

## Theme - SAP ERP



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

Dear CMA Professional Colleagues,

### *Greetings on the Occasion of 74th Independence Day !!!*

Independence Day is a National Festival for our Country. The Independence has given us a lot of rights as citizens of a free and democratic nation. But on this occasion we shall not only remember our rights but also should consider all the privileges that we enjoy as citizens of this great nation. This is the occasion when we shall remember all our responsibilities towards our nation and our fellow citizens. I am sure that all of us will inculcate a feeling of pride of our nation, gratitude towards the freedom fighters and responsibility towards nation building on this joyous occasion of Independence Day.

WIRC has started operations following various advisories and guidelines issued by the Government & the Institute in light of COVID. Thanks to full cooperation from our staff members and entire team of WIRC we are able to handle the operations of WIRC through Online Mode.

WIRC for the first time conducted “Virtual Chapters Meet” to discuss the issues faced by the Chapters in wake of COVID 19 Pandemic and also to take feedback, suggestions & inputs from the Chapters. The Virtual Chapters Meet was a grand success and I am thankful to all the representatives of the Chapters who attended it and gave their valuable inputs.

WIRC for the first time conducted “Virtual Faculty Meet” to discuss and understand the issues faced by them in conducting Online Oral Coaching Classes. WIRC is indebted to all its faculty members for their continued support during this time of COVID pandemic. Because of their support and participation, WIRC could continue with its student service without any interruption.

WIRC has commenced Online Oral Coaching Classes for its next batch. WIRC observed that in case of many small chapters it may not be feasible to have Online Oral Coaching facility considering the reduced number of admissions in light of COVID. Hence WIRC took a very innovative step to reach out to the chapters. WIRC has appealed to the chapters to register their students to attend the Online Oral Coaching Classes conducted by WIRC. I am glad to say that many Chapters of WIRC are making use of this facility for the betterment of our students. WIRC is also planning an Online Special Class on Saturday & Sunday for Students. WIRC will be engaging faculty from different chapters to address the students on specific topics. This will be beginning of a new era in students coaching where best faculties from across the region will come to a common platform to address the pan-region students. I proud to be associated with this initiative as Chairman of WIRC.

The current COVID situation has forced the Institute to merge the original June 2020 examination attempt with December 2020 attempt. I am sure that the students will now focus on this attempt and will prepare well.

The activities pertaining to the Members and specifically of knowledge sharing are going on in full swing. WIRC has completed total of 150 CEPs in the year, which is a unique achievement. This time due to COVID the AGM of WIRC got delayed. AGM is now scheduled on 19th August 2020 at 3.00 pm through Video Conferencing Mode. The Annual Report & Accounts of WIRC for the year 2019-20 are available on the website of WIRC.

Becoming Chairman of WIRC was a dream for me. It was my honour and privileges to represent WIRC as its Chairman. This opportunity has helped me grow personally and has given me opportunity not only to serve my mother profession but to lead it at regional level. Getting elected as Chairman of WIRC was one of the best things in my career as your elected representative. But like a dream all good things also reach its conclusion. I have completed 1 year tenure as the Chairman of WIRC. It's been a fulfilling year and enriching experience. I thank all my seniors for their continued blessings & guidance. I also thank my entire team of WIRC for their cooperation and confidence in me. I am thankful to the Staff members of WIRC for their support and cooperation. At this juncture I will be failing in my duty if I do not recognise the efforts put in by colleagues in Regional Council CMA Vinayak Kulkarni, CMA Ashish Bhavsar & CMA Chaitanya Mohrir. They have worked tirelessly to support me in each activity that I took up. I have been fortunate to receive love, affection, support & guidance from all the Chapters and their Managing Committee members. I am eternally grateful for their support.

During my tenure as Chairman of WIRC, I could achieve some milestones for the betterment of Students, Members & Profession.

- Restart of Regional Students Convention (Students Convention was hosted by Aurangabad Chapter)
- Publication of Revision Books for the Students and making them available Online Free of Cost for the benefit of the Students
- Online Oral Coaching Classes for the Students. The Facility is now made available to all the Chapters as well without any cost.
- Crash Course for the Students. WIRC conducted physical batch of Crash Course as well as Virtual Crash Course for the students of Inter & Final.
- Restarting of “E- Vidhyarthi”, an E-bulletin specially for the students.
- Regional Cost Convention (The RCC 2020 was hosted by Surat South Gujarat Chapter)
- Celebrations of the International Women’s Day at Regional Level
- Conducting a wide array of Knowledge Sharing programs for the members (WIRC has completed 150 programs during this year)
- Subject Specific editions of WIRC Bulletin
- Revamp of the Website of WIRC
- Launching of a WIRC Mobile App
- Representations to many Banks to recognise the CMA professionals
- Coordination with the Cooperative Department of Maharashtra to get empanelment of CMAs in Cooperative Sugar Audit as well as Audits of Cooperative Societies

The COVID has curtailed my activities as Chairman of the region for past 4-5 months and hence I could not do some things that I had planned in my mind. But I am sure the new team of office bearers which will take over very soon will take forward the agenda of professional development.

I once again thank all of you for your continued support, blessings and good wishes. I assure you that I will continuing serving the Institute and Profession with Honesty, Integrity and Dedication as always.

***“Gratitude turns what we have into enough, and more. It turns denial into acceptance, chaos into order, confusion into clarity...it makes sense of our past, brings peace for today, and creates a vision for tomorrow – Melody Beattie”***

***“I can no other answer make but thanks, and thanks, and ever thanks – William Shakespeare”***

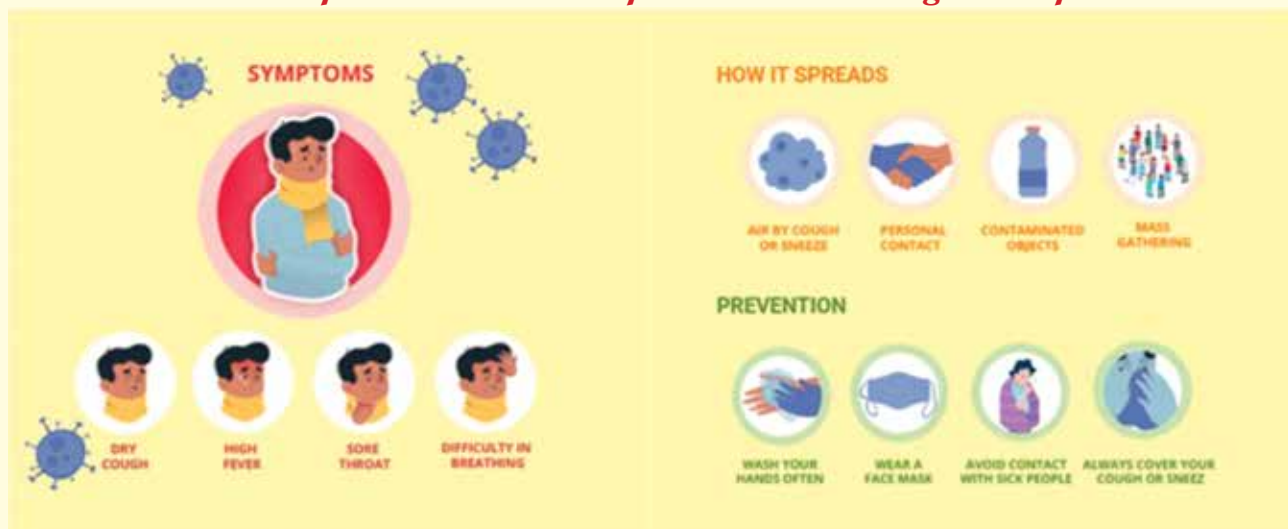
Stay Healthy & Stay Safe !

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,

Happy 74th Independence Day !!!!!!!

Hope you all are enjoying festive session under new normal.

In today's first changing world, technology had taken over many things which is done manually in past. As the time progress manually accounting and costing is taken over by various computer-based technology. ERP is one of the best explain of the same. In today's world most of the organisations are maintaining their accounts, records and costing on various type of ERPs. Most well-known ERP system is SAP. As the various record keeping system are computerised, role of Cost and Management Accountant increase in corporate world. Theme of August WIRC bulletin is "ERP/SAP". We have received around 7 articles on the themes. 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 S Balasubramaniam Ex. CFO of Zensar Technologies Ltd. I thank CMA Chaitanya Mohrir for conducting the interview. 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.

Time pass very quickly. In August 2019, Regional Council of WIRC has put trust on me and give responsibility to lead Editorial Board as a chief editor. During this period, I had tried my level best to improve the WIRC Bulletin. Editorial board had started many new initiatives like Theme base Bulletins, publication of CFO interviews, article by lady CMAs etc. We also restarted Student bulletin, E- Vidhyarthi. I had received excellent support from Chairman WIRC CMA Neeraj Joshi, other council colleagues, Editorial board team, WIRC Staff and printing press. I had also received excellent support form CMA members of WIRC by way of Articles. Due to the untiring efforts of WIRC staff and Printing press, we are able to publish our all bulletins in E-version during the lock down period. I am thankful to all of them for giving me opportunity and support to make WIRC Bulletin more meaningful.

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.

Stay Safe

Happy Reading !!!

With Ward Regards

**CMA Ashish Bhavsar**

*Chairman, Editorial Board*



# SAP S/4 HANA Central Finance (CFIN)

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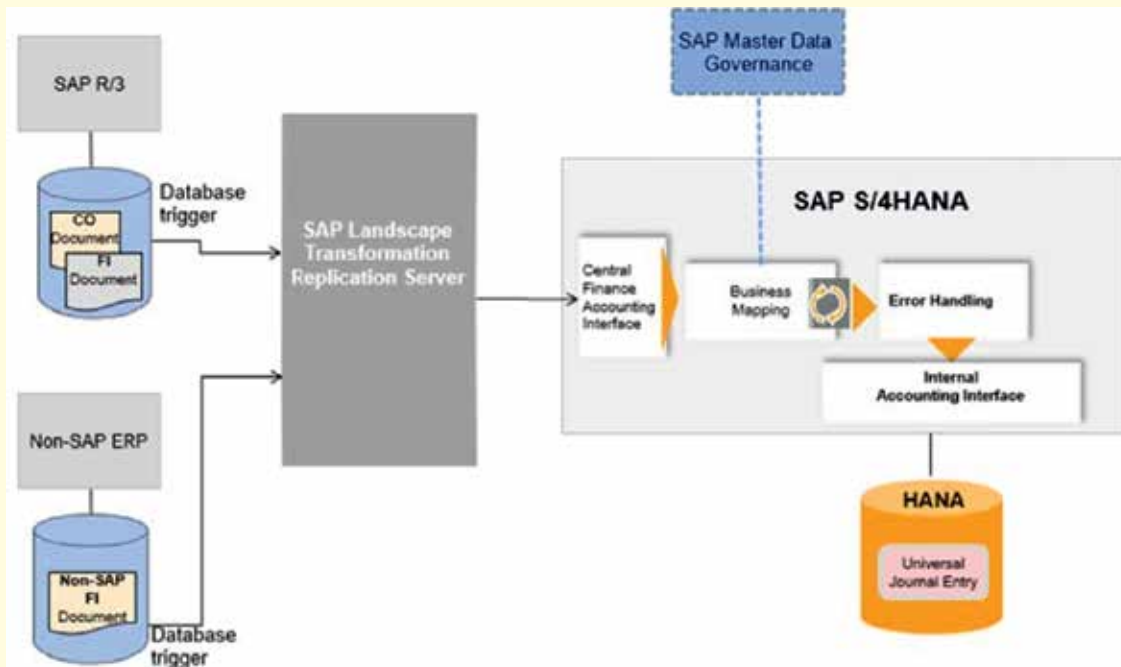
SAP S/4 HANA Central finance (CFIN) is centralized SAP S/4 HANA finance system. This product is in market for quite some time. A company which is planning to utilize SAP's Innovations without disturbing their current setup of systems and without converting entirely to S/4 HANA. We can also say that it is an approach to adopt S/4 HANA.

In CFIN system companies can connect their SAP systems of different releases and Non-SAP systems to CFIN system. Finance and Controlling (FICO) postings can be replicated into Central Finance system. This allows to a company a centralized reporting platform for FICO which can be used as a common reporting structure. The Central Finance option is useful for the companies which are having largely distributed system landscapes. In CFIN system replicating accounting data from different systems into a single system, allows to get consolidated financial reports, Group Reports, embedded planning, Centralized business processes etc. centralized reporting process helps to simplifying process and helps to reduce the operational cost of reporting. CFIN

helps in decision making because we get the real time and update to date data. And most important is that a single source of truth eliminate the reconciliation part.

The key things to about SAP Central Finance:

- It is a S/4HANA finance system
- is accompanied by the SAP Landscape Transformation replication server (SLT) which is mandatory
- SLT helps to replicate finance transactions posted in source ERP systems (SAP and non-SAP) in the target S/4HANA system (Central Finance system) using a set of standard interfaces.
- CFIN system also suggests (not mandatory) to use a Master Data Governance (MDG) to handle some of the master data mapping from source to target
- CFIN system uses the SAP Application Interface Framework (AIF) for error handling, monitoring and reprocessing



*A high-level diagram of SAP S/4 HANA Central Finance (CFIN)*

## Features of CFIN System:

1. CFIN system provides real time replication, this will help to get the consolidated financial reporting data without any latency. Because of real time replication there is a chance to reduce month end and year end reporting cycle time.
2. We can use the CFIN system to replicate master data and postings
3. We can map the master data of various source systems (SAP as well as non-SAP) to target systems either directly in CFIN or using Master Data Governance (MDG).

4. CFIN system is a single source for consolidation
5. CFIN system having centralized posting of Finance data as a universal Journal posting which is a single source of truth which helps for a harmonized financial reporting
6. In Some companies we may have a different system for Account Receivables, Accounts Payable and Payroll, users have to use multiple systems in a heterogeneous landscape to do their day to day operations.

Centralizing financial data into a single global instance with Central Finance provides an improved platform for financial planning, resulting in real-time planning data that facilitates proactive and predictive financial reporting capabilities

7. Central Finance system helps CFO of a organization to be more proactive in making financial decisions.

CFIN also helps to improve process efficiency, reduce total cost of ownership and harmonized data to assist finance team in meeting expectations of stakeholders

### Limitations of CFIN system

1. CFIN system does not support for Asset Accounting
2. CFIN system does not support for CO-FI recon ledger
3. CFIN System does not support for Parked document balance carryforward items
4. CFIN is useful and worth investing if the landscape have more than 1 ERP and business model is inclined towards M&A where more ERPs can join the game in future



### *Road MAP for CFIN system*

Source sap.com

Many companies currently using SAP, a new S/4 HANA implementation or system conversion can be combined with a third implementation option: leveraging SAP Central Finance.

SAP Central Finance allows companies to deploy a single instance of SAP S/4HANA Finance and then integrate some or all their financial and operational processes back through that instance. A company's current SAP or non-SAP financial systems don't need to be converted and can remain in their existing environments.

### Required License for CFIN system

- SAP Central Finance
- SAP System Landscape Transformation
- SAP MDG licence is optional to use. If full-fledged Master Data governance is needed, then implement MDG else CFIN can be implemented without MDG

## **WIRC Mobile App**

### Android version:

<https://play.google.com/store/apps/details?id=wirc.microvistatech.com.wirc>

### IOS version:

<https://apps.apple.com/us/app/id1523413767>

Suggestions for improvement in mobile app is welcome.



# SAP – A Lifetime Companion

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*(This article wants to emphasize that implementation of ERP/SAP is not an end in itself but is the beginning of a lifetime journey and explains how ERP/SAP is to be nurtured to ensure effective utilization of ERP/SAP and smooth journey of Enterprise Information System all along.)*

I begin with an analogy of ERP to a Garden. It is not enough for the Garden to be developed once but the same is to be nurtured on regular basis so that it blooms to be a Garden of Roses and does not wither into wild shrub over the years.

## Selection of ERP Package

It is essential for any successful business organization of medium or large to opt for an ERP. Although there are several ERP packages available, I would recommend SAP mainly for two reasons - (a) SAP has withstood the test of time and it is in existence for more than two decades now. Globally many companies have adopted SAP quite successfully. In India also, many reputed Groups like Reliance, Mahindra, L&T, Siemens and so on, are on SAP. (b) SAP always keeps pace with changing times not only with reference to country-specific statutory changes but also with changing technologies. SAP on cloud is a reality now.

## Successful Implementation

It is advisable to have an implementation partner. Big Corporate Groups have Corporate IT Teams to roll out ERP/SAP packages in all their Group Companies. Other companies should choose an implementation partner with reasonably good experience in ERP implementation experience, post-implementation helpdesk services and of course, competitive pricing.

Successful implementation of SAP or any ERP Package is a MUST as it is said, Job well begun is half done. The key successful factors of a good ERP implementation are:

- (a) Support and commitment from Top Management to the project;
- (b) Availability and involvement of Super Users of all modules for the entire duration of the Project. In my view, this is the most critical success factor. Of course, it is presumed that best available talent has been selected as super users.
- (c) Both implementation partner as well business should appoint dedicated project managers. I would recommend CFO to be appointed as Project Manager from Business team.

- (d) Regular Monitoring by Project Committee and Steering Committee at periodic intervals. Project Committee (not exceeding six) Members should ideally comprise of Project Managers, IT Head, some HODs and immediate boss of Project Managers. Steering Committee (around 4 members) should ideally comprise of CEO or his nominee, CIO, Business Head of implementation partner, Project Manager/s, and so on.
- (e) Timely availability of master data. Legacy data migration tools should be tested before Go Live and kept ready;
- (f) Uninterrupted system connectivity;
- (g) Sound unit and integration testing by the entire project team and participation by all the functional team members. All the expected and actual test results should be preserved for future reference.
- (h) SAP Reports to be checked thoroughly by HOD's. Standard SAP Reports to be followed. Customization of Reports should be avoided to the maximum extent possible.
- (i) Strong Documentation - Business Process Documents in standard form should be signed off by the Implementation Partner Team and the Business Team as well as the Project Managers.

## Next steps after successful implementation

What next after the Go Live celebrations? The journey begins now. The organization is wedded to SAP or the ERP successfully implemented.

## A. TEAMS

1. **Formation of SAP Team.** The initial Super Users from functional teams (or Business users) can continue to be the nucleus of the SAP Team going forward. The concept of super users being part of the IT team is very rare and is hardly affordable these days with the additional disadvantage of not being updated on functional process developments *Suo Moto*. However, it needs to be emphasized here that for each Module, the back up Super Users have to be developed in the interests of the Organization. The general perception that Maintenance of SAP will be solely by IT Dept is not only incorrect and irrational but also will not ensure robust health of ERP as explained in the tasks below.
2. **SAP IT Team.** Depending on whether the company owns the Server - located in-house or with an external Data Centre, IT team has to be responsible for maintenance of SAP infrastructure viz... SAP Main Server, CommVault, VMware etc. Alternatively, this function including the Infrastructure can be entirely outsourced to established international class Data Centres. .
3. **SAP Functional Helpdesk.** The scope includes BASIS, GRC and functional helpdesk. This is generally outsourced. Ideally if the implementation partner provides these services, it is better to hire them as helpdesk as they are already familiar with the business processes. If a full-fledged IT Department is available, it is worth handling functional helpdesk in-house

by co-opting some SAP functional team members as this could result in cost savings. In the long run, the IT SAP Functional Helpdesk can become a profit centre by undertaking the similar jobs for several other smaller Companies.

## **B. TASKS INVOLVED**

### **1. Maintenance of Master Data -**

Master Data for Materials, Vendor and Customer codes are usually handled by Master Data Guardians. The Master Data Guardian/s should be from the relevant business team to ensure that new codes are given as and when required, the unwanted codes are removed and the master data are always kept trim, complete and up to date. For example, material master Guardian should be from Planning Dept, Vendor Master Guardian should be from Procurement Dept and so on. The size and completeness of the master data affects the processing time. It is essential to have the review of master data every year or at least once in two years. If the Master Data has been uploaded in SAP from legacy data, this exercise should ideally be taken immediately after the implementation. This should be included in the Goal Sheet of the respective Master Guardians.

### **2. Review of Customized Reports -**

It is ideal to keep the customized reports at minimum level while implementing SAP. But this is something very difficult to practice. As part of Annual Review, it is essential to list customized reports which are being used regularly and analyze other customized reports to check whether these are still needed and maintain only the customized reports needed. This will save users' time considerably as they do not have to wade through lot of Tcodes to select the reports required.

### **3. Updating Documentation -**

This is the most important activity of all regular maintenance activities. Whenever any change in the activity/report is required necessitating change in SAP configuration or change in ABAP Programming, Change Request Note is to be initiated. This will have the justification for the change and necessary approvals. For example, if two step GRN is to be introduced - one at the Gate and second at the Stores, the Change Request Note is to be initiated by the Stores and Security Dept and should be approved by Stores and Security Head and the CFO. The reason - could be due to internal audit requirements - should be clearly stated. Once the change is approved, the same is sent to Helpdesk for changes to be configured. Once the changes are configured and tested, the Business Process Documentation is to be updated. Every change in configuration/report programming needs to be documented. This will also help the organization to change the helpdesk agency whenever required. It is also necessary to have Central Knowledge Repository, accessible to all SAP Users, where the Business Blueprint (BBP) Documents must be stored along with SOP and SAP User Manual. This will be extremely useful for new employees as well as existing employees to update their knowledge.

### **4. Effective Utilization of SAP can be viewed in two ways**

(a) There are no standalone systems without any interface to SAP. For example, an organization may prefer to have Quality Management module outside SAP for some reasons. But having full or part of any module outside SAP defeats the very purpose of an integrated system. (b) SAP Module is not fully utilized. For example, there are number of organizations who use PP Module without MRP for some valid reasons. Such partial utilization should be avoided to the maximum extent possible. There are some IT firms who conduct an audit

for Effective Utilization of SAP and their report can be the basis for enlarging the scope of SAP. For organizations who are already on SAP for some time, say, five years, such an audit will be worthwhile.

### **5. SAP Roles**

This is very crucial task done along with implementation where SAP users are assigned roles as per Job Profile. In later years, auditors point out SoD Role conflicts to be resolved. At the time of initial assignment, acceptable role conflicts can be identified and at the time of annual review, the objective should be to review the roles so that SoD conflicts do not grow beyond the identified acceptable role conflicts and this could mitigate a great challenge for the Management from the Auditors.

### **6. Review of SAP Processes as configured vis-à-vis BBP documents / current Business Processes**

This is a MUST for organizations who have been on SAP for more than five years and carrying out such reviews once in three years will reveal if there is total congruence between Business Processes practiced, those outlined in BBP documents as modified and processes configured in SAP. Any deviation should be attended to immediately and such congruence should be assured as a continuous process.

### **7. Evaluation of Technological Growth in SAP.**

Needless to state, technological developments in SAP should be constantly monitored by a team so that the organizational SAP always upgrades to the latest technology viz. S4 HANA, SAP on cloud at the appropriate time and as suitable to the organization's business needs and organization can avail latest reports and tools .

## **C. HR PERSPECTIVE**

### **1. SAP as a career**

HR Dept should draw up a road map for promising youngsters with great aptitude for ERP. This will at least ensure that attrition amongst SAP team members is minimized. Special incentive may be considered for SAP team members to keep them motivated. There can be a special policy to retain Super users as they are the pillars on which the edifice of SAP structure is built.

### **2. SAP Targets in Goal Sheets**

Also specific tasks in SAP should be identified as KRA's with significant weightage for SAP team members and others involved so that weightage given by Top Management to ERP is emphasized.

### **3. Regular training for SAP**

Regular training programs need to be arranged for either full module or activities for the benefit of newcomers or for end users. This can be arranged in house depending on scale or in collaboration with external training agencies. This will ensure optimum utilization of SAP.

### **4. Relieving of Super Users with due diligence**

If for some reasons Super users in any module want to leave the organization for better prospects, in spite of retention policy, they should be relieved only after the new super users are fully trained and knowledge transfer is complete to the satisfaction of immediate HOD. Otherwise, vacuum at this level can create havoc in the Company operations.

To conclude, SAP is a lifetime companion and after successful implementation, should be nurtured as suggested above to reap rich rewards in the long run and this will ensure that the business retains the competitive edge forever.





# New Functionalities in SAP – New GL, ML & AC

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Few years back, SAP came out with new functionalities for Material Ledger (ML), Actual Costing (AC) and New General Ledger (New GL). These functionalities came up in ECC 6.0 and in S/4 HANA they were enhanced further to become more valuable for organizations that have complicated production and financial reporting scenarios.

Purpose of this article is to provide conceptual understanding on the above functionalities. These are important changes for Cost Accountants who are employed or consulting in SAP environment. Before we get into the new functionalities, let us understand limitation of Standard Costing system.

## Standard Costing in SAP

In SAP, it is usual practice to define Finished Goods and Semi-Finished goods to be valued at Standard Price and Raw Material/ Packing Material to be valued at Moving Average Price. However, there have been serious limitations with Standard Costing process (before advent of ML) and was nightmare for accountants.

When RM/PM is issued to production order, Consumption a/c gets debited and RM/PM stock a/c is credited with the amount based on MAP at the time of issue. At the end of production

process, when delivery of Finished Goods is taken, Cost of Goods Manufactured (COGM) a/c is debited and Finished Goods a/c is credited with the amount based on Standard Cost released in SAP at the beginning of the month.

At the time of Sales, there are two set of entries passed in the system. One at the time of delivery and other at the time of billing. At the time of delivery, Cost of Goods Sold (COGS) a/c is debited and Finished Goods a/c is credited with Standard Price of product. At the time of billing, Customer is debited, with credit to Sales a/c & Output GST a/c.

At the month-end, variances between actual cost and standard cost is calculated and settled to finance with a debit to Production variance and credit to COGM a/c. Both are P&L account.

Let us take an example and plot this for better understanding.

Example 1: Standard Price of FG per unit:

RM	80
Activity	40
Total Cost	120

MAP for RM per unit is Rs 90. Based on the above data, we get Manufacturing and P&L account as below:

Manufacturing Account							
Particulars	Qty	Rate	Amount	Particulars	Qty	Rate	Amount
Consumption	20	90	1,800	COGM	20	120	2,400
Conversion Cost			1,200	COGM- Variance	20	10	200
				Under-absorbed Cost			400
			3,000				3,000
Profit & Loss Account							
Variance			200	Sales	10	250	2,500
Under-absorbed Cost			400				
COGS	10	120	1,200				
Other Cost			500				
Profit			200				
			2,500				2,500
Balance Sheet							
				Inventory – FG	10	120	1,200

If you notice, variance and under-absorbed cost have been treated as “period cost” and not “product cost”. With the result that profit, and inventory have been understated. Actual results should have been as below:

Profit & Loss Account	
Particulars	Amount
Sales	2500
COGS	(1200)
Material Price wwVariance	(100)
Under-absorbed cost	(200)
Other Cost	(500)
Profit	500

Balance Sheet	
Inventory – FG	1500

As mentioned above, there was limitations of SAP Standard Costing system with variances being treated as period cost. A part of the variance should have been charged to inventory. Also, for calculating variance, actual activity price is not considered.

Product costing system worked in only one currency, that is, Company Code currency and could only provide a single view of valuation (which is legal valuation). We will understand new functionalities in the light of above limitations to better appreciate new capabilities they offer to finance organization.

## New GL for multiple reporting need

Businesses have multiple reporting requirements. However, the classical GL could meet only one legal reporting requirement (for example, Companies Act). There were other options like Special Purpose GL, additional accounts for parallel accounting etc., to bridge the gap. SAP came up with a solution called New General Ledger to meet multiple reporting requirements. With New GL, there is a separate ledger for each accounting principle. For example, there can be separate GL as follows:

**Ledger 0L** – US GAAP following fiscal year Jan to Dec (0L is the leading ledger)

**Ledger L1** – Companies Act following fiscal year April to March

**Ledger L2** – Income Tax following fiscal April to March

Also, these ledgers can use multiple currencies providing real-time multi-currency accounting.

Since there are multiple ledgers, a big question arises is which ledger will post to Controlling module in SAP. Controlling module comprises of mainly Cost Centre Accounting, Product Costing, Profitability Analysis, Profit Centre Accounting sub-modules. In ECC and earlier S/4 HANA, it was only leading ledger (0L) that could post to Controlling module. In latest S/4 HANA version, it is possible for all ledgers to post to Controlling. Ledger 0L can post to base version and non-leading ledgers can post to other versions.

## Material Ledger/ Actual Costing

Material Ledger/Actual Costing is a Sub-Ledger like AP, AR, Fixed Assets. It has three main objectives:

1. Carry material prices in multiple currencies
2. Carry material prices in multiple valuations
3. Collect all material movements and variances (goods receipts, invoice receipts, goods issue etc.) and use this data to calculate a periodic actual cost. Calculation of Actual Cost is optional

Multiple currencies or Parallel Currencies is a functionality that allows to record transactions in multiple currencies. It does not mean that user will have to enter multiple currencies each time they post a document. Let us take an example of Company Code XYZ

Company Code currency	–	USD
Group Currency	–	EURO
Document Currency	–	INR

If a document is posted for 10,000 INR, then we can see the FI document in document currency, company code currency and group currency. This is a simple example of multiple/ parallel currencies. In SAP S/4 HANA, we can have 8 user defined currencies and two fixed currencies (Local & Global). For ML purpose, three currencies are allowed as there are three valuation views.

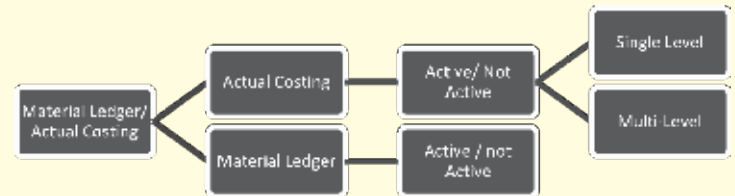
Multiple valuation approach is the ability to value inventory in more than one valuation method. This approach is required for:

1. Legal Valuation – Company Code as a legal entity.
2. Group Valuation – For overall group (Group consolidation)

– Elimination of Inter-company profits, the common term used is “Markup”

3. Profit Center Valuation – It is the reverse of Group Valuation. Means ‘markup’ is included not eliminated.

In ECC 6.0, there was an option to activate/ not activate ML. However, in S/4 HANA, ML is active. Activating Actual Costing is optional.



When Material Ledger is active but Actual Cost is not active, SAP provides multi-currency and multiple valuation, but inventories are not valued at actual cost. When ML and Actual Cost is active, inventories are valued at actual cost.

Each transaction that is relevant to valuation (such as goods receipt, invoice receipt, or production order settlement) records at standard price and the variances against that price such as price difference, exchange rate differences. At the end of the period, these variances are assigned to Inventories and consumption of the period across multiple production levels. Material Valuation is therefore based on the periodic actual costs.

- **Single level price determination:** Any price and exchange rate differences that occur for a material on its own level gets determined. Here, system will be calculating Actual Cost i.e. PUP (Periodic Unit Price) the unique term in ML for Actual Costing valuation. It takes the standard cost of cumulative inventory and adding any price or exchange rate differences posted during that period.
- **Multi-level price determination:** Here the variances of lower level materials gets moved up to any higher-level materials that consumed them as determined in Sequencing step. Here any variances on cost centers which represents the difference between the plan and actual activity rates, will be transferred to the materials on the production orders that consumed these materials.

With new functionality of SAP, in our Example 1 above, SAP will calculate actual cost of product and value closing inventory at the actual cost. This will provide correct view of profitability. In addition, we would be able to see product cost in multiple currencies and multiple valuation. Taking advantage of New GL, we would also be able to run product cost based on different accounting principles.

### About the author :

CMA Jayesh P. Desai is SAP FICO trainer with the Institute of Cost Accountants of India and have successfully completed first batch of webinar training. Besides SAP training, his area of practice includes Valuation & Data Analytics.

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# SAP Profitability & Performance Management (PaPM): Powerful new solution for Cost driver-based allocation & simulation

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SAP has started its journey with Financial accounting system in 1973 and slowly evolve as leading ERP solution provider company in 80's and 90's. In first decade of 21st century, SAP has increased its market share and cemented position as leading ERP solution provider.

After 2010, SAP find challenges with new cloud technology and big data. With new technology business expectation changes from record keeping system like ERP to analytical system which can provide unwire experience, simplified IT, friction less operation, enterprise cloud power. To meet business requirement, SAP slowly transform itself from product company (ERP solution provider) to Technology company which can provide solution to any business needs.

To become technology company SAP developed new product like S4HANA, BPC etc and sometimes with its financial power acquired competitor company like Fieldglass and Ariba. As part of this strategy SAP realized ERP's limitation of cost driver based allocation specially for financial services and simulation. Cost center accounting and COPA having technical limitations to allocate cost. For example because of technical challenges SAP ERP can not allocate aircraft depreciation to route on which particular aircraft operated or insurance office cost to such policy which is issued from respective insurance office.

In 2017, SAP has launched next generation integrated performance management application. This tool is known as Profitability and performance management (PaPM). This application can leverage existing data and information system from SAP and Non-SAP application in cloud or on-premise without create new additional data models

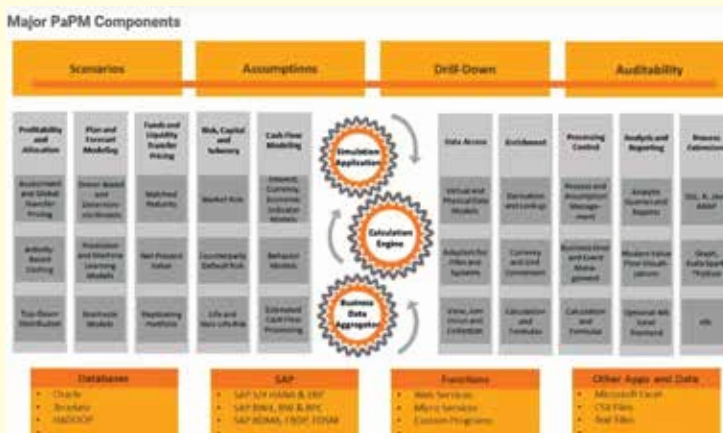
### PaPM Features

- Ability to calculate massive volume of data within seconds. It can process app 10 Million data in 3 mins
- What-if simulation and test probabilities to make intelligent decision and review their impact before finalizing them
- Ability to build and extend financial models quickly using intuitive user interface that handles any level of complexity and granularity
- Calculate and simulate profitability.
- Seamless integration to optimize SAP system, solutions and data without replication and redundancy.
- Focused profitability and performance strategies to lower cost
- KPI calculation and monitoring

### PaPM Business Usage Scenario

Industry	Usage Scenario
Financial Services	Transfer pricing, product/customer costing, shared services costing, claims management costing, broker profitability, process improvement, capacity planning
Transportation and logistics	Customer, product and route profitability, container costing, leg contribution, network optimization, infrastructure investment analysis, IT costing, regulatory reporting (postal services)
Consumer products and Life Sciences	Product costing and pricings profitability, supply chain optimization, overhead optimization, shared sciences services costing (IT, HR, finance)
Healthcare	Procedure costing, regulatory bodies reporting
Oil and gas	Fuels and lubricants costing and pricing, distribution point profitability, process costing
Public sector	Pensions, benefits, and allowances costing, benchmarking, public services pricing (customs, tolls...)
Wholesale distribution	Product/branch pricing, customer and distribution channel value analysis, supply chain optimization.
Telecom Regulatory	Requirements (unit costs per service and per minute), product/customer profitability

### PaPM Component



Part-1 Data Aggregator: It integrate operation system and data warehouse without data replication



- It can access remote system, different data base like oracle, teradata etc and even for applications like Microsoft excel, csv files and text files

- Business aggregator can read data and after computation even possible to push data to foreign system

Part-2 Calculation Engine: Calculation engine can process data received from data aggregator. It can perform allocation, cost and profitability analysis, Funds liquidity, Risk capital, valuation and cash flow



Part-3 Simulation Application: Simulate what-if scenario and provides real-time data insight in user friendly environment

PaPM Functions and features:

Allocation: Supports all major allocation methods for revenues, costs, capital, reserves or any other type key metrics including:

- Global Recharges and Expenses
- Assessments
- Top-Down Allocations and Distributions
- Activity-Based Costing
- Revenue Splitting

#### **Product Costing & Pricing:**

State-of-the-art functionality for industry-specific static, dynamic and risk-adjusted costing and pricing models. Model views and tables act dynamically for real-time calculations, valuations and transfer pricing.

#### **Calculations:**

Powerful calculation functions for retrospective and prospective (projections, forecasting and planning) mass computations, including:

- Generic calculations allow relative algebraic computations
- Workbook calculations allow absolute algebraic computations
- Iterations and Default calculations allow the discrete calculation repetition

#### **Reconciliations & Updates:**

Reconciliation and update functions for real-time and batch synchronizations between two or more systems. The reconciliation function supports quantitative and qualitative reconciliations. Further functions can be used to re-sync the systems by constructing and delivering posting or transaction records.

#### **Consolidations:**

Incorporates the consolidation functions for the major business ownership hierarchy models including:

- Currency Conversions
- Intragroup Transaction
- Adjustment Recalculations
- Funds calculations
- Specific account-based calculations
- Carry forwards

#### **Forecasting & Simulations:**

Models can be reused for actuals, planning, forecasting, and

simulation purposes both prospectively into the future and retrospectively into the past. Model management functionality includes:

Input and Output Management guarantees clear separation and maintenance of assumptions and parameters.

Run Management allows the user to manage calculations in single or multi-steps, depending on the client requirements for production runs, simple simulations or sophisticated waterfall scenario sequences.

Traceability and Auditability Management records “who did what and when” for model configuration changes, model execution, and input assumptions and parameters.

#### **Sustainability:**

With SAP Profitability and Performance Management, companies can reduce costs, optimize effort, eliminate waste, and decrease their ecological footprint. At the push of a button, measure financial impact, and simulate scenarios to optimize your entire value chain.

Determine supplier and customer resource usage throughout the entire product and services life cycle.

Analyze raw material requirements and cost scenarios around product manufacturing.

Calculate resource consumption at any point in the product life cycle: transport, packaging, services, and product disposal.

#### **Business Warehouse and BPC Integration:**

Integrates seamlessly with Business Warehouse and Business Planning & Consolidation to leverage metadata, master data, and data models as well as provide ready-to-go planning functions.

#### **Funds and Liquidity Transfer Pricing:**

Delivers all major Funds and Liquidity Pricing approaches of the international banking sector into one solution. PaPM is designed to work with huge volumes of data at high speed and allows for configuration of event-based product dependent FTP/LTP-component calculations as well as the periodic funding and liquidity contribution using several approaches including:

- Matched Maturity
- Strip Funding
- Net Present Value
- Replicating Portfolio

Result verification is easy with relevant tracing information and interim results, including margin spreads, effective yields, capital growth rates, effective capital and others.

#### **Risk, Capital and Solvency:**

Can be used as a risk and solvency platform to model and orchestrate the complete end-to-end process flow for regulatory Solvency II, ORSA and Risk-based Capital calculations with complete transparency and drill-down from final results through computations back to source data.





# Stock Valuation in SAP - ERP – Manufacturing of Product Industry

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Now a days SAP functional knowledge (Germany Based ERP system) has become essential. It is first step to start career in current technological area. Being a Management Accountant, our role is very crucial and that of decision making as everything in SAP is automatic and through **Financial Controlling Module** only. In SAP, generally standard costing system should be followed while doing stock valuation. There is also a actual costing base on material ledger is available. One should have conceptual idea of standard costing processes and accounting entries in system. This also requires knowledge of other modules such as **Material Management and Production Planning**.

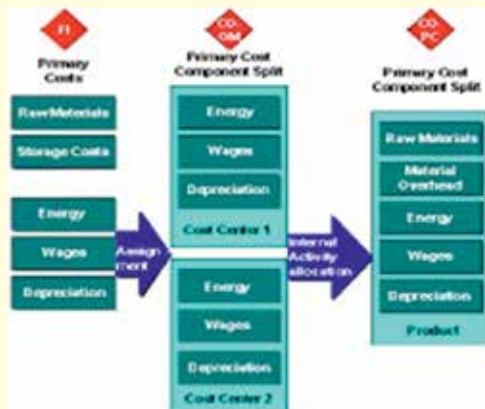
## Cost Component

### Raw Material • Packing Material

## Conversion Cost

(Following are indicative cost components and it may change according to changes in production process)

Power  
Labour  
Fuel  
Repairs & Maintenance  
Production Overhead  
Depreciation



All the cost components as above should be in line with Indian Accounting Standard-2 (Valuation of Inventories). The cost components should be based on under and over absorption as it provides fair view of costing as per cost accounting standard and it also needs to be verified in order to provide us with fair valuation.

### Fixed Expense are based on Capacity utilisation

### Variable cost is based on actual production

The above two statements are the major area where a cost accountant has to play his role and utilize his skill set. As

it becomes balance sheet part of stock valuation, it requires proper diligence. While performing valuation of production process and its mapping in the SAP system through production planning and material management module, it plays a very important role to get correct cost capturing in product costing.

### **Raw material & Packing Material (Based on Bill of Material - BOM)**

### **Conversation cost (Based on Routing)**

These are important technical terms used in SAP for costing purpose.

**BOM:** Bill of Material is used for calculation of raw material and packing material. It is based on moving average price of material and is fetched automatically from system as per purchase order raised by purchase department.

Audit check is required for moving average Price and its calculation. There are chances of discrepancy which needs to be tested and verified by a Management Accountant.

This also includes "by product costing", by product process validation and its costing can be verified.

Yield calculation is also verified through Bill of material.

Checking Input output ratio plays a major role while audit check.

Scrap % and its costing is also automatically decided by defining costing key material wise and percentage wise.

Friends, this is main integration of MM (Material management) and PP (Production Planning) Module

Bill of Material, its modification and entry should be done by a technical and neutral person, which will then lead to proper costing. Bill of material's addition deletion also needs to be verified. This mainly depends on cost calculation. CO Product /by product can also be identified through Bill of Material.

Black Flush is main indicator which can control lesser consumption of material in BOM. This keeps a main check and validation on material consumption.

Conversation cost -Routing -Activity Rate (Technical terms use in SAP for cost conversation) - This plays a major role to convert conversion cost in product costing in which a technical person feeds their input i.e.

KWH for Power Cost calculation

HRS for Labour cost calculation

This should be reconciled with actual power bill and labour bill. It will lead to under absorption or over absorption.

Statistical Key Figures are also used for absorbing cost in to product cost.

In SAP, Activity rate calculation plays a major part with use of trial balance expense and it is needed to calculate cost i.e. per KG, per Hours, and per KWH. These are mainly used for Key Performance indicator which will then evaluate performance of production process and cost controlling. This process can be adopted both ways, automatically with system by giving logic of GL and uploading calculated rate.

Trial Balance bifurcation of Fixed and Variable is more important part during this process. Ultimately we have to take TB figure to match with cost. While reconciliation it will give us fair picture of costing.

**Fixed Expense:** As per absorption costing, it will be loaded on the basis of capacity. It will give a more clear view of under or over absorption of fixed expenses on Normal Achievable capacity as per AS-2. (For Example: Depreciation)

**Variable Cost :** It directly varies with production. So per unit cost remains same and there are no chances of over or under absorption. (For Example: power, labour and fuel)

**Semi Variable Cost:** It depends on management estimate and we can take estimate based on actual and type and process of business. Practically, it is needed to bifurcate Repairs and maintenance cost. (For Example: Repairs & Maintenance, Production overhead and Plant Salary)

All businesses need to give clear details of above data and then only audit of stock valuation can be carried out with properly

Cost Element, Cost Center Accounting and Profit center Accounting: While performing above exercise and allocating expenses, we need to check cost center and profit center mapping with proper business segment and then only

allocation of expense can be verified and cost allocation to calculate conversion cost will give us fair costing result.

Cost Element is general ledger used in accounting for booking expense and cost. Its category is also important while deciding allocation of cost. Every general ledger of trial balance should be scrutinized. Allocation of cost can also become possible through assessment cycle. By using assessment cycle activity, cost can be calculated automatically without manual intervention.

General Entry needs to verified with single cost unit.

**Following are the general entry to be check :**

**When Production done**

Stock A/c Dr  
COGM A/c Cr.

**When Standard Cost Changes:**

**Cost Reduce**

Revaluation A/C Dr  
Stock A/C Cr

**Cost Increase**

Stock A/C Dr  
Revaluation A/C Cr

**Booking of Sales**

COGS A/C Dr  
Stock A/C Cr

**Cost of Goods Sold** - COGS is standard cost of material sold. It includes more component then COGM.

**Revaluation account** - Revaluation A/C is P& L account and which records change in standard cost in value terms and it gives profit and loss impact on valuation of stock.

- ***“Anyone who has never made a mistake has never tried anything new.”***  
— Albert Einstein
- ***“He who opens a school door, closes a prison.”***  
— Victor Hugo
- ***“Keep away from people who try to belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great.”***  
—Mark Twain
- ***“Start where you are. Use what you have. Do what you can.”***  
— Arthur Ashe
- ***“Either you run the day or the day runs you.”***  
—Jim Rohn
- ***“Education is the passport to the future, for tomorrow belongs to those who prepare for it today.”***  
—Malcolm X



# Impact resulting implementation of SAP ERP in power sector's PSU-MSEDCL

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## Abstract

In this competitive era, the strongest ERP is part of a successful business. Production Planning, Budgetary controls, Cost estimations and Cost Control, Stock valuations and controls are the essential task in business and it's not possible to do this without strong ERP. When we used word strongest and powerful ERP, Only name we can visualise is "SAP". SAP is worldwide standard ERP. SAP is used in all types of industries like as manufacturing, service, Trading etc. Numbers of PSU has adopted SAP ERP recently; The energy sector is also not far behind in the implementation of SAP. MSEDCL-Mahadiscom is one of them. MSEDCL is large services sector organisation having business of distribution of electricity. So what is impact of implementation SAP ERP on MSEDCL working/operation is analysed through this article.

## Impact resulting implementation of SAP ERP in Power Sector's PSU-MSEDCL

Enterprise Resource Planning (ERP) that allows an enterprise to manage databases for different processes from a single unified system. ERP system was developed initially for inventory control; however, over the years; different software was developed for different processes in an enterprise for better data management and workflow. In today's world, there are many leading market providers of ERP system, and SAP is one of the market and technology leaders in building business software towards structured work and data management in organizations.

Systems Analysis and Program Development (SAP) was founded on June 1972 and since then, many SAP ERP operations modules have emerged that are designed focusing on various different processes including SAP ERP sales and service, sales and distribution, projects systems, customer relationship, financial management, business intelligence and more. Some SAP modules are as below -

<i>SAP Financial Accounting (FI)</i>	<i>SAP Controlling (CO)</i>
<i>SAP Projects System (PS)</i>	<i>SAP Plant Maintenance (PM)</i>
<i>SAP Sales and Distribution (SD)</i>	<i>SAP Production Planning (PP)</i>
<i>SAP Materials Management (MM)</i>	<i>SAP Quality Management (QM)</i>
<i>SAP Human Capital Management (HCM)</i>	

The erstwhile Maharashtra State Electricity Board was looking after Generation, Transmission & Distribution of Electricity in the State of Maharashtra barring Mumbai. After the enactment of Electricity Act 2003, MSEB was

restructured into 4 Companies viz. MSEB Holding Co. Ltd., Maharashtra State Electricity Distribution Co. Ltd. (Mahavitaran), Maharashtra State Power Generation Co. Ltd. (Mahagenco) and Maharashtra State Electricity Transmission Co. Ltd. (Mahatransco) on 6th June 2005. Mahavitaran distributes electricity to consumers across the State except Mumbai.

MSEDCL has reported revenue from business of distribution of electricity more than Rs 85,000 crs in FY 2018-19. Its largest electricity company having consumers base of 2.73 Crs categorized as residential, Commercial, Industrials, Agriculture, Public Water works etc. Company has implemented SAP ERP by replacing previous oracle base ERP and its currently working on SAP FI CO Module, SAP MM Module, SAP PS and SAP PM module. SAP HR module not yet implemented, because company has developed in house customised HR module and its interface is given to SAP FICO module.

## **Impact of SAP on MSEDCL-**

### Projects Systems-SAP PS-

After implantation of SAP ERP, All on going/running infrastructure Schemes/ projects incorporated in SAP. Now MSEDCL has successfully run its projects/schemes from starts of preparation of DPR till close of projects through SAP. Preparation of estimates, Capital Budget Controlling, awarding of LOAs, Controlling of Projects through POs, Tender Freezing, Processing of RA Bill claims, JMC incorporation, Preparation of Handing over certificate for completed Assets, Assets valuation, Assets measurement & recognition through Location mapping, WCR settlement and capitalisations are all processes carried out in PS module in coordination with FI Module.

MSEDCL has recently adopted/implemented PAPERLESS BILLING for processing of claims of projects vendors. According this, Field offices will submit necessary documents to MSEDCL HO through SAP by attaching it's to ERP Invocie/Rabill. Same will be scrutinised from technical section in SAP, it will forward to audit vai SAP Mail, Audit will process claim by auditing submitted documents through SAP, after auditing and accounting of claim it will forward to payments section to release payment. This process has reduced time lag in processing of settlement claims, also all records kept in SAP so can be verified any time. Due to paperless billing process, MSEDCL has successfully settled claims of projects vendors in COVID-19 lockdown without delay. So We can say that work from home may become possible only because of SAP.

AUTO WCR is one of the important developments in SAP. Before this development, FI user has to settle all WCR

manually using various t-codes, It's getting delay to settle assets from WCR due to this time consuming process of assets capitalisation. This is resulting in lower depreciation cost. So avoid this problem also creation/settlement assets timely manner, AUTO WCR process is introduced by MSEDCL. Due to this process, FI WCR will be settled and assets capitalize immediately after RABill get processed.

Apart from this various customized t-codes (Z' T code) has developed for PS and FICO module as per requirement of user according tender condition. Of course SAP has save lot of manpower efforts also cost as well as speedy process reduced time lag of settlement of project vendors claim. Projects vendor's claim get settled on time, so they are getting working capital timely, its result in speedy execution of projects. So finally MSEDCL will able to complete it's scheme as per predefined milestone and its making grid strong. Accurate valuation of WIP is become easily possible in SAP.

### **Centralized Payment system(CPS)**

Before SAP and CPS, funds disbursed from Head office to various filed offices according to their requirement for payment to numbers of vendors for purpose of meter reading agency payment, Collection agency commission, maintenance work payment, LCP payments, Scheme payment, Statutory payment like TDS, Labour Cess, Taxes, Employee claims like as salaries, retirement claims, Bonus, Ex-gratia, etc, Office Expenses like as stationery, printing, security, vehicles hire charges etc. Fund is flowing from head office to field office, again field office to vendor, it's took time to disbursement up to final vendor. MSEDCL has created centralised payment section to pay all vendors and employees payment from one place only i.e. from HO. All field offices booked claim from their profit centre and send requirement of claim as per standard profarma. Accordingly claims will be settled from CPS. Salary is also successfully released through CPS. Working capital cycle is reduce due to reduction in pre-SAP time lag (Fund flow from HO to vendor ) which resulting reduction of finance cost, and working capital management is become easy as clear picture of expected payable in front of management. CPS has successfully settled all claims during the lockdown without fail. This is significant impact of SAP ERP may view positively.

### **Budgetary control- Revenue & Capital**

MSEDCL has various field offices, operations are carried out at each stage. Controlling of expenses at each level is crucial as well as difficult task for management due to its large scope. So each division/Circle is treated as profit/Fund centre in SAP, and budget is allocated to each profit centre for each expenses item, so it's become so easier to control cost expense head wise. User is not able to book expenses if budget fully utilised, also booking of previous period expenses will result it shortfall of budget for current year, so its created habit to book expenses on time , also make provision for previous year expenses in previous year itself .If budget is consumed fully, additional budget will be approved only after submission of satisfactory reasons of budget fully utilisation by responsible person. Capital

Budget is provided as per fund flow available for the year to particular scheme, so how much cost to be incurred for particular scheme can be control through Capex Budget. So budgetary control is possible with help of SAP only.

### **Accounting Controls through SAP**

User has to be given some power/authorisation to do accounting entries as per GO-delegation of power. Such control can be set in SAP as per designation of user according with General Order-GO power/authorisation assign with designation. Apart from this allow or restrict user from using some T-codes, restrict from operating GL, restrict for manual entries are the control can be set through SAP to avoid wrong entries, malpractices. Accurate booking/charging of GST through sap leads to help in accurate GST payments centrally. Accounting controls pertains to statutory liabilities like taxes is able to set through SAP, e.g. user should restrict to book TDS liability of previous period or after payment date is over , don't allow to book expenses in closed period having statutory liabilities etc. Inventory accounting and valuation become more realistic in SAP.

### **Automation & Centralisation in RE Invoicing**

MSEDCL is incurred almost 70 to 75% power purchase cost out of total cost of operation. Cost of renewable energy (RE) like wind, solar etc was booked from various field offices before implementation of SAP. RE cost booking has started centrally at HO after adoption of SAP. SAP interface provided to RE vendors, so they can enter energy input daily basis, then Invoices is auto generated from SAP without human intervention which resulting avoidance of human errors in critical manual calculations also saving time of processing RE claims and manpower cost. Daily real time energy purchase MIS from SAP is getting to management for decision making. MSEDCL has exercised control on RE cost through centralized Invoicing and automation in Invoicing.

### **Conclusion**

MSEDCL is big discom having wide scope of operation all over Maharashtra state. SAP is really going to help for its smooth functioning by centralisation and automation . Projects Systems, CPS, MM , FICO module are becoming too useful in current competitive era to enhance its intellectual level compare to others discom. Also We cannot say that work from Home is concept is restricted to IT Only, SAP enable to work from anywhere, MSEDCL employee has done it during Covid-19 lockdown pandemic, And no doubt that MSEDCL has taken efforts for successful implementation of SAP, now it's become fruitful in all aspect. Development of customised T-code (Z-T codes) using with Standard T-codes in MSEDCL are indicating that SAP can be implement in any sector successfully and its really increase standards of operation post implementation of SAP , same MSEDCL has actually done even though its service sector.

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## It's a S.A.P. not SAP.... (System Application Products - ERP)

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Hi Members. I hope that you and your family members are safe. This month theme is SAP/ERP. Many times I have observed that people called it as SAP. The question arise, is it really important to have knowledge of S.A.P. The answer is Yes. Because when you are working in small company they normally works under Tally .However, when you want to work with Listed or MNC Company you must have at least basic knowledge of this system.

SAP stands for Systems Applications and Products in Data Processing. SAP, by definition, is also the name of the ERP (Enterprise Resource Planning) software as well as the name of the company. SAP Software is a European multinational, founded in 1972 by Wellenreuther, Hopp, Hector, Plattner, and Tschira. They develop software solutions for managing business operations and customer relationships.

SAP system consists of a number of fully integrated modules, which covers virtually every aspect of business management.

SAP is #1 in the ERP market. As of 2010, SAP has more than 140,000 installations worldwide, over 25 industry-specific business solutions and more than 75,000 customers in 120 countries

Other Competitive products of SAP Software in the market are Oracle, Microsoft Dynamics, etc.

With the help of this article I am trying to share some Transaction Code with you which I feel that you must aware while working under S.A.P.

S.No.	T-Code	Description
1	CS03	Display Bill Of Material (BOM)
2	CA03	Display Routing
3	MM03	Display Mov. Avg. Price
4	MB52	Inventory Live Report
5	MB51	Inventory Report (You must know the Mov. Type to use this code)
6	F.01	Display Trial Balance
7	FAGLL03	Display General Ledger Balance
8	AR03	Display Asset Register
9	ME23N	Display Purchase Order
10	VK13	Display Price Updated
11	CS15	Where used (If you insert RM item code, it shows RM included in which FG Item Codes)
12	FB08	Reverse entry passed earlier
13	FB03	Display Document
14	F-02	To pass Entry
15	MR21	To change Valuation
16	KS03	Display Cost Centre
17	AS03	Display Asset Master
18	AFAB	Post Depreciation

19	FB70	Invoice Checking
20	CK40N	Bulk Cost Roll up

Now, we understand and list out important T-Codes now we will understand Cost Roll up process for single item code:-

- 1) Display BOM (CS03)
- 2) Display Routing (CA03)
- 3) Cost Estimation (CK11N)
- 4) Mark up & Execute
- 5) Released
- 6) Checking

(Note: - Cost roll up is taken for new finished /Semi-Finished goods. After cost roll up actual cost of said item code is display)

This is the SOP:-

1. **Display BOM (CS03)** – Being a Cost Accountant you are not authorized to create BOM for any item code. However, you can display the Bill of Material for any items. In this step you have only check Bill of Material. If it seems correct you can move forward to next step.
2. **Display Routing (CA03)** – In this step routing is done. What does it mean? It means that How many steps are involved? Addition to this how much time input like, Power, labour and Overhead are required?
3. **Cost Estimation (CK11N)** – This step involves cost estimation. If you select per unit cost option, you will able to check cost per unit for said item code. e.g If it shows that cost per unit is Rs. 3 per meter. You have to just estimate that is that cost seems correct? Suppose, if it shows that cost per meter is 300 , it means that something went wrong in above steps.(Control)
4. **Marking & Released (CK24)** – In this steps you have to just Marking cost estimated in earlier step. Just execute it then it will show you the Standard Cost and Future Estimated Cost. You have focus on Future estimated cost .and Just released it. Once released is done. One document get generated. It means released process done successfully.
5. **Checking:** – After released of cost roll up done for individual item code. You will check the same by using MM03 T-code with item code and Plant for which cost roll up done. You will check and that cost already released by you. (I will call it as control process. Because if released process don't get successfully done. And production team start to booking production for said item code without checking cost .Then production get booked by zero /wrong value)

Thanks Team

I hope I have tried to explain this cost roll up process to our readers. Still if anyone need any help, can contact me any time.

Jai Hind.



## CFO Speaks

**CMA S. Balasubramaniam**

*CMA S Balasubramaniam, 62, is an Associate of the Institute of Cost Accountants of India and a Fellow of the Institute of Chartered Accountants of India. He has over 34 years of Industry experience over variety of industries in India. He completed his schooling in 1974 from St Michael's School, Patna and is a Bachelor of Commerce from St, Xavier's College, Calcutta.*

*He qualified in 1983, after Articles with Gupta Chowdhury Ghosh, and Deloitte Haskins+ Sells in Calcutta and joined Dunlop India Limited in 1984 as Assistant Accountant IHO, and had stints in senior management in Polyester, Plantations, Life Sciences and IT in his long and illustrious career with the RPG Group, working in India Polyfibres Ltd, Harrisons Malayalam Ltd, RPG Life Sciences Ltd and Zensar Technologies Ltd., the last 3 companies as the CFO.*

*His assignment in Pune, was with Zensar Technologies, a Pune based IT Services major, as its Executive Vice President & Chief Financial Officer from where he stepped down on superannuation after being associated with the Company for 12 years as its Executive Vice President & CFO.*

*During his tenure, from 2005 to 2017, as CFO, he was also part of the core team which was responsible for the operations and execution of its core strategy which scripted the rapid and sustained growth of the business into a well-respected mid-tier IT company with a Global foot print, increasing the Company's turnover from Rs 384 Crores to Rs. 3,400 Crores in a 12-year period, with market capitalisation with a CAG of 12 %, for the period 2005-17.*

*He is well versed with the commercial, financial and secretarial aspects of the business and with specialization in international taxation, Mergers and Acquisition and organizational strategy, besides a keen interest in Human Relations.*

*A very strong people-oriented person, his other interest includes Reading, Teaching, Hindustani Classical Music, Technology trends, Economics and Calligraphy besides Hindu scriptures and Yoga.*

*He is a well sought out speaker and has spoken in a variety of Industry forums, CII, on various topics relating to Finance and Technology and M & A, and was the Past Chairman of the Finance Panel of CII, Pune Region.*

*He was awarded "Business Excellence in Finance Leadership" by Institute of Public Enterprises, Hyderabad in 2012 and as 'Most Influential CFO' by CIMA in 2015.*

*He is currently settled in Pune and is into Consulting and Mentors as a Coach to Industry professionals and senior managers. He also conducts sessions for Corporates, on specific topics relating to Financial Literacy, Anti Fraud training with emphasis on Cyber Security, and teaches the GMCC batch at the Inst of Chartered Accountants of India, at Pune on Strategic Thinking.*

### 1. AS a CFO how you differentiate the role of CFO in a manufacturing company and in IT Company?

Basically, a job of CFOs is the same in both type of companies. He is a guy who is the custodian. He is a custodian of the company's controls. He is a custodian for the company's compliance, and he is also the custodian of the company's financial reporting. What is the basic difference between manufacturing and IT, is in IT specially in India, the government standards are pretty high. The bar has been set very high by Infosys, TCS and WIPRO. Plus, it's got a large volume of compliance, whether it is software technology or whether it is an export related documentation. When we go to the export business then everything related to that automatically kind of aligns to global standards, whether it is recruitment, whether it is delivery or whether it's reporting. And therefore, the backend systems take a very high precedence in terms of the

sophistication and in terms of speed, because IT companies in India have set the bar very high.

Mostly listed IT companies tend to complete their financial reporting by 15th or 16th day after the quarter is over. Obviously, it's a prestige for all companies to come out faster and faster. So we always used to say, we closed the account on the second and audited this. So I remember there was one instance in Zensar, year-end accounts were completed on 13th and we declared the results of not only the company plus all its subsidiaries, and this was the year that we bought all its paraphilia and then reporting for directors, the corporate governance report, the management discussion everything was completed. So that was a level of speed that you can achieve. And to that extent, the distinct difference between manufacturing and IT, the speed at which you have to complete your financial reporting and of course, with accuracy and speed, go

hand in hand. Board meeting is sometime in April, and most IT companies will conduct AGM before the first quarter ends. But some companies do it just after the quarterly results because then they are able to get all the directors also to attend the AGM. This year is a unique year because of covid and everything's going virtual. And maybe AGM will become virtual the old physical AGM will be a thing of the past. So the basic difference in IT is a lot more, a lot more stress on speed and Alignment of systems and almost global standards. Because the client also would like to know what the level of sophistication and of these alignments some are related to the best practices in the globe.

**2. What are the challenges you have faced as a CFO of the company and where are the milestone achievements?**

When I look back, I joined Zensar in 2005, the turnover was 380 crores. And the industry was booming and we were one of the oldest companies in IT, Zensar has completed 55 years of being listed, so it's a very old company and but we have not grown as expected because of some history. When we separated from Fujitsu then we started going on our own. So the growth agenda we had had a CAGR of almost 15 % year on year on year for 10 years, almost 12 years. I retired in 2017 turnover was 3400 crores we grown ten times in ten years.

But all this can be created a huge quantum of value, so the challenge is how to grow the company. And with growth comes all the attendant challenges of how do you revamp systems? How do you prepare for the next phase of growth? when I left, the systems were all in line to take care of a one-billion-dollar company and end up side. we need to be ahead of the curve in terms of the quality of systems of financial reporting, the quality of internal control, the quality of support to the business in terms of ensuring compliance and ensuring that the finance function works very closely with the business function, so that we ensure that our objectives are met. And there's no compromise, whether it is in the pricing or whether it is in the margins or whether it is in governance being a publicly limited company.

These are very conscious of all the three-quarterly reporting, the quarterly margin protection, and there's no margin erosion because when growth happens, normally growth happens at the expense of margin contraction. So we had to ensure that we manage both. And then we also have to transition ourselves into emerging technologies, changes in our offerings, in the technology areas that we are investing in. We did about six acquisitions to ensure that we get competencies, I was a part of those acquisitions and 12 years in Zensar passed rapidly, but it was all that when a company grows both organically and inorganically, there's a fair amount of action and activity at every stage. So, it's a very, very challenging 12 years.

**3. How CMA qualification helped you in your Career Path?**

It's a good question, I started with my ICWA first and

now it is CMA. In those days it was Cost and Works Accounting and I was grew up in Kolkata, where it was morning College, so I had all the time to study for exams. So I finished my intermediate and finished my graduation. Those days in Kolkata many people were doing dual qualifications ICWA and CA , it was very fashionable also. When I took admission to CA, I was ICWA intermediate qualified. I cleared my CA final in Nov attempt and ICWA final in December exam.

I was basically trained as a management accountant, essentially my base became very, very strong. I come from an era in India with pricing and price controls. The government had BICP (Bureau of Industrial Cost and Prices). So price controls was a major issue and pricing and we had to give a lot of statistics to the government. I got a good understanding of pricing. I worked for one of the finest companies in India, perhaps the leading company when it comes to costing and practices, Dunlop India Ltd. Let me tell you, we were the leaders in the industry, and we have a very strong costing department, perhaps the best in the country.

So, I was able to see all what I learned in actual practice in terms of variance analysis and in terms of my costing and in terms of pricing to appreciate it. As a management accountant of the tire division, it gave me a solid grounding. As I moved up in my career understanding of the business, parameters of management Accounting helped me right through because management accounting is the driving force between quick decisions, budgeting, forecasting. And that is what I did right up to my last day of service.

A good CFO must be very good in management accounting, of course he must be good in financial accounting with the financial reporting also. But you have to balance both operations and delivery, and value to the businesses in operations. When you bid for a contract you always look for a margin, CFO have to look into that part and that comes from a fairly good understanding of the cost structures. One of the things ICWA teaches you is understanding the cost structure of your business. How is the one variable cost and what is the quantum of fixed cost? What are the costs that you can include? What are the costs you cannot incurred? Where does your capacity, where is your breakeven? Costing, Pricing, budgeting, forecasting and so on. This is a bedrock of solid CFO and it is ICWA which give me the edge.

**4. You have worked in Manufacturing as well as in IT industry, now a days most of the young generation is of the opinion that we will work in manufacturing initially and then move to I.T. because there is a lot of glamour the same time, there are many challenges. what is your take on this both the manufacturing as well as IT? What are the challenges in both industries ? you have also seen the transformation from 286 or 386 computers to today's very high speed computer So please tell about that Journey**

IT does not exist before 2000, we understand IT only with the Y2K. All the other industry and even service industry does not exist, outsourcing, BPO did not exist at all. When I was young M.Sc qualified person also gets a job in a bank as a probationary officer which was very glamorous job that time. you know, India always had this problem of hiring an education system, which has got no forward integration with what the market needs for manufacturing in India. Unfortunately, if you really look at the sector, manufacturing is not even 16 to 18%, which is why we lag behind a lot of other superpowers. But having said that, manufacturing, you have to really understand the business model from its cost structure perspective. you have to know what lathe is, what is turning machine, what is a milling machine. And you had a good understanding of it. when you joined the company, you understand the supply chain, what they call supply chain, in terms of raw materials procurement, conversion cost, therefore, from you understand what is variable cost and then you get pricing. You will have a good understanding of manufacturing process, your understanding of supply chain, understanding of distribution and then the associated problems related to. Trade unions, people, hierarchy, shop floor management, etc. It's a slightly slow world compared to IT industry.

Today in India IT is a essentially an arbitration game. That means labor arbitrage in the sense that it costs one third, not even one third sometimes it is one sixth. In the Western world, if you need an accountant, just freshly qualified accountant, need to pay 10,000 dollars, which means 75 Lacks, but as a freshly qualified accountant in India, depending on the company, gets 3L to 8L. so even if you take at the higher end of 8L, it is very cost effective. There is a lot of difference between workplace in IT compared to Manufacturing. There are fancy buildings, glitzy offices, no worker canteen there is no unions. IT pays well, but it also has a very high productivity level and high burnout. So, people take it because money is always a great magnetic goods and then you realize that no amount of money is going to make you happy.

But that manufacturing experience is very, very useful. Somebody starts in IT and remains in IT, then I think they're missing something.

IN IT industry you have to always gain a new knowledge or always keep update with new technologies then only you will survive. if you don't keep learning, then you will not be able to add value. So I always believed in learning. I did my B.com, I did my ICWA & CA. these qualifications gave me a solid base, and this is something which I have observed also.

In my career people with ICWA are very solid, thoroughly understand pricing and pricing margins, operating levers, key performance indicators. Having worked in the factory, they understand people very well. Ability to manage people is also very high. I moved from Tire to polyesters, completely different, but

I learned very, very fast. Then from polyesters, I went into plantation's completely different again. Then I came to Pharma, which was a global industry in terms of standards and in terms of understanding the entire cycles of pharmaceuticals and molecules. Then I shifted to IT industry, even after my retirement I have learned forensics, but learning never stopped. So long as you keep learning that you always create a value to yourself and to others.

**5. How this global pandemic is going to change the way of doing business, what are the challenges industry may face in future?**

The global pandemic will change nothing, in my view, this is just a hype by the media. We will get back to the old world because just close your eyes and think tomorrow morning you have a vaccine; everything changes back to normal. Nothing will change, what will change is perhaps this interaction of people through technology will be here to stay in the sense that somebody wants a meeting and not necessarily they will travel. They can use a technology and do a Video conferencing, this facility is there since late 90s. Video conferencing is very common in IT, but still we travel, we travel like crazy, that some of the behavioral aspects might change.

Nothing is going to change. Yes, in a very broad macro level, everybody was China centric and it will be a surrender to China. Most of the things we import from china that will change. So I think at a macro level, certain things will change, but microlevel, nothing will change

**6. People always says that because of technology advancement common people jobs will get impacted. In late 90s because of ERP comes into boom and not with RPA and Robotics, what are your views on the same?**

Before I answer this, I strongly recommend to read a book called Bullshit Jobs by David Graeber. In that book a guy talks about how 90 percent of jobs are bullshit jobs and not require. When industrialization happened, it was said that mankind will have to work only for three days a week rest the time will be in leisure but it was not a case we are working for 5 or 6 days of a week even if we are much technologically advanced.

Technologies will not take jobs, but It will create a jobs and this is standard. The jobs will shift, the skills might shift, aggregate will be different. The issue essentially is when the economy moves up, there is a shortage of skilled people. Company or recruiter will say the positions vacant and I am not able to fill it up, on one hand, people are getting laid off because there are no projects. There are lot of positions available because the required skills are not available. So, technology really create more and more jobs. You need to adopt new skills there will be lot of opportunities created. Opportunities will not be in traditional area but some one needs to adopt and learn new technology.

## 7. What are the Opportunities for cost Accountants in IT Industry?

There are lot of opportunities in FINANCE/Pricing department, ERP Functional Consultant, opportunities are in project management are and many more. Important thing is that he should have right attitude, one should have a learning attitude. I always say it takes three/four years after the degree to pass a professional exam and it takes three years after passing to get some basic experience. Someone should get some basic experience anywhere, work as an intern, workers, whatever salary you get working in a manufacturing company, understand so many other things and then develop an add on skill set, supposing you finish your ICWA done a basic course in FICO, then you know you should be able to join a small company because it's the same problem you won't feel. Therefore, I don't have a job because I don't have experience. We all started like that. So once you pass your exam, my advice to students is, look it's only the beginning of a journey please let yourself be humble enough to learn one more skills, olden days of manual Accounting are over. So that you develop forensics or developing ERP knowledge, or you develop in core management accounting. Do something else which will generate a job and honestly of working is required in industry.

## 8. Sir you have seen the days of manual accounting then Tally and now ERP, how the role of CMA is changed ?

Accounting is automated, so the role of Cost and Management accounting is increasing. It is going to get more and more increasing because we work, and we live in very uncertain times. we always say that, look we should have a strategy and execution plan. We are working on a budget today, Budgets are low meaning the third element has crept in, which is uncertainty. So what will you make assumptions you make for the budget is invalid by the time it comes out of the printer. So most American companies work on just three months forward for the three months, you can predict reasonably even that is full of uncertainty. The cost accountants or the management accountants has become extremely important. Your ability to predict in terms of volumes and therefore cost and then the relationships in terms of where the profitability will go and therefore which way do you have to cut your cost and where you have to increase sales to better the better pricing, better discounting, better offers. It varies from situation to situation. Good companies which are highly profitable and will manage very strong pricing teams and procurement teams. Back end is served by a very strong management accounting function. There are some companies I know where pricing and estimation job is done by 150 people, their only job is to keep making pricing and quoting government jobs. When I left Zensar there were 9 people in pricing. Their job was only to work on the pricing part of the contract. So, pricing has become far more.

A core accounting is taken care of by the machine, if you execute it very well, then the accuracy and precision comes out much faster. As I told, you should know, the three functions scorekeeping, attention, directing and Problem-Solving. scorekeeping has been taken over by the machines. Attention directed and problem solving still has to be done. Maybe attention directing has also been taken over by machines by putting some roots for the problem solving the machines can do. AI challenge is to give the rules and if you give the sub rules, like these are these are all the customers who bought this product in the past, and they are all the customers whom we should target for discounts and therefore, please give them a 30 percent discount on a five percent discount they might buy. But the issue essentially is problem solving still requires the human brain. As of now AI will not replace to human brain.

## 9. Sir, you mentioned about the new education policy and what the concept of this government is to save from job seekers to job creator what you would think that what type of changes should be done in CMA course so that we will be a job seeker to job creator?

I think if you really want to be job creator, your education has to be far more rounded. That means you know; you should have psychology as your subject to understand behavioral sciences. You should understand sociology. We should know how behavioral sciences specialize in cognitive bias, in decision making. It is a very fascinating subject. Our decision making is based by our own biases. We need to balance the art and the science in a very intelligent way, so leave it to people, they will figure it out what they want, which is what the system is all about. Just passing exams will not make you successful. Successful people have got good marks. At the same time people who don't have not great results also done very well. So, to be successful in life You need to have the rigor of education that of course, everybody agrees.

Learning from the school of experience, it is much tougher. how do let the right attitude and how to develop that spirit of learning. for example, just have one paper of only English literature. Learn a lot, learn how to talk and how to write good English, because you're connected to the global world. You can't say that I have done my education in vernacular and I can't talk for two hours or one and a half hours on my feet. I can't give an interview. I cannot communicate because I know the concept, but I'm not used to it So everything is a skill. And as accountants or anybody in the service industry, you have to sell your ideas and selling ideas requires to be a great communicator.

The days are gone to get value for an education which is very closely aligned to the job, that means you have to get a connection between industry, academia. You have to look backward and forward from industry. What is it that you want and then where is the gap and work on that this will defiantly help.



# Managing Accounts Receivable for Positive Cash Flow

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“The management of accounts receivable, inventory and accounts payable is the least expensive way to manage cash flow. Account receivable should be monitored closely and actions should be taken to improve the collection of receivable and to encourage positive cash flow in a business.

“Uncollected receivables are the main reason business owners are making money but don’t have any money on hand,” In addition to its effect on finances, the way a company handles its accounts receivable also has an influence on customer relationships. Today you can no longer take customer loyalty for granted, but it can be easily be preserved in long-term by offering a quality customer experience. So Account Receivable should be managed to get productivity, business efficiency and good customer experience.



it is very important for an organization to make discipline since inception in organization to aggressive follow-up, reduce days outstanding. But sometime it is also seen that in spite of good collection team there are various issues due to which there are delay in payment at the end of customer. so an organization continuously review its receivable and its process hurdles, it should examine benchmarks for similar companies, key performance indicators such as days sales outstanding, number of invoices processed, cost for processing each invoice etc and to make efforts to reduce invoice production and delivery costs, ensure better customer service follow-up, reduce the average time it takes for customers to pay

## Optimizing Accounts Receivable Processes

### Automation of Billing System

Standardizing invoice data used in sales, accounting and logistics departments also can boost positive cash flow. Organization should make system of automatically generating invoices when goods are shipped or Service is provided. Use of tools such as invoicing portals, electronic invoicing and electronic payments is helping to make accounts receivable management faster, smoother and less error-prone today than ever before.

### Digilise customer contract detail

Missing data in various files remains the greatest issue in organization. The data comes from a number of systems which don’t communicate with each other. When Customer Service team wants to answer a customer question, precious time is lost just because of this missing information. Bringing together these information spread over a number of systems, in different formats and fill all missing information must be first priority of Organization. Create a procedure for Customer Service employees in which they should ask for the customer’s email, key person Mobile No and other detail through telephone calls.

### Integrity control of Essential Data for Invoice

Automate integrity control of the most essential data in your invoices.

Receive an automatic alert when there’s an error or discrepancy between the purchase order and the invoice so that you can deal with the problem as soon as possible.

### Electronic Bills

By sending an invoice by email, you can reduce the average payment time. So E-Bill should be sent to each customer where Customers still ask to receive paper bills they should be sent paper bill separately

Customer no longer want to receive endless bills with multiples pages, in black and white, and without any customization. Billing should be made with value-added content, customer want to read like customized marketing messages, praise for their loyalty etc

Use the option to receive receipt confirmations of email and you’ll be able to prove that your customers received their invoices on time.



### Automate your customer communications

Transactional messages are 8 times more likely to be opened than other types of communication so connect with customer through Transaction Message.

It’s important to communicate with your customers throughout the purchase process. For example, you could automate payment reminders 15 days before the deadline, and send this reminder through various communication channels (e-mail, post, SMS ...). Most customers would appreciate a reminder that the date is approaching, not just receive a notice from you when the bill is past due.

### Simplify your payment methods

Just like you, customer time is precious. Most of them would pay their bills faster if the payment process was simplified. If their invoice is sent via the Web, consider integrating a button that redirects directly to an online payment site. You will save your customer’s time and get paid faster!

### In House Alert toward not receipt of Payment

Receive an alert when the payment due date arrives or passes and the payment has not been made. This alert can also be sent to the customer with the details on possible penalties.



### Reasons for late Payment.

As per Industry Experience I have identified some reason for Late Payment

#### Lack of Proper Infra/ Resources in Billing Team

1. Lack of Proper Infra to Billing team like printer stops working in the middle of printing account statements. You wait for technical support all afternoon and then spend the evening starting all over again.
2. Less Resources in Billing Team

#### Casual Approach of Billing team Member

1. Inadvertently send the wrong invoice to the wrong client
2. Wrong Bill to customer, In correct Calculation, bill not as per sales order etc, Initial order number on the invoice is missing, Tax not correctly charged, Bills raised two time
3. Proper supporting not attached with Bill
4. Customer instruction related to billing not followed like customer request for purchase order, delivery slip and other supporting documents.
5. Amount billed in various parts
6. There is no fixed billing cycle some time billed in last day of month some time billed in first week of next month
7. Tax rate different in one and other bills
8. Invoice sent on different mail id or address one or other month

#### Poor Payment Accounting

1. Unreliable payment information
2. Payment booked on account and not against particular bills
3. There is no system of receiving payment against invoice and booking payment against invoice
4. Some customer make payment in form of Demand Draft, online payment, payment receipt must be booked only on receipt of bill detail, Demand Draft deposited in bank even without noting the DD No in records
5. Collection manager ignore to provide the bill detail

#### No proper resolution of Wrong Bill

6. No billing resolution on time, or casual approach to sort

out the billing issue is also a reason of delay in Payment and it results waste of productive time in correcting errors on invoices than providing quality customer service that could grow the business.

#### Agreement with customer

7. Terms and condition with customer not fixed on writing but verbally
8. No consent on Tax Rate

#### Effective way to Improve Account Receivable Processes

Billing make the perception of organization in the mind of customer, If you have good billing system, it will make good perception in the mind of customer, if billing is poor, it will make poor impression in the mind of customer (Even your supplies / services may of best quality)

1. Invoice submission to customer should never be a issue, least soft copy of bill must be sent to customer on time
2. Invoice should be submitted with proper supporting documents even when bills is sent by email, supporting documents should also be sent with bills
3. Customer order reference should always be mentioned on invoice
4. Tax should be charges correctly in case of any doubt, it should be mutually agreed with customer
5. Maker and checker system must be there in Billing system, billing should be checked before it is sent to customer
6. There should be fixed billing frequency or billing date or say billing cycle, it should not change month to month
7. Invoice / bill should be sent to same person, you may copy to other person but it should not happen that one month you mail to Mr X and second month you mail to Mr Y
8. It should be discipline to Reduce your Days Sales Outstanding (DSO) and Continuous follow up with customer
9. Collection target must be age wise not simply customer wise
10. Dedicated resources must be there to make Regular reconciliation of Customer Account, and there should be system of Frequent balance confirmation from customer
11. No On-account/Adhoc payment from Customer – If customer issue on account payment, one should ask against which bill it will be adjusted
12. No direct deposit of payment in Bank account – One should keep least DD No., data and ask for bill detail against which this payment will be adjusted
13. It should be the practice of collection team to receive payment from customer with bill detail
14. Terms and condition with customer should be finalized on writing any other instruction like tax, billing address etc should be asked in writing from customer and billing team should follow it without forget.
15. If there is volume of bills, Dedicated resources should be there for billing resolution.
16. In case of disagreement of Bill amount, debit /credit note should be issued.



# Evaluation of Intellectual Property (IP) in M&A, JV, IPO

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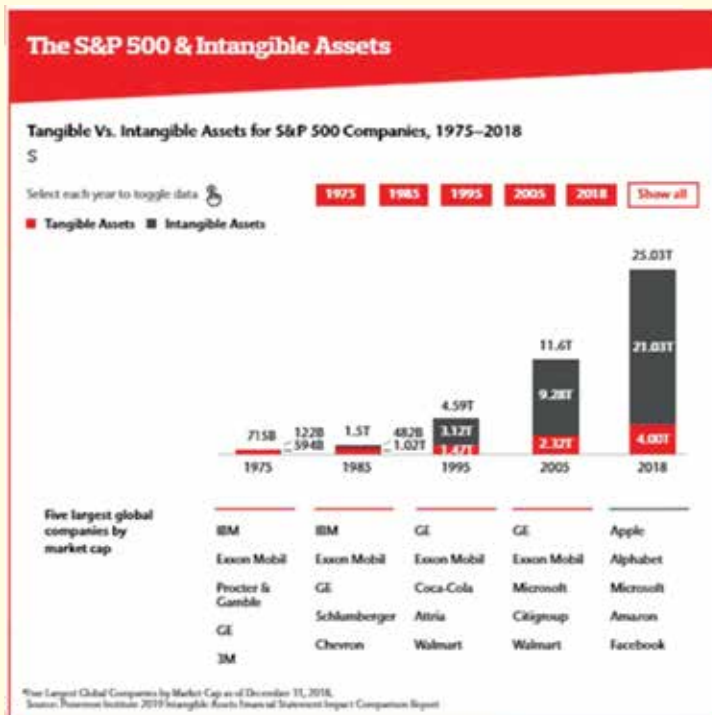
Intellectual property (IP) is Intangible Asset and include following components like -

- Patents
- Know-how
- Copyright
- Trademarks
- Licenses and collaboration agreements

Intangible assets can not be seen, touched and tasted and are not in physical shape. These are products of knowledge based economy. Other than IP, other intangibles include know-how of employees, the human capital, the quality of the management team, the distribution network, the technical skills and corporate culture. Since IPs are not of physical nature, they have their own problems. They have got their high value and subjected to stealing, litigation and misrepresentation in Balance Sheets. IP is a juicy item and are taken away and used illegally for edge in competition and business rivalry. These are common in business world.

Positive bottomline and growth of revenue over a last three/four decades have moved away from tangible assets (physical assets) to intangible assets like Intellectual property (IP) and other intangible assets. The proportion of intangible assets compared to tangible assets have jumped manifold in corporate value index so much so that intangible assets constitute 85% value of the S&P 500 figuring \$21 trillion plus.

Figure 1- The S&P 500 & Intangible Assets



## What is IP scrutiny?

IP scrutiny/investigation of the IP ownership and licensing arrangement of an organisation is a must to arrive at a conclusion

about value and related IP risks, if any, and how to mitigate them. Following are the areas where IP investigation is applied, like -

- Mergers or acquisitions.
- Internal restructuring.
- Initial Public Offerings (IPOs).
- Joint ventures.
- Capital raising and investment.
- Significant licensing arrangements.

IP scrutiny /investigation will answer three cardinal questions of value and risks related issues of management of companies who are involved in all those above mentioned areas specially in M&A :

- To smoothly carry on day to day strategic operations of the company is there sufficient ingredients available commensurate with my requirement?
- Consistent with price paid, am I receiving totally value added?
- Considering systematic and unsystematic risk possibilities in future from IP, am I going to be in trouble which may discount my purchase, investment or licence ?

Before proceeding to acquire the particular IP as a part of M&A or otherwise, care must be taken to ensure that IP assets are of class of high order and has volume. IP must be under ownership title of target company or target company has been authorised to use these IPs. Further, it is to be seen how vulnerable these IPs are to future loss for the target company and consequently the acquiring company. Moreover, how measures are taken to soften the effect of future loss. These need to be scrutinized minutely.

IP is subject to vulnerability in Merger or other areas and may have following effects if not scrutinized extensively -

- The final price of target/deal may come down depending on the degree of imperfection of the ownership title of the target company/dealer.
- Time of merger/ deal may be dragged depending on inadequacy of title of IPs in favour of target/dealer and how long it takes to mitigate them.
- IP licence/authorization is so faulty that transaction can not be proceeded with and deal may have to be aborted.
- Even if you go ahead with the deal with questionable IP credential, you will definitely face unpleasant future once the transaction is finalized and you will have to revise your corporate vision/mission into a tepid and gloomy tomorrow.

IP is a specialist subject and can not be handled by general law practitioner. IP is a core area which need close look, is sensitive and need time in the corporate jungle of legal and finance . Unfortunately, IP does get neglected and does not get the care it deserves. In most cases, suddenly, Patents, Know-how, Copyright and Trademarks lists are given to concerned lawyer and asked to find out any imperfection or title issue in IP giving no reasonable time to look at it. Moreover, in number of cases, IP has not been made to take a crucial place in Mergers/deal. On the contrary. history states that in their enthusiasm to finalise deals, buyers zero in details of transactions before settling IP nitty gritty.



**Buyer Beware - Aggressively watch your prospective IP****1. Has target made IP Documentation ready ?**

This is mother of all requirements. The list of Documentation should be exhaustive. It should include list of each component viz. Patents, Know-how, Copyright, Trademark, Licenses and collaboration agreements. Documentation includes all IP asset related agreements and contracts.

Special emphasis must be on licenses in between target company and 3rd parties. Details of litigation related papers to IP must be highlighted. If Documentation is foolproof, it will add value to the proposed Deal.

**2. Proof of IP Ownership of Target Company**

For a target to substantiate IP ownership, it is pre-requisite to furnish representations and warranties to the acquirer in the assignment agreement. In this process, if the target makes wrongful claim of ownership, it will be exposed. Acquirer should make it sure that the obligations of representations and warranties flawlessly change hands in its favour in the assignment so that no encumbrance emerge in post-deal situation.

**3. Right to IP given to Third Party**

Acquirer should make it sure that If a third party has certain portion of ownership in IP or target has allowed by contract to use of IP by third party, what is the extent of use allowed in the agreement? Is there any violation by third party of the third party agreement? Is it registered? Is renewal updated?

If there is any likely IP law suit or pending law suit in court with third party, no buyer will go for the target company since they will not able to exploit the opportunities in IP fully. Further, settlement of law suit will be time consuming and hugely costly.

**4. Use open source software (How to perform open source scrutiny?)**

Mostly, software engineers and developers apply open source software or structure into their job during inventing products or technology. However, such application of open source software by a target entity can create problems of ownership, licensing, and compliance for a acquirer. Accordingly, sellers need to identify and assess open source issues early in the pre-transaction process.

Here are some tips to measure and control mechanism for open source problems in a deal in a transaction -

**A) Look for the target response**

This is ready made solution for buyer. However, in a number of cases, it is found that sellers fail to furnish true and exhaustive inventory of open source code. Hence, this will be half-hearted attempt for scrutiny.

**B) Rely on representations and warranties**

Representations and warranties are the commitment that acquirer and target companies make in a Deal Agreement. From an use of open source software scrutiny perspective, the target represents that they are in compliance with all open source licenses and known security risks. Here, buyer solely depend on target company.

**C) Employ an outsider for an open source code audit**

Analytical study is the sole method to be confident of what is in the code. In view of this, buyers generally appoint outside auditor for analysis of code mainly aimed at on open source. This will be unbiased, independent and professional job and likely to meet the appetite of buyer.

The following is a non-exhaustive list of information to be requested/obtained when conducting an intellectual property (IP) due diligence review of a company (the "Company") for a commercial transaction. Documents and/or information should be requested for both the Company and its subsidiaries, if any

**Table 1 - Checklist-Intellectual Property Due Diligence For Target Company**

No.	Item Description	Date Provided	Not Applicable
1.	<b>INTELLECTUAL PROPERTY</b>		
1.1	Names of all law firms that handle intellectual property matters for the Company, and contact names and numbers.		
1.2	Schedule and copies of all intellectual property registrations and pending applications therefor, including: issued patents, patent applications, design patents, design patent applications, industrial designs, industrial design applications, copyright registrations, trade-mark registrations, trade-mark applications and integrated circuit topography (mask works) registrations, (including any other applicable related foreign IP, such as petty patents, etc.). Schedules should include jurisdiction in which each item of IP is registered or applied for. Schedules should include status of all pending cases.		
1.3	Identify those patents, patent applications and patent families, as well as trade-marks, that relate to technologies which are currently commercialized/ licensed and technologies for which regulatory approval is being or will be sought for commercialization or license.		
1.4	With respect to the items listed in 1.3, please identify the most relevant competing technology, if any, and the most relevant prior art.		
1.5	With respect to all pending patent applications in Canada or U.S. (or such other key foreign jurisdictions), provide a copy of the most recent office action or Examiner's report.		
1.6	Schedule of all trade-marks, copyrights or proprietary information of the Company not protected by registration, including without limitation, common-law trade-marks, trade secrets, know-how, processes, programs and confidential information relating to operations of the Company.		
1.7	All agreements and documents relating to ownership and rights of use and publication of advertising copy, trade-marks, logos and slogans used in connection with the Company's business, products or services, including licences, assignments, waivers and releases, and agency agreements		
1.8	All agreements and documents relating to ownership and rights of use for all issued patents, patent applications, design patents, design patent applications, industrial designs and industrial design applications used in connection with the Company's business, products or services, including licences, assignments, waivers and releases, and agency agreements.		

1.9	All agreements and documents relating to assignment or license of copyright in any copyrightable material used by the Company, including releases of any moral rights of the authors.		
1.10	All research and development agreements, including without limitation, joint development agreements and development agreements with contractors		

Source - Mark Penner and Sarah Goodwin, Fasken Martineau DuMoulin LLP

### Why Choosing This Particular IP

While looking for zeroing on in a particular IP, acquirer should be rational and logical in their choice. The particular IP should generate long term revenue and bottomline. The history of economic benefits produced by the concerned IP in favour of target should be keenly watched and deliberated upon. This is where synergy comes into play. Look at the successful Mergers where IP played dominant role. Some of the successful examples of mergers include Adidas- Reebok, P&G - Gillette, Facebook - Whatsapp, Microsoft- LinkedIn to name a few. Since hefty premium is paid to the target company, it is imperative that acquirer must be very sure as to why and how much deal value should be. The acquirer will have to be ready to justify as to why the target IP is the top investment choice among those available.

A lucid structure given below which normally are followed by many buyers in M&A deals. It depicts the road ahead based on normal growth and prospective positive bottomline arising out of the use of IP of target company.

**Table 2 - Projected Road ahead based on normal growth and Positive Bottomline**

Key elements	Typical metrics assessed	Brand performance (standalone and combined)	Illustrative tools
Growth	Unprompted awareness, conversion and repurchase, performance on key customer purchase criteria, Net Promoter Score®	Weak → Best in class	<ul style="list-style-type: none"> <li>• Unaided awareness</li> <li>• Penetration funnel</li> <li>• Consumer overlap/performance</li> <li>• Share of wallet</li> <li>• Net Promoter Score and reasons</li> </ul>
Brand memorability	Brand perception, distinctiveness, media reach and effectiveness (traditional and digital)	Weak → Best in class	<ul style="list-style-type: none"> <li>• Brand associations</li> <li>• Perceptual map</li> <li>• Social media sentiment</li> <li>• Quality of distinctive cues</li> <li>• Marketing mix and spend</li> <li>• Online engagement</li> </ul>
Shopper visibility	Distribution reach and effectiveness, in-store execution, online store execution	Weak → Best in class	<ul style="list-style-type: none"> <li>• Channel mix and penetration</li> <li>• Geographic distribution</li> <li>• Retail shelf share and visibility</li> <li>• Online store execution</li> </ul>
Range productivity	Product range, distribution effectiveness for leading SKUs, assortment strategy	Weak → Best in class	<ul style="list-style-type: none"> <li>• SKU productivity</li> <li>• Price position</li> <li>• Promotion effectiveness</li> <li>• Assortment coverage</li> </ul>
Profit and loss	Trade margins and relationships, profit and loss shape	Weak → Best in class	<ul style="list-style-type: none"> <li>• Trade relationships</li> <li>• Trade margins</li> <li>• Profit and loss shape</li> </ul>

### References

1. <https://www.bain.com/insights/M-and-A-in-disruption-2018-in-review/>
2. <https://blog.brandstock.com/intellectual-property-rights-merger-acquisition-issues-t2o>
3. <https://www.scl.org/articles/2239-back-to-basics-intellectual-property-warranties-in-commercial-contracts>
4. <https://www.synopsys.com/blogs/software-security/why-open-source-due-diligence-ma/>
5. <https://www.linkedin.com/pulse/intellectual-property-rights-china-learning-through-two-matsumoto>
6. <https://www.kilpatricktownsend.com/-/media/Files/articles/2016/Lieberstein-Peterson-Bright-Ideas-Fall-2016.ashx>

- *All the wealth of the world cannot help one little Indian village if the people are not taught to help themselves. Our work should be mainly educational, both moral and intellectual.*
- *Educate and raise the masses, and thus alone a nation is possible.*
- *Education, education, education alone! Travelling through many cities of Europe and observing in them the comforts and education of even the poor people, there was brought to my mind the state of our own poor people, and I used to shed tears. What made the difference? Education was the answer I got. Through education comes faith in one's own Self, and through faith in one's own Self the inherent Brahman is waking up in them.*
- *Education has yet to be in the world, and civilisation — civilisation has begun nowhere yet.*
- *Education is not filling the mind with a lot of facts. Perfecting the instrument and getting complete mastery of my own mind [is the ideal of education].*
- *Education is the manifestation of the perfection already in man.*
- *How can there be any progress of the country without the spread of education, the dawning of knowledge?*
- *If education is identical with information, the libraries are the greatest sages in the world, and encyclopaedias are the Rishis.*
- *If the mountain does not come to Mohammed, Mohammed must go to the mountain. If the poor cannot come to education, education must reach them at the plough, in the factory, everywhere.*
- *If the poor boy cannot come to education, education must go to him.*
- *.....Life is a series of fights and disillusionments.... The secret of life is not enjoyment, but education through experience. But, alas, we are called off the moment we begin really to learn. That seems to be a potent argument for a future existence.... Everywhere it is better to have a whirlwind come over the work. That clears the atmosphere and gives us a true insight into the nature of things. It is begun anew, but on adamant foundations....*
- *Shri Ramakrishna used to say, "As long as I live, so long do I learn." That man or that society which has nothing to learn is already in the jaws of death. Yes, learn we must many things from the West: but there are fears as well.*

— Swami Vivekananda



## What the $R_f$ ?

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In Valuation, we often come across this term “*risk-free rate*” also known by its nickname - “ $R_f$ ”. In general usage, most valuers use the 10-year G-Sec Yield published by FBIL as the *risk-free* rate. Which makes sense. The *risk-free* rate is supposed to be least risky investment one can find, and we add a risk premium on top of that for valuation. Right? No.

There’s a difference between a “*risk-free*” rate and the “least risky” rate. While Government Securities (G-Secs) may be the least risky rupee denominated investments in the world, they are certainly not “*risk-free*”. After all, we’re talking of  $R_f$  and not RL. In fact, on 1 Apr 2020, the sovereign rating of India assessed by Moody’s was Baa2. The typical default spread for this rating was 2.82%. Further, the average credit default swap (CDS) rate for dollar denominated Indian bonds was 2.78% higher than the CDS of Swiss bonds.<sup>1</sup> Hence we see that the Indian G-Secs are far from risk free. There are two possible ways to adjust for the difference.

1. We can take the 10-year G-Sec rate and reduce the sovereign default spread to arrive at the *risk-free* rate. For example, on 1 Apr 2020, the default spread for India was 2.82% against a 10 year G-Sec yield of 6.73%<sup>2</sup>. Hence, the *risk-free* rate of return for India was  $6.73\% - 2.82\% = 3.91\%$
2. We may start with a 10-year Government bond yield rate for a riskless economy, and add the CDS of the Indian economy to that. The inherent assumption here is that there exists a riskless economy, which is not true. However, we would rather base our judgement on an incorrect assumption rather than do away with the measurement altogether. Let us assume Switzerland to be a riskless economy with very little chance of sovereign default. The CDS spread of India over Switzerland comes to be 2.78%. Given that the yield of Swiss Government Bonds on 1 Apr 2020 was -0.37%<sup>3</sup>, the risk free rate for India should be  $-0.37\% + 2.78\% = 2.41\%$

The two calculations give us very different numbers. However, we see that the “*risk-free*” rate is very different from the 10 year G-Sec yield which is not inherently riskless. Still it is common practice to assume the 10 year G-Sec yield. In fact, why use the 10 year G-Sec bond yield at all? Aren’t 90 day T-bills riskless by the same sovereign guarantee? In fact, since risk lies in an uncertain future, lower duration T-bills should be less risky and hence more “*risk-free*” than 10-year G-Secs. So why do we use the 10-year G-Sec yields?

Purist valuation practices suggest that the duration discount rates should be equal to the duration of the cash-flows. In the perfect sense of the definition, each cash-flow should have a unique *risk-free* rate equal to the duration of the cash-flows. In going concerns, the bulk of the value comes from the future terminal value of cash-flows. Hence, it is logical to assume that the longest duration G-Secs used for the discounting of all the cash-flows will result in very little error in calculations. However, we must not forget that in cases of SPVs with limited time-frame of operation, such as many real estate or infrastructure projects, the 10 year G-Sec rate may not be ideal for calculation of the *risk-free* rate.

An argument in favour of using the 10 year G-Sec rates is the  $R_f$  on its own is meaningless. What we intend to find is the cost of equity ( $K_e$ ) which also incorporates a market risk premium. As long as we adjust the market risk premium correctly for our *risk-free* rate we calculated, our  $K_e$  will come out correctly. But that’s a different discussion.

For now we may change the way we use  $R_f$ , or we may stick to the conventional practice of using 10 year G-Sec rates as  $R_f$ , but we should remember the baggage that comes with it. The 10-year G-Sec yield is not *risk-free*, but is a good starting point to find the correct *risk-free* rate.

### (Footnotes)

<sup>1</sup> [http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/ctryprem.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html)

<sup>2</sup> [https://rbidocs.rbi.org.in/rdocs/Wss/PDFs/5T\\_1004202059CA110D786B4E64A3434C8CD4EF8877.PDF](https://rbidocs.rbi.org.in/rdocs/Wss/PDFs/5T_1004202059CA110D786B4E64A3434C8CD4EF8877.PDF)

<sup>3</sup> <https://countryeconomy.com/bonds/switzerland?dr=2020-04>

“Wisdom is not a  
product of schooling  
but of the lifelong  
attempt to acquire it.”

— Albert Einstein



# Importance of Proper Allocation, Apportionment and Absorption of Employee Cost

CMA Rajesh Kapadia

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Employee Costs are essentially incurred for the following activities :

- 1) To run Manufacturing Plants
- 2) To run Utilities to Support Manufacturing Plants
- 3) To run Maintenance Activities to maintain Manufacturing Plants & Utilities in Good Conditions
- 4) To run Other Supporting & Essential Activities Like to Manage Finance, Administration, Marketing of the Products & Services etc

To arrive reliable Product Cost, it is essential to ensure proper allocation, apportionment and absorption of All Cost Elements.

And Employee Cost being an important Cost Element, it is imperative to ensure it proper allocation, apportionment to Respective Cost Centres and thereafter its absorption in Final Product Cost which is exhibited in Annexure I.

This makes it necessary to define Proper Cost Centres.

In Payroll, against each employee proper Cost Centre should be mentioned to ensure proper booking of Employee Cost.

If any employee is transferred from one Cost Centre to Another Cost Centre, proper intimation should be provided to the concerned department to update his Pay Roll mentioning the correct cost centre.

Cost Centrewise List of Employees should be regularly updated in Employee Payroll so that Cost Centre wise Employee Cost gives Correct Reflection of Employee Cost.

Sometimes, employees are transferred from one cost centre to another cost centre.

Ensure that Pay Roll of Employees reflect all such Transfers Correctly & Timely.

Sometimes, it may happen that some employees are common to more than one utilities.

Under this situation, its allocation can be decided after having discussion with Utility Head so that it results in correct cost allocation.

Given below are few practical situations where allocation / apportionment may create practical problems :

- 1) For example, a company may have Bulk Drug Plant and Formulation Plant and their Production Head may be one person only.

Here it creates problem of allocation of his salary between Bulk Drug and Formulation.

Following can be the probable Options for allocation :

- Allocate entire salary to Bulk Drug Division
- Allocate entire salary to Formulation Division
- Allocate to both Bulk Drug Division and Formulation Division based on Technical Estimate as may be provided by Head of Production.

- Whatever the basis of allocation is selected, it should be applied consistently to have uniform reporting of the cost over a period of time

- 2) There may be situations when Operating Employees are common to more than one Utility.

Say 4 Operating Employees are Common to DM Water Plant & Cooling Water.

Here it creates problem of allocation of Employee Cost of 4 Operating Employees between DM Water Plant and Cooling Water Plant.

Following can be probable options for allocation:

- If CTC of all the 4 Operating Employees are more or less same than cost of any 2 Operators can be allocated to DM Plant and remaining 2 to Cooling Water Plant.
  - Cost of all 4 Operating Employees can be allocated equally between DM Plant and Cooling Water Plant
- 3) Sometimes it creates practical difficulties to allocate Employee Cost of Top Management.

Say a Company has position of Director - Manufacturing.

Now if the company has many plants, whether at same locations or at multiple locations, then it creates problems of allocation of his employee cost to different plants.

Similarly a Company has position of Director - Utilities

Now it becomes difficult to allocate his salary among Various Utilities Like Filtered Water, DM Water, Cooling Water, Steam, Power Plant etc.

Under this situation it may be a better option to treat this Employee Cost as Part of Corporate Expenses and allocate along with Other Corporate Expenses.

It may be a good industrial practise if HR Department sends list of Employees with Cost Centres marked against each employee to HODs of Respective Cost Centres. If against any employee, wrong Cost Centre is marked then it can be corrected. This may be done once in a year.

If any employee cost booked in financial books of accounts but either it does not pertain to operational activity of current year or which is of non recurring nature or abnormal in nature, then it should not be considered for Product Costing. And it will be shown as Reconciliation Item.

Under Financial Books of Accounts, Under Staff Welfare Expenses, various employee related expenses will appear. Here it is difficult to relate them to any particular Cost Centre. So ideal way is to allocate them in the ratio of No of Employees in Each Cost Centre.

## ANNEXURE I

## Cost Centrewise Expenses on Employee Costs for Company / for Plant 1

PARTICULARS	2019-20 (Rs Lacs)	%	Allocation	Apportionment/ Absorption
<b>COST CENTRES</b>				
<b>Manufacturing Cost Centres</b>				
Manufacturing Plant-1			In Product Cost Sheet it will appear as Direct Employee Cost	
Manufacturing Plant-2				
Manufacturing Plant-3				
<b>Utilities Cost Centres</b>				
Power Plant			Allocated to Respective Utilities	In Product Cost Sheet, it will appear as Cost of Respective Utilities
Boiler				
DM Water Plant				
Filtration Plant				
Cooling Water Plant				
Chilled Water Plant				
Air Compressor				
Nitrogen				
<b>Maintenance Cost Centres</b>			Allocated	In Product Cost Sheet, it will appear as Maintenance Cost
<b>Other Cost Centres</b>			Allocated	In Product Cost Sheet, it will appear as Factory Overheads
<b>Marketing Cost Centres</b>			Allocated	In Product Cost Sheet, it will appear as Selling Expenses
<b>TOTAL</b>				

NOTE : VIEWS EXPRESSED ARE PERSONAL VIEWS OF THE AUTHOR

- ❖ *“Live as if you were to die tomorrow; learn as if you were to live forever.”*
- ❖ *“Happiness is when what you think, what you say, and what you do are in harmony.”*
- ❖ *“An eye for eye only ends up making the whole world blind.”*
- ❖ *“First they ignore you, then they laugh at you, then they fight you, then you win.”*
- ❖ *“The best way to find yourself is to lose yourself in the service of others.”*
- ❖ *“Strength does not come from physical capacity. It comes from an indomitable will.”*
- ❖ *“You must not lose faith in humanity. Humanity is an ocean; if a few drops of the ocean are dirty, the ocean does not become dirty.” “A man is but the product of his thoughts, what he thinks, he becomes.”*

— Mahatma Gandhi

# CHAPTER NEWS

## AHMEDABAD

Chapter has organized various webinars from 2nd July 2020 to 6th July 2020 during GST DAY CELEBRATION WEEK for the members. The details of the programs are given below. The Web series was inaugurated by welcome speech given by CMA Malhar Dalwadi, Secretary of Chapter. CMA Haren Bhatt, Chairman of Chapter and CMA Dakshesh Choksi, Chairman of PD Committee welcomed faculties during the session.

CMA Haren Bhatt, Chairman of Chapter and CMA Dakshesh Choksi, Chairman of PD committee thanks to other office bearers of Ahmedabad chapter for organizing such a wonderful web series. More than 35 members participated in each program of series and it was well appreciated by participants. CMA Malhar Dalwadi proposed vote of thanks.

### Details of Webinars

Date	Topic / Subject of Program	Name of Faculty
02-07	Recent Announcements / amendments in GST	CA Vipul Khandhar
03-07	GST Audit	CA Pravin Dhandharya
04-07	Annual Returns under GST	CMA Vandit Trivedi
05-07	Import of Services under GST	Mr. Sree Ram Kaza
06-07	RCM under GST Laws	CMA D S Mahajani

## GOA

CMA Savari Muthu	....	<i>Chairman</i>
CMA Vaishali Dessai	....	<i>Vice- Chairperson</i>
CMA Praveen Singh	....	<i>Secretary</i>
CMA Shaunak Dessai	....	<i>Treasurer</i>

## NASHIK OJHAR

Live interactive session on “Stock Audit – From Banking Angle”

Chapter is always ready to provide knowledge to our beloved members in every situation. By keeping our trend in the pandemic situation of COVID-19 the Chapter conducted the Live session on YouTube for members and other stakeholders on “Stock Audit- from Banking Angle” on 30th July 2020. The speaker for the same was CA Tanmay Rajurkar.

Speaker had guided our Members and Students, how to conduct stock audit, with its scope, its object, and opportunities in this area. He had also shared some practical experience in this session.

Session had started with the Speaker’s introduction and then CMA Kailas Shinde, Chairman of Nasik Ojhar Chapter delivered his Chairman speech.

Vote of Thanks shared by CMA Nikhil Pawar. All Committee members had taken active participation for this session.

### Interaction with CMA Students - Online

In the COVID 19 pandemic situation our Students are in dilemma situation regarding their Exam and study. To understand their issues had conducted online interactive session with their Students on 19 July 2020. The resource person for this program was CMA Nikhil S.Pawar (MCM-Nashik Chapter)

The object behind this is to understand Students difficulties in study and other issues. Further, to increase active participation of our students in chapter activity

The session covered following points:-

- 1) To share Students Subject related queries. In that it is found that students need more practice in Mathematics subject. Foundation level students be afraid of Law subject.
- 2) To have Revision for important subjects or topics to have good command over subject.
- 3) To guide students How to write papers?
- 4) To create positive environment among students by suggesting importance of Meditation and Exercise.
- 5) To help students to make timetable especially for those who are preparing for Both Group.

More than 100 Students participated for this unique session. All Committee Members tried to understand Students concerns and ensure them to help.

Special Thanks to CMA Swapnil Kharde, CMA Arpita Fegde, CMA Arif Mansuri & CMA Maithili Malpure.

## NAVI MUMBAI

Chapter organised the following programmes during the month of June 2020 & July 2020

A Webinar on “Riding the Automotive Wave” on 26th July 2020. Mr. Parag Joshi Automotive Lead for Manufacturing Industry for Europe Tata Consultancy Service Ltd was the speaker on the above Webinar.

The Programme commenced with the traditional welcome of the speaker) by PD Chairman CMA Vivek Bhalerao. Chairman CMA Sirish Vasant Mohite welcomed the participant’s which included Past President CMA V.V. Deodhar & CCM Debashish Mitra. CMA V.V. Deodhar highlighted the importance of Automation.

The Speaker Mr. Parag Joshi dealt on the subject in detail from Automation Disruption Impact to Compute, AI, ML, Deep Learning with practical examples He also explained how 3D Printing is useful in Medical, Construction, Semi-Conductor & Food Industry. He also dealt on how this could reduce cost & discussed on Skill Pyramid. The session was very interactive and speaker thanked all participants for making the session interesting with their queries, and discussion. The programme ended with felicitation of speaker M. Parag Joshi by CMA Shri Vivek Bhalerao. Vice - Chairman CMA Vaidyanathan Iyer gave the vote of thank

and specially thanked the Speaker for enlightening all the members on the subject.

A Webinar on “Challenges on working with MSME” on 21st June 2020. Speaker for the Webinar was CMA Pramod Ralkar Qualified SAP Consultant, Certified Performance Management Expert, Lean Six-Sigma Black Belt and a Certified Lead Assessor of ISO Quality Systems The Programme commenced with PD Chairman Vivek Bhalerao welcoming the speaker and Chairman CMA Sirish Vasant Mohite welcomed the audience and highlighted the importance of the topic. The Speaker dealt on the subject in minute details, by giving practical examples of happenings during his interaction with MSME. The session was very interactive, and speaker thanked all participants for raising relevant queries. The programme ended with felicitation of speaker CMA Pramod Ralkar, by the CMA Vivek Bhalerao. CMA Sirish Vasant Mohite gave the vote of thank and specially thanked the Speaker and Audience for their active participation

## **PIMPRI-CHINCHWAD-AKURDI**

### **1. Webinar on Saturday, July 4, 2020**

Chapter conducted the webinar on “GST Updates and Audit including Departmental Audit” on Saturday, July 4, 2020 at 6:00pm to 8:30pm through Google Digital platform.

CMA Pradeep Deshpande, Secretary – PCA Chapter has welcomed speaker and all the audience participated in the webinar. CMA Jayant Hampiholi, Chairman of PCA Chapter has introduced the eminent speaker CMA Ashok Nawal, Practicing Cost Accountant.

The webinar started with celebration of three years of completion of GST. CMA Ashok Nawal in his speech took review of three years of GST. He further explained on Recent GST Notices on Interest, Mismatches, GST Audit & its Resolutions etc.

Then he briefed on the different forms of notices, Most common reasons for GST Notices, Mode of receipt of Notices, Types of notices under GST Law – Assessment, Types of notices under GST Law – Audit, Types of notices under GST Law – Demand, Excess availment of Credit – Mismatch & Restrictions, Excess availment of Credit – Blocking of Credit, Demand of Interest on delayed filing of Returns.

### **2. Webinar on Saturday, July 11, 2020**

The ICAI-Pimpri-Chinchwad-Akurdi Chapter conducted the webinar on “Lease Accounting” on Saturday, July 11, 2020 at 6:00pm to 8:30pm through Google Digital platform.

CMA Pradeep Deshpande, Secretary – PCA Chapter has welcomed all the audience participated in the webinar and introduced the speaker CMA Pradeep Sahasrabudhe, Practicing Cost Accountant.

CMA Pradeep Sahasrabudhe in his speech started with Fundamental Accounting Concepts / Assumptions Compromised by absence of IFRS 16 provisions in which he highlighted on Faithful Representation, Comparability,

Definition Criteria of Assets, Substance over form etc. He said that the objective of IFRS 16 establishes principles for the recognition, measurement; presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions (ensure that all the assets are shown in the Balance Sheet).

### **3. Webinar on Saturday, July 18, 2020**

The ICAI-Pimpri-Chinchwad-Akurdi Chapter conducted the webinar on “Sources of Investments” on Saturday, July 18, 2020 at 6:00pm to 8:30pm through Google Digital platform.

CMA Jayant Hampiholi, Chairman of PCA Chapter has welcomed speaker and all the audience participated in the webinar. CMA Pradeep Deshpande, Secretary – PCA Chapter has introduced the speaker Mr. Amol Amale, Director – Precision Technicals Pvt Ltd.

Mr. Amol Amale in his speech explained the correct definition of Investment. Then he focused on the different things which are to be checked before investment such as Regulatory, Safety, Returns, Liquidity and Taxability. Further he briefed on the types of asset class such as Fixed Income Asset Class, Equity, Real Estate, Commodities, Insurance and Art. He briefly explained on each asset class and has given suitable examples on it. Then he turned to categories of Mutual fund.

### **4. Webinar on Saturday, July 25, 2020**

Chapter conducted the webinar on “Recent Opportunities to CMAs – IBC, Valuation, MCS Audit, ID etc.” on Saturday, July 25, 2020 at 6:00pm to 8:30pm through Google Digital platform.

CMA Jayant Hampiholi, Chairman – PCA Chapter has welcomed speaker and all the audience participated in the webinar and introduced the speaker CMA L D Pawar, Practicing Cost Accountant & Past Chairman - WIRC.

CMA L D Pawar in his speech briefed on the Key Features on the subject. Then he focused on Applicability, Scope & Structure. He explained on Framework of Code and its benefits.

He further explained that the IBC-2016 provides CMAs, CAs, Company Secretaries & Advocates (having fulfilled certain eligibility criteria) can practice as Insolvency Professionals. Becoming an Insolvency Professional is one of the greatest and brightest professional opportunity that has come to the kitty of CMAs of recent as we are the best fit to the role and responsibilities expected out of an insolvency professional. Session was well interactive. The seminar was attended by members in practice, members from industries and professionals in large numbers.

CMA Dhananjay Kumar Vatsyayan, Vice-Chairman, PCA Chapter gave the vote of thanks.



## Theme for Coming Months

### Details of Themes of coming months:

Month	Theme
September	Cost Audit
October	Direct Tax
November	Valuation
December	Insolvency Profession

*Theme of September 2020 is Cost Audit. Editorial board invitees' articles/papers on Banking for the WIRC Bulletin for the month of September 2020. Sub theme of Cost Audit is as below:*

#### Sub Theme:

- E – Audit under New Normal
- Compliance of Cost Auditing Standards
- Cost Accounting Standards
- Industry Specific Cost Records
- Importance of Cost Audit

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 5th September 2020 by email to WIRC: [wirc.admin@icmai.in](mailto:wirc.admin@icmai.in)

### 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)

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

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