



# WIRC BULLETIN

## Editorial Board

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For Members only

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## Editorial



Dear Professional Colleagues,

It is for the first time that I am communicating with all of you thru this column. Our Chairman, Mr. Ashok Nawal has met with a serious accident and he is unable to attend office for now. After being in the ICU for over 2 weeks, he has been successfully operated upon and is now on the road to recovery. Let

us hope that he is able to resume duties soon; the profession cannot afford to do without his versatility for too long.

The much hyped "Big B" Budget was announced by the Hon. Finance Minister Pranab Mukherjee on the 6th of July. The budget does focus on the social sector and perhaps could boost the demand in the long run. However the deficit of 6.8% of GDP and lack of any clear cut road map to cut down the same do cause butterflies to flutter in the stomach. The assurance that GST (goods and services tax) will be implemented from April 1, 2010 is a welcome announcement. We Cost Accountants must start gearing ourselves for the new enactment. The abolition of FBT is however seen to be a dampener as some of those expenses could now be taxed in the hands of the salaried tax payer as prerequisites.

The budget has come with the upsetting news to the Cost Accountants. The section 14A & 14AA of Central Excise Act have been diluted and the right to audit under the two sections has now been shared with the Chartered Accountants. Whereas the dilution of the sections was

the writing on the wall the way our sister professional Institute was lobbying for it, it is a matter of introspection as to why we have not been able to defend the our forte. We Cost Accountants should look upon this as an opportunity and lobby with the Government on the same grounds (similarity of syllabus, etc.) as the Chartered Accountants did for Sec. 14A & 14AA to get Cost Accountants recognised under the definition of "Accountants".

The Hon. Corporate Minister Salman Khursheed has already announced that the Companies Bill 2009 will be tabled in the current session of the Parliament, and at the Institute level all efforts must be made to ensure that the bill brings about the positive change for us - Cost Accountants.

The budget has cleared the air of uncertainty over the tax treatment of Limited Liability Partnerships (LLPs). The door is now wide open for us Cost Accountants to join hands with other professionals and stamp our authority on areas that have been forbidden so far. The fact that the firms of LLPs will be spared of the 10% surcharge is certainly an icing on the cake.

Aurangabad, Pune and Nashik Chapters have once again taken a lead in organising seminars on the budget in less than a week of the Budget announcements. I must congratulate the office bearers of all the three chapters for taking this initiative. WIRC has also arranged 2 CEP meetings to discuss the "Budget Changes - Direct & Indirect Taxes". The first of the meetings will be held on the 11th July at Mulund College of Commerce, Mulund (W) at 6.00 p.m. and the second on the 12th July at N.M. College of Commerce & Economics, Vile Parle (W) at 10.00 a.m. The locations of the meetings are chosen

*(Contd. on Last Page)*

## FIFTIETH ANNUAL GENERAL MEETING OF WIRC-ICWAI

**Date:** SATURDAY, 18<sup>th</sup> JULY 2009 • **Time:** 6.00 p.m.

### **Venue:**

WIRC HALL, ROHIT CHAMBERS, 4TH FLOOR, JANMABHOOMI MARG,  
FORT, MUMBAI - 400 001.

***All members are requested to attend the meeting.***

*The meeting will be followed by High Tea.*

# BUDGET 2009

## Major Changes in Indirect Taxes

*V. S. Datey, Cost Accountant and Author of several books on Indirect Taxes*

Budget 2009 was presented before Parliament on 6-7-2009. The major changes in indirect taxes are summarised below.

### **A. Service tax**

#### **A1. No change in existing rate of service tax**

Existing rate of service tax of 10% continues unchanged.

#### **A2. New services and expansion of some services**

Four new services are proposed to be taxed. Coverage of some existing services is proposed to be altered/enhanced. The levy on new services and expanded services will be effective after Finance (No. 2) Act, 2009 receives assent of President and date is notified.

##### **A2.1 New Services**

- Transport of goods through rail
- Transport of coastal goods and goods transported through inland water.
- Legal services of consultancy, advice or technical assistance (but not service of appearance before any court of law or any statutory authority). Service will be taxable only when provided by business entity like firms, associates, enterprises, companies etc., but not individual.
- Cosmetic and plastic surgery undertaken to preserve or enhance physical appearance or beauty

##### **A2.2 Coverage of existing services**

- Job work under Business Auxiliary Service (BAS) is exempt if there is 'manufacture'. Now, this exemption is available only if 'excisable goods' are manufactured. Thus, if alcoholic liquor is manufactured on job work basis, the exemption will not be available.
- Sub-brokers have been exempted from tax. They will also not be liable under Business Auxiliary Service as commission agent.
- The word 'acquiring' IT software is being changed with retrospective effect from 16-5-2008 to 'providing'

#### **A3. Service tax on transfer of right to use IT software**

Packaged i.e. branded (canned) software is 'excisable goods' under headings 8523 80 20 [earlier 8524 91 11, 8524 91 12 and 8524 91 13]. The rate of excise duty is 12% w.e.f. 1-3-2008. Information Technology Software

falls under heading 8524 40 11 of Customs Tariff. Duty is 'free'. Thus, on import of software (branded or tailor made) there is no customs duty. However, excise duty of 12% is payable on branded (packaged or canned) software. Hence, CVD was payable if packaged or canned software is imported.

The issue was whether both service tax and CVD/excise duty are payable on transfer of right to use software. It is now provided that service tax is payable and not CVD or excise duty [Notification No. 22/2009-CE and 80/2009-Cus dated 7-7-2009].

#### **A4. Works contract composition scheme**

So far, in case of works contract, if tax was paid under composition scheme @ 4.12%, the value of material supplied free by customer was not required to be included. Now, this value will have to be included while calculating 'gross amount of works contract'. Further, if contract is split and some amount is shown as 'sale', that value will also be includible for purpose of calculating 'gross amount of works contract'.

#### **A5. Exemptions**

- Private bus operators providing point to point transportation of passengers having 'contract carriage permit' have been exempted from service tax
- Inter-bank transactions of sale and purchase of foreign currency when undertaken by scheduled banks has been exempted.

#### **A6. Services provided to 'installations, structures and vessels in the continental shelf of India and the EEZ**

Services provided to 'installations, structures and vessels in the continental shelf of India and the EEZ by person outside India will be 'Import of Service' and the person receiving the service will be liable to pay service tax under reverse charge method.

#### **A7. Modifications in refund scheme of services utilised by exporters**

Scheme of refund of service tax on services utilised for exports has been modified. In case of GTA service and services of foreign commission agent (where service receiver is liable to pay service tax), the service tax is exempt [Notification No. 18/2009-ST dated 7-7-2009]. In case of other services, the procedure has been simplified and (hopefully) refund will be obtained within one month on basis of self certification or certification of CA [Notification No. 17/2009-ST dated 7-7-2009].

### **A8. Cenvat credit when exempt as well as taxable service provided**

If both taxable and exempt service is provided, the assessee was required to pay 8% 'amount' under rule 6(3)(i) of Cenvat Credit Rules w.e.f. 1-4-2008. Now, the 'amount' payable is 6% of value of exempted services w.e.f. 7-7-2009.

## **B. Central Excise**

### **B1. Duty rate**

The general rate of excise duty continues to be 8% (Rate of service tax continues to be 10%). In case of many items, the duty rate which was 4% has been increased to 8%, except a few items.

In case of textile sector, the provisions as applicable to manmade and natural textiles was disturbed when excise duty was reduced from 14% to 10% w.e.f. 7-12-2008 (and later to 8%) Now, duty regime as prevailing prior to 7-12-2008 has been restored.

### **B2. Exemptions for duty**

- Branded jewellery has been fully exempted from excise duty (The duty rate was 2% till 6-7-2009).
- Goods falling under chapter 68 manufactured at the site of construction for use in construction work at the site [Sr No. 10 of Notification No. 5/2006-CE dated 1-3-2006 amended w.e.f. 7-7-2009] (They had become liable to duty in view of amendment to definition of 'excisable goods' in section 2(d) of Central Excise Act amended w.e.f. 10-5-2008)
- Printed laminated rolls manufactured with brand name of another person would be eligible for SSI exemption.
- EVA compound manufactured on job work basis for further manufacture of footwear has been exempted.

### **B3. Service tax on transfer of right to use IT software and no excise duty**

Packaged i.e. branded (canned) software is 'excisable goods' under headings 8523 80 20 [earlier 8524 91 11, 8524 91 12 and 8524 91 13]. The rate of excise duty is 12% w.e.f. 1-3-2008. Information Technology Software falls under heading 8524 40 11 of Customs Tariff. Duty is 'free'. Thus, on import of software (branded or tailor made) there is no customs duty. However, excise duty of 12% is payable on branded (packaged or canned) software. Hence, CVD was payable if packaged or canned software is imported.

The issue was whether both service tax and CVD/excise duty are payable on transfer of right to use software. It is now provided that service tax is payable and not CVD or excise duty [Notification No. 22/2009-CE and 80/2009-Cus dated 7-7-2009].

### **B4. Cenvat credit when exempt as well as taxable service provided and exempted as well as taxable goods**

If both taxable and exempt service is provided, the assessee was required to pay 8% 'amount' under rule 6(3)(i) of Cenvat Credit Rules w.e.f. 1-4-2008. Now, the 'amount' payable is 6% of value of exempted services w.e.f. 7-7-2009.

Similarly, if both dutiable and exempt goods are manufactured, the assessee was required to pay 10% 'amount' under rule 6(3)(i) of Cenvat Credit Rules w.e.f. 1-4-2008. Now, the 'amount' payable is 5% of value of exempted goods w.e.f. 7-7-2009.

### **B5. 'Input' does not include steel, cement etc. used for construction of shed, building or structure**

*Explanation 2* of rule 2(k) of Cenvat Credit Rules has been amended w.e.f. 7-7-2009 to clarify that 'Input' shall not include cement, angles, channels, Centrally Twisted Deform bar (CTD) or Thermo Mechanically Treated bar (TMT) and other items used for construction of factory shed, building or laying of foundation or making of structures for support of capital goods.

### **B6. Return of seized records**

Records seized by department during investigation but not replied upon in the Show Cause Notice should be returned within 30 days of issue of show cause notice or within 30 days from date of expiry of period for issue of SCN [Rule 24A of Central Excise Rules inserted w.e.f. 7-7-2009].

### **B7. Deemed manufacture in case of 'supari'**

In relation to product of tariff item 2106 90 30, adding or mixing cardamom, copra, menthol, spices, sweetening agents or such ingredients, other than lime, katha (catechu) or tobacco to betel nut in any form shall amount to 'manufacture' [Note 6 to Chapter 8 of CETA inserted w.e.f. 7-7-2009]

This change has become effective from 7-7-2009, in view of Provisional Collection of Duties Act.

### **B8. Proposed Legislative changes**

Following changes will be effective on enactment of Finance (No. 2) Act, 2009 –

- Special audit under sections 14A and 14AA can be done by Chartered Accountant in addition to a Cost Accountant.
- Authority of Advance Ruling under Income Tax Act will be authority for purpose of Central Excise and customs also.
- High Court is empowered to condone delay in filing appeals and cross objections filed under section 35G and 35H of Central Excise Act, beyond prescribed period (amendment with retrospective period from 1-7-2003).



## **C. Customs duty**

### **C1. Duty rate**

The general rate of customs duty on non-agricultural products continues to be 10%.

- Customs duty on gold bars with manufacturer's serial number engraved has been increased from Rs 100 per 10 gms to Rs 200 per 10 gms. The rates apply to baggage also.
- Customs duty on gold (other gold bars with manufacturer's serial number engraved) has been increased from Rs 250 per 10 gms to Rs 500 per 10 gms. The rates apply to baggage also.
- Customs duty of 5% imposed on set-top boxes
- Cell phones and its parts exempted from customs duty for one year
- Customs duty on cotton waste reduced from 15% to 10%.

### **C2. No CVD on imports of branded software in respect of right to use IT software but service tax payable**

Packaged i.e. branded (canned) software is 'excisable goods' under headings 8523 80 20 [earlier 8524 91 11, 8524 91 12 and 8524 91 13]. The rate of excise duty is 12% w.e.f. 1-3-2008. Information Technology Software falls under heading 8524 40 11 of Customs Tariff. Duty is 'free'. Thus, on import of software (branded or tailor made) there is no customs duty. However, excise duty of 12% is payable on branded (packaged or canned) software. Hence, CVD was payable if packaged or canned software is imported.

The issue was whether both service tax and CVD/excise duty are payable on transfer of right to use software. It is now provided that service tax is payable and not CVD or excise duty [Notification No. 22/2009-CE and 80/2009-Cus dated 7-7-2009].

### **C3. Proposed Legislative changes**

Some changes in Customs Act and Customs Tariff Act have been proposed. These changes will be effective after Finance (No 2) Act gets assent of President and date is notified.

- Authority of Advance Ruling under Income Tax Act will be authority for purpose of customs also [section 28F]
- High Court is empowered to condone delay in filing appeals and cross objections filed under section 130 and 130A of Customs Act, beyond prescribed period [Amendment with retrospective effect]
- Refund of customs duty paid if goods are found defective or not as per specifications. The refund is admissible if goods are re-exported or abandoned or destroyed [section 26A]
- DGCEI authorised to issue Show Cause Notice [amendment with effect from 9-5-2000]

### **C4. Inputs procured indigenously for manufacture of goods exported under DFIA eligible for rebate**

Notification No. 40/2006-Cus dated 1-5-2006 provides for exemption to inputs obtained for manufacture of goods which are exported under DFIA. This notification is being amended retrospectively to provide that duty paid on inputs procured indigenously for manufacture of goods exported under DFIA will be eligible for rebate.

This is one of the very few cases where retrospective amendment has been made for benefit of assessee.

### **C5. Provisions of Customs Act applicable to various duties imposed under Customs Tariff Act**

Various duties are imposed under Customs Tariff Act. An amendment is being made with retrospective effect that machinery provisions of Customs Act including those relating to rate of determination of duty, assessment, non-levy. Short levy, refunds, interest, appeals, offences and penalties shall apply to these duties. The duties are – (a) Specific safeguard duty [section 8C] (b) Safeguard duty [section 8B] (c) Countervailing Duty [section 9] (d) Anti-dumping duty [section 9A].

## **D. Goods and Service Tax [GST]**

Finance Minister, in para 85 of his budget speech on 6-7-2009 has stated as follows -

'I have been informed that the Empowered Committee of State Finance Ministers has made considerable progress in preparing the roadmap and the design of the GST. Officials from the Central Government have also been associated in this exercise. I am glad to inform the House that, through their collaborative efforts, they have reached an agreement on the basic structure in keeping with the principles of fiscal federalism enshrined in the Constitution. I compliment the Empowered Committee of State Finance Ministers for their untiring efforts. The broad contour of the GST Model is that it will be a dual GST comprising of a Central GST and a State GST. The Centre and the States will each legislate, levy and administer the Central GST and State GST, respectively. I will reinforce the Central Government's catalytic role to facilitate the introduction of GST by 1st April, 2010 after due consultations with all stakeholders'.

While commitment of Government to GST is welcome, there is no assurance that GST will be introduced w.e.f. 1-4-2010. The most disturbing part of the speech is that each State will legislate, levy and administer its own State GST. It was expected that there will be uniformity in GST all over India. This hope has gone in smoke. The difficulties presently faced by dealers having operations in more than one States will continue as at present. ●

# Strategic Management Accounting – A Tool for Competitive Advantage

By Dr. Nachiket M. Vechalekar,

Fellow Member of the Institute, and Associate Dean – PGP, Ind Search, Pune

## 1. Introduction:

During the past two decades, many organizations in both, the manufacturing and service sectors have faced dramatic changes in their business environment. Deregulation, combined with extensive competition from overseas companies in domestic markets has resulted in a situation, where most companies are now competing in a highly competitive global market. At the same time, there has been a significant reduction in product life cycle arising from technological innovations and the need to meet increasingly discriminative customer demands. To compete successfully in today's highly competitive global environment, companies have made customer satisfaction an over riding priority. They have also adopted new Management approaches, changed their manufacturing systems and invested in new technologies. The increasing competition has squeezed the margins and more attention is required to be paid to the various aspects of 'Cost Management.' These changes have had a significant influence on Management Accounting Systems. Role of a Management Accountant has no longer remained that of an accountant, but he has assumed a significant role in improving the competitiveness of the organization. In this paper, a comprehensive review has been taken about the role of Management Accounting in improving the competitiveness of a business organization. Some of the real life examples of use of Management Accounting in improving the competitiveness have also been cited to underline the important role played by the Management Accountant in this area.

*To compete successfully in today's highly competitive global environment, companies have made customer satisfaction an over riding priority. They have also adopted new Management approaches, changed their manufacturing systems and invested in new technologies. The increasing competition has squeezed the margins and more attention is required to be paid to the various aspects of 'Cost Management.'*

capabilities, growth, return on capital and allocation of resources'. Another definition of 'Strategy' says that, 'Strategy is a term ordinarily used in the operation of armies, conducted by a skilful commander and implying tact and art in military maneuvering and is not very appropriate to the transactions of civil life but as used by a jury in finding that the plaintiff employed strategy in bringing about the agreement meant acts and perhaps representations not in themselves unlawful, but such as are common to person sentered into contract relations, each endeavoring to make the best terms for himself in the transactions'. Thus 'strategy' is therefore, a declaration of intent. It defines what the organization wants to become in the long term. The overall aim of strategy at corporate level will be to match or fit the organization in the most advantageous way possible. In the context of Management, strategy refers to an available course of action that an organization needs to identify and evaluate with a view to pursuing it. In other words, strategy may be defined as 'an integrated set of actions

aimed at securing a sustainable competitive advantage'. Thus when a business organization decides to concentrate on 'core competence' rather than having diversification, it is a strategy that, it will follow over the long term. Similarly, deciding to achieve a zero debt capital structure is also a strategic decision, which a firm takes to maintain competitiveness. Achieving forward or backward integration, through acquisitions/ takeovers is also a strategic decision. Strategies can be broadly classified into the following types.

## 2. Definitions:

Let us start our discussion with the theoretical framework of the 'Strategic Management Accounting'. Obviously, we will first have to define and clarify the word 'Strategy' and then come to the 'Strategic Management Accounting'. The word 'Strategy' is derived from the Greek word 'strategos' meaning a general. 'Strategy' is defined as, 'where the organization wants to go to fulfill its purpose and achieve its mission, it provides the framework for guiding choices, which determine the organization's nature and direction and these choices relate to the organization's products or services, markets, key

- **Corporate Strategies:** These types of strategies deal primarily with the allocation of resources among various business or divisions of an enterprise as the prime concern.
- **Business Strategies:** These strategies are formed and executed basically at the level of a particular business or division, and deal with the thrust of competitive action in that business only.
- **Functional Level Strategies:** These strategies are limited to various functions of business. Examples of such strategies are strategies in Human Resources Management, Marketing, Materials and Operations

Management, Financial Management and so on. A classic example of functional strategy is cited here. A leading steel manufacturing company in Western India has production capacity to manufacture ingot castings for sizes from 4 metric tones to 18 metric tones in the steel melting shops. The present casting facility are just adequate to meet the present requirement of 2000-2200 metric tones per month for forging and 750 metric tones for rolling. When they found that one of their major customers has the requirements for ingots in

the sizes from 18 metric tones to 70 metric tones and the total requirements will be in the range of 4500 metric tones and also there is a demand for rolled products from ingots up to the range of 4000 metric tones per month, they found that their present facility is not adequate for this quantum of ingot production. Therefore as a strategic decision, they decided to dismantle existing facility and create entirely new facility by investing Rs.402 millions. Obviously the cost/benefit study as submitted by their Management Accountant recommends them doing so.

Strategic Management is the process of formulating strategies and strategic plans and managing the organization to achieve them. Strategic Management is therefore, 'Visionary Management, concerned with creating and conceptualizing ideas of where the organization is going'. In other words, strategic Management creates a perspective, which people can share and which guides their decisions and actions. It will involve the identification of the mission and goals of the organization and chalking out the plan to achieve them.

### **Strategic Management Accounting:**

Management Accounting, as distinct from Financial Accounting generates the following type of information.

- Allocation of costs between the costs of goods sold and inventories for internal and external profit reporting.
- Generating and presenting information to the Management for effective decision-making.
- Generating information for planning, controlling and performance measurement.

Strategic Management Accounting has been gaining importance in the recent past. The role of Management Accountants has been enlarged and his job is not just restricted to performing control function. However, there is lack of consensus on what constitutes strategic management accounting. According to some experts, [Innes, Cooper & Kaplan] management accounting is

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vehicle to provide information for supporting the strategic decision making in the organization. Strategic decisions have a long-term implications and hence they have internal and external element. Accordingly, Strategic Management Accounting consists of techniques like target costing, life cycle costing, activity based costing and activity based management. Simmonds describes strategic management accounting as the provision and analysis of management accounting data about a business and its competitors, which is of use in the developing and monitoring of the

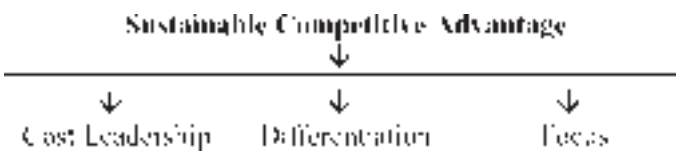
strategy of that business. According to Simmonds, profits emerge actually from the competitive position of a business firm and not from internal efficiencies. Bromwich has defined strategic management accounting as, 'The provision and analysis of financial information on the firm's product markets and competitor's costs and cost structures and the monitoring of the enterprise's strategies and those of its competitors in these markets over a number of periods'. The Chartered Institute of Management Accountants [CIMA], U.K. defines strategic management accounting as, 'A form of management accounting in which emphasis is placed on information, which relates to factors external to the firm, as well as non-financial information and internally generated information'.

On analyzing the above definitions, the following features of Strategic Management Accounting emerge,

- Strategic Management Accounting performs an important role of not only providing information about internal affairs but also about the external factors like competitive environment.
- It provides information on product profitability and also helps to find out the rational behind the profitability of each product. In other words, a business firm can get answers to questions like why one product is making good profits while another equally good product is making a loss.
- Information about the price setting has a crucial implication on the success or failure of a product when it is launched in the market. Strategic Management Accounting provides information about the impact of various pricing strategies on the profits and cashflows.
- Another crucial area for any business firm is about the planning of the capacity. Strategic Management Accounting provides information about planning of capacity. It answers the questions like, whether the firm should expand capacity? If so by how much? Should the firm enter into new area of operations or market? What should be capacity utilization?
- In the competitive market, which has the presence



of global players, obtaining sustainable competitive advantage is of paramount importance. Porter [1985] has suggested that any business firm has a choice of three generic strategies to obtain a sustainable competitive advantage. These strategies are,



- **Cost Leadership:** The cost leadership is obtained when a firm is able to produce its products at the lowest cost as compared to its competitors. This will help the firm to offer its products at lower price as compared to its competitors. A firm can achieve this aim through reducing the input costs by obtaining advantage of scale, procurement of raw materials at favorable prices and use of advanced technology. In India, the prominent examples of this strategy are the producers of 'Nirma' washing powder, who entered the market by launching their product at 1/4<sup>th</sup> of the price, charged by their competitors and thus captured a large market share in the competitive market. The latest example of this strategy is that of TATA Motors who have announced the launching of their car 'Nano' at a price of Rs.1 lakh, which is the lowest as compared to the prices of other models in the small car segment.
- **Differentiation:** This strategy involves a differentiation in the product or service offered by a firm. A firm can create differentiation by offering products or services that are unique and superior in quality as compared to other products. Thus the competitive advantage is obtained by differentiating in the products or services. Price may be not an important factor in this strategy; in fact a firm may charge higher prices as compared to its competitors by differentiating in its products or services.
- **Focus:** This strategy involves gaining competitive

advantage by focusing on a narrow segment of a market, which is poorly served by competitors. In this strategy sustainable competitive advantage can be obtained either by following the strategy of cost leadership or product differentiation. The following techniques help a firm to achieve the competitive advantage.

### 3. Strategic Management Accounting Techniques:

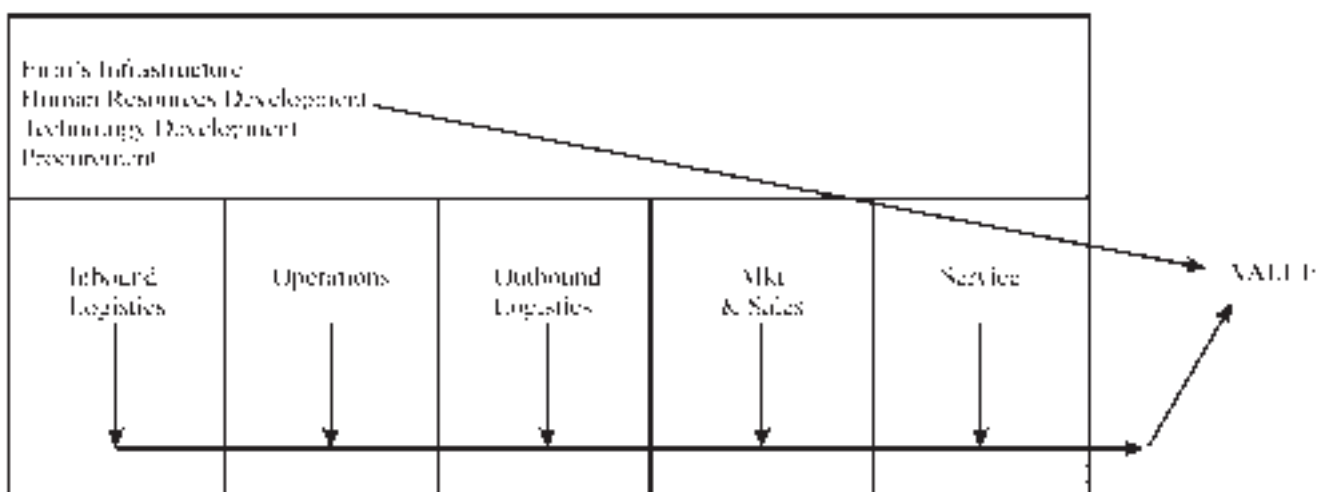
Strategic Management Accounting includes the following techniques, which are used for gaining a sustainable competitive advantage.

**a) Strategic Cost Analysis:** For gaining competitive advantage, M. Porter [1985] has recommended the use of Value Chain Analysis. According to Porter, in order to achieve competitive advantage, firms should create value for their customers, where they can excel and present a moving target to their competitors by continually improving their position. Three of the most important factors in this connection are innovation, quality and cost reduction. According to Porter, the aim of the value chain analysis is to find linkages between value creating activities, which result in lower cost and /or enhanced differentiation. The value chain comprises of five primary activities and a number of support activities. The primary activities are defined sequentially as inbound logistics, operations, outbound logistics, marketing and sales and services. The secondary activities exist to support the primary activities and include the firm's infrastructure, human resource management, technology and procurement. The value chain can be explained with the help of the diagram-1.

Thus it is clear that a business firm has to pay attention to these activities and deliver value to the customer.

***Strategic Cost Analysis also involves identifying the value chain and the operation of the cost drivers of competitors' in order to understand the relative***

Diagram-1



**competitiveness.** Thus this information can be used to identify the opportunities for cost reduction as advocated by M. Porter. Cost reduction will be possible through identifying activities, which are advantageous to the firm and those, which could be outsourced. A continuous cost reduction program will help a firm to obtain competitive advantage. In an interesting case of a dairy in cooperative sector in South Maharashtra, it was observed that when the activity of collection of milk from various centers was outsourced, the overall cost came down drastically and it was virtually a turn around for the dairy as it was observed that the cost of collection of milk was quite significant in the total cost structure. Thus the dairy was able to secure a competitive advantage as compared to other dairies in the vicinity. However, in yet another example, a company, which made significant cost reduction through JIT, was not able to use it for competitive advantage as the price increase from suppliers more than nullified the advantage.

Strategic Cost Analysis thus helps a firm to secure cost leadership and thereby obtain a competitive advantage. Use of traditional techniques like standard costing helps immensely in cost reduction and helps to achieve the cost leadership. Analysis of competitors' cost is also of paramount importance.

**b) Cost Management:** *Cost Management actually focuses on cost reduction. It also includes continuous improvement and change rather than only cost control. There are traditional cost accounting techniques like standard costing, budgets and budgetary control, which are used for cost control and cost reduction on a continuous basis but cost Management is used on ad hoc basis and are applied when any opportunity for cost reduction is identified.* However the distinguishing feature of cost Management is that cost reduction and control should not be achieved at the cost of the customer satisfaction. In fact, cost management will advocate spending more money on a particular activity if it is enhancing the customer value. Thus when a firm organizes a high cost training program for its employees, it is expecting an improved performance after the training is over and hence the high cost of training is justified. A sugar factory, which is embarking on a modernization of its sugarcane crushing process, is actually aiming at higher recovery of sugar, though it may result in heavy capital expenditure. Techniques like Life Cycle Costing and Target Costing play an important role in management.

**c) Life Cycle Costing:** Product life cycle costs are incurred for products and services right from their design stage through development to product launch, production and sales and the eventual withdrawal of the product from the market. Life cycle costing estimates and accumulates costs over a product's entire life cycle. This is done with the objective to find out whether the profits, which are earned during the manufacturing stage, will be sufficient to cover the pre and post-manufacturing costs. Thus the life cycle costing is a way to enhance the control of manufacturing costs through better planning and

designing of the product right from the idea generation stage. It should be remembered that once the production starts, not much could be done in cost reduction, as most of the costs are committed. Cost Management can be most effectively exercised during the planning and design stage and not at the manufacturing stage when the product design and processes have already been determined and costs have been committed.

**d) Target Costing:** Target Costing is actually working backwards to find out the target cost, which a firm should be able to achieve. In this technique, the first stage is to determine the target price, which the product will fetch in the market. In the second stage, target profit margin is determined and in the third and final stage the target profit margin is deducted from the target-selling price to arrive at the target cost. If the estimated actual cost exceeds the target cost, investigate the ways and means of cost reduction. This technique, which is being used widely in Japan, is also being used in India. A classic example of this is sugar factory in co-operative sector in Maharashtra, which has used this technique quite successfully in the recent past and was able to reduce the accumulated losses to a great extent. Prices of sugar, in India are in directly controlled by the Government through the announcement of quota of sugar that is released on per month basis. Sugar factories are therefore do not have the freedom to determine the prices in the market. Hence a progressive factor adopted target costing for sugar production and was able to bring down the cost of sugar by nearly 20%, thus generating surplus. Target Costing has also been seen in consumer durable sector where competition is severe. Companies producing washing soaps have also been adopting this technique. The major advantage of adopting target costing is that it is deployed during a product's design and planning stage so that it will have maximum impact. Tear down analysis and value engineering techniques are highly useful in implementing target costing.

**e) Kaizen Costing:** This technique is also being widely used for cost Management. In India also, this technique has been used in the recent times. Kaizen is the Japanese term for making improvement in process through small incremental amounts, rather than through large innovation. Thus while target costing is applied during the design stage, the kaizen costing is applied in the manufacturing stage. Kaizen costing gives impressive results if applied properly. It was observed in case of a sugar factory in co-operative sector that it was able to reduce the sugar lost in molasses considerably by improving the efficiency of the centrifugal machine used for this process. This small correction resulted in saving of crores of rupees of sugar, which was otherwise lost in molasses.

**f) Activity Based Management:** Activity Based Costing involves identifying major activities that take place in the organization, as signing costs to cost pools/cost centers for each activity, determining cost drivers for each major activity and finally as signing activity costs to products.



Activity Based Management is a method of Management decision, making that uses activity based costing information to improve customer satisfaction and profitability. In other words activity based Management includes decisions about pricing and product mix, reduction of costs, improvement of processes and product designs. Thus while Activity Based Costing gives information about costs, Activity Based Management involves making decisions on the basis of the information. In the case of a dairy in Karnataka State, it was observed that the product mix consisted of four products, milk, cheese, butter and ice cream. The traditional cost accounting system indicated that after apportioning the overheads on some basis to all these products, butter was most profitable while milk was resulting into losses. After adopting ABC system and identifying the activities and the cost drivers, the picture changed drastically and the Management came to know that milk in fact is the most profitable product while butter is a loss making product. Thus it was possible to make rational decision making in the case of product mix through the ABM.

**g) Business Process Re-engineering:** Business Process Re-engineering involves examining business processes and making substantial changes to how the organization currently operates. It involves the redesign of how work is done through activities. The aim of business process re-engineering is to improve the key business processes in an organization by simplification, cost reduction, improved quality and enhanced customer satisfaction. As a result of the BPR, it is possible that existing processes and practices may be abandoned and completely new methods of performing business processes are used.

**h) Balanced Score Card:** Most recent contribution to strategic Management accounting have emphasized the role of Management Accounting in formulating and supporting the over all competitive strategy of an organization. Thus a new approach to strategic management was developed in the early 1990's by Dr. Robert Kaplan (Harvard Business School) and David Norton. They named this system the 'balanced score card'. Recognizing some of the weaknesses and vagueness of previous management approaches, the balanced score card approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective.

The balanced score card is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced score card transforms strategic planning from an academic exercise into the nerve center of an enterprise.

Kaplan and Norton describe the innovation of the balanced score card as follows:

*"The balanced score card retains traditional financial*

*measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in longterm capabilities and customer relationships were not critical for success. These financial measures are in adequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."*

The balanced score card suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives:

- 1 Learning & Growth Perspective
- 2 Internal Business Process Perspective
- 3 Customer Perspective
- 4 Financial Perspective

Now let's see each perspective one by One

### **Learning & Growth Perspective**

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self improvement. In a knowledge - worker organization, people — the only repository of knowledge — are the main resource. ***In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Government agencies often find themselves unable to hire new technical workers, and at the same time there is a decline in training of existing employees. This is a leading in dicator of 'brain drain' that must be reversed.*** Metrics can be put into place to guide managers in focusing training funds where they can help the most. ***In any case, learning and growth constitute the essential foundation for success of any knowledge - worker organization.***

### **Internal Business Process Perspective**

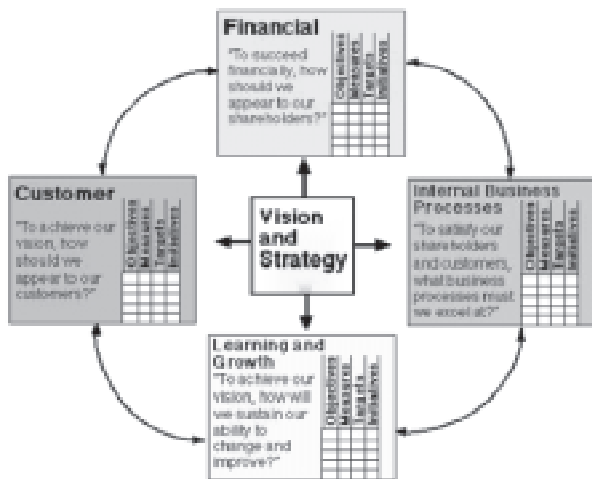
This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes in and out. To develop this perspective organization may have to take help of Consultants.

### **Customer Perspective**

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good.

**Financial Perspective**

Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financial leads to the “unbalanced” situation with regard to other perspectives.



**Balanced Score card Frame work**

**What are Strategy Maps?**

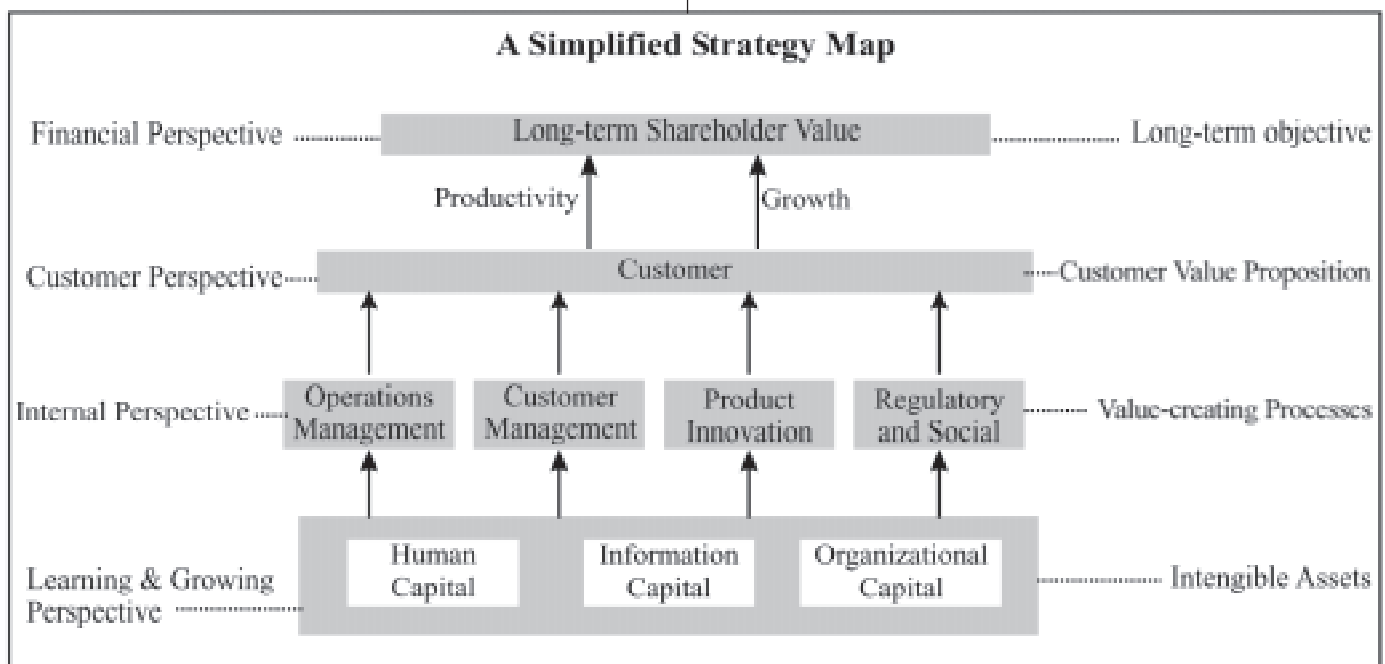
Strategy maps are nothing but the flow of the balanced scorecard. In other words Strategy maps are built around the structure of these four perspectives. They ensure that the organization’s objectives in each of these perspectives are consistent and internally aligned. That alignment, in

turn, means the organization is focused and performing at an optimum level rather than having the actions of one part of the organization impact on the results achieved by another part. Strategy maps clarify all cause- and-effect relationships so that an effective strategy can be developed and then optimized over time. They are the interface between strategy and the Balanced Scorecard.

In the words of Kaplan and Norton “*The strategy map, by providing a clear and comprehensive description of an organization’s strategy, gives executives an enhanced ability to execute their strategies. People can’t manage what they can’t measure, and they can’t measure what they can’t describe. The strategy map solves this problem by providing a framework for a simple, one- page representation of the cause- and- effect link ages among the objectives for both the outcomes and the drivers of the strategy. The word statements of objectives in a strategy map are, in turn, converted into a Balanced Score card of measures, targets and initiatives. The strategy map and Balanced Score card enable every one in the organization to have a common understanding of the strategy. The strategy map facilitates performance breakthroughs by allowing them to link their management processes to a clearly defined strategy*”

To summarize, BSC is a concept of performance management system divided into four perspectives. These perspectives are aligned and drawn out of vision and mission of a company. Further these perspectives have to follow an order, which is explained by strategy maps. These maps should explain cause and effect relationship.

Thus it can be seen that the financial and non-financial measures of performance and integrated and identification of key measures is possible through the Balanced Score Card.



### Balanced Scorecard of an Employee from Leading Private Bank in Mumbai

Main Goal	Target	Achievement	% Achievement	Weightage	Score	Ramarks
<b>Financial Perspective</b>						
Business development – RBD						
Business development - RXLG Referrals						
Business Development - NRI Business						
Transactions/cust ID						
<b>Customer Perspective</b>						
PULSE						
Escalation to Directors						
Project Terminator I						
Project Terminator II						
STP Cases						
Repair Cases						
Error Cases						
<b>Process Perspective</b>						
Internal Audit						
PONC						
Financial Impact Errors						
Operational Risk - Debits in Ops Risk Account						
Five S						
Level III - Assessment Schedule						
Level III - Assessment Score						
SOX						
Fraud Prevention Index						
Fraud Event Control Index						
<b>Learning Perspective (People)</b>						
E- Test Scores						
Genesis reports - Green flagged employees						
Employee Happiness Index						
Effective working hours						
<b>Adjusted Score</b>						



## 5. Real Life Cases in the Area of

### Strategic Management Accounting:

In addition to the real life cases cited above, there are some more cases as summarized below.

- A leading steel manufacturing company, in Western Maharashtra has one soaking pit at Blooming Mill to roll 4/5 metric tones of ingots. At present they are rolling 750 metric tones of ingots per month. The productivity was low and the fuel consumption was high in the soaking put during the initial stages of production. Series of actions were taken to increased productivity and reduce the fuel consumption by introducing facilities to charge ingots in hot conditions. [750 to 800 degrees Celsius]. With these facilities in place the fuel cost is reduced and the production has increased by 50%. For reducing fuel costs, the technique of standard costing was followed and per week reporting of actual consumption as against the standards was introduced. This showed impressive results. In view of the growing demand for rolled products, the company has also decided to install additional equipments in the form of soaking pit with eight cells and all auxiliary equipments, which will cost the company Rs.33 million. However the cost reduction per month would be to the tune of Rs.1.10 million and the pay back period will be 33 months.
- In another case, a furniture manufacturing company located at Muscat in the Sultanate of Oman, found that cost reduction was possible through conducting an activity in house instead of outsourcing the same. The company was outsourcing the activity of custom clearance of imported rawmaterial through one of the group company. Initially when the quantum of imports was low, nobody paid attention to the cost of outsourcing but as quantum of imports started increasing the expenditure incurred on this activity started attracting attention of the Management. But since outsourcing was done through Group Company nobody wanted to come forward and tell the Management about reviewing this activity. Management Accountant of the company took initiative and started analyzing this activity process by process. After analyzing the entire activity minutely, he reached to a conclusion that doing the activity in house was much cheaper than outsourcing the same. Management also accepted the conclusion and when the activity was started in house there was significant cost reduction as well as optimum utilization of the existing resources.
- In yet another interesting case, two competing companies came together as a Strategic analysis and established a company for supplying rawmaterial to them. While they agreed that the price of rawmaterial would be same for both the companies, each company was at liberty to sell the finished goods at different prices according to their own strength. Thus they were able to pool the resource of

rawmaterial by coming together. Considerable cost saving was achieved as the rawmaterial supply was outsourced.

## 6. Conclusion:

Thus, from the above discussion, it is clear that Strategic Management Accounting Techniques help a firm to obtain sustainable competitive advantage. The focus here is not only on cost containment or reduction but also on Cost Management, which helps a firm to achieve competitive advantage. However, an interesting question remains to be answered and that is how many firms actually use these techniques? An interesting survey was conducted of 192 companies in the manufacturing sector from the Mumbai – Pune industrial belt about the strategic management accounting practices followed by them. The results of the survey are quite eye opening and are summarized in the following table.

Strategic Management Accounting Techniques Used	Rank
Strategic Cost Analysis	1
Business Process Re-engineering	2
Balanced Score Card	3
Value Chain Analysis	4
Competitors' Cost analysis	5
Target Costing	6
Kaizen Costing	7

It will be interesting to note that about 5% of the respondents revealed that they only follow traditional cost accounting techniques like standard costing and budgetary control for cost containment and reduction.

Finally it can be said that Strategic Management Accounting techniques are extremely useful for getting sustainable competitive advantage. In today's situation, where the entire world is fighting with recession, the use of Strategic management accounting can be like a lighthouse that will show the way to tide over the recession.

### WIRC - 1st Study Circle Meeting at Mulund

WIRC conducted its 1st Study Circle Meeting at Mulund College of Commerce on 14th June 2009 for the members residing at Central/Eastern suburbs. The topic for discussion was Report of the Expert Group. Mr. Ashok Nawal Chairman WIRC inaugurated the meeting and spoke on the subject.

Mr. Amit Apte Hon. Secretary & Treasurer WIRC, also explained to the members about the recommendations of the Expert Group.

Mr. P. V. Wandrekar, Chairman Professional Development Committee, WIRC, Programme Co-ordinators Mrs. Aruna Soman, Mr. S. G. Narasimhan, Mr. Ashish Thatte and Mr. Shekhar Joshi also attended the meeting. Large number of members attended the meeting.

# COST ACCOUNTANT – ROLE IN IFRS

Article written by CWA, CS, CA, LL.B. (G.) **Rammohan N. Bhave**

I was highly surprised to find some senior members of our profession mentioning that IFRS is concern and area of Chartered Accountants and a Cost Accountant has no or hardly any role to play. Here is the humble attempt to highlight the role of CWA in IFRS.

**1. Present Role of CWA:** While the financial accounts are presented to the outside world, the cost accounts role is to delve into depth. Let us analyze this role

## **Member in Industry:**

- a) A does the internal profitability analysis
- b) A is the one who knows the real picture
- c) In his/her MIS, he/she crosses the legal structures and boundaries and presents the picture to promoters from their point of view.
- d) analyses costs taking into consideration concepts like notional cost, opportunity cost, sunk cost.
- e) is responsible for budgets and budgetary control. compares budget with actual and carries out variance analysis and presents a transparent picture.
- f) In a legal contract there are many terms & conditions like price, delivery, payments, taxes, add-on products, services, warranty, AMC
  - i. In a purchase contract a presents a comparison of alternative quotations by calculating cost-to-company by taking into consideration all terms & conditions to make a sensible choice in the group's interest.
  - ii. In the sales contract he applies the concept of total cost of ownership (TCO) and helps in making a competitive quote to win the orders.
- g) Transfer Pricing (TP) within the group and promoters' really controlled entities, is expected to play stakeholders (?) interests to maximize overall group gains.
- h) In a globalized scenario he plays a pivotal role in making justified valuations by giving due weightage to brand, human assets, patent, trade-marks etc. intangible assets.

## **Members in Practice:**

- a. The cost accounting records are viewed transparently.
- b. The cost audit is carried out to address lot of techno-commercial business issues and valuable cost reduction suggestions through out of the box thinking.
- c. The in Practice also brings on table the benchmark experiences in order to bring in fair value principles and the active market comparisons.
- d. The depreciations and impairments based on useful life are considered for effective costing in the managerial decisions.

## **2. Spirit of IFRS:**

- a. IFRS transparently bring out the real beneficiaries.
- b. IFRS advocate and make it compulsory substance over form.

- c. IFRS ensure consolidation with principles based transfer pricing.
- d. IFRS want borrowing cost in terms of e.g. extended terms of credit to be classified as finance cost.
- e. IFRS use market price concept for right valuations.
- f. IFRS valuations under business combinations always demand fair value assessment.
- g. IFRS depreciate assets on useful life and thereby promote uses of real cost drivers.
- h. IFRS expect constant reviews at every reporting period to be in touch with reality.
- i. IFRS provide forty types of intangible assets.
- j. IFRS avoid extra-ordinary items which vitiate the balance sheet.
- k. IFRS insist on showing surplus fund by different classifications to reflect its reality.

## **Linkages: IFRS and CWA :**

1. The above description makes it clear and the vital synergies are ;
  - a) CWA goes for reality, IFRS is also in search of truth
  - b) CWA creates link to real cost natures by using cost drivers concept, IFRS propagates the same.
  - c) In the global scenario CWA works upon in-depth valuations of cross border acquisitions, IFRS is full of valuations and valuations.
2. Come – On , Wake up, encash opportunity My Dear CWA professionals
  - a) Does the CWA want to become a torch-bearer of global transparent accountings dealing with real costing thru fair value or to remain as he was, a Cost Accountant doing cost-sheet (treating wages as fixed costs even today)?
  - b) Does the CWA want to enhance their expertise to analyze transparency in variance with 2 prior years accounts displayed to shareholders or to remain in cost audits, where normally the MD even does not read them while signing neither remembers who is cost auditor?
  - c) Does the CWA want to become a role model of Global costing Principles rather than to carry out profile of correction of BOM in SAP as a clerk?
  - d) Does the CWA want to be a godfather of 'Substance Over Form' in the revolution of corporate history in annual statements or want to become a Kataputli in hands of business managers driving CWA to publish eye-wash?

Play your role and do not remain dummies doing cost-sheets.



## CHAPTER NEWS

### BHOPAL

#### Office Bearers for 2009-10

Mr. S.M. Ramanathan	...	<i>Chairman</i>
Mr. Suresh Soni	...	<i>Vice Chairman</i>
Mr. Sanjeev Gawande	...	<i>Secretary</i>
Mr. B.L. Malganya	...	<i>Treasurer</i>

### PUNE

#### Office Bearers for 2009-10

Mr. Pramod Dube	...	<i>Chairman</i>
Ms. Madhuvanti Sathe	...	<i>Vice Chairman</i>
Mr. C.S. Adawadkar	...	<i>Secretary</i>
Mr. Harshad Deshpande	...	<i>Treasurer</i>

### SURAT SOUTH GUJARAT

The inauguration function of the Oral Coaching Session July-December 2009 was organized on 2nd July, 2009 at Sir, K. P. Commerce College, Surat. Mr. Dhananjay Joshi; Past President ICWAI was the Chief Guest and Prin. Dr. U. T. Desai, Dean of Commerce faculty, Veer Narmada South Gujarat University was the Guest of Honor. Mrs. Priyamwada Dhananjay Joshi, Practicing Cost Accountant was also present on this occasion.

Dr. Heena Oza, Chairperson of the Chapter welcomed the students to Surat South Gujarat ICWAI family, and also gave details of the course and coaching methodology; she also gave an overview of the activities of chapter.

Mr. Manubhai Desai Vice-Chairmen, WIRC showered his worthy blessings on students and motivated them to work hard and strive for success; he gave useful wise words to students entering the course.

In his speech Dr. U.T. Desai, appreciated the initiatives taken by chapter in running the oral coaching centre successfully since last 15 years, he advised students to apply professional approach in preparing for ICWAI examinations.

Mr. Dhananjay Joshi gave outline of the opportunities in store for the Cost Accountants, both in India and globally, he congratulated the students for making right choice in preferring ICWAI a carrier option. Mrs. Priyamwada Joshi also showered her blessings on this occasion.

Meritorious students from the Chapter also shared their views about ICWAI course and advised them to be regular in studies and cultivate the habit of being enthusiastic and participative.

Mr. Shirish Mohite, Vice chairmen of the chapter proposed formal vote of thanks, the programme was well attended by around 125 students and all the faculty members who were also felicitated on this occasion, it was an emotional touch to the programme when one of the student who was severely handicapped welcomed by the chairperson to the ICWAI family. The whole function was successfully co-ordinated by Mr. Kenish Mehta Secretary of the Chapter.

\* \* \*

A counseling session was organized at Vapi on "Prospects and Opportunities for ICWAI" by the chapter, at the KBS College of Commerce and Natraj College of Applied Sciences, Mr. Manubhai Desai, Vice Chairmen WIRC guided the students about ICWAI course as well as CAT course and also briefed them about the opportunities available after becoming a Cost Accountant. Dr. Sunil Marjadi, Principal of the College also explained the importance of pursuing a professional course. Mr. B.F. Modi, Managing Committee member of the Chapter, highlighted the facilities available at Vapi for the ICWAI students, the programme was attended by around 100 students.

#### Office Bearers for 2009-10

Dr. Mrs. Heena Oza	...	<i>Chairperson</i>
Mr. Shirish Mohite	...	<i>Vice Chairman</i>
Mr. Kenish Mehta	...	<i>Secretary</i>
Mr. Amish Parmar	...	<i>Treasurer</i>

## Career Counselling Lectures

On 29th June 2009 a Career Guidance lecture was arranged at Mulund College of Commerce, Mulund (W), Mumbai. Mr. Ashish Thatte and Mr. S.G. Narasimhan guided the students about the scope of Cost and Management Accountancy. More than 300 students from the college attended the lecture in 3 batches. On 8th July 2009 Mr. Ashish Thatte addressed the students of F.Y.B.Com. (Banking & Insurance) and (Accounting & Finance) of the same college. About 150 students attended the lecture.

On 9th July 2009 a Career Guidance lecture was arranged at St. Andrew's College, Bandra (W), Mrs. Aruna Soman and Mr. M. S. Chandani guided the students about the scope of Cost and Management Accountancy. More than 150 students from the college attended the lecture.





Mr. A.B. Nawal, Chairman WIRC inaugurating the Members' Meet at Mulund College on 14th June 2009 by lighting the lamp. Also seen Mr. Amit Apte, Secretary & Treasurer WIRC, Mr. Shekhar Joshi and Mr. Ashish Thatte.



Mr. K.G. Hegde, Sr. Member of the Institute lighting the lamp during the Members' Meet at Mulund College on 14th June 2009. Mr. Ashok Nawal, Chairman WIRC, Mr. S.G. Narasimhan, Mr.P.V. Wandrekar, Mr. Amit Apte, Mr. Ashish Thatte & Mr. Shekhar Joshi look on.



Mr. Ashok Nawal felicitating Mr. R. Rangarajan, Sr. Member of the Institute during the Members' Meet held at Mulund College on 14th June 2009.



Mr. Ashok Nawal interacting with the participants during the Members' Meet at Mulund College on 14th June 2009.



Mrs. Aruna Soman, Programme Co-ordinator WIRC interacting with students during Inaugural function of Oral Coaching Classes July-December 2009 batch at Sydenham College on 6th July 2009.



Prin. Dr. U. T. Desai Dean of Commerce Faculty, VNSGU, Mr. Dhananjay Joshi, Past President ICWAI, and Dr. Heena Oza, Chairperson of Surat Chapter inaugurating the Oral Coaching Session of Surat Chapter on 2nd July, 2009. Mr. Manubhai Desai Vice Chairman of WIRC looks on.

*Communique from Editor... (contd. from 1st page)*

keeping in view the requirement of our professional colleagues in the suburbs.

You are all aware that WIRC had formed a task force to study the report of the Expert Group. The task force had several rounds of intense discussions on the recommendations of the Expert Group. A detailed report giving observations / suggestions on each of the 39 recommendations was then submitted to the Central council. I am proud to state here that WIRC was the only region which carried out such a detailed exercise on the EG recommendations and submit a recommendation wise report. The Central Council of the Institute has also recognised our efforts and has incorporated most of the suggestions / observations in their submission to the Government.

The month of June has been buzzing with a lot of activities at the WIRC front. The new admissions (Oral) for the current batch crossed 1000 mark & Postal (1500+) – highest ever since inception of WIRC. This is an achievement in itself and perhaps would not have been achieved without the efforts put in by Mrs. Aruna Soman, Mr. P.V. Wandrekar, Mr. S. G. Narasimhan, Mr. M.S.

Chandani, Mr. V.B. Prabhudesai and Mr. Ashish Thatte to name a few, with able support of WIRC staff.

It is learnt that the Institute will soon be launching courses on Valuation and IFRS. I must congratulate Mr. Sanjay Bhargave, Chairman of the Training, Education facilities & IT Committee, ICWAI in taking proactive steps for training our members in the professional avenues of the future. We at WIRC are also planning to conduct seminars on IFRS. The dates will be communicated once finalised.

I take this opportunity to congratulate Dr. N. M. Vechalekar our past Chairman. His paper on Strategic Management Accounting has been published in the 'Management Accountant' journal of ICMA Pakistan. This is the same article which was published in the conference papers of Sri Lanka in the month of November 2008. We take pride in publishing the article in our WIRC bulletin for the benefit of all our members.

Hope to meet all of you at our AGM on the 18th of July 2009.

With warm regards

**Amit Apte**

## **Inauguration of WIRC Oral Coaching Classes**

The Inaugural function of Oral Coaching classes July-December 2009 batch was organized at various WIRC coaching centres on 6th July 2009. Mr. P. V. Wandrekar, Chairman Professional Development Committee, WIRC at N.M. College, Vile Parle, Mrs. Aruna Soman, Programme Co-ordinator, WIRC at Sydenham College, Mr. S. G. Narasimhan at N.G. Bedekar College, Thane and Mr. Ashish Thatte at R.J. College, Ghatkopar, inaugurated the classes.

In addition to the above, coaching classes are also started at Dahanukar College, Vile Parle (E), Gokhale College, Borivli and ICL College, Vashi on the same day. On 7th July 2009 Mr. P. V. Wandrekar and Mr. Ashish Thatte addressed the students at ICL College, Vashi.

WIRC has received highest ever admission during the July-December 2009 semester, under Oral as well as Postal Coaching. This is due to the tireless efforts put in by Mr. P.V. Wandrekar, Mrs. Aruna Soman, Mr. S.G. Narasimhan, Mr. Ashish Thatte and faculty members Mr. M.S. Chandani and Mr. V.B. Prabhudesai with able support of WIRC staff.



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