



# WIRC BULLETIN

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## From the Desk of Chairman



HAPPY NEW YEAR 2015!!!

Let this New Year bring new lights and new dimensions at greater heights to our profession. I am really indebted to this profession which has planted in us analytical skills.

Core sector of the Cost Accountant is the Costing and which is in the blood of each of us and therefore my attempt was to update & enlighten other areas where

Cost Accountants can contribute much better. The programs conducted by us are communicated to you through our WIRC Bulletin.

In the month of December 2014, CEPs were conducted on "Transfer Pricing" & "Indian Debt Market" and full day seminar was arranged on "Seminar On Excise, Service Tax & Customs - Search, Seizure and Investigation by DRI & Appeal & Adjudication Procedures". I am indebted by senior faculties like CMA Hansraj Garg, Addl. Director DRI - Mumbai, CMA M. K. Narayanswamy & Mr. Arvind Konar, Advocate Ranjeet Mahtani of Economic Law Practice for their excellent deliberation.

Commissioner of Central Excise, Service Tax & Customs - Goa & Kolhapur have appreciated the training program conducted for their auditors. CMA V. S. Datey, CMA Dr. Sanjay Bhargave, CMA Nanda Barde, CMA Dr. Anil Anikhindi and I have given them 2 days training.

### COST RECORDS & COST AUDIT:

I express my sincere gratitude to Hon. Minister of Finance and Minister of Corporate Affairs Shri. Arun Jaitely, President of our Institute, Expert Group, members of National Advisory Committee for bringing back the Cost Records & Cost Audit mechanism to the extent possible. I give below Snap Shot of the amendments:

- Earlier "Strategic Sectors", Industries regulated by "Sectoral Regulator or a Ministry or Department of Central Government" OR "Companies operating in areas involving Public Interest" OR Companies (including foreign companies other than those having only liaison offices) engaged in the production, import and supply or trading of following medical devices, were the criteria's which might have caused interpretative issues and therefore corrected and classified into only Two Broad Categories :
  - Regulated
  - Non-Regulated
- All products are aligned with Specified Tariff Heading of Central Excise Tariff Act 1985 to avoid any disputes of coverage & Scope of Work under the said rules.
- Following Sectors have been added thereby increasing the scope of Cost Accounting Records & Cost Audit :

- Coffee & Tea Covered under Chapter Heading 0901 to 0902 (All products)
- Milk Powder Covered under Chapter Heading 0402 (All Products)
- Insecticide Covered under Chapter Heading 3808 (All Products)
- Plastic & Polymers Covered under Chapter Heading 3901 to 3914; 3916 to 3921; 3925 (All Products)
- Tyres & Tubes Covered under Chapter Heading 4011 to 4013 (All Products)
- Paper Covered under Chapter Heading 4801 to 4802 (All Products)
- Textiles Covered under Chapter Heading 5004 to 5007; 5106 to 5113; 5205 to 5212; 5303; 5310; 5101 to 5408; 5501 to 5516 (All Products)
- Glass Covered under Chapter Heading 7003 to 7008; 7011; 7016 (All Products)
- Other Machinery Covered under Chapter Heading 8403 to 8487 (All Products)
- Electricals or Electronic Machineries Covered under Chapter Heading 8501 to 8507, 8511 to 8512; 8514 to 8515; 8517; 8525 to 8536; 8538 to 8547 (All Products)
- Articles of Steel Covered under Chapter Heading 7301 to 7326 (All Products)

The maintenance of Cost Accounting Records & Cost Audit will be applicable to above sectors from the F.Y. starting on or after 1st April 2015. However in the said year, data w.r.t. 2014-15 also will have to be given in the reports of 2015-16 and hence companies will have to maintain records for the year 2014-15.

- Threshold limit for applicability of maintenance of Cost Accounting Records and Cost Audit has been revised and there is no threshold limit having net Worth Criteria.

	Regulatory	Non-Regulatory
Maintenance of Cost Accounting Records	Aggregate Turnover of Companies covering products & services Rs. 35 Cr.	Aggregate Turnover of Companies covering products & services Rs. 35 Cr.
Cost Audit	1. Aggregate Turnover of Companies covering products & services Rs. 50 Cr. And 2. Turnover of individual products / Services covered for Maintenance of Cost Records - Rs. 25 Cr	1. Aggregate Turnover of Companies covering products & services Rs. 100 Cr. And 2. Turnover of individual products / Services covered for Maintenance of Cost Records - Rs. 35 Cr

No Cost Accounting records will be required to be maintained by the companies which is classified as a Micro Enterprise or a Small Enterprise including as per the Turnover Criteria under Sub Section 9 of Section 7 of MSME Act 2006

Cost Audit will not be applicable to those companies whose revenue from exports in Foreign Exchange exceeds 75% of total revenue OR which is operating from SEZ

5. Earlier CRA-1 has been replaced and the principles of Cost Accounting Standards and Generally Accepted Accounting Practices (GAAP) has been reproduced under different categories like material, labour, overheads, utilities etc.
6. Maintenance of individual cost sheet with the companies for the 8 years is mandatory and to be kept with the company and the same has to be certified in the Cost Audit Report.
7. Earlier 24 paras have been replaced with 6 paras, which are mainly aligned with present format of XBRL. Moreover, cost statements for service industries have been added.
8. Cost Sheet has to be appended to the Cost Audit Report based on Tariff Heading and not for individual products.
9. Turnover reported in Return of Central Excise and Service Tax has to be reconciled with turnover of financial accounts and hence responsibility of Cost Auditors have been substantially enhanced.
10. Para pertaining to General information, Related Party Transaction, Abridged Cost Statement, Quantitative Information, Indirect Tax Reconciliation has been in the same line subject to minor modifications has been in the line with earlier Companies (Cost Audit) Rules 2011.
11. Product and service profitability statement for product groups (tariff heading wise) needs to be given. This is the additional task for Cost Auditors.
12. Though Cost Maintenance of Cost Accounting Records are mandatory for specified industries, requirement of Compliance Certificate has been dispensed with.
13. Comparison of applicability of maintenance of Cost Accounting Records and Cost Audit is separately given in the Bulletin.

India is passing through important changes and will make breakthrough by implementing changes in number of legislatures. Companies Act 2013- Amendment Bill 2014 has been passed by Lok Sabha incorporating lot of changes, which were expected by the corporate in general and also introduced 122nd Constitutional Amendment Bill 2014 to implement "Good & Service Tax" w.e.f. 1st April 2016.

We have arranged the Seminar to discuss the provisions of above Bills and also arranged Members Meet at YASHADA, Pune on 10th January 2015 and attempt has been made by WIRC to hold jointly with Pimpri-Chinchwad-Akurdi Chapter of Cost Accountants & Pune Chapter of Cost Accountants, which will be the first time of formation of Pimpri-Chinchwad-Akurdi Chapter of Cost Accountants.

#### **REGIONAL COST CONFERENCE 2014-15:**

Regional Cost Conference 2014-15 of our region will be held on 16th & 17th January 2015 at Imperial Banquets, Raghuleela Mega Mall, Opp. Vashi Station, Navi Mumbai - 400 703 and theme of the Seminar is Role of CMAs - "Mission- Make in India"

and sub theme are :

- Improving bottom line through improving competitiveness
- Maximum governance and minimum government
- Foundation of growth - Infrastructure

Renowned speakers have accepted our invitation and there will be a panel discussion of CFO on this occasion. I request all the members to participate in the Regional Cost Conference 2014-15.

Similarly, our Institute have arranged Regions & Chapter's Meet at Kolkata on 4th January 2015, wherein Best Chapter Award will be given.

#### **NATIONAL CONVENTION:**

National Convention is scheduled on 31st January 2015 & 1st February 2015 at Hyderabad. I request all the members to participate in this National Convention. CMA Dr. Sanjay Bhargava is the Chairman of Practitioners Convention and Convention will be held in coordination with WIRC in first / second week of February 2015 either at Mumbai or Pune based on the availability of the venue. I request all the members to attend the same and demonstrate our unity and strength to Hon. Minister of Finance & Corporate Affairs and also express our gratitude to him.

#### **Thane SMF Centre:**

We have located a new premises at Thane Srushti Pride - Datta Prasanna Building, 3rd Floor, Ram Maruti Road, Naupada, Thane (W) to provide better service to the students and members. We have also arranged One Day Seminar on 3rd January 2015 at the new premises on "Business Valuation: Special Emphasis on Valuation of Derivative Financial Instrument".

#### **CONTINUOUS EDUCATION PROGRAMS (CEPS):**

Attempt is made to have CEP on each Saturday either at office of WIRC or SMF Centre-Borivali and now SMF Centre - Thane. Attempt is made to augment new areas to increase the horizons of Cost Accountants. Subjects are selected, which are beneficial to members in service as well as members in practice.

#### **ELECTION 2015:**

New Council will come in existence in the month of July 2015 and process of election will be started soon. If new glory has to be brought to our profession, my appeal to each member to cast their vote for selecting right candidate and exercise your right for selection of Regional Council Members as well as Central Council Members. Mumbai & Pune have got number of polling booths and therefore option has to be selected by each member on or before 25th January 2015. Details of the same is notified in this bulletin. I appeal all the members to not only to opt the polling booth but exercise your right of voting for bringing greater heights to our profession.

#### **BEST CHAPTER AWARD :**

I congratulate office bearers of Ahmedabad Chapter of Cost Accountants, Nashik Chapter of Cost Accountants, Pimpri-Chinchwad-Akurdi Chapter of Cost Accountants and Kolhapur-Sangli Chapter of Cost Accountants for obtaining Best Chapter Award in A, B, C, D Categories respectively.

Once again, I wish all the members & their families Happy & Prosperous New Year 2015 and extend my best wishes for Republic Day.

**CMA ASHOK B. NAWAL**

## Applicability of Cost Accounting Records Rules and Cost Audit as per Companies (Cost Records and Audit) Rules, 2014 By CMAA. B. Nawal

Rule	Clause	Sub-Clause	Sector		Industry to which applicable	Cost Record Rules Applicability			Cost Audit Applicability			
						Multi-Product / Multi-Services		Single Product/Single	Multi-Product/Multi-Services		Single Product/Single	
						Net Worth	Turnover	Net Worth	Net Worth	Turnover	Net Worth	Turnover
3	A	-	Strategic Sector Non-Regulated Sector	(i)	Machinery and mechanical appliances used in defence, space and atomic energy sectors excluding any ancillary item or items Explanation: For the purposes of this sub-clause, any company which is engaged in any items supplied exclusively for us under this clause, shall be deemed to be covered under these rules. Covered under Chapter Heading 8401 to 8402, 8801 to 8805, 8901 to 8908 (All Products)	500 Crore Or more Not specified	Rs. 500 Crore Or more Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs. 500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
				(ii)	Turbo jets and turbo propellers; Covered under Chapter Heading 8411 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs. 500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
				(iii)	Arms and ammunitions; Covered under Chapter Heading 3601 to 3603, 9301 to 9306 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs. 500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
				(iv)	Propellant powders; prepared explosives, (other than propellant powders); safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators; Covered under Chapter Heading 3601 to 3603 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs. 500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
				(v)	radar apparatus, radio navigational aid apparatus and radio remote control apparatus; Covered under Chapter Heading 8526 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
				(vi)	(vi) tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons and parts of such vehicles, that are funded (investment made in the company) to the extent of ninety per cent. or more by the Government or Government Agencies; Covered under Chapter Heading 8710 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs. 500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr

Rule	Clause	Sub-Clause	Sector		Industry to which applicable	Cost Record Rules Applicability			Cost Audit Applicability			
						Multi-Product / Multi-Services		Single Product/Single	Multi-Product/Multi-Services		Single Product/Single	
						Net Worth	Turnover	Net Worth	Net Worth	Turnover	Net Worth	Turnover
	B		Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government <b>Non Regulated</b>	(i)	Port services of stevedoring, pilotage, hauling, mooring, re-mooring, hooking, measuring, loading and unloading services rendered by a Port in relation to a vessel or goods regulated by the Tariff Authority for Major Ports under section 111 of the Major Port Trusts Act, 1963 (38 of 1963);	<b>Not specified</b>	Turnover from individual product or service Rs. 50 Crore or more <b>35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government <b>Non Regulated</b>	(ii)	Aeronautical services of air traffic management, aircraft operations, ground safety services, ground handling, cargo facilities and supplying fuel rendered by airports and regulated by the Airports Economic Regulatory Authority under the Airports Economic Regulatory Authority of India Act, 2008 (27 of 2008);	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government	(iii)	Telecommunication services made available to users by means of any transmission or reception of signs, signals, writing, images and sounds or intelligence of any nature (other than broadcasting services) and regulated by the Telecom Regulatory Authority of India under the Telecom Regulatory Authority of India Act, 1997 (24 of 1997);	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more <b>Rs. 50 Cr</b>	Rs. 500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 25 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government	(iv)	Generation, transmission, distribution and supply of electricity regulated by the relevant regulatory body or authority under the Electricity Act, 2003 (36 of 2003), other than for captive generation (as defined under the Electricity Rules 2005);	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more <b>Rs. 50 Cr</b>	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 25 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government <b>Non Regulated</b>	(v)	Steel; <b>Covered under Chapter Heading 7201 to 7229 and 7301 to 7326 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs. 500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>

Rule	Clause	Sub-Clause	Sector		Industry to which applicable	Cost Record Rules Applicability			Cost Audit Applicability			
						Multi-Product / Multi-Services		Single Product/Single	Multi-Product/Multi-Services		Single Product/Single	
						Net Worth	Turnover	Net Worth	Net Worth	Turnover	Net Worth	Turnover
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government <b>Non Regulated</b>	(vi)	Roads and other infrastructure projects;	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs. 500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government	(vii)	Drugs and Pharmaceuticals; <b>Covered under Chapter Heading 2901 to 2942 and 3001 to 3006 (All Products)</b>	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more <b>Rs. 50 Cr</b>	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 25 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government	(viii)	Fertilisers; <b>Covered under Chapter Heading 3102 to 3105 (All Products)</b>	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more <b>Rs. 50 Cr</b>	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 25 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government	(ix)	Sugar and industrial alcohol; <b>Covered Under Chapter Heading 1701, 1703 and 2207 (All Products)</b>	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more <b>Rs. 50 Cr</b>	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 25 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government	(x)	Petroleum products regulated by the Petroleum and Natural Gas Regulatory Board under the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006); <b>Covered under Chapter Heading 2709 to 2715 (All products)</b>	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more <b>Rs. 50 Cr</b>	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 25 Cr</b>
			Companies engaged in an industry regulated by a Sectoral Regulator or a Ministry or Department of Central Government <b>Non Regulated</b>	(xi)	Rubber and allied products being regulated by the Rubber Board. <b>Covered under Chapter Heading 4001 to 4017 (All products)</b>	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			<b>Non Regulated</b>		Coffee & Tea <b>Covered under Chapter Heading 0901 to 0902 (All products)</b>	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>

Rule	Clause	Sub-Clause	Sector		Industry to which applicable	Cost Record Rules Applicability			Cost Audit Applicability			
						Multi-Product / Multi-Services		Single Product/Single	Multi-Product/Multi-Services		Single Product/Single	
						Net Worth	Turnover	Net Worth	Net Worth	Turnover	Net Worth	Turnover
	C		Companies operating in areas involving Public Interest <b>Non Regulated</b>	(i)	Railway or tramway locomotives, rolling stock, railway or tramway fixtures and fittings, mechanical (including electromechanical) traffic signalling equipment's of all kind;	<b>Not specified</b>	Turnover from individual product or service Rs. 50 Crore or more <b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(ii)	Mineral products including cement; <b>Cement Covered under Chapter Heading 2523, 6811 to 6812 (All products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(iii)	Ores; <b>Ores and Mineral Products Covered under Chapter Heading 2502 to 2522, 2524 to 2526, 2528 to 2530, 2601 to 26017 (All products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(iv)	Mineral fuels (other than Petroleum), mineral oilsetc.; <b>Covered under Chapter Heading 2701 to 2708 (All products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(v)	Base metals; <b>Covered under Chapter Heading 7401 to 7403, 7405 to 7413, 7419, 7501 to 7508, 7601 to 7614, 7801 to 7802, 7804, 7806, 7901 to 7905, 7907, 8001, 8003, 8007, 8101 to 8113 (All products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(vi)	Inorganic chemicals, organic or inorganic compounds of precious metals, rare-earth metals of radioactive elements or isotopes, and Organic Chemicals; Covered under Chapter Heading 2801 to 2853, 2901 to 2942, 3801 to 3807, 3402 to 3403, 3809 to 3824 (All Products)	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(vii)	Jute and Jute Products; Covered under Chapter Heading 5303, 5310 (All Products)	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(viii)	Edible Oil under Administrative Price Mechanism; Edible Oil Covered under Chapter Heading 1507 to 1518 (All Products)	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more <b>Not Criteria</b>	Rs. 100 Crore or more <b>Rs. 35 Cr</b>

Rule	Clause	Sub-Clause	Sector		Industry to which applicable	Cost Record Rules Applicability			Cost Audit Applicability			
						Multi-Product / Multi-Services		Single Product/Single	Multi-Product/Multi-Services		Single Product/Single	
						Net Worth	Turnover	Net Worth	Net Worth	Turnover	Net Worth	Turnover
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(ix)	Construction Industry; <b>Construction Industry as per parano. (5) (a) as specified in schedule VI of The Companies Act 2013 Covered under Chapter Heading 1507 to 1518 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs. 100 Crore or more</b> <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(x)	Companies engaged in health services viz. functioning as or running hospitals, diagnostic centres, clinical centres or test laboratories;	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs. 100 Crore or more</b> <b>Rs. 35 Cr</b>
			Companies operating in areas involving Public Interest <b>Non Regulated</b>	(xi)	Companies engaged in education services, other than such similar services falling under philanthropy or as part of social spend which do not form part of any business.	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs.100 Crore or more</b> <b>Rs. 35 Cr</b>
			<b>Non Regulated</b>	(xii)	<b>Milk Powder Covered under Chapter Heading 0402 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs.100 Crore or more</b> <b>Rs. 35 Cr</b>
			<b>Non Regulated</b>	(xiii)	<b>Insecticide Covered under Chapter Heading 3808 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs. 100 Crore or more</b> <b>Rs. 35 Cr</b>
			<b>Non Regulated</b>	(xiv)	<b>Plastic &amp; polymers Covered under Chapter Heading 3901 to 3914; 3916 to 3921; 3925 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs. 100 Crore or more</b> <b>Rs. 35 Cr</b>
			<b>Non Regulated</b>	(xiv)	<b>Tyres &amp; Tubes Covered under Chapter Heading 4011 to 4013 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs. 100 Crore or more</b> <b>Rs. 35 Cr</b>
			<b>Non Regulated</b>	(xiv)	<b>Paper Covered under Chapter Heading 4801 to 4802 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs. 100 Crore or more</b> <b>Rs. 35 Cr</b>
			<b>Non Regulated</b>	(xiv)	<b>Textiles Covered under Chapter Heading 5004 to 5007; 5106 to 5113; 5205 to 5212; 5303; 5310; 5101 to 5408; 5501 to 5516 (All Products)</b>	<b>Not specified</b>	<b>Rs. 35 Cr of all products and services</b>	<b>No Criteria</b>	<b>No Criteria</b>	Turnover from individual product or service Rs. 100 Crore or more	<b>Rs.500 Crore or more</b> <b>Not Criteria</b>	<b>Rs. 100 Crore or more</b> <b>Rs. 35 Cr</b>

Rule	Clause	Sub-Clause	Sector		Industry to which applicable	Cost Record Rules Applicability			Cost Audit Applicability			
						Multi-Product / Multi-Services		Single Product/Single	Multi-Product/Multi-Services		Single Product/Single	
						Net Worth	Turnover	Net Worth	Net Worth	Turnover	Net Worth	Turnover
			Non Regulated	(xiv)	Glass Covered under Chapter Heading 7003 to 7008; 7011; 7016 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
			Non Regulated	(xiv)	Other Machinery Covered under Chapter Heading 8403 to 8487 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
			Non Regulated	(xiv)	Electricals or Electronic Machineries Covered under Chapter Heading 8501 to 8507, 8511 to 8512; 8514 to 8515; 8517; 8525 to 8536; 8538 to 8547 (All Products)	Not specified	Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr
	D		Companies (including foreign companies other than those having only liaison offices) engaged in the production, import and supply or trading of following medical devices  Non Regulated Covered under Chapter Heading 9018 to 9022	(i) (ii) (iii) (iv) (v) (vi) (vii) (viii) (ix) (x) (xi) (xii) (xiii)  (xiv) (xv)  (xvi) (xvii) (xviii) (xix) (xx)	Cardiac Stents; Drug Eluting Stents; Catheters; Intra Ocular Lenses; Bone Cements; Heart Valves; Orthopaedic Implants; Internal Prosthetic Replacements; Scalp Vein Set; Deep Brain Stimulator; Ventricular peripheral Shud; Spinal Implants; Automatic Impalpable Cardiac Deflobillator; Pacemaker (temporary and permanent); patent ductus arteriosus, atrial septal defect and ventricular septal defect closure device; Cardiac Re-synchronize Therapy ; Urethra Spinicture Devices; Sling male or female; Prostate occlusion device; and Urethral Stents.	Not specified	Turnover from individual product or service Rs. 10 Crore or more or One-third of total turnover  Rs. 35 Cr of all products and services	No Criteria	No Criteria	Turnover from individual product or service Rs. 100 Crore or more	Rs.500 Crore or more Not Criteria	Rs. 100 Crore or more Rs. 35 Cr

\* Above Provisions will not apply to the companies which is classified as a Micro Enterprise or a Small Enterprise including as per the Turnover Criteria under Sub Section 9 of Section 7 of MSMED Act 2006

\* Cost Audit will not be applicable to those companies whose revenue from exports in Foreign Exchange exceeds 75% of total revenue OR which is operating from SEZ

\* Cost Records & Cost Audit for newly added products will be applicable for each FY. on or after 1st April 2015

\* Rule 6(3A) is inserted as : "Any Casual vacancy in the office of a Cost Auditor, whether due to resignation, death or removal, shall be filled by the Board of Directors within thirty days of occurrence of such vacancy and the company shall inform the Central Government in Form CRA - 2 within thirty days of such appointment of Cost Auditor"



# Highlights of Amended Companies (Cost Records and Audit) Rules, 2014

Compiled by CMA Dr. Sanjay R. Bhargave



Companies (Cost Records and Audit) Amendment Rules, 2014 have been notified by the Central Government on 1st Jan 2015. The original rules issued on 30th June 2014 have been modified extensively on the basis of report submitted by the Expert Committee constituted by Ministry of Corporate Affairs, Government of India, to review the rules.

Following are the highlights of the amended rules.

## A) Applicability.

1. Rules issued on 30th June 2014 prescribed following class of companies for maintenance of cost records and cost audit.

- Companies engaged in production in Strategic Sector.
- Companies engaged in an industry regulated by a Sectoral Regulator or a ministry or Department of Central Government.
- Companies operating in areas involving public interest.

However, the amended rules classify the companies in following sectors.

- Regulated Sector, and
- Non Regulated Sector.

2. Industries covered in Regulated Sector are.

1. Telecommunication Services.
2. Electricity- Generation, Transmission and Distribution.
3. Petroleum products.
4. Drugs and Pharmaceuticals
5. Fertilizers,
6. Sugar and Industrial Alcohol.

Whereas industries covered in Non Regulated Sectors are

1. Machinery and appliances used for Defense, Arms and Ammunitions.
2. Turbo Jets and Turbo Propellers.
3. Arms and Ammunitions.
4. Propellant Powders, Prepared Explosives.
5. Radar Apparatus, radio navigational aid Paper
6. Tank and other armoured vehicles.
7. Port services.
8. Aeronautical Services.
9. Steel
10. Roads and other infrastructure projects corresponding to para No.(1)(a) as specified in

Schedule VI of the Companies Act,2013.

11. Rubber and allied products.
  12. Coffee and Tea
  13. Railway or Tramway locomotives
  14. Cement
  15. Ores and Mineral Products
  16. Mineral Fuels(other than petroleum)mineral oil etc
  17. Base Metal
  18. Inorganic Chemicals
  19. Jute and Jute Products
  20. Edible Oil
  21. Construction Industry as per para No. (5)(a) as specified in Schedule VI of the Companies Act, 2013(18 of 2013)
  22. Health Services
  23. Educational Services
  24. Milk powder
  25. Insecticides
  26. Plastic and Polymers
  27. Tyres & Tubes
  28. Paper
  29. Textiles
  30. Glass
  31. Other machinery
  32. Electricals and Electronic Machinery
  33. Production, import and supply or trading of specific medical devises.
3. Following activities which were earlier classified under the Industry regulated by Sectoral Regulator or a Ministry or Department of Central Government are now shifted to Non Regulated Sector.
- Port Services,
  - Aeronautical Services,
  - Steel
  - Roads and Other Infrastructure projects,
  - Rubber and allied products.
4. Earlier "Companies operating in areas involving Public Interest" are now classified under Non Regulated Sector.
5. Rules are applicable to Regulated and Non regulated companies, including foreign companies other than those having only liaison offices in India, engaged in the production of goods or providing services specified in the table annexed to the Rules.

6. Specified Companies having an overall turnover from all its products and services of rupees Thirty Five Crore or more during immediately preceding financial year are required to include cost records for such products or services in their books of account.
7. Exceptionally, provisions are made applicable to companies engaged in production, import and supply or trading of certain medical devices.
8. The provisions do not apply to following companies.
  - Companies classified as micro companies or a small enterprise including as per turnover criteria under sub section (9) of Section 7 of Micro, Small and Medium Enterprises Development Act, 2006.
  - Companies, whose revenue from exports, in foreign exchange, exceeds seventy five percent of its total revenue,
  - Companies operating from a special economic zone (SEZ).
9. Products covered under maintenance of cost records and cost audit are aligned with Central Excise Tariff Heading.
10. Scope of Maintenance of Cost Records and audit thereof is extended to following products from 1st April 2015.

Sl.No. in Table	Product / Activity	CETA Chapter Heading
a) 12	Coffee & Tea	0901 to 0902
b) 24	Milk Powder	0402
c) 25	Insecticide	3808
d) 26	Plastic & Polymers	3901 to 3914; 3916 to 3921;3925
e) 27	Tyres & Tubes	4011 to 4013
f) 28	Paper	4801 to 4802
g) 29	Textiles	5004 to 5007; 5106 to 5113; 5205 to 5212; 5303; 5310; 5401 to 5408; 5501 to 5516.
h) 30	Glass	7003 to 7008; 7011; 7016
i) 31	Other Machinery	8403 to 8487
j) 32	Electricals or Electronic Machineries	8501 to 8507; 8511 to 8512; 8514 to 8515; 8517; 8525 to 8536; 8538 to 8547

11. Turnover limit for applicability of maintenance of Cost Accounting Records and Cost Audit.

	Regulatory	Non-Regulatory
Maintenance of Cost Records	Companies having overall turnover from all its products and services of Rs.35 crore or more during immediately preceding financial year.	Companies having overall turnover from all its products and services of Rs.35 crore or more during immediately preceding financial year.
Cost Audit	Companies having overall annual turnover from all its products and services during immediately preceding	Companies having overall annual turnover from all its products and services during immediately preceding

	Regulatory	Non-Regulatory
	financial year is fifty crore or more, and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained is rupees twenty five crore or more.	financial year is one hundred crore or more, and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained is rupees thirty five crore or more.

12. Though Maintenance of Cost Accounting Records is prescribed for specified industries, requirement of Compliance Certificate has been dispensed with.

### B) Maintenance and Treatment of Cost items.

13. Detailed guidelines have been provided for maintenance and treatment of following items of cost in CRA1. These guidelines are akin to the principles set in the Cost Accounting Standards and Generally Accepted Cost Accounting Principles issued by The Institute of Cost Accountants of India.

- Material Cost.
- Employee Cost.
- Utilities.
- Direct Expenses.
- Repairs and Maintenance.
- Fixed Assets and Depreciation.
- Overheads.
- Administrative Overheads.
- Transportation Cost.
- Royalty and Technical Knowhow.
- Research and Development Expenses.
- Pollution Control Expenses.
- Service Department Expenses.
- Packing Expenses.
- Interest and Finance Charges.
- Other Cost items.
- Capacity determination.
- Work in Progress and Finished Goods Stock.
- Captive Consumption.
- By-products and joint products.
- Adjustment of Cost Variances.
- Reconciliation of cost and financial accounts.
- Related party transactions.
- Expenses or Incentives on exports.
- Production Records.
- Sales Records,
- Cost Statements,
- Statistical records.
- Records of physical verification.

### C) Cost Audit Report.

14. Annexures to Cost Audit Report (CRA3) are simplified. Part A includes General Information about Company, General information of Cost Auditor, Cost Accounting Policy, and Product / Service details. It has been provided to explain the difference, if any, between

- turnover as per annual accounts and turnover as per excise / service tax records.
15. Part B of CRA3 provides for following Annexures for manufacturing sector.
- Quantitative Information.
  - Abridged Cost Statement.
  - Details of Material Consumed.
  - Details of Utilities Consumed.
  - Details of Industry Specific Operating Expenses.
16. The Annexures are to be prepared for each product with CETA Heading separately. Under First Schedule to Central Excise Tariff Act, goods are classified using 4 digit system. These are called as "Chapter Heading". Further 2 digits are added for sub classification, which are termed as "sub heading". Further 2 digits are added for sub-sub classification, which is termed as "Tariff item". In view of the same, details / Annexures are to be prepared according to using 4 digits Chapter Heading.
17. Part C of CRA3 provides for following Annexures for Service sector. The Annexures are to be prepared for each service separately.
- Quantitative Information.
- Abridged Cost Statement.
  - Details of Material Consumed.
  - Details of Utilities Consumed.
  - Details of Industry Specific Operating Expenses.
18. Part D of CRA3 provides for following Annexures.
- Product and service profitability statement (for audited products / services).
  - Profit reconciliation (for the company as a whole).
  - Value addition and distribution of earning (for the company as a whole).
  - Financial position and Ratio Analysis (for the company as a whole).
  - Related Party Transactions (for the Company as a whole).
  - Reconciliation of Indirect Taxes (for the company as a whole).
19. Government of India, Ministry of Corporate Affairs, vide General Circular No.42/2014 (No/1/40/2013/CL.V-Part) dt.12th November 2014 has extended the date of filing CRA2 (Appointment of Cost Auditor) without any penalty / late fee upto 31st January 2015 for Financial Year 2014-15. It is clarified that companies who have filed form 23C need not file CRA2 afresh for F.Y.2014-15.

## THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

*(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)*

CMA BHAWAN 12, SUDDER STREET, KOLKATA - 700 016.

Kolkata

26th December, 2014

### NOTICE

In pursuance of Clause (3) of Schedule 2 of the Cost and Works Accountants (Election to the Council) Rules, 2006, as amended, the addresses of different polling booths at a place where there are more than one polling booth for the ensuing Election to the Council and four Regional Councils for the term 2015 - 2019 are notified as follows :

#### WESTERN REGION

Mumbai	The Institute of Cost Accountants of India, Western India Regional Council, CMA Bhawan, Rohit Chambers, Janmabnoomi Marg, Fort, Mumbai 400 001.
Mumbai	D.G. Ruparel College of Arts, Science and Commerce, Opp. Matunga Road Station (W. Rly.), Senapati Bapat Marg, Mahim, Mumbai 400 016.
Mumbai	Ramniranjan Jhunjhunwala College of Commerce & Economics, Ghatkopar(W), Mumbai 400 086.
Mumbai	K. J. Somaiya College of Arts and Commerce, Vidyanaagar, Vidyavihar (E), Mumbai 400 077.
Mumbai	Karmaveer Bhaurao Patil College, Sector 15 A, Vashi, Navi Mumbai 400703.
Mumbai	MMK College of Commerce & Economics, 32nd Road, TPS III, Bandra (West), Mumbai 400 050.
Mumbai	St. Rocks College of Commerce & Science, Talephakri, Eksar Villeage, Near Aquaria Club, D.N. Mhatre Road, Borivali (West), Mumbai 400 092.
Pune	Poona College of Arts, Science & Commerce, Camp, Pune 41 1 001.
Pune	ATSS College, C2, MIDC, Opp. Niramaya Hospital, Chinchwad Station, Pune 411 019.

Any voter in such a place wishing to vote may send a request in writing giving his name, membership number and the address of the polling booth in which he would like to be attached. Such request should reach the Returning Officer at the Institute's Headquarters at CMA Bhawan, 12, Sudder Street, Kolkata - 700 016 within one month from the date of this notice.

**Kaushik Banerjee**  
*Secretary (Acting)*



## AUDIT OF SERVICE TAX

By **CMA Ashok B. Nawal**

Contact: +91 9890165001 • Email: nawal@bizsolindia.com

Earlier I have written the article on "AUDIT OF SERVICE TAX - SAY NO TO DEPARTMENT" and perhaps, Government have taken a note on implications and therefore issued the notification No. 23/2014- Service Tax dtd 5th December 2014 amending Rule 5A (2) of Service Tax Rules 1994 and also issued a Board Circular No. 181/7/2014-Service Tax dtd. 10th December, 2014. Notification has been issued under the power vested in accordance to the Section 94(1) (k) "any other matter which by this Chapter is to be or may be prescribed". The amendment has been made mainly correcting the provisions of the law, which was highlighted by Hon. Delhi High Court in the case of **TRAVELITE (INDIA) Vs. UOI 2014-TIOL-1304-HC-DEL-ST** and thereby Rule 5A (2) of Service Tax Rules 1994 is substituted which is reproduced below :

*"(2) Every assessee, shall, on demand make available to the officer empowered under sub-rule (1) or the audit party deputed by the Commissioner or the Comptroller and Auditor General of India, or a cost accountant or chartered accountant nominated under section 72A of the Finance Act, 1994,-*

- i. the records maintained or prepared by him in terms of sub-rule (2) of rule 5;*
- ii. the cost audit reports, if any, under section 148 of the Companies Act, 2013 (18 of 2013); and*
- iii. the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 1961),*

*for the scrutiny of the officer or the audit party, or the cost accountant or chartered accountant, within the time limit specified by the said officer or the audit party or the cost accountant or chartered accountant, as the case may be."*

The said provision not only cover the audit to be conducted by department but also ensured all the records maintained including Tax Audit Report and Cost Audit Report also to be furnished to Auditors and Auditors have been specified as Departmental Auditor, CAG Auditor, Cost Accountant OR Chartered Accountant.

Section 72A of Finance Act 1994 as amended was introduced w.e.f. 28.05.2012, thereby Cost Accountants / Chartered Accountants were required to conduct Special Audit, if ordered in specific circumstances, provisions of 72A is re-produced below :

### **72A. Special Audit**

- 1) If the Commissioner of Central Excise, has reasons to believe that any person liable to pay service tax (herein referred to as "such person"):*

- i. has failed to declare or determine the value of a taxable service correctly; or*
- ii. has availed and utilised credit of duty or tax paid-*
  - a. which is not within the normal limits having regard to the nature of taxable service provided, the extent of capital goods used or the type of inputs or input services used, or any other relevant factors as he may deem appropriate; or*
  - b. by means of fraud, collusion, or any wilful misstatement or suppression of facts; or*
- iii. has operations spread out in multiple locations and it is not possible or practicable to obtain a true and complete picture of his accounts from the registered premises falling under the jurisdiction of the said Commissioner; he may direct such person to get his accounts audited by a chartered accountant or cost accountant nominated by him, to the extent and for the period as may be specified by the Commissioner.*
- 2. The chartered accountant or cost accountant referred to in sub-section (1) shall, within the period specified by the said Commissioner; submit a report duly signed and certified by him to the said Commissioner mentioning therein such other particulars as may be specified by him.*
- 3. The provisions of sub-section (1) shall have effect notwithstanding that the accounts of such person have been audited under any other law for the time being in force.*
- 4. The person liable to pay tax shall be given an opportunity of being heard in respect of any material gathered on the basis of the audit under sub-section (1) and proposed to be utilised in any proceeding under the provisions of this Chapter or rules made thereunder.*

*Explanation. - For the purposes of this section,-*

- i. "chartered accountant" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949;*
- ii. "cost accountant" shall have the meaning assigned to it in clause (b) of sub-section (1) of 35']*

In other words, Cost Accountants or Chartered Accountants were authorised to conduct audit of service tax in specific circumstances **w.e.f. 28.05.2012** and by this notification dtd. 05.12.2012 and Board Circular dtd. 10.12.2014 departmental officers have been authorised to do the audit which was earlier having legal disputes. Moreover, specific amendment has been made to provide all the records including Tax Audit and Cost Audit Report to any Auditors, may be from department, CAG, Cost Accountants or Chartered Accountant. ■

## Glimpses of Seminar on Excise, Service Tax & Customs held at WIRC Office on 27th December 2014



CMA Debasish Mitra



CMA A.B. Nawal, Chairman WIRC lighting the lamp



CMA A.B. Nawal



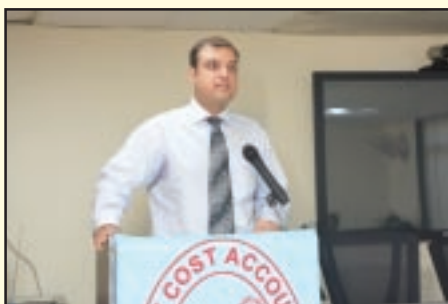
Felicitations of CMA H.R. Garg from CMA A.B. Nawal



Felicitations of Adv. Dipti Srivatsan by CMA A.B. Nawal



Felicitations of Mr. Ranjeet Mahtani by CMA Kirit Mehta



Mr. Ranjeet Mahtani



Adv. Dipti Srivatsan



View of Audience



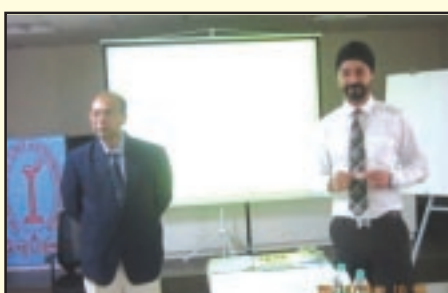
CMA M.K. Narayanswamy delivering lecture during CEP organized by WIRC on 13/12/2014



View of Participants during CEP organized by WIRC on 13/12/2014



Mr. Arvind Konar delivering lecture during CEP organized by WIRC on 20/12/2014



CMA Arnab Chakraborty, Director-Administration, ICAI & Mr. Harpreet Singh, faculty during Staff Training Programme organized by the Institute on 20/12/2014



View of Participants during CEP organized by WIRC on 20/12/2014

## BEST CHAPTER AWARD 2014

In Regional Council & Chapters Meet held at Kolkata on 4th January 2015, following Chapter under WIRC received "Best Chapter Award" for the year 2014.

### Category A : AHMEDABAD



### Category B : NASHIK-OJHAR



### Category C : PIMPRI-CHINCHWAD-AKURDI



### Category D : KOLHAPUR-SANGLI



## Congratulations



**Mr. Suresh Warrior**, Cost Accountant from ICAI, has taken over as Director (Finance) in Rashtriya Chemicals & Fertilizers Ltd. (RCF) from 18th July 2014. He has been working in RCF since 1985 and held various key positions in areas such as corporate finance, costing, budgeting, project evaluation, treasury management etc. He has worked as a Hon. Consultant to the Fertilizer Industry Coordination Committee (FICC), an arm of the Ministry of Chemicals & Fertilizers, to carry out subsidy calculations of various Fertilizer companies for over a decade. His efforts have been well appreciated by FICC. He is a regular faculty member of FA I on fertilizer policy matters, costing and budgeting, RCF has won various awards under his guidance including National Award for Excellence in Cost Management (second prize) from ICAI in the year of 2012-13 & 2013-14.

## Glimpses of Ahmedabad Chapter Activities

### Diwali Get-to-gether – 5th November 2014



Welcome Speech by CMA R B Kothari



View of Participants



Students participating in game

### Communication and Soft Skill Training Programme on 8th & 9th November 2014



Welcome Speech by CMA Malhar A Dalwadi, Chairman of Student's Soft Skill Training committee.



Presentation by Prof. CMA S S Shah



View of Participant Students

### One Day Seminar on Internal Audit in Public Enterprises - 12th November 2014



CMA R B Kothari, Chairman of ICAI-Ahmedabad chapter felicitating chief guest Shri S B Khyaliya-Managing Director, MGVCL by offering bouquet and memento



Welcome speech by Prof. CMA S S Shah-RCM of WIRC



Lighting of Lamp by Chief Guest Shri S B Khyaliya



Speech by Chief Guest Shri S B Khyaliya



View of Participants

## Glimpses of Ahmedabad Chapter Activities

### Inauguration of New Batch of Oral Coaching – 30th December 2014



CMA R B Kothari, Chairman giving inaugural speech



Lighting the Lamp by Chief Guest Shri Alpeshbhai Shah, Director, Jay Chemicals Industries Ltd.



CMA P D Modh, Chairman of Oral Coaching



Chief Guest, Shri Alpeshbhai Shah felicitating the student



View of participating students



CMA Sunil Maniyar Vice Chairman of Aurangabad Chapter, guiding the students during Career Guidance Programme organised by Aurangabad Chapter at Navgan College, Parli, Dist. Beed on 10th December 2014.



CMA Vivek Bhalerao, Project Manager with Tata Consultancy Services Ltd delivering lecture during CEP organised by Navi Mumbai Chapter



View of students during Career Counselling lecture organised by Surat-South Gujarat Chapter at Narmada College on 27-12-2014





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

**WESTERN INDIA REGIONAL COUNCIL**

*Jointly with*

**NAVI MUMBAI CHAPTER**

*are pleased to announce*

**REGIONAL COST CONVENTION 2015**

**Theme:**

**"Role of CMAs-Mission - Make in India"**

**: Sub Theme :**

- \* **Improving bottom line through improving cost competitiveness**
- \* **Maximum governance and minimum government**
- \* **Foundation of growth - Infrastructure**

**16th & 17th JANUARY 2015**

**at Imperial Banquets, Raghuleela Mega Mall, Opp. Vashi Rly. Stn., Navi Mumbai**

Dear Professionals,

We have immense pleasure in informing you that the Regional Cost Convention (RCC) is being organized by Western India Regional Council of The Institute of Cost Accountants of India on **16th & 17th January 2015** at **Imperial Banquets, Raghuleela Mega Mall, Opp. Vashi Station, Navi Mumbai 400 703**.

The theme is basically selected to support to achieve the dream of Hon. Prime Minister Narendrabhai Modi to promote "Make in India" brand. Manufacturing sector needs to be focused through which employment opportunities will grow and also there will be a tremendous growth of India. CMAs can contribute a lot for optimum utilization of resources, build the competitiveness, ensure maximum corporate Governance and good management practices and hence this seminar will help for capacity building and enhance their knowledge through expert speakers.

We solicit your participation along with your professional colleagues in good numbers and also earnestly request your support for sponsorships and advertisements for the event.

We are looking forward to your continued patronage and co-operation in making the convention constructive and memorable.

*Assuring you an Enriching Experience*

**CMA A B Nawal**

Chairman, WIRC of ICAI

**CMA G.R. Paliwal**

Convenor, RCC 2014-15 &  
Vice Chairman of WIRC of ICAI

**CMA Dinesh Birla**

Co-ordinator, RCC 2014-15 &  
Secretary of WIRC of ICAI

**CMA Debasish Mitra**

Co-Convenor of RCC 2014-15 &  
Treasurer of WIRC, ICAI & Chairman,  
Professional Development Committee

**CMA B. N. Sapkal**

Co-Convenor of RCC 2014-15 &  
Chairman, Navi Mumbai  
Chapter of Cost Accountants

*Behind every successful Business Decision, there is always a CMA*

**THEME**

The theme is basically selected to support to achieve the dream of Hon. Prime Minister Narendrabhai Modi to promote "Make in India" brand. Manufacturing sector needs to be focused through which employment opportunities will grow and also there will a tremendous growth of India. CMAs can contribute a lot for optimum utilization of resources, build the competitiveness, ensure maximum corporate Governance and good management practices and hence this seminar will help for capacity building and enhance their knowledge through expert speakers.

This Conference will have lot of Value additions to address the concerns of the Nation- namely, growth and productivity. With the clarion call given by the new Govt. to promote "Make in India" and "Maximum Governance and Minimum Govt." we feel that the take away from this Conference would be matters like better understanding and effective utilization of CMAs in the making of the Nation, Re-look and Re-learning on matters relating to growth, productivity and improving bottom line by Cost Control, Cost reduction and Cost effectiveness. The scope of CMAs in the expected boom in Infrastructure will be another major take away for the professional to gear up to seize the opportunity for the professionals opening up in a BIG way. In short, we are sure that participation in this programme will bring you immense benefit.

**Inauguration :**

- \* Mr. Babul Supriyo, the Minister of State for Urban Development, Housing and Urban Poverty Alleviation Development
- \* Shri Chandrakant Dada Patil, Minister of Co-operation, Marketing and Textiles, Public Works (Public upakramansaha)
- \* CMA Dr. A.S. Durga Prasad, President, ICAI
- \* CMA P. V. Bhattad, Vice President, ICAI

**Valedictory Session :**

- \* Shri Eknathraoji Khadse - Revenue, Minority Development and Waqf, Agriculture, Pashusavardhana, Dairy & Fisheries, State Excise of State of Maharashtra
- \* Shri Sudhir Mungattiwar- Minister of Finance, Planning & Forest Division of State of Maharashtra
- \* Shri Prakashbhai Mehta - Industry & Mining, Parliamentary Affairs Division of State of Maharashtra
- \* Shri Vinodji Tawde - Education & Sports, Higher & Technical Education, Medical Education, Marathi language, Cultural work Division of State of Maharashtra
- \* CMA M. V. Tanksale, Chief Executive, Indian Bank Association. Icon of our Institute of Cost Accountants of India

*\* Awaiting confirmation*

**Speakers :**\* **CMA Dr. P. C. Basu**

Dr. Paritosh Basu has served the corporate world for about thirty-four years. He was the Group Controller of Essar Group till June, 2013, preceded by the CFO of Reliance Communications Ltd. till August, 2008. Presently he is a full time Senior Professor (Finance Area) of the School of Business Management, the NMIMS University, Mumbai and engaged in many research and consulting activities.

He holds a Master degree in Commerce and was awarded Ph. D. on 'Transfer Pricing' by the Calcutta University in 1999. He is a fellow member of both the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India.

Dr. Basu's experience in MNCs spans over a wide spectrum of functional areas, across continents and countries:

- Corporate finance, treasury, strategic planning and controlling, accounting and reporting under IGAAP and IFRS, risk management, governance, management audit, etc. in MNC and conglomerate environment,
- Mergers and acquisitions, restructuring, IPO and listing in overseas and domestic stock exchanges, FCCBs and other overseas loan market transactions;
- Extensive IT enablement of operations, accounting and reporting with multiple systems development and integration. One of his software is presently under the process of patent registration in India and the USA; and
- Mentoring, learning management, teaching and training.

Dr. Basu is associated with management education for about twenty-five years. He was a regular visiting faculty member of the Indian Institute of Social Welfare & Business Management, Kolkata and NMIMS, Mumbai for about six years each.

\* **Mr. Shailesh Gandhi**

MBA from IIM, Ahmedabad, Associate Professor, Indian Institute of Management at Ahmedabad. Having Vast experience with Institute of Rural Management, Anand, Rubamin Limited, AF Ferguson & Co, Baroda

\* **CMA C. S. Adawadkar**

Practising Cost Accountant and also faculty member at Indsearch & other Management Institutes specialized in the field of Bench Marking, Activity based Costing & other management functions & advising to the corporates.

\* **CMA Milind Date** - M.Com., FCMA, CMA (US), Dip IFRS (ACCA, UK),

- Certified Independent Director, Member of IOD, Having 25 years of industry exposure worked in different capacities in Praj Industries Ltd, Thermax, SKF Bearings, Boots Pharmaceuticals,

Mather and Platt in India and W.J. Towell, Endurance Technologies Private Ltd, Jumbo group in the Middle East and Management Consultant in the area of IFRS, Finance, Corporate Risk Management, Accounting, IT and costing

✳ **CMA Jayant Manmadkar**

CFO, Mahindra Lifespace Developers Ltd.

- He is possessing highest professional qualifications i.e. CA, CMA & CS. He has worked at VIP Industries,

✳ **Mr. Jayesh Kariya**

Partner - International Tax & Regulatory, KPMG

- Specializing in tax and actively leading our overall initiatives in the Infrastructure & construction sector
- Advising on various taxation and regulatory matters to multinationals and large Indian corporations. I also head the real estate & construction practice across service lines on all India basis.

## PROGRAMME SCHEDULE

**Friday, 16th January 2015**

From	To	Details
09.30 am	10.00 am	Registration & Inauguration
10.00 am	11.30 am	Inauguration Session
11.30 am	11.45 am	Tea/Coffee Break
11.45 am	01.45 pm	Technical Session I - Improving bottom line through improving cost competitiveness
01.45 pm	02.30 pm	Lunch Break
02.30 pm	05.00 pm	Technical Session II - Maximum governance and minimum government
05.00 pm	05.30 pm	Break
05.30 pm	07.00 pm	Chapters Meet
07.00 pm	10.00 pm	Cultural Programme and Conference Dinner

**Saturday, 17th January 2015**

From	To	Details
09.30 am	10.30 am	Technical Session III - Foundation of Growth - Infrastructure
10.30 am	10.45 am	Tea / Coffee Break
10.45 am	12.00 Noon	Technical Session III - Foundation of growth - Infrastructure
12.00 Noon	1.30 pm	Valedictory Session
1.30 pm		Networking Lunch

**CHIEF PATRON** : CMA Dr. A.S. Durga Prasad, President, ICAI

**PATRON** : CMA P.V. Bhattad, Vice President, ICAI

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CMA Dr. Sanjay Bhargave, CCM-ICAI

CMA Amit Apte, CCM-ICAI & CMA V. S. Datey

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CMA G. R. Paliwal, Vice Chairman, WIRC of ICAI

**: Co-Convener :**

CMA Debashish Mitra, Chairman, Professional Development Committee

CMA B. N. Sapkal, Chairman, Navi Mumbai Chapter

**: Co-ordinators :**

CMA Dinesh Birla, Secretary of WIRC of ICAI

CMA Shrenik S Shah, RCM of WIRC of ICAI

**: Reception Committee :**

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CMA R.B. Kothari, CMA R.K. Deodhar, CMA Shriram Mahankaliwar, CMA M.B. Kaka,

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CMA Manoj Malpani, CMA Varsha Limaye

**: Souvenir Committee :**

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CMA Pravin Mohani, CMA Laxman D. Pawar, CMA Pradeep Deshpande, CMA Pratyush Chatterjee,  
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**: Delegate Fees: (including service tax) :**

For Self Sponsored CMAs : Rs. 2,250/- • For Corporate Delegates : Rs.3,370/-

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**: For Registration Please Contact :****Western India Regional Council of ICAI**

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**Navi Mumbai Chapter of ICAI**

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*Please visit WIRC website [www.icmai-wirc.in](http://www.icmai-wirc.in) for Delegate/Advertisement/Sponsorship forms*

# GST CORNER

By CMA Ashok B. Nawal

Contact: +91 9890165001 • Email: nawal@bizsolindia.com

Hon. Finance Minister Shri. Arun Jaitley have tabled 122nd Constitutional Amendment Bill in the Loksabha. The Salient features of the same are given below:

- A new Article 246A is proposed which will confer simultaneous power to Union and State legislatures to legislate on GST.
- Article 279A is proposed to be inserted for the creation of a Goods & Services Tax Council which will be a joint forum of the Centre and the States. This Council would function under the Chairmanship of the Union Finance Minister and will have Ministers in charge of Finance/Taxation or Minister nominated by each of the States & UTs with Legislatures, as members. The Council will make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution modalities etc.
- It is proposed to do away with the concept of 'declared goods of special importance' under the Constitution.
- Centre will compensate States for loss of revenue arising on account of implementation of the GST for a period up to five years. A provision in this regard has been made in the Amendment Bill (The compensation will be on a tapering basis, i.e., 100% for first three years, 75% in the fourth year and 50% in the fifth year).
- Central taxes like Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty (CVD) and Special Additional Duty of Customs (SAD), etc. will be subsumed in GST.
- At the State level, taxes like VAT/Sales Tax, Central Sales Tax, Entertainment Tax, Octroi and Entry Tax, Purchase Tax and Luxury Tax, etc. would be subsumed in GST.
- All goods and services, except alcoholic liquor for human consumption, will be brought under the purview of GST. Petroleum and petroleum products have also been constitutionally brought under GST. However, petroleum and petroleum products shall not be subject to the levy of GST till notified at a future date on the recommendation of the GST Council. The present taxes levied by the States and the Centre on petroleum and petroleum products, i.e., Sales Tax/VAT, CST and Excise duty only, will continue to be levied in the interim period.
- Centre and States both shall simultaneously levy GST across the value chain. Centre would levy and collect Central Goods and Services Tax (called 'CGST'), and States would levy and collect the State Goods and Services Tax (called 'SGST') on all transactions within a State.
- The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. There will be seamless flow of input tax credit from one State to another. Proceeds of IGST will be apportioned among the States.
- GST is a destination-based tax. SGST on the final product will typically accrue to the consuming State.
- GST rates will be uniform across the country. However, to give some fiscal autonomy to the States and Centre, there

will a provision of a narrow tax band over and above the floor rates of CGST and SGST.

- It is proposed to levy a non-Vatable Additional Tax of not more than 1% on supply of goods in the course of inter-State trade or commerce for a period not exceeding 2 years, or further such period as recommended by the GST Council. This Additional Tax on supply of goods shall be assigned to the States from where such supplies originate.
- The term "Services" is proposed to be exhaustively defined as "anything other than goods".

You will find 122nd Constitutional Amendment Bill 2014 in this Bulletin Separately.

The challenge before Hon. Prime Minister Narendrabhai Modi and Hon. Finance Minister Arun Jaitley to get bill passed with 2/3rd majority in Loksabha and Rajysabha and thereafter approval of State governments.

The provisions in the 122nd Constitutional Amendment Bill of introducing 1% additional Tax, which is not allowed to be taken credit will add substantial funds which will be used for loss making states and resolve the issues raised by Maharashtra, Gujarat and other manufacturing states.

Some consensus needs to be arrived for inclusion of petroleum products. The Goods & Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high-speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel," and for which the Centre would need the concurrence of 20 states out of 29 to impose a GST on petroleum.

The National Democratic Alliance (NDA) has governments in 11 states, assuming that it will not be in power in Jammu and Kashmir. So it will require the vote of nine more states in its favour in the council.

The next big Assembly elections are scheduled for 2015-end when Bihar will go to the polls. This will be followed by Assam, West Bengal, Kerala and Tamil Nadu by mid-2016. In early 2017, elections are slated in Punjab and Uttar Pradesh. The GST is slated to be introduced from 1 April, 2016.

Besides, states are, in general, against imposing a GST on petroleum products because they earn a large chunk of their revenue from the tax on petroleum. They are also against imposing GST on alcohol, another money-spinner for state finances, which has been accepted by the central government.

The net revenue collection states receive from VAT on petroleum products is over Rs 1.25 lakh-crore and the tax on alcohol sales contributes roughly the same amount. Together, these two products account for almost 40 per cent of a state's total revenue. The Centre collects around Rs 1 lakh-crore by taxing petroleum products. States do not want to lose autonomy over such an important head.

There has to be a political will of all political parties and should appreciate that GDP Growth of India will only happen when there is a single taxation system and that will create environment of tax compliance as well as ease in commercial sectors.



# Receivables Management : Key Success Factors

**CMA Dr. Niranjana Mahendranath Shastri**

E-mail: [shastriniranjana@gmail.com](mailto:shastriniranjana@gmail.com), Cell: +91 94245 77709

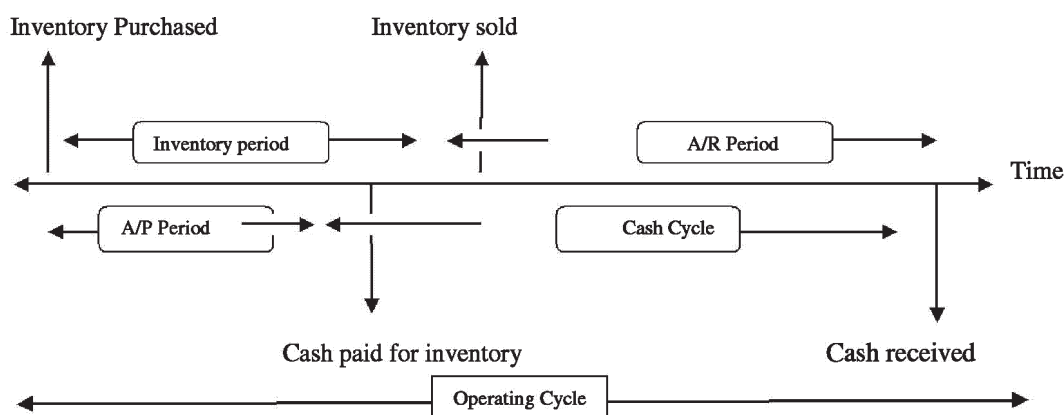
## 1. AN OVERVIEW:

Role of financial management in business management is like that of a soul in the body. Further liquidity management is life blood of financial management because it is essential to generate sufficient liquid fund so as to maintain short run

solvency of the organization. The crux of liquidity management is in understanding and managing operating cycle.

Operating Cycle and Cash Cycle are interlinked. Following equations and diagram represent the same:

### OPERATING CYCLE = INVENTORY PERIOD + ACCOUNTS RECEIVABLE PERIOD



Source:- Jordon. (2003). *Fundamentals of Corporate Finance*, (6 ed.). USA: The McGraw-Hill Companies.

Thus apart from cash and inventories, receivables are primary component of working capital. Hence management of receivables requires high degree involvement of an enterprise's management not only in execution but also at policy formulation level.

## 2. KEY SUCCESS FACTORS IN MANAGEMENT OF RECEIVABLES:

As discussed earlier, it is important for every business enterprise to manage its receivables effectively and efficiently since apart from cash and inventories, receivables are primary component of working capital.

There are large numbers of factors which have an impact on receivables management. However some amongst these factors are very critical because focusing on them can lead to satisfaction of desired objectives of receivables management. In this article an attempt is made to briefly discuss these key success factors enumerated underneath:-

### 2.1. Defining the Credit Terms:

Generally there are several type of credit terms available such as:

- 2.1.1. **Cash before Delivery (CBD):** In this case the enterprise demands money well before the goods are dispatched to the customer's place because it doesn't want risk of even transportation charges on the transaction. This type of term is kept especially for unknown or foreign customers.
- 2.1.2. **Cash on Delivery (COD):** Cash on delivery is a mild format of demanding money from the customers of the

class mentioned supra. In this case the enterprise demands money only when goods reach to the customer's place. This means that the enterprise is ready to take risk of transportation charges involved with the transaction.

- 2.1.3. **Cash after Delivery (CAD):** This term allows the credit customer to pay within few days or months from the date of delivery.
- 2.1.4. **Cash in Season (CIS):** This term allows the credit customer to repay on a date which falls in his season.
- 2.1.5. **Cash after Sales (CAS):** This term allows credit customer to pay only after the credit customer executes sale of relevant goods.

When quotations are sent to the customer, he should be communicated clearly about the credit term applicable in his case and acceptance to his order should be given only after ensuring that he has agreed upon the applicable credit terms.

- 2.2. **Quick Invoicing:** The enterprise should raise invoice against the customer as soon as goods are delivered or services are provided. In the field of receivables management it is said that early begun is half done. Further proper tracing of flow of hard copy as well as soft copy of invoice should be done so as to ensure that it reaches the customer quickly and acknowledgment of the same reaches to the enterprise well within time as a counter action.
- 2.3. **Comprehensive and Error Free Invoicing:** While quick invoicing is a key success factor, it should not be at the cost of accuracy and completeness. Thus the

enterprise should take utmost care that the invoice raised should consist error free data in all important fields mentioned as below:

- 2.3.1. Enterprise's name & address
- 2.3.2. Enterprise's statutory registration numbers e.g. CIN, PAN, TIN and other Indirect Tax Registration Numbers
- 2.3.3. Customer's name, address and identification code.
- 2.3.4. Product's description, unit of measurement, quantity, rate and amount.
- 2.3.5. Indirect taxes' break up, rate and amount.
- 2.3.6. Discounts and rebates if any.
- 2.3.7. Credit and payment terms.
- 2.4. **Monitoring Dues:** The enterprise should on regular time intervals review the status of outstanding dues. This is possible only when the management keeps updated relational data base consisting invoice details, credit terms, due dates and payments received so as to generate desired MIS.
- 2.5. **Sending Leveled Reminders:** Once the monitoring of dues is well on track the enterprise should not hesitate in sending reminders to the overdue customers. It is generally found that new enterprises are afraid that reminders may have a negative effect on its reputation. But this is a myth and the fact is that reminders are part of normally acceptable standard business practices around the world.  
Further these reminders should be leveled from mild to hard depending upon the iteration of reminders and class of customer. Sending reminders is an art and the language and style of first reminder should be very positive, friendly respectful with a mild tone. However every next reminder should lose a little mildness. Written reminders always become a basis of proof and can be tenable in the court of law in case of any dispute.  
Now a day enterprises use to outsource this reminding activity to specialist agencies so as to allow the enterprise keep focusing on core business issues.
- 2.6. **Ensuring Validity of Contractual Relationships:** No enterprise should forget that invoice is nothing but an expression of its contractual right to receive consideration from its customer. Hence the enterprise should make it a regular practice to check validity of contracts entered into with its customers and it should timely renew or modify the contracts if required. This protects the enterprise from entering into unnecessary legal conflicts with its receivables.
- 2.7. **Seeking Recovery Recourse:** Sometimes despite sending hardest reminder some customers do not respond up to the expectation. In such situation the enterprise should not allow its hard earned money let disappear. First it should try for some mutual settlement with the customer using mediator or arbitrators. Despite these efforts if it any positive response is not received then the enterprise should go for available legal recourse and try its level best to recover the outstanding.
- 2.8. **Linking Risk Management to Receivables:** All the five fingers are not alike. Similarly this has been empirically proven that the extent to which an enterprise can rely on the credit worthiness of its customers varies substantially. Therefore an enterprise should link risk management techniques

with respect to its receivables so as to proactively secure itself from cash crises.

- 2.9. **Insuring Receivables:** An enterprise should also consider the cost benefit of availing services of a credit insurer. This makes the enterprise free from any sudden shocks on receivables front subject to the fact that the enterprise is ready to forgo a portion of receivables in terms of premium payments to the insurer.
- 2.10. **Outsourcing Receivables:** If activities related with receivables management is diluting the focus of the enterprise from its core business activities or if the enterprise is incurring more costs than what the outsourcing agency is proposing then the enterprise may also look for outsourcing the entire game of receivables management to such agency.

### 3. CONCLUSION:

It is apparent from the above discussion that the above key success factors play a pivotal role in efficient and effective management of receivables so that the main objective of receivables management i.e. earning optimum return on investment in receivables can be achieved. Therefore professionals involved with the financial management issues of any enterprise are expected to take utmost diligence with respect to the key success factors discussed supra for formulation and implementation of receivables' policy of that enterprise.

### 4. DISCLAIMER:

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

## OBITUARY



**CMA SHASHIKANT C. SHAH** a fellow member and past Chairman of Ahmedabad Chapter passed away for his heavenly abode at the age of 84 years. He was mentor for the Ahmedabad Chapter and a pioneer in starting the bulletin for the Chapter. He worked as Financial Controller at Mukund Iron & Steel Ltd., Mumbai and Executive Director-Finance in Torrent Power Ltd. erstwhile Ahmedabad Electricity Company Ltd. at Ahmedabad. He was committed to social activities and was associated with many social organisations. We pray God to give his soul eternal peace and strength to his family members to withstand the irreparable loss.



## MIS Report for Monitoring, Controlling & Reducing Operating Cost of Chilled Water

CMA Rajesh Kapadia

A Chilled Water system is a vital production component in any manufacturing facility. It is One of the Important Utilities along with water, electricity and natural gas.

CMA Department can prepare MIS Report for Chilled Water as per Annexure-I to help management in monitoring, controlling & reducing Operating Cost of Chilled Water.

The most expensive component in the total cost of Chilled water is energy.

To save & optimize energy cost, following steps can be taken:

(1) Emphasize proper maintenance. Ignoring maintenance costs more

As with most industrial machinery, a chilled water plant runs more efficiently when properly maintained. Proper maintenance of chilled water plant cuts energy costs and helps prevent breakdowns that result in downtime and lost production. Protect your reputation and profits with proper maintenance.

In a typical Chilled Water Plant, significant energy savings can be achieved by improving maintenance practices.

When maintenance is deferred, it costs the organization in the form of reduced reliability, efficiency & operating life of equipment.

(2) A Category Cost Centres

Management should focus on A Category Cost Centres which account for 70 % to 75 % of total Consumption of Chilled Water.

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

(3) Installation of Variable Frequency Drives for Chilled Water Plant thereby reducing consumption of power.

(4) Monitoring of Electricity Cost as per Budget vs Actual Actual Electricity Cost of Chilled Water Plant should be regularly monitored against budget both with respect to rate of electricity & units of electricity.

Any adverse electricity cost either due to increase in rate of electricity or increase in units of electricity should be properly looked into so that timely corrective action can be taken.

(5) Internal Bench Marking of Electricity Cost

If company has more than one chilled water plants

either at same factory premises or at some other location then electricity units of all these chilled water plants can be bench marked against each other & advantage of one chilled water plant with lower electricity units can be passed on to another chilled water plant which has higher electricity units.

(6) CMA Department can also prepare & submit a MIS Report showing Monthwise Trend of Electricity Units of Chilled Water Plant & Monthwise Output of User Cost Centres.

Any increase in Electricity Units without any corresponding increase in Output of User Cost Centres should draw the attention of the Management.

(7) Modification in chilled water system to reduce energy use.

(8) Replacement of existing chilled water pumps with energy efficient pumps

(9) As substantial portion of electricity of Chilled Water Plant is attributable to its Motors, any one or more or all of the following steps can be considered to be taken by the management to control & reduce electricity consumption of its Motors.

I) Use the motor with correct size

II) Use energy efficient motor

III) Load motors properly as their efficiency & power factor fall if they are underloaded

IV) Assess load on different motors. If found fit, replace big capacity motors with lower capacity motors.

Once the above mentioned steps are taken, it becomes necessary to quantify the benefits that occur to the company by way of reduction in energy cost.

Here, company can take help of Chilled Water Cost Sheet as mentioned in Annexure I.

For every measure taken from (1) to (9) as mentioned above, energy units will come down as compared to generation of chilled water.

With result that energy cost per unit of chilled water & % of energy cost as % of total operating cost of chilled water will come down.

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



## ANNEXURE - I

## Chilled Water Cost Sheet for the Month of .....

	Unit	Qty.	Variable Cost		Fixed Cost		Total Cost		
			Rate	Total Rs.	Rate	Total Rs. Lacs	Rate	Total Rs. Lacs	%
Chilled Water	Klt								
Cost Particulars :									
(I) Electricity	Kwh								
(II) Filtered Water	Klt								
(III) Salaries & Wages									
(IV) Cons. Stores									
(V) Repairs & Maint.									
(VI) Depreciation									
(VII) Insurance									
Total Cost									100%
Cost/Unit									

Chilled Water Used in :	%
Cost Centre 1	45
Cost Centre 2	21
Cost Centre 3	15
Cost Centre 4	12
Cost Centre 5	4
Cost Centre 6	3
	100

## WIRC CEP REPORT

**On 13th December 2014**, WIRC organized CEP on Transfer Pricing at WIRC Office Hall, CMA M. K. Narayanswamy, Sr. Director, Accounts & Taxation, Sanofi India was the speaker.

**On 20th December 2014**, WIRC organized CEP on Indian Debt Market at WIRC Office Hall. Mr. Arvind Konar, Head- Fixed Income, Almondz Global Securities Ltd. was the speaker.

**On 27th December 2014**, WIRC organized Seminar on Excise, Service Tax & Customs - Search, Seizure and Investigation by DRI & Appeal & Adjudication Procedures at WIRC Hall. CMA H.R. Garg, Addl. Director, DRI, Advocate Deepthi Srivatsan, Mr. Ranjeet Mahtani, Associate Partner in the Taxation practice of Economic Laws Practice and CMAA.B. Nawal, Chairman WIRC were the speakers.

**On 3rd January 2015** Full day workshop on "Business Valuation: Special Emphasis on Valuation of Derivative Financial Instrument was organized at New premises of Thane SMFC.

### Seminars on The Companies (Cost Records & Cost Audit) Amendment Rules 2014

WIRC has organized Three Seminars on The Companies (Cost Records & Cost Audit) Amendment Rules 2014 at Mumbai at various locations. WIRC has received tremendous response from the members for all the 3 programmes.

3rd January at Thane SMFC, Thane  
6th January at WIRC Office, Mumbai  
7th January at Borivali SMFC, Mumbai

Speakers were CMAs, Ashok B. Nawal, Kishore Bhatia, Kirit Mehta and S. G. Narasimhan

WIRC is also arranging a one more programme on 10th January at YASHADA, Pune jointly with Pimpri Chinchjwad Akurdi Chapter. Speakers will be CMAs Kunal Banerjee, B. M. Sharma, Sanjay Bhargave, V. S. Datey and Ashok B. Nawal

### ADDRESS OF NEW PREMISES OF THANE SMF CENTER

**Inaugurated on: 3rd January 2015**

Srushti Pride - Datta Prasanna Building, 3rd Floor, Ram Maruti Road, Naupada, Thane (W) 400 602,  
Tel.: 2545 0763 • E-mail: wirc@icmai.in • Website: www.icmai-wirc.in

# CHAPTER NEWS

## AHMEDABAD

### Diwali Get-to-Gather

ICAI-Ahmedabad Chapter organized Diwali Get-to-Gather Program at Bhoomi Party plot on 5/11/2014. The program was presided by CMA R B Kothari - Chairman of ICAI-Ahmedabad Chapter. More than 200 CMA Members alongwith their family, students and staff were a part of celebration. Housie game and various games organized during the program. The program was concluded with delicious dinner.

### Communication & Soft Skills Training

ICAI-Ahmedabad Chapter organized two days Communication & Soft Skill Training Program for Intermediate students on 8th & 9th Nov'2014 in Haribhai auditorium, CG Road, Ahmedabad. In the inauguration function, Chairman of Student's soft skill Training Committee CMA Malhar Dalwadi told that for Success in Life, effective communication and punctuality are very necessary. In today's competitive world, role of CMA is very important in reducing and controlling cost. For two days, eminent faculties were invited for delivering talks on effective verbal in written communication, Interview skills, personality development, drafting business letter and how to develop presentation skill.

### Seminar on Internal Audit in Public Enterprise

A one day seminar on "Internal Audit in Public Enterprise" organized by ICAI-Ahmedabad Chapter under guideline of ICWAI MAREF, New Delhi on 12/11/2014 in Hotel Fortune Landmark, Ashram Road, Ahmedabad. Prof. CMA S S Shah - RCM, welcome the Chief Guest & participants. The seminar was inaugurated by Shri S B Khyalia - Managing Director of MGVCCL by lighting of the lamp. The chief guest was felicitated by offering bouquet and memento by CMA R B Kothari, Chairman of ICAI Ahmedabad Chapter. CMA R B Kothari, Chairman of Ahmedabad Chapter give brief on overview of working of Chapter. He also explained the importance of the topics, which were being covered in the seminar. The chief Guest Shri S B Khyalia expressed his view about the responsibility of Internal Auditor in the Public Enterprise. The Guest Speaker CMA M B Kaka, CA Bimal Bhatt, CA Vivek Rajani, CA Amal Dhruv and CMA S J Joshi were felicitated by the Managing Committee members. Speaker of seminar given valuable inputs to the participants.

The seminar was highly interactive with the active participation of the members, industry delegates. CMA Ashish Bhavsar - Hon. Secretary of ICAI-Ahmedabad Chapter proposed vote of thanks members from industries and practice attended the seminar.

### Inauguration Function

The inauguration function of new batch of Oral Coaching was held on 30th December'2014 at Haribhai Auditorium, CG Road, Navrangpura, Ahmedabad at 6.30pm. CMA R B Kothari, Chairman of Chapter welcomed members, students and introduced the Chief Guest Shri Alpeshbhai Shah, Director-Jay Chemicals Industries Ltd, who inaugurated the session by lighting of lamp. In his inaugural address, Chief Guest gave

valuable tips to students for being successful in their career and about time management. CMA R B Kothari, Chairman, CMA P D Modh, Chairman of Oral Coaching committee guided "How to face challenges ahead in-front of the student", and after passing final examination in which sector students can serve/practice.

Inaugural lecture was followed by prize distribution function by meritorious students passed in June 2014 Inter & Final and Foundation Dec-2014 examination. Students were awarded prizes at the hands of Shri Alpeshbhai Shah, Chief Guest, CMA R B Kothari, Chairman, CMA P D Modh, CMA Ashish Bhavsar, CMA K D Shah and faculty Shri Tejpal Sheth. CMA Ashish Bhavsar, Secretary of Chapter proposed vote of thanks.

## NAVI MUMBAI

"Navi Mumbai Chapter conducted its regular monthly CEP session at KB Patil College in Sector-15A, Vashi on 21/12/2014.

CMA Vivek Bhalerao, Project Manager with Tata Consultancy Services Ltd, and handling SAP-BPC projects, conducted the session on "Overview of SAP – BPC" He is a SAP certified FICO consultant and also the past Chairman of our Chapter.

Emphasising that SAP BusinessObjects Planning & Consolidation is a tool for planning, budgeting, forecasting, and consolidation of accounts of subsidiary companies, he lucidly introduced the technical jargon involved and traced the evolution of SAP till today. He demonstrated through various screen shots how Planning and Consolidation are two broad areas and how integration happens in this popular ERP system.

The members applauded his attention to detail and unravelling the otherwise esoteric topic.

Mr. K V V S Murthy, (Chairman of PD committee) proposed a vote of thanks."

## SURAT – SOUTH GUJARAT

### Career Guidance Seminar at Narmada College

Surat south Gujarat Chapter of Cost Accountant conducted Career Guidance programme at Narmada College Bharuch on 27-12-2014 (Saturday).

Total two sessions were conducted, first session was for F.Y.,S.Y.,T.Y. B Com and BBA involving around 200 students in which CMA R Rathi explained the career opportunities for CMA with live examples. Meetaben explained the admission and fees structure and about Campus placement. Our CD was also shown. All students given patience hearing and shown interest in CMA course.

Second session was attended by 150 students of F.Y. B.Com in which focus was given on foundation admission.

After session question answer session was also kept.

Above programme was coordinated by Mrs. Smita Nair professor Narmada College, CMA Jyoti Purohit also coordinated from our chapter side.

Ravi, Meetaben, Tarun, Paresh, Staff members from the chapter were also present during programme for supporting the session.

## Glimpses of Inauguration of New Premises of Thane SMFC & CEP and Seminar on 3rd January 2015



CMAs P. V. Wandrekar, B. N. Lad and Debasish Mitra



Lighting the lamp by CMA B. N. Lad



Lighting the lamp by CMA P. V. Wandrekar



### CEP on Business Valuation Special Emphasis on Valuation of Derivative Financial Instrument Speaker CMA (Dr.) Gautam Mitra



### Seminar on The Companies (Cost Records & Cost Audit) Amendment Rules 2014 Speaker CMA Kirit Mehta



CMA Dr. Anil Anikhindi, Mr. Rao - Joint Commissioner of Central Excise, CMA A B Nawal and CMA Dr. S. R. Bhargave and Mr. Chokakkar during Training Programme for Central Excise Employees organised by WIRC on 5th & 6th Dec. 2014 at Kolhapur.

CMA V. S. Datey, CMA A B Nawal, Mr. Rao - Joint Commissioner of Central Excise and CMA Nanda Barde during Training Programme for Central Excise Employees organised by WIRC on 5th & 6th December 2014 at Kolhapur.

## Glimpses of Seminar on The Companies (Cost Records & Cost Audit) Amendment Rules 2014 held at WIRC on 6th January 2015



CMA A.B. Nawal, Chairman WIRC



CMA Debasish Mitra, Chairman, PD Committee, WIRC



Felicitation of CMA Kishore Bhatia



Felicitation of CMA S.G. Narasimhan



Felicitation of CMA Kirit B. Mehta



CMA V.C. Kothari



CMA S.G. Narasimhan



View of audience



View of audience

**The Companies (Cost Records & Cost Audit) Amendment Rules 2014 are available at [www.icmai-wirc.in/icmai.in](http://www.icmai-wirc.in/icmai.in)**



To

*If undelivered please return to:*

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA  
WESTERN INDIA REGIONAL COUNCIL,  
Rohit Chambers, Janabhoomi Marg, Fort, Mumbai 400 001.  
Tel.: 2204 3406 / 2204 3416 / 2284 1138 • Fax : 2287 0763  
E-mail : [wirc@icmai.in](mailto:wirc@icmai.in)  
Website : [www.icmai-wirc.in](http://www.icmai-wirc.in)