



WIRC BULLETIN

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For Members only

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From the Desk of Chairman



Dear all professional colleague and seniors of profession,

When you are reading this communication the first phase of lok Sabha election will be over. In most parts of our region it will be held at later stages. I appeal all of you to vote in favour of our profession. There are quite a few things happening around us. We must keep watch on those and take informed decision. Indian economy has shown good signs of improvement in last few months. RBI's quarterly policy has given relief to many. There is always an intention to curb inflation and looks it is working. While we all think about economy, we have to look at another parameter and that is sensex. If you see carefully it is touching newer heights every month. There are many predictions made by various agencies about future growth rate on Indian economy. Most of them are favouring towards high growth. Let's hope we get better results in fourth quarter.

On the front of sports, despite of India lost in world T20 final, Indian chess ace Vishwanathan Anand qualified himself for world chess championship title later in this year. Something to cheer for sports in our country. Malaysian flight MH 370 seems to have lost its way and found in Indian ocean. Our deepest feelings to families those who lost their near and dear.

Students : As mentioned in my earlier communication, we are holding campus interviews for December 2013 passouts. Prior to that we will be conducting communication skill and personality development workshops for them. I must admire efforts of our faculties and WIRC staff for their unconditional support. We are also planning to bring some publications for students. I am requesting all of you to help us contributing by way of your intellectual inputs. Month of May and June will be our membership drive. I request all passout students to register themselves for associate membership with institute. Headquarters has already uploaded practise papers for intermediate, foundation and final. Requesting all if you take advantage of the same. WIRC will also conduct mock test in next month for students. Our orientation program already underway. In case if you have not taken admission please rush and take advantage of our program.

Members : March is always a happening month for finance professionals, specially for members in service. This time there were new amendments to it. Ministry of Corporate Affairs announced rules for many chapters under Company's Act 2013. This is welcome step by government. However, rules for Cost Audit and Cost Accounting Records under section 148 are yet to be announced till I write this communication. After carefully going through this act with reference to section 465 we may draw conclusion that old position still continues. There are few clarifications also given by ministry about other records and audits. All those are covered elsewhere in this bulletin in format of article. We are following up issues related to profession with all possible authorities including our head office.

On the professional front we are very active and we are conducting programs by keeping members in service as our prime focus. This month we organized full day seminar on internal audit which got overwhelming response. Speakers from Godrej (CMA Ajay Palav) and L&T (CA Satish Shenoy) made industry representation. On the other hand CA Chandrashekhar Chitale and CMA Narhar Nimkar gave practising flavour. This seminar was attended by as many as more than 70 participants. WIRC is looking forward to arrange more such seminars.

WIRC is also proud to state that we are the first one to conduct CEP program on topic of Corporate Social Responsibility with in one week of its announcement. I must put on record efforts made by CMAs A Sekar and Jagdish Ahuja on conducting the same. Both these programs were well received by members in service and practice. Along with this we also conducted program on SAP by CMA Pravin Ambekar at Mulund and Borivali in Mumbai. I was also invited by Aurangabad Chapter on 29th March to have discussion on recent developments and Cost Audit. I am very happy that even students take active discussion along with senior members in service and practice. I must appreciate efforts made by chapter in this area under the leadership of CMA Kuyate.

Our Central Council is also very active on various fronts. I must congratulate CMA Amit Apte for his efforts on getting CAT course successful in the states of Kerala and Rajasthan. In his leadership CAT has become Lion in those states. Very soon we have plans to activate the same in our region as well. Few good news to our profession when Ministry of Finance announced bill for Direct Tax Code. In the definition of accountants Cost Accountants are included. MoF is asking comments from all of us and requesting all of you to give the same on their website. It's great and we should be ready to take up these added responsibilities of Indian Economy. WIRC will make their members equipped for such welcome challenges. But sometimes when you have better things ahead, you have to keep eye on putting your house in order. Somehow last 2 admission season, entrants in profession are reducing at alarming rate. It has not only have impact on financial statements but also to the some extent on professional growth as whole. We will try our level best to overcome such situation with support from all of you.

Our Regional Cost Conference is scheduled at Nashik in the month of May. All details are published in this bulletin. I am requesting all of you to come for this event.

New Initiative : WIRC has decided to come up with new publications for students. This will help students in preparing their examinations.

Other Institutions : I am thankful to Institute of Company Secretaries of India Western India Regional Council inviting me for their members meet. From WIRC of ICAI (CMA) we extend all support to company secretaries to impress government on the role of corporate governance in new act.

I wish all-round prosperity and happiness to all the members and their family on the occasion of the New Year, Ram Navami, Mahavir Jayanti, Ambedkar Jayanti, Vishu being celebrated in various parts of our region.

With Warm Regards

CMA Ashish Thatte

Glimpses of the Internal Audit Seminar organized by WIRC on 8th March 2014



CMA Ashish Thatte, Chairman WIRC interacting with members



CMA Vaibhav Joshi, welcoming the guest and participants



CMA Ajay Palav, General Manager, Godrej & Boyce Mfg. Co. Ltd, Corporate Accounts



CA Chandrashekhar Chitale, Practising Chartered Accountant



CA Satish Shenoy, General Manager Corporate Audit Services, Larsen & Toubro Limited



CMA N. K. Nimkar, Practising Cost Accountant



View of Audience



"CMA Amit Apte, CCM ICAI & Chairman, ICAI-CAT inaugurating the One Day Trainer's Training Program of ICAI-GoK, ASAP-CAT at Kozhikode, Kerala by lighting the lamp. Also seen, CMA TCA Srinivasa Prasad, CCM, CMA H Padmanabhan, Vice Chairman, ICAI-SIRC and Sri. Madhusoodhanan, GoK ASAP Quality Division"



CMA Vivek Chawan, Secretary of Nagpur Chapter, CMA MSN Murthy, Chief Guest - Prof. Yoganand Kale, Chairman - CMA N. P. Viswanathan, CCM - CMA P.V. Bhattad, Vice-Chairman - CMA Shriram Mahankaliwar and Treasurer - CMA Aanan Sahasrabudde during Annual Seminar organised by Nagpur Chapter on 23rd March, 2014.



“The Companies Act -2013 – Latest update as on 3rd April 2014”

By CMA Ashok B. Nawal

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The Companies Act 2013 had been enacted and earlier **98 Sections** were made effective from **12th September 2013** and now around **185 Sections** are made effective from **1st April 2014**. Moreover, numbers of rules have also been notified and therefore it is important to get updated on the same. Attempt has been made to provide brief summary of provisions of Companies Act 2013 and Rules made thereunder.

Chapter I – Preliminary

- Section 2 - Definitions

Chapter II - Incorporation of Company and matters incidental thereto

- Section 3 - Formation of Company
- Section 4 – Memorandum
- Section 5 – Articles
- Section 6 - Act to override memorandum, articles, etc.
- Section 7 - Incorporation of company
- Section 8 - Formation of companies with charitable objects, etc.
- Section 9 - Effect of registration.
- Section 10 - Effect of memorandum and articles
- Section 11 – Commencement of business, etc.
- Section 12 – Registered office of company
- Section 13 - Alteration of memorandum
- Section 14 - Alteration of Articles
- Section 15 - Alteration of memorandum or articles to be noted in every copy
- Section 16 – Rectification of name of company
- Section 17 - Copies of memorandum, articles, etc., to be given to members
- Section 18 – Conversion of companies already registered.
- Section 19 – Subsidiary company not to hold shares in its holding company.
- Section 20 - Service of documents
- Section 21 – Authentication of documents, proceedings and contracts
- Section 22 - Execution of bills of exchange, etc.

Chapter – III : Prospectus and Allotment Of Securities

PART I – Public offer

- Section 23 – Public offer and private placement
- Section 24 - Power of Securities and Exchange Board to regulate issue and transfer of securities, etc.
- Section 25 (3) – Document containing offer of securities for sale to be deemed prospectus
- Section 26 - Matters to be stated in prospectus
- Section 27 - Variation in terms of contract or objects in prospectus.
- Section 29 - Public offer of securities to be in dematerialized form.

- Section 30 – Advertisement of prospectus.
- Section 31 – Shelf prospectus.
- Section 32 – Red herring prospectus
- Section 33 – Issue of Application forms for securities
- Section 34 – Criminal liability for misstatements in prospectus
- Section 35 (1) (e) - Civil liability for misstatements in prospectus
- Section 39 (4) - Allotment of securities by company
- Section 40 (6) - Securities to be dealt with in stock exchanges
- Section 41 – Global depository receipt (GDR)

Part - II

- Section 42 - Offer or invitation for subscription of securities on private placement.

CHAPTER IV : SHARE CAPITAL AND DEBENTURES

- Section 43 – Kinds of share capital
- Section 46 – Certificate of Shares
- Section 47 – Voting rights
- Section 52 – Application of premiums received on issue of shares.
- Section 53 – Prohibition on issue of shares at discount
- Section 54 - Issue of sweat equity shares
- Section 55 - Issue and redemption of preference shares
- Section 56 - Transfer and transmission of securities
- Section 61 - Power of limited company to alter its share capital
- Section 62 - Further issue of share capital
- Section 63 - Issue of bonus shares.
- Section 64 - Notice to be given to Registrar for alteration of share capital
- Section 67 – Restrictions on purchase by company or giving of loans by it for purchase of its shares
- Section 68 - Power of company to purchase its own securities
- Section 70 (2) – Prohibition for buy-back in certain circumstances
- Section 71 – Debentures
- Section 72 - Power to nominate

CHAPTER V : ACCEPTANCE OF DEPOSITS BY COMPANIES

- Section 73 – Prohibition on acceptance of deposits from public.
- Section 74 - Repayment of deposits, etc., accepted before commencement of this Act.
- Section 76 – Acceptance of deposits from public by certain companies
- Section 77 -Duty to register charges, etc.
- Section 78 – Application for registration of charge
- Section 79 - Section 77 to apply in certain matters
- Section 80 - Date of notice of charge

- Section 81 - Register of charges to be kept by Registrar
- Section 82 - Company to report satisfaction of charge
- Section 83 - Power of Registrar to make entries of satisfaction and release in absence of intimation from company
- Section 84 - Intimation of appointment of receiver or manager
- Section 85 – Company’s register of charges
- Section 87 – Rectification by Central Government in register of charges
- Section 88 - Register of members, etc.
- Section 89 - Declaration in respect of beneficial interest in any share
- Section 90 – Investigation of beneficial ownership of shares in certain cases
- Section 92 – Annual Return
- Section 93 - Return to be filed with Registrar in case promoters’ stake changes
- Section 94 - Place of keeping and inspection of registers, returns, etc.
- Section 95 – Registers, etc., to be evidence
- Section 96 – Annual general meeting
- Section 100 (6) Calling of Extraordinary general meeting
- Section 101 – Notice of meeting
- Section 102 - Statement to be annexed to notice.
- Section 103 - Quorum for meetings.
- Section 104 - Chairman of meetings.
- Section 105 – Proxies
- Section 106 - Restriction on voting rights.
- Section 108 – Voting through electronic means
- Section 109 - Demand for poll
- Section 110 – Postal ballot
- Section 111 - Circulation of members’ resolution
- Section 112 – Representation of President and Governors in meetings.
- Section 113 – Representation of corporations at meeting of companies and of creditors
- Section 114 - Ordinary and special resolutions.
- Section 115 – Resolutions requiring special notice
- Section 116 – Resolutions passed at adjourned meeting. - be treated as having been passed on
- Section 117 – Resolutions and agreements to be filed
- Section 118 - Minutes of Proceedings of general meeting, meeting of Board of Directors and
- other meeting and resolutions passed by postal ballot
- Section 119 - Inspection of minute-books of general meeting
- Section 120 – Maintenance and inspection of documents in electronic form
- Section 121 - Report on Annual general meeting
- Section 122 – Applicability of this Chapter to One Person Company

CHAPTER VIII : DECLARATION AND PAYMENT OF DIVIDEND

- Section 123- Declaration of dividend
- Section 126 - Right to dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares
- Section 127 – Punishment for failure to distribute dividends.

CHAPTER IX : ACCOUNTS OF COMPANIES

- Section 128 - Books of account, etc., to be kept by company
- Section 129 – Financial statement
- Section 133 – Central Government to prescribe accounting standards.
- Section 134 – Financial statement, Board’s report, etc.
- Section 136 - Right of member to copies of audited financial statement
- Section 137 - Copy of Financial statement to be filed with Registrar
- Section 138 – Internal Audit

CHAPTER X : AUDIT AND AUDITORS

- Section 139 – Appointment of auditors
- Section 140 - Removal, resignation of auditor and giving of special notice
- Section 141 - Eligibility, Qualifications and disqualifications of auditors
- Section 142 – Remuneration of auditors
- Section 143 - Powers and duties of auditors and auditing standards
- Section 144 - Auditor not to render certain services
- Section 145 - Auditor to sign audit reports, etc.
- Section 146 - Auditors to attend general meeting
- Section 147 – Punishment for contravention
- Section 148 – Central Government to specify audit of items of cost in respect of certain companies.
- Section 149 - Company to have Board of Directors.
- Section 150 - Manner of selection of independent directors and maintenance of databank of independent directors
- Section 151 – Appointment of director elected by small shareholders.
- Section 152 – Appointment of directors
- Section 153 – Application for allotment of Director Identification Number
- Section 154 - Allotment of Director Identification Number
- Section 155 - Prohibition to obtain more than one Director Identification Number
- Section 156 - Director to Intimate Director Identification Number
- Section 157 - Company to Inform Director Identification Number to Registrar
- Section 158 - Obligation to indicate Director Identification Number
- Section 159 – Punishment for contravention
- Section 160 - Right of persons other than retiring directors to stand for directorship
- Section 161 – Appointment of additional director, alternate director and nominee director.
- Section 162 – Appointment of directors to be voted individually.
- Section 163 - Option to adopt principle of proportional representation for appointment of directors.
- Section 164 – Disqualifications for appointment of director.
- Section 165 - Number of directorships.
- Section 166 - Duties of directors.
- Section 167 - Vacation of office of director.
- Section 168 – Resignation of director.
- Section 169 - Removal of directors.
- Section 170- Register of directors and key managerial personnel and their shareholding.

- Section 171 – Members’ right to inspect.
- Section 172 – Punishment

CHAPTER XII : MEETINGS OF BOARD AND ITS POWERS

- Section 173 – Meetings of Board
- Section 174 - Quorum for meetings of Board.
- Section 175 - Passing of resolution by circulation.
- Section 176 - Defects in appointment of directors not to invalidate actions taken.
- Section 177 – Audit Committee
- Section 178 – Nomination and Remuneration Committee and Stakeholders Relationship Committee.
- Section 179 - Powers of Board
- Section 180 – Restrictions on powers of Board.
- Section 181 - Company to contribute to *bona fide* and charitable funds, etc.
- Section 184 - Disclosure of interest by director.
- Section 185 - Loan to directors, etc.
- Section 186 - Loan and investment by company.
- Section 187 – Investments of company to be held in its own name.
- Section 188 - Related party transactions.
- Section 189 - Register of contracts or arrangements in which directors are interested.
- Section 190 - Contract of employment with managing or whole-time directors.
- Section 191 - Payment to director for loss of office, etc., in connection with transfer of undertaking, property or shares.
- Section 192 –Restriction on non-cash transactions involving directors.
- Section 193 – Contract by One Person Company.
- Section 194 – Prohibition on forward dealings in securities of company by director or key managerial personnel.
- Section 195 – Prohibition on insider trading of securities.
- Section 196 – Appointment of managing director, whole-time director or manager.
- Section 197 – Overall maximum managerial remuneration and managerial remuneration in case of absence or inadequacy of profits.
- Section 198 - Calculation of profits
- Section 199 - Recovery of remuneration in certain cases
- Section 200 – Central Government or company to fix limit with regard to remuneration
- Section 201 - Forms of, and procedure in relation to, certain applications
- Section 202 – Compensation for loss of office of managing or whole-time director or manager.
- Section 203 – Appointment of key managerial personnel
- Section 204 – Secretarial audit for bigger companies
- Section 205 - Functions of company secretary.
- Section 210 – Investigation into affairs of company.
- Section 211 – Establishment of Serious Fraud Investigation Office
- Section 212 – Investigation into affairs of Company by Serious Fraud Investigation Office.
- Section 214 - Security for payment of costs and expenses of investigation.

- Section 215 - Firm, body corporate or association not to be appointed as inspector.
- Section 216 – Investigation of ownership of company.
- Section 217 – Procedure, powers, etc., of inspectors.
- Section 219 - Power of inspector to conduct investigation into affairs of related companies, etc.
- Section 220 - Seizure of documents by inspector.
- Section 223 – Inspector’s report
- Section 224 - Actions to be taken in pursuance of inspector’s report.
- Section 225 - Expenses of investigation.
- Section 228 – Investigation, etc., of foreign companies.
- Section 229 - Penalty for furnishing false statement, mutilation, destruction of documents.

CHAPTER XXI : PART I.- Companies Authorized to Register under this Act

- Section 366 – Companies capable of being registered.
- Section 367 - Certificate of registration of existing companies.
- Section 368 - Vesting of property on registration.
- Section 369 - Saving of existing liabilities.
- Section 370 – Continuation of pending legal proceedings.
- Section 371 - Effect of registration under this Part.
- Section 374 – Obligations of companies registering under this Part.
- Section 379 – Application of Act to foreign companies.
- Section 380 – Documents, etc., to be delivered to Registrar by foreign companies
- Section 381 - Accounts of foreign company.
- Section 382 - Display of name, etc., of foreign company.
- Section 383 - Service on foreign company.
- Section 384 – Debentures, annual return, registration of charges, books of account and their inspection.
- Section 385 - Fee for registration of documents. - as may be prescribed
- Section 386 (1) – Interpretation.
- Section 387 - Dating of prospectus and particulars to be contained therein.
- Section 388 - Provisions as to expert’s consent and allotment.
- Section 389 – Registration of prospectus.
- Section 390 - Offer of Indian Depository Receipts
- Section 391 – Application of sections 34 to 36 and Chapter XX.
- Section 392 – Punishment for contravention.
- Section 393 – Company’s failure to comply with provisions of this Chapter not to affect validity of contracts, etc.
- Section 394 – Annual reports on Government companies.

CHAPTER XXIII : GOVERNMENT COMPANIES

- Section 395 – Annual reports where one or more State Governments are members of companies.

CHAPTER XXIV : REGISTRATION OFFICES AND FEES

- Section 396 – Registration Offices
- Section 397 – Admissibility of certain documents as evidence.
- Section 398 – Provisions relating to filing of applications, documents, inspection, etc., in electronic form.
- Section 399 – Inspection, production and evidence of documents kept by Registrar.

- Section 400 – Electronic form to be exclusive, alternative or in addition to physical form.
 - Section 401 - Provision of value added services through electronic form.
 - Section 402 - Application of provisions of Information Technology Act, 2000.
 - Section is self-explanatory
 - Section 403 – Fee for filing, etc.
 - Section 404 - Fees, etc., to be credited into public account.
 - Section 405 - Power of Central Government to direct companies to furnish information or statistics.
 - Section 406 - Power to modify Act in its application to *Nidhis*.
- CHAPTER XXVII : NATIONAL COMPANY LAW TRIBUNAL AND APPELLATE TRIBUNAL**
- Section 407 – Definitions
 - Section 408 – Constitution of National Company Law Tribunal.
 - Section 409 – Qualification of President and Members of Tribunal.
 - Section 410 – Constitution of Appellate Tribunal.
 - Section 411 – Qualifications of chairperson and Members of Appellate Tribunal.
 - Section 412 - Selection of Members of Tribunal and Appellate Tribunal.
 - Section 413 - Term of office of President, chairperson and other Members.
 - Section 414 – Salary, allowances and other terms and conditions of service of Members.
 - Section 439 - Offences to be no cognizable
 - Section 442 - Mediation and Conciliation Panel.
 - Section 443 - Power of Central Government to appoint company prosecutors.
 - Section 444 – Appeal against acquittal.
 - Section 445 – Compensation for accusation without reasonable cause.
 - Section 446 – Application of fines.
- CHAPTER XXIX : MISCELLANEOUS**
- Section 447 – Punishment for fraud
 - section 448 – Punishment for false statement.
 - Section 449 – Punishment for false evidence.
 - Section 450 – Punishment where no specific penalty or punishment is provided.
 - Section 451 – Punishment in case of repeated default.
 - Section 452 – Punishment for wrongful withholding of property.
 - Section 453 – Punishment for improper use of “Limited” or “Private Limited”.
 - Section 454 – Adjudication of penalties.
 - Section 455 – dormant Company.
 - Section 456 - Protection of action taken in good faith.
 - Section 457 – Nondisclosure of information in certain cases.
 - Section 458 - Delegation by Central Government of its powers and functions.
 - Section 459 - Powers of Central Government or Tribunal to accord approval, etc., subject to conditions and to prescribe fees on applications.
 - Section 460 – Condonation of delay in certain cases.
- Section 461 – Annual report by Central Government.
 - Section 462 - Power to exempt class or classes of companies from provisions of this Act.
 - Section 463 - Power of court to grant relief in certain cases.
 - Section 464 – Prohibition of association or partnership of persons exceeding certain number.
 - Section 467 - Power of Central Government to amend Schedules.
 - Section 468 - Powers of Central Government to make rules relating to winding up.
 - Section 469 - Power of Central Government to make rules.
 - Section 470 - Power to remove difficulties.
- **Schedule I – Format of : MEMORANDUM OF ASSOCIATION OF A COMPANY LIMITED BY SHARES**
 - **Schedule II : USEFUL LIVES TO COMPUTE DEPRECIATION**
 - **SCHEDULE III: GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET**
 - **SCHEDULE IV : CODE FOR INDEPENDENT DIRECTORS**
 - **SCHEDULE V :**
 - **PART I - Conditions to be fulfilled for the Appointment of a Managing or Whole - Time Director or a Manager without the approval of the Central Government**
 - **PART II – Remuneration**
 - **PART III Provisions applicable to Parts I and II of this Schedule**
 - **SCHEDULE VII :Activities which may be included by companies in their Corporate Social Responsibility Policies**
- Following rules have been notified**
2. Chapter II - Companies (Incorporation) Rules 2014 related to formation of Companies
 3. Chapter III – The Companies (Prospectus and Allotment of Securities) Rules, 2014
 4. Chapter IV- The Companies (Share Capital and Debentures) Rules, 2014.
 5. Chapter V – Companies (Acceptance of Deposits) Rules, 2014 – Companies Act 2013
 6. Chapter VI – The Companies (Registration of Charges) Rules, 2014
 7. Chapter VII – The Companies (Management and Administration) Rules, 2014
 8. Chapter VIII – The Companies (Declaration and Payment of Dividend) Rules, 2014.
 9. Chapter IX – The Companies (Accounts) Rules, 2014
 10. Chapter X - The Companies (Audit & Auditors) Rules, 2014
 11. Chapter XI – The Companies (Appointment and Qualification of Directors) Rules, 2014
 12. Chapter XII – The Companies (Meetings of Board and its Powers) Rules, 2014
 13. Chapter XIII - The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014
 14. Chapter XIV - The Companies (Inspection, Investigation and Inquiry) Rules, 2014
 22. Chapter XXII- The Companies (Registration of Foreign Companies) Rules, 2014
 26. Chapter XXVI – Nidhi Rules, 2014 – Companies Act 2013

29. Chapter XXIX – The Companies (Adjudication of Penalties) Rules, 2014 – Companies Act 2013

29. Chapter XXIX - The Companies (Miscellaneous) Rules, 2014 – Companies Act 2013

Following forms has been replaced with old one and are made available online

Purpose	New Form	Old Form
Application for reservation of name	INC-1	1A
Application for Incorporation	INC-2	N.A.
Nominee Consent Form - OPC	INC-3	
Change in Member/Nominee - OPC	INC-4	
Intimation of Cessation	INC-5	
Application for Conversation	INC-6	
Incorporation of Company	INC-7	
Application to Regional Director for conversion of Section 8 company	INC-18	
Intimation to Registrar of revocation / surrender of license issued under section 8	INC-20	
Application for commencement of business	INC-21	19 & 20
Notice for situation of change of registered address	INC-22	18
Application to Regional director for approval to shift the Registered office from one state to another state or from one ROC to another ROC within the same state	INC-23	1AD, 24AAA
Application for change of name	INC-24	1B
Conversion of Pvt. Ltd. To Public Ltd. Company and vice versa	INC-27	1B and 62
Notice of order of the court for Tribunal or any other competent authority	INC-28	21
Return of Allotment	PAS-3	2
Notice to Registrar for alteration of share capital	SH-7	5
Letter of offer	SH-8	
Return on respect of buy-back of securities	Sh-11	4C
Application for registration of creation or modification of charge (other than debentures)	CHG-1	8
Particular for satisfaction of charge	CHG-4	17
Notice of appointment or cessation of receiver or manager	CHG-6	15
Application for registration of creation or modification of charge in case of debentures	CHG-9	10
Filing or Resolutions and agreements to Registrar under section 117	MGT-14	23
Application for allotment of DIN	DIR-3	DIN1
Intimation of change in particulars of Director to be given to the Central Government	DIR-5	DIN4
Notice of Resignation of a Director to the Registrar	DIR-7	N.A.
Particulars of appointment of directors and Key Managerial Person and changes among them	DIR-8	32, 32AD
Return of appointment of managing director or whole time director or manager	MR-1	25C
Form of application to the Central Government for approval of appointment or reappointment and remuneration or increase in remuneration or waiver for excess of or over payment to managing director or whole time director or manager and commission or remuneration to directors	MR-2	25A
Application by a company for registration under section 366	URC-1	37, 39
Information to be filed by foreign company	FC-1	44
Return of alteration in the documents filed for registration by foreign company	FC-2	49, 52
List of all principal places of business in India establish by foreign company	FC-3	52
Annual Return	FC-4	20
Memorandum of appeal new form	ADJ	N.A.
Application to ROC for obtaining the status of dormant company	MSC-1	N.A.
Return of dormant companies	MSC-3	N.A.
Application for seeking status of active company	MSC-4	N.A.

“However, those sections which has not been implemented and made effective so far, earlier corresponding provisions of Companies Act 1956 and Rules made thereunder will be applicable till the time new sections have not been made effective. Section 148 of the Companies Act 2013 has been made effective but Cost Audit and Cost Record Rules have not been notified and therefore existing Cost Accounting Record Rules 2011 and Cost Audit Report Rules 2011 will be applicable and hence all the companies where the cost audit is applicable vide Notification dtd. 6th November 2012 have to appoint Cost Auditor before 30th June 2014 for the FY. 2014-15.”



MIS Report for Monitoring, Controlling & Reducing Expenses on Repairs & Maintenance

CMA Rajesh Kapadia

Nowadays, Cost Reductions are the number one priority in Corporate World. This is also true for Maintenance Managers who face Cost Control Programmes imposed by Senior Management.

Following MIS Report can be prepared by Costing Department to help management in monitoring, controlling & reducing Expenses on Repairs & Maintenance.

Yearwise Cost Centrewise Trend of Expenses on Repairs & Maintenance for Company / for Plant 1

YEAR	2012-13 (Rs Lacs)	%	2011-12 (Rs Lacs)	%	2010-11 (Rs Lacs)	%
COST CENTRES						
Manufacturing Cost Centres						
Manufacturing Plant-1						
Manufacturing Plant-2						
Manufacturing Plant-3						
Utilities Cost Centres						
Power Plant						
Boiler						
DM Water Plant						
Filtration Plant						
Cooling Water Plant						
Chilled Water Plant						
Air Compressor						
Nitrogen						
Other Cost Centres						
TOTAL						

Utilities of this Report :

- (1) It provides at a glance yearwise costcentrewise trend of expenses on Repairs & Maintenance.
- (2) If there is any substantial increase in expenditure, then this increase in expenditure needs to be traced to particular cost centre / cost centres and reasons for the same should be discussed with the Head of that cost centre so that appropriate action can be taken to prevent such recurrence.
- (3) Through this report, management will come to know A Category of Cost Centres which account for 70 % to 75 % of total Repairs & Maintenance Expenses incurred.

It is always advisable for the management to focus on these A Category Cost Centres to monitor, control & reduce expenses on Repairs & Maintenance

Expenses This is because even a small step taken by the management with respect to these A Category of Cost Centres will result in far greater advantage to the management with respect to Cost Control & Cost Reduction of Expenses with respect to Repairs & Maintenance Expenses.

- (4) Sometimes, high repair cost is the result of deferred maintenance.

Deferred Maintenance is the practice of postponing maintenance activities to save costs or to meet budget or to realign available budget monies.

The failure to perform needed repair could lead to asset deterioration and untimely asset impairment.

Generally, a policy of continued deferred maintenance may result in higher costs, asset failures, and in some cases, safety, health &

environmental implications.

(5) Running damaged equipment until it fails is not a good idea for two reasons:

(I) first, the magnitude of the repair cost is much greater when equipment is allowed to fail catastrophically,

(II) second, lost production costs are typically higher because the equipment usually fails at the worst time.

(6) Maintenance Managers should change their focus. Many Maintenance Managers strongly focus on the operational side of maintenance e.g. scheduling resources, ordering spare parts etc.

Maintenance Managers need to change focus from operational maintenance management to tactical / strategic maintenance management.

They need to realize that operations are a direct result from tactical / strategic decisions and not the other way round.

(7) Training is the foundation of cost reduction. One would agree that training would increase awareness and prompt well thought actions from equipment operations.

The training needs to be correct training and include engineers, maintenance technicians and operators.

All these employees influence equipment reliability in some way.

(8) Modifying equipments is necessary sometimes, typically, when the equipment was not initially specified correctly or when process parameters change.

Not upgrading equipment will result in increased failures.

Conclusion : Thus, this Report when submitted to the management along with suitable analysis, it serves dual purpose of providing information as well as acting as a control device. ■

CEP REPORT

WIRC organized CEP on Corporate Social Responsibility on 6th & 7th March 2014 at PTVA's Institute of Management, Vile Parle, Mumbai and at Mulund College, Mulund, Mumbai. CS A. Sekar and CS Jagdish Ahuja was the faculty for the programme. CMA Ashish Thatte, Chairman WIRC was present on the occasion.

WIRC organized CEP on Costing & SAP on 15th and 22nd March 2014 at Mulund College, Mulund, Mumbai and Borivli SMF Center, respectively. CMA Pravin Ambekar was the faculty for the programme. CMA Ashish Thatte, Chairman WIRC was present on the occasion. Large number of members attended the programme.

Report

Workshop on Internal Audit - 8th March 2014

Speakers: - CMA Ajay Palav, Senior General Manager, Godrej and Boyce Manufacturing Co. Limited, Corporate Accounts, CA Chandrashekhar Chitale, Practicing Chartered Accountant, Mr. Satish Shenoy, General Manager, Corporate Audit Services, Larsen and Toubro Limited, CMA N.K. Nimkar, Practicing Cost and Management Accountant.

New Companies Bill, 2013 has introduced one of the important areas of practice to all practicing Cost and management Accountants i.e. Internal Audit. In order to revise knowledge base of all members, students a full day Workshop on Internal Audit was planned on 8th March 2014 at Hotel Avon Ruby, Dadar East.

CMA Vaibhav Joshi welcomed all speakers, members, students by explaining WIRC's motive to arrange for the programme. He also thanked all Women audience members for Women's day. CMA Ashish Thatte, Chairman WIRC in his address to member's narrated importance of Internal Audit as new area opened up for Cost and Management Accountancy field. He presented overview of the programme to audience. In his narration, he updated audience about WIRC's stand on prevailing status of Draft Rules on Cost Accounting and Cost Audit, 2013.

The workshop begun with presentation by CMA Ajay Palav, Senior General Manager, Godrej and Boyce Manufacturing Co. Limited, Corporate Accounts on 'Business Decisions by Internal audit' In his presentation, he briefed about Conformance Vs Performance actions by organizations. His presentation established Practical Approach to be followed by Internal Auditors in their Profession. He impressed upon audience that Operational Audit is an imperative aspect of business apart from Management Audit. He shared his career experience through various case studies handled by him in his career as Internal Auditor and explained how businesses are expecting value additions from Internal Audit team.

The Second session was lead by CA Chandrashekhar Chitale on Global best Practices and Changing Role of Internal Audit in view of New Companies Act, 2013. Mr. Chitale gave an inner look to forthcoming draft bill covering scope of Internal Audit. His presentation threw light on various areas of internal audit which are importance for practicing Cost and Management Accountants to bring in good practices in their profession. He narrated few case studies for linking importance of Internal Audit for setting up Global practices.

Post Lunch session, on Internal Audit and Data Analysis was conducted by Mr. Satish Shenoy, General Manager, Corporate Audit Services, Larsen and Toubro Limited. Mr. Shenoy in his lucid way gave importance of data analytics, multiskilling, Intrinsic value of Audit, Data Analysis with Deep Drive approach etc. According to him, Data Analytics comes out of Ideas hence as an Internal Auditor he suggested audience to update themselves with various IT skills so as to institutionalize their ideas into best practices in Internal Audit. His narration in humorous style made audience to get more interest into rigid topic like Data Analysis. The concluding session, post tea break was lead by CMA N. K. Nimkar, practicing Cost Accountant. CMA Nimkar stressed upon various steps to be followed while conducting Internal Audit report, Report Writing Skills, Drafting of Reports, Five C's of Good Internal Report etc. He also explained audience about assertive approach to be followed during finalizing Internal Audit Report.

The Vote of thanks & entire programme compering was done by CMA Vaibhav P. Joshi. WIRC also recognized all women participants by offering roses on the occasion of Women's Day. The programme was attended by more than 60 participants and members appreciated the contents of programmes due to seniority and practical approach adopted by all speakers during this full day workshop.



Frequently Asked Questions on Corporate Social Responsibility

By CMA Ashok B. Nawal

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Companies (Corporate Social Responsibility Policy) Rules 2014 have been notified on 27th February 2014 and made applicable w.e.f. 1st April 2014.

1. To whom the provisions of the act & rules are applicable?

The following categories of companies registered under the Companies Act, including its holding and subsidiary and foreign company under clause 42 of Sec 2 of the Act having its branch office or project office in India would be covered by the provisions relating to CSR:

- A company having a net worth of Rs.500 Cr or more
- A company with a turnover of Rs. 1000 Cr or more
- A company with a net profit of Rs. 5 Cr during any financial year

2. What is Corporate Social Responsibility?

Corporate Social Responsibility has been defined in Rule 2(c) as “CSR” means & includes but is not limited to

- i. Projects or programs relating to activities specified in schedule VII to the Act or
- ii. Projects or programs relating to the activities undertaken by the Board of Directors or a Company (Board) in pursuance of recommendations of the CSR committee of the Board as per declared CSR policy of the Company subject to the condition that such policy will cover subjects enumerated in schedule VII of the ACT.

3. Which are the activities considered as CSR?

Schedule VII of the Act has been modified & contribution to the following activities will be covered under CSR.

- i. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water.
- ii. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- iii. Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv. Ensuring environmental sustainability, ecological

balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water.

- v. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up of public libraries, promotion and development of traditional arts and handicrafts;
- vi. Measures for the benefit of armed forces veterans, war widows and their dependents
- vii. Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic Sports.
- viii. Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government for Socio-economic development and relief and welfare of the Scheduled Castes, The Scheduled Tribes, other backward classes, minorities and women;
- ix. Contributes or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- x. Rural development Projects

4. How much to contribute?

Company must, during any financial should spent at least 2% of its average net profit made during the three years immediately preceding the current financial year towards the CSR activities.

5. How to calculate Net Profit?

Net profit of the company will be as per financial statement prepared in accordance with the provision of the Companies Act 2013 excluding any profit arising from any overseas branch / branches of the company, whether operated as separate company or otherwise and any dividend received from other company which are complying with Provisions of Sec 135 of The Companies Act 2013. However, if financial statements are prepared under the provisions of the Companies Act 1956, net profit need not to be calculated in accordance with provisions of The Companies Act 2013. In case of, foreign company’s net profit will be in accordance with as per profit and loss account prepared under Clause A of Sec 381 (1) read with Sec 198 of The Companies Act 2013.

Net Profit can be calculated as follows:

Particulars	Amount
Profit before tax as per Profit & Loss Account	XXX
Credit to be provided for:	
Bounties and subsidies received from Government	XXX
Credit not to be provided for:	
Premium/ Profit on sale of shares Profits of Capital Nature – including profits on sale of undertakings Profits from sale of immovable property/ fixed assets – unless undertaken Any change in carrying amount of an asset or liability recognized in Equity Reserves as business activity <i>(Provided when the asset is sold for a consideration higher than WDV, income will be considered for the amount in excess of WDV but limited to difference between WDV and Original Cost)</i>	XXX
*Permissible Deductions:	
any profit arising from any overseas branch / branches of the company, whether operated as separate company	(XXX)
any dividend received from other company which are complying with Provisions of Sec 135 of The Companies Act 2013	(XXX)
Usual Working Charges- revenue expenditures, bonus or commission	(XXX)
Abnormal or Special Tax Interest on debentures, loans or advances	(XXX)
Compensations/ damages in virtue of legal liability, bad debts written off...	(XXX)
*Non- permissible deductions:	
Income tax paid under Income Tax Act, 1961 Loss of Capital Nature Compensations/ Damages paid voluntarily	XXX
Net Profits as per Section 198	XXX

1. Where Contribution to be made?

- To a Registered Trust or Registered Society or The Company established by the Company or its Holding or Subsidiary or Associate Company u/s 8 of The Companies Act 2013 having three years track record in undertaking similar programs or projects and such projects and programs, modalities of utilization of funds, monitoring and reporting mechanism should be specified by such companies to such entities.
- To other companies, Trust, Registered Society who are undertaking projects / programs / CSR activities in the manner where CSR committees of such companies are in position to report separately the expenditure of such projects and programs

2. Which contribution will not be considered as CSR Activities?

- The contribution made to The projects / programs undertaken outside India
- Contribution made to such programs / activities which benefit only to employees and their families of the companies.
- Contribution to programs and activities undertaken in pursuance to normal course of business
- Contribution to any political party directly / indirectly

- Any expenditure / contribution made to any activities / projects, which are not in conformity with Schedule VII of The Companies Act 2013 which has been specified above.

3. What is the Modus Operandi?

CSR Committee to be formulated for instituting transparent monitoring system for implementation of the CSR projects / programs / activities undertaken by the company

4. Who should be member of CSR Committee?

- Three or more directors out of which minimum one director should be independent director
- Where appointment of independent director is not required in case of unlisted company, minimum three directors of the company
- For Private Limited Company, minimum two directors
- For Foreign Company, at least two persons in which one person to be specified u/s 380 (1) (d) or another person to be nominated by foreign company

5. What are the functions of CSR Committee?

- Formulate and Recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII;

- b. Recommend the amount of expenditure to be incurred on the activities referred to in clause
- c. Monitor the Corporate Social Responsibility Policy of the company from time to time
- 6. What are the functions of Board of Directors?**
- a. Appoint CSR Committee
- b. Approve CSR Policy as recommended by CSR Committee & disclose in its report and publish on website
- c. Ensure that activities as included in CSR policy are undertaken by the company
- d. Ensure the amount to the extent of min. 2% of Average Net profit of 3 preceding years are spent on CSR activities
- e. Give the preference to local areas / areas around where company operates
- f. Disclose the report in the Board of Directors Report in prescribed format which is given in the annexure to the rule
- g. Report reason for not spending the amount in the annual report & in the Board of Director's Report to the Share Holders
- 7. What should be the report format?**
1. A brief outline of the company's CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs
2. The composition of the CSR Committee
3. Average net profit of the company for last three financial years.
4. Prescribed CSR expenditure (2% of the amount as in item above)
5. Details of CSR spent during the financial year
- a. Total amount to be spent for the financial year
- b. Amount unspent, if any;
- c. Manner in which the amount spent during the financial year is detailed below

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr.	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent in the projects Sub-head: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
	Total						

* Give details of implementing agency :

1. In case the company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board Report.
2. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR Objectives and Policy of the company.

Sd/ (Chief Executive Officer or Managing Director or Director)	Sd/ (Chairman CSR Committee)	Sd/ (Person specified under clause (d) of sub-section (1) of section 380 of the Act) (Wherever applicable)
-------------------------------------------------------------------------	---------------------------------	---------------------------------------------------------------------------------------------------------------------

13. Whether carry forward of earlier amount is allowed?

Yes. But adjustment of overspending of particular year cannot adjusted in the subsequent years.

14. Whether CSR activities to be planned immediately?

Yes. Since Section 135 of The Companies Act 2013 and Companies (CSR) Rules 2014 has been notified and made effective from 1st April 2014, 2% of the amount of average of net profit of 2011-12, 2012-13 & 2013-14 have to be considered for spending CSR amount in the year 2013-14 and such expenditures to be reported in the annual report and to be published in the year 2014-15. However, company have to form CSR committee immediately and also

approve CSR policy which needs to be published on the website of the company.

15. Whether expenditure in CSR is allowed expenditure of appropriation of profit?

Though CBDT have not clarified on the subject of CSR nor there is a specific mention in Income Tax Act 1961, in our opinion it will be allowed expenditure on the following grounds :

- a. As far as financial reporting is concerned, it will be treated as expense and not distribution of profit as held in number of decisions
- b. It is disclosure requirement as additional information to P & L A/c as per Part II of Schedule III and not appropriation from profits under Reserves & Surplus
- c. Courts in the past have allowed voluntary CSR expenses as tax deductible under various situations like drinking water facilities to the residents in the vicinity of the refinery , aid to the school run for the benefit of the children of those local residents
- d. In accordance with Section 80G of Income Tax Act

1961, contribution made to the following is considered as allowed deductions :

- Donations to Government for promoting family planning etc – 100% allowed
- Eligible for 50% deduction:
 - o Donations to Government for other charitable purpose
 - o Donation for housing accommodation/ improvement of cities, towns or villages etc.
- Eligible for 100% deduction w/o maximum limit:
 - o Donation to PM's National Relief Fund
 - o Donation to State Government Fund for Medical Relief to the Poor
 - o National Illness Assistance Fund
 - o Chief Minister's or Lt. Governor's Relief Fund
 - o Approved university or educational institution of national eminence, etc.
- e. Similarly, In accordance with Section 35 of Income Tax Act 1961, contribution made to the following is considered as allowed deductions :

Sr. No	Section	Whether donation based or activity Based	Deduction available for	Quantum of deduction
1	35(1)(ii)	Donation based	Sum paid to research association university, college or other institution to be used for scientific research	1.75 times of sum paid
2	35(1)(ia)	Donation based	Sum paid to a scientific R&D company to be used by it for scientific research	1.25 times of sum paid
3	35(1)(iii)	Donation based	Sum paid to research association, university college or other institution to be used in social science or statistical research	1.25 times of sum paid
4	35(2AA)	Donation based	Any sum paid to National Laboratory or a University or IIT or a specified person with a direction that such sum is to be used for scientific research	2 times of sums paid
5	35CCC	Expenditure on agricultural extension project	Any expenditure on agricultural extension project notified by CBDT	1.5 Times of sums paid
6	35CCD	Expenditure on skill development project	Any expenditure (not being expenditure in the nature of cost of any land or building) on any skill development project notified by CBDT	1.5 Times of sums paid
7	35AC	Donation based	Sum paid to public sector company/local authority/etc for carrying out any eligible notified project for promoting social and economic welfare of the public	1Time of sums paid

- f. CSR improves environment in which business operates
- g. Benefits the business in an indirect manner
- h. Incurred as a good corporate citizen to earn goodwill and create an atmosphere in which business can succeed in a greater measure
- Construction of fountain near traffic island
 - Expenditure incurred on garden in factory premises and labour quarters to maintain ecological balance
- i. If provision is made in books on reasonable, scientific basis and approved by the statutory auditors, it can support that the taxpayer is mandated to spend the statutorily qualified CSR expenditure
- j. CSR expenditure was held deductible in the following cases:
- Funds provided for establishing drinking water facilities and providing aid to school meant for residents of the locality in which the taxpayer operated¹.
 - Expenditure on community assistance programs and welfare measures undertaken in the vicinity of taxpayer's manufacturing unit².
 - Installation of traffic lights in the vicinity of taxpayer's office to improve traffic situation, serving dual purpose of benefitting the employees as also social commitment³.
 - Trips to Bhuj and Jamnagar post-earthquake for relief work⁴.
 - Construction of hockey stadium for use of local residents⁵.
 - Sponsorship of sports tournaments bearing the sponsor's name on banners and association with the trophy⁶.
 - Contributions made by Pharma company to health care society and science foundation allowed as it would bring Goodwill to the assessee
- 16. What may be the objections from Income Tax Department for allowable Expenditure?**
- a. CSR to be incurred only by specified class of companies; hence character of appropriation
 - b. No provision under Income-tax Act, 1961
 - c. o carry forward of unspent amount
 - d. o investigation into the books of the company
 - e. Essence for deductibility under section 37 - Expenditure must be incurred wholly and exclusively for the purpose of business of taxpayer
 - f. CSR expense which is not connected with taxpayer's business would not meet this condition
 - g. CSR expense which is capital in nature - not tax deductible
 - h. Deduction may not be available if only provided in books of accounts and not incurred
 - i. Courts in past have disallowed mere provision of expenses
- However, we feel that CBDT will come with specific clarifications.

17. Whether company should form separate company u/s 8 or Trust or Society? What is the difference?

	Public Trust	Society	Section 8 Company (Section 25 of Companies Act, 1956)
Form of entity	The concept of 'trust' flows from the faith of one person in another person. If a person, out of free will, entrusts his property to the care of another person for a specific purpose or period, that other person has to uphold the trust reposed in him	An association of persons united together by mutual consent to deliberate, determine and act jointly for some common purpose	A company with limited liability formed for "promoting commerce, art, science, religion, charity or any other useful object," with no profits objective
Objective	Social Benefits and charitable	Literary, Charitable, Scientific and resource oriented	Non-profit Activities
To be Registered with	Charitable Commissioner	Joint Registrar, State Cooperative Society	Ministry of Corporate Affairs
Benefits to Donor	Deduction of 50% of donation from the taxable income	Deduction of 50% of donation from the taxable income	Deduction of 50% of donation from the taxable income
Taxability	Income exempt under section 12 of the Act- provided used for the charitable purpose	Income of a society is exempt under section 12 of the Act- provided utilisation for funds for the charitable purpose	Section 8 company's income is exempt under the Act, if the society is registered under section 12AA]

18. What are the issues?

- **Issue I : Validity of Certain Provisions Of These Rules :**

The Companies (Corporate Social Responsibility Policy) Rules, 2014 have been prescribed by the Central Govt. pursuant to the provisions of sub-sections (1) & (2) Section 469 of the Companies Act, 2013. These sub-sections (1) & (2) provides that “*the Central Government may, by notification, make rules for carrying out the provisions of this Act and for all or any of the matters which by this Act are required to be, or maybe, prescribed or in respect of which provision is to be or may be made by rules*”

It is quite clear here that the Rules to be prescribed are meant for implementation of the provisions of the Act (in this case Sec 135 read with Schedule VII) and not for breaching the ambit of applicability of the provisions contained in the specific sections, subject to specific powers of such nature (like power to grant exemptions etc.)

Now it may be noted that as per Section 135(1) of the Act, the CSR related provisions are applicable to or to be complied with by every COMPANY fulfilling the financial criteria prescribed u/s 135(1) and the term “Company” has been defined u/s 2(20) as a company incorporated under this Act or under any previous company law i.e. an Indian Company.

Interestingly Rule 3(1) of the CSR Policy Rules, 2014 provides that Sec 135 shall also be applicable to the following additional entities:

- Holding company of the Indian company referred in Sec 135(1), irrespective of the fact that such holding company might not be fulfilling the prescribed financial criteria
- all subsidiary companies of Indian company referred in Sec 135(1), irrespective of the fact that such holding company might not be fulfilling the prescribed financial criteria. Please note that pursuant to Explanation (a) & (c) to Sec 2(87) of the Act, all fellow subsidiaries including bodies corporate incorporated outside India meeting the criteria under 2(87) are also deemed to be subsidiary companies
- foreign companies, w.r.t to their Indian Branch/ Project Offices

In our view these provisions of the CSR Rules, 2014 appears to be prescribed by the Central Govt. by exceeding the powers conferred upon it by Sec 469(1) (&2) or any other provisions of the Act and hence these additional entities cannot be forced to comply with these provisions against the express mandate of the law passed by the Parliament.

- **Issue II : Exclusion of certain items from earlier list :**

While amending Schedule VII of the Act, activities relating to “promoting gender equality” have now been clubbed or deemed to be part of “Empowering women”, but it is not clear as to why the govt. excluded the earlier proposed activities relating to (i) reducing child mortality and improving maternal health (ii) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases; Whether the said exclusion will not be considered under preventive health care ?

In our view, preventive health care is the broader concept which can be reduced child mortality alongwith improve maternity health and also will cover combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases.

- **19. Whether there is any penal action for not complying with CSR?**

A company which is mandated to spend on CSR as per Sec 135 of the Act fails to do so shall explain the reason for its inability to do so in any year. A failure to do so will attract a fine of not less than Rs. 50,000/- and not more than Rs.25,00,000/-. However, if reason has been specified in the report of the BOD then it seems that escape route has been provided. It is advisable to spend the amount rather than taking the benefit of escape route.

- **20. What is the role of Cost Accountants?**

- To assist and deciding CSR Policy of the company.
- To provide the update of various companies / charitable trust / societies, who are engaged in CSR activities
- To provide the guidance and assistance to such companies for maintenance of activity wise / project wise expenditure and submit the progress report to the another company who has contributed for CSR.
- To form Public Trust , Charitable Trust , Societies, companies u/s 8 of Companies Act 2013
- To maintain records and ensure objectives of the Board of Directors and CSR committees are met and submit periodical report through continuous monitoring and coordination with such companies who are engaged in CSR activities.
- To assist Board of Directors in performing their duties as specified under Companies Act 2013 read with Companies (CSR) Rules 2014.
- Training to the corporates and also companies / charitable trust / societies engaged in CSR activities



BALANCED SCORECARD – A Strategy Implementation Tool

By Heena Shah, Company Secretary

Can you tell me the promise by Domino's Pizza to its customers – even a school boy would reply that “30-minutes-nai-toh-free” scheme (i.e. Delivery of pizza in 30 minutes of ordering else you will get pizza free of charge) this is the differentiating factor of Domino's compared to other pizza brands. Their strategy was to provide timely delivery of low cost pizza to customers in big cities where place for restaurant are expensive & people would rather prefer a hot bite at home/ office then driving down to nearby out-let/ restaurant & waiting for their turn in busy life schedule.

One of the amazing thing about Domino's success strategy is that entire business chain knows their role in the achieving the promise the company has made to its customers viz; delivery man know he has to make delivery of pizza within half an hour of order. Management decides the location of outlet & areas to be catered by the respective outlet to meet the promise while accepting the order. Customers just have to dial the company Hotline and they will be connected to the nearest branch (they have almost 40 outlets in the Mumbai city), and the piping-hot pizza is delivered within 30 minutes, as promised. Alternatively, log on to www.dominos.co.in to place online orders that's all. This is an ideal example where business strategy where role of each one is pretty clear in the value chain and hence it is easier for each one to contribute & achieve the target set.

STRATEGY

The term “strategy” is the art or skill of careful planning towards an advantage or a desired end- as per Oxford English Dictionary. In the past the term Strategy was usually associated with Military where it used to be **secret plan** known to only few. And the same meaning was initially adopted by the corporate houses and the business strategy was informed to only few to keep their competitors in dark about company's next move/master plan. But due to which most executives find it difficult to take various business calls in absence of clarity as to which of their action is in alignment with the company's strategy viz; to decide whether I should win the customer by selling product at discount or just lose the business opportunity.

One of the Gallup's twelve elements of Great Managing says that, Making sure employees know what's expected of them is the foundation of management. “Knowing what's expected” alone often correlate with productivity gains of 5% to 10%, thousands more happy customers, and 10% to 20% fewer on-the-job accidents.

Clear strategy statement helps in two ways: First, executives know what they are trying to create. Second, implementation becomes much simpler because the strategy's essence can be instantly communicated and easily internalized by everyone in the Business.

We all know strategy is the perceived game plan - which has its own probability of success as in the competitive market scenario, but astonishing fact is that even if a strategy is effective, but 90% of the good strategy fails due to improper implementation.

Though 90% of the companies believe that a clear understanding of the strategy could significantly influence an organization's success but due to complexity of business and lack of simplicity of Strategy “Less than 10% of strategies effectively formulated are effectively executed”, as per research by BSC collaboration - Organisations failed to manage the strategy because of the following main factors;

1. **Awareness – 95% of the typical workforce does not understand the strategy**
2. **Resources - 60% of organizations do not link budget to strategy**
3. **Incentive - 70% of organizations do not link middle management incentives to strategy**
4. **Executive Agenda – 85% of the Executives spends less than an hour per month in discussing the strategy**

Thus, most organization realized that in order to successfully achieving the strategy there is need to simplify the business strategy, communicate it throughout the organization, which in turn will make employees feel accountable for the appropriate implementation of strategy, incentive will motivate employees to work harder in achieving particular objective and this is a continuous process in competitive and changing market scenario – this entire gamut of exercise calls for a need to have an integrated system.

Mr. Norton & Mr. Kalpan from Harvard University are founder of the management system called ‘Balanced Scorecard’ (BSC). **BSC is a framework that helps organizations translate strategy into operational objectives that drive both behavior and performance.**

How BSC works -

Traditionally, business were emphasized only on financial targets for managing performance which simply describe what has happened or what results we look for i.e. ROI,

Profitability, Market Share etc. But this concept brings out the importance of managing non-financial aspects i.e. process, innovation, infra-structure, capability/Skill set of Human capital etc. which mainly brings the Financial/desired performance in terms of Profitability, Market Share, ROI..etc.

This article describes how the balanced scorecard can help organization in systematically linking their current actions with tomorrow's goals, focusing on Strategy & vision of the organization.

The strategic fit of the BSC in an organization is as under;



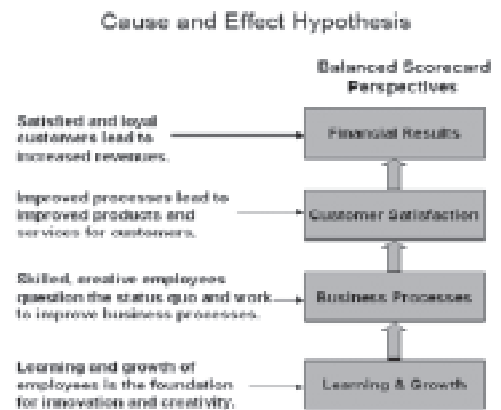
Diagram - 1: Strategic fit of BSC

A corporate Vision is the dream company wants to achieve in future. In order to achieve the vision, it is divided into some milestones/long term goals. Corporate Strategy is the systematic plan for marching in direction of those milestones/goals which in turn leads the company towards its vision.

Strategic objectives emerging from strategy then divided across four perspectives of BSC i.e. Financial Perspective, Customer Perspective, Internal Process and Learning & Growth in a cause effect relationship, it is called strategy map. Each objective under the perspectives have Objectives, Measures, targets & initiatives, an example of Scorecard given under diagram ;

BSC is an integrated framework for describing strategy through the use of linked performance measures in four balanced perspectives- Financial, Customer, Internal Process, and Employee Learning and Growth.

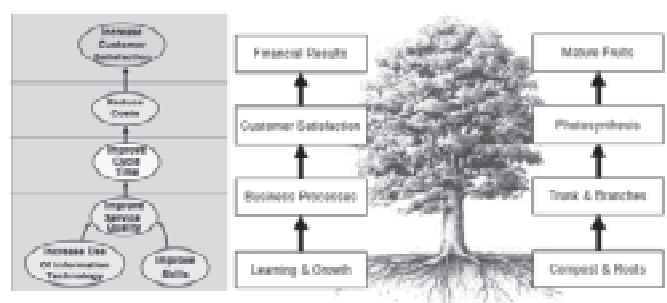
- **The Financial Perspective** covers the financial objectives of an organisation and allows managers to track financial success and shareholder value.
- **The Customer Perspective** covers the customer objectives such as customer satisfaction, market share goals as well as product and service attributes.
- **The Internal Process Perspective** covers internal operational goals and outlines the key processes necessary to deliver the customer objectives.
- **The Learning and Growth Perspective** covers the intangible drivers of future success such as human capital, organisational capital and information capital including skills, training, organisational culture, leadership, systems and databases.



How BSC manages the pitfalls in strategy execution-

1. **Awareness**– BSC works as communication tool to create awareness about strategy among the workforce.
2. **Resources** – **Scorecard helps individual & teams in allocation of available resources against the the objective & initiative in terms of manpower, infrastructure, facilities etc.**
3. **Incentive** - **Critical success areas to be equip with incentive so motivate employees to achieve the target set**
4. **Executive Agenda** –The business strategy is visualised in a Strategy Map which forces managers to think about whether the cause-and-effect relationships between the objectives across the perspectives works or not in achieving the required end objectives. **Thus, frequent reviews helps company in learning what works and what does not.**

Diagram-2 Strategy Map / Cause-effect relationship between four perspectives of BSC



BSC is a holistic system of performance management & has twin advantages;

1. **Strategic Alignment** i.e. objectives flows from Top to Bottom aligning entire workforce to Strategy & Vision, Mission of the company. Cascaded Scorecards often includes objectives for Individuals & teams which further make it clear that how every employee's work will contribute to the overall strategy of the organisation.
2. BSC tool helps employees to achieve their objectives in various ways....
 - a. **Communication tool** - A scorecard communicates

the objectives to the group to whom the card belongs, also communicates the cross functional expectations & deliverables

- b. Planning & budgeting tool -When objectives are communicated to employees, it helps them to plan & budget the available resources to achieve target results.
- c. Review tool - Next step is to review the status of objective Vs. target set. Periodical review helps individual & teams to know whether the tactics / strategy deployed are helping them to reach the strategic objectives or it needs a fine tuning to suit the overall strategy.
- d. Learning tool - Reviews are of two types -
 - i. Operational Review - to check whether we are **doing things right**
 - ii. Strategic Review - to check whether we doing **right things right** & achieving the strategic objectives.

There is always learning at the end of the review of activities as to what tactics/ strategy works & what does not. This learning forms part of organisational knowledge capital. **Thus, BSC helps Organisations in doing the right things right!**

Conclusion-

BSC tool is extremely powerful in execution of strategy, if implemented well, even in personal life too. It has been widely used by companies in India & abroad. It is very useful especially for large organisation with complex business structures. The key ideas of the BSC to (a) create a unique strategy and visualise it in a cause-and-effect map, (b) align the organisation and its processes to the objectives identified in the strategic map, (c) design meaningful key performance indicators and their measures and (d) review whether the cause-effect relationship is working as desired which in turn facilitate organisational learning and improved decision making you will end up with a powerful tool that should lead to better performance.

Summary of article -

Author is working with HPCL and had worked as part of Balanced Scorecard Team, which had implemented this initiative across the organisation. HPCL is Balanced Scorecard - Hall of Fame award winner Company.

It is observed that strategy execution is a challenge all across the globe, based on research there are four pitfalls to strategy execution viz. Awareness about strategy in employees, Budget allocation to strategy, Incentive, Strategic/ operational Review of strategy.

This article is an attempt to make professionals aware that how BSC helps in overcoming these pitfalls and helps organizations in proper execution of strategy.

BSC is widely used in US, even in India Tata-group, Mahindra & Mahindra to name a few. ■

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I hereby declare that the particulars given above are true to the best of my knowledge and belief.

Sd/-

31st March 2014

Mr. Shrenik S. Shah

Additional Skill Acquisition Program (ASAP) – CAT

The ICAI and Government of Kerala Additional Skill Acquisition Program (ASAP) - CAT Trainers Training Programs were organised by on 25th March 2014 at Kozhikode, and 26th March 2014 at Kochi, Kerala.

CMA Amit Apte, CCM-ICAI from WIRC & Chairman, ICAI-CAT was the Chief Guest and inaugurated the programs by lighting the lamp and delivering the inaugural address. CMA H Padmanabhan, Vice Chairman, ICAI-SIRC presided over the functions.

Sri. Madhusoodhanan, ASAP Government of Kerala QUALITY Division Head and CMA T C A Srinivasa Prasad, CCM-ICAI were the faculty members for these programs.

There were nearly 200 participants for these programs. The ASAP – CAT program launched in the State of Kerala in 2013 has received over 4000 admissions so far in less than a year. The CAT committee of our Institute is chaired by CMA Amit Apte CCM from Western Region.



TDS Compliances: How to Generate Assurance for Salaries

CMA Dr. Niranjana Mahendranath Shastri

*(Treasurer & Ex Chairman The Institute of Cost Accountants of India -
Indore Dewas Chapter)*

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1. AN OVERVIEW:

Tax Deduction at Source (TDS) is one of the modes of collection of taxes at certain percentage of amount deducted by the person at the time of making/crediting certain specific nature of payment to other person and deducted amount is remitted to the Government account. Every person responsible for making payment of nature covered by TDS provisions of Income Tax Act shall be responsible to deduct tax. TDS scheme covers payments like salaries, interest, dividend, rent, commission, brokerage, winnings, technical/professional fees, royalty, compensation etc. Generally the tax is deducted at a flat rate on all the payments except salaries. Hence the very crucial aspect of how to generate assurance about compliance with respect to TDS on salaries is the issue kept under focus in this article.

2. A BIRD'S EYE –VIEW ON TDS PROVISIONS:

Following list provides a bird's eye view on section wise coverage of various types of payments on which TDS scheme is applicable:-

- 2.1. **Section 192:** Payment of salaries to employees.
- 2.2. **Section 193:** Payment of Interest to security holders.
- 2.3. **Section 194:** Payment of Dividends to shareholders.
- 2.4. **Section 194A:** Payment of Interest other than interest on securities to money lenders.
- 2.5. **Section 194B:** Payment to winnings to winners of lotteries or crossword puzzles
- 2.6. **Section 194C:** Payment of winnings to winners of horse races
- 2.7. **Section 194D:** Payments of Insurance commission to agents.
- 2.8. **Section 194E:** Payment to nonresident sportsman or sports association
- 2.9. **Section 194EE:** Payment of interest and savings out of National Savings Scheme, 1987.
- 2.10. **Section 194F:** Payments on account of repurchase of units by Mutual Funds or UTI.
- 2.11. **Section 194G:** Payment of commission on lottery tickets.
- 2.12. **Section 194H:** Payment of commission other than those covered under sections 194G & 194D.
- 2.13. **Section 194I:** Payment of rent.
- 2.14. **Section 194IA:** Payment of sale consideration to vendor of Immovable property
- 2.15. **Section 194J:** Payment of fees for professional or technical services, royalty or directors fees.
- 2.16. **Section 194IA:** Payment of compensation
- 2.17. **Section 194LB:** Payment of interest on infrastructure debt fund.
- 2.18. **Section 194LC:** Payment of interest to a non-resident/foreign

citizen by an Indian specified company.

- 2.19. **Section 194LD:** Payment of interest on bonds/Government securities.
- 2.20. **Section 195:** Payment of sums other than those covered under sections 192, 194LB, 194LC & 194LD to a non resident or a foreign company.
- 2.21. **Section 196B:** Payment of any income in respect of units referred to in section 115AB or by way of long-term capital gain arising from the transfer of such units to an offshore fund.
- 2.22. **Section 196C:** Payment of any income in respect of bonds or Global Depository Receipts referred to in section 115AC by way of long-term capital gain arising from the transfer of such to a non-resident bonds or Global Depository Receipts.
- 2.23. **Section 196D:** Payment of any income in respect of securities referred to in section 115AD (1) (a) (not being income referred to in section 194LD) to Foreign Institutional Investor.

3. PROCEDURAL ASPECTS OF TDS:

The procedure of compliance with the scheme of TDS involves following four important steps:-

- 3.1. **Deducting:** Every person making any payments covered under applicability list as mentioned hereinabove must do the following necessary formalities:-
 - 3.1.1. Obtain TAN from IT Department
 - 3.1.2. Obtain PAN of the deductee.
 - 3.1.3. Identify the nature of payment and categorize under applicability section listed hereinabove.
 - 3.1.4. Deduct the tax at specified rate which is generally a flat rate for all categories except for salaries for which a normal rate is applicable.
 - 3.2. **Depositing:** Every person deducting tax must deposit the same in the designated banks with in specified time as mentioned underneath:-
 - 3.2.1. Deposit By or on behalf of Government:
 - 3.2.1.1. If otherwise than through Challan: On the same day.
 - 3.2.1.2. If through Challan : Within 7 days from end of month.
 - 3.2.2. Deposit By or on behalf of other person:
 - 3.2.2.1. If Quarterly deposition is permitted: Within 7 days from end of every quarter except for quarter ending on March where 30 days are available.
 - 3.2.2.2. If Quarterly deposition is not permitted: Within 7 days from end of every month except for March where 30 days are available.
- It is to be noted that Challan No.281 is used for depositing TDS amount.

3.3 Filling: Every person deducting & depositing tax must file TDS return with the Income Tax Department in the prescribed form within the prescribed time limit as mentioned below:-

Forms for Filling TDS Returns	
Category	Form No.
Tax deduction from Salaries	24Q
Tax deduction when deductees are non-resident (not being a company), foreign company and persons who are resident but not ordinary resident	27Q
Tax deduction in any other case	26Q

Time limit for Filling of TDS Returns		
Quarter Ending	For Govt. Offices	For Others
30 June	31st July	15th July
30 September	31st October	15th October
31 December	31st January	15th January
31 March	15th May	15th May

3.4 Issuing: Every person deducting tax must issue TDS certificate to the different category of assesses in the prescribed form within the prescribed time limit as mentioned below:-

Forms for Issuing TDS Certificates	
Category	Form No.
Salaries	16 & 12 BA
Tax deduction when deductees are non-resident (not being a company), foreign company and persons who are resident but not ordinary resident	16A

Time Limit for Issuing TDS Certificates			
Quarter Ending	For Salaries	For Other Than Salaries	
		Govt. Office	Others
30 June	31st May Next year	15th August	30th July
30 September	31st May Next year	15th November	30th October
31 December	31st May Next year	15th February	30th January
31 March	31st May	30th May	30th May

4. ACCOUNTING TREATMENT OF TDS TRANSACTIONS:-

Generally the following accounting treatment is given in the books of a person deducting and depositing the tax under the scheme of TDS:-

Transaction	Debit Account	Credit Account
Booking of an Expense	Concerned Expense	Party
		TDS Payable
Making of Payment	Party	Bank
Deposition of Tax	TDS Payable	Bank

On the other hand the generally the following accounting treatment is given in the books of a person whose tax is deducted under the scheme of TDS:-

Transaction	Debit Account	Credit Account
Booking of Revenue	Party	Income
	TDS Receivable	
Receiving of Payment	Bank	Party
Adjustment of Tax	Income Tax Expense	TDS Receivable

5. CONSEQUENCES OF NON COMPLIANCE WITH TDS PROVISIONS:

Following are the consequences of non compliance with the provisions of scheme of TDS:-

- 5.1. Tax:** The amount of tax deductible under this section but not deducted or not paid will be payable by the person responsible to do so and such person will be treated as an assessee in default.
- 5.2. Interest:** 1% interest per month or for the part of the month will be payable from the date on which tax was deductible to the date on which tax was actually deducted and 1.5% per month or for the part of the month will be payable from the date on which tax was actually deducted to the date on which tax is actually paid.
- 5.3. Penalty & Prosecution:** Non conformance with the deduction, deposition of tax and/or filling of return, issue of certificate etc. provisions of TDS scheme may attract penalty and prosecution also.
- 5.4. Disallowance:** Expenditure in respect of which TDS provisions are not complied with will be disallowed while computation of income under the head 'profits and gains of business or profession'.

6. SCOPE & APPLICABILITY OF SECTION 192:

According to section 192 any person responsible to pay income chargeable under the head "salaries" is required to deduct tax at source on amount payable at normal rates. This section becomes very important because not only the base on which TDS is required to be calculated but also the rates applicable also needs ascertainment. Let us discuss applicability criteria of this section in two broader heads as shown below:-

6.1. Calculation of Base: The basis for calculation of base on which TDS rates will depend upon the declaration of income submitted by the employee. For the purpose of this calculation the employer needs to take care of the following points:-

6.1.1. Salaries: Under this head the taxable portion of basic salaries, bonus, overtime, allowances and perquisites etc is taken as the gross salaries. Such gross salaries are reduced by the amount of professional tax deducted from the salaries of the employee. This calculation is done by the employer from its own records. However salary calculations of other employers will be taken into consideration if the employee has submitted Form No. 12B. Further deduction of the following allowances is given only when relevant proofs are submitted by the employee:-

61.1.1. House rent allowance (if rent paid is more than Rs. 3000 per month then rent receipts and if rent paid is more than Rs. 200000

per annum then PAN of landlord).

6.1.1.2. Children Education allowance (proof of education being provided to children)

6.1.2. **Income from House Property:** Under this head the income from house property as declared by the assessee is considered. However for considering losses employee will be required to submit proof of interest on housing loan.

6.1.3. **Profits and Gains of Business or Profession:** Under this head the only the income and not the losses as declared by the assessee is considered.

6.1.4. **Capital Gains:** Under this head only the income and not the losses as declared by the assessee is considered.

6.1.5. **Other Sources:** Under this head the only the income and not the losses as declared by the assessee is considered.

6.1.6. **Gross Total Income:** This is taken total of amounts considered under point number (a) to (e) supra.

6.1.7. **Deductions:** Based on the proofs submitted by the employee deductions under sections 80C, 80CCC, 80CCD, 80CCG, 80D, 80DD, 80DDB, 80E, 80EE, 80G, 80GG, 80GGA, 80TTA and 80U are allowed. However donations given by an employee to a notified public charitable institution shall not be considered by the employer.

6.1.8. **Rebate:** Rebate under section 87A is to be allowed automatically by the employer.

6.1.9. **Relief:** Relief under section 89 can be allowed only if a request is made by the employee in form No. 10E and the employer is a Govt. or public sector undertaking, company, co-operative society, local authority, university, institution, association or body.

6.1.10. **Total Income:** This is taken as an amount equal to point number (f) as reduced by amounts considered under point number (g) to (i). This will be the final base on which TDS rates are to be applied.

6.2. **Calculation of Rates:** The basis for calculation of rate on which TDS rates will depend upon the date of birth of the employee which are as under:-

Income		Tax Rates in % Based on Date of Birth		
From Rs.	To Rs.	Before 01/04/1934	After 31/03/1934 but before 1/04/1954	After 31/03/1954
0	200000	0	0	0
200001	250000	0	0	10
250001	500000	0	10	10
500001	1000000	20	20	20
Above Rs.1000000		30	30	30

6.2.1. Surcharge @10% of Income Tax if Income crosses Rs. 10000000. Education Cess @2%, Secondary & Higher Education Cess @1% on Income Tax and Surcharge if any.

6.2.2. If PAN is not submitted by the employee then higher of tax rate or 20% will be applicable.

7. IMPORTANT CHECK-POINTS FOR GENERATING ASSURANCE U/S 192:

Under section 192, the calculation of base for TDS and rate of TDS depends upon certain variables it is very important to check the following points so as to get assured about compliance with the requirements of this section:-

7.1. PAN of the employee available or not. If not then whether higher of 20% or normal rate is applied or not?

7.2. Proof of Date of Birth of the employee is available or not. If not then person should not be given benefit of seniority in determining tax rates.

7.3. Whether taxability of perquisites is determined as per designation of the employee or not?

7.4. Whether proof of rent paid is submitted by employee or not? If not then HRA deduction should be reviewed.

7.5. Whether proof of children's education is submitted or not? If not then deduction of Children Education Allowance should be reviewed.

7.6. Whether the employee has submitted form 12B or not? If yes then whether salaries from other employees should be considered.

7.7. Whether proof of payment of housing loan interest is submitted by the employee or not? If not then negative income from house property should not be considered.

7.8. Whether proof of deductions submitted by the employee or not? If not then deduction should not be considered.

7.9. Whether tax is deducted and deposited timely or not? If not then interest should be properly calculated and deposited.

7.10. Whether quarterly return reconcile with base data or not? If not then reconciliations should be made and revised return should be filed wherever required.

7.11. Whether certificates of TDS are issued to the employee within prescribed time limit or not? If not then should be issued immediately.

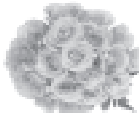
8. CONCLUSION:

In modern economy the employee cost in the overall cost structure has been going up because of services required to be offered by the organization. Hence in overall TDS also the importance of section 192 is growing day by day. Not only this factor but also the number of variables involved in determining the base amount and the applicable rate for section 192 is large and hence involves complexities. Therefore much attention is required on the part of the organizations to ensure zero non compliance with respect to section 192 of the Income Tax Act.

Disclaimer: This article is written purely with knowledge dissemination purpose and the author does not own any responsibility for any error or omission which might have crept in this article inadvertently.

Copy of the presentation on Companies Act 2013 (Draft Rules - Cost Records and Cost Audit) by CMA Vijay P. Joshi, Hon.Secretary, in the Regional Conference of The institutes of Company Secretaries of India organised by Indore Chapter - ICSI dated 4th January 2014 at Hotel Fortune Landmark, Indore


The Institute of Cost Accountants of India
(Statutory Body under an Act of Parliament)
Western India Regional Council
 WELCOME TO REGIONAL CONFERENCE OF "ICSI" ON
COMPANIES ACT – 2013
SUBJECT-
The Companies (Cost Records & Cost Audit) Rules
2013 (DRAFT)


 4th January, 2014 at Hotel Fortune Landmark
INDORE

About Institute & CMA Profession

- The Institute of Cost Accountants of India (ICAI) was established in the year 1959 by an Act of Parliament.
- It is the only National Institute in India specializing in the field of Cost and Management Accounting.
- Members of the Institute are known as **Cost And Management Accountants** simply abbreviated as **CMA's**.
- ICAI is headquartered in Kolkata with four Regional Head Quarters, each in Delhi, Mumbai, Chennai and Kolkata, 96 Chapters spread across India with many extension centers controlled by the local chapter catering to remote locations of the locality and 8 Overseas Centers.
- The Institute has around **40,000 Members** and more than **4,00,000 students**.

Mechanism of Cost Record Maintenance and Cost Audit

- This mechanism was first introduced in 1965.
- This unique mechanism is very less publicized.
- It involves calculating & certifying the true cost & margin of various products & services.
- This mechanism was revamped by Government in 2011 based on a detailed report of **Expert Group** appointed by Government.
- Under 2011 Mechanism - Cost Record Maintenance and Cost Audit became applicable to All companies in India engaged in Manufacturing / Processing / Mining Operations.
- **Cost of Production of all the companies in India is reported to the GOI, which may be used by the GOI for controlling / regulating Profiteering by capitalist sections of the society to benefit "Common Man".**

Expert Group on Cost Records & Cost Audit

- Expert Group (EG) was formed by Government in 2008.
- EG and its sub committees consisted of 44 experts from various segments across country like MCA, CII, FICCI, ASSOCHAM, ICSI, Institute of Chartered Accountants, Institute of Cost Accountants, Industry, Academicians, Consumer / Investor Forums, etc.
- The EG also studied International Practices in field of Cost Audit in Developed and Developing Countries.
- 600 plus page report was submitted to Government giving 39 recommendations and detailed basis for the recommendation.
- Based on the recommendation of EG only the Government has issued Cost Accounting Records Rules 2011 and Cost Audit Report Rules 2011.

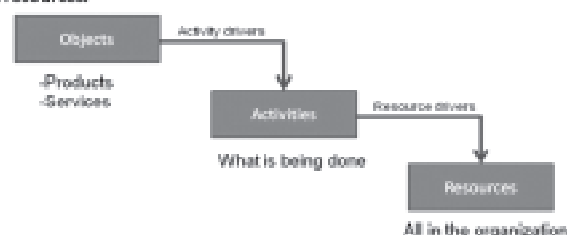
Utility of Cost Record and Cost Audit

- Consumer Forums – Fair Pricing & Curtailing Profiteering
- Investor Forums - Corporate Performance and Economic Efficiency
- National Economy (Social Cost Benefits) – Optimum Utilization of Scarce Resources.
- Regulators – Control Price Mechanism
- Banks and Financial Institutions – Early Detection of NPA & Prevention of Sickness
- Government - Policy on Taxation, Policy on Subsidies for various sectors, Fight cases of Dumping, Detect Revenue Leakages & Tax Evasion
- Industry - Create Cost Consciousness, Specific benefit to SME segment, Analyze Resource Utilization, Improve Productivity and Cost Optimization, Decision Making.

Utility of Cost Record and Cost Audit

EMPHASIS ON MODERN CONCEPT OF "ACTIVITY BASED COSTING SYSTEM":

A methodology that measures the cost and performance of cost objects, activities and resources. Cost objects consume activities and activities consume resources. Resource costs are assigned to activities based on their use of those resources, and activity costs are reassigned to cost objects (outputs) based on the cost objects' proportional use of those activities. Activity-based costing incorporates causal relationships between cost objects and activities and between activities and resources.



Utility of Cost Record and Cost Audit

COST AUDIT INSURES RESOURCE RECONCILIATION AND RESOURCE OPTIMIZATION;

Cost Audit and Cost Records are not only reconciliation statement in figures but it is a "Statement of Resource Cost and Resource Utilization" and is summary chain of following reconciliation statements –

- a) BOM Consumption V/S. R.M. Consumed (Stores Ledger)
- b) Direct Manpower and Indirect Manpower paid for and utilized.
- c) Utilities Consumption – Standard V/S Actual
- d) Normal Overheads V/S Abnormal
- e) Assets Management & Utilization
- f) Quantum of work outsourced and job work charges paid
- f) Standard Loss / Rejection Percentage V/S Actual
- g) Finally Profit Reconciliation in Figures to be reported

Utility of Cost Record and Cost Audit

FORM - III

FORM OF THE PERFORMANCE APPRAISAL REPORT

- 1 Capacity Utilization Analysis
- 2 Productivity/Efficiency Analysis
- 3 Utilities/Energy Efficiency Analysis
- 4 Key-Costs & Contribution Analysis
- 5 Product/Service Profitability Analysis
- 6 Market/Customer Profitability Analysis
- 7 Working Capital & Inventory Management Analysis
- 8 Man Power Analysis
- 9 Impact of IFRS on Cost Structure, Cash Flow & Profitability
- 10 Application of Management Accounting Tools

COMPARISON 2011 V/S 2013 (Draft Rules)

ACT / SECTIONS – 2011	Section 209(1)d (Companies Act 1956) for – Cost Accounting Record Section 233(B) (Companies Act 1956) for – Cost Audit
ACT / SECTIONS – 2013	Section 148 (Companies Act 2013) Provides for both Cost Accounting Records and Cost Audit.
Applicability – 2011	Companies involved in production, processing, manufacturing, or mining activities (including Construction Companies) with following conditions: > Turnover Rs. 20 Crores and above > Net Worth Rs. 5 Crores and above > Listed Submissions : <ul style="list-style-type: none"> a) From Turnover Rs. 20 Crores to Rs. 100 Crores COMPLIANCE REPORT b) For Turnover Rs. 100 Crores and above COST AUDIT REPORT

COMPARISON 2011 V/S 2013 (Draft Rules)

Applicability – 2011 (Draft Rules)	Companies engaged in the production of following goods or providing following services:- <ul style="list-style-type: none"> a) Companies engaged in Strategic Sectors b) Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government c) Other companies Criteria: <ul style="list-style-type: none"> a) multi-product or a multi services company individual turnover (from such specific product or such specific service) is rupees one hundred crore or more b) any one specific product or service covered net worth of the company is rupees five hundred crore or more, or the turnover from such product or such service is rupees one hundred crore or more, whichever is less:
-------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

COMPARISON 2011 V/S 2013 (Draft Rules)

Applicability – 2013	c) Companies engaged in Strategic Sectors turnover of the company is rupees five hundred crore or more
	a) Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government the requirements of sectoral regulator regarding cost records and cost audit shall be taken into account.
	Submission: <ul style="list-style-type: none"> a) Compliance Report - Deleted b) Cost Record Maintenance and Cost Audit Report (applicability as discussed above).

COMPARISON 2011 V/S 2013 (Draft Rules)

APPOINTMENT OF COST AUDITOR – 2011	within ninety days of the commencement of every financial year
2013 – Draft Rules	within one hundred and eight days of the commencement of every financial year
REPORT FILING – 2011	To MCA within 180 days of the closing of every financial year in XBRL Mode (duly approved / adopted by board)
2013 – Draft Rules	Every cost auditor shall forward his report to the Board within one hundred and eighty days from the close of the company's financial year to which the report relates

Draft Rules After Effects

- The Companies Act 2013, Sec 148 provides for Maintenance of Cost Records & Cost Audit of Production as well as Service Sector.
- Draft – The Companies (Cost Record and Cost Audit) Rules 2013 are in complete contravention of the intent of The Companies Act 2013 passed by the Parliament.
- Under Draft Rules – 96% of Companies covered under 2011 are taken out from the mechanism.
- **Almost all Private Sector is sheltered and removed from Cost Audit mechanism.**
- Changes introduced **against public interest** for the **benefit of specific stakeholders only.**
- Draft is introduced without any detailed study as against the comprehensive study mechanism of Expert Group.

OUR ATTITUDE

- For the decades all the sister institutes so called “Professional Institutes” are functioning with narrow mind sets, deeply involved into criticism of one another's domain expertise.
- For the decades we have been fighting within ourselves even in the open media rather than fighting against corrupt players / practices in the national economy.
- We never stood untidily against melafied intentions of market forces with evil spirits.

Appeal

- Any removal of Audit Provision is equally dangerous to all Professional Bodies and is a hole in the protection of interest of all the stake holders.
- Under current developments in the name of corporate law reforms
- Audit Profession is put under threat. One institute appears to be dead, other is seriously injured and third is happy because managed to escape narrowly this time.
- Real competence and strength lies in to stretch our line bigger rather than trying erase line drawn by others.
- Therefore introspection is needed so that we can uncover our beliefs and assumptions biased by vested interests and can discover mission for common interest. If remains rigid then destiny is.....?



जो दूसरे के लिए गड्ढा खोदता है..वो एक दिन खुद उसी गड्ढे में गिर जाता है !!

Citizen's Demand

In the interest of Indian Economy, Consumers, Regulatory Authorities, Industry and Society at Large as a citizens of this great nation, we demand the **Anti Audit and Compliance Draft Rules must be rolled back immediately and existing rules should be retained.**

We urge all the institutes to stand united and pressurize government for immediate roll back of such black Draft Rules and retaining existing mechanism to save economy and common-man at large.

Thank You

&

Wishing You All

“Happy & Prosperous New Year”

CMA Vijay P. Joshi

Hon. Secretary

WIRC of ICAI

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E-mail id: vijaypjoshi@yahoo.com

CHAPTER NEWS

INDORE-DEWAS

"Seminar on Career Planning for CMA Profession"

A Seminar was organized by Indore Dewas Chapter of ICAI on "Career Orientation for CMA Profession" on 23rd March 2014 at Hotel Crown Palace, Indore. CMA Vijay P. Joshi (Hon. Secretary WIRC) highlighted the theme of the seminar and delivered a talk on "Career Planning".

CMA Dr. Niranjan Shastri (Treasurer & Ex Chairman IDCCA) guided the students on the topic "Goal setting, Getting and ready for Exam". CMA Sunil Singh (Chairman- IDCCA) discussed the importance of "Time Management". Prof. Gaurav Shrivastava took a workshop on Communication & Other Soft Skills.

Seminar was well attended by Intermediate Stage & Final Stage Students. A Faculty meet was also organized in the concluding session of the seminar. CMA Shailendra Jain (Hon. Secretary) co-ordinated the meet.

Continuing Education Programme on "Tax Planning through HUF"

A continuing education program was organized by Indore Dewas Chapter of ICAI on "Tax Planning through HUF" on 29th March'2014 at IDCCA Office, Indore. CMA Vijay P. Joshi (Hon. Secretary WIRC) delivered welcome address. Resource person CMA Dr. Niranjan Shastri (Treasurer & Ex Chairman IDCCA) elucidated the nuances of tax planning through HUF. CMA Sneha Turakhia expressed vote of thanks. Seminar was well attended by Members.

NAGPUR

Annual Seminar of Nagpur Chapter

The Nagpur Chapter of WIRC of the Institute of Cost Accountants of India organised their customary Annual Seminar on "Cost Management Practices - Catalyst for Sustainable Growth" on 23rd March, 2014 at Hotel Tuli Imperial.

Prof. Yoganand Kale, Ex Pro-Vice Chancellor of RTM Nagpur University was the Chief Guest of the Seminar and CMA MSN Murthy, Director (Finance), MECL, Nagpur and Patron of Nagpur Chapter was the Guest of Honour.

Quoting profusely from the Geeta and Sukra Niti as well as Greek Philosophers like Aristotle, etc. the Chief Guest called upon the gatehred CMAs to conquer their cost before the cost conquered them. He mentioned that costing concept was not new to India - Even Kautilya in his Arthashastra had written about it. Stating that Cost Accounting has undergone a sea-change over the years, he went on to say that now only the cost of production did not determine the price of a commodity, but the degree of availability and the degree of utility is also important along with many other factors which decide the price these days.

Earlier, making his inaugural address, CMA N.P.

Viswanathan, Chairman of the Chapter announced the various exceptional events that took place in the profession as well as the Chapter including the Draft Companies (Cost Records & Audit) Rules, 2013. The Chapter conducted its first-ever Faculty Meet on Syllabus 2012 for the members of the faculty of the region including Bhilai, Bilaspur & Bhopal. For the first time in its history, Nagpur Chapter conducted the Campus Placement Programme in October, 2013. In January, 2014, the Chapter launched its own website, www.cmanagpur.com.

Eminent speakers like CMA Atul Dharap, GM (F&A), Raymond Ltd., Mumbai; CMA Suresh Saluja, practising CMA and CA & Grad CMA Nitin Alshi made presentations on cost management practices in industry as well as Internal Audit avenues of CMAs.

CMAs from Nagpur, Chandapur & Parasia attended in large number to make the full-day Seminar a grand success.

PUNE

REPORT OF ACTIVITIES IN JANUARY 2014

1. CEP held on 15th March 2014 on Private Equity - Funding & Documentation

Pune Chapter was fortunate to have a speaker of the stature of CMA Dr. P.V.S. Jagan Mohan Rao, CCM. The members were extremely happy to interact with such a prolific Speaker after the session. The session ended with a vote of thanks by CMA Chaitanya Mohrir, Chairman, Professional Development Committee, PCCA

2. CEP held on 16th March 2014 in Solapur on Business Valuation by CMA Vinod Kale.

The CEP was conducted by CMA Vinod Kale. He is a senior CMA with wide experience in industry and academics. The members were very happy that he shared his experience with them.

CEP ended with a vote of thanks by CMA R.V. Kshirsagar, Chairman of Solapur unit.

3. CEP held on 20th March 2014 on 'Treatment of Depreciation as per Companies Act and IFRS'

The CEP was conducted by CMA Milind Date. The members were very happy to get their doubts cleared after a lively and lucid session by CMA Date. Vote of thanks was proposed by CMA Harshad Deshpande, Secretary, Pune Chapter

Pune Chapter on 20th March 2014

4. CEP held on 22nd March 2014 on Discussion on CSR as per Companies Act 2013

The CEP was conducted by CMA Harshad Deshpande. The subject was put across in a lucid manner by the Speaker. The CEP was well attended.

The question and answer session was lively. The CEP ended with a vote of thanks by CMA Chaitanya Mohrir.

CAMPUS INTERVIEW – Fresh CMAs

The Institute of Cost Accountants of India is planning a Campus Interview for the students who passed their Final Examination in December 2013.

Date:

Saturday, 26th & Sunday, 27th April 2014 - Mumbai

Venue:

SGSJK's Aruna Manharlal Shah Institute of Management & Research,
R.B. Kadam Marg (Jivdaya Lane), Near MTNL Exchange,
Off: L.B.S. Marg, Ghatkopar (W), Mumbai 400 086

Date:

9th & 10th May 2014 at Ahmedabad & Nagpur

Venue:

Ahmedabad Chapter of Cost Accountants
402-403, Shoppers Plaza-III, Opp.
Municipal Market, OFF.C.G. Road,
Navrangpura,
Ahmedabad 380 008.

For Details Contact

Tel.No. 079-2640 3616

Email: ahmedabad @icmai.in

Venue:

Nagpur Chapter of Cost Accountants
CMA Bhawan, 243/3, Laxmi Bhavan
Nagpur 440 022.

For Details Contact

Tel.No. 0712-2227829

Email: nagpur@icmai.in

All Corporates, Financial Institutions, Management Consultants, Cost Accountants are invited for participation in the Campus Interview to select talents from our Institute.

Participation Fees

Registration fee for Campus placement Programme (Common for all locations)	Rs. 15,000 + Service Tax
Participation Fee: Per location	Rs. 10,000 + Service Tax

Demand Draft drawn in favour of "The Institute of Cost Accountants of India" payable at New Delhi or through ECS mode.

Details for ECS Payment :

State Bank of India, Lodhi Road Branch, New Delhi-110003

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For details & Registration Contact:

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E-mail: wirc@icmai.in/admin@icmai-wirc.in



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL

jointly with

NASHIK OJHAR CHAPTER

IS PLEASED TO ANNOUNCE

REGIONAL COST CONFERENCE 2014

CMA PROFESSION – CATALYST IN SOCIO ECONOMIC DEVELOPMENT

On 10th & 11th May 2014 at Nashik

at Hotel Express Inn, Pathardi Phata, Mumbai Agra Road, Ambad, Nashik

* Inauguration at 11.30 a.m. on Saturday 10th May 2014 *

PROGRAM SCHEDULE

Saturday, 10th May 2014			Sunday, 11th May 2014		
From	To	Details	From	To	Details
10.30 a.m.	11.30 a.m.	Registration & High Tea	08.30 a.m.	09.00 a.m.	High Tea
11.30 a.m.	01.00 p.m.	Innauguration Session	09.00 a.m.	11.00 a.m.	Technical Session 3
01.00 p.m.	02.00 p.m.	Lunch Break	11.00 a.m.	11.30 a.m.	Tea / Coffee Break
02.00 p.m.	04.00 p.m.	Technical Session 1	11.30 a.m.	12.00 p.m.	Panel Discussion
04.00 p.m.	04.30 p.m.	Tea / Coffee Break	12.00 p.m.	12.45 p.m.	Valedictory Session
04.30 p.m.	06.00 p.m.	Technical Session 2	12.45 p.m.	01.45 p.m.	Networking Lunch
06.00 p.m.	07.00 p.m.	Chapters Meet			
07.00 p.m.	10.00 p.m.	Conference Dinner			

Six CEP Credit Hours will be provided.

Assuring you an Enriching Experience

CMA Ashish Thatte

Chairman, WIRC of ICAI

CMA Neeraj Joshi

Chairman Convention Committee
Vice Chairman, WIRC of ICAI

CMA R K Deodhar

Co-Chairman Convention Committee
Chairman, Nashik Ojhar Chapter

Our Esteemed Patrons

CMA V. S. Datey

Former Chairman, Nashik Ojhar Chapter

CMA Sanjay Bhargave

CCMICA

CMA Amit Apte

CCMICA

Our Core Team

CMA Shrenik Shah

Chairman - Task Force for RCC 2014
Former Chairman, WIRC of ICAI

CMA Vijay Joshi

Chairman - Technical Committee RCC 2014
Former Chairman, WIRC of ICAI

CMA Ashok Nawal

Chairman, Souvenir Committee RCC 2014
Former Chairman, WIRC of ICAI

CMA S. W. Parnerkar,

Chairman, Resource Committee for RCC 2014
Vice Chairman, Nashik Ojhar Chapter

CMA (Dr.) Shilpa Parkhi

Chairperson, Delegates Committee for RCC 2014
Hon. Secretary, Nashik Ojhar Chapter

CMA Pradnya Chandorkar

Chairperson, Reception Committee RCC 2014
Treasurer, Nashik Ojhar Chapter

Task Force for RCC 2014

CMA Debashish Mitra

RCM, WIRC of ICAI

CMA Rashmikant Kothari

Chairman, Ahmedabad Chapter

CMA Namdeo Kuyate

Chairman, Aurangabad Chapter

CMA M. B. Kaka

Chairman, Baroda Chapter

CMA Sunil Kumar Singh

Chairman, Indore-Dewas Chapter

CMA Madhuvanti Sathe

Chairperson, Pune Chapter

CMA Ashwin Dalwadi, Former Chairman, WIRC

CMA Vaibhav Joshi

Delegate Fees : For **Self Sponsored CMAs - Rs. 1,000/-** (plus applicable taxes)

For **Corporate Delegates - Rs. 2,000/-** (plus applicable taxes)

For Registration Please Contact:

Western India Regional Council of ICAI, Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001. Maharashtra. India. Phone : 020-22043406, 22043416. Email : wirc@icmai.in. Website : www.icmai-wirc.in

Nashik Ojhar Chapter of WIRC of ICAI, 2nd Floor, Prasanna Arcade, Near Mazda Hotel, Old Agra Rd., Nashik 422002. Maharashtra. India. Phone : 0253-2509989, 2500150. Email : nashik@icmai.in

We are sure that the advance intimation of the Dates will help you plan your travel for the Regional Cost Conference at Nashik.



CMA Dr. Jagan Mohan Rao(fourth from left), CMA Amit Apte (fifth from left) during CEP organised by Pune Chapter on 15th March 2014



CMA Vinod Kale delivering his session during CEP organised by Pune Chapter on 16th March 2014 at Solapur



CMA Milind Date being felicitated by CMA Harshad Deshpande during CEP organised by Pune Chapter on 20th March 2014



Dr. Dilip Kare (faculty), Mr. P. Sredhara Registrar of Companies- Goa, CMA Rammohan Menon, Chairman, Goa Chapter and CMA Savari Muthu of Goa Chapter during Investor Awareness Programme held at Damodar College, Goa



L-R CMA Vijay P. Joshi (Hon. Secretary WIRC) CMA Dr. Niranjan Shastri (Treasurer & Ex Chairman IDCCA) during CEP on "Tax Planning through HUF" organized by Indore Dewas chapter on 29th March 2014.



CMAs Sunil Singh (Chairman IDCCA), Shailendra Jain (Hon. Secretary IDCCA) and Niranjan Shastri (Treasurer & Ex Chairman IDCCA) during Seminar on Career Planning for CMA Profession organized by Indore-Dewas Chapter.



CMA Vijay P. Joshi (Hon. Secretary WIRC) addressing the participants during Seminar on Career Planning for CMA Profession organized by Indore-Dewas Chapter



If undelivered please return to:

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To