

## THEME - COST AUDIT



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**WESTERN INDIA REGIONAL COUNCIL**  
**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**  
*(Statutory Body under an Act of Parliament)*

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## Glimpses of REGIONAL STUDENT’S COST CONVENTION - 2020 held at Aurangabad on 7th March 2020



Shri R. K. Bagla, Industrialist lighting the lamp alongwith Shri Atul Save, MLA, Aurangabad, also seen (L to R) CMA Ashish Bhavsar, Hon. Secretary-WIRC, CMA Parag Rane, Chairman, Aurangabad Chapter, CMA Chaitanya Mohrir, Chairman, Students, Members & Chapter Co-ordination Committee, CMA Amit Apte, Immediate Past President, ICAI, CMA Neeraj Joshi, Chairman-WIRC, CMA Manubhai Desai, Past Chairman WIRC and CMA Surendrasingh J. Deore, Vice-Chairman, Aurangabad Chapter



CMA Ashish Bhavsar, Hon. Secretary-WIRC, CMA Chaitanya Mohrir, Chairman, Students, Members & Chapter Co-ordination Committee, WIRC, CMA Amit Apte, Immediate Past President, ICAI, Shri Rishi Bagla, Industrialist, Chief Guest, Shri Atul Save, MLA Aurangabad, Guest of Honour, CMA Neeraj Joshi, Chairman, WIRC, CMA Manubhai Desai, Past Chairman WIRC and CMA Surendrasingh J. Deore, Vice Chairman, Aurangabad Chapter during Inaugural session.



Release of Revision Workbooks at the hands of Dignitaries



Mr. Kishan Watne, Motivational speaker interacting with the students.



CMA Amit Shahane, CMA Amit Apte, Immediate Past President, ICAI, CMA Salman Pathan, CMA Rajesh Deshmukh, Past Chairman, Aurangabad Chapter, CMA Kiran Kulkarni, Secretary, Aurangabad Chapter and CMA Atithi Majumdar during Technical session I.



CMA Parag Rane, Chairman, Aurangabad Chapter, CMA Chaitanya Mohrir, Chairman, Students Members & Chapter Co-ordination Committee, Chief Guest Shri Raghvendra Joshi, CMD RJ Group of Industries, CMA Neeraj Joshi, Chairman WIRC and CMA Vinayak Kulkarni, Chairman, P D Committee, WIRC during valedictory session.



View of Students



Cultural Evening





## *From the Desk of Chairman . . . . .*

Dear CMA Professional Colleagues,

At the outset I wish all of you and your family good Health. I am confident that you all are following the norms of Social Distancing and honouring the Lockdown in its letter and spirit. We as the educated and influential professionals have responsibility to set an example of disciplined and responsible behaviour and support the fight of our Nation against the Global Pandemic of COVID. We regret that we could not publish the WIRC Bulletin for the month of April 2020 due to the Lockdown, but we are bringing out this E-Copy of the WIRC Bulletin for the month of April 2020 to keep you all apprised about the professional developments till date and also to share the professional knowledge on the topics of professional interests.

I also appreciate the efforts of CMA Ashish Bhavsar, Chief Editor of WIRC Bulletin and his team for taking various initiatives. One of such initiative is Theme based WIRC Bulletin. Accordingly the team has selected specific monthly topics / themes for the WIRC Bulletin. This month is for Cost Audit and accordingly there are dedicated articles on Cost Audit. I congratulate both the editorial team and the resource persons who have contributed the articles.

Firstly let me update you about the events carried out by WIRC in March 2020. As informed to you in my earlier communication WIRC Successfully conducted Regional Students Convention in Aurangabad which was a grand success and my sincere thanks are due to all the Students, Chapters, Team Aurangabad Chapter and my staff of WIRC and my colleagues in Regional Council. We all were really reenergised by the zeal and enthusiasm of the students who participated in the Regional Students Convention.

8th March 2020, WIRC Celebrated International Women's Day by organising a seminar at our Thane Premises. The Women's Day Program was arranged by large number of members, both ladies & gentlemen. I am thankful to Dr. Sujata Yardi, FIAP, Professor & Dean of College of Physiotherapy Nerul, Mrs. Varsha Kolhatkar, Asst. Commissioner, Customs and CGST & CMA Arti Patil, Chief General Manager, Saraswat Co-op. Bank Ltd. For gracing the occasion as our honoured guests and address the members on the aspects of Generation Equality. I am thankful to CMA Lata Sarnaik madam & CMA Arpita Fegde madam for their support in organisation of the Women's Day Program.

It was a privilege for me to attend the Members Meet organised by the Ahmedabad Chapter. The Members meet was attended by CMA Balwinder Singh sir, President, CMA Biswarup Basu sir, Vice President, CMA Ashwin Dalwadi sir, CCM, CMA Chittaranjan Chattopadhyay sir, CCM representing Central Council and CMA Ashish Bhavsar, Secretary WIRC and CMA Chaitanya Mohrir, RCM as representatives of WIRC. I am thankful to all the representatives of Central Council & Regional Council for sparing their time and addressing the member queries in open discussion sessions. I am proud to inform you that in last 8 months time since I have taken charge as Chairman of WIRC, WIRC has organised 4 members meets in Mumbai, Pune, Surat & Ahmedabad and I am grateful to CMA Balwinder Singh ji, our beloved President that on all the 4 occasions President has been personally present to address the queries of the members.

During the members meet in Ahmedabad, WIRC Launched its Mobile Application for Students & Members. I am glad that now WIRC is just at your fingertips. The application is still under evolution stage and I request that if you have some specific suggestions, please let WIRC know so that we can improve our connect with members and students.

With heavy heart I inform you that one of the senior most members of our Profession, CMA Swami Anand Rishi (M. No. 50) left us for the heavenly journey. I pay my homage and 'Pranams' to the departed soul and hope to have his blessings with our profession for eternity.

We all are aware that COVID 19 Pandemic has affected the world economy. Our beloved Prime Minister took brave decision and the entire country went into a Complete Lockdown from 22nd March 2020. The Lockdown will continue till 3rd May 2020. I am really proud to be a citizen of this great nation, which has stood together to face this challenge and I

am sure that we all will defeat COVID 19. The Institute and WIRC has taken a lot of steps to support government efforts and to address the issues faced by our members and students in this situation of global crisis.

WIRC responded to the calls of Social Distancing by Central & State Government and was the first region to issue advisory to all the Chapters to follow the calls of Lockdown as per the local government bodies and to close down the operations of WIRC in Mumbai as per the directions of Maharashtra State Government. Though the WIRC office is closed our staff is working from home and I assure you that they will give all possible support to the students and members. I am really thankful to the staff members of WIRC for their dedicated service. I am pleased to announce that WIRC has started Online Coaching Classes. Our faculty members have supported us to the hilt and I am really thankful to them and feel indebted to them. The Classes of WIRC are going on Online Platforms as per the regular schedule of the Oral Coaching Classes. WIRC has also made available study material to its students and I am thankful to all the resource persons for their support.

As already announced by the President, our Institute has contributed 2.5 Crores to the PM Care Fund. The Institute has also conducted huge number of Webinars for Members to facilitate them in completing the CEP Hour Requirements. The due dates for the CEP Hours Completion and the payments of membership fees are extended for the ease of Members. The Institute has also extended the date for filling exam forms to support the students. The Institute is also conducting webinars dedicatedly for students to help them in their studies. I assure you that both WIRC & the Institute are taking all the necessary steps to support students & members in these challenging times.

I am glad to inform you that the Cost Accounting Standards Board which I Chair has issued 'Advisory on the Treatment of Various Items of Cost in light of the COVID19 Pandemic & Presentation / Disclosures of such items of costs in form CRA 3 of The Companies (Cost Records & Audit) Rules 2014'. I am thankful to President, my Council Colleagues, Members of CASB and secretariat of CASB for their efforts and for bringing out the advisory in a short time.

I am confident that together we will defeat COVID-19 and will emerge victorious in this battle. We as professionals have a greater responsibility to support the Government and Industry to come out of the economic slowdown. We have to support industry with a specific focus on MSMEs. This is the most opportune time to prove our worth to the industry by helping them optimise cost and improve efficiencies. This will help our profession in a long run.

These are challenging times, but we should not get bogged down by the challenges, we should rather use them as times to explore new opportunities and to take our future to a greater heights.

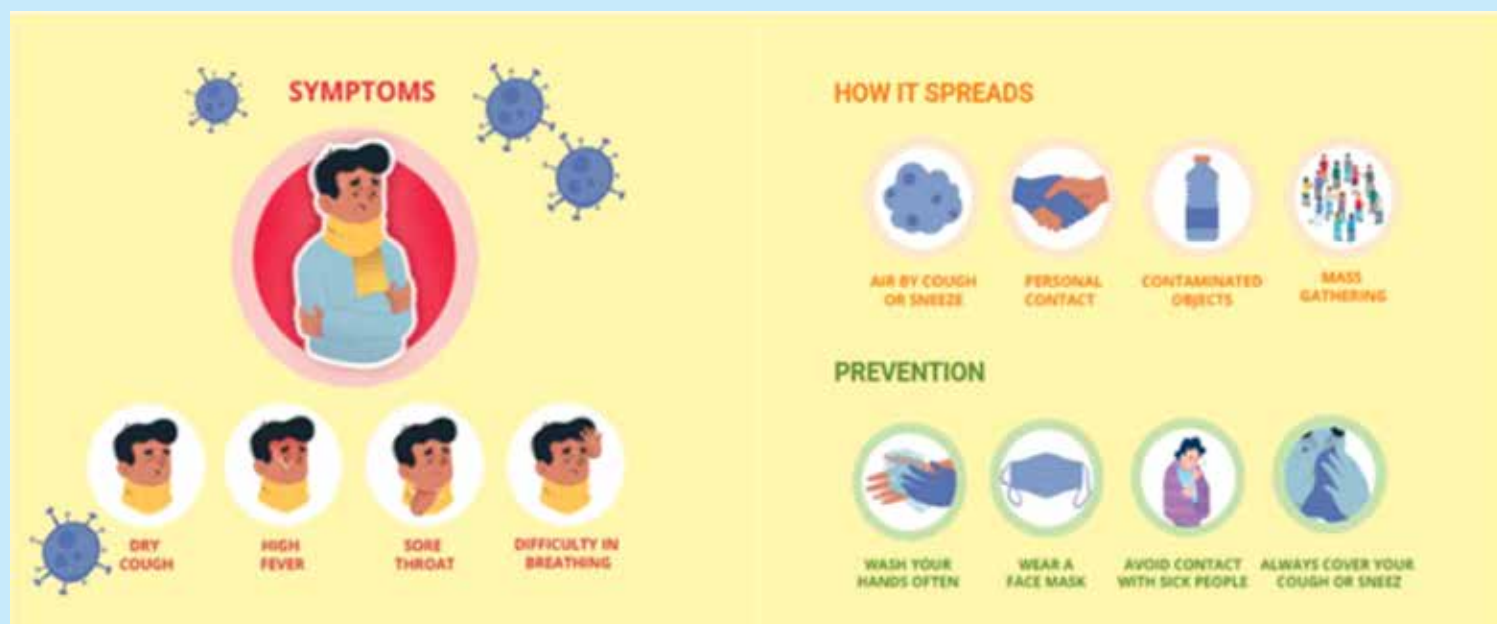
***“Being Challenged In Life Is Inevitable, Being Defeated Is Optional – Roger Crawford”***

Sincerely Yours,

**CMA Neeraj Dhananjay Joshi**

*Chairman, ICAI-WIRC*

## **Please Follow the Norms of Social Distancing. Be Safe**





## *From Desk of Chief Editor . . . . .*

Dear CMA Professional Colleagues,

I hope you and your family members are safe during this global pandemic of the Novel Coronavirus COVID2019. It has disrupted social & business activities worldwide. Due to the lockdown, we are not able to bring WIRC Bulletin for the month of April, 2020. We are publishing E version of WIRC Bulletin for the month of April, 2020 for professional update and knowledge sharing.

Editorial Board has decided to start Theme Base WIRC Bulletin from April 2020. We have published in last Bulletin and further send communication to members about the month-wise various themes. Theme for the month of April 2020 is “Cost Audit”. Cost Audit is one of the important tools available with government, management and for stakeholder to measure of operational efficiency of the company. We have received excellent response to our new initiative. Articles on the theme are published as cover story. We are also publishing articles on other professional matters. I am thankful to all authors for providing articles and making WIRC Bulletin a Knowledge Pack.

We have also start publishing interview of CMAs who had reached a respectable position like CFO, VP, Director etc. Objective of the same to share their experience with CMA fraternity. It will inspire young CMAs for making future brighter. In this Bulletin, we have published interview of CMA R. B. Kothari, GM(F) & CFO of Uttar Gujarat Vij Company Limited. I request our proud CMAs who reach this highest position during their career to share their experience with CMA fraternity. Place reach us so that we can conduct interview.

Women empowerment is also one of the needs of the hour. We have also decided to publish at least one article from lady CMA. I request lady CMA to come forward and send us article so that we can show CMA women empowerment to the world.

I thankful to all my Council colleagues for putting faith on me to chair Editorial Board. I am also thankful to Surekha Press for arranging E-WIRC Bulletin for April 2020 in this lockdown situation. I am also thankful to WIRC staff for managing everything from home.

I urge members to share knowledge by way of article to make WIRC Bulletins Knowledge Pack.

We welcome suggestion and feedback for betterment of WIRC Bulletin.

At last, I request all members to follow all the guidelines given by central and state governments to fight with COVID 2019. Pls. maintain social distancing and remain at home.

Stay Home Stay Safe

Happy Reading !!!

With Ward Regards

**CMA Ashish Bhavsar**

*Chairman, Editorial Board*



# Cost Audit Mechanism and COVID-19

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Fundamentally COVID is to be tackled by way of Tracing, Tracking, Testing and Treating. Cost Audit is one of the mechanism which gives mixture of operational and financial parameters. Cost Audit also gives ample of parameters for Tracing and Tracking. Various Cost Management techniques gives scope for Testing and many tools in Cost Management also give Treating of parameters with root cause analysis. Unless you measure you cannot manage is old rule and applicable also in case of COVID-19 too. Whole world follows same philosophy for running businesses i.e. measure and manage. Businesses needs exact parameters wherein they can make treatment and cure their issues related to businesses. Unfortunately in our country businesses are usually being done with 'Jugad' techniques (Not all of-course) which are not accepted in International Business and Trade.

Cost Audit is even though historical in nature but it has potential of creating cost consciousness and cost competitiveness in the businesses. If we want to compete with china in near future then surely we must have Cost Competitiveness among Indian industry. Just because there anti-china sentiments in recent days, mainly due to COVID, companies/ businesses are not going to come to India but then they need assurance of reduction in cost with same quality in current and later days too. CMA has bigger role to play in such cases and we need to improve our Cost Management Mechanism which is not possible unless we have Cost Competitiveness in the country.

Preventive maintenance is more important for smooth running of business where as corrective maintenance does not serve this purpose. Indian Trade and businesses exactly does the same thing. Throughout the year very few and vigilant Industries carry their Cost Analysis to keep control on costs using many Cost Management Techniques and for them 'Corrective Maintenance' is not needed at end of the year 'Financial Statements'. Whereas large number of Industries, especially in Medium and even some extent large scale, completely ignore increasing costs and time to time Cost Analysis and in the end try to make up the same in Financial Statements. For the same reason Last Day mandatory filings of Financial Statements is quite high and also Tax Returns are also filed on last days due to lack of correct data and needed data.

The whole system surely has cascading effect. If Raw Materials from RM supplier reduce its cost without compromising in quality then final product will also reduce costs. This includes logistics, distribution, storage and all other walks of life like Health, Education etc. China could get success on low cost front mainly due to lower labour cost and also due to stricter labour laws. In India also Labour

cost is equally lower but if ample opportunities and skills are provided. With increase in number of manufacturing units in India this will change face of our country due to economies of scale and administrative laws can be changed with changing scenario. Such collective efforts of Cost Reduction are going to play vital role. Our most of the system is designed to save taxes but with reduction in corporate taxes in recent days this mind set is likely to change too. Now Government and Industries also has to change its mind-set. For saving few pennies today we are losing million dollar opportunities. We should not get businesses from COVID hit China just because world has only few alternatives but we should get the same on our merits. For that purpose unwarranted opposition for Cost Management and Cost Audit must be curtailed and ignored if needed. Of-course this is said for last so many years but today when opportunity is knocking our doors are we ready for it?

Let's see some of the important measures in Cost Audit which will lead to better Cost Management Techniques. This also helps companies to form their own parameters for Management Information System.

**Cost Accounting Policy:** A very important aspect of 'Trace' in Business. Many companies prepare their Monthly Profit and Loss Account but do they really interested in knowing Product or Service cost per Unit of Measurement on Monthly or quarterly basis. Having complete knowhow about product and service cost from time to time will help them in 'Tracking' flaws in Absorption of Costs and maintaining consistency in the same. This will act as 'Test' and will give rise to various Cost Management Techniques. Simple example is even large scale companies do not have exact information about which costs to be considered as Fixed Costs and Variable Costs as such Cost Consciousness is definitely failing in Indian Industry/

**Sales Analysis:** Cost Audit Annexure mandates to compile data CETA/ CTA/HSN Basis. That's important 'Trace' of Business. Many companies even do not have their product-wise sales analysed in Management Meetings. In-fact Financial Statements also gives data on totality basis and do not encourage to have it as Product-Wise, Location-Wise, Plat-Wise, Customer-Wise sales analysis which acts as 'Tracking' in the Business. When such data is compiled from time to time and compared with earlier periods this analysis acts as 'Test' and finally accordingly New Products or improvements in Current Products can be undertaken which is nothing but 'Treatment'. However except few large size and multinational companies many files on this count. Mechanism like Cost Audit can definitely improve such Consciousness within Trade and Business.



**Capacity Utilization:** It is definitely one of the ‘Trace’ for companies and I am sure even Multinational Companies are not bothered about checking their Capacity Utilization from time to time. This concept includes Installed Capacity, Normal Capacity, Capacity Enhancement through Own Resources, Capacity Enhancement through Third Party job work/ Loan Licencing, In House Capacity Utilization etc. Such Tracking of Various Capacities definitely gives scope for further analysis and prevents inefficiencies creeping into the system. This also helps companies in absorption of Fixed Overheads especially in Lock-Down Conditions its going to be important. With accurate data availability on capacity, Companies can take many ‘Treatments’ like Increasing own Capacity, Third Party Outsourcing etc. In many large scale and medium scale companies such decisions are not taken on the basis of accurate date but some other parameters are used for the same and decisions may prove to be wrong. We cannot forget that every wrong decision has a cost and it has to be borne by System in which companies operate. As stated earlier it also has Cascading Effects.

**Cost Sheet and Costing Profit:** Yet another important ‘Trace’. In so many Companies even management is not aware about exact cost of their each product or service. Even in many ERP systems it is not readily available. However as a measure no one can deny importance of calculating Cost of Each Product or Service which acts as critical Trace for Businesses. If we track those costs and products many revelations can surface. These includes Profit making products are actually running into loss making or quite a few number of costs not affecting as % total costs but actually

they affects costs of products which receives benefits from them. In practical life also we have seen many companies management have traced and ‘treated’ those businesses diseases like COVID-19. Costing Profit is many be solution to many problems of Companies especially companies seeking credit from banks in the form of Working Capital or Long Term Loans. For tracing sickness of Banks even such parameters work to the great extent and if it is audited by Auditor then sanctity which is receives definitely helps.

When you are reading this you may get many such Parameters in your mind to help Trade and Businesses. I am sure when world is looking at India for their next Business Hub, we all are committed to give best of services to world and one of the important parameter is of-course Cost. All these years we missed opportunity to impress upon World that we can also give cost effective products and services by our inherent capacity of large number of educated population available at relatively cheaper prices. Also we can keep expenses in control by proper recording and analysis of the same. China is ‘World’s Factory’ because of its lower ‘Production Cost’ and their ‘Business Ecosystem’ apart from Lower Labour Cost. If India wishes to take up label of ‘World’ Factory’ from China then we must improve on Production Cost with immediate effect which can be achieved only by Cost Consciousness and Cost Competitiveness. This underlines principle which we are pursuing presently like Tracing, Tracking, Testing and Treating. Time has come to apply to Business and Trade on Account of Cost. ■

## Theme for Coming Months

Month	Theme
May	Banking
June	Insurance
July	GST
August	ERP/SAP

**Theme of May 2020 is Banking. Editorial board invitees’ articles/papers on Banking for the WIRC Bulletin for the month of May 2020.**

***Regular articles/papers on other professional matter are also going to be published in WIRC Bulletin apart from articles/papers on respective theme. Editorial board also invitees’ articles / papers on other professional matters.***

Kindly send your articles on or before 2nd May 2020 by email to WIRC : [wirc.admin@icmai.in](mailto:wirc.admin@icmai.in). Editorial board had also formed minimum criteria for selection of Article/Paper for WIRC Bulletin in Editorial Board meeting held on 14th February, 2020. Following is the minimum criteria for selection of Article/Paper for WIRC Bulletin.

1. Type of Article: Related to theme of the month or any other professional matter.
2. Font: Arial/ Time New Roman/Calibri
3. Font Size: 11
4. Minimum length of the Article: 1000 Words (Other than graphs/tables/figure/pictures)

Kindly send your Article/paper accordingly.

*Pls. Note the final decision to consider Article / Paper is left with Chairman – Editorial Board.*



# Cost Management in Hospital Industry and Cost Audit

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## Preamble

The Novel Coronavirus COVID19 is a Global Pandemic and has disrupted social & business activities worldwide. Due to this global pandemic, now focus will be high on the healthcare sector by the government and people at large. So in this scenario, healthcare should focus on three major factors viz. Cost, Value and Price. **Cost:** a measure of the resources that are used in the services. Services are therefore the outcome of the investment in resources (the cost). **Value:** how much buyers think the service is worth-how much better off they think they are when they receive the service. **Price:** what individuals are charged when they buy the service.

The statutory cost accounting records and audit thereof is compulsory for Health services, namely functioning as or running hospitals, diagnostic centers, clinical centers or test laboratories for long. However, under the post COVID19 scenario, this is going to be more important.

This article is based on the recent Advisory on the Treatment of Various Items of Cost in light of the COVID19 Pandemic by the Institute of Cost Accountants of India, Guidance Note on Cost Management in Healthcare Sector, the Companies (Cost Records and Audit) Rule, 2014 and based on practical exposure in leading the Hospitals.

## Background

The healthcare services are split into different segments viz. Hospitals, Clinical Establishment, Pharmaceuticals (Medicines & Medical Consumables), Diagnostics, Medical Equipments Management, and Medical Insurance.

Cost Management in hospitals is becoming much more important nowadays. While a hospital or health care facility may create large revenue, the costs associated with this revenue is also large. Without accurate costing, a facility may find cost overruns and the necessity to take drastic actions to remain in operations.

A well-established Hospital Cost Accounting will enable the facility to charge the patient the proper amount. This is not as easy as it may seem. Facilities are performing many services under one roof, and in many cases under several roofs. The proper allocation of costs to a specific procedure can be difficult.

**Government health services** include primary healthcare centers, district hospitals, general hospitals, etc. **Private Helth Services** – include nursing homes, mid-tier, and top tier private hospitals. T his also includes services provided by Trust, Charitable & NGOs.

Hospitals are also grouped based on nature of service they provide

- Primary Care Hospitals:** A primary care provider (PCP) is a doctor who sees the patient first and checkups health problems. If the patient has a health care issue then he finds out what type of practitioner can serve the patient and the doctor refers the patient to a relevant specialist doctor for further diagnosis.
- Nursing Care Hospitals:** A Nursing care provider generally refers to procedures or medication which are solely or primarily aimed at providing comfort to a patient or alleviating that person's pain, symptom or distress, and includes the offer of oral nutrition and simple medication
- Drug Therapy Centers:** Once the patient is diagnosed with the ailment, then he is administered with relevant medicines and treated as an outpatient category in a hospital.
- Diagnostic Centers:** In this type of hospital, special types of equipment/techniques are used to find the nature of the disease. Such techniques are used to determine the cause of illness or disorder. The equipment provides the healthcare practitioner with information about the presence, severity, and causes of diseases in a patient. Subsequently, health care providers advise appropriate treatment to the patient, reducing the patient's mortality and morbidity levels. Following methods are used in this type of hospitals
  - X-rays
  - ECG
  - Echocardiography
  - Liver function test
  - Urine & Stool Routine
  - Urine Pregnancy Test
  - Blood Tests & Other pathology tests
- Specialty Care Hospitals:** These are hospitals that provide specialized services such as
  - Allergy & asthma services
  - Anaesthesiology
  - Cardiology
  - Dermatology
  - Endocrinology
  - Digestive system disorders
  - General surgery
  - Immunology
  - Infectious disease
  - Nephrology
  - Neurology
  - Gynaecology
  - Oncology
  - Ophthalmology
  - Orthopaedics
  - Physio therapy
  - Psychiatry
  - Pulmonary (lung)
  - X-rays and related procedures
  - Urology
  - Dental procedures
  - Anaesthetic procedures
  - Blood transfusions
  - Bone marrow transplants

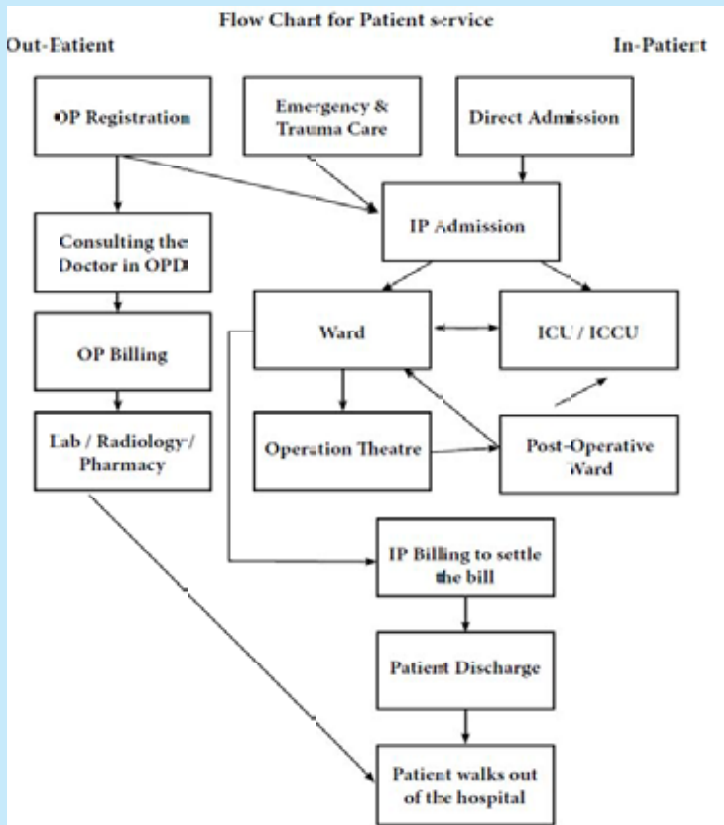


6. **Telemedicine center:** It is a practice of giving medical advice to patients by doctors on medicine through telephone. It provides services through the use of advanced telecommunication devices to exchange health status information and provides health care services across geographic locations. Nowadays people situated in a different geographical location may connect to hospitals through telecommunications to take advice or prescription based on his case history. It provides facilities for exchanging the test report as well.

**Cost Management in Hospital**

**Flow Chart for Patient Services:**

A Critical activity in a hospital means an activity that is very fundamental and vital for the treatment of a patient and will run in sequence as shown pictorially below:



The source of income in a hospital would be from Direct medical services and medical support services such as blood bank, radiology department, pharmacy department, etc. Each of the sources is further classified as, from the outpatient channel or serving inpatient channel. Whatever be the source, each source is influenced by a variety of complex qualitative and quantitative factors as follows :

**Qualzzz Factors :**

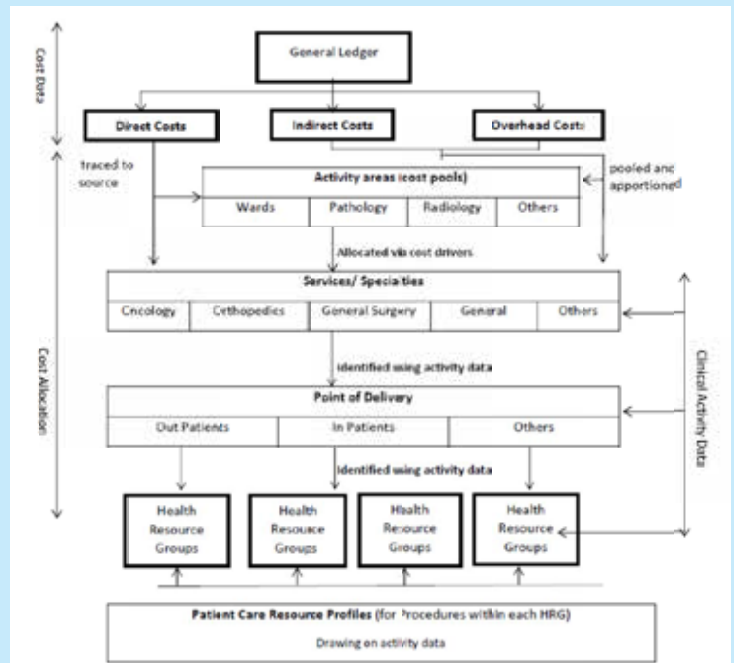
- Usage of Advanced medial Equipment
- Complexities of Critical Cases
- Types of services offered by hospitals
- Frequency of services
- Quality of employees (such as Doctors, nurses, support staff)

- Quality of experts (employee / Consultants)
- Management policies on patient handling

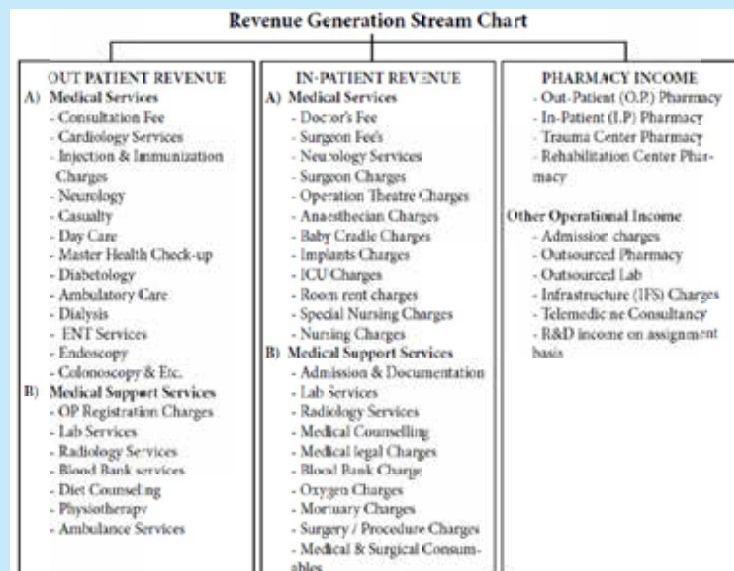
**Quantitative Factors :**

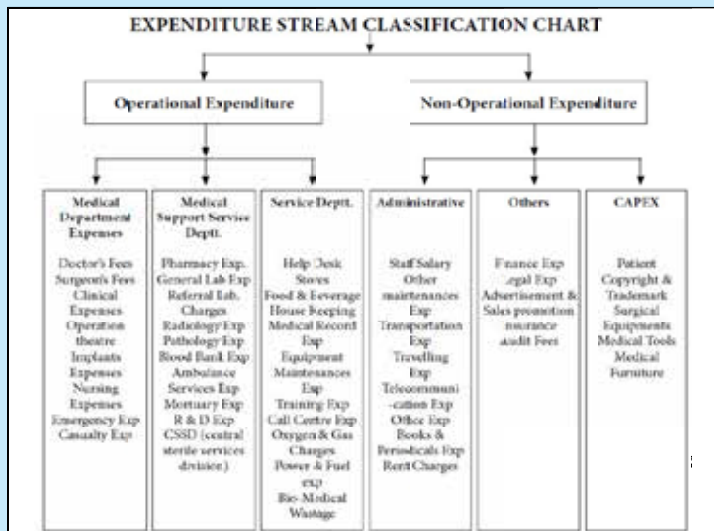
- Number of Patients
- Number of Occupied Bed/Days
- Occupancy Capacity Level
- Number of Backup facilities
- Infrastructure availability
- **Cost Data Flow:**

Let us understand the Cost data flow to get the respective department wise costing. Refer cost data flow chart:



After understanding the cost flow, analyze the major revenue and expenditure booked in the Hospital Industry. Refer below Revenue Generation Stream Chart and Expenditure Stream Classification Chart





### • Cost Pool and Allocation of Overheads

Cost pooling means classification, collection of costs/resources used in respective departments and then allocated, apportioned to respective activities. Health Care services are broadly classified into the following groups and hence cost pools are also classified in the same manner:

- i. Medical departments / Profit Centers
- ii. Medical support departments / Supporting to the main medial department
- iii. Non-medical (service) departments / do not generate income directly but supports the Medical and Medical support departments (e.g. Medical Records, Admin, Finance & Accounts, IT, Bio-medical Engineering, etc.)

**The methodology of allocation / apportionment of major expenses (due weightage to be given wherever applicable)**

	Type of Expenses	Basis for Allocation/ Apportionment: to profit centers & ancillary centers
1	Medicines	Actual
2	Doctor Consultation Fees	Procedure-wise, Ward-wise actual / standard rate chart
3	Direct Medical Consumables	Actual
4	Direct Staff Wages and Salaries	Cost Centre - wise, category-wise actual / based on standard strength
5	Indirect Medical consumables	Technical Estimates
6	Pathological Testing Material	Direct to Pathology Deptt.
7	Air Conditioning and Power	Technical Estimates
8	Steam	Technical Estimates
9	Repairs and Maintenance (Incl. AMC)	Cost Center wise asset value
10	Property Tax	Floor area
11	Depreciation	Cost Centre-wise, Asset-wise Depreciation

### List of profit centers and its cost drivers (due weightage to be given wherever applicable)

Sr.	Profit Centres	Cost Driver
1.00	Wards	
1.10	Intensive Care Unit	Patient Days
1.20	Suite Class	Patient Days
1.30	Deluxe Room	Patient Days
1.40	Semi private (Twin sharing room)	Patient Days
1.50	Common Class	Patient Days
2.00	Operation Theatre (OT)	
2.10	Cardiac	Total Hrs utilised & std hrs required for each procedure
2.20	Diabetology	Total Hrs utilised & std hrs required for each procedure
2.30	Orthopedic	Total Hrs utilised & std hrs required for each procedure
2.40	Others	Total Hrs utilised & std hrs required for each procedure
3.00	Cath Lab Procedure wise	Total Hrs utilised & std hrs required for each procedure
4.00	Robot Assisted surgery	Total Hrs utilised & std hrs required for each procedure
5.00	Physiotherapy	Total Hrs utilised & std hrs required for each procedure
6.00	Radiology / Imaging	
6.10	CT Scan	No. of Tests done
6.20	MRI	No. of Tests done
6.30	2D Echo	No. of Tests done

Sr.	Profit Centres	Cost Driver
6.40	Stress Test	No. of Tests done
6.50	Sonography	No. of Tests done
6.60	X Ray	No. of Tests done
6.70	ECG	No. of Tests done
7.00	Health Check Up	
7.10	Basic	No. of Patients
7.20	Cardiac	No. of Patients
7.30	Gold	No. of Patients
7.40	Deluxe	No. of Patients
7.50	Platinum	No. of Patients
8.00	Preventive Cardiology & Rehabilitation	No. of Patients / Patient Hours
9.00	Children's Heart Centre	No. of Patients
10.00	Pathology (Major Test-Wise)	Major Test-wise no. of tests, and Std. Cost per test (mat. and staff cost)
11.00	Casualty/Day care	No. of Patients (IPD and OPD separately)
12.00	OPD Consultation	No. of Patients

### • Challenges in Hospital Costing Framework

1. Specialty categorization for the patient is challenging as patients may go through multiple surgeries and procedures from multiple specialties, hence defining one specialty needs assumptions.
2. Basic Hospital Charges / Package – Bundle of services.
3. Undischarged Patients – recognizing revenue and cost for Patients who are undischarged at the end period becomes challenging as patients are charged as services rendered but at the time of discharge and final bill posting packages are posted and a discount is calculated.
4. Doctor Fees and consultancy charges paid not directly attributable to patients e.g. Full-time anesthetists pay-out, Intensivists pay-out, etc. need to consider as allocation cost.
5. Defining Human Resources and Outsourcing cost as per deployment is challenging, as employees provide services to different departments within a specific period e.g. One Radiologist attends CT and MRI department as and when a patient is arrived hence attributing cost to one department becomes challenging.
6. Allocating some medical support cost centers is also challenging and average needs to be considered e.g. Canteen and Pantry, Laundry and Linen, etc.
7. Many times, when multiple procedures are performed on a patient, the data is known by the major procedure or entry procedure only. This poses difficulty in identifying and allocating costs.

### • Activity-based costing

A practical and accurate cost accounting system is crucial in hospitals. In traditional cost accounting systems, the volume-based costing (VBC) is the most popular cost accounting method. In this method, the indirect costs are allocated to each cost object (services or units of a hospital) using a single indicator named a cost driver (e.g., Bed occupancy days, revenues or the number of patients). However, this method often results in rough and inaccurate results. The activity-based costing (ABC) method can prove more accurate results. With the ABC method, all events or transactions that cause costs are recognized as “activities”, and a specific cost driver is prepared for each activity. Finally, the costs of activities are allocated to cost objects by the corresponding cost driver.

ABC will help the management to identify the actual protocol and/or procedure wise costs. Activity-based cost compilation is going to be very helpful in comparing the costs or different protocols/procedures e.g. recent issues with reference to fixing up the price of COVID19 test wherein government fixed Rs.4, 500/- per test for private hospitals. However, the industry was not in agreement with this price fixation and had approached the supreme court. In such circumstances, activity-based costing will help immensely. It is recommended that statutory cost accounting should be built on above Management Accounting Principles.

At any point in time NPPA or any government authority, is asking for such data, the management can easily share such data immediately. This will have an advantage that the data is duly reconciled with the financials and is audited by an independent Cost Auditors.

#### • **ICD 10 (International Statistical Classifications of diseases-version 10)**

There is a possibility that there could be a diverse understanding of the medical systems, procedures, and nomenclatures. To harmonize the same for a better understanding of the health care medical process, medical classification/codification is used to describe such diagnosis and treatments, determine costs and reimbursements, and relate one disease or drug to another.

The Medical classification is brought out in the form of a codification mechanism called as ICD10. It is used for a variety of applications in medicine, public health and medical informatics, such as

- statistical analysis of diseases and therapeutic actions
- reimbursement; e.g., based on diagnosis-related groups
- knowledge-based and decision support systems like double-check of the patient bills or negotiate lower pricing for healthcare services.

Ministry of health and family welfare to harmonize the entire chain of activities in the health care sector shall vigorously implement ICD 10 mandatory throughout India as healthcare is now becoming the most focused area for the government.

#### **Cost Audit:**

MCA has covered the healthcare services under the cost audit wide the companies (Cost Records and Audit) Rules, 2014 dated 30th June 2014. The format for the service cost sheet is very generic for all covered service industries.

The requirement of reporting under the annexure to cost audit report is not only to segregate the non-operating incomes and expenses and disclose the Financials vs. Costing Reconciliation. The hospitals have to prepare the cost accounting records based on the Specialty Care wise as mentioned above and in addition to that Hospitals shall prepare the Cost Accounting Records as per the clinical practices viz. Critical care (ICU), Diagnostic services, Radiology and Imaging Services, Emergency Procedure, Operating theatres services, Wards services, Pharmacy, Special procedures-operations, Special treatment rooms, Therapies, Laboratory, Blood bank, Biomedical waste management, Mortuary Management, etc.

Hospitals are treating Pharmacy Store as a routine

activity. While preparing the cost accounting records report transactions relating to the Pharmacy Store separately. In the same line, many hospitals also running the Nursing College along with the hospital. In this case, also a separate set of records needs to prepare and report the said activities separately. Nursing college activity needs to disclose at CRA – 2 and CRA – 4 as per the Sr. No. 23 - Education services, other than such similar services falling under philanthropy or as part of social spend which does not form part of any business of Table B of the Companies (Cost Records and Audit) Rules, 2014.

#### **Reporting Cost of Industry Specific Operating Expenses**

The element of Industry Specific Operating Expenses has been specifically added to meet the requirement of Industries to report the special costs, where the cost elements or overheads would not match with the cost elements provided in Abridged Cost Statement of Product or Activity Group. There are specific Cost elements in which the hospital industry typically used are as follows:

1. Food and Beverages Costs
2. House Keeping Costs
3. Hospital Admin Costs
4. Outsourced Pathology Charges

#### **Production, import, and supply or trading of medical devices as per Sr No 33 of Table B of the Companies (Cost Records and Audit) Rule, 2014**

While doing the audit of a hospital, auditors need to check whether a company has made a trading-related transaction(s) of Medical devices as mentioned under Sr 33 of table B or not. If the hospital has made any trading or supply related transactions during the year, make sure separately disclose the same as a separate product(s) under PART –A4 of the annexure to the cost audit report.

#### **Performance Appraisal System in a Hospital**

1. **COVID19:** From 01/04/2020 onwards NPPA has covered the medical devices, mask, gloves and hand sanitizers under the DPCO. So Hospitals have to follow the MRP as per the schedule of DPCO. As an Auditors, we can monitor the supply related transactions and any violation we can present to the board.
2. **Specialty wise profitability:** Cost & Revenue should be split by different departments like Labs, Radiology, OT, Blood bank, Wards, Emergency, Gastro, Allergy and asthma services, Anaesthesiology, Cardiology, Dermatology, Neurology, Oncology, etc. profitability should be calculated for each specialty and reconciled with P&L. This report will help in budgeting for the expenses and fixing the responsibility for achieving budgets on the HODs.
3. **Specialty wise, Doctor wise profitability:** The patient-level profitability can be summed up by a primary consultant and then by the medical specialty. This will help us in understanding the profit generated by each specialty and the relative performance of each doctor.
4. **Patient-Level profitability :** The revenue from each patient should be broken down to the service elements



like individual lab tests, etc and the costs of each service should be matched and aggregated at the patient level. This will help us arrive at the profitability at the patient level.

5. **Cost of Quality:** This is measured by the ‘Patient satisfaction Index’. Delay in discharges, billing disputes, food quality, nursing attention, noise level, room ambiance, AC are examples of factors affecting operational efficiency.

### Reporting under the Pandemic Situation - Covid19

The Novel Coronavirus COVID19 has disrupted social & business activities worldwide. The Indian Government along with full support & cooperation from State Governments has adopted a policy of Lockdown to battle this Pandemic. Under the lockdown situation, this will affect many businesses.

The current situation of COVID19 Pandemic and its impact on the operations of the hospitals is both Irregular and Unexpected and the situation is certainly Abnormal. Thus the impact of COVID19 Pandemic fits the premise of Abnormal Cost as defined in the Cost Accounting Standards. Hence the Costs about or arising out of the COVID19 Pandemic shall be treated as Abnormal Costs.

### Presentation / Disclosure of the various items of Quantity Information & Costs in Form CRA 3 – Cost Auditors Report & Annexure to Cost Audit Report

- 1.0 CRA 3 –Part C – 1 Quantity Information (For Service Sector)

Quantity of Services / Capacity Lost due to COVID19 Pandemic shall be given as part of Notes under this para.

- 2.0 CRA 3 – Part D – 2. Profit Reconciliation (for the company as a whole)

- 2.1 CSR Costs

The Government of India vide Circular No. 05/01/2019-CSR Dated 23.03.2020 has clarified that spending of CSR Funds for COVID19 is eligible CSR Activity.

The cost incurred on CSR Activity is treated as Non-Cost Item in the Cost Records and is reported under this para. It is advised that the CSR Cost should be classified into CSR for COVID19 & other CSR Activities. The same shall be disclosed as separate line items in the Profit Reconciliation Statement.

- 2.2 Other Abnormal Costs due to COVID 19

As mentioned above, costs pertaining to the COVID19 Pandemic are to be treated as Abnormal Costs. Thus they will form part of the Profit Reconciliation Statement. It is advised that the Un-absorbed Abnormal Cost due to the COVID19 Pandemic shall be reported as a separate line item describing “COVID 19 – Unabsorbed Costs”. Using this common description by all can facilitate the authorities to consolidate the information if required.

- 3.0 CRA 3 – Cost Audit Report – 2. Observations and suggestions, if any, of the Cost Auditor, relevant to the cost audit.

The Cost Auditors during the process of Cost Audit will be assessing and auditing the impact of COVID19 Pandemic on the operations of the company. This will also include an impact in terms of capacity as well as costs. It is suggested that the Auditors may include as part of observations & suggestions a separate Cost Statement giving detailed, cost element-wise breakup of the “COVID 19 – Unabsorbed Costs”. This will be very helpful to the Management of the Company as well as all the stakeholders of the Cost Audit Report. It is further suggested that this Cost Statement may also contain quantity information about the COVID19 Pandemic impact (like capacity utilization, idle capacity due to COVID19, impact on Services, etc). It is suggested that such note may also briefly explain the assumptions / working used by the company to identify the costs associated with COVID19 Pandemic and comment upon its appropriateness.

*“Education is the passport to the future, for tomorrow belongs to those who prepare for it today.” “Your attitude, not your aptitude, will determine your altitude.” “If you think education is expensive, try ignorance.” “The only person who is educated is the one who has learned how to learn ...and change.”*



# Cost Audit

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Dear Professional Colleagues,

This article is important because this is the audit for which we cost accountants are known.

But, if we really ask ourselves that are we really have practical knowledge of cost audit?

Out of 10 only 1 or 2 cost accountants are working in the field of costing? Our purpose must be to give value addition to company/client rather than only compliance.

We need to think on it.

With the help of this article I will try to explain overall procedure in the cost audit.

First step in the cost audit is Trial Balance. In fact this is the first and foremost requirement.

The next step is you have to bifurcate Finance Heads of expenses into Costing Heads.

For your knowledge followings are the few examples:-

Expenses	Finance Head	Costing Head
Packing Material	Other General Expenses	Secondary Packing Cost
Water charges (plant)	Other General Expenses	Admin
Sales Promotion Expe	Other General Expenses	Selling & Dist
Postage - Courier	Other General Expenses	Admin

Above examples is only illustration purpose.

Then you have to identify the expenses and incomes which are not form part of cost audit. (Profit Reco)

Incomes not considered in cost accounts:	Expenses not considered in cost accounts:
Interest Income	Bad trade and other receivables, loans and advances written off
Dividend income from long-term investments	Net Loss on foreign currency transactions
Other non-operating income	Provision for doubtful trade receivables and advances (net)
	CSR

You also need to prepare Revenue statement...

In this sheet you have to prepare revenue statement product and service wise. ( it means if company have 3 major product classes and 2 service then sum of all of these.)

**Validation :** Total of all above must be match with your Financials You must have quantitative and value wise details of Utilities in respective company. Materials quantitative details and value is also required. (Bifurcate material consumption in to Domestic & Imported)

You also need to calculate VALUE ADDITION statement (which simply means how much company earns and how it utilized the same)

## Value Addition:

1	Gross Sales (excluding returns)
2	Less: Excise duty, etc.
3	Net Sales
4	Add: Export Incentives
5	Add/Less: Adjustment in Finish Stocks
6	Less: Cost of bought out inputs
	(a) Cost of Materials Consumed
	(b) Process Materials/Chemicals
	(c) Consumption of Stores & Spares
	(d) Utilities (e.g. power & fuel)
	(e) Others, if any
	Total Cost of bought out inputs
7	Value Added
8	Add: Income from any other sources
9	Add: Exceptional, Extra Ordinary and Other Comprehensive Income, if any
10	Earnings available for distribution

## Distribution of Earnings to:

1	Employees as salaries & wages, retirement benefits, etc.
2	Shareholders as dividend
3	Company as retained funds
4	Government as taxes (Specify)
5	Exceptional and Extra Ordinary Expenses, if any
6	Other if any
7	<b>Total distribution of earnings</b>

One important steps in cost audit is to prepare cost sheet product wise.

For this take base actual production and sales quantity as per expenses

Sales Quantity is basis for below expenses for other actual production qty.

Secondary Packing Cost
Selling & Distribution Overheads
Interest & Financing Charges

You need to extract the data of production made in given time period from system.

Other important compliance is Financials Ratios and RPT.

For this you can take data from Financials data.

Conclusion: With the help of this data I just tried to give idea about cost audit and what kind of data required for it. Hope you will find this one helpful.



## CFO Speaks

**CMA R. B. Kothari**

CMA R. B. Kothari, B.Com, ACMA is a senior Associate member of the Institute of Cost Accountants of India, Kolkata having more than 38 years experience in various areas of Finance, Accounts, Costing, Taxation, Banking, various audits in the State and Central Govt. Organizations. He is presently serving Uttar Gujarat Vij Company Ltd (a PSU of GoG), Mehsana (Gujarat) as General Manager (F&A) & CFO since last 12 years. He has also served the various State and Central Govt. Organizations like LIC, Ahmedabad Municipal Corporation, Vijaya Bank and The Gujarat State Civil Supplies Corporation Ltd for a pretty long period of 23 years.

He was awarded National Merit scholarship during his college career. He is Trustee in the GEB Contributory Provident Fund Trust having investments of more than Rs. 7500 crore and also in the Group Gratuity Trust. He is associated very actively with the ICAI-Ahmedabad Chapter since 2008. He was Chairman of the ICAI-Ahmedabad Chapter for the term 2013-15. During his Chairmanship, the ICAI-Ahmedabad Chapter has been awarded as the best Chapter in the 'A' category for the year 2014-15. He is also regular faculty at ICAI-Ahmedabad Chapter. He is regular faculty at SPIPA Mehsana.

He was awarded the Best CMA-CFO under the category of Public-Sector-Service-Male for the year 2014 by the Institute of Cost Accountants of India, KOLKATTA. He has been nominated as a Member in "TASK FORCE MEMBERS IN INDUSTRIES" by WIRC of ICAI, KOLKATTA for the year 2017 and 2018.

### 1. What do you feel about your role as a CFO?

As a CFO, it is need of the hour to continuously strive for reduction in cost and to explore various avenues for growth of the company. In my view CFO of a company occupies a seat at the strategy planning table and help to influence the future direction of the company through finance leadership. Also, in the light of various corporate scandals, the CFO must be more vigilant towards data/information, interaction, analysis and decisions. In the constantly changing economic environment, it is of utmost importance that I keep myself updated with latest economic change, tax/regulatory changes, market scenario etc.

The CFO is the senior executive responsible for managing the financial operations of the company and has to operate an organization in effective and efficient manner by providing a variety of services to the business such as financial planning and analysis, treasury, tax, investment of surplus funds of the company, formulation of capital budgets, resource mobilization and other financial operations. In addition to this CFO work to protect the vital assets of the company, ensure compliance with financial regulations and communicate value and risk issues to stakeholders and board of directors.

In recent scenario, the CFO role is changing and now it become more strategically-focused, more value-focused and more future-focused. The role of the CFO of power sector utilities is changing very fast compare to other CFO. The Scope of power sector CFO is not only being reshaped by the overall transformation that

is taking place in the role of CFO but also by energy transformation, which is shifting the technological, market and consumer context for companies in the sector.

### 2. What are the main constraints/challenges you face as CFO?

- a) The primary challenge before any CFO of the company is to achieve wealth maximization for its shareholders through continuous good performance of its organization. He has to ensure optimum utilization of resources and decide capital structure of the company in such a way that cost of funds is minimized.
- b) Face constant challenges to deal with various stakeholders and regulatory changes.
- c) Assessing and quantifying the business risk associated with the adoption of new technologies and making the right technology bets
- d) Untimely payments from bulk consumers such as Local bodies and Central/State Government departments/corporations.

Being specific to Power Sector, I am facing the following challenges:-

- The profit of power sector companies mainly depend upon AT & C Losses i.e. aggregate technical and commercial losses, hence being CFO of the company it has to be ensured that legitimate profits of the company are not wiped out due to increasing AT&C losses and the same should be in control.
- The power sector being the regulated sector, the



tariff is decided by regulators. Therefore, it has to be ensured that appropriate tariff of the power sector company is decided timely by regulators. The retail supply tariff is fixed based on the projected revenue and approved cost and if the discom is able to recover revenue in line with projected revenue it is a comfortable situation. But in the current scenario, several state discoms have huge regulatory assets.

- High power purchase cost which is beyond the control of power distribution companies.
- Open access has emerged as a challenge for power sector companies as it enables consumers to buy cheaper power from open market .
- In coming days the power sector has to gear up for content and carriage separation.
- Solar/Renewal Energy has also emerged as a big challenge for power sector Company.
- To meet service level expectations of consumers/ stakeholders keeping in mind the peer players performance

### 3. How would you like to tackle these issues?

Being CFO of the company, my constant efforts are towards cost reduction and increasing revenue of the company along with consumer satisfaction. I also ensure to keep friendly and trust-worthy relations with consumers, suppliers, Government of Gujarat, banks & financial institutions and regulators.

Various regulatory changes have been brought by GERC, RBI, MCA, IT and other concerned authorities. Due to this, being CFO of the company it is to be ensured that non-compliance of any provisions of law do not happen, otherwise company has to provide disclosures to various agencies such as GERC, Income Tax Department, Banks, Rating agencies, MCA etc. which will reflect negatively on the credibility of the company and its group.

Being specific to power sector, continuous steps are taken to ensure timely billing, smart metering system and improving collection efficiency of the company to have an edge in this competitive environment.

The current scenario can be tackled by the following approach:-

- Digitization of assets and operations
- Distributed energy resource and micro grids
- Energy efficiency and demand response
- Beyond the meter automation
- Adopt Smart metering and Smart Grid
- Co-shape the corporate agenda keeping in mind the risk and rewards.

### 4. What is the Future role of CFO in 2020?

In current scenario and economy changes, the role of CFO will not be limited to traditional Finance domain , rather it will be more Strategic one i.e. he will have to

spend less time in day-today finance functions and will have to concentrate more on strategic leadership.

CFOs are expected to build strong relationship with all stakeholders including Bankers, Customers, Creditors, Shareholders, Employees and Society at large. Good Corporate Governance and Corporate Social Responsibility policy of the organization will help CFO a lot in performing his role effectively and efficiently.

The CFO is a Key Managerial Person (KMP) & plays an important role in decision making process of the Management, therefore the existing role of CFO must break away i.e from the number-cruncher stereotype to a strategic player. He will be the responsible person to ensure that the goals of the management are converted into monetary terms.

The CFO in coming days, besides acting as strategic partner to the CEO, will also have to play vital role in presenting the public face of the company to stakeholders, regulators and policy makers. He should be total believer of principle based governance.

In changing times, the future CFO owes their duty towards corporate governance to ensure that the requirement of different stakeholders are met to their satisfaction with transparency and openness without distorting information. The CFO should adopt “substance over form” approach focusing on the principles.

In future, the role of CFO will be “one face with four roles i.e organizer, operator, strategist and catalyst.”

Now a days, Risk Management has become an important & crucial function of a CFO in light of growing importance of Technology, Digitization and Cyber Security. CFO's needs to adapt and thrive regardless of the turbulence in an increasingly dynamic environment and has to prepare himself for any situations emerging with the unexpected financial surprises like Demonetization, Tax Reforms like GST and other adverse situation affecting the industry and entire nation's economy such as COVID-19 situation prevailing in current times.

Today, CFOs are supposed to perform board based role dealing with global volatility, currency fluctuations, risk management, funding decision and growth expectations.

### For Young CMAs

It is to be remembered that to become CFO, it is essential to work hard with full enthusiasm. It is necessary to work closely with marketing, sales, operations, HR and other sections HOD/leaders.

The young CMAs should develop analytical skills, be more creative and dynamic, understand best practices and know how to create more value for the company and should have the art of reading between the lines. This all will help young CMAs to progress in their career and achieve their desired goal towards becoming CFO of the Company.



# Catalytic role of CMAs in Sustainable Development

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## The perspective

This world is a beautiful place to live, with all its natural resources in the form of flora and fauna, rivers, mountains, seas and natural minerals including minerals. As everyone knows God Almighty is the creator of all these natural resources. He also facilitates the abundant use of these resources for the well-being of all His creations both humans and animals. Whereas the animals have evolved a kind of a self-dictated code in using the natural resources judiciously and also faithfully followed to adhere the code strictly, the human beings have never seem to have believed that the natural resources are to be shared by all God's creations and indulged in indiscriminate exploitation of all natural resources. Systematic attempts to misuse the natural wealth of the land, water and minerals go unchecked. Achieving sustainable development has been hampered by trade-offs in favour of economic growth over social well-being and ecological viability.

## Sustainable development

Sustainable Development is a concept that at its core is revolutionary, yet unfortunately incredibly difficult to pragmatically define. "Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs". Sustainable is a concept that appeared for the first time in 1987 with the publication of the Brundtland Report, warning of the negative environmental consequences of economic growth and globalization, which tried to find possible solutions to the problems caused by industrialization and population growth.

An interesting way of looking at the issues at hand with sustainable development is to look at the following quote, which states "a combination of uncertainty about what to do, and a feeling of guilt about what is not being done, means that many people seem afraid to expose what they feel is their lack of understanding of sustainable development. Therefore, it is often easier to pretend that it does not need to be addressed" It is quite clear that because of sustainable development's uncertain definition people, nations, and governments seem to act on it in varying ways. Yet, for those that have agreed on a definition, the problem of implementation arises.

The Preamble to the 2030 Agenda for Sustainable Development, 2016 states : "We are resolved to free the human race from the tyranny of poverty and want to heal and secure our planet. We are determined to take the bold and transformative steps which are urgently needed to shift the world onto a sustainable and resilient path. As we embark on this collective journey, we pledge that no one will be left behind." For the first time in history, an expanded

vision of development – sustainable development – took hold of citizenry and political leaders alike. It is a vision of unprecedented scope, significance and balance with respect to the three dimensions of sustainable development: economic, social and environmental.

## Towards Achieving SDGs

The three broad policy priorities that frame UNDP's support to achieve inclusive and sustainable growth tailored to the development needs of countries are :

- **Integrated planning for inclusive and sustainable growth.** Activities include establishing evidence based analysis for national plans, promoting economic diversification and sustainable growth, and effective natural resource management.
- **Supporting employment creation, decent work, and redistributive programmes to address poverty, inequality and exclusion.** Activities include promoting decent work; removing barriers in access to labour market opportunities; improving working conditions and scaling up redistributive programmes especially to support the social protection systems.
- **Mobilizing and scaling up financing for enabling transition to inclusive and sustainable growth.** Activities include promoting fiscal policies consistent with inclusive and sustainable growth objectives; promoting domestic resource mobilization and the adoption of innovative financing mechanisms for environmental sustainability and clean energy.

Establishing a Goal for inclusive and sustainable growth in the 2030 Agenda is itself an acknowledgement that current patterns of economic growth have not been capable of the transformative change required to meet the SDGs. It is a recognition of the fact that, without fundamental changes in the structure and pattern of growth, rising inequalities and exclusion may well prevail and, unless systems that build resilience to protect economies and societies against crises are forthcoming, millions of vulnerable households may slide right back into poverty and, without sustaining the environment, economic growth itself may be compromised. Achieving inclusive and sustainable growth, however, is no easy task. Taking into account different national realities, capacities and levels of development and respecting national policy and priorities mean that there is no one-size-fits-all solution. Each country faces specific challenges in its pursuit of sustainable development. Yet all nations seek to build strong economic foundations. By committing ourselves to achieving inclusive and sustainable growth, we express also a commitment to world of shared prosperity, to changing unsustainable patterns of production and

consumption and to ensuring the sustainable management of our planet's natural resources.

### **Role of CMAs in Sustainable Development**

Burnett and Hansen (2008) posited that management accountants are facilitators of decision making within organizations. Albelda (2011) calls for management accountants to include issues of sustainability into this facilitation process so that organizations can make decisions surrounding sustainable development. Many organizations try to integrate social and environmental practices into their strategic and operational plans. The management accountant is an important facilitator of such integrated activities. CIMA (2011) also suggested that management accountants must now take a more active role in sustainable development. According to IFAC (2016) 8 from 17 SDGs and their 17 targets have direct relation to the accounting. Accountants can influence their achievement. The most relevant goals for the accountants are the following: 12.6, 8.3, 17.16 and 17.18. Goal 12 and its target 12.6 act as a basis for the corporate sustainable development. They related to incorporation of the sustainable development criterions into the mission, strategy, tactical decisions and operating policies of business. As the result demand for more transparent and quality sustainability reporting (SR) is growing. Goal 8.3 provides guidelines for the development of the accounting profession which consolidate efforts and harmonize approaches to standardization of SR. Multi-stakeholder approach is formed within Goal 17.16. According to this goal improved data collection, monitoring and accountability are key elements of the information and analytical support of sustainable development.

### **Cost and Management accountants (CMAs) have a critical role in sustainable development and inclusive growth :**

- **As creators of value :** Cost and Management Accountants play the leading role in the development and implementation of strategies, policies, plans, structure and activities of the management and set a course to create sustainable development values;
- **As providers of value :** Cost and Management Accountants use information and provide management with high-quality reporting horizons which is the basis of the sustainable development strategy;
- **As reporters of values :** Cost and Management Accountants ensure high-quality reporting for stakeholders through detailed reporting of various operational aspects of the functioning of various activities within an organization

This vision of CMAs functional roles and their positions clearly correlates with gradations of corporate sustainable development. At the strategic level accountants exercise their authority as creators of values, at the operating level they act providers of sustainable development values and at the reporting level they act as keepers and reporters.

The history of the CMA profession is a story of responding to new market opportunities, including new demands

resulting from changes in the level and nature of business activity from the Industrial Revolution onwards and new legal requirements. CMAs are often involved with the measurement, recording and interpretation of sustainability issues.

Management accounting has a fundamental role to play in helping business to maximise the opportunities involved for doing lasting good and driving business growth. That's because the profession's very nature makes it a powerful force for supporting and implementing strategies and programmes aligned to the Goals, as well as tracking, analysing and reporting outcomes and impacts. The specific professional skills of CMAs – including in governance, risk management and control business analysis, and decision support, which involves measuring, reporting and providing assurance on financial and nonfinancial data – will become increasingly in demand as the SDGs gain traction.”

### **Cost and Management Accountants act as**

- Guides and translators of the Triple Bottom Line ideas using the language of corporate sustainability.
- They minimize information asymmetry and assess investment risks, provide and test standards of sustainability accounting, reporting and auditing within the emerging business model.
- With specific professional skills and involvement in governance, risk management, business analysis, decision support, due diligence, Cost and Management accountants are ideally placed to provide the alignment mechanisms and collaborate with senior management in producing fully integrated reports, reflecting sustainable strategies which lead to inclusive growth.

### **Approaches and Tools used by CMAs**

- **Full-cost accounting :** (also referred to as true-cost accounting, total value or total impact) brings together non-market goods, such as environmental and social assets, into the development equation, in order to allow analyzing the costs and benefits of business and/or policy decisions. The ultimate purpose is not to monetize nature or people, but rather to translate invisible resources such as intellectual, human, social and natural assets that are not captured in historic financial accounts into a common currency for strategic decision-making on impact and dependencies that affect overall value creation.
- **Cost Saving Resource efficiency and cost-saving:** opportunities can be identified by routinely collecting information on environmental and socially related expenditures and linking them to financial benefits and environmental and social performance progress and show how environmental and social external costs decline over time with commitment to sustainability.
- **Manage and report on nonfinancial risks :** Strategies to manage and reduce risk can benefit from the identification of social and environmental risks associated with current financial performance and with particular stakeholder groups (using external costs as indicators of risk). Without adequate and appropriate



systems to identify and account for such costs, it is unlikely that sustainable development would be able to meet the desired objectives.

- **Management accounting techniques, such as Activity Based Costing, target costing and the Balanced Business Score Card**, are mainly developed as a reaction to changing information needs driven by a growing competitive environment. Activity Based Costing systems measure more accurately the costs of activities, products, services and customers. Balanced scorecards link current decisions and actions to long-term financial benefits. All these approaches can be leveraged to develop and build operational and performance systems for driving sustainability agenda.
- **Lifecycle Assessment, Lifecycle Cost Assessment, Environmental Impact assessment, and Environmental Externalities Costing** : Management accountants play vital roles in accounting for sustainable development in these areas.
- **Governance, supporting decision making** : Future roles of CMAs would be – steering organization towards value creation through transparency, better control systems and professionalism. Economic growth is about raising a just and equitable society. Good governance is essential for economic stability and growth. CMAs have a critical role to play in creating strategies to improve and manage various internal and external risks, developing governance structures including monitoring and administering of compliances.
- **Integrative reporting incorporating non-financial as well as financial information** : It is concerned with the maintenance and long-term enhancement of five types of capital that reflect an organization's overall impact and wealth. Natural, human, social, manufactured and financial capital can be broadly related to the three aspects of the triple bottom line:
  - Environmental performance is directly related to natural capital, i.e. the natural resources (energy and matter) and processes used by an organization in delivering products and services.
  - Social performance reflects the organization's impact on human and social capital, where human capital includes the health, skills, knowledge and motivation of individuals, and social capital is the value added by human relationships, partnerships and co-operation.
  - Economic performance reflects value addition and returns on capital employed and resources deployed.
- **High-quality corporate reporting** : in ensuring financial stability and sustainable development in general and in particular the achievement of the SDGs high quality corporate reporting was officially recognized during 32nd session of UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). Cost and Management Accountants measure, evaluate and disclose the progress in achievement of SDGs.
- **IFAC recommends some practical ways for CMAs to act in their role as business partners and make**

**a difference towards a sustainable approach** : Identify the environmental impacts and correlation with the organization's strategy, business model and performance; Identify and integrate significant natural and social capital issues into decision making system; Evaluation the benefits of tackling environmental and social issues (cost reduction; revenue generation); Organize internal systems and processes to ensure what matters is measured and managed; Link the strategy and resources to the creation of value for stakeholders; Controlling costs and reducing waste by efficiently management;

- **The more focused day-to-day roles played by management accountants will also be diverse and valuable.** Primary tasks are likely to include: encouraging businesses to meet SDG requirements through improved innovation capabilities, emphasising the importance of ethical behaviour throughout the value chain, focusing more tightly than ever on best practice in governance and stewardship, driving the formation of strategic partnerships, helping businesses to base their corporate reports on the six 'capitals' of integrated reporting: human, social and relationship, intellectual, natural, manufacturing and financial.
- **CMAs play an important role in ensuring that the company's business model is sustainable by** aligning sustainability activities with strategy and linking them to business drivers, by providing decision makers with information about sustainability factors, so that they can be integrated into business planning and reporting and by such integration they contribute to the advancements of the SDGs and the monitoring and evaluation of their impact.

## Conclusion

Cost and management accountants play an active role in strategy formulation around sustainability. Many organizations try to integrate social and environmental practices into their strategic and operational plans. The management accountant is an important facilitator of such integrated activities. Early roles of management accountants were prescriptive, focusing mainly on potential cost decreases and flows of economic benefits to the organization. However, with passage of time, the traditional roles of management accountants have evolved. The relationship between environmental and economic performance has increased, and so has management accountants roles as facilitators of decision making, with new performance measures and analysis tools which integrates environmental issues into their roles. CMAs have a key role to play in facilitating achievement of Sustainable development goals by harnessing knowledge, data, analysis, and technology to provide management the ability to take informed decisions. CMAs Look at the future. They are dreamers. CMAs as consultants should advise companies about sustainability and make them understand how to adopt sustainable practices. Their first duty is to live like a good citizen and then as CMA. The expectation on businesses is at an all-time high. Cost and Management accountants are critical in helping them to integrate the

Goals into governance, management and reporting as well as in facilitating greater connectivity between social and environmental benefit and economic benefit.

In addition, this paper provides a strong signal that CMAs must maximize their role in the company so as to provide input to management to run the company's operations with a focus on achieving the SDGs. Another implication is that CMAs must be prepared to increase professionalism in transferring knowledge to students regarding their role in achieving SDGs. The curriculum must be adjusted to the emerging needs related to achieving Sustainable Development Goals. With a strong commitment CMAs can help drive the changes needed to transform this globe for the better.

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## WIRC COACHING - ONLINE for Foundation, Inter & Final

Greetings!

As all of us are aware about the lockdown situation in the country due to Covid 19 till 14th April 2020. In the current situation WIRC is thinking of providing on line coaching facility to all the batches i.e. Foundation, Intermediate and Final.

Such coaching is to be initiated immediately to have some benefit to students.

E training is suggested through ZOOM video conferencing tool.

Basic requirements of the training are

1. Laptop / desktop system
2. Internet connectivity
3. PPT of lectures / excel sheets/ word sheets

WIRC has started online lectures through zoom application at all centres, if any more students interested to join the online lectures through zoom application they are hereby requested to contact / whatsapp message to Mr. D.G. Vanjari, Sr. Officer, WIRC. Mob.: 98921 85588 / 93720 71120

**CMA Chaitanya Mohrir**

*Chairman,*

*Students, Members and Chapters*

*Co-ordination Committee.*

## OBITUARY



**CMA Swami Anand Rishi** (M/50) a very senior member of the Institute, has passed away. He was a fellow member of the ICMA London and India.

He passed away at the ripe age of 91. He was a member of the Theosophical Society of India since 1963. He was also a disciple of Osho since 1971. He had varied experience having worked in different industries (rubber, sugar, chemical, pharma, poultry and hotel). He retired as Vice President (Finance) of Taj International Hotels.

He has written around 20 books and many articles on various spiritual subjects. Prominent among them being his book on Patanjali Yoga Sutras, Reincarnation, Meditation, Ashtavakra etc. May his soul rest in eternal peace.



## Evolution of GST – July 2017 to March 2020

CMA (Dr.) Subir Kumar Banerjee

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Deliberation on GST or Goods and Services Tax was going on for around 20 years. This single tax(GST) was introduced from July 1, 2017 by passing a bill in place of number of other taxes (like Central excise duty, Services tax, Additional customs duty, Surcharges, State-level value added tax and Octroi). GST is known by two names - i.e. GST for State and Central named SGST and CGST, respectively.

### The GST Rates as on July 1, 2017 and subsequent amendments

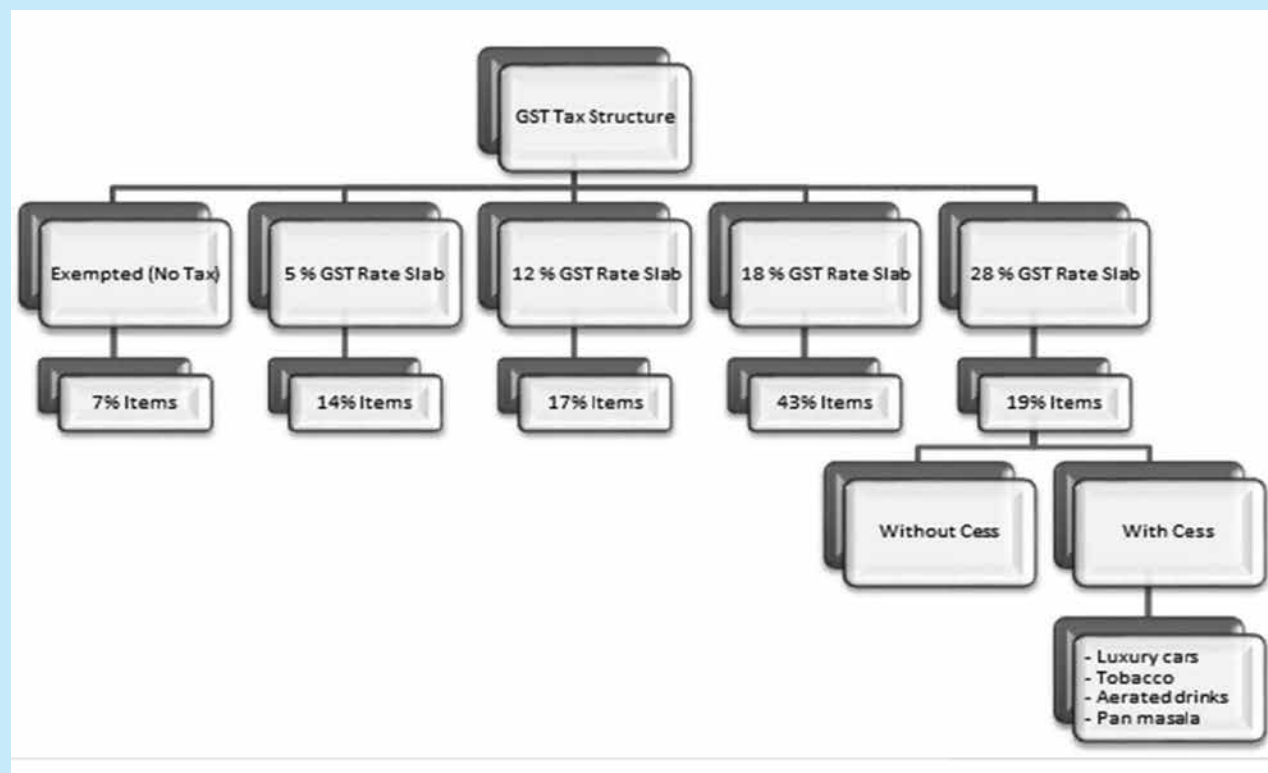
The rates were one for State and one for Central GST. Such rates were comparably on the higher side in relation to previous rates. When GST was first introduced it had five tax slabs (0%, 5%, 12%, 18% and 28%) for all the goods and services. However, petroleum products, alcoholic drinks, and electricity are not taxed under GST. They are taxed separately by the respective state governments, in accordance with earlier tax regime. These GST tax slabs

were substituted by amendments effective from 25th January,2018. Composition of Goods and Services vis-à-vis slabs of tax rates gets changed when an amendment is made. The amendment were on 29 Goods and 53 Services. GST Rates were reduced from 28% to 18%, 28% to 12%, 18% to 12%, 18% to 5% and few were charged NIL GST and for very few products there was increase in rates.

### 4 GST Tax Slab Rates List for Key Different Goods and Services

July, 2017	January, 2018	March, 2020
12%	5%	5%
18%	12%	12%
28%	12%	18%
28%	18%	28%

**Figure 1 - Chart of Latest GST Tax Structure**



Source- <https://www.kotak.com/en/stories-in-focus/gst-rate-slabs.html>

- **GST Achievement & Failures So Far**
- In any major move like introduction of GST, there is bound to be some teething problem. However, it is a big step towards achieving in Ease of Doing Business for business communities in India and abroad.

Simplification of tax structures of such big magnitude shows political will and proactive attitude of both Central and State Governments. Introduction of GST has brought down tax for consumers and it boosted production



- vis-a-vis growth of the industries. Since for SME, there is provision for Turnover based GST like more the production lesser the tax, it is windfall for them. Doing away with toll plazas and check posts throughout India have been boon for companies which can now avoid transit delays, unnecessary costs of storing and warehousing resulting in squeeze in margin. Since

the customs duty on exporting goods has decreased, corresponding ripple effects are reduction of cost of production, strengthened competitiveness and boost of export.

At the end of third year, let us take stock of situation as to the extent of success and failure in the following chart.

**Figure 2 - GST Achievement & Failures**

Parameter	Comments	Parameter	Comments
Co-operative federalism between Centre and states	Any decision under the GST, whether related to reduction or increase in rate of tax, exemptions, valuation or any other key aspects, are being taken up by the GST Council, which is a body of members, comprising equitable representation from the Centre and states, leading to cooperative federalism between the two.	Lack of guidelines for Anti-profiteering regulation	Despite having extended the tenure of the anti-profiteering body, GST authorities have still not prescribed guidelines and methodology to test anti-profiteering compliance by the industry.  Lack of clarity about this aspect has been a major area of concern for the industry, which has been left clueless regarding the risks underlying their pricing decisions.
Rationalisation of GST rates	The Government has time and again communicated its objective to rationalise tax rates for majority of items, except for luxury goods, and keep most of them at tax brackets of 18% or less.  While the GST rate has been rationalised for several items, the process of further reduction is expected to be continued to prune the list of items further, especially from the 28% tax bracket.	Potential surge in litigation	With the advent of GST, various petitions seeking release of detained goods and hardships faced due to technical glitches have been filed. Moreover, the constitutional validity of several GST provisions have been contested before the courts.  It can't be denied that AAR authorities have helped to clarify several controversial issues. However, contradictory rulings on identical matters issued by various AARs and pro-Revenue outcomes in most cases have become breeding grounds for future litigation in GST.
Resolution of industry-specific issues	During the year, targeted business sector-specific measures were adopted by the tax authorities in an attempt to achieve an equilibrium between the industry's expectations and the interest of the Revenue.  Measures have been taken to provide clarity on various issues, with several provisions being eased and GST rates reduced.	Fraudulent transactions	GST was expected to bring in an anti-evasive tax regime. However, numerous cases have been reported for bogus billings, tax evasion, input claims through fake invoices, etc. Tax evasion detected in such cases runs in hundreds of crores of rupees. GST has in its present form, and although has reduced the number of such cases, it has failed to completely curb fraudulent transactions resulting in tax evasion.

Hits		Misses	
Parameter	Comments	Parameter	Comments
Facilitating GST compliances	The Government has time and again co-operated by easing timelines for various GST-related compliances such as filing of GSTR 1, Annual Returns and Audit reports. Correspondingly, the tax authorities have also rendered support to taxpayers by issuing press releases on various operational issues faced by them and to ease compliance-related procedures.	Challenges for the exporters	Processing of GST refunds to exporters of goods and services has been an area of concern since introduction of GST. And while the Government has taken several initiatives for speedy processing of refunds, the benefit does not seem to effectively and adequately percolate to India Inc. at the ground level.
Equitable growth in Indian states	In the pre-GST era, tax revenue was mainly generated by the industrialised states through state levies.  GST, being a consumption-based destination tax, allocates revenue to the states on their consumption of goods and services. This leads to more ensured equitable growth of states across country.	State-level cesses	The core theme of the 'one nation one tax' slogan seems to be diluted with the introduction of state-level cesses. Recently, Kerala has introduced a 'Kerala Flood cess at the rate of up to 1% on intra-state supplies to end customers, effective 1 August 2019. This has been done to compensate the state for the loss suffered by it in the recent floods.
Technologically driven compliance mechanism	The new GST system runs under a canopy of strong technological support and tax authorities are working in the direction for digitalising most GST services. This has largely reduced the dependence of MSMEs on professional support and personal interface with the tax authorities as compared to the earlier regime.		

Source - <https://www.pwc.in/assets/pdfs/gst-at-2-years/gst-at-2-years.pdf>

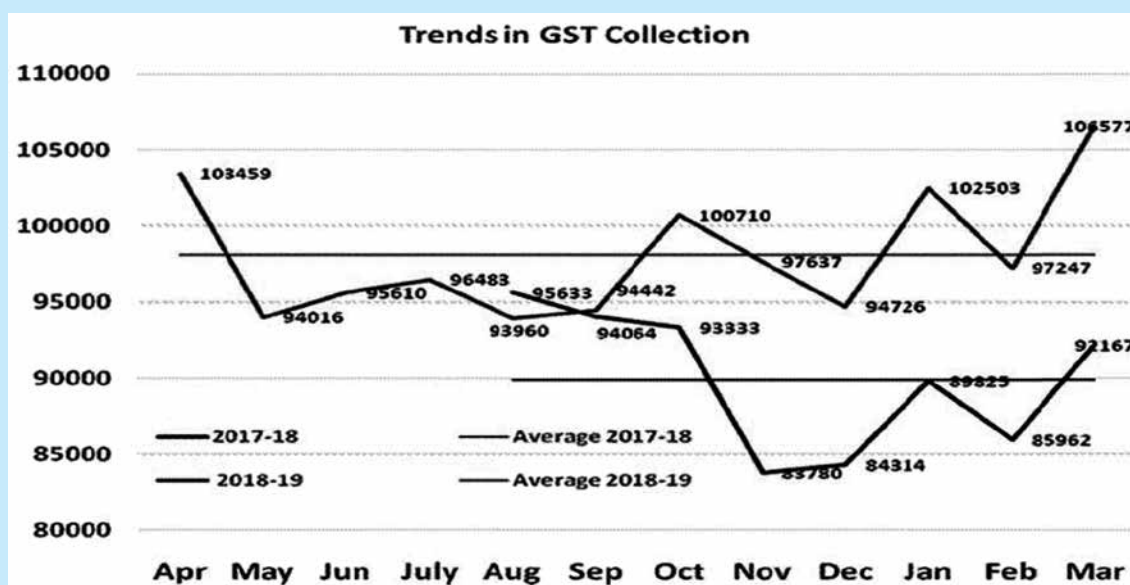
### Shortfall of GST Revenue Collection of Central and States

Numerous revision to GST rules and lot of items under exemption list are the main reasons for the Rs. 63,200 crore shortfall in compensation cess for FY20. As per the Fifteenth Finance Commission, more than 40 amendments have been done in GST since it was introduced. So many revision have made the tax structure volatile and compliance became cumbersome. These are the main two reasons for the shortfall of collection vis-a-vis targets. Centre is critically reviewing incentives and export benefits for a boost in revenue. Avoidance of Tax is another culprit.

Efforts are on for seamless return filing process, increasing collection, smooth compliance process and enhancing revenue and focused compliance management and good cooperation and co-ordination between central and state tax administrations.

Another problem is that the centre has promised to compensate the states to bridge the gap for shortage in collection during July 2017 till June 2022. States are not trying their best to stop the loopholes in collections, ensuring smooth compliance and rationalize GST since they are sure of guaranteed compensation of the deficit of collection.



**Figure 4 – Trend in GST Collection**

Source -<https://pib.gov.in/newsite/PrintRelease.aspx?relid=189619>

**Figure 5-Monthly Gross GST Collection from July,2017 till February,2020**

Gross GST Collection 2017-18 (Rs in Cr.)	Gross GST Collection 2018-19 (Rs in Cr.)	Gross GST Collection 2019-20 (Upto February)(Rs in Cr.)
April	—	April 1,13,865
May	—	May 1,00,289
June	—	June 99,939
July	94,063	July 1,02,083
August	90,669	August 98,292
September	93,141	September 91,916
October	83,346	October 95,380
November	80,808	November 1,03,492
December	86,703	December 1,03,184
January	86,318	January 1,10,828
February	85,174	February 1,05,366
March	1,03,458	March N.A.***
Total	8,03,680	Total 11,24,544

\*\*\* March,2020 has not ended & hence Data Not Available at the time of writing this article

## Source – Compiled by Author

### A. Overhauling of compliances and documentation

#### 1. Review on GST returns

Main purpose of the GST structure was tracing of buyers' and seller's invoices for calculation of the outward tax liability of the supplier and whether the recipient is qualified for input tax credit. It was a good concept, but its applicability was a nightmare for the Government in view of IT-related issues.

To start with, the Government implemented a return, GSTR 3B, which was to be submitted along with the return for outward supplies (GSTR 1), and GSTR 2 and GSTR 3 returns were kept in abeyance.

A revised GST return system will be effective from 1st October 2020 instead of 1st April,2020 as decided earlier.

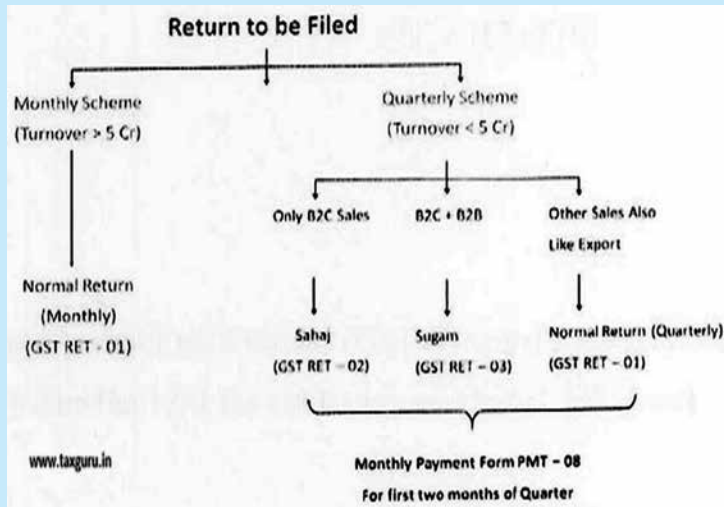
Also, the applicability of e-invoicing and the QR code has been postponed to 1st October 2020. To even out teething problems a pilot project has been operative since October 2019. Pro-active involvement of taxpayers and GST practitioners in this pilot project is must for smooth operation of the new return system. In pilot project, GSTN has already applied the following steps which will enable to give their correct input to upgrade the GST new return tool:

- GST New Return Offline Tool has been put on the GST Portal
- In this pilot scheme of the New Returns Offline Tool, Form GST ANX-1, Form GST ANX-2 (with Matching Tool built in it) and a template for Purchase Register (which will be used to import data of purchase register for matching) has been issued.



The important salient features of new returns are as under:

**Figure 6 - salient features of new GST returns**



**Extension of GSTR-9 and 9C(Latest decision at GST Council Meeting on 14th March,2020 (Quoted from Press release on 14th March 2020)**

The GSTR-9 & 9C deadline is postponed to 30 June 2020 for FY 2018-19. Also, the turnover limit will be from Rs 2 crore to Rs 5 crore for mandatory annual return filing. The taxpayers with an aggregate annual turnover of less than Rs 2 crore in FY 2017-18 and FY 2018-19 will not pay any late fee for delayed filing of GSTR-9.

**2. Matching concept**

When GST was introduced, to ensure complying with Tax mechanism, Government originated ‘matching concept’ for availing of Input Tax credit. To demand tax credit, this idea requires a purchaser to match its tax outgo with the GST collected in government exchequer and disclosed by the seller on the government portal (against its outward supplies) every month. Purchaser will be refused Tax Credit if there is any inconsistent or unequal dealing filed by the seller. This idea will guarantee uninterrupted movement of credits along the value chain, boost a super compliance atmosphere and will avoid tax crime.

In the revised GST return scheme which will be effective from 1st October,2020, Government desires that when nitigrity of transactions of Input Tax credit is put in place and available to a taxpayer as a result of details of transactions uploaded by the suppliers it will be autopopulated (‘UPLOADLOCK-PAY’). Here, recipient will click on the bill the inward annexure, i.e. ‘Accept’, ‘Reject’ or ‘Keep pending’. A taxpayer will match between its purchase register and invoices on the basis of input by its suppliers on a real time basis.

**3. Anti-profiteering**

The definition of anti-profiteering under the GST Act is to check that any benefit of decreasing in the GST is given to the customer. While the purpose behind the concept has been clear but the application of the anti-profiteering rules is not so easy. The National Anti-Profiteering Authority (NAA) has been established under Section 171 of the GST Act, 2017 to make sure that the benefit of decrease in rate of

tax is given to the buyer by way of corresponding reduction in prices.

NAA was in force for nearly two years and further has been renewed for two more years, till November 2021. However, since there is no specific dos and do nots to fix issues, it needs clarification from NAA whether to consider price spike for in view of pure business and commercial reasons. Accordingly, NAA should promptly clarify and fine-tune the bench mark to avoid ambiguity what industries are facing.

**4. GST Audit**

**Three Types of GST Audit**

**a. Turnover-based Audit under Section 35(5) of CGST Act**

If the annual turnover of a registered taxpayer is more than Rs. 2 crores in a financial year, the taxpayer is required to get his accounts audited by a Chartered Accountant or Cost Accountant every year.

Calculation of turnover will be as follows:

Aggregate turnover = Value of all taxable (inter-state and intra-state) supplies + exempt supplies + export supplies of all goods and services

**b. Normal audit/General Audit by Tax Authorities:**

Commissioner authorized officers of CGST / SGST can conduct such type of GST audit. Numbers of this nature of audit and method of such audit can be dictated subsequently. The Commissioner office will send letter 15 days prior to audit to the auditee and such audit shall be finalised within 3 months from the date of commencement. However, this period of 3 months can be increased by another six months by logical causes recorded in writing by a commissioner.

**c. Special Audits:**

A CA or CMA can conduct such type of audit of the registered dealer of his records provided minimum ranked Assistant Commissioner certifies and directs that the values have been declared erroneously and/or credits given beyond the normal limits. However, CA or CMA for such a GST audit will have to be nominated by the commissioner. Such audit will have to be completed within ninety days and this ninety days time can be increased by another ninety days.

On finalization of special GST audit the summary of report are to be informed to the auditee in Form GST ADT-04.

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7. <https://www.taxmann.com/blogpost/2000001690/types-Margin-is-dependent-upon-Sales-Realisation-and-Cost-of-Sales>



# MIS Report showing Various Cost Elements as % of Cost of Sales

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Margin is dependent upon Sales Realisation and Cost of Sales.

So it becomes imperative to ascertain Various Cost Elements which make up ultimate Cost of Sales.

This can be done by Preparing Report as mentioned in Annexure – 1.

This enables the management to ascertain which Cost Elements management should focus on to either control or reduce the Concerned Cost Elements.

This Write Up discusses Major Cost Elements where Management can focus to Monitor, Control and Reduce Respective Cost Element and thereby Ultimate Cost of Sales.

## Raw Material Cost

Usually it dominates Cost of Sales of Many Companies / Industries

To Monitor / Control / Reduce Its Usages

- 1) To purchase Raw Material of Superior Quality
- 2) To Keep Plant & Machinery in Proper Condition

To Monitor / Control / Reduce Its Prices

- 1) Order in Bulk and Negotiate Quantity Discount

If Company has more than 1 similar Plants requiring similar Raw Material, Combined Purchase Order can be placed which may put company in better bargaining capacity. Company can negotiate well

- 2) To explore New Vendors
- 3) To avoid any emergency purchase there by paying higher prices
- 4) To explore the possibility of Putting up of own plant

## Electricity Cost

It may also dominate Cost of Sales of Many Companies / Industries

To Monitor / Control / Reduce Its Usages

- 1) Plant should run at optimum capacity
- 2) Suggestions can be invited from Employees working on Shop Floors.

Company can suitably reward any good suggestion.

- 3) Possibility can be explored to replace existing Plant & Machinery with new Energy Efficient after having carried out proper Cost Benefit Analysis and its Pay Back Period.

To Monitor / Control / Reduce Its Prices

- 1) To try to explore possibility of putting up own generating plant / wind mills / solar

## Steam Cost

- 1) To minimise transmission losses / line losses
- 2) Explore the possibility to Upgrade the Boiler with Energy Efficient Burners

## Stores & Spares / Repaires Expenses

Incidence of Expenses with respect to Consumable Stores & Repaires Expenses depends upon age of plant & machinery and operating conditions of plant & machinery.

If there is any substantial increase in expenditure with respect to either Consumable Stores or Repaires Expenses, 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.

Emphasis should be to procure it from Original Equipment Manufacture to ensure its Quality & its Realiability & Life span. So over period of time , it will reduce its cost

Order in Bulk and Negotiate Quantity Discount

Common Purchase Order can be placed for same items required by different plants and this will enable the company to negotiate better price.

## Stationery

Expenses with respect to Stationery for Computer & Stationery for other Office use can be controlled by entering into Annual Rate Contract with concerned suppliers which can be either for a given period or for a given quantity.

### Annexure-1 – Yearwise Trend of Cost Elements as % of Cost of Sales for Company/for Plant 1/for Product 1

YEAR	2018-19(Rs Lacs)	%	2017-18(Rs Lacs)	%	2016-17(Rs Lacs)	%
PARTICULARS						
Sales						
Cost of Sales						
Margin						
Break Up Cost of Sales						
Raw Materials						
Electricity						
Steam						
Cooling Water						
Packing Material						
Salaries & Wages						
Consumable Stores						
Repaires Expenses						
Depreciation						
Insurance						
Interest						
Stationery for Computers						
Stationery for other Office use						
Travelling-Domestic						
Travelling-Abroad						
Bus Expenses						
Uniform						
Security						
Legal and Professional Fees						
Seminar						
Telephone Expenses						
Books and Periodicals						
Audit Fees-Financial Audit						
Audit Fees-Cost Audit						
TOTAL COST OF SALES						

## Regional Student's Cost Convention (RSCC) Report

Regional Student's Cost Convention (RSCC) of the Western India Regional Council was conducted at Aurangabad and hosted by ICAI-Aurangabad Chapter. The theme of RSCC was "75 Years of Independence Vision 2022 – Role of CMA". This Year the convention was organized after a long gap and very much appreciated by students and members. We have received overwhelming response from all the chapters and students. More than 350 Students from 10 different chapters participated.

Convention was inaugurated by two Industrialists, Chief Guest Hon. Shri. R K Bagla, CMD Bagla Group of Industries and Guest of Honor Hon. Shri. Atul Save, MLA Aurangabad East. CMA Neeraj Joshi, Chairman WIRC, CMA Amit Apte, Immediate Past President, CMA Ashish Bhavsar, Secretary WIRC, CMA Manubhai Desai, Past Chairman WIRC, Under his visionary leadership WIRC started organizing RSCC, CMA Chaitanya Mohrir, Chairman, Students, Members and Chapters Coordination committee, CMA Parag Rane, Chairman Aurangabad Chapter & CMA Surendrasingh Deore, Vice Chairman, Aurangabad Chapter were on Dias.

CMA Parag Rane gave Welcome Address and shared his views about convention; CMA Chaitanya Mohrir shared ideas about theme of convention. CMA Ashish Bhavsar Introduces dignitaries on the dais. CMA Neeraj Joshi shared his views about convention and activities going on at WIRC. CMA Amit Apte addressed the participants.

CMA Manubhai Desai Senior member at the age of 87 travelled all the way from Surat to bless the students. Under his visionary leadership WIRC has starred RSCC. He recently completed 87 Years hence he has donated Rs. 87,000 to WIRC and handed over the cheque to CMA Neeraj Joshi Chairman WIRC. He expressed his wish that form the interest of the donated amount a prize to be given to topper student.

Hon. Shri. R K Bagla, and Hon. Shri. Atul Save, guided the audience. During their speech they informed how a Cost Accountant are important to industries and also put their views about expectations from Industry. Their guidance speech added value to participants knowledge.

On this Occasion 5 revision books prepared by the faculties from different chapters were released at the hands of dignitaries on the dais. Idea behind revision book is to have all the important topics, formula in concise format at once place which will be handier to students before appearing examination.

CMA K B Paranjape, very senior member has written a

book on Costing for the benefit of students. This book was also released at the hands of dignitaries on the dais.

CMA Kiran Kulkarni, Secretary Aurangabad chapter offered vote of thanks.

In the first technical session we had a Mulakhat for 5 successful Cost Accountants. Mulakhat Panelist were CMA Amit Apte, Immediate Past President, CMA Rajesh Deshmukh, Industrialist, CMA Atithi Mujamdar and CMA Kiran Kulkarni Representing Industry and CMA Salman Pathan, Young Practicing Cost Accountant. Mulakhat was Conducted by CMA Amit Shahane, Practicing Cost Accountant. All the Panelists shared their experiences, their struggle, learning to become successful in the life.

In the same technical session Prof. Kisan Watni conducted a Motivational lecture for the participants. During his speech he has explained how emotional intelligence the key to professional success.

We have conducted PPT competition for students. 10 different subjects were given to participants and first round was conducted at chapter level and 2 best teams from 10 different chapters were participated in the competition. Prof. Ippear and Prof. Chitnis were Judges for the competition. Winning teams consist of all the Female students.

After PPT competition there was a cultural event participated by students from different chapters. This event was very much enjoyed by all the participants. This event is a symbol that CMA students are very much active in extracurricular activities. CMA Vinayak Kulkarni & CMA Ashish Devdhe were Judges for the cultural event.

Valedictory session was chaired by Hon. Shri. Raghavendra Joshi, CMD R J Group of Industries.

CMA Neeraj Joshi, Chairman WIRC, CMA Chaitanya Mohrir, Chairman, Students, Members and Chapters Coordination committee, CMA Vinayak Kulkarni RCM, CMA Parag Rane, Chairman Aurangabad Chapter & CMA Arun Joshi, Managing Committee member Aurangabad Chapter, CMA Shailendra Singh Rajput, Managing Committee member Aurangabad Chapter were on Dias.

CMA Parag Rane delivered Welcome Address, CMA Chaitanya Mohrir shared summary of RSCC 2020. CMA Arun Joshi Introduced Chief Guest Shri. Raghavendra Joshi. CMA Vinayak Kulkarni addressed the gathering. CMA Neeraj Joshi Chairman addressed the gathering during his speech he appreciated the organization and given useful tips to students. CMA Shailendra Singh Rajput offered Vote of Thanks.

Chief Guest Hon. Raghavendra Joshi felicitated PPT



competition winners, Cultural competition winners Staff of Aurangabad Chapter, Volunteers representative. On the Eve of Women's day Hon. Chief guest also felicitated All the Lady CMA Members presented at the event.

In his speech Hon Shri Raghavendra Joshi Sir shared his views about Costing and also shared his experience how he became successful in life. He also informed that Industry demands for a knowledgeable, hardworking person in the area of Accounts and Costing. He also shared the demand form industry and expectations from a person working in Accounts and Costing department. His guidance speech added value to participants knowledge.

Inaugural and valedictory session was hosted by CMA Sanvedi Parag Rane a young and enthusiastic Cost Accountant from Aurangabad.

The RSCC was successfully concluded with a national Anthem.

## Press Coverage



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Ref. No. G/128/4/2020

2nd April 2020

## NOTIFICATION

### **Sub: Extension of time for Continuing Education Programme (CEP) Credit Hours for renewal of Certificate of Practice (COP) for the year 2020-21**

As per the Guidelines for Mandatory Training for all Members of The Institute under Continuing Education Programme (CEP), it is mandatory for the members holding Certificate of Practice (COP) to undergo minimum mandatory training of 15 hours per year commencing from 1st April to 31st March and 50 hours in a block of 3 years and for members above the age of 65 years it is 7 hours per year and 25 hours in a block of 3 years.

If the COP of members is not renewed for the year 2020-21 due to shortfall in CEP hours, it might cause hardship to those members who thrive exclusively on practice notwithstanding the fact that compliance of prescribed minimum requirement of CEP hours is mandatory for renewal of Certificate of Practice.

In view of the above, it has been decided by the Council of the Institute to grant extension upto 30th June 2020 to complete the requirement of CEP Credit Hours for renewal of COP of the members for the year 2020-21. However, for the CEP hours credited during the period 1st April 2020 to 30th June 2020, members are required to inform whether these CEP hours are to be accounted for the year 2019-20 or for the year 2020-21.

*Kaushik Banerjee*

**CMA Kaushik Banerjee**

Secretary

## CHAPTER NEWS

### AHMEDABAD

Ahmedabad chapter had organized members' meet on 13th March 2020 at the hotel Fortune park, Ahmedabad. All council and regional council members were invited to attend this meet. Ahmedabad chapter was fortunate to have the presence of CMA Balwinder Singh President ICAI, CMA Biswarup Basu Vice president ICAI, CMA Neeraj Joshi CCM and Chairman WIRC, CMA Ashwin Dalwadi CCM, CMA Chittaranjan Chattopadhyay CCM, CMA Ashish Bhavsar RCM and HON. Secretary WIRC, Chaitanya Mohrir RCM in this meet. More than 85 members of Ahmedabad chapter attended the meet. Chairman of Ahmedabad chapter CMA Haren Bhatt welcomed all the dignitaries and members and gave brief introduction of all the dignitaries and felicitated President CMA Balwinder Singh. After that all other dignitaries were felicitated by senior members of the chapter. WIRC mobile APP was launched by president CMA Balwinder Singh. After that CMA Neeraj Joshi Chairman WIRC, briefed about mobile APP and WIRC current activities. President CMA Balwinder Singh gave brief idea about how current council is actively functioning on current and pending issues and what they are doing to improve presence of our profession. Vice president CMA Biswarup Basu and CCM CMA Chittaranjan Chattopadhyay thanked Ahmedabad chapter for invitation and conveyed best of luck to Ahmedabad chapter. Members deliberated on the various issues of their concern related to our profession. Mr. P. P. Dave, a very senior employee, retiring in March end was felicitated by our President.

CMA Malhar Dalwadi Hon. Secretary gave vote of thanks to all the dignitaries and members for sparing their valuable time and making this meet most successful and invited all the members to join for the dinner.

### AURANGABAD

Felicitations function of successful students of Final, Inter and Foundation Examinations held in Dec. 2018, June 2019 & Dec. 2019 was held on 7th March 2020 at Banudasrao Chavan Auditorium, Institute of Engineers, Aurangabad.

Hon. M.P. of Aurangabad Mr. Imtiyaz Jaleel was the Chief Guest for the programme. CMA Neeraj Joshi, Chairman of WIRC of ICAI was the Guest of Hon. RCM of WIRC CMA Chaitanya Mohrir and CMA Vinayak Kulkarni graced the occasion. In all total 481 successful students in various examination levels were felicitated. Twentyone complete CMAs were felicitated along with their family.

CMA Parag Rane Chairman of Aurangabad Chapter of ICAI, CMA Kiran Kulkarni, Secretary and CMA M.R. Pandit, Chairman, Training & Education Committee welcomed the Guest. CMA Sanvedi Rane introduced the guest to the audience. CMA Parag Rane, Chairman-Aurangabad Chapter briefed about the Activities of the Chapter and CMA M. R. Pandit, Chairman-Training Committee spoke

about the achievements and forthcoming plans of the Training Committee.

Mr. Imtiyaz Jaleel Hon. M.P. of Aurangabad appreciated the efforts of Aurangabad Chapter for the dedicated Services of last 31 years given to the students from rural area in Marathwada region. He promised to support the activities of the Chapter and also help for construction of proposed CMA Bhawan of the Aurangabad Chapter.

CMA Neeraj Joshi Chairman – WIRC congratulated the successful students and assured them full support from WIRC in near future and mentioned that CMA students have excellent career opportunities of employments in India and abroad.

CMA Sanvedi Rane co-ordinated the program and CMA Kiran Kulkarni – Secretary proposed vote of thanks.

### KALYAN AMBERNATH

#### Prize distribution function & celebration of International Women's day :

On 6th March 2020, Chapter organized Prize Distribution Function for the Students Foundation, Inter and Final passing Dec. 2019 examination and celebration of International Women Day at "T.H.M. Auditorium" Ulhasnagar. CMA M.R. Dudani, Chairman of Chapter welcomed the Chief Guest CA Manya Hari Dudani Practising Chartered Accountants, Guest of Honour C.A. (Prof.) Reshmi Gurnani faculty member Smt. C.H.M. College of Arts Science & Commerce, Special Invitee, Prof. C.A. (Dr.) Bhavna Binwani, Vice Principal, Smt. C.H.M. College of Arts Science & Commerce.

Function started with lighting of lamp by Chief Guest, and Guest of honor Chairman of Chapter, Managing Committee members and faculty members attending the function. CMA Neetu Kapoor introduced the Chief Guest, Guest of Honour, Special Invitee and other dignitaries.

On the occasion faculty members of chapter Prof. Anjali Bijlani, Prof. Jyoti Chand, Prof. CMA Sandhya Kotwani, Prof. CMA Shama Khan, Prof. Savita Punjabi, senior faculty from Bharat College, Badlapur, and Prof. Sanjay Premchandani, were felicitated for recognition of role played by them in improving examination of chapter.

Prizes were distributed at the hands of CMA M.R. Dudani, Chairman of Chapter, C.A. Manya Hari Dudani CMA G. B. Shamnani, CMA Gopal U. Keswani, and CMA Neetu S. Kapoor. On the occasion Miss Ruchita R. Wadgeri, Student of Chapter, who secured 41st Rank at All India level was also felicitated.

Programme was co-coordinated by Mr. Raju P.C. Executive Secretary, Mr. Ravi Rohra Office Assistant, CMA Devendra Deshpande and Student volunteers Mr. Pankaj Kukreja and Mr. Kamlesh G. Kannar. Programme was anchored by CMA Neetu Kapoor, Secretary of Chapter and she also proposed vote of thanks. Programme ended with national anthem.

## Women's Day Celebration - 8th March 2020



Dr. Sujata Yardi, Master of Science (Physiotherapy), FIAP, Professor & Dean of College of Physiotherapy Nerul lighting the lamp. Also seen (L to R) CMA Vinayak Kulkarni, Chairman, Professional Development Committee-WIRC, CMA Neeraj Joshi, Chairman-WIRC, Mrs. Varsha Kolhatkar, Asst. Commissioner, Customs and CGST & CMA Arti Patil, Chief General Manager, Saraswat Co-op. Bank Ltd.



WIRC Celebrated International Women's Day on 8th March 2020 at Thane SMFC.

Dr. Sujata Yardi, Master of Science (Physiotherapy), FIAP, Professor & Dean of College of Physiotherapy Nerul, Mrs. Varsha Kolhatkar, Asstt Commissioner Customs and CGST & CMA Arti Patil, Chief General Manager Saraswat Co-op. Bank Ltd. were the Guest speakers.

Topics covered :

- Prevention of Sexual Harassment.
- One step Forward with Generation Next.
- Women Empowerment.

CMA Neeraj Joshi, Chairman WIRC, CMA Dr. Ashish Thatte, CCM-ICAI, CMA Chaitanya Mohrir, Chairman, Task Force for Women Empowerment, WIRC & CMA Vinayak Kulkarni, Professional Development Committee-WIRC were also present on the occasion.

Large number of Women CMAs from Mumbai, Pune & Nashik participated the event which was followed by Lunch.





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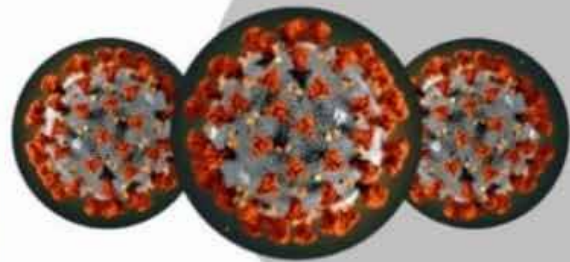
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## Glimpses of Felicitation Function organised by Aurangabad Chapter on 7th March 2020



## Members Meet at Ahmedabad Chapter held on 13th March 2020







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