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WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

Organizes Symposium on "Cost Audit – Stakeholders' Value Proposition"

20th December 2019, YB Chavan Auditorium, Mumbai

Time : 9.30 a.m. to 6.00 p.m.

India has a mechanism of Cost Audit in place since 1965. The Cost Audit mechanism which is applicable for both manufacturing & service industry has a great potential to add value to all its stakeholders. Over the years, the cost audit has benefited corporates by providing productivity measurement and improvement models; Proper utilization of scarce resources & waste minimization; providing industry wide benchmarks for corporate competitiveness and so on. The Cost Audit has very important social and economic objectives like Consumer protection and fair pricing; Ensuring delivery of essential products and services at affordable price; Fair tariff fixation for utilities like, electricity, telecommunication etc.; Investors' protection; Forewarning for industrial sickness to control NPAs and protect stakeholders' interests; Validation of cost database for fighting anti-dumping measures or lodging dumping complaints in WTO regime; Check mechanism for tax evasion and ensuring proper payment of Direct & Indirect Taxes by corporate sector and many more…

Thus Cost Audit offers significant value addition to various stakeholders. It is a continuous endeavour of the Institute to get feedback from various stakeholders regarding their expectations, which guides and shapes the future developments in this mechanism.

Participation Fee: For Members: Rs. 100 Incl. GST **CEP Credit 4 (Four) Hours**

About the Symposium : We are inviting the dignitaries from various Ministries of Govt. of India, the Industry Captains, the Industry Associations, the Regulators, Economists, Social Economists, Social Thinkers, Forums engaged in protecting the interests of Consumers & Investors, Academicians, and Professional Institutes, to express their views on strengthening this unique mechanism of Corporate Governance of Indian origin.

The Technical Cell of the Institute is organizing this symposium to bring all stakeholders of the Cost Audit Mechanism together to evaluate the efficacy and highlight further expectations from this Mechanism for making India $5 Trillion Economy.

CMA Balwinder Singh
President,
The Institute of Cost Accountants of India

CMA Biswarup Basu
Vice-President
The Institute of Cost Accountants of India

CMA (Dr.) Dhananjay V. Joshi
Former President & Chairman, Technical Cell
The Institute of Cost Accountants of India

CMA Neeraj D. Joshi
Council Member and Chairman, WIRC
The Institute of Cost Accountants of India

For registration, please send email to technicalcell@icmai.in or wirc@icmai.in

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From the Desk of Chairman . . . . . .

Dear CMA Professional Colleagues,

We are approaching end of calendar year and last quarter of the fiscal year 2019-20. The Indian economy in general is not showing signs of substantial growth and there is a feeling of slow-down in the economy. This is the time when professionals like CMAs can come to the aid of the industry & government. We have to put our best foot forward and suggest solutions to our clients to steer through these difficult times.

WIRC has been conducting various CEP programs in Mumbai covering wide array of topics. I put on record efforts taken by CMA Vinayak Kulkarni, RCM and his team. Soon WIRC will be conducting programs in other parts of the region as well to enrich & benefit members.

WIRC has submitted its representations to various banks couple of years back. We are following-up with the banks about our letter and seeking appointment of the CEO / MD to explain our requirements in person. I appeal to all the members that if they have any personal contact with the MD / CEO / CFO of banks, please let me know so that we can have a personal meeting with the bank executives.

Every profession has to work continuously to build capacity by honing skills of its members. The Institute has made Capacity Building Training mandatory for the new Practitioners. I am pleased to report that WIRC has recently conducted First Batch of this Mandatory Capacity Building Training for New Practitioners. I congratulate all those who have participated in this training and wish them very best in their professional life.

Last month I had informed you all about the two national events, one on Cost Audit in Mumbai and other on Global Summit on Management Accounting in Delhi. I hope all of you have registered for the events. It is our responsibility as members to support such activities of the Institute and showcase our strength.

The MCA has now issued the Final Validation Tool for Cost Audit Taxonomy 2019. Conversion Tools are now also available for the XBRL Conversion. The deadline for submitting the Cost Audit Report is 31st December 2019. Hope that the filings are going on properly with the new Tool. If you face any issue or difficulty with the filing, please get in touch with me so that I can communicate the same to the team in HQ for possible resolution.

I wish you and your loved ones a Very Happy & Prosperous New Year!!!

"Every time you tear a leaf off a calendar, you present a new place for new ideas and progress - *Charles Kettering"*

Sincerely Yours,

CMA Neeraj Dhananjay Joshi
Chairman, ICAI-WIRC

Brief Snapshot of the activities of ICAI-WIRC

Mandatory Capacity Building Training

As per the Council decision in December 2017 and thereafter vide Notification F.No.CWA/21/2019 dated 1st February 2019, a Cost Accountant is required to undergo mandatory capacity building training before applying for Certificate of Practice or within six months of getting the Certificate of Practice i.e. new COP holders.These guidelines came into force w.e.f. 1st February 2019.

The Professional Development & CPD Committee in association with WIRC organised 1st Batch of Training for 6 days from 14th November 2019. CMAs Sukrut Mehta, Vaibhav Joshi, Deepak Tikekar, Aditya Umarji, S.G. Narasimhan, Raghvendra Chilveri, Shrikant Ippalpalli, Dr. V.V.L.N. Sastry, & Prashant Lele were the faculty for the training.

CEP Report

CEP on Risk, Fraud Management and Governance was organised by WIRC on 27th November 2019 at WIRC Office. Mr. Abhijit Sanzgiri, CA & Mr. Kalpesh Mody, Risk & Governance Professional were the speakers.

Other Activities

- 11th Batch of RVO - started from 29th November 2019
- Crash course - WIRC had organized the Crash Course for Final Students appearing for December 2019 Examination for the subjects of Direct Tax Laws and International Taxation & Corporate financial Reporting. CMA Virag Shah & CMA Deepak Ukidave were the faculty members respectively.

Forthcoming Events

- The Technical Cell of the Institute is organizing Symposium on "Cost Audit - Stakeholders' Value Proposition" to be held on 20th December 2019 at Y.B. Chavan Auditorium, Mumbai.
- Series of CEPs on "Tally ERP 9 Software" on 6th, 7th & 8th December 2019.
- "Workshop on Advance Excel" from 18th December 2019 to 24th December 2019
- "Workshop on Excel - Macros from 26th December 2019 to 9th January 2020

S/4 Hana Finance New Era in SAP – Part I

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In today's world innovation is most important especially in Information Technology. SAP is providing truly innovative and dynamic package solutions by which one can integrate, diversify, and streamline their work-processes with multi-dimensional compatibility.

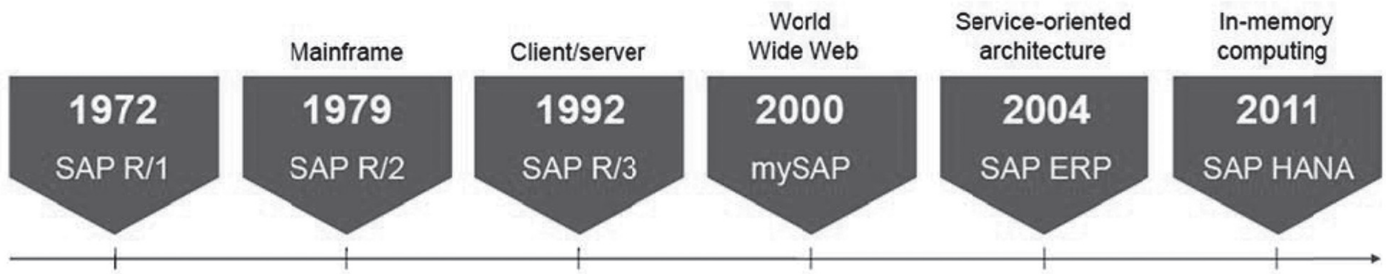
Today's finance executives recognize a need to move beyond numbers. They want a information very quick and also on real time basis. Top management also wants a real-time data from finance executives for strategic decision-making purpose.

SAP S/4 HANA finance (formerly SAP Simple Finance) is an innovation in the world of SAP and we can say that **"SAP S/4 HANA Finance The world's leading Finance solutions reinvented"**. finance users will experience much greater execution speeds, in some cases even a hundred time faster than normal speed. **S/4 HANA finance removed bottleneck from closing processes and provide real time business performance information** to stakeholders which included elimination of substantial time and efforts for reconciliation.

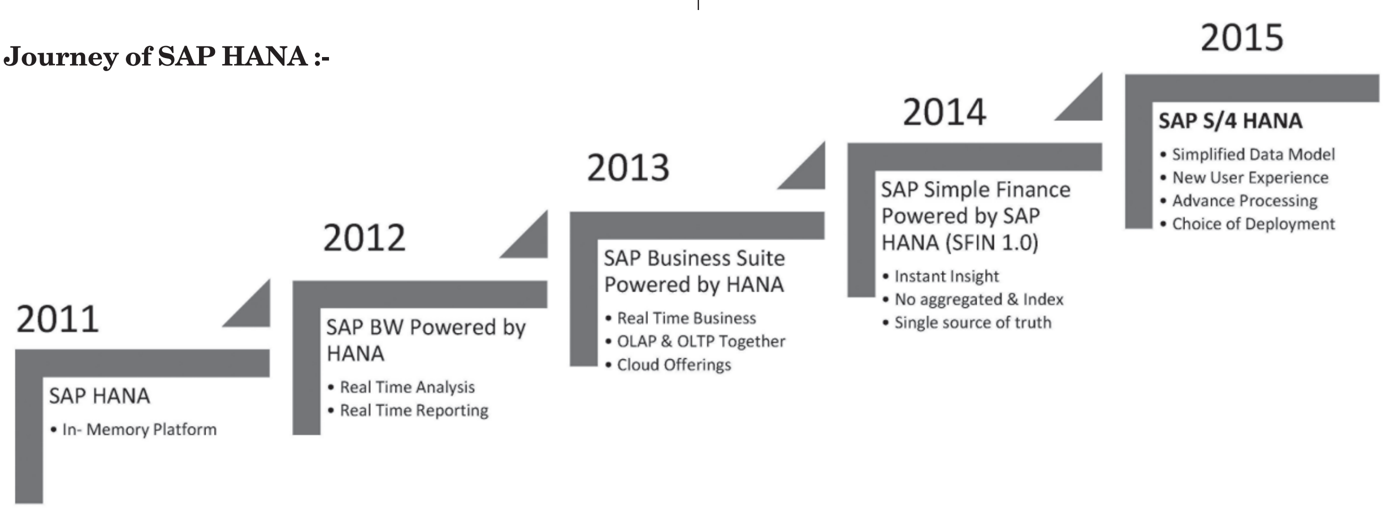
S/4 HANA finance is based on HANA platform, let's have overview of HANA platform.

SAP Journey :

During Last more than 40 Years SAP come out with multiple innovations across the industries. Following is a journey of SAP form SAP Business Suite R/2 to next Gen SAP HANA.



Journey of SAP HANA :-



SAP HAHA Overview: -

SAP introduced SAP HANA in 2011 as a fast database, a significant change that revolutionized the approach to database record storage changed. SAP HANA is a combination of HANA Database, Data Modeling, HANA Administration and Data Provisioning in one single suite. In SAP HANA, HANA stands for High-Performance Analytic Appliance.

Today, most successful companies respond quickly to market changes and new opportunities. A key to this is the effective and efficient use of data and information by analyst and managers. HANA overcomes the limitations mentioned below ?

- Due to increase in "Data Volume", it is a challenge for the companies to provide access to real time data for analysis and business use.
- It involves high maintenance cost for IT companies to store and maintain large data volumes.
- Due to unavailability of real time data, analysis and processing results are delayed.

SAP HANA In Memory Computing: -

In case of Conventional database system all the data stored in hard disk. In conventional system data was stored in Row bases tables, whereas HANA stores the record in Column based tables. Row-based storage stores table records in a sequence of rows while column-based data is stored in columns.

The difference is faster data access, improved parallel processing and better compression, on-the-fly aggregations; and it's made possible when transaction data is stored in a column-based table.

SAP HANA in-memory database means all the data is stored in the memory (RAM). This is no time wasted in loading the data from hard-disk to RAM or while processing keeping some data in RAM and temporary some data on disk. Everything is in-memory all the time, which gives the CPUs quick access to data for processing.

The main features of SAP HANA in-memory database are ?

- SAP HANA is Hybrid In-memory database.
- It combines row based, column based and Object Oriented base technology.
- It uses parallel processing with multicore CPU Architecture.
- Conventional Database reads memory data in 5 milliseconds. SAP HANA In-Memory database reads data in 5 nanoseconds.

SAP S/4 HANA Finance:

Finance & Controlling modules in SAP are a mature offering with awesome breadth and depth. Over the years the world has changed a lot which result in change in financial regulations across the globe. There is also a need for lightning fast financials reporting. The world of data is changing swiftly and financial operations must deal with enormous amounts of data processed at higher speeds and make sense of it. Considering this in 2014 SAP has taken its traditional FICO module to the next level by launching "Simple Finance" (sFIN) with SAP Business suite 4 HANA (i.e. S/4 HANA) which leverage its high-performance HANA platform. With the introduction of HANA platform SAP overcame its shortcomings of traditional FICO module and offered some powerful new features such as the universal journal, streamlined design, and real-time analytics

S/4 Hana Finance offers following :

- Build on In-Memory Computing
- Built-in ability to use prediction, simulation, and analysis to evaluate the financial implications of strategic business options
- One common view of financial and operational data, to help ensure enterprise-wide consistency and reduce reconciliation time and errors
- Optimization of business processes
- Real-time data across all financial dimensions
- A beautiful user experiences
- On-premise, hybrid, and cloud deployment options and a non-disruptive migration path

Since SAP S4/HANA Finance is part of the S/4HANA suite, it is important to understand what S/4HANA consists of. SAP S/4HANA consists of four components:

1. **The functional/core component:** SAP provides the various finance capabilities and enhancements as part of the functional/core component. You need to be on at least SAP NetWeaver 7.4, SAP ERP Central Component (ECC) 6.0 Enhancement Package 7, and SAP HANA version to be able to consider a migration or upgrade to S/4HANA. A migration to S/4HANA from ECC 6.0 is a functional upgrade that involves the migration of transactional tables.
2. **The presentation/user experience (UX) component:** This SAP Fiori-based GUI component helps you interact with the core component through the user-friendly Fiori screens. It requires SAP NetWeaver 7.4 and SAP Gateway version 2.0. Note that this is an optional component and you can continue with your existing SAP GUI or NetWeaver Business Client as your user interface.
3. **The reporting/analytics component:** This component enables real-time reporting and analytics using pre-packaged HANA Live views. The prerequisites for installation are SAP HANA Live for SAP ERP and SAP HANA. This too is an optional component.
4. **App component:** This component is a collection of analytical applications in the Financials suite for key financial decision-makers in an enterprise.

To be Continued.....

This article was published in E-Bulletin of ICAI-Pune Chapter

Strategic Cost Management

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Traditional costing is useful but having many limitations like :

1. Emphasis on short term decisions
2. Relay on Internal Information
3. Methods of Apportionment and Absorption is arbitratory
4. Reactive approach

Strategic Cost Management concern the focus of Cost Management efforts.

- Explicitly highlights strategic issues and concern
- Uses both internal and external information for decision making
- Cost structure use for search of best strategy
- Aim for long term sustainable competitive advantage.

Strategy - Michal Porter develop two important strategy - Cost Leadership & Product differentiate strategy.

Cost Leadership strategy -

- Aims to lowest cost
- Economics of scale
- Tight cost control

Product differentiate strategy

- Unique dimension in product / service
- Innovative
- Very high brand image
- Luxury product / service

Take the example of Maruti and Mercidize car, how strategic cost management apply in these companies.

	Area	Cost Leadership (Maruti)	Product Differentiate (Mercidize)
1	Standard Costing System	Very high important	Not much important
2	Cost Control technique	Very high important	Moderate important
3	Innovation & Research	Not much important	Very important
4	Strong market abilities	Not much important	Very high important
5	Corporate reputation	Moderate	Very high important
6	Product engineering	Moderate	Very high important

Some techniques of Strategic Cost Management which companies use.

(1) Bundling - Bundling is the combination of two or more different product, which are offered as package at a single price. E.g. Bank offering Insurance services, Mutual Funds etc.

(2) Outsourcing - Instead of expansion or developing new line / operation, companies get it done from outsource e.g. many pharma companies getting production through contract manufacturing for its expansion or close-down several plant.

(3) Location advantage - Purchasing existing plant where employee cost is very low, Aman-MNC outright purchased existing plant in Gujarat of the similar products.

(4) Visioing Alliance - Very common strategic step. 7 O'clock merge in Gillette, many communication and Travel companies merged in bigger scale companies.

(5) TQM - Emphasis on Total Quality and continuous improvement in the product. Applying six sigma and reaching sixth level for minimize defects.

(6) Suppliers as a strategic partner - Many foundries become strategic partner of Engineering company and assured good quality material at cheaper rate and supply in critical time.

(7) Target Costing - Set the targeted price in future to earn desired profit in a stipulated time frame.

(8) Life Cycle costing - Considering cost of entire life cycle of product, instead of one or two years and accordingly develop and accept the technology and research work for a long term profitable survival.

(9) e. business - e business recently developed but its scope is very large and highly cost effectiveness and limitless boundary for business. Amazon is the best example.

Above and many more techniques are employed for long term sustainability competitive advantage instead of narrow cost sheet frame. In short Strategic Cost Management applying Strategic Management through Management Accounting perspectives.

An introduction to Social Return on Investment

CMA (Dr.) S. K. Gupta

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The perspective

Social return on investment (SROI) is a method for measuring values that are not traditionally reflected in financial statements, including social, economic and environmental factors. They can identify how effectively a company uses its capital and other resources to create value for the community. While a traditional cost-benefit analysis is used to compare different investments or projects, SROI is used more to evaluate the general progress of certain developments, showing both the financial and social impact the corporation can have. Social Return on Investment (SROI) is an outcomes-based measurement tool that helps organisations to understand and quantify the social, environmental and economic value they are creating.

Developed from traditional cost-benefit analysis and social accounting, SROI is a participative approach that is able to capture in monetised form the value of a wide range of outcomes, whether these already have a financial value or not. An SROI analysis produces a narrative of how an organisation creates and destroys value in the course of making change in the world. Social Return on Investment (SROI) is a systematic way of incorporating social, environmental, economic and other values into decision-making processes. By helping reveal the economic value of social and environmental outcomes it creates a holistic perspective on whether a development project or social business or enterprise is beneficial and profitable. This perspective opens up new opportunities and forms the basis for innovative initiatives that genuinely contribute to positive social change. SROI places the perspectives of the different stakeholders at the centre of the valuation process.

SROI originated in the USA from social enterprises interested in new ways to value the contributions they were making to society. It later arrived in Europe, where there is an increasing interest in the methodology as noted by recent publications by Context international cooperation in the Netherlands, the New Economics Foundation in the UK and the SROI Network head-quartered in the UK.

What Is SROI ?

SROI is the acronym for Social Return on Investment, a relatively new and exciting tool for communicating your non profit benefits to the community. According to The New Economics Foundation, SROI "captures social value by translating outcomes into financial values." SROI is similar to ROI but shows the double bottom line: the financial impact AND the social impact of an organization's work.

According to SROI guide SROI is a framework to measure and account for the value created by programme initiatives, beyond financial value. It incorporates social, environmental and economic costs and benefits. SROI puts a value on the amount of change (impact) that takes place as a result of the programme and looks at the returns to those who contribute to creating the change. It estimates a financial value for this change and compares this value to the investment required to achieve that impact, resulting in an SROI ratio. SROI method is a participatory, beneficiary-led approach which uses financial values defined by programme beneficiaries to represent social, environmental and economic outcomes. One of the most important aspects of the process is the development of an impact map demonstrating the impact value chain for each stakeholder group [3]. It links a stakeholders' objectives to inputs made into the programme, to outputs, through to the outcomes. It then identifies indicators of achievement of outcomes which are capable of being quantified by applying financial proxies. The next step in the process is to estimate how much of the outcome would have happened anyway and what proportion of the outcome the programme is responsible for. This is achieved by looking at four filters, namely: Deadweight, Displacement, Attribution and Drop off [4]. In the end, comparison of net programme impact (converted in monetary terms) with investment value required to achieve thee impact yields a ratio of benefits to costs.

Social Return on Investment (SROI) is an organizational method of accounting for value creation, primarily social or environmental value. SROI enables organizations to measure how much change is being created by tracking relevant social, environmental, and economic outcomes. The key difference between SROI and other methodologies is the assignation of monetary values to the amount of change created.When someone invests money in a company, he/she expects that the benefits resulting from the investment will be greater than the amount of the investment. In the case of a for-profit company, this is readily measured using conventional accounting methods. However, a company creates more value than is shown in its financial statement. Its employees receive value in many forms, including: wages, benefits, increased feelings of self-worth, and camaraderie with other employees. Customers receive value from the goods and services provided by the company. Society receives benefits from the company because people who are gainfully employed pay taxes that can be used to provide services for the entire community, and do not require welfare and other social service assistance.

Most managers run their businesses based on financial value and overlook the social and environmental impact their businesses create on society and human being. However, the past decade has seen increasing interest in measuring the social impact of projects, programs, organisations, businesses, and policies. SROI is useful to corporations because it can improve program management through better planning and evaluation. It can also increase the corporation's understanding of its effect on the community and allow better communication regarding the value of the corporation's work (both internally and to external stakeholders). Philanthropists, venture capitalists, foundations and other non-profits may use SROI to monetize their social impact, in financial terms.

Elements needed to measure SROI

While the approach varies depending on the program that is being evaluated, there are four main elements that are needed to measure SROI:

- **Inputs** or resources investments in your activity (such as the costs of running, say, a skill development program)
- **Outputs** or the direct and tangible products from the activity (for example, the number of people trained by the program)
- **Outcomes** or the changes to people resulting from the activity (i.e., new jobs, better income, improved quality of life for the individuals; and reduced support from, the government)
- **Impact** measurement efforts can be logically grouped into four key measurement objectives : **Estimating impact**: Conducting due diligence pre - investment, Planning impact: Deriving metrics and data collection methods to monitor impact, **Monitoring impact**: Measuring and analysing impact to ensure mission alignment and performance, **Evaluating impact:** Understanding post-investment social impact of an intervention or investment.

Principles of SROI

1. **Involve stakeholders:** This principle means that stakeholders need to be identified and then involved in consultation throughout the analysis, stakeholders need to be identified and then involved in consultation throughout the analysis, in order that the value, and the way that it is measured, is informed by those affected by or who affect the activity.
2. **Understand what changes:** This principle requires consideration of how the changes are created , stated and supported by evidence. These changes are social, economic or environmental outcomes. It is these outcomes that should be measured in order to provide evidence that the change has taken place.
3. **Value the things that matter:** Use financial proxies in order that the value of the outcomes can be recognised. Many outcomes are not traded in markets and as a result their value is not recognised. Financial proxies should be used in order to recognise the value of these outcomes and to give a voice to those excluded from markets but who are affected by activities. This will influence the existing balance of power between different stakeholders.
4. **Only include what is material:** Identify key indicators, information and evidence such that stakeholders can draw reasonable conclusions about impact.Deciding what is material requires reference to the organisation's own policies, societal norms, and short-term financial impacts. External assurance would improve the comfort of the that material issues have been included.
5. **Do not over-claim** : This principle requires measurement and disclosure of changes brought in as a result of the impact of the program as opposed to other factors, that would have happened anyway.
6. **Be transparent** : This principle requires that each decision relating to stakeholders, outcomes, indicators and benchmarks; the sources and methods of information collection; the different scenarios considered and the communication of the results to stakeholders, should be explained and documented. The analysis will be more credible when the reasons for the decisions are transparent.
7. **Verify the result** : Although an SROI analysis provides understanding of the value being created by an activity, it inevitably involves subjectivity. Appropriate independent assurance is required to help stakeholders assess whether or not the decisions made by those responsible for the analysis were reasonable.

Approaches to SROI

There are primarily two approaches to working out SROI

Forecast : As the name suggests, this type of SROI analysis is implemented before the program or activity itself has been implemented. It is used as a predictive tool to determine the amount of social value that might be created as a result of the desired and expected outcomes. This approach is most useful when the planning process of a program or activity is being worked out because it encourages organizations to put in place the infrastructure needed to adequately measure change viz.relevant indicators, data collection processes.

Evaluative : This approach of SROI analysis is implemented after a program or activity has already had time to impact and bring about change. In other words, there are already outcomes to be measured. This approach is useful when an organization is already tracking outcomes data or at least has a process already in motion that is accounting for the social value of currently running programs or activities.

Stages in measurement of SROI

There are different stages that are followed (not necessarily in a linear or chronological order) for measurement of SROI

A. **Defining the boundaries (objective and scope):** Depending on the nature of the project, programme or initiative, Its objectives and desired impact within a specific geographic area needs to be carefully defined

B. **Identification and selection of key stakeholders:** identification of individuals, groups, communities who either will be affected by the activities within the scope of the program or who would likely influence the project (either positively or negatively) is critical.

C. **Developing the Business Plan/Theory of Change :** Participation of stakeholders in developing the business plan or program profile will enhance collective ownership and encourage learning from and about different perspectives and realities. It provides clarity regarding the key actors for whom the intention is to create value; reduce poverty, improve health, etc. This is one of the most important steps within the SROI framework: it tells the story of how stakeholders were (are) involved in the project and their perception and belief of how their lives have changed or will change.

D. **What goes in (identifying inputs for each outcome) and what comes out (identifying results):** For each intended outcome there are different investments or 'costs' linked to the realisation of the specific outcome. There may be unintended outcomes (or investments), which can also be measured; these can be positive or negative. A clear delineation of inputs and outputs / outcomes will help develop a structured focus on the program.

E. **Attaching monetary values to the outcomes:** Framework and indicators must be developed to turn the articulated benefits and costs into a monetary value. Some benefits and costs are easy to monetarize, for example when an intervention saves time, which can be used for productive work. Other benefits, like a higher status in the society are more difficult to attach a value to.

F. **Calculation of the SROI ratio:** The SROI ratio enables a comparison between investments (inputs) on the one hand and the financial, social and environmental returns (outcomes and impact of an intervention) on the other. SROI = Tangible + Intangible Value to the Community. In its simplest form, the SROI ratio can be calculated by: SROI ratio = (Present Value of Impact) / (Value of Inputs) It can take the form of a %ROI, a ratio, or a Net Present Value (NPV) number. A lot of people try to get to a number for SROI Ratio and it misses the truth. The point of SROI calculation isn't necessarily to justify capital investment, it's to understand value creation through capital allocation."- Jed Emerson.

H. **Verification is done throughout the analyses:** Verifying the stories / narratives as well as the quantitative data from different stakeholder perspectives is an important aspect of the SROI analyses

By going through all these stages and collecting both qualitative and quantitative data, an SROI report can be created, which provides the opportunity to communicate to all stakeholders regarding the initiative, its progress, impact and the next stage development context.

Usefulness of using monetary proxies

- it makes it easier to align and integrate performance management systems with financial management systems;
- it aids communication with internal stakeholders, especially those responsible for finances and resource allocation
- it induces transparency since it provides the details of which values have been included and which have not been included;
- it permits sensitivity analysis to reflect which factors are more important and which the im-act the results more result than others;

Why use SROI

An SROI analysis can fulfil a range of purposes. It can be used as a tool for strategic planning and improving, for communicating impact and attracting investment, or for making investment decisions. It can help guide choices and help improve services.

- **Strategic Management :** Facilitate strategic discussions and help understand and maximise the social value an activity creates.
- **Resource Management :** Helps to target appropriate resources for managing unexpected outcomes, both positive and negative.
- **Building Stakeholder Relationships :** Demonstrates the various stakeholders involved in creating change and enables stronger communication of social value.
- **Identifying Needs :** Assists to recognise the needs of the stakeholders and help align with the organisations vision to maximise social value.
- **Accountability :** Creates a formal dialogue with stakeholders which promotes accountability and transparency.

Who can use SROI

SROI can be effectively used by a range of organisations across the not for profit, public and private sectors including those that are small or large in size, or are new and/or established.

- **Not for profit organisations and social enterprises :** SROI can be used as a management tool to improve performance and measure added value for not for profit organisations and social enterprises irrespective of their size
- **Private sector :** Large and small businesses in the private sector can use SROI to assess risks and opportunities as a result of their products and services on their stakeholders e.g. customers, suppliers , employees, the environment and local communities. This can further help identify ways to support their business plans with wider societal objectives.
- **Funders :** Funders that invest to create social value can use the SROI framework to help decide their investment preferences, assess project performance and measure progress over time.
- **Public Sector :** Public sector is responsible for securing social value in the community. SROI can be used for strategic planning, scoping of programmes, understanding the needs of the stakeholders and monitoring performance of the programmes.
- **Policy Development :** Social value is an important aspect while developing public policy, which can be facilitated by the use of SROI framework.

Potential Limitations

- **Benefits that cannot be monetised:** There will be some benefits that are important to stakeholders but which cannot be monetised. It should be taken as an obstacle rather SROI analysis should be seen as a framework for exploring an organisation's social impact, in which monetisation plays an important but not an exclusive role.
- **Focus on monetisation:** One of the dangers of SROI is that people may focus too much on monetisation without following the rest of the process. For example, if an organisation seeks to monetise its social and environmental impact without having considered its vision and mission and stakeholders expectations, then it risks choosing inappropriate programs and projects.
- **Needs considerable capacity:** SROI is time- and resource-intensive. The measurement of input and outputs / outcomes requires special skills and thus capacity building is essential for effective adoption of SROI approach.
- **Some outcomes not easily amenable to monetary measurement:** Some outcomes and impacts (for example, increased self-esteem, improved family relationships) cannot be easily associated with a monetary value. In order to incorporate these benefits into the SROI ratio proxies for these values would be required.

Why You Should Care about the SROI

Today the competition for seeking and obtaining grants is very intense. Calculating SROI can provide a competitive edge. How ? the four facets of the organization that are important to any donor or grant maker are :

1. Your credibility - your non profit knows how to communicate its impact
2. Your capacity - to invest resources in calculating the SROI
3. Your evidence - the SROI proves that you collect and manage data and know how to interpret that information to sustain your work
4. Your sustainability - the SROI is a phenomenal communication tool for fundraising

Conclusion

Social return on investment (SROI) is a principles-based method for measuring extra-financial value (such as environmental or social value not currently reflected or involved in conventional financial accounts). It can be used by any entity to evaluate impact on stakeholders, identify ways to improve performance, and enhance the performance of investments. Finally, it must be remembered that some desirable outcomes may actually increase social costs in the short term. For instance, a program dedicated to helping the homeless may encourage homeless people to register for welfare assistance, use public health care programs, and make use of other available public services. Each of these desired outcomes will have a measurable cost, decreasing the calculated socio-economic value of the program. Thus, it is important to understand the objectives of the program, to have a set of metrics that address these objectives, and to interpret SROI results in the appropriate program context.

Measuring Impact, rather than outputs, marks a fundamental shift in understanding how positive change occurs and whether an organisation's activities contribute to reaching set goals. Impact measurement is important for mission focused organisations and those who invest in them; it helps gauge the progress towards achieving social goals, as well as, helps communicate more effectively with stakeholders and funders.

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Restriction in availment of Input Tax Credit

(Notification No 49/2019-CentralTax, dated 09.10.2019 read with circular No123/42/2019-GST)

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Introduction: The basic rule is that output liability of any particular period should be discharged either out of 'eligible input tax credit' and if this is not sufficient, balance through payment of 'Cash'. The amount of GST Charged in any Invoice or Debit Note by the supplier of goods and/or services are 'Output' liability for the supplier and the same is 'Input Tax Credit' for the recipient of 'service / goods' provided that is not in eligible as per section 17(5) of CGST Act,2017. In service tax regime, if the duty paying documents are proper as per Rule 4A of Service Tax Rule, there was no restriction of availing the input tax by the recipient of services. If the supplier of services does not discharge the 'output liability', the recipient could not be denied of 'input tax credit'. It was the duty of the Government to collect those unpaid liability. Maximum, the department could issue notice u/s 87 of Finance Act, 1994 to the recipient for recovery of any amount due to the supplier of service. But now, in GST regime, Government has shifted such responsibility to some extent on the recipient and put restrictions on availing of input tax credit when output liability is not discharged by the supplier of services/goods. Our discussion here is on the restriction on availing Input Tax Credit when there is fault by the supplier of services.

Legal Provisions: Section 16 of CGST Act,2017 and Rule 36 of CGST Rule 2017 prescribes the eligible conditions for availing of 'Input Tax Credit'

As per Section 16(2), any registered person shall be entitled to the credit of input tax subject to following conditions.

a) He is in possession of taxpaying documents (Invoice/Debit Notes/other eligible documents)

b) He has received goods or services or both.

c) The tax charged in respect of such supply has been paid to Government either in cash or through utilization of input tax credit.

d) He has furnished the return u/s 39.

Rule 36 of CGST Rule, 2017 prescribe the documentary requirements and conditions for claiming input tax credit.

Amendment to Rule 36: Vide Notification No 49/2019-CentralTax, dated 09.10.2019, a new sub rule (4) has been inserted which is read as follows

"(4) Input tax credits to be availed by a registered person in respect of **invoices or debit notes,** the details of which have not been uploaded by the suppliers under sub-section (1) of section 37, shall **not exceed 20 per cent of the eligible credit available** in respect of invoices or debit notes the details of which have been uploaded by the suppliers under sub-section (1) of section 37.".

The above sub rule provides restriction in availement of input tax credit in respects of invoices or Debit notes which have not been shown in GSTR 1 as per section 37(1) of CGST Act, 2017. It means when the supplier of services/goods does not show his output liability in GST Return, the recipient of services/goods can avail only a part of the ITC as has been clarified through Circular no 123/42/2019-GST.

The restriction of 36(4) will be applicable only on the invoices / debit notes on which credit is availed after 09.10.2019.

The notation '**not exceeds 20 percent of the eligible credit available'** needs a close reading and clarified as follows with the explanations and example in the following paragraphs.

Important points to be noted:

1. **Computation to be done on self assessment basis:** It has been clarified that the restriction of availing input tax credit has not been imposed through the portal i.e. not though the system. It is the responsibility of the tax payer to calculate the eligible input tax credit on his own on self-assessment basis.
2. **Restriction on specific Invoices/ Debit Notes:** Restriction of this 20% is applicable in respect of ITC on such invoices/Debit Notes applicable which are required to be uploaded as per Section 37(1) of CGST Act,2017. As per Section 37(1) of CGST Act, an 'Input Service Distributor', a' non-resident taxable person', a person paying tax under 'composition scheme' or deductor of 'TDS' or 'TCS' are not required to furnish return under this section. It means taxpayers may avail full ITC in respect of IGST paid on Import, document issued under RMC, Credit received from ISD.
3. **Restriction on consolidated basis and not individual supplier basis:** The restriction imposed is not supplier basis but the restriction is imposed on total input credit from all suppliers in that tax period. Example, Say there are 10 supplier and total ITC is Rs 2, 00,000. Two suppliers have not furnished return and ITC in respect of which are Rs 1,20,000/-. For computation purpose, Rs 2,00,000 to be given considerations and not Rs 1,20,000/-
4. **On what basis eligible input credit will be computed:** Suppose, Mr X has to compute his eligible ITC. He need to follow the following steps

Step1: Compute eligible Input tax Credit for all invoices received during a tax period. For example, Mr X has received total 110 invoices and total eligible ITC is Rs 5,00,000/-. As per GST Act, all such 110 invoices should be uploaded in GSTR 1 by the issuer of such 110 invoices.

Step 2: Down Load auto populated GSTR 2A from system which should show all the output invoices updated in X's GST No. If all 110 invoices were uploaded, here also 110 invoices should be shown. Now we need to compare and compute the no of invoices not reflecting in Form 2A and the value of Input corresponding to such invoices.

Before going into the details of how much ITC a registered tax payer can avail in his FORM GSTR-3B in a month, let us consider a comprehensive example illustrate the various alternative circumstances.

Suppose in a month Mr. X, a taxpayer has received the following Invoices along with the corresponding Input Tax

Sl.No.	Particulars	No.	Amt(Rs)
1	Invoices for supply of goods and services	100	10,00,000
2	Invoice for which Liability has been discharged on RCM	5	50,000
3	ISD Invoices	1	10,000
4	Rent-a-Cab Invoices exclusively used for employees	4	4,000
	Total	110	10,64,000

Analysis of above Example:

1. 4 numbers of Rent-a-Cab invoices involving ITC of Rs 4,000 is ineligible as per Section 17(5).
2. 1 ISD invoice and 5 RCM invoices involving ITC of Rs 60,000/- is eligible for 100% ITC and not subject to restriction of Rule 36(4)
3. Remaining 100 invoices involving ITC Rs 10, 00,000/-are eligible ITC for this discussion and is subject to restriction of Rule 36(4).

Now we will discuss the various circumstances and the eligible ITC to be taken in GSTR 3B by a taxable person.

Situation 1: Out of the 100 invoices, only 80 invoices involving ITC of Rs 6,00,000/- have been furnished the details of output supplies in GSTR 1.

Step 1: Computation of clearly eligible ITC which have been shown in GSTR-1 (reflected in 2A)i.e. Rs 6,00,000/-

Step 2: compute 20% of total eligible input credit i.e. . 20% of Rs 6,00,000/- = Rs 1,20,000/-

Step 3: Total amount of Input to be taken in GSTR 3B is Rs (6,00,000 + 1,20,000) = Rs 7,20,000/-

Step 4: ITC not availed but can be availed subject to reflection in 2A is Rs (10,00,000 - 7,20,000)= Rs 2,80,000/-

Accounting Treatment:

1. While booking the incoming invoices, Rs 10,00,000/- have been booked in GST input credit account. This is Asset in nature (A+)
2. Out of these, Rs 7,20,000/- to be transferred to 'GST availed account' by passing following entry GST Availed Account Dr (A+)…… Rs 7,20,000
   GST Input Credit Account (A-) Rs. 7,20,000
3. Amount utilized for paying of Liability out of availed account. (Say Rs 5,00,000)
   GST Payable Account (L-)…………Dr Rs 5,00,000
   To GST Availed Account (A-) Rs 5,00,000

- Balance amount of GST Availed account Rs 2,20,000/- should represent the Return closing balances
- Rs 2,80,000/- will be remained in GST Input Account which will be availed subsequently .

Situation 2: Out of the 100 invoices, only 85 invoices involving ITC of Rs 8,00,000/- have been furnished the details of output supplies in GSTR 1.

Step 1: Computation of clearly eligible ITC which have been shown in GSTR-1 (reflected in 2A)i.e. Rs 8,00,000/-

Step 2: compute 20% of total eligible input credit i.e. . 20% of Rs 8, 00,000/- = Rs 1,60,000/-

Step 3: Total amount of Input to be taken in GSTR 3B is Rs (8, 00,000 + 1, 60,000) = Rs 9,60,000/-

Step 4: ITC not availed but can be availed subject to reflection in 2A is Rs (10, 00,000 - 9, 60,000)= Rs 40,000/-

Situation 3: Out of the 100 invoices, only 90 invoices involving ITC of Rs 8,50,000/- have been furnished the details of output supplies in GSTR 1.

Step 1: Computation of clearly eligible ITC which have been shown in GSTR-1 (reflected in 2A)i.e. Rs 8,50,000/-

Step 2: compute 20% of total eligible input credit i.e . 20% of Rs 8,50,000/- = Rs 1,70,000/-

Step 3: Total amount of Input should be eligible to be taken in GSTR 3B is Rs (8,50,000 + 1,70,000) = Rs 10,20,000/- but it exceeds the total eligible input credit of Rs 10,00,000/-

Step: Total amount of Input to be taken in GSTR 3B is Rs (8,50,000 + *1,50,000) = Rs 10,00,000/-

Step 5: ITC not availed but can be availed subject to reflection in 2A is Rs (10, 00,000 - 10, 00,000)= NIL

When can the balance ITC be claimed as availement as per Rule 36(4)

In situation 1, un availed ITC is Rs 2, 80,000/- and ITC which has not reflected in 2A is Rs 4, 00,000/-

In situation 2, un availed ITC is Rs 40,000/- and ITC which has not reflected in 2A is Rs 2,00,000

Now questions arises when such un availed ITC will be availed and under what circumstances.

We can avail the balance ITC either in Full or in proportion as per the conditions enumerated below.

a) Balance ITC be claimed by the tax payer in any of the succeeding months provided details of the requisite invoices are uploaded by the suppliers.

b) Tax Payer may avail full ITC in respect of a tax period, as and when the invoices are uploaded by the suppliers to the extent **Eligible ITC /1.20**

   In situation 1, Balance ITC of Rs 2,80,000/- can be availed when cumulative balance in 2A will be Rs 10,00,000 / 1.2 = 8,33,000/-. It means additional amount of Rs 2,33,000/- (8,33,000 - 6,00,000) should be reflected in 2A to avail Rs 2,80,000/- as final ITC

   In situation 2, Balance ITC of Rs 40,000/- can be availed by additional amount of ITC of Rs 33000/- (Rs 833000 - 800000) reflected in 2A

c) Proportionate ITC may be claimed as and when details of some invoices are uploaded by the suppliers provided that credit on invoices, the details of which are not uploaded remains under 20% of the eligible ITC , uploaded by the supplier.

   Case 1: In situation 1, suppose suppliers upload invoices of Rs 1,50,000 out of Rs 4,00,000/-.

   Eligible ITC remaining to be uploaded Rs (400000 - 150000) = Rs 250000/-

   Total input credit reflected in 2A is Rs 7,50,000/- (Earlier Rs 6,00,000 + Now Rs 1,50,000/-)

   This is lower than Rs 8,33,000 as computed in point (b) above. So proportionate ITC aligible

   Amount of Proportionate Credit : Rs 150000 + 20% of Rs 1,50,000 = Rs 1,80,000/-

   Total Input availed together Rs 7,20,000+1,80,000/- = Rs 9,00,000/-

   Case 2: In situation 1, suppose suppliers upload invoices of Rs 2,50,000 out of Rs 4,00,000/-.

   Eligible ITC remaining to be uploaded Rs (400000 - 250000) = Rs 150000/-

   Total input credit reflected in 2A is Rs 8,50,000/- (Earlier Rs 6,00,000 + Now Rs 2,50,000/-)

   This is higher than Rs 8,33,000 as computed in point (b) above.

   So, entire ITC of Rs 2,80,000/- will be availed by Mr. X.

   Total Input availed together Rs 7,20,000 + 2,80,000/- = Rs. 10,00,000/-

Conclusion: Life for the executives handling statutory compliance is getting tough. Either they will have to do such complicated computation every month or avail the ITC for those invoices which have been reflected in 2A. In additions, books of accounts should be synchronized with the methods being adopted. Every month they have to follow up with the vendors who have not uploaded their liabilities in GSTR 1. Most interestingly, input credit of any particular financial year can be availed till next September. If within in that period, a vendor does not upload their liability in GSTR-1, these will be loss to the taxpayer even if they are not in fault. It may be considered to take ITC of such invoices and immediately reverse the same in the same month. Now time has come to tighten our belt to chase the vendors regularly or taking bolt decision to hold their payments from running accounts bill to mitigate the probable losses.

Pump Priming, Inflation and Money Supply in India

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Analysis of inflation in India in relation to pump priming can be traced to early 2000s as this was the period when the government adopted most of the monetary and fiscal policies that are currently in use. In the early 2000s, India was experiencing a significant slowdown in its economic growth due to both international and external factors. The levels of inflation in the country were low due to the low demand. In addition, during this period, the government was implementing policies to facilitate economic recovery from the impact of the Asian financial crisis. This was highlighted by the fact that the RBI reduced the interest rate by 300 basis points between 2001 and 2005 (Khundrakpam, & Pattanaik, 2010).

By 2005, the economy had recovered fully and inflationary pressures had started to manifest. This prompted the government to develop tightening monetary policies. The introduction of FRBM in 2004 led to a reduction in the budget deficit of the government from 4.3% in the financial year 2003/04 to 2.5% in the financial year 2007/08. FRBM helped in reducing the expansionary fiscal policies, which advocated for pump priming to facilitate the growth of the economy. The expansionary fiscal policies increased aggregate demand, which led to inflationary pressures. However, after the introduction of FRBM, there were steady capital inflows. This led to the appreciation of the currency, which helped in reducing the imported inflationary pressures (Bhattacharya, Patnaik, & Shah, 2008). Therefore, the average inflation during this period was steady at 5% to 6% that conformed to the policy objectives.

However, by 2008, the level of inflation as determined by the WPI, had gone over the comfort zone. Inflation as measured by the consumer price index (CPI) increased significantly. An increase in the global commodity prices such as that of oil, was the main factor that led to the increase in inflation during this period. Nevertheless, the economy did not have any signs of overheating after experiencing successive periods of high economic growth. Unprecedented levels of capital flows helped in reducing the surplus liquidity in the market.

The economy experienced growth despite the fact that the RBI had increased interest rates by 300 basis points. During this period, the monetary policy was implemented in an environment that was characterized by unprecedented levels of capital inflows. The RBI also increased the cash reserve ratio to mop up the surplus liquidity in the market and facilitate monetary transmission. The RBI also engaged in sterilization of the market using a market stabilization scheme (Raj, Khundrakpam, & Das, 2011).

The onset of the global financial crisis in 2008 led to a sharp contraction of the external demand. In addition, the freezing of the foreign financial markets led to a disruption in the short-term lending provided by banks and other financial institutions. This had a negative impact on the domestic trade and other economic activities in India. By 2009, India had recovered from the impact of the global financial crisis. Its GDP growth was 9% in the financial year 2010/11, which was the GDP growth it was experiencing prior to the onset of the global financial crisis.

Pump priming is one of the main factors that facilitated the recovery of the Indian economy from the global financial crisis as the government spent billions of dollars in various infrastructural projects. During this period, inflation as measured by CPI, was very high. On the other hand, inflation as measured by WPI moved from negative levels in 2009 to approximately 10% in 2010. Increase in the food prices due to monsoon shocks was the main factor that led to the increase in the inflation during this period. The high prices of food products persisted even after the end of the monsoon shocks. The measures taken by the government to tackle increase in food prices due to the monsoon shocks and developments in the labor market helped in maintaining the prices at a high level. For instance, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the Minimum Support Prices (MSPs) led to changes in the food consumption patterns and in turn increased household incomes. In addition, it led to mismatches in the demand and supply of certain food products. The increase in the price of oil in the world market also exacerbated the situation. Therefore, the slowdown in the output, significant increase in demand, and increase in the cost of inputs such as labor and raw materials created inflationary pressures.

During this period, the monetary policy was characterized by normalization from the expansionary policies that were used during the global financial crisis period before tightening control measures were implemented to tackle inflation. Nevertheless, the government continued using pump priming to support certain sectors of the economy whose recovery from the impact of the global financial crisis was slow. This exposed the economy to various challenges as the increase in domestic consumption subjected the economy to inflationary pressures.

In 2014, RBI adopted a policy that lead to the gradual reduction of the level of CPI inflation from the then level to 8% in 2015, 6% in 2016, and finally to acceptable levels. By the end of 2014, inflation had reduced significantly especially due to the fall in the price of oil in the global market and the relative stability of the rupee. Better supply management also helped in maintaining the prices of food products despite the presence of monsoon shocks during this period. By January 2015, the CPI inflation had reduced to 5.2%, which was better than the level of inflation projected by RBI in 2014. In January 2016, the CPI inflation was 5.7% as conditions of inflation evolved in accordance with the specifications of the disinflation glide path created by RBI.

In May 2016, amendments to the Reserve Bank Act 1934 provided the RBI with the responsibility of maintaining price stability as one of its major monetary policy objectives. The RBI was also given the mandate of developing flexible inflation targeting with CPI assuming the nominal anchor of the monetary policy. The RBI was also tasked with the responsibility of establishing the Monetary Policy Committee (MPC) whose role would be to set the policy rate to facilitate the attainment of the policy objectives. As such, in August 2016, RBI set an inflation target of 4% for the period up to March 31, 2021. The upper and lower tolerance of the inflation targets would be 6% and 2% respectively.

The lack of a nominal anchor is the main factor that made it difficult for the monetary policy to control inflation. In addition, price shocks due to internal or external factors created inflationary pressures on the Indian economy. The setting up of CPI as the monetary anchor would improve the ability of the RBI to control inflation.

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MIS Report Showing Product Cost at Different Capacity Levels

CMA Rajesh Kapadia

It may happen that Current Capacity Utilisation of Product A may be x % which constitutes 70 % to 75 % of Total Sales Value.

Often Management requires to know Total Cost of Product A at X + Capacity Utilisation or 100 % Capacity Utilisation.

Same can be provided to the Management by preparing MIS Report as mentioned in Annexure -1.

This will enable the management to know impact of decrease in Fixed Cost per Unit of Production.

Moreover, Utilities also do not observe linear relationship with Production Volume for different Capacity Levels.

Less the Capacity Utilisation, usually higher will be consumption of Utilities per Unit of Production.

Similarly, Higher the Capacity Utilisation, usually lower will be the consumption of Utilities per Unit of Production.

So, this will also enable the management to know impact of decrease in Variable Cost per Unit of Production

So by higher Capacity Utilisation, management will be able to have better bottom line for the product provided market will be able to absorb the additional volume in the market at the same selling price or with marginal decrease.

ANNEXURE -1

For product 1 (which constitutes 75 % of total revenue)

		PRODUCT-1 75 % Capacity			**PRODUCT -1 100 % Capacity**		
		ACTUAL FOR F.Y.2018-19			**ACTUAL FOR F.Y.2018-19**		
Sl. No.	PARTICULARS Production :	Rs. Lacs	Rs / MT	%	Rs Lacs	Rs / MT	%
(A)	**VARIABLE COST**						
1	Raw Material Consumption						
2	Electricity Charges						
3	Water						
4	Fuel						
5	Natural Gas						
6	Packing Material Consumption						
7	Total Variable Cost						
(B)	**Fixed Cost**						
1	Stores Expenses						
2	Repaires Expenses						
3	Employee Cost						
4	Interest						
5	Depreciation						
6	Other Overheads						
7	Total Fixed Cost						
(C)	**Total Cost (A+B)**						
(D)	**Less : By Product Sales**						
(E)	**Total Net Cost**						

Part -1

Sharebuyback by Debt - A Bubble?

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This is the First Part of the Three Articles on Buyback of Shares

Share buyback is buying by a company of its own shares. Share buyback reduces the existing shareholding. Hence, as a result, EPS increases and share price surges. The normal practice is if you have sufficient FREE CASH FLOW (FCF), you can use it in a number of ways. They are, 1)to pay off old debts to improve Debt-Equity Ratio, 2) to invest in new business, 3) to fund a Merger or a Takeover, 4) to distribute hefty dividend to shareholders and lastly certainly not least 5) repurchase own shares of company or also known as share buyback.

Of the given alternatives, companies generally go for buyback if the shares of the company is undervalued and also there are no available alternative or project for deployment of excess FCF. The shareholders agree to buyback because this particular company has no visible project in hand for growth. They think that in such scenario, the money they will get from buyback may be employed in another company where there is scope for growth.

It is a well known fact that when we calculate WACC (Weighted Average Cost of Capital) of a company, we are to find out first cost of equity capital and then cost of debt. While doing that you know that cost of equity is generally higher than cost of debt mainly because no tax brake is available to the dividend paid in equity capital and expectation of shareholders from equity is always higher than fixed return to lenders of debt. The cost of capital comes down in case a corporate employs low cost debt for buyback, reason being outgo of interest are net of tax but dividends are not (and hence equity is costly). Obviously, holding excess cash in costly equity (compared to debt capital) capital which can not be utilisted immediately in a viable new project or in M&A is a mere waste. Hence, it is preferred to reduce the costly equity capital by buyback.

Look at Figure 1 (The cost of capital: Debt versus Equity). Examples given in the figure 1 are of companies like LVMH,Nestle, Roche, Shell, Novartis.

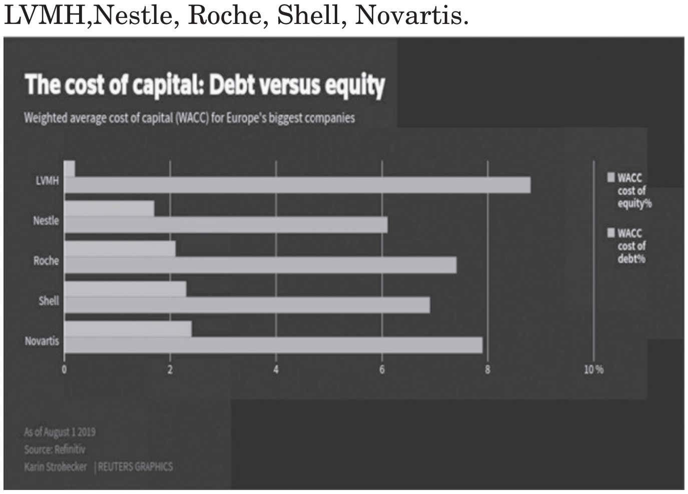

Figure1- Source-Refinitiv (Cost of Debt Vs. Cost of Equity)

Funding by Debt ?

Next question is how to fund the repurchase or buyback? Normal way is to fund by excess cash available in FCF. But what about funding by issue of bond or taking loan from banks/financial institutions? Is it shocking or unconventional ? In India, it is very rare. SEBI's stipulation is company after buyback must have debt/equity of 2:1 or if it is a NBFC or housing company, the debt/equity ratio should be 6:1. Unless, the company is debt free or having a very low debt/equity ratio, funding by debt will be difficult within the SEBI guidelines.

US, EU, UK and Japan are more liberal in this aspect. Billions of dollars/GB Pound/EURO/ YEN are pouring in for buyback from debt. The correlation that when a company takes a debt, invests in capital expenditure is somewhat got diluted. Normal analogy is when FED (Federal Reserve System of US) or Bank of England or Bank of Japan etc. reduces interest rates, getting loan from banking system becomes less costly and encourages the economy with positive vibe. More debt means more investment and more capacity addition. Recently, a departure in this front is found on a continuous basis. These days, instead of investment, the debt money is going to enrich shareholders via buyback. Investment in tangible assets has tapered down. This trend has not changed even after President Donald Trump's downward revision of Direct Taxation for companies. Surprisingly, in spite of lowest rate of interest globally mainly in EU, UK, Japan, US during last more than ten years including the Fed's quarter-point cut on September,2019,the trend continued. It is all the more astonishing that though proportion of companies' debt to GDP has increased substantially, the correlation between Corporate Debt and Investment has not clicked positively so far as much as was expected. Reason being, debt fund got diverted to buyback meant for shareholders. Even if companies get lending at cheaper rates, they do not invest. They feel this is a chance to impress shareholders and pay them handsomely. Hence, monetary policies of respective countries are becoming ineffective to a great extent. However, there is an indirect booster of the economy. Since prices of shares increase because of repurchase of shares and payment of dividend, the shareholders get richier and make lot of outgo. Result is surge of equity markets boost business confidence.

Shrinking of Equity Supply

More than ten years now, global rates of interest are falling constantly. Long term rates are at bottom in Europe and Japan, and often negative. It is such that the 10-year T-note is highly luring to foreign investors. The result is that corporate world is madly rushing for debt instead of equity. There is an arbitrage opportunity in favour of debt between debt and equity. IPOs are not happening in the desired pace. In spite of certain famous IPOs like Lyft, Uber and Pinterest have happened in 2019, still new IPOs worldwise are still short by 20-30% as on today. The buyback rush in 2019 will be approximately $ 1 trillion compared $806 billion for the S&P 500 in 2018 and highest ever of $589 billion in 2007 to as per estimate of JPMorgan. Cheap borrowing cost worldwide is the culpit.

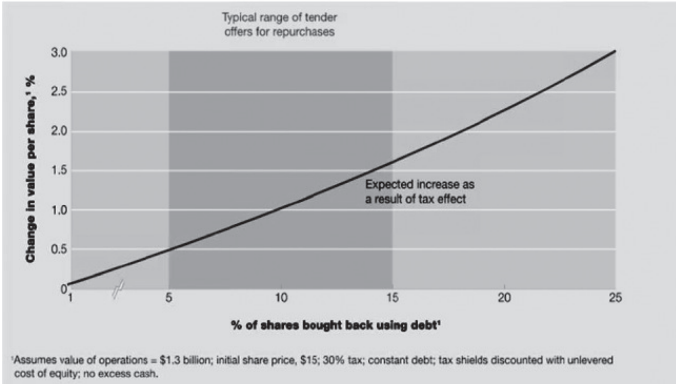

Figure 2 www.mckinsey.com
(Effect of Share Buyback by Debt)

Of course, apart from buyback of shares, de-listings and cash deal in M&A also contributed to this squeezing of equity supply. However, buyback is the main reason for short of equity supply. With constant supply of equity being drained and not being supplemented, the short of supply of equity has immensely contributed to the increase in share price mainly in US where 80% of corporate went for buyback. Because of this mad rush of buyback, the net equity supply globally became minus in 2016 unprecedently followed by NIL net supply of equity in 2017 and 2018. It is likely that the same trend will follow in 2019.Still since monetary authorities worldover are hell bent on further cutting rates, the position of net equity supply will only deteriorate.

There is a big gap between the yield on investment grade European and U.S. companies' 12-month forward earnings and the average yield on their bonds (See Figure below).

Problems in Debt Financing Buyback

Debt is cheaper and has tax brake, does not make it superior source for buyback. Debt as a source is costly in the buyback in the sense that buyback does not boosts intrinsic value of the company. By employing debt for buyback, corporate world has already invited rigidity in future. Subsequently, when company requires fund for an unique opportunity, your balance sheet may already become highly geared for wrong reason (buyback). Further, in case of a slowdown, banks move in snailed pace with highly geared companies. CFO will understand that instead of buyback, he should have at that time make the balance sheet less leveraged or zero debt company for a smooth ahead. Thousands of corporate in US and EU are facing the music precisely for this reasons. Look at highly geared companies like AT&T and American Airlines who have funded buyback by debt. Incidentally, in US, more than 50% of the companies funded buyback by debt.

For debt funded asset acquisition whether new tangibles or M&A, have the avenues which can be used to pay back debt in a slow down like disposing of non-core assets. Such funding of buyback by debt does not create additional capacity, no job creation, do not sponsor a takeover, no R&D means no tangible investment. Tangible investment is actual economy. Such deployment of debt in buyback has not created any growth for the companies in real sense. It is actually only financial engineering. This debt funding of buyback primarily diverts one liability to another (from equity to debt). During the whole process, company's balance sheet have become shaky in structure. All credit agencies watch these balance sheets carefully and degrade the rating from normal to bad to junk depend on each case.

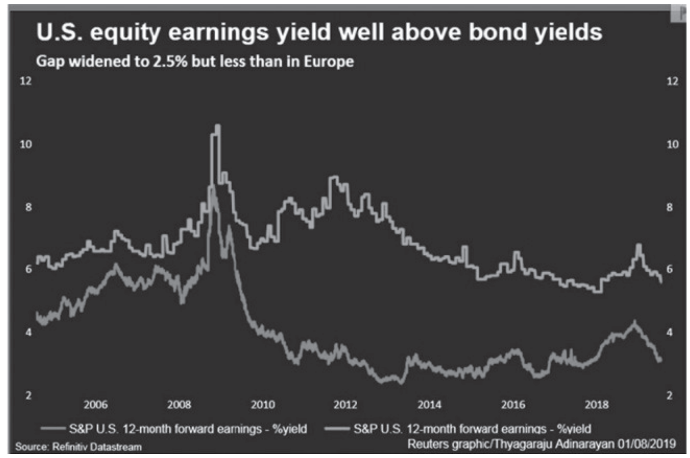

Figure 3 - Refinitiv Data streams
(Equity Earnings Yield Above Bond Yields)

Low interest lure have made these balance sheets really risky in case to case basis. That is why corporate debt has leap frogged to all time high. No one knows when will bubble burst.

Reverse Journey on the Way

During more than past five years, US companies have made repurchase own equity to the tune of $ 2.7 trillion and disbursed $3.3 trillion as dividends. These are in exchange of $2.5 trillion of fresh debt. Result is that there is increase in EPS out of repurchase. Buyback was the mechanism to boost profit in an uninspiring trend. This is overdone. Now to escape junk rating by credit agencies, corporate (S&P 500) have no option but to take a U turn. Financial engineering adopted earlier will and has started backfire. In spite of recent surge of market, repeat of similar growth of EPS is unlikely since repayment of debt will commence or has already started. EPS growth will taper down in 2019 and in coming years. More and more shareholders of the respective corporate are demanding pay back of debt taken earlier for buyback. They are also concerned that in this scenario, FCF is likely to dwindle now and in future. Accordingly, to pay back accumulated huge debt, corporate may have to issue fresh equity. Once, the companies diverted fund from debt to equity for buyback. Now to avoid junk rating, the fresh equity fund will channelize to reduce debt. Depending on the amount of the debt, such equity infusion will partly neutralize the buyback once made. If this trend continues, such offset of buyback may be substantial and the purpose of earlier buyback will be defeated.

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CHAPTER NEWS

AHMEDABAD

Extended Campus Placement

Extended campus placement organized by chapter for June 2019 pass out CMA's on 12th & 13th November 2019 at Chapter's premises.

CMA Haren Bhatt, Chairman welcomed Chief Guest CMA A.G. Dalwadi-CCM-ICAI, Office bearers, representatives of Companies & participant CMA's and gave information about chapter activities. CMA A.G. Dalwadi-CCM-ICAI explained about Institute's vision for development of profession and opportunities for CMA's in practice and in service sector. Participating companies in campus placement gave brief presentation of their respective in campus placement. CMA Malhar Dalwadi proposed vote of thanks.

25 CMA's of June 2019 participated in campus placement from Ahmedabad, Baroda, Surat, Bharuch, Gandhidham, Mumbai, Pune, Jodhpur & Udaipur.

Following companies participated in campus placement.

1. Astral Polytechnik Ltd.
2. Befree (KPO)
3. Cadila Pharmaceuticals Ltd.
4. Highly Electrical Appliances India (P) Ltd.
5. J Gupta & Co. LLP
6. Khimji Ramdas

Following companies given offer letter to fresh CMA's.

1. Highly Electrical Appliances India (P) Ltd. – One selected
2. J Gupta & Co. LLP – Two selected
3. Khimji Ramdas – Two selected
4. Astral Polytechnik Ltd – Three Selected

Following company short listed the fresh CMA's

1. Befree (KPO) – 9 candidates

Diwali Get-together program for Members & Students

Chapter has organized Diwali Get-together program at Amphy Theatre, Vastrapur on 16th November 2019. CMA Haren Bhatt, Chairman of Chapter welcomed members, faculties, students and office staff on this occasion. Various games organized for members and students. Large number of members and students participated in program. Winner was felicitated by CMA A.G. Dalwadi, CCM-ICAI, CMA Ashish Bhavsar-Hon. Secretary, WIRC & office bearers. The program was followed by dinner.

"Constitution Day" pledge taking ceremony on 26/11/2019.

Chapter organized constitution Day pledge ceremony on 26/11/2019 at Chapter premises. In Pledge ceremony, staff and students participated.

BARODA

- Chapter has organized Rshtriya Ekta Diwas (National Unit Day) at its Office Premises on 31st October 2019. CMA Mihir Vyas, Secretary - Baroda Chapter, along with other employees and few CMA Students took Pledge.
- Chapter has arranged Get together function on 16th November 2019, at LVP Banquets & Conventions. More than 200 members alogwith their family participated.
- Chapter has read out Preamble to the Constitution on 26th November 2019 as per instruction from the MCA vide letter No. CDN-34011/2/2019 CDN-MCA dated 22nd November, 2019
- Chapter arranged career counselling session during the month of November 2019.
    1. Adarsh Hindi Vidhyalay, Fatehgunj, Vadodara on 27th November 2019. More than 80 students have been benefited from the session.
    2. Hill Memorial School, Fatehgunj, Vadodara on 28-11-2019. More than 50 students have participated in the said session.

NAVI MUMBAI

Chapter conducted a CEP on "Get Smart with Money" on 17th November 2019 at K.B. Patil College, Vashi. CMA Sirish Mohite, Chairman welcomed the speaker CMA Akaanksha Khare. The PD Committee Chairman, CMA Vivek Bhalerao introduced the speaker to the audience and the programme commenced with the speaker discussing the various avenues in financial planning for Individual and how to make money work for you.

The interactive audience was spellbound and deeply enlightened with the facts. A large number of professionals and students participated in the programme. The lucid presentation came to an end with the speaker being felicitated by CMA Vinod Jadhwani along with the Chapter Chairman CMA Sirish Mohite and managing committee members.

CMA B N Sapkal, Past Chairman of the Chapter proposed the vote of thanks.

PUNE

***CEP on* "Cost Audit – A Practical Approach"**

There was a feedback from many new CMAs that they lack the practical exposure to Cost Audit. Considering the requirement from the new entrants to the profession that a series of Seminar should be arranged covering the various aspects of Cost Audit in practical way, ICAI-Pune Chapter *conducted* 2 Days Seminar for New CMAs *CEP on the subject* "Cost Audit – A Practical Approach" on 8th & 9th November 2019 at CMA Bhawan, Pune under guidance of CMA Neeraj D. Joshi, CCM & Chairman ICAI-WIRC and CMA Chaitanya Mohrir, RCM,WIRC.

Speakers for the programme were CMA Neeraj Joshi,CMA Chaitanya Mohrir, CMA Amit Apte, CMA Nagesh Bhagane ,CMA Rahul Chincholkar, CMA Chandrashekhar S Adawadkar,CMA Meena Vaidya, CMA Nilesh Kekan, CMA Pramod Dube, CMA Amit Shahane, CMA Dipak Joshi, CMA Shrikant Ippalpalli.

Programme started with lighting of lamp in the hands of Chief Guest & other Dignitaries.

CMA Dr.Dhananjay V Joshi, Past President ICAI,CMA Amit Apte, Past President, CMA Neeraj Joshi CCM, ICAI & Chairman WIRC, CMA Abhay Deodhar, Vice Chairman ICAI-Pune Chapter, CMA Smita Kulkarni , Secretary, CMA Nagesh Bhagane, Treasurer**,** of ICAI-Pune Chapter, CMA Nilesh Kekan, CMA Rahul Chincholkar Member of ICAI-Pune Chapter were present for the programme.

Interactive session regarding queries was fruitful & many members participated in this question & answers session.

ICAI-Technical Cell Committee Meeting - 12th November 2019.

To help all the Stakeholders & offering them good professional opportunity Technical Cell of the Institute wish to bring out a publication on 'Internal Audit of Cost Records'. To contribute this publication and finalize the basic draft by end November ICAI-Technical Cell Committee Meeting which was hosted by ICAI-Pune Chapter under the guidance of Technical Cell Committee Chairman CMA Dr.Dhananjay V.Joshi, Past President ICAI.

CEP on "Income Computation and disclosure standards & recent amendments under Income Tax"

ICAI Pune Chapter conducted CEP on **"**Income Computation and disclosure standards & Recent amendments under Income Tax" on 13th November 2019 at MCCIA-Mahratta Chamber of Commerce, Hadpsar, Pune 411052. Speaker for the programme was CMA Amit Shahane.

CEP on "Recent Amendments under Companies Act 2013"

ICAI Pune Chapter conducted CEP on "Recent Amendments under Companies Act 2013" on, 16th November 2019 at CMA Bhawan, Pune. Speaker for the programme was CS Sushant Kulkarni.

"Constitution Day"

To celebrate the 70th anniversary of the adoption of the Constitution and raises awareness about the Indian Constitution and as per instruction from the Ministry of Corporate Affairs, Pledge taking ceremony conducted on, 26th November, 2019 at CMA Bhawan, Pune.

"Preamble to the Constitution" was read by CMA Smita Chapekar. Large number of students and staff member took Oath.

SURAT SOUTH-GUJARAT

CEP on "Recent changes in Cost Audit format and it's implications"

Chapter organized a CEP on "Recent changes in Cost Audit format and its implications" on 23rd November 2019 at Chapter's Premises. CCM CMA Ashwin Dalwadi was the faculty. CMA Brijesh Mali, Chairman of the Chapter welcomed all the participants and faculty. CMA Kishor Vaghela and CMA Keval Shah, Committee members of the Chapter welcome the guest with flowers and memento. CMA Ashwin Dalwadi gave in depth knowledge and guidance about the subject. The programme was well attended by students and members. There was a question – answer session also. CMA Pankaj Kannaujiya, Treasurer was proposed vote of thanks.

"**Constitution Day" - Pledge taking ceremony on 26th November, 2019**

ICAI - Surat South Gujarat Chapter's Chairman CMA Brijesh Mali, Vice Chairman CMA Bharat Savani with students and staff at the Chapter office had read out the preamble of the Constitution of India as per the guidelines given by the Institute. ■

Swami Vivekananda quotes......✍

You have to grow from the inside out. None can teach you, none can make you spiritual. There is no other teacher but your own soul.

We are what our thoughts have made us; so take care about what you think. Words are secondary. Thoughts live; they travel far.

The world is the great gymnasium where we come to make ourselves strong.

All the powers in the universe are already ours. It is we who have put our hands before our eyes and cry that it is dark.

CMA A.G. Dalwadi-CCM-ICAI interacting with fresh CMAs during Extended Campus Placement held at Ahmedabad Chapter on 11th & 12th November 2019.

CMA Ashish Bhavsar, Hon. Secretary, WIRC felicitating the winner during Diwali Get-together program organised by Ahmedabad Chapter on 16th November 2019.

Felicitation Ceremony for June-2019 Students & CSS Training for the terms of December 2019 organised by Indore Dewas Chapter on 14th November 2019

CMA Vinod Jadhwani along with CMA S.V. Mohite, Chairman Navi Mumbai Chapter felicitating CMA Akanksha Khare, speaker during CEP on "Get Smart with Money organised by Navi Mumbai Chapter on 17th November 2019.

CMA Dr. Dhananjay V. Joshi, Past President ICAI, lighting a lamp during 2 Days Seminar for New CMAs on "Cost Audit - A Practical Approach" organised by Pune Chapter on 8th & 9th November 2019. Also seen CMA Chaitanya Mohrir, RCM-WIRC, CMA Amit Apte, Past President, ICAI & CMA Neeraj Joshi, Chairman, WIRC

CMA Ashwin Dalwadi, CCM-ICAI felicitated by CMA Pankaj Kannaujiya Treasurer Surat SG Chapter during CEP organized by Surat SG Chapter on Recent changes in Cost Audit on 23rd November 2019. Also seen CMA Brijesh Mali, Chairman, CMA Keval Shah and CMA Kishor Vaghela Managing Member of the Chapter.

CMA Sameer Ogale felicitating speaker CMA Amit Shahane during CEP on "Income Computation and disclosure standards & Recent amendments under Income Tax" organized by Pune Chapter on 13th November 2019

CMA (Dr.) Ashish Thatte, CCM-ICAI & CMA Vinayak Kulkarni, Chairman - PD Committee alongwith participants of First Batch of Mandatory Capacity Building Training Programme held at WIRC Office from 14th November 2019.

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The Institute of Cost Accountants of India

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WESTERN INDIA REGIONAL COUNCIL

Summary of CEP for the period from 6th Dec 2019 to 9th January 2020

Date	Topics	Venue	Timing
06/12/2019	Advance Inventory Mgt in Tally	WIRC	5.30 to 8.30 p.m.
07/12/2019	Advance Inventory Mgt in Tally	Borivali	5.30 to 8.30 p.m.
08/12/2019	Advance Inventory Mgt in Tally	Thane	10.30 to 1.30 p.m.
12/12/2019	Sabka Vikas (Service Tax)	WIRC	6.00 to 8.30 p.m.
13/12/2019	Cost Management (Evaluation) – Sharing Experience & Automation of MIS Function	WIRC	5.30 to 8.30 p.m.
14/12/2019	Cost Management (Evaluation) – Sharing Experience & Automation of MIS Function	Borivali	5.30 to 8.30 p.m.
15/12/2019	Cost Mgt (Evaluation) – Sharing Experience & Automation of MIS Function	Thane	10.30 to 1.30 p.m.
18/12/2019	Adv Excel – Formula Techniques	WIRC	6.00 to 9.00 p.m.
19/12/2019	Adv Excel – Logical & Look-up Formulas	WIRC	6.00 to 9.00 p.m.
21/12/2019	Adv Excel – Excel Option & Protection / Unprotection	WIRC	6.00 to 9.00 p.m.
23/12/2019	Adv Excel – Pivat Table & Arrey Formulas	WIRC	6.00 to 9.00 p.m.
24/12/2019	Adv Excel – Other Related Topics	WIRC	6.00 to 9.00 p.m.
26/12/2019	Excel Macro - Basics	WIRC	6.00 to 9.00 p.m.
27/12/2019	Excel Macro – Variables & Labels	WIRC	6.00 to 9.00 p.m.
30/12/2019	Excel Macro – Interaction with Users	WIRC	6.00 to 9.00 p.m.
02/01/2020	Excel Macro – Developing Macros Tools & Action – I	WIRC	6.00 to 9.00 p.m.
03/01/2020	Excel Macro – Developing Macros Tools & Action – II	WIRC	6.00 to 9.00 p.m.
06/01/2020	Excel Macro – Error Handling, Importing & Exporting Modules, Calling Sub across Modules	WIRC	6.00 to 9.00 p.m.
07/01/2020	Excel Macro – Introduction to Userforms	WIRC	6.00 to 9.00 p.m.
08/01/2020	Excel Macro – Aspect of Dashboard & Macro Protection on	WIRC	6.00 to 9.00 p.m.
09/01/2020	Excel Macro – Additional Exercise for Practice	WIRC	6.00 to 9.00 p.m.

(2 CEP Credit hours will be provided to CMAs on the basis of attendance each days)

For Registration & Details Contact:

Mob: 9372045191 or Email - **wirc.admin@icmai.in**

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