combinations).

So let us see how it works.

Intangible Assets under IFRS

Which standard is applicable to intangible assets?

The applicable standard is IAS 38 Intangible Assets.

### What are the examples of intangible assets?

scientific or technical knowledge	design and implementation of new processes or systems,	licenses
intellectual property,	market knowledge and trademarks	brand names and publishing titles
computer software	patents	copyrights
motion picture films	customer lists	mortgage servicing rights
fishing licenses	import quotas	franchises
customer or supplier relationships	customer loyalty	market share and marketing rights.

### What are the criteria for recognizing an intangible asset?

The criteria for recognizing intangible assets are Identifiability, control and future benefits

#### • **Identifiability**

It is essential that an intangible asset is identifiable to distinguish it from goodwill.

Identifiability requirement is met if the intangible asset

(i) is capable of being separated from the undertaking and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability or

(ii) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the undertaking, or from other rights and obligations.

#### • **Control**

An undertaking controls an asset, if it can obtain the benefits flowing from the underlying resource and restrict the access of others to those benefits. The capacity of an undertaking to control these benefits would normally stem from legal rights, though an undertaking may be able to control the benefits in another way.

#### • **Future Benefits**

The future benefits flowing from an intangible asset may include:

- revenue from the sale of products or services,
- cost savings
- other

How is Intangible asset defined?

An *intangible asset* is an identifiable non-monetary asset without physical substance.

### How are Intangibles assets acquired?

The intangible assets may be

- self generated or
- acquired from outside for example through
  - purchase
  - business combination
  - government grant

### Examples

Market and technical knowledge if protected by legal rights like copyright satisfy all the criteria mentioned above and can be accounted for as intangible asset. However a team of skilled staff or a portfolio of customers can not be categorised as intangible assets as an entity does not have control over these assets.

When is an intangible asset recognised?

An intangible asset shall be recognised if

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

The management has to make a best estimate of the probability of the future economic benefits on the basis of reasonable and supportable assumptions. An element of subjectivity and error of judgment hence can not be ruled out.

If recognition criteria are not met the expenditure on the item is recognised as an expense when it is incurred.

How is an intangible asset measured initially?

It shall be measured initially at cost. If an intangible asset is acquired in a business combination the cost of that asset is its fair value at acquisition

Some typical costs – whether and when to be expensed or recognised as intangible asset

### • **Research and Development Costs**

The research cost is expensed while the development costs are capitalised only if it is established that the asset can be sold or used to generate future economic benefits. This may be done through an assessment of technical and commercial feasibility. If it is not possible to distinguish the research phase of a project to create an intangible asset from the development phase the expenditure is treated as incurred in the research phase only. A research and development project acquired in a business combination is recognised as an asset at cost, even if a component is research. For accounting for subsequent expenditure principles of IAS 38 are applicable.

### • **Some internally generated intangible assets like Brands, mastheads, publishing titles, customer lists etc are not be recognised as assets**

#### • **Computer Software**

If it is purchased it can be recognised as intangible assets, while Operating systems for hardware are included in hardware cost. For internally developed software the principles mentioned above are applicable.

Which costs are to be included in the measurement of an internally-generated Intangible Asset?

The costs **incurred from the date when the asset first meets the recognition criteria** that can be directly attributed or allocated to it on a reasonable and consistent basis are recognised. All costs on creating, producing and preparing the asset for its intended use are included like

- expenditure on materials and services used in generating the asset
- the employment costs of personnel directly engaged in producing the asset
- any expenditure that is directly attributable to the asset, for ex fees to register a legal right
- overheads that are necessary to generate the asset
- interest

The following are examples of costs which are not included

- selling, administrative and other general overhead expenditure which can not be directly attributed to preparing the asset for use
- inefficiencies and initial operating losses in the period before the asset achieves planned performance
- training expenditure for operating the asset.

How is it subsequently measured?

An entity has a choice to select either cost model or revaluation model

- **Cost model** - the intangible assets should be carried at cost less any amortisation and impairment losses.
- Intangible assets are classified as assets having
- **Finite life:** a limited period of benefit to the entity.
- **Indefinite life:** no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The cost less residual value of an intangible asset with a **finite** useful life is amortised over the finite useful life. The amortisation method should reflect the pattern of benefits but if the pattern cannot be determined reliably the straight line method is followed. The amortisation period should be reviewed at least annually. Assessed for impairment in accordance with IAS 36 is essential.

An intangible asset with an **indefinite** useful life should not be amortised. At each reporting period it is to be determined whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate. The asset should also be assessed for impairment in accordance with IAS 36.

Revaluation model - can be used only if fair value can be determined by reference to an active market. For intangible assets such active markets may not be common with exceptions like certain types of licenses, allocated quotas etc. Revaluation increases are credited to revaluation surplus.

What disclosures have to be made under IAS 38 about Intangible assets?

The following is to be disclosed for each class of intangible asset -

- useful life or amortisation rate
- amortisation method
- gross carrying amount
- accumulated amortisation and impairment losses
- line items in the income statement in which amortisation is included
- reconciliation of the carrying amount at the beginning and the end of the period showing:
  - additions (business combinations separately)
  - assets held for sale
  - retirements and other disposals
  - revaluations
  - impairments
  - reversals of impairments
  - amortisation
  - foreign exchange differences
  - other changes
- basis for determining that an intangible has an indefinite life
- description and carrying amount of individually material intangible assets
- certain special disclosures about intangible assets acquired by way of government grants
- information about intangible assets whose title is restricted
- contractual commitments to acquire intangible assets

Additional disclosures required

- intangible assets carried at revalued amounts
- the amount of research and development expenditure recognised as an expense in the current period. ●

## CHAPTER NEWS

### JABALPUR

Office Bearers for 2009 - 10

CMA Anil Gupta	:	Chairman
CMA Tapen Badkul	:	Secretary
CMA Manoj Ravtani	:	Treasurer

### NAVI MUMBAI

#### CEP on Value Based Management

A CEP on **VALUE BASED MANAGEMENT** was conducted by Navi Mumbai Chapter of Cost Accountants on 25th October 2009.

The speaker was CMA V. Narayanan, Vice Chairman of the Chapter. CMA Narayanan is also Professor in Fr. C Rodrigues Institute of Management Studies, Vashi.

CMA M.K. Narayanaswamy, Immediate Past Vice Chairman of the Chapter welcomed the speaker and members. He informed members about the relevance of value based management in today's context.

CMA Narayanan informed members about number of approaches to calculate the Value added Management i.e **Marakon Approach, McKinsey Approach (Free cash flow method), Stern Stewart Approach BCG Approach i.e Cash Flow Return on Investments (CFROI) and Cash Value Added (CVA), Total Shareholder Return and Total Business Return**

The presentation was very informative and was discussed with various examples, charts, diagrams, and mathematical calculations. He also discussed how EVA (Economic Value Addition) became more important particularly after Satyam Computer case, and how the calculation of EVA is very important when IFRS will be implemented from 2011 onwards.

CMA Debasish Mitra, Secretary of the Chapter concluded the session with a vote of thanks.

### PUNE

#### Students' Day Programme

Oral Coaching Students of Pune Chapter of Cost Accountants celebrated 31st October 2009 as Students' Day at Tilak Smarak Mandir Pune, between 9.00 am to 1.00 pm. Past Presidents of ICWAI—CMA V. Kalyanaraman, CMA J.K. Puri, CMA Pramod Parkhi and CMA Dhananjay Joshi were the Guest of Honors for this event.

Other Dignitaries on the dais were CMA A. G. Dalwadi CCM-ICWAI, CMA V.C.Kothari CCM-ICWAI, CMA Manubhai Desai, Chairman WIRC, CMA Amit Apte, Vice Chairman WIRC, CMA Pramod Dube Chairman PCCA, CMA Madhuvanti Sathe, Vice- Chairman PCCA, CMA Anant Dhavale Chairman Students Coordination Committee PCCA.

The program started at 9.30 a.m. with Ishstawan, followed by welcome address by PCCA Chairman CMA Pramod Dube. Students' representatives Amey Tikale and Miss Deepa Gaikwad were comparing the entire programme. They introduced all Past Presidents and other dignitaries on the dais. CMA Pramod Dube Chairman PCCA felicitated the dignitaries by offering them bouquets.

CMA V. Kalyanaraman advised the students to develop analytical and presentation skills. CMA J. K. Puri updated the students about the career opportunities like Indian Cost Accounting Services. CMA P.D.Parkhi spoke about the Pune Chapter's growth since its inception and congratulated the prize winners.

CMA Anant Dhavale Chairman Students' Co-ordination Committee PCCA explained the Scholarship/ Loan Scheme introduced by PCCA. After that Scholarship and prizes were distributed from the hands of Guests of Honor. At the end Students Co-ordination Committee Chairman CMA Anant Dhavale proposed a vote of thanks.

The prize distribution ceremony was followed by the Cultural Program by the students. Everyone applauded the mind blowing performances of the students.

Anchoring of Students Cultural Programme was done by Miss Anagha Phatak and Priya Vaidya.

The program ended with The National Anthem.

#### Pran Yoga Shibir

Chapter had organized Pran Yoga Shibir of two weeks during 1st October to 14th October 2009. The Shibir was conducted by CMA D.V. Patwardhan, who is a Yoga Teacher from Patanjali Yoga Samitee, Pune (Branch of Swami Ramdev's Patanjali Yoga Trust - Haridwar).

The Shibir received excellent response and was well appreciated by ICWAI members. Taking inspiration from the response received, PCCA proposes to organise similar Shibirs for the ICWAI students as well.

#### Quality Review Board Working Group Meeting

The Quality Review Board has constituted a working group consisting of our CMA V. Kalyanaraman and CMA Dhananjay V. Joshi past presidents of our Institute to prepare a QRB Manual. Working group committee members held discussions with CMAs from industry, profession and academicians in Pune on Friday 30th October 2009. Pune Chapter of Cost Accountants took the lead in organising this discussion meeting.

CMA Pramod Dube Chairman PCCA welcomed all the dignitaries and the QRB members who were felicitated by CMA Neeraj Joshi Chairman P. D. Committee of PCCA. CMA J. K. Puri Past President, CMA Manubhai Desai Chairman WIRC, CMA Amit Apte Vice Chairman WIRC,

CMA Ashwin Dalwadi CCM, addressed the meeting. CMA V. Kalyanaraman gave introductory remarks on QRB, its constitution and the role assigned to QRB by MCA. CMA Dhananjay Joshi briefed on the objectives of this meeting of professional CMAs. He requested all delegates to express their views and suggestions on the QRB Manual under preparation. The members attending the meeting gave a lot of inputs as to what they expect from this manual. A questionnaire specially designed for this purpose was also discussed item by item and the responses from the members were solicited. There were lot of interesting discussions and the members of QRB requested the attending dignitaries to send their responses to the questionnaire also in writing which was agreed to by the dignitaries in pro-active manner.

CMA Harshad Deshpande, Treasurer PCCA proposed a vote of thanks. The meeting was followed by dinner hosted by PCCA.

### **Report of CEP on Cost Accounting Standards conducted by WIRC on 31st October 2009**

WIRC had arranged a discussion (CEP) on exposure drafts of Administrative Overheads and Repairs & Maintenance released by ICWAI. The discussions were facilitated by CMA M B Ashtamker at WIRC premises on 31st October 2009. He explained various provisions in both the standards. Members contributed well to the discussion. Many points were raised during the discussion by members and clarified by CMA Ashtamker. Members appreciated a move by Institute to introduce exposure drafts, having discussions on it and then publishing as Cost Accounting Standards.

## **CONTINUING EDUCATION PROGRAMME**

### **Discussion on Technical Scrutiny of Balance Sheets**

**Date:** Saturday the 21st November 2009 • **Time:** 3.00 pm to 6.00 pm

**Fees:** Rs. 250/-

**Venue:**

Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001.

**For Registration :** E.mail: seminar@icwai-wirc.org

**(2 CEP Credit hours will be provided)**

**Programme Co-ordinators:**

CMA Aruna Soman : 98692 07020 • CMA Ashish Thatte: 98209 73559 • CMA S.G. Narasimhan : 98199 95065

## **Forthcoming Study Circle Meeting at Eastern Suburbs / Thane**

**Topic:** Direct Tax Code

**Speaker :** Mr. Shripad Kabadi

**For Exact Venue and Date please check WIRC site**

## **CAREER COUNSELLING LECTURE**

On 30th October 2009 a Career Guidance lecture was arranged at SIES College, Sion. CMA M.B. Ashtamker guided the students about the scope of Cost and Management Accountancy. More than 100 students from the College attended the lecture.



# Learning from experience: Some lessons I have learned from my Life and career

NYU Stern Precommencement May 9, 2007

**N. R. Narayana Murthy**

Chairman of the Board, Infosys Technologies Limited, Bangalore, INDIA

Dean Cooley, faculty, staff, distinguished guests, and, most importantly, the graduating class of 2007, it is a great privilege to speak at your commencement ceremonies. I thank Dean Cooley and Prof. Marti Subrahmanyam for their kind invitation. I am exhilarated to be part of such a joyous occasion. Congratulations to you, the class of 2007, on completing an important milestone in your life journey.

After some thought, I have decided to share with you some of my life lessons. I learned these lessons in the context of my early career struggles, a life lived under the influence of sometimes unplanned events which were the crucibles that tempered my character and reshaped my future.

I would like first to share some of these key life events with you, in the hope that these may help you understand my struggles and how chance events and unplanned encounters with influential persons shaped my life and career. Later, I will share the deeper life lessons that I have learned. My sincere hope is that this sharing will help you see your own trials and tribulations for the hidden blessings they can be.

The first event occurred when I was a graduate student in Control Theory at IIT, Kanpur in India. At breakfast on a bright Sunday morning in 1968, I had a chance encounter with a famous computer scientist on sabbatical from a well-known US university. He was discussing exciting new developments in the field of computer science with a large group of students and how such developments would alter our future. He was articulate, passionate and quite convincing. I was hooked. I went straight from breakfast to the library, read four or five papers he had suggested, and left the library determined to study computer science. Friends, when I look back today at that pivotal meeting, I marvel at how one role model can alter for the better the future of a young student. This experience taught me that valuable advice can sometimes come from an unexpected source, and chance events can sometimes open new doors.

The next event that left an indelible mark on me occurred in 1974. The location: Nis, a border town between former Yugoslavia, now Serbia, and Bulgaria. I was hitchhiking from Paris back to Mysore, India, my home town. By the time a kind driver dropped me at Nis railway station at 9pm on a Saturday night, the restaurant was closed. So was the bank the next morning, and I could not eat because I had no local money. I slept on the railway platform until 8.30 pm in the night when the Sofia Express pulled in. The only passengers in my compartment were a girl and a boy. I struck a conversation in French with the young girl. She talked about the travails of living in an iron curtain country, until we were roughly interrupted by some policemen who, I later gathered, were

summoned by the young man who thought we were criticizing the communist government of Bulgaria. The girl was led away; my backpack and sleeping bag were confiscated. I was dragged along the platform into a small 8x8 foot room with a cold stone floor and a hole in one corner by way of toilet facilities. I was held in that bitterly cold room without food or water for over 72 hours. I had lost all hope of ever seeing the outside world again, when the door opened. I was again dragged out unceremoniously, locked up in the guard's compartment on a departing freight train and told that I would be released 20 hours later upon reaching Istanbul. The guard's final words still ring in my ears – "*You are from a friendly country called India and that is why we are letting you go!*"

The journey to Istanbul was lonely, and I was starving. This long, lonely, cold journey forced me to deeply rethink my convictions about Communism. Early on a dark Thursday morning, after being hungry for 108 hours, I was purged of any last vestiges of affinity for the Left. I concluded that entrepreneurship, resulting in large scale job creation, was the only viable mechanism for eradicating poverty in societies.

Deep in my heart, I always thank the Bulgarian guards for transforming me from a confused leftist into a determined, compassionate capitalist! Inevitably, this sequence of events led to the eventual founding of Infosys in 1981.

While these first two events were rather fortuitous, the next two, both concerning the Infosys journey, were more planned and profoundly influenced my career trajectory.

On a chilly Saturday morning in winter 1990, five of the seven founders of Infosys met in our small office in a leafy Bangalore suburb. The decision at hand was the possible sale of Infosys for the enticing sum of \$ 1 million. After nine years of toil in the then business-unfriendly India, we were quite happy at the prospect of seeing at least some money. I let my younger colleagues talk about their future plans. Discussions about the travails of our journey thus far and our future challenges went on for about four hours. I had not yet spoken a word.

Finally, it was my turn. I spoke about our journey from a small Mumbai apartment in 1981 that had been beset with many challenges, but also of how I believed we were at the darkest hour before the dawn. I then took an audacious step. If they were all bent upon selling the company, I said, I would buy out all my colleagues, though I did not have a cent in my pocket. There was a stunned silence in the room. My colleagues wondered aloud about my foolhardiness. But I remained silent. However, after an hour of my arguments, my colleagues changed their minds to my way of thinking. I urged them that if we

wanted to create a great company, we should be optimistic and confident. They have more than lived up to their promise of that day. In the seventeen years since that day, Infosys has grown to revenues in excess of \$ 3.0 billion, a net income of more than \$ 800 million and a market capitalization of more than \$ 28 billion, 28,000 times richer than the offer of \$1 million on that day. In the process, Infosys has created more than 70,000 well-paying jobs, 2000-plus dollar millionaires and 20,000-plus Rupee millionaires.

A final story: On a hot summer morning in 1995, a Fortune - 10 corporation had sequestered all their Indian software vendors including Infosys in different rooms at the Taj Residency hotel in Bangalore so that the vendors could not communicate with one another. This customer's propensity for tough negotiations was well-known. Our team was very nervous. First of all, with revenues of only around \$5 million, we were minnows compared to the customer. Second, this customer contributed fully 25% of our revenues. The loss of this business would potentially devastate our recently-listed company. Third, the customer's negotiation style was very aggressive. The customer team would go from room to room, get the best terms out of each vendor and then pit one vendor against the other. This went on for several rounds. Our various arguments why a fair price – one that allowed us to invest in good people, R and D, infrastructure, technology and training - was actually in their interest failed to cut any ice with the customer. By 5 pm on the last day, we had to make a decision right on the spot whether to accept the customer's terms or to walk out.

All eyes were on me as I mulled over the decision. I closed my eyes, and reflected upon our journey until then. Through many a tough call, we had always thought about the long term interests of Infosys. I communicated clearly to the customer team that we could not accept their terms, since it could well lead us to letting them down later. But I promised a smooth, professional transition to a vendor of customer's choice. This was a turning point for Infosys. Subsequently, we created a Risk Mitigation Council which ensured that we would never again depend too much on any one client, technology, country, application area or key employee. The crisis was a blessing in disguise. Today, Infosys has a sound de-risking strategy that has stabilized its revenues and profits.

I want to share with you, next, the life lessons these events have taught me. I will begin with the *importance of learning from experience*. It is less important, I believe, where you start. It is more important how and what you learn. If the quality of the learning is high, the development gradient is steep, and, given time, you can find yourself in a previously unattainable place. I believe the Infosys story is living proof of this.

Learning from experience, however, can be complicated. It can be much more difficult to learn from success than from failure. If we fail, we think carefully about the precise cause. Success can indiscriminately reinforce all our prior actions.

A second theme concerns *the power of chance events*. As I think across a wide variety of settings in my life, I am struck by the incredible role played by the interplay of

chance events with intentional choices. While the turning points themselves are indeed often fortuitous, how we respond to them is anything but so. It is this very quality of how we respond systematically to chance events that is crucial.

Of course, the *mindset* one works with is also quite critical. As recent work by the psychologist, Carol Dweck, has shown, it matters greatly whether one believes in ability as inherent or that it can be developed. Put simply, the former view, a *fixed mind set*, creates a tendency to avoid challenges, to ignore useful negative feedback and leads such people to plateau early and not achieve their full potential. The latter view, a *growth mind set*, leads to a tendency to embrace challenges, to learn from criticism and such people reach ever higher levels of achievement (Krakovsky, 2007: page 48).

The fourth theme is a cornerstone of the Indian spiritual tradition: *self-knowledge*. Indeed, the highest form of knowledge, it is said, is self-knowledge. I believe this greater awareness and knowledge of oneself is what ultimately helps develop a more grounded belief in oneself, courage, determination, and, above all, humility, all qualities which enable one to wear one's success with dignity and grace.

Based on my life experiences, I can assert that it is this belief in learning from experience, a growth mind-set, the power of chance events, and self-reflection that have helped me grow to the present. Back in the 1960's, the odds of my being in front of you today would have been zero. Yet here I stand before you! With every successive step, the odds kept changing in my favor, and it is these life lessons that made all the difference.

My young friends, I would like to end with some words of advice. Do you believe that your future is pre-ordained, and is already set? Or, do you believe that your future is yet to be written and that it will depend upon the sometimes fortuitous events? Do you believe that these events can provide turning points to which you will respond with your energy and enthusiasm? Do you believe that you will learn from these events and that you will reflect on your setbacks? Do you believe that you will examine your successes with even greater care? I hope you believe that the future will be shaped by several turning points with great learning opportunities. In fact, this is the path I have walked to much advantage.

A final word: when, one day, you have made your mark on the world, remember that, in the ultimate analysis, we are all mere temporary custodians of the wealth we generate, whether it be financial, intellectual, or emotional. The best use of all your wealth is to share it with those less fortunate.

I believe that we have all at some time eaten the fruit from trees that we did not plant. In the fullness of time, when it is our turn to give, it behooves us in turn to plant gardens that we may never eat the fruit of, which will largely benefit generations to come. I believe this is our sacred responsibility, one that I hope you will shoulder in time.

Thank you for your patience. Go forth and embrace your future with open arms, and pursue enthusiastically your own life journey of discovery! ■



CMA V.C. Kothari, Chairman, Research and Journal Committee, ICWAI and CMA P.V. Wandrekar, Secretary, WIRC felicitating CMA Mohammed Hanif Ajari, Vice President, Institute of Cost and Management Accountant of Pakistan during Mr. Ajari's visit to Mumbai.



CMA S. R. Bhargave, Chairman, P.D. Committee, ICWAI (3rd from left) and Mr. G. N. Venkataraman, President, ICWAI (5th from left) along with CAPA members during the seminar organised by CAPA in association with CICPA (Chinese Institute of Certified Public Accountants) at Beijing from 29th to 31st October 2009.



Delegates attending Working Group of QRB meeting organised by PCCA on 30th October 2009 at Pune.



Participants of the Cultural Program organised as a part of the Students Day Program organised by PCCA.



CMA P.D. Dani, Senior member of the Institute welcoming Mr. Shripad Kabadi during CEP on Direct Tax Code organized by WIRC on 10th October 2009.



CMA Ashish Thatte, Programme Co-ordinator, WIRC offering bouquet to CMA M.B. Ashtamker during discussion meeting on Exposure draft of CAS organized by WIRC on 31st October 2009.



CMA Manubhai Desai, Chairman WIRC along with CMA Tapan Badkul, Secretary, Jabalpur Chapter, Mr. Arjan M. Sajjani, Executive Director M.P. Power Generating Co. Ltd., CMA Madhu Agarwal and other members of Jabalpur Chapter.



CMA Manubhai Desai, Chairman-WIRC lighting the lamp during Prize distribution function held at Baroda Chapter on 2nd October 2009



CMA V. Kalyanaraman Past President ICWAI & SAFA being welcomed & felicitated by CMA Neeraj Joshi Chairman P.D. Committee of PCCA at the Working Group of QRB meeting organised by PCCA on 30th October 2009 at Pune. Also seen CMA J. K. Puri, CMA Dhananjay Joshi, Past Presidents ICWAI and CMA Anant Dhawale member Managing Committee PCCA.



CMA V. Kalyanaraman lightening the lamp at the Students Day Program organised by PCCA. Also seen (L-R) CMAs Madhuwanti Sathe Vice Chairman PCCA, Pramod Dube Chairman PCCA, Ashwin Dalwadi CCM, V.C. Kothari CCM, Past Presidents of ICWAI J. K. Puri, P. D. Parkhi and D.V. Joshi, Manubhai Desai Chairman WIRC, Amit Apte Vice Chairman WIRC, Anant Dhavale PCCA.



CMA S. R. Bhargave, Chairman, P.D. Committee, ICWAI and CMA G. N. Venkataraman, President, ICWAI along with outgoing and incoming Presidents of CAPA.



Participants of Pran Yoga Shibir organised by Pune Chapter during 1st October to 14th October 2009

### MEMBERS MEET AT WIRC

The working group members and members of **Quality Review Board of our Institute wish to meet the CMAs to discuss their views and suggestions on Quality Review Board Manual** (under preparation). QRB Members CMAs V. Kalyanaraman, Dhananjay Joshi, Past Presidents of ICWAI will lead the discussions. WIRC is pleased to organise this important member's meet.

**Date : Saturday, 12th December 2009 Time: 6.00 p.m. (5.30 p.m to 6.00 p.m. – High Tea)**

**Venue : WIRC Meeting Hall, Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001.**

**(2 CEP Credit Hours will be provided)**



To

If undelivered please return to:

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