WIRC BULLETIN

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WESTERN INDIA REGIONAL COUNCIL

REGIONAL COST CONVENTION 2024

Theme

CMAs Boosting Efficiency, Control and Sustainability through Technology and Social Equilibrium

Dates:
Friday & Saturday
15th - 16th March, 2024

Venue:
Essentia Luxury Hotel,
Piplyahana Square (World cup square),
Ring Road, Indore - 452016

Hosted by:
ICMAI Indore-Dewas Chapter
(Cleanest City of India)

SOUVENIR SPECIAL ISSUE

जगदीश देवड़ा
उप मुख्यमंत्री,
वित्त, वाणिज्यिक कर,
योजना, आर्थिक एवं सांख्यिकी
मध्यप्रदेश शासन, भोपाल

मंत्रालय कक्ष : B-206, VB-II
दूरभाष कार्यालय : 0755-2708042
निवास नं. : 0755-2790095, 2790096
फैक्स : 0755-2790095

क्र JS-340 / उ.मु.मं./2024 भोपाल दिनांक 16/03/2024

–:: संदेश ::–

प्रसन्नता का विषय है कि भारतीय लागत लेखाकार संस्थान की ओर से पश्चिमी भारत क्षेत्रीय परिषद इंदौर में दो दिवसीय क्षेत्रीय लागत सम्मेलन–2024 का आयोजन किया जा रहा है। इस सम्मेलन के माध्यम से ''प्रौद्योगिकी और सामाजिक संतुलन के माध्यम से सीएमए द्वारा दक्षता, नियंत्रण और स्थिरता को बढ़ावा देना'' जैसे विषय पर विचार–विमर्श किया जा रहा है, जो कि संस्थान का बेहतर निर्णय है।

निश्चित ही इस विचार–विमर्श से भारतीय लागत लेखाकार संस्थान में शामिल होने वाले सीएमए एवं आगंतुकों को एक नई ऊर्जा के साथ नये सौपान गढ़ने का अवसर मिलेगा इसके साथ ही सीएमए लागत लेखा, लागत प्रबंधन, कॉर्पोरेट वित्त, प्रदर्शन प्रबंधन, आंतरिक नियंत्रण, निर्णय विश्लेषण, वित्तीय रिपोर्टिंग जैसे कार्यों को और अधिक बल मिलेगा।

भारतीय लागत लेखाकार संस्थान व पश्चिमी भारत क्षेत्रीय परिषद के इंदौर द्वारा आयोजित क्षेत्रीय लागत सम्मेलन–2024 के सफल आयोजन के लिए सभी पदाधिकारियों एवं सदस्यों को शुभकामनाएं एवं बधाई।

(जगदीश देवड़ा)

प्रति,

श्री राहुल जैन, अध्यक्ष,
आईसीएमआई–इंदौर–देवास चैप्टर
303, शाम टॉवर, होटल प्रेसीडेंट के
पास, 164/2 आर.एन.टी. मार्ग, इंदौर

निवास : सी–5, 74 बंगला, स्वामी दयानंद नगर, भोपाल–462003

कैलाश विजयवर्गीय
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नगरीय विकास एवं आवास,
संसदीय कार्य विभाग,
मध्यप्रदेश शासन

सी–21, शिवाजी नगर, भोपाल
(मध्यप्रदेश)
दूरभाष मंत्रालय : 0755–2708041
निवास : 0755–2671024
: 0755–2671046
फैक्स : 0755–2671024

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–: शुभकामना संदेश :–

जानकर प्रसन्नता हुई कि, आई.सी.एम.ए.आई. की वेस्टर्न इंडिया रीजनल कॉस्ट कन्वेंशन का आयोजन 15 एवं 16 मार्च 2024 को प्रौद्योगिकी और सामाजिक संतुलन के माध्यम से सी.एम.ए. द्वारा **"दक्षता, नियंत्रण और स्थिरता को बढावा"** विषय पर इन्दौर म.प्र. में किया जा रहा है।

मै आशा करता हूँ कि सम्मेलन अपने उद्देश्यों की पूर्ति में सफल होगा। भारतीय अर्थव्यवस्था में लागत लेखाकार का कितना योगदान है यह किसी से नहीं छिपा है।

रीजनल कॉस्ट कन्वेंशन 2024 में भाग लेने वाले सभी आगन्तुकों का स्वागत एवं सम्मेलन की सफलता की हेतु मैरी हार्दिक शुभकामनाएं...

(कैलाश विजयवर्गीय)
मंत्री, नगरीय विकास एवं आवास,
एवं संसदीय कार्य विभाग,
म.प्र.शासन, भोपाल

प्रति,
श्री अश्विन जी. दलवाडी,
मा. अध्यक्ष,
आई.सी.एम.ए.आई.।

President's Message

I am delighted to announce that the Western India Regional Council (WIRC) of The Institute of Cost Accountants of India (ICMAI) is hosting the "Regional Cost Convention 2024 (RCC)" with the theme "CMAs Boosting Efficiency, Control, and Sustainability through Technology and Social Equilibrium" on March 15th & 16th 2024, at Indore. During this event, a Souvenir will be released to mark this significant occasion.

Cost and Management Accountants (CMAs) play a pivotal role in organizations by overseeing financial information, optimizing costs, and aiding decision-making processes. The integration of technology and the promotion of social equilibrium can substantially augment their capacity to enhance efficiency, exercise control, and foster sustainability.

CMAs harness automation tools for routine tasks such as data entry, reconciliation, and reporting. This not only mitigates the risk of errors but also liberates accountants' time to concentrate on strategic analysis and decision-making. Artificial Intelligence (AI) can facilitate predictive analysis, enabling CMAs to anticipate financial trends and pinpoint potential cost-saving opportunities. Advanced analytics can unveil correlations and patterns, thereby informing strategic decision-making. Moreover, technology aids in gathering and reporting ESG (Environmental, Social, and Governance) data, exemplifying the organization's dedication to sustainability. Social equilibrium entails considering the social repercussions of financial decisions and advocating for sustainable practices.

CMAs must also contemplate the interests of diverse stakeholders, encompassing employees, customers, and the community. Social equilibrium is attained by harmonizing the needs and expectations of these stakeholders, thereby nurturing a favourable organizational culture.

I am confident that this convention will enrich the professional knowledge of its attendees through insightful deliberations. I encourage active participation to maximize the benefits of this enriching experience.

I extend my heartfelt congratulations to the WIRC of ICMAI for orchestrating this event and convey my best wishes for its success.

With warm regards,

CMA Ashwin G. Dalwadi
President, ICMAI

Vice-President's Message

I am happy to note that the Western India Regional Council (WIRC) of ICMAI is organising its "Regional Cost Convention 2024 (RCC)" on 15th & 16th March, 2024 at Indore. The theme of the Convention is ***"CMAs Boosting Efficiency, Control, and Sustainability through Technology and Social Equilibrium".***

I congratulate WIRC for selecting this theme considering the significant role of CMAs in enhancing efficiency, strengthening control mechanisms and sustainable business practices.

With the integration of technology and a focus on social equilibrium, CMAs not only improves financial performance but also aligns organizations with the values and expectations of a socially responsible and technologically advanced world. Implementation of robust internal controls through technology ensures compliance with regulatory requirements and reduces the risk of fraud. Continuous monitoring systems can detect anomalies and irregularities in real-time.

CMAs contribute to sustainability by incorporating environmental accounting principles. This involves measuring and reporting on the environmental impact of business activities, promoting sustainable practices, and optimizing resource usage. CMAs also needs to consider the interests of various stakeholders, including employees, customers, and the community. Social equilibrium is achieved by balancing the needs and expectations of these stakeholders, fostering a positive organizational culture.

Our journey towards a sustainable future is a collaborative effort, and this Convention is a testament to our commitment to positive change. Let us use this opportunity to learn from one another, exchange ideas, and forge partnerships that will contributes to improved decision-making, resource optimization, and the overall success of businesses. I am sure that participants will be immensely benefited from the deliberations and technical papers that will be presented in the Convention.

I convey my best wishes to the team members of WIRC of ICMAI for successful conduct of the event and release of Souvenir on this occasion.

With warm regards,

CMA Bibhuti Bhusan Nayak
Vice President, ICMAI

Chairman's Message

Respected Seniors and Dear Professional Colleagues!

Greetings!

I am very happy to share that ICMAI-WIRC is hosting the Regional Cost Convention 2024 at Indore who have been ranked the cleanest city of India for the 7th time. The event would be hosted at the Essentia Luxury Hotel on 15th and 16th March, 2024. The theme for the event is "CMAs Boosting Efficiency, Control and Sustainability through technology and social equilibrium". The event would be hosted in association with the Indore-Dewas Chapter of ICMAI. I welcome you all to the Indore for RCC. I express my sincere thanks for placing your trust and confidence in me to lead the ICMAI-WIRC for the year 2023-2024 this is a big task which I accept with the deepest humility.

Todays world is very dynamic, companies are dealing with volatile business and economic environment and focusing on improving efficiency and sustainability of the business. We CMAs are having knowledge of various cost management tools and techniques. Cost management techniques are essential tools in the hands of CMAs to ensure organizations achieve financial success and sustainability. By implementing these techniques, business can optimize cost, improve operational efficiency and boost the profitability in today's competitive market. CMAs can enhance efficiency and sustainability through technology and social equity. It encompasses the vital role of a CMA as a social auditor along with their traditional audit ambit like the Cost Audit and Internal Audit.

The event is a show of our strength as a member of the CMA family in unifying our thoughts and cohesion of views for the benefit of all stakeholders and roadmap for the coming days.

I assure you that this convention will certainly provide a lot of takeaway to all the participants through technical session.

On Behalf of ICMAI-WIRC I express my deep gratitude & thank to all the dignitaries, participants ,technical session speakers, Sponsors, Advertisers, Corporate and Chapter delegates, all the ICMAI Members, Managing committee members of Indore Dewas Chapter and Staff of WIRC-ICMAI and Indore Dewas Chapter for making this convention memorable.

Thanks and Regards,

CMA Chaitanya Laxmanrao Mohrir
Chairman, ICMAI-WIRC

Souvenir Committee Chairman's Message

WIRC is proud to host the Regional Cost Convention 2024 at the cleanest city of India i.e. Indore at the Essentia Luxury Hotel on 15th and 16th March, 2024. The event is hosted in association with the Indore-Dewas Chapter, ICMAI.

It gives me immense pleasure to present the Souvenir on the occasion of Regional Cost Convention 2024 with the theme "CMAs Boosting Efficiency, Control and Sustainability through technology and social equilibrium".

The theme is selected considering the present environment where technology, social equity is epitome and the role of CMAs is pivotal in providing a balanced growth with sustainability.

The objective of any business is profits but as CMAs we have to protect the planet and people and only then we can holistically state that a real growth has occurred. We CMAs will use the necessary technology to create a balanced growth.

The event will have various technical sessions and we hope to have the assembling of regulators, heads of organization, practising CMAs, students and other representatives from India Inc.

The event would bring a chance to assemble, network and create a lifelong association in this annual CMA platform organized by WIRC.

We hope the participants will get the necessary Midas touch in inculcating the habit of efficiency and give enough succour with food for thought providing a fresh perspective and necessary knowhow for their growth and development in their individual professional journey.

I express my gratitude and appreciation towards all the authors for providing quality articles. Also express my sincere thanks to all corporates and others who provided Sponsorship and advertisement for the event.

I hope you will enjoy reading this Souvenir and gain knowledge from the articles.

Happy Reading!!

CMA Mihir Narayan Vyas
Chairman, Souvenir

RCC Convenor's Message

Warm greetings to all CMAs.

I am delighted to share that WIRC, ICMAI is hosting the Regional Cost Convention 2024 at the cleanest city of India i.e. Indore at the Essentia Luxury Hotel on 15th and 16th March, 2024. The theme for the event is "CMAs Boosting Efficiency, Control and Sustainability through technology and social equilibrium". The event is hosted in association with the Indore-Dewas Chapter, ICMAI.

I appreciate the sincere and rigorous efforts of CMA Chaitanya Mohrir, Chairman of WIRC – ICMAI, CMA Mihir Vyas, Hon'ble Secretary, WIRC – ICMAI and CMA Nanty Shah, Treasurer, WIRC-ICMAI for fructifying the event in such a grand scale. I also appreciate the efforts of CMA Rahul Jain, Chairman, Indore-Dewas Chapter and other Office bearers of Indore-Dewas Chapter for hosting the event at Indore.

The theme for the event is very important at the present juncture where sustainability is the panacea for the country to strike a balance between growth and social equilibrium. The nation is at present heading to reach a net zero by 2070 and protecting the environment with focus on equity of income in society are paramount to the social fabric of the nation. We have seen the policy initiatives undertaken by the present government in enhancing social equilibrium, growth with capital investments in infrastructure and social schemes have brought rich dividends in large scale to the nation. We hope that apart from reaching a $ 5 trillion economy the country will grow in leaps and bounds in the human development index which has a huge scope of development with the implementation of such rapid reforms. I appreciate that the technical sessions will be thought provoking for the participants and will provide necessary succour to delve deep on the intricacies of the topic which are of paramount importance.

I also appreciate the Colourful Souvenir printed by WIRC distributed to all WIRC, ICMAI members in physical copy as it encompasses many thought provoking articles on the subject along with other features. I feel that such an endeavour is commendable from WIRC, ICMAI and hope everybody have an enjoyable time at Indore.

With best regards,

CMA Arindam Goswami
Convenor, RCC

Indore Dewas Chapter Chairman's Message

Dear Delegates, Esteemed Guests, and Colleagues,

Greetings

I welcome you all to the Maa Ahilya Nagari and cleanest city of India at Indore, for the Western Regional Cost Convention 2024 of our proud Institute. I am very much thankful to Chairman WIRC CMA Chaitanya Mohrir and WIRC Council Members for their support and trust for giving us an opportunity to host the Regional Cost Convention 2024 in Indore.

The theme of the convention "CMAs Boosting Efficiency, Control and Sustainability through Technology and Social Equilibrium" is crucial, as not only business organizations but NGO, Trust and other social organisations strive to remain competitive and drive sustainable growth.

I am confident that the Regional Cost Convention 2024 will be a fruitful and enriching experience for all of us. I assure you that a series of insightful sessions, panel discussions, and networking events will provide a lot of knowledge to all the participants.

On behalf of Indore-Dewas Chapter of Cost Accountants, I express my gratitude and thanks to Shri Jagdish Devda (Deputy Chief Minister, Madhya Pradesh), Shri Shankar Lalwani (Member of Parliament, Indore), Shri Pushyamitra Bhargava (Mayor, Indore City) for accepting our invitation. I would like to extend my heartfelt thanks to our sponsors, delegates, learned speakers, our own members, mentors, WIRC staff / Chapter staff and our students for their whole hearted support in making this convention more successful, remarkable and memorable.

I look forward to our paths crossing again in the future to the continuing progress of our profession.

With Regards

CMA Rahul Jain
Chairman- ICMAI Indore Dewas Chapter

About the Theme of the Convention

In the era of a dynamic and volatile business and economic environment companies are focusing on improving the efficiency and sustainability of their businesses. Unlocking an organization's potential requires effective management. CMAs, equipped with their knowledge of various cost and management accounting tools and techniques are centrally placed to facilitate the advancement of strategic objectives, optimize resource utilization and guide companies toward long-term prosperity.

Cost management techniques are essential tools in the hands of CMAs to ensure organizations achieve financial success and sustainability. By implementing these techniques, businesses can optimize costs, improve operational efficiency, and boost profitability in today's competitive market landscape. The very essence of being a CMA is having the ability to establish appropriate financial and non-financial performance metrics in relation to the organization's strategic and operational goals. Sustainability performance measures and KPIs help organizations to establish progress against sustainability goals and to ensure that they have considered their environmental, social, and economic impacts.

CMAs are well positioned to take a lead role within their organization to integrate sustainability issues in their strategic formulation, strategic implementation, and evaluation and control processes. They can deliver enormous value in reducing a company's carbon footprint by applying their competencies and skills in areas such as strategic planning, financial analysis, risk management, internal controls and reporting, technology solutions, activity analysis and capital budgeting.

A system is said to be in social equilibrium when there is a dynamic working balance among its interdependent parts. Each subsystem will adjust to any change in the other subsystems and will continue to do so until an equilibrium is retained. The wellbeing of the society can be ensured only through efficient business operations with a focus on sustainability. CMAs have a pivotal role in leveraging technology and Management accounting tools and Techniques for bringing about sustainable development with a positive effect on the economy as it will allow companies to increase productivity and lower costs. And that benefits businesses and consumers by encouraging innovation and creating jobs, further boosting the economy.

ICMAI - Vision Statement

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

ICMAI - Mission Statement

The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

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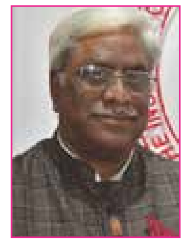
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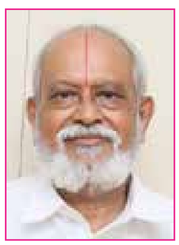
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OF

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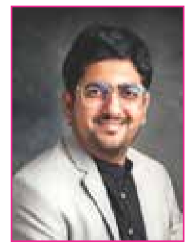

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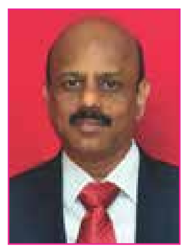

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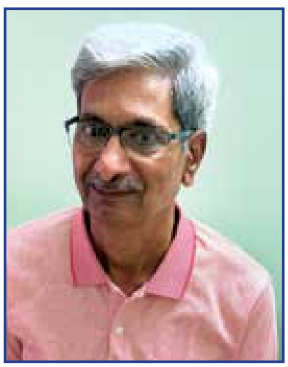
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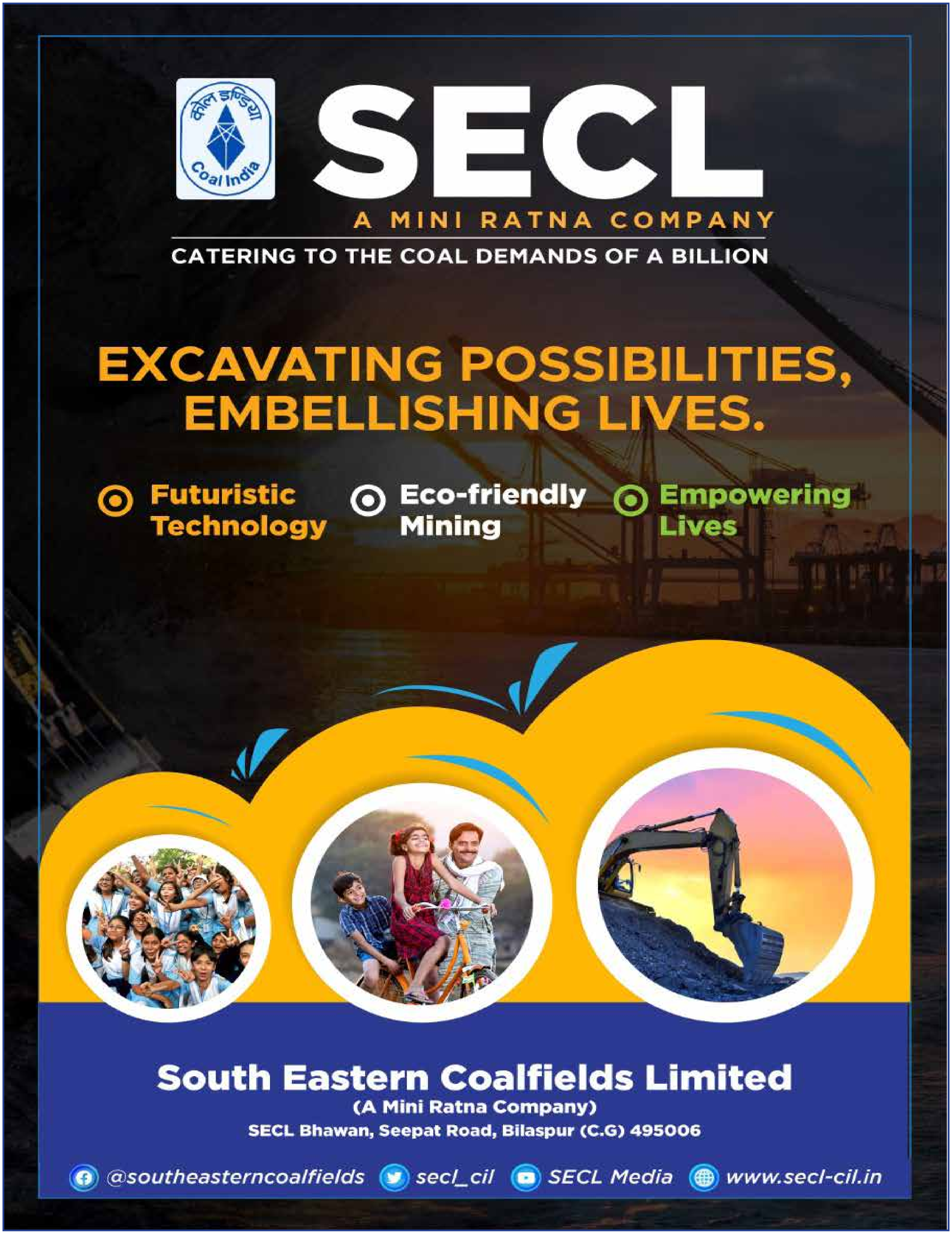
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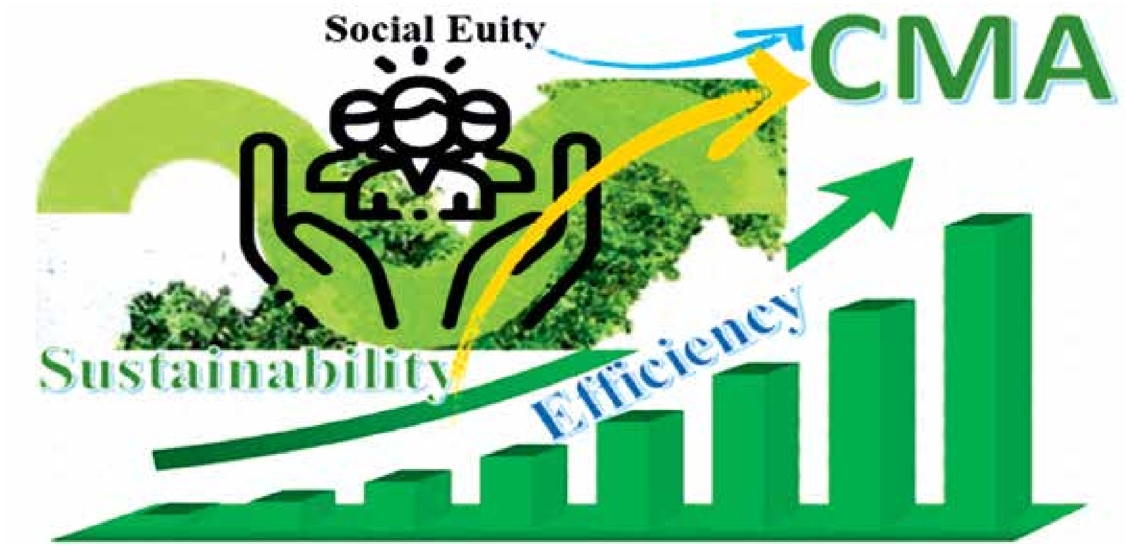
Forward Focus: CMAs Leading the Charge for Efficiency, Sustainability, and Social Equity in the Modern Era

CMA Arunabha Saha
Mob.: 93239 51476 • E-mail: saha.arunabha@gmail.com



ABSTRACT:

The profession of Cost and Management Accountants (CMAs) has evolved into a distinct field, incorporating expertise in efficiency, sustainability, and social equity. CMAs offer diverse services such as financial reporting, business valuation, and strategic governance, along with advising on financial planning, risk management, and environmental projects. In today's dynamic world, CMAs play a pivotal role in driving organisational success by optimising efficiency, ensuring control, and advocating for sustainability while balancing economic interests with social and environmental responsibilities through their integration of technology and commitment to social equilibrium.

Improving Efficiency:

CMAs drive organisational efficiency through strategic planning and advanced cost management. Their focus on productivity and profitability involves identifying inefficiencies and implementing streamlined processes, all while leveraging cutting-edge technology. Crucially, CMAs optimise resource allocation, fostering innovation and positioning organisations for long-term success in a dynamic business landscape.

Encouraging Sustainability:

CMAs lead sustainability efforts by integrating principles into financial decisions, optimising resource usage, and advocating for renewable energy adoption. They drive innovation in eco-conscious strategies, ensuring sustainability goals are met while maintaining financial viability and shaping a greener future. As champions of sustainability, CMAs play a vital role in inspiring companies and shaping a greener future for generations to come.

Promoting Social Equity:

CMAs are instrumental in championing social equity by advocating for fair workplace practices, analysing pay structures, and promoting diversity. They collaborate with stakeholders to address social issues and enhance employee morale, while also supporting corporate social responsibility efforts. Through their dedication, CMAs contribute to building more just and equitable workplaces and societies.

Efficiency without sustainability is shortsightedness; sustainability without social equity is injustice. CMAs bridge the gap, ensuring balance and harmony.

Harnessing Technology for Efficiency:

CMAs lead in adopting technology to streamline financial processes, optimise resource allocation, and drive efficiency. Through automation and advanced software, they provide real-time insights for informed decision-making, empowering organisations to act swiftly.

1. **Automation and Data Analytics:** CMAs leverage advanced technologies such as automation and data analytics to streamline financial processes. Automation of routine tasks not only reduces the risk of errors but also allows accountants to focus on strategic financial decision-making.

2. **Cloud-Based Systems:** Embracing cloud-based systems enhances accessibility, collaboration, and data security. CMAs leverage cloud technology to centralise financial information, providing real-time insights and facilitating collaborative decision-making across various departments.

3. **Artificial Intelligence (AI) and Machine Learning:** Integration of AI and machine learning enables CMAs to analyse vast datasets, identify patterns, and generate predictive insights. This empowers organisations to make informed financial decisions, optimise resource allocation, and adapt to dynamic market conditions.

4. **Robotic Process Automation (RPA):** CMAs leverage RPA to streamline repetitive tasks like data entry and reconciliation, reducing errors and enhancing accuracy. This optimisation of workflows saves time and costs, allowing CMAs to focus on higher-value activities, ensuring compliance, and boosting efficiency within organisations.

5. **Block-Chain Technology:** CMAs harness blockchain technology for enhanced efficiency. By using its decentralised ledger system, CMAs streamline financial transactions, reducing intermediaries and minimising errors. Blockchain ensures transparency, security, and real-time data access, optimising processes and fostering trust in financial operations, thereby revolutionising the landscape of financial management.

6. **Drone Technology:** CMAs apply drone technology for heightened efficiency. Drones enable aerial data collection, facilitating inventory management, site inspections, and asset tracking. This enhances accuracy, reduces manual labour, and improves decision-making. CMAs utilise drones to streamline operations, optimise resource allocation, and drive cost-effective solutions, revolutionising business processes in diverse industries.

7. **RFID Technology:** CMAs utilise RFID technology for increase in efficiency. RFID tags enable automated asset tracking, inventory management, and supply chain optimisation. By streamlining processes and reducing manual efforts, CMAs enhance accuracy, minimise errors, and drive cost savings. RFID technology revolutionises operations, empowering CMAs to achieve peak efficiency in diverse organisational settings.

8. **IoT:** CMAs leverage IoT for boosting efficiency. By integrating sensors and smart devices, they collect real-time data on operations, including inventory, production, and energy usage. This data enables CMAs to optimise processes, improve resource allocation, and drive cost savings, fostering innovation and competitiveness in organisations.

9. **Predictive Analytics:** CMAs employ predictive analytics to forecast future outcomes based on historical data. By analysing trends and patterns, they anticipate market fluctuations, customer behaviour, and financial performance, enabling proactive decision-making and risk management. Predictive analytics empowers CMAs to optimise resources, enhance efficiency, and drive sustainable growth in organisations.

By applying practically and effectively the technology-driven control systems, CMAs enhance transparency, reliability, and trust in financial reporting of an organisation, thereby bolstering investor confidence and stakeholder trust.

Strengthening Control Mechanisms:

1. **Risk Management:** CMAs employ advanced risk management tools to identify, assess, and mitigate financial risks. Technology-driven risk models enable a proactive approach, ensuring organisations are well-prepared to navigate uncertainties in the business environment.

2. **Cybersecurity Measures:** As custodians of sensitive financial information, CMAs implement robust cybersecurity measures. By adopting encryption, secure networks, and continuous monitoring, they safeguard data integrity and protect against cyber threats, ensuring the confidentiality of financial data.

3. **Compliance and Regulatory Adherence:** CMAs use technology to stay abreast of evolving regulations and compliance requirements. Automated compliance tracking systems help organisations adhere to legal standards, reducing the risk of penalties and fostering a culture of corporate responsibility.

Driving Sustainability through Strategic Planning:

In an interconnected world, sustainability is paramount for organisational resilience, with CMAs integrating it into strategic planning to align financial goals with environmental and social objectives. Through thorough analyses and assessments, CMAs identify avenues for sustainable growth, resource optimisation, and eco-friendly innovation, ensuring long-term viability.

CMAs advocate for sustainable business practices that minimise environmental impact, promote social responsibility, and create shared value. Initiatives like carbon footprint reduction and renewable energy adoption contribute to organisational competitiveness and brand reputation, fostering a sustainable future.

1. **Identifying Sustainability Goals:** CMAs drive sustainability by setting clear and measurable goals aligned with environmental, social, and governance (ESG) principles.
2. **Data Analysis and Assessment:** They conduct thorough analysis of financial and non-financial data to assess the organisation's current sustainability performance and identify areas for improvement.
3. **Integration into Strategic Plans:** CMAs integrate sustainability considerations into the organisation's strategic plans, ensuring that sustainability objectives are embedded in the company's long-term vision and objectives.
4. **Resource Allocation:** They allocate resources strategically to support sustainability initiatives, ensuring that investments are made in projects that align with the organisation's sustainability goals and provide long-term value.
5. **Risk Management:** CMAs assess and mitigate risks associated with sustainability issues, such as climate change, regulatory changes, and reputational risks, to safeguard the organisation's long-term viability.
6. **Stakeholder Engagement:** They engage with internal and external stakeholders to build support for sustainability initiatives, foster collaboration, and drive stakeholder value creation.
7. **Performance Monitoring and Reporting:** CMAs establish Key Performance Indicators (KPIs) and metrics to monitor progress towards sustainability goals. They prepare regular reports to communicate sustainability performance to stakeholders and drive accountability.
8. **Continuous Improvement:** CMAs facilitate continuous improvement by evaluating the effectiveness of sustainability initiatives, identifying lessons learned, and implementing changes to enhance sustainability performance over time.
9. **Compliance and Regulation:** They ensure compliance with relevant sustainability regulations and standards, staying abreast of evolving requirements and proactively addressing compliance issues.
10. **Innovation and Technology Adoption:** CMAs drive innovation in sustainability practices by identifying emerging technologies and best practices that can enhance environmental and social performance. They facilitate the adoption of technologies such as renewable energy, energy-efficient technologies, and sustainable supply chain solutions.

Sustainable Financial Leadership:

1. **Expertise in Financial Management:** CMAs possess advanced knowledge and skills in financial management, enabling them to effectively integrate sustainability principles into financial decision-making processes.
2. **Carbon Footprint Analysis:** They conduct thorough analysis of carbon footprints within organisations, identifying sources of emissions and opportunities for reduction.
3. **Eco-Friendly Practices Implementation:** They lead the implementation of eco-friendly practices such as energy conservation, sustainable sourcing, and waste reduction initiatives.
4. **Advocacy for Renewable Energy:** CMAs advocate for the adoption of renewable energy sources, assessing the financial viability and long-term benefits for organisations.
5. **Waste Reduction Initiatives:** They develop and implement waste reduction initiatives, aiming to minimise environmental impact while optimising operational costs.
6. **Ethical Sourcing Strategies:** CMAs prioritise ethical sourcing practices, ensuring that suppliers adhere to environmental and social responsibility standards.
7. **Financial Goal Alignment:** They align financial goals with sustainability objectives, recognising the importance of balancing profitability with environmental stewardship for long-term success.

8. **Risk Management:** CMAs incorporate environmental risks into financial analysis and decision-making, mitigating potential negative impacts on financial performance.

9. **Performance Measurement and Reporting:** They develop performance metrics to track progress towards sustainability goals and communicate outcomes to stakeholders effectively.

CMAs play a critical role in integrating sustainability into financial decision-making processes, driving positive environmental and financial outcomes for organisations.

By driving sustainability through strategic planning, CMAs contribute to the long-term success and resilience of organisations while creating value for stakeholders and the planet as a whole.

Promoting Social Equilibrium and Inclusive Growth:

CMAs go beyond traditional roles, advocating for inclusive growth and equitable resource distribution. Through assessments and analyses, they create value for diverse stakeholders, promoting social cohesion, economic empowerment, and shared prosperity.

CMAs collaborate with cross-functional teams to align financial objectives with societal interests and foster a culture of corporate social responsibility. Their efforts mitigate reputational risks, navigate ethical dilemmas, and build trust-based relationships with stakeholders.

Role of CMAs in Promoting Social Equity:

1. Ethical Financial Practices:

CMAs are committed to upholding high ethical standards in financial decision-making. This includes promoting transparency, honesty, and integrity in all financial dealings to contribute to a socially responsible business environment.

2. Cost Management for Social Impact:

CMAs can integrate cost management practices that consider the social impact of business activities. This may involve evaluating the costs and benefits associated with socially responsible initiatives and ensuring they align with overall business objectives.

3. Corporate Social Responsibility (CSR):

CMAs may actively participate in the development and implementation of CSR initiatives by the organisations. This could include financial control and effectiveness for community projects, environmental conservation efforts, or ethical supply chain management.

4. Stakeholder Engagement:

CMAs play a crucial role in engaging with various stakeholders, including employees, customers, and the community. Understanding their needs and expectations helps in aligning financial strategies with broader social interests.

5. Adherence to Socially Responsible Standards:

CMAs may advocate for and ensure compliance with socially responsible standards such as those outlined by SEBI- BRSR, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), or other relevant frameworks.

6. Socially Inclusive Budgeting:

CMAs can contribute to budgeting processes that prioritise socially inclusive practices, ensuring that resources are allocated in a way that considers the needs of diverse stakeholder groups.

7. Ethical Investment and Financing Decisions:

CMAs may be involved in making investment and financing decisions that align with ethical and socially responsible principles. This could include evaluating the ethical implications of investment choices and financing sources.

8. Social Risk Management:

CMAs are equipped to identify and manage social risks that may impact the financial performance of the organisation. This involves assessing potential risks related to reputation, employee relations, and community perceptions.

9. Continuous Learning and Advocacy:

CMAs stay informed about evolving social issues and advocate for financial practices that contribute positively to social equilibrium. Continuous learning helps them adapt to changing societal expectations.

Efficiency is doing things right; sustainability is doing the right things; social equity is ensuring everyone benefits. CMAs embody this trifecta of success.

Conclusion:

CMAs play a multifaceted role in driving organisational success by leveraging technology, promoting sustainability, and advocating for social equilibrium. By harnessing the power of technology, CMAs enhance efficiency, control, and transparency in cost management processes. Through strategic planning, CMAs integrate sustainability principles into organisational strategies, fostering long-term value creation and resilience. Moreover, CMAs champion social equilibrium by promoting inclusive growth, ethical leadership, and stakeholder engagement. As organisations navigate an increasingly complex and interconnected business landscape, CMAs serve as catalysts for positive change, driving innovation, resilience, and sustainability in the pursuit of organisational excellence.

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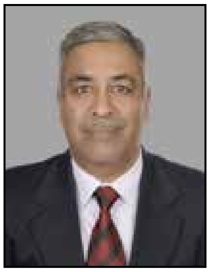


The ESG Framework for Sustainable Development

CMA (Dr.) S. K. Gupta
Mob.: 98101 62341 • E-mail: cbst.skgupta@gmail.com

The Perspective

Our world faces a number of global challenges: climate change, transitioning from a linear economy to a circular one, increasing inequality, balancing economic needs with societal needs. Investors, regulators, as well as consumers and employees are now increasingly demanding that companies should not only be good stewards of capital but also of natural and social capital and have the necessary governance framework in place to support this. More and more investors are incorporating ESG elements into their investment decision making process, making ESG increasingly important from the perspective of securing capital, both debt and equity. Nowadays, Environmental Social and Governance (ESG) invaded all talks in businesses and was found at the core of every new strategy in many organizations in various industries. Embarking the journey with an ESG strategy will allow companies to achieve the SDGs set by the UN and the 2030 aim. Therefore, transforming companies' activities and operations to become sustainable is crucial nowadays, as this approach became essential for customer satisfaction. In a new age where ESG has become the essence of every business strategy.

What is ESG?

ESG stands for Environmental, Social and Governance which takes a comprehensive approach to monitoring the impact of a business based on these three factors. This involves meeting relevant regulations, as well as implementing diversity and inclusivity within an organisation.

Environmental – How well does the venture protect the environment? : This takes variables such as climate change, greenhouse emissions, waste, pollution, biodiversity, and the like into consideration. Measuring environmental data encourages a business owner to start thinking of ways to cut energy, water and waste usage which becomes a cost saving exercise. A strong environmental score indicates that the company is more efficient.

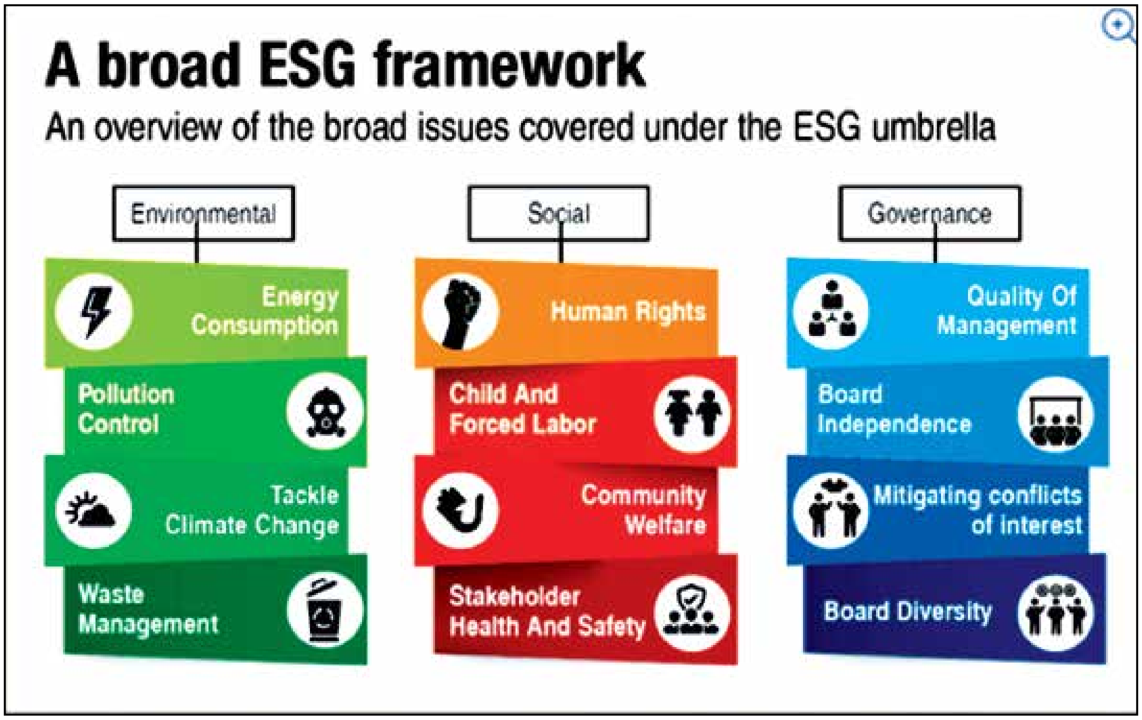
Social – How well does the venture protect people? : This not only includes the safety and equality of employees, but also how actively institutions engage with the community for society's betterment. A high social score implies a safe working environment for employees. It also shows their growing initiative in creating a safe, and environmentally friendly planet for the ecosystem. Such organisations tend to build a more attractive business culture. This in turn helps them maintain a lower staff turnover, and better cost structure.

Governance – How equitably does the venture govern itself? : This aspect of ESG takes issues related to business ethics, corruption, compliance into account. A high governance score indicates that an organisation is compliant, and ethical in its business and decisions. Good risk management has a strong appeal to investors, customers, and the supply chain.

Climate change, the shift from a linear to a circular economy, rising inequality, and balancing societal and economic requirements are just a few of the major issues facing our world today. The requirement that businesses are not just effective stewards of financial capital but also of ecological and social capital and have the proper governance structure in place to enable this is one that investors, regulators, customers, and workers are increasingly demanding. ESG is becoming more and more significant from the standpoint of acquiring debt and equity financing as more and more investors include ESG factors in their investment decision-making process.

How ESG Creates Value

The increasing engagement of ESG is creating value for both companies and investors alike. This trending initiative is profiting businesses through cost reduction and revenue generation while leaving a positive footprint on the society at large. Likewise, investors benefit from greater financial returns by better allocating capital through sustainable investing. It's a typical misunderstanding that ESG has a negative impact on an organization's financial success, yet studies have linked ESG investment to resilience and improved long-term economic performance. Due to a more thorough examination of data and trends,



businesses that integrate ESG into their value-creation framework can lower risk and/or increase profitability. Similarly, analysts and investors may quickly ascertain whether firms are acting and how these activities affect financial results.

There are still several areas where the traditional ESG framework needs to be improved as it continues to mature and evolve. Companies that advocate ESG policies—such as diverse hiring, sustainable business operations, and charitable giving—but do not adhere to them run the danger of coming under public criticism and will be chastised as a result. Therefore, Value Based Management (VBM), which unifies all organizational operations around sustainable and long-term value development, is a crucial instrument for an efficient implementation of ESG. To define strategy, essential direct procedures, and activities, and define KPIs that are aligned with the development of long-term benefits for all involved parties, including shareholders, VBM enables a 360° view of a business, its peers, and the environment.

Lastly, it can be said that ESG is used to evaluate an organization's environmental, social, and governance standards. Organizations may succeed by utilizing ESG elements, which will eventually combine with SDGs, by embedding practices for sustainable development into regular company operations, goods, and services. Embedding nature into business practices is also an opportunity. Leading companies have now realized that acting on nature is a chance to win trust with customers and civil society; The United Nations' Sustainable Development Goals (SDGs) are increasingly being recognized as a beneficial foundation for responsible investment as the world shifts its focus more intently on ESG (Environment, Social, Governance).

What is sustainability?

Sustainability is the practice of operating a business in a way that meets the economic, social and environmental needs of the present without compromising the ability of future generations to meet their own needs. Sustainability is more than ticking boxes. It's about making a difference - for your business and our world. Creating sustained outcomes that drive value and fuel growth, whilst strengthening our environment and societies. Sustainability is more than good intentions. It's about creating a tangible, practical plan that achieves real results. Success is not about climate change, diversity and disclosures alone. It's about embedding these principles- and more across your business- from investment to sustainable innovation. Bringing together your best people and smartest technology so you can see more, go deeper and act swiftly. Enabling you to tackle the biggest challenges of today – and capture the best opportunities of tomorrow.

There is a natural fit with the SDGs, which were founded on globally shared values, social expectations, and a sustainable and inclusive approach to economic growth and well-being. SDGs are global goals set out by the United Nations, whereas ESG is a rating system used by companies to measure their environmental and social credentials. ESG factors can be roughly translated to SDGs on the corporate level as unique parts of ESG considerations can be assigned to all 17 goals. Businesses can utilize multiple strategies to align with the SDGs, including assessing, mapping, and setting goals, strategic integration and collaboration, and reporting and communication. The SDGs provide a wide range of chances for businesses to make a difference, with 169 specific aims. Ultimately, organizations and investors who proactively focus on the SDG Agenda 2030 are likely to improve their ESG score and uncover new growth and development opportunities.

To meet increasing stakeholder demand, some businesses are moving beyond the standard ESG approach and are based on the SDGs which offer a realistic framework for ESG mapping at a higher level and can help to increase the adoption of sustainable investing, encourage responsible corporate behaviour, and integrate sector and business specific ESG factors with broader social issues and global environmental goals. Long-term value development for business and society is the goal of ESG-based investment decisions. To achieve these sustainable development goals, business leaders will need to step up. Boards of directors need to understand the relevance of the SDGs for their company and incorporate them into their environmental, social, and governance (ESG) policies and objectives. They can lay the groundwork by setting a robust sustainability strategy that takes into consideration the positive and negative impacts of their business on the SDGs. This includes assessing ESG risks and opportunities, setting up short and long-term environmental and social goals that are aligned with the SDGs, overseeing the progress on them, reporting to investors, and engaging with stakeholders. Improvements have been made in this regard.

The emerging trend

Following the unprecedented market and policy momentum behind ESG in 2023, investors, corporate boards, and government leaders have raised expectations for progress on climate pledges in 2023.

- Alongside climate, biodiversity, and other environmental concerns, social issues — like diversity, equity, and inclusion and worker wellbeing — appear poised to remain in the spotlight, particularly as they are increasingly woven into broader ESG discussions.
- Corporate boards and government leaders will face rising pressure to demonstrate that they are adequately equipped to understand and oversee ESG issues — from climate change to human rights to social unrest. The broadened scope of corporate board responsibilities also requires more focus and time commitment from board members to meet their fiduciary duties. Pressure on boards to shore up their ESG credentials is set to grow as investors demand better accountability from the top and heightened focus on sustainability.
- Government and corporate leaders are under pressure to strengthen their ESG skills and integrate sustainability into their policy and planning strategies. In particular, they will add adaptation and resilience measures to their investment plans amid the growing economic impact of climate change.
- New global ESG-related standards will continue to evolve in 2022, while global standard-setting bodies such as the newly formed International Sustainability Standards Board can help address what may be the largest obstacle to accountability: the lack of a common baseline for disclosure standards consistent across jurisdictions and industries.
- Beyond the resilience of supply chains, we also think that social issues in supply chains will garner greater attention, particularly as efforts grow to curb human rights abuses and improve labour conditions.
- Increasingly, based on the work of the Network for Greening the Financial System (NGFS), central banks are beginning to incorporate climate risk as a stress testing feature for banks and insurers.

Cost and Management Accountants and ESG

Cost and Management accountants play a crucial role in business in three important ways. First, they are the financial analysis experts. This means they are trained to decipher complex data and not only report on it but also derive what it means for the organization. Management accountants do not stop at documenting costs, losses, and profits. They go “beyond the numbers” to find out the underlying reasons for those outcomes, which entails an intricate knowledge of operations and processes. When it comes to climate issues, this expertise is essential. Management accountants can use data analysis to not just determine the relevant facts but also help identify which activities and operations are most at risk or most contribute to carbon emissions, and how the company can shift towards better management and practices.

Cost and Management accountants are typically trained and required by the needs of business to be keenly aware of the operations of all departments across a business. The benefits of this expertise and approach to addressing climate issues are clear. Climate risks and carbon emissions occur across an organization, and a holistic view is necessary to create an accurate picture and make the right decisions. Management accountants, with their multifaceted and cross-functional outlook, will be the primary drivers of insights that lead to informed, decisive, and farsighted decision making on ESG.

Cost and management accountants are participating in strategic planning and decision making a fundamental shift in expectations over the past couple decades. As more routine accounting tasks have been automated, the Cost and management accountant has been called upon to use the insights they derive from data and their broad knowledge of the organization to be a strategic business partner and drive strategic planning and embedding ESG into the overall business plan.

Management accounting aids in an organisation's strategic planning and monitoring of its ESG activities and initiatives. Management accounting tools such as strategic risk assessment, life cycle analysis, and performance measurement systems, integrated with the financial reporting chain, help provide the ESG data for setting targets and matrices. CMAs need to embrace the ESG agenda, skill ourselves sufficiently to be competent and honour our profession's call to act in the public interest. We can be architects of the future, building on our heritage and developing a new accounting language so that new knowledge will emerge to secure both reward and survival. We should, and we must, enhance and share our unique and important skills to help decision-makers understand and act on this new reality.

Conclusion

Good environmental, social and corporate governance practices are on the rise in the economy and have triggered a movement of change in companies worldwide. The movement is growing and initiates a collective conscience in business for more responsible and sustainable production, relationship, and management practices. The objective is to create businesses that only take what they need while leaving economic, environmental, and societal systems capable of indefinite existence. Hence, it's crucial that a complete understanding of ESG and sustainability in all their different aspects is achieved, without which, businesses will just be groping in the dark. Value Based Management (VBM), which unifies all organizational operations around sustainable and long-term value development, is a crucial instrument for an efficient implementation of ESG. To define strategy, essential direct procedures, and activities, and define KPIs that are aligned with the development of long-term benefits for all involved parties, including shareholders, VBM enables a 360° view of a business, its peers, and the environment.

No company can prosper nowadays if it is not involved in the community and the people around it. Companies need to take an active role in the community, beyond just making a profit. The positive benefits of this strategy include the company's expansion and durability of its success. While directly serving their customers, companies should indirectly serve the interests of society by taking responsibility for the holistic impact of their activities. Its simply a more broad view of value creation. This is what ESG is all about. We should all be concerned about the future because we will have to spend the rest of our lives there.

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Sustainability, the 3 ESG pillars and the SDGs

CMA CS MSC N. Rajaraman
Mob.: 75062 55388 • E-mail: rajaraman.chandra@gmail.com

SYNOPSIS: Adopting a sustainability policy for companies that is truly measurable is important to foster transparency and accountability to all stakeholders – from shareholders to employees, suppliers, and local communities – ensuring that the measures taken really do have an impact.

When we talk about sustainability, we are talking about a development model that can meet the needs of the present without compromising the ability of future generations to meet their own. It is an integrated approach that considers the social, environmental, and economic impacts of actions and decisions taken today.

From a historical perspective, the concept of sustainability was formulated at the first United Nations Conference on the Environment in 1972, but it has only really taken shape since 1987, when the publication of the so-called Brundtland Report ("Our Common Future") clarified the goals of sustainable development.

The same report introduced the three pillars or principles of environmental, social, and economic sustainability, also known as ESG (Environmental, Social, Governance).

The transition to sustainable development is primarily grounded in a series of international agreements and goals that are then implemented at the level of the individual states and communities involved. Among these, the best known are:

The United Nations Framework Convention on Climate Change and its protocols, which set commitments to reduce greenhouse gas emissions.

- The Convention on Biological Diversity (CBD), which promotes the conservation of biodiversity.
- and especially the UN Sustainable Development Goals (SDG), which cover a wide range of sustainability issues. Built around these goals is the UN 2030 Agenda, a plan of action for people, planet, and prosperity, signed into law by the UN General Assembly on September 25, 2015. The agenda includes 17 goals, valid for everyone around the world, articulated along the three dimensions of sustainable development: economic, social, and environmental.

1. What is environmental sustainability?

Environmental sustainability is the ability to preserve and protect the natural environment over time through appropriate practices and policies, meeting present needs without compromising the availability of resources in the future.

Factors influencing environmental sustainability.

Environmental sustainability is influenced by several factors that can have a significant impact on the ecological balance and the planet's ability to sustain life.

Some of the main ones include:

- air, water, and soil pollution.
- climate change, caused by the excessive amount of greenhouse gases released into the atmosphere due to human activities.
- The loss of biodiversity.
- The overexploitation of natural resources.
- Economic models that involve unsustainable consumption.

What goals should we aim to achieve?

Achieve environmental sustainability, several key goals must be achieved, including:

- Reducing greenhouse gas emissions, especially in crucial sectors such as power generation, industry, agriculture, and transportation.

- Increasing the production and use of energy from renewable sources.
- Implementing policies to conserve biodiversity by addressing its causes.
- Adopting sustainable practices in agriculture and the food chain, such as precision agriculture strategies, optimizing and increasing soil quality and productivity through a series of targeted interventions using technology regenerative
- Agrivoltaics, on-soil cultivation methods such as hydroponic or aeroponic systems and reducing food waste.
- Raising awareness and engaging communities on the issue of environmental sustainability.
- Promoting the circular economy.

Among the practices of significant importance for sustainability, it is essential to conserve and sustainably manage natural resources, including water, soil, forests, wildlife, and natural habitats, to ensure the ecological balance of the planet and the availability of these resources for future generations.

2. What is social sustainability?

Social sustainability involves a focus on the well-being of people and communities.

It is about promoting equity, human rights, access to education and health care, and decent work.

Social sustainability aims to create inclusive societies, reduce inequality, and ensure long-term well-being for all people while preserving social cohesion and justice.

Achieve sustainability, it is necessary to overcome:

- Poverty and socioeconomic inequality.
- Discrimination, prejudice, and social exclusion.
- Lack of access to resources.
- Insecurity and conflict, locally, regionally, and globally.
- Poor governance, which includes phenomena such as corruption and institutional inefficiency.

In the path to social sustainability, the promotion of systems and policies that can reduce social and economic inequalities play a particularly key role in ensuring equitable access to opportunities and resources for all members of society.

In addition to the fight against inequality, the goals to be achieved in terms of social sustainability include:

- The promotion of policies to respect basic human rights, such as the right to health and education.
- The adoption of practices that value and include people of diverse backgrounds, gender, ethnicity, ability, and sexual orientation.
- The creation of safer living environments with more efficient administration of justice.
- The improvement of people's health and mental and physical well-being through quality health services.

3. What is economic sustainability?

Economic sustainability is the approach whereby economic activities are conducted in such a way as to preserve and promote long-term economic well-being. In practice, it aims to create a balance between economic growth, resource efficiency, social equity, and financial stability.

Factors influencing economic sustainability.

Factors influencing economic sustainability include:

- The responsible management of resources.
- The capacity for efficiency and innovation of economic systems and enterprises.
- Financial stability at the macro level.
- States' level of social innovation, that is, each country's commitment to promoting policies, programs and initiatives that address crucial social issues such as poverty, gender equality, access to education and health care, environmental sustainability, and other social issues.
- International cooperation and partnerships between public administration and private enterprises.
- The level of equity and social inclusion.
- Corporate responsibility.

How an economy becomes sustainable

Make an economic system sustainable, it is necessary to encourage energy generation from renewable sources, to adopt policies and regulations that encourage energy efficiency, and the promotion of economic models based on the circular economy which, as such, can reduce waste and contain resource exploitation.

Achieving these goals requires fostering social and economic inclusion, technological innovation through dedicated investments, promotion of efficient and transparent governance, as well as public awareness and education.

Responsible management of economic resources is of paramount importance because it implies and ensures:

- The minimization of environmental impact.
- Social and economic equity.
- A more resilient and challenge-capable economy.
- A more widespread adherence of companies to management based on principles of responsibility and ethics.

Is there also a fourth ethical pillar?

There is another pillar of sustainability, which we could imagine as the midpoint of a triangle connecting the other three.

Processes leading to sustainable development would not really be such if all those involved in supply chains did not receive fair – and sustainable – remuneration. Also included in this pillar are some of the practices we have already considered, for example, respecting human rights and promoting social responsibility.

In short, the ethical pillar consists of the core set of fundamental guidelines that underpin the practical actions provided for in the other three: these include integrity, transparency, fairness, respect for diversity and promotion of collective welfare.

The pillars of sustainability are interconnected.

The pillars of sustainability are closely interconnected, in that every action taken within each of the spheres has spillover effects on the others. There is a strong interconnection between the environmental and economic spheres, where good environmental practices, such as responsible resource management, are essential to maintaining the stability of the economy and the very existence of the food supply chain. Not only that: some sustainability strategies, such as transitioning to a low-carbon (zero carbon ultimate) economy and adopting sustainable practices, can create economic opportunities, promote innovation, and increase the competitiveness of businesses.

The social sphere is also connected to both the environmental and economic spheres. It is well established that in an equitable and inclusive society, where inequalities are reduced, social cohesion, active citizen participation and the basis for a sustainable and resilient economy are fostered – just as it is evident that people's health and well-being are closely linked to the quality of the environment in which they live.

What does the ESG Integration strategy involve?

ESG Integration is the investment strategy that considers the factors and risks related to the environment, the importance of the social sphere, and the governance of a company.

This strategy uses non-financial indicators to evaluate the performance of businesses and organizations. ESG Integration involves gathering information on a company's policies, practices, and performance related to environmental issues (such as environmental impact and resource use), social issues (such as employee and community relations management), and governance issues (such as governance structure and transparency).

The goal is to promote sustainable investments that generate long-term financial returns, considering the social and environmental impacts of economic activities and promoting transparency and corporate responsibility. Enel, for example, was the first company in the world to launch – in 2019 – a bond tied to its ESG performance.

Being Environment-friendly, reducing energy consumption, using new renewables energies, Using LED lights, reducing waste through new and more efficient designing, manufacturing, computers, servers, and associated subsystems that promotes substantial environmental benefits cannot be ignored especially when countries are signing the Global climate change accord.

In the functionalist perspective, Societies are thought to function like Organisms, with various social institutions working together like organs to maintain and reproduce them. The various parts of society are assumed to work together naturally and automatically to maintain overall social equilibrium.

Thus, Sustainability measures are aimed at boosting efficiency, control taking Technology and Social Equilibrium as tools where CMAs bound to play a key role as a catalyst in the process and lead this as a Change Agent in future.

The Institute of Cost Accountants of India – A Social System to Boost Efficiency, Control and Sustainability through Social Equilibrium and Technology

CMA Anuradha Dhavalikar
Mob.: 96571 18887 • E-mail: anudhavalikar@outlook.com

Society, Social System, and Social Equilibrium

A society is a group of individuals in a geographic area and time-period, who live in organised communities. It is characterised by a structure, social institutions, uniform laws, shared traditions, culture, and values.

A social system is a set of social elements such as belief, knowledge, sentiment, goals and objectives, status, role, rank, power, sanction, and shared facility, that are bound together by inter-dependencies, and work together to form a coherent whole. Some examples of social systems are a family, an enterprise, a cooperative society, an educational institution, a professional body, and so on.

Social equilibrium may be described as the dynamic balance between inter-related sub-systems of a social system, where each part adjusts to the changes in the others, while maintaining continuity, through change, adaptation and evolution.

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The Use of Technology in Social Equilibrium

Technology refers to the application of scientific knowledge for achieving practical goals, especially in a reproducible way. Technology aids society in achieving its goals through better communication, improved utilisation, more output, shaping and manipulating the environment and saving time. Care is required in the application of technology, to make sure that the inequalities in education, the digital divide and the undesirable behavioural changes are not exacerbated. It is also important to ensure that technology is not misused by a few for domination, to cause irreparable damage to the environment, and to destroy the peace and harmony of the human society.

The Institute of Cost Accountants of India – A Social System that Drives Equilibrium

Within the larger realm of the corporate governance of the country, the Institute of Cost Accountants of India is a statutory body, formed for the furtherance of cost and management accountancy as a profession useful to the businesses and to the government in achieving cost effectiveness, efficiency in the use of resources and making standardised cost information available to the regulators for products or services of importance to the nation. It is governed by an elected council, has its formal process of admitting members, imparting education, code of conduct, disciplinary mechanism, and well-defined ways of adapting to the changes in the social, economic and geopolitical environment, through its evolving standards, guidance notes, amendments to the syllabi, introduction of new courses, new avenues of practice, and other such means. Technology is the centre of the change management system of the Institute.

References:

https://icmai.in/icmai/aboutus/history.php

https://icmai.in/icmai/aboutus/organisation-structure.php

Elements of The Institute of Cost Accountants of India, as a Social System and their Dynamics in Maintaining Equilibrium:

Any social system functions through its elements. All these elements put together define the system. The elements of a social system have been enumerated in the article, "Social System: Elements, Classification and Pre-requisites and Mechanism," by Shelly Shah [https://www.sociologydiscussion.com/social-system/social-system-elements-classification-and-pre-requisites-and-mechanism/2242]. We use the list of elements as a framework to discuss the ICMAI as a social system.

Let us examine the important elements of the Institute that aid in maintaining social equilibrium:

Belief and Knowledge

The Mission Statement of the Institute: "The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

It is our belief that we can and we should drive the enterprises globally, with the help of our domain knowledge. This body of knowledge is reflected in the continuously evolving knowledge resources of the Institute. The physical resources such as libraries and books and periodicals are located all over India and abroad, in the premises of the 114 Chapters. There are various e-resources accessible to members, students, and the public at large. These are in the form of e-publications, recordings of seminars, lectures, presentations, and other such events of the Institute. The Institute has tie-ups with other professional bodies and educational institutions to offer cross-functional expert knowledge and further the cause of the CMA profession. The Institute also provides information on the various avenues for doctoral studies by CMAs. The Management Accounting Research Foundation (MARF) has been formed to carry out research in the field of cost and management accountancy. Setting up the Sustainability Standards Board and the Agricultural Cost Management Board are examples of the futuristic thinking and capacity building efforts of the Institute.

References:

https://icmai.in/icmai/aboutus/organisation-structure.php

https://icmai.in/icmai/aboutus/mou.php

https://www.icmai.in/icmai/aboutus/PHD_CMAs.php

https://www.icmaimarf.in/icmaimarf_new/index.html

Sentiment

The sentiment of the members and students is upbeat. They perceive the professional qualification as a matter of pride. They believe that the membership of the Institute gives them a chance to collectively and individually, make a difference to the efficiency of organisations, and helps shape organisations into sustainable ecosystems. This shared sentiment is helpful in finding sustainable solutions through positive approach to complex issues. The slogan "Behind Every Successful Business Decision, There is Always a CMA" speaks about the common sentiment of the CMA community. It is believed that every organisation can benefit from the expertise of a CMA in analysis, strategic decision-making, planning, risk management, and internal control.

The streamlining of operations, optimising output, resource-efficiency, effective reporting, are some of the benefits of hiring the services of a CMA professional. This sentiment has helped the profession to take on responsibilities, take ownership of the functions, perform beyond expectations, and rise to the occasion. The strength of the Institute lies in the continuous efforts of the members in their pursuit of excellence. The CMAs are known for their dedication and hard work. It is well known that many a great mind easily tires of the drudgery of dealing with large volumes of data, facts and figures. The CMAs attitude is such that they are prepared to undertake such arduous tasks and persevere till the end. This sentiment of having respect for the most complex tasks, however menial they may seem to others, is an important characteristic of the CMA.

Source: https://www.icmai.in/upload/Students/E-Bulletin/Intermediate-Vol2-No5-May2017.pdf

End Goals or Objectives

The Vision Statement of the Institute: "The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

The end goal of the Institute is encapsulated in the vision statement. Further, the objectives have been enumerated in the Member segment of the Institute's website. Meeting the public interest is at the core of these objectives. The CMA professionals aim to be the preferred leaders in finance, across the globe. The global vision of the Institute has helped the members in keeping abreast of the latest trends in finance, management, and sustainability, and brought continuous updated in the knowledge and skills of the members and students.

Reference: https://icmai.in/icmai/aboutus/

Norms

The Institute has been established by an Act of the Parliament. Rules and Regulations have been issued for the smooth functioning of the Institute, transparent administration, and fair treatment of its members. The Institute functions through its elected councils, head office, regional offices, and chapters. Bye-laws for the chapters and code of ethics for the members are given. Further, standards of cost accounting and cost audit have been made mandatory for its members. These are amended from time to time to address the requirements of the growing profession.

References:

https://icmai.in/icmai/aboutus/instituteactandrules.php

https://eicmai.in/external/PublicPages/WebsiteDisplay/Members-code-ethics.aspx

Status-Role (Position)

If we consider the country as a social system, the position of the Institute is that of a Statutory Body. It has legal recognition, and a well-articulated purpose of formation. Therefore, we can say that the Institute has a high status and a major role in the field of finance, accounting, management and controlling. The history of the Institute goes back to the pre-independence era, when the British required experts in the field of cost and management accounting for the government decision-making and public expenditure. Being a member of the institute is regarded as a matter of prestige.

Rank

The Institute has a hierarchical arrangement starting with the registered student, Grad. CMA on passing the final examination, Associate Member after completing the requisite number of years in service or practice, and reaching the apex at the Fellow Member, with contributions in research and publications in addition to the number of years; experience. This ranking system helps the Institute in organising focussed knowledge sharing sessions and programs to suit the requirements of each category. The norms like Continuous Education Program points required for each category are also designed in such a way that members are compelled to keep upgrading their knowledge and skills to suit the changes in the business environment and the latest developments globally.

Reference: https://eicmai.in/external/PublicPages/WebsiteDisplay/MembersEnroll.aspx

Power

The Institute being a statutory body, its office bearers have certain statutory powers, and so do the members. The CMAs in practice are authorised to attest or certify certain documents and audit certain areas of corporate accounts (cost records), as per the Companies Act, 2013. The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). As a founder member, the Institute has representatives on the boards of these bodies. Therefore, the powers of the Institute are exercised through its members and office bearers in the areas of statutory compliances. The Institute, through its members, plays an important role in providing advisory services to the central government through the office of the Chief Advisor Cost in the Ministry of Finance, and the Cost Audit Board under the Ministry of Corporate Affairs. CMAs are also appointed by the Cooperative Departments of the State governments in various states for the audit and review of the cost records of the registered cooperative societies. Many a times, governments avail the expertise of the Institute for carrying out studies for price fixation of important or essential items, matters of national interest, taxation, national security, and so on. This gives immense weight to the opinions of the members, and collectively, of the Institute, in shaping policies and governance.

Sanctions

The Institute is under the administrative control of the Ministry of Corporate Affairs, Government of India. The government appoints a certain number of nominees on the central council of the Institute, and exercises direct control over the affairs of the Institute. The Disciplinary Directorate of the Institute has the powers of a quasi-judicial authority in enforcing discipline and acting against professional or other misconduct. The Disciplinary Committee formed u/s 21 of the Cost and Works Accountants Act, 1959, has the same powers as the civil court as under the Civil Procedure Code, 1908, in respect of certain matters. The Committee may reprimand, suspend, or permanently remove the name of a member from the Register of Members, and impose a fine. Disciplinary actions that the committee can take and the fines and penalties that it can levy have been defined through relevant Rules framed under the Act. The Peer Review Mechanism is in the works, and will soon be functional, to assure the quality of work of the practitioners.

To complement this disciplinary mechanism, there is a system of rewards and recognition where achievements of the students and members are recognised, and prizes, awards and are given for outstanding performances. The National Award for Excellence in Cost Management is an award given to the Corporates in the Manufacturing and Service sectors in categories such as Private Sector, Public Sector, with sub-categories such as small, medium, and large corporates. The CMA Awards consist of the CMA-CFO awards, the CMA-Achiever awards, the Young CMA awards. These awards aim to recognise the contributions of the CMAs in the field of corporate governance, value creation and preservation, risk management and control, business process improvement through their initiative and best practices. These annual awards encourage innovation in the profession and help to set the bar for the rest of the members.

References:

https://icmai.in/icmai/aboutus/disciplinarydirectorate.php

https://icmai.in/Awards/National_Awards/

https://icmai.in/Awards/CMA_Awards/

Facilities

The Institute serves its members through its Chapter, Region, and Central offices. Study Circles are formed by members within their areas, to further the cause of continuing education. The students and members can access all the information relating to their registration/ membership, pay fees, submit forms, etc. through the website of the Institute. Books, journals, and other publications are available in both physical and soft forms. The Institute also offers several facilities for members such as an internal committee for handling members grievances and sexual harassment issues. For students, there are facilities such as practical training and placement assistance, examination helpdesk, and so on. Links to external sites such as the MCA, IBBI, Independent Directors data bank, etc. for the members and students have been conveniently placed within the website of the Institute. The Institute also has facilities for members to generate UDIN for secure identification and validation of documents signed by the members. The Members' Benevolent Fund is a voluntary contribution fund, administered by the Institute, for the benefit of the members and their families. For the professional benefit of the members, the latest draft amendments are flashed by the Institute on the website. The Institute has floated certain section 8 companies to complement the work of the Institute. These are the ICMAI RVO, the ICMAI SAO, and the ICMAI IPA.

References:

https://icmai.in/icmai/aboutus/Internal-Committee.php

https://eicmai.in/MMS/ICAIWAMResources/members-guide-ben-fund.pdf

https://icmai.in/icmai/aboutus/network.php

https://icmai.in/studentswebsite/Student-index.php

ICMAI & Technology – The Harbinger of Change and the Driver of Equilibrium

Technology to Drive Change

The ICMAI has been a driver of change through its persistent efforts in bringing digitisation to its members. Some of the changes that have been brought about by using technology are given below.

Ease of Access

The Institute has most of its services to the members, students and public available through the web, in electronic form 24×7. The public can engage the services of the members in practice, with the help of the downloadable list of members in practice. Most of the study material and the journal are readily available for download. The Webint programs for Cep of the members are very popular, as members in remote areas can avail the benefit without having to travel to the locations physically. Technology is further used to analyse the most visited pages, and further improve the services. The use of online resources during the Covid-19 pandemic has demonstrated the reach and impact of technology in accessibility.

Improved Accuracy

Many of the processes are automated – members' CEP hours, dues and receipts, certificate of practice, admission to associateship or advancement to fellowship, payment of fees, changes to the members' registered details etc. are a few common examples. These have helped in reducing human intervention in these repetitive tasks. The risk of human error has therefore been greatly reduced.

Information Security

The MCA has mandated the use of XBRL for filing the Cost Audit Report by the companies. This has greatly improved the information security, as the information is converted into machine readable language and is submitted after due validation checks. The persistent follow-up of the industry and the Institute has resulted in this technological improvement.

Trust and Transparency in Signed Documents

The use of UDIN has brought transparency in the financial documents signed by the members of the Institute. The UDIN secures the documents attested or certified by the CMAs and the users of these documents can easily check the authenticity of the documents. The practicing CMAs signing the document are held responsible for carrying out the attest function in a professional manner, as per the Institute's norms. This enhanced trustworthiness has given the signature of the CMA an elevated position in the global financial circles.

Improved Professional Judgement

The Institute conducts training for members and students in the use of various tools and platforms, such as MS-CIT, Microsoft Office, Spreadsheets, ERPs such as SAP and Tally, XBRL, programming languages such as R and Python, and so on. This helps the members and students to organise large amounts of data in a meaningful manner, accurate analyses, and improved reports. These result in improved professional judgement and better decision-making.

Reducing the Carbon Footprint

The technological advancements in imparting education, training, conducting meetings, webinars, and maintenance of records has resulted in considerable advancements in the path to achieving the SDGs. The carbon footprint of the Institute must have reduced greatly due to the on-line mode of CEP, lectures, meetings, and training, from the savings in travel, large scale lighting, water consumption, air-conditioning, and other such energy draining impacts of the physical mode. The impact needs to be assessed and displayed on the website of the Institute for enhancing the image, as well as for leading the way for other organisations.

Enhanced Inclusivity

Students from remote corners of the world can now register themselves for the course and obtain study material and guidance on-line. The 24×7 availability of the resources has greatly improved the inclusion of women and people with special abilities to participate in the professional training. Special focus is required on making the study material available in more user-friendly formats and languages for greater inclusion. The cohesion amongst members has improved due to better connect through technology/

Transparent Governance

The governance structure is detailed by the institute in both, print and electronic form. Any member can easily access the procedures, ethics, forms, etc. The entire gamut of governance activities is reported on the website from time to time. The persons responsible for them can be approached easily through email and other contact details given. This has brought transparency in the governance of the Institute.

Innovation

The research activities of the Institute improve the technology used for cost and management accountancy, through MARF. The Institute takes up challenges to design innovative solutions for the social and business issues through its various boards and committees. The observations of the members, inputs from the studies carried out for various industries, the improvement projects assigned by the government, all are consolidated into a common pool of information to churn out new standards, guidance notes, new methods and techniques, and suggested processes.

Conclusion

The Institute of Cost Accountants of India is a dynamic and vibrant social system that drives change globally in the areas of Cost and Management Accounting, Control, Strategic Management, Business Process Improvement, Efficiency in the use of resources, Sustainable Business Practices, through its members, using Technology to leverage their expertise. The Institute itself maintains its equilibrium by keeping up with the global trends in business practices, anticipating environmental changes, displaying social sensitivity, and focussing on the best practices in achieving its objectives.

Skill sets every CMA should possess to achieve organizational excellence

CMA B. Pandurangan
Mob.: 89815 95965 • E-mail: bshan17@gmail.com

Introduction

Over time, the role of Cost and Management Accountants (CMAs) has changed in response to changing business environments. A CMA must possess a broad range of competencies, including technical expertise, a strategic mindset, and strong interpersonal skills, in order to achieve organizational excellence. The article discusses some of the most important competencies that a CMA should have in order to support organizations' overall performance.

Technical Knowledge Mastery

A CMA needs to possess professional technical knowledge in order to prepare Financial & Cost Statements, handle compliances, provide financial insights, and support management decision-making. They also need to be proficient in Financial and Cost Accounting Standards. In addition to the knowledge gained through their CMA course, the CMAs should enroll in the courses offered by the ICMAI Advanced Studies, which are comprehensive and will definitely add value to their resume and future career prospects.

Continuous learning & development

Through continual professional development, CMAs should regularly update themselves and stay up to date on changes in the accounting and business models, industry trends, and technology breakthroughs. The ability to develop technological skills in areas such as ERP systems, data analytics, financial software, and more will provide them the advantage they need to prosper and adjust to the difficult changes in the market. It is imperative that they develop a lifelong habit of curiosity and lifelong learning. By doing this, it will be possible for CMAs to benefit from their technical expertise and add value to the organizations they work with.

Critical thinking & Problem-Solving abilities

The World Economic Forum stated that analytical thinking will be the most crucial skill for workers in 2023 in their Future of Jobs Report 2023. Logic and critical thinking are necessary for the development of analytical thinking. To help management make wise decisions, CMAs must assess difficult financial problems and offer solutions. They must take classes that offer efficient problem-solving techniques in order to strengthen their critical thinking abilities. This can be refined through workshops on case study analysis, which will provide students hands-on experience in identifying and resolving actual financial problems. In order to help CMAs acquire this talent from an early age, ICMAI may want to think about including case studies into their course structure.

Strategic Mindset

Because of their business acumen, CMAs are required to create strategic plans that are in line with the larger business environment, the dynamics of the industry, and long-term planning that helps the organization achieve its goals. In order to better grasp how financial strategies can be in line with organizational objectives, they must expand on the strategic financial management knowledge they gained in their CMA degree and take advanced learning courses that will allow them to go deeper into strategic planning and risk management.

Communication and Presentation skills

Effective communication is a sine qua non for CMAs. By developing clear and concise communication and compelling presentation skills, they can communicate complex financial information to a variety of stakeholders effectively and enhance their brand image. This will help them forge solid bonds with internal and external stakeholders as a result. To assist the newly certified CMAs and students in advancing their professional development, the ICMAI Institute hosts training sessions and seminars. Advanced courses that improve communication, presenting, public speaking, and storytelling skills should be taken by CMAs.

Negotiation and Conflict Resolution

Certainly, one ability that any CMA would be proud to have in their toolbox is the ability to negotiate effectively in financial matters, whether those negotiations take place internally for things like budget approvals or outside for contracts with customers and clients. Developing their negotiating and dispute resolution abilities will undoubtedly add value to CMAs and help them shine in their professions, especially with the function that they play these days, such as that of an insolvency professional or representing their clients before tax authorities and tribunals. Reputable institutes like IIMs offer workshops and courses specifically on this subject that CMAs can enroll in.

Ethical Judgment

CMAs are expected to abide by the ICMAI Code of Ethics, both in text and spirit. CMAs must handle moral dilemmas in financial decision-making through their unwavering integrity. They can excel in their professional careers and assist companies in instilling integrity in corporate dharma by acting ethically. Professional ethics courses and workshops that emphasize improving workplace ethics and ethical concerns in decision making are available to CMAs.

Leadership Skills

In any organization, CMAs need to show that they can lead teams, work as a team, and communicate with cross-functional teams in order to advance as leaders. They ought to promote a happy and effective workplace. They should provide organizations the confidence to make wise financial decisions and advise the organization's leadership through their expertise and abilities. Research indicates that leadership abilities can be acquired; therefore, CMAs should engage in mentorship programs and educational opportunities to support them on their path to becoming leaders.

Time management and organizational skills

In order to fulfill deadlines for their professional work, CMAs must effectively manage their time and prioritize their activities. Additionally, they must exhibit their organizational abilities by maintaining the accessibility and compliance of records and documents. To improve their productivity, they can enroll in time management workshops that improve their organizational and time-management abilities.

Personal development and well being

Finally, but just as importantly, CMAs ought to prioritize both personal and professional development. Depending on what works best for them, individuals can enroll in stress management, mindfulness, or yoga classes to maintain a healthy body and work-life balance. They will gain a sense of accomplishment and well-being from this, which will cultivate an optimistic outlook that will benefit both their personal and professional lives.

Conclusion

As the saying goes, "The best investment one can make is on themselves." In addition to traditional professional schools, a multitude of online learning environments, like Swayam, NPTEL, Coursera, Upgrad, and others, provide courses for education and training. For both career progress and personal fulfillment, every CMA should make a commitment to lifelong learning. Not only would adopting a growth mindset help the person, but it will also help the organization as a whole if they actively look for opportunities for development. As a living example of the Institute's motto, "Behind every successful business decision, there is always a CMA," they should all embody it.

"CMA is a Key Contributor to Business Growth and Sustainability"

CMA Vinod Vasant Shete
Mob.: 86980 76687 • E-mail: Vinod_shete@rediffmail.com

Businesses nowadays operate in an increasingly unstable environment. Coping with the complexity of today's corporate environment requires not just forecasting the future or mitigating risk, but also ensuring company continuity.

In recent decades, strategic thinking has been heavily influenced by economics and its sub-disciplines. Such an approach has allowed for a better understanding of positional strength in terms of generating and maintaining competitive advantage, as well as the abilities necessary for enterprises and organisations to remain flexible and produce new goods and services. However, strategy creation and implementation have seen tremendous change in the past decade and a half as organisations are vulnerable to many influences not just from inside their sectors of business, but also from converging technological trends, quickly changing customers demand.

Converging technological developments, fast changing consumer needs, increased state measures such as deregulation, stake sale, and privatisation, to mention a few, and the growing impact of a linked globalised economy. Thus, the previous belief that generating positional strength to be lucrative is no longer valid, and companies must seek out innovative techniques for survival, development, and profitability. I would say that the role of CMAs is very crucial for achieving financial success and making strategic decisions inside organisations.

CMAs contribution in following KEY Areas:

- **Cost Effective Solution & Cost Management:** CMAs are adept at comparing the cost-effectiveness of business projects and strategies. Through their analytical skills, they verify the costs, benefits, and capability returns related to unique options. This permits businesses to become aware of the maximum efficient and worthwhile paths to pursue, optimise useful resource allocation, and make certain long-term monetary sustainability.
- **Financial Planning and Analysis:** CMAs carry deep monetary insights to the table, presenting important facts for strategic decision-making. Their expertise in cost analysis, budgeting, and economic forecasting allows them to evaluate the economic viability of numerous options. By comparing capacity risks, opportunities, and economic implications, CMAs assist businesses make informed decisions that align with their long-time period goals.
- **Risk Management:** In today`s business environment, risk manage is crucial. CMAs are adept at identifying, assessing, and coping with financial risks. By carrying out thorough financial assessment and scenario planning, CMAs can help companies mitigate potential risks, protect their financial stability, and make sure commercial enterprise continuity. Their cap potential to enlarge and positioned into impact risk manage strategies is useful in safeguarding an organisation`s long-term viability.
- **Decision Support System:** CMAs conduct comprehensive economic feasibility studies, meticulously examine capacity funding opportunities, and investigate the financial ramifications of numerous business initiatives. Recognising the importance of strategic decision support systems. CMAs turn out to be instrumental in guiding companies in the direction of worthwhile ventures and sustainable growth, making sure long-time period achievement in the ever-changing business landscape.
- **Budget & Forecasting:** CMAs use their expertise to prepare accurate budgets and financial forecasts thru manner of method of analyzing historic data, market trends, and organizational objectives. By analyzing budgeting and forecasting techniques, CMAs contribution to strategic decision-making, resource allocation, and the overall financial stability is vital for organizations.
- **Monitoring Performance:** CMAs play a crucial role in overall performance size and analysis. They make bigger key general overall performance indicators (KPIs), display economic metrics, and observe the outcomes of strategic decisions. Through general overall performance analysis, CMAs offer precious insights into the effectiveness of strategies, permitting organizations to make properly timed changes and optimize overall performance.

- **Tax Planning:** CMAs play a vital role in the process of tax planning which involves the analysis of company's financial situation from a tax efficiency standpoint, with the aim of maximizing company's tax benefits in the most optimal manner. CMAs analyse various tax exemptions, deductions, and benefits in order to minimize company's tax liability over a financial year.
- **Ethics & Professionalism:** CMAs exemplify an unwavering dedication to moral practices, upholding the middle principles of integrity, objectivity, confidentiality, and expert competence. Their moral behaviour serves as a guiding compass in each aspect in their work. Upholding moral standards not only establishes credibility but additionally fosters a tradition of integrity and transparency inside organizations, contributing to long-time period success and sustainability.

Conclusion:

The position of a CMA in today`s business environment is critical for the use of financial success and contributing strategic insights. Besides, with their key obligations encompassing economic planning, price management, budgeting, overall performance management, risk assessment, decision support, and upholding moral standards, CMAs deliver valuable inputs to organizations.

!!!! Behind Every Successful Business Decision, There is always a CMA !!!!

Cost & Management Accountants (CMAs): Driving Efficiency through Technological Advancements

CMA Pradnya Chandorkar
Mob.: 99228 67455 • E-mail: chandorkar.pradnya@gmail.com

In the dynamic landscape of business Cost & Management Accountants have emerged as catalysts for change. CMAs are at the forefront of driving efficiency through the integration of cutting-edge technologies, positioning themselves as key players in the era of digital transformation. In the contemporary business landscape, the role of Cost & Management Accountants (CMAs) is undergoing a transformative shift as they leverage technology to enhance efficiency.

The Regional Cost Convention serves as a platform to celebrate these advancements, showcasing the pivotal role CMAs play in shaping the future of cost management. Recognizing the rapid pace of technological advancements, cost accountants invest in continuous training and skill development. Staying abreast of the latest technologies ensures that they can effectively implement and leverage new tools and techniques in their services.

In the rapidly evolving world of finance, the integration of Artificial Intelligence (AI) has become a transformative force, reshaping the traditional roles of Cost and Management Accountants (CMAs). As organizations strive for efficiency, accuracy, and strategic decision-making, CMAs are embracing AI technologies to elevate their roles and contribute significantly to the financial success of their enterprises.

Moreover, AI enables advanced data analytics, empowering CMAs to extract meaningful patterns and insights from vast datasets. Machine learning algorithms can analyze historical financial data, identify trends, and predict future financial outcomes. This predictive capability is invaluable for budgeting, forecasting, and risk management, allowing CMAs to provide more accurate and timely information to support decision-makers. Machine learning algorithms can identify cost drivers, assess the impact of various factors on costs, and recommend cost-cutting measures. This proactive approach allows organizations to enhance their cost efficiency and maintain a competitive edge in dynamic markets. AI applications, enable CMAs to identify anomalies in financial data. This not only facilitates more accurate forecasting but also empowers CMAs to identify areas for cost optimization and operational efficiency.

Cost accountants develop and implement customized costing models using advanced techniques, such as activity-based costing (ABC) or target costing etc. These models leverage technology to allocate costs more accurately, providing organizations with insights into the profitability of products or services.

One noteworthy aspect is the adoption of cloud-based solutions, enabling real-time collaboration and data accessibility. CMAs leverage technology to facilitate seamless communication and data sharing, breaking down silos within organizations and enhancing overall efficiency in cost management processes.

Blockchain technology has emerged as a game-changer in ensuring transparency and trust in financial transactions. CMAs are at the forefront of integrating blockchain into cost management systems, providing an immutable ledger that enhances control and accountability.

The Regional Cost Convention serves as an avenue to explore these advancements, offering insights into how CMAs are navigating the complex processes of financial control in the digital age. CMAs also actively engage in social responsibility initiatives, aligning cost management strategies with sustainable development goals. From carbon footprint reduction to ethical sourcing practices, CMAs are instrumental in guiding organizations towards a more sustainable future.

However, as AI continues to evolve, CMAs must also adapt to new challenges and responsibilities. The ethical implications of AI in decision-making, data security, and ensuring transparency are paramount concerns. CMAs must play a pivotal role in establishing ethical guidelines for the use of AI in financial management, ensuring that the technology is harnessed responsibly and in alignment with organizational values. As the synergy between AI and CMAs enhances opportunity to lead the way in shaping the future.

As guardians of financial integrity and advocates for ethical, inclusive, and sustainable practices, CMAs are instrumental in shaping a business landscape that goes beyond profit margins. The convention serves as a rallying point for professionals to exchange ideas, showcase successes, and inspire one another to continue the journey toward a socially equitable and sustainable future. This transformative journey of CMAs are leading in the pursuit of excellence in cost management practices.

Digital Transformation and Effective Cost Management

CMA Virendra Chaturvedi
Mob.: 93100 39374 • E-mail: cwaviren@gmail.com

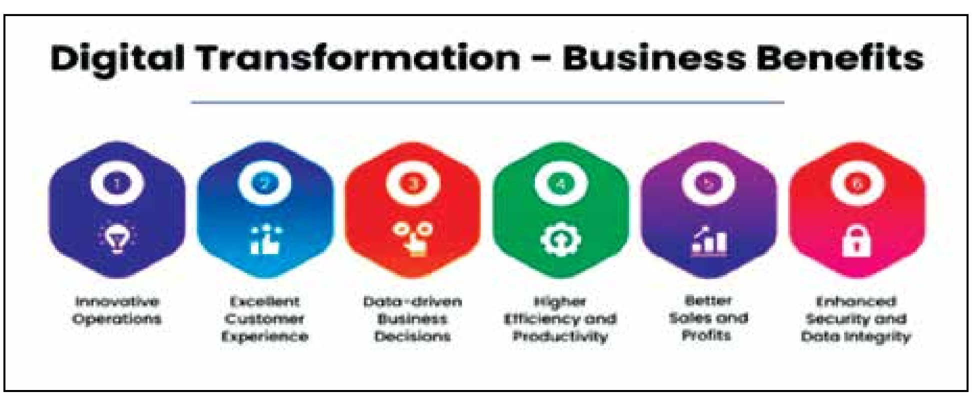
Importance of Cost Management

Cost management is an essential component of any business operation. It helps businesses to identify and control their expenses. It is a challenge for an organization to make it sustainable and profitable. Cost management helps an organization in resource optimization, improved financial planning, better decision making, maximizing profit, and getting competitive. Businesses that implement cost management techniques, more likely to succeed in the long run than those that do not. This is because cost management techniques help businesses to identify areas where they can reduce their costs and improve their efficiency.

Digital transformation and effective cost management

Digital transformation is a God gift in the journey of effective cost management. Where it helps in streamlining processes to fuel better decision-making, it helps to transform cost management strategy and overall business. Organisation can increase productivity, streamline operations and save time significantly. As per one survey digitizing information cut organization costs up to 90%. Human errors can have a vast negative impact that can cost a business Especially when it involves finances, Digital technology reduces the risk of human error. With the development of new technologies, businesses are now able to track their costs more accurately and in real-time and use big data analytics to identify patterns and trends in their costs and make more informed decisions and optimize their costs further.

Digital transformation is essential for businesses to stay competitive in the evolving market. It enables companies to modernize operations, enhance customer experiences, and streamline processes through advanced technologies. It improves communication, productivity and flexibility allowing teams to work smarter, rather than harder, to produce better results for your business. Digital transformation presents numerous cost-saving opportunities for companies.



Boosting sales and customer relations

Sales is the lifeblood of any business. Without sales, companies can't afford to create the products or services that sustain the business. In addition, without customer relations, your company can't make authentic connections with target markets. Digital Transformation improves relationships with customers. Organizations can collect consumer information in a more effective way using technology and AI-driven customer support messaging can answer easy customer questions without the need for a human employee. Social media outreach lets your company introduce potential new buyers to your brand and its message. business attains varied opportunities to connect with the customers and understand their needs and demands.

Decrease reliance on manual labour

By utilizing modern technologies, businesses can automate processes, decrease reliance on manual labor, optimize resource allocation, and minimize operational inefficiencies. Furthermore, the digitization of operations results in reduced paperwork and facilitates more efficient workflows.

Improving Business Process

Digital transformation has the potential to reduce overall costs by improving business processes and operations. Through automation, streamlined workflows, and the adoption of modern technologies, companies can reduce costs associated with manual labor and inefficient processes. Additionally, optimizing workflows, eliminating redundancies, and increasing productivity can result in long-term digital transformation cost savings across different business functions.

Informed Financial Decision and compliances.

Collecting accurate data is an important step in making informed financial decisions. Technology helps in streamline data aggregation, cleansing, and reporting and to ensure accurate information when business leaders review it. These Techniques also help companies uphold financial compliance around reporting and tax filing to avoid any legal concerns.

Reduction in Inventory & Logistic cost

Technology helps in tracking every package from manufacturers to warehouses to point-of-sale destinations. The process is a major contributor to cost efficiency identifying ways to reduce storage costs, improve forecasting, and address triage challenges. It also simplify Process of barcoding and helps you avoid stock outs. Technology helps to get insight into more effective shipping routes, which can reduce wasted fuel, time, and even expiring products.

Role of CMA as an Consultative and Strategic Advisors

The role of accountants has evolved significantly. Gone are the days when accountants were merely responsible for number-crunching and financial reporting. The digital revolution has not only streamlined traditional accounting tasks but has also introduced new opportunities and challenges. As the process of recording and processing financial data has become more automated, Accountants spend less time on routine data entry and more time analyzing financial information to provide valuable insights for decision-makers. Cost & Management accountants have more time to become consultative and strategic advisors to their clients and can provide insights on tax optimization, financial planning, and business growth strategies. This shift toward strategic guidance adds significant value to their clients' businesses.To succeed in this digital landscape, accountants must embrace technology, prioritize data security, and continue learning to provide the valuable insights and expertise that their clients require. The evolving role of cost & Management accountants in a digital world is to drive informed decisions and business success.

Automation and artificial intelligence (AI) have become integral to the Cost & Management accountant toolkit. These technologies help CMA to process vast amounts of data quickly, reduce errors, and identify patterns that might be missed by human accountants. Accountants are now tasked with overseeing and interpreting the outputs of these digital tools, ensuring data accuracy, and applying their expertise to strategic decision-making. Digital tools have enabled real-time reporting, giving businesses immediate access to critical decision making data. CMA role has expanded to providing financial insights and forecasts based on real-time data. It becomes very necessary for a CMA to continue learning and adaptation in the digital world. The rapid pace of technological change demands that accountants stay updated on the latest software, regulations, and industry best practices. This adaptability is essential to remain relevant in the profession.

Conclusion

Cost management is an essential aspect of any business, and it involves managing costs associated with all aspects of a business operation. It is a process of planning, controlling, and reducing expenses to increase profits, efficiency, and competitiveness.

Digital Transformation isn't just an investment in corporate growth; it's also an investment that can accelerate organisation performance and its efficiency. Through digital transformation a company can improve its workflows in a significant way and can save its money. When one organisation streamlines its operations, it can complete the same tasks faster with fewer resources and leaves less room for error or redundancy and helps in cost savings. For example Automation Techniques reduces repetitive tasks like data entry, Cloud databases reduce the time necessary for file sharing — while keeping your data more secure, Collaborative digital Techniques improve internal communication and help replace long meetings with brief check-ins

A cost & Management accountant can help business to reduce overall costs by improving business processes and operations through automation, streamlined workflows, and the adoption of modern technologies. Accountants are now tasked with overseeing and interpreting the outputs of these digital tools, ensuring data accuracy, and applying their expertise to strategic decision-making.

CBA – A facile approach for Minimum Cost & Maximum Efficiency

CMA Simran Godwani
Mob.: 93401 42342 • E-mail: simrangodwani@yahoo.com

Whenever we make a decision, we consider the consequences and impacts of our choices by identifying the advantages and disadvantages. When we need to choose between more than one likely alternative, we will choose the option that gives the immense benefit at the smallest cost. This activity is known as Cost Benefit Analysis.

Consequently, cost-benefit analysis follows a structured decision process – if the social benefits are higher than the social costs then you should accept or undertake the project you are evaluating.

However, the key difference is that cost-benefit analysis does not consider only financial cashflows or transactions attributable to a firm. It considers all relevant costs and benefits irrespective of who bears those impacts.

The Purpose of CBA in the Private and Public Sector

Private Sector

CBA is used in the private sector to identify profitable investments. This also involves capturing benefits such as identifying opportunities for commercial profitability through cash inflows (benefits) or evaluating risks to a firm's reputation or branding derived from harmful activities (costs).

Public Sector

CBA has become an established tool used by governments for making social and economic decisions. It provides a framework that allows governments to effectively allocate their scarce resources. The purpose of CBA in the public sector is to ensure resources are allocated efficiently to the competing priorities of the relevant government policies.

Social Cost-Benefit Analysis

The primary goal of all businesses is to get maximum return on investments. Thus, the promoters prefer to assess commercial viability. There exists major business decision implications that have a major role in socio-economic concerns instead of merely commercial prosperity.

Case Study – A Ban on Plastic Straws: An Informal CBA Approach

In September 2021, the Queensland State Government implemented a ban on single use plastics.

Many cost-benefit analyses have been conducted on the impacts of plastics on the environment. Negative externalities associated with plastic drinking straws, single use plastic bags and even disposable plastic utensils are extensive, clogging the waterway, oceans, and waste facilities leading to environmental damage and pollution.

This issue has been in the forefront of the social sphere over the past 10 years. As consumer preferences successfully shifted away from single use plastics bags, all single use plastics were subsequently banned in Queensland. The state government did not take a formal cost-benefit approach to this decision. Instead, the state government likely weighed up implicit costs and benefits in the decision to ban single use plastics and conducted consultation with the general public.

However, as no formal CBA was conducted, there may be costs and benefits that were not considered. For example, glass bottles are much heavier than plastic which can mean the transportation can be more costly. Alternatively, paper bags are biodegradable, and can be made from renewable sources of trees. However, paper bags require more resources in the production compared to plastic bags – and are more difficult to re-use. The impact of increased use of glass or paper bags were not formally evaluated as part of the policy. Consideration of policies to encourage the reuse and appropriate recycling could be potentially more effective, such as container deposit schemes.

As cost-benefit analysis exists as a method of quantifying the decision-making process to ensure an efficient allocation of resources, we require an analytical measure to help quantify the decision-making process.

How to Weigh Costs vs. Benefits?

Cost-benefit analysis is a systematic method for quantifying and then comparing the total costs to the total expected benefits of undertaking a project or making an investment. If the benefits greatly outweigh the costs, the decision should go ahead; otherwise, it should probably not.

Cost-Benefit Analysis

Pros

- Requires data-driven analysis
- Ensures resources are allocated efficiently
- Identifying opportunities for commercial profitability
- Limits analysis to only the purpose determined in the initial step of the process
- Results in deeper, potentially more reliable findings
- Delivers insights to financial and non-financial outcomes

Cons

- May be unnecessary for smaller projects
- May lead to missed opportunities, as it requires considerable time for analysis & decision making
- Requires capital and resources to gather data and make analysis
- Relies heavily on forecasted figures; if any single critical forecast is off, estimated findings will likely be wrong.

The Cost-Benefit Analysis Process

There is no single universally accepted method of performing a cost-benefit analysis. However, every process usually has some variation of the following five steps.

Identify Project Scope

This initial stage is where the project planning takes place, including the timeline, resources needed, constraints, personnel required, or evaluation techniques. This Stage majorly involves the following :

- Understanding the situation, identifying goals, and creating a framework to mold our scope.
- Identifying the purpose of the cost-benefit analysis

During the project scope development phase, key stakeholders should be identified, notified, and given a chance to provide their input along the process. It may be wise to include those most impacted by the outcome of the analysis depending on the findings.

Determine the Costs

It’s time to start looking at numbers. The second step of a cost-benefit analysis is to determine the project costs. Costs may include the following :

- Direct costs would be direct labor involved in manufacturing, inventory, raw materials, manufacturing expenses.
- Indirect costs would include electricity, overhead costs from management, rent, utilities.
- Intangible costs of a decision, such as the impact on customers, employees, or delivery times.

- Opportunity costs such as alternative investments, or buying a plant versus building one.
- Cost of potential risks such as regulatory risks, competition, and environmental impacts.

When determining costs, it's important to consider whether the expenses are reoccurring or a one-time cost. It's also important to evaluate whether costs are variable or fixed; if they are fixed, consider what step costs and relevant range will impact those costs.

Determine the Benefits

Every project will have different underlying benefits and rewards, which might include the following:

- Higher revenue and sales from increased production.
- Revenue implication on introduction of new product.
- Intangible benefits, such as improved employee safety and morale, as well as customer satisfaction due to enhanced product offerings or faster delivery.
- Competitive advantage or market share gained as a result of the decision.

The analysis should be made taking special care not to underestimate costs or overestimate benefits. A conservative approach with a conscious effort to avoid any subjective tendencies when calculating estimates is best suited when assigning a value to both costs and benefits for a cost-benefit analysis.

Compute Analysis Calculations

With the cost and benefit figures in hand, it's time to perform the analysis. If the benefits are higher than the cost, the project has a net benefit to the company.

Some cost-benefit analysis may further include:

- Applying discount rates to determine the net present value of cashflows.
- Utilizing various discount rates depending on various situations.
- Calculating cost-benefit analysis for multiple options. Each option may have a different cost and different benefit.
- Performing sensitivity analysis to understand how slight changes in estimates may impact outcomes.
- Assessing various Tax implications and tax saving options under various alternatives.

Make Recommendation and Implement

The final step of CBA is to synthesize the above findings to present to the management. This includes concisely summarize the costs, benefits, net impact, and how the finding ultimately support the original purpose of the analysis.

Broadly speaking, if a cost-benefit analysis is positive, the project has more benefits than costs.

What Are the Costs and Benefits of Cost-Benefit Analysis?

The process of doing a cost-benefit analysis itself has its own inherent costs and benefits. The costs involve the time needed to carefully understand and estimate all of the potential benefits and costs. This may also involve money paid to an analyst or consultant to carry out the work. One other potential downside is that various estimates and forecasts are required to build the cost-benefit analysis, and these assumptions may prove to be wrong or even biased.

The benefits of a cost-benefit analysis, if done correctly and with accurate assumptions, are to provide a good guide for decision-making that can be standardized and quantified. If the cost-benefit analysis of doing a cost-benefit analysis is positive, we should accept it !

The Bottom Line

A company can use cost-benefit analysis when it isn't abundantly clear whether or not to pursue an undertaking. By determining the expenses and identifying what will be favorable, a company can simplify the decision-making process by synthesizing a cost-benefit analysis.

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The Role of Technology in Cost Accounting & Cost Control

CMA Shweta Jitendrabhai Shah
Mob.: 97252 46638 • E-mail: shah_shweta89@yahoo.in

In today's fast-paced business environment, cost accounting plays a critical role in ensuring that a company's operations are profitable and sustainable in the long run. With the arrival of technology, cost accounting has undergone a significant transformation, enabling companies to streamline their processes and achieve greater accuracy in their cost allocation.

In the area of cost control also, technology plays a crucial role in streamlining processes, reducing expenses, and ultimately helping businesses stay in the green.

1. Automation of Processes:

One of the most significant benefits of technology in cost accounting is the automation of processes. With the use of software applications and tools, companies can automate various tasks that were previously done manually, such as data entry, record-keeping, and reporting. This not only saves time and effort but also reduces the chances of errors and inaccuracies. For instance, the use of cloud-based accounting software can automate the process of recording transactions and generating financial reports, making it easier for companies to track their expenses and revenues.

These systems can also generate real-time financial reports, allowing businesses to monitor their expenses and identify areas where costs can be minimized.

2. Data Analytics:

Technology has impacted cost accounting is by enabling companies to analyse large amounts of data quickly and efficiently. With the help of data analytics tools, companies can gain insights into their costs, revenues, and profitability, allowing them to make informed decisions.

Businesses can gain valuable insights into their operations, customer behaviour, and market trends. This enables them to make informed decisions that optimize costs and improve efficiency. For example, analysing sales data can help identify product lines or services that are not performing well, allowing businesses to cut unnecessary expenses and focus on more profitable areas.

3. Integration of Systems:

Technology has also enabled companies to integrate their various systems, such as accounting, inventory management, and production, into a single platform. This integration allows for the seamless flow of information across different departments, making it easier for companies to track their costs and allocate them accurately. For instance, an integrated system can help companies track their inventory levels and production costs, allowing them to calculate the cost of goods sold accurately.

4. Cloud Computing and Storage

Cloud computing has revolutionized the way businesses store and access data. By utilizing cloud-based storage solutions, companies can reduce the need for physical servers, which require maintenance and incur high upfront costs. Cloud storage not only provides a more secure and scalable option but also eliminates the expenses associated with hardware upgrades and data backup systems.

For example, instead of investing in expensive in-house servers, a small business can opt for cloud-based accounting software. This not only saves on hardware and maintenance costs but also allows access to financial data from anywhere, improving efficiency and reducing the risk of data loss.

5. Virtual Meetings and Collaboration Tools

In today's globalized world, businesses often operate on a multinational scale, leading to increased travel expenses for face-to-face meetings. However, technology has bridged this gap by offering virtual meeting and collaboration tools. With video conferencing platforms and project management software, teams can collaborate effectively without the need for extensive travel, reducing costs associated with transportation, accommodation, and other related expenses.

6. Digital Marketing

Traditional marketing methods such as print advertisements and billboards can be costly, especially for small businesses with limited budgets. Embracing digital marketing techniques and leveraging social media platforms can be a game-changer in terms of cost control. With targeted online advertising, businesses can reach their desired audience at a fraction of the cost of traditional advertising. Social media platforms also provide an excellent opportunity to engage with customers, build brand loyalty, and increase sales, all while keeping marketing expenses in check.

7. Real-time Reporting:

Real-time reporting is another benefit of technology in cost accounting. With the use of cloud-based accounting software, companies can access their financial data in real-time, allowing them to make informed decisions quickly. Real-time reporting also enables companies to identify potential issues before they become major problems, allowing them to take corrective action promptly.

8. Mobile Applications:

Technology has enabled companies to access their financial data on-the-go. With the use of mobile applications, companies can access their accounting software from anywhere, allowing them to stay on top of their finances even when they are on the move. This mobile access also enables companies to respond quickly to changes in the market or customer demands, ensuring that they remain competitive.

Technology has played a critical role in transforming cost accounting, enabling companies to achieve greater accuracy and efficiency in their cost allocation. From automation of processes to real-time reporting, technology has provided companies with the tools they need to make informed decisions and stay competitive in today's fast-paced business environment. As such, it is essential for companies to embrace technology and leverage its benefits to achieve their financial goals.

Technology plays a vital role in cost control by streamlining processes, reducing expenses, and improving efficiency. Whether through automated systems, cloud computing, virtual meetings, digital marketing, or data analytics, businesses can leverage technology to their advantage and stay in the green. By embracing these technological advancements, companies can make smarter decisions that optimize costs, improve their bottom line, and stay competitive in today's rapidly evolving business landscape.

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Blockchain Technology: The Key to Enhanced Cost Accounting & Control Systems

CMA Sudeep Saxena
Mob.: 88896 62334 • E-mail: saxenasudeep.icwa@gmail.com

Blockchain technology, renowned for its role in cryptocurrency transactions, is poised to revolutionize the traditional cost accounting systems. These systems, which are crucial for the accurate calculation and control of costs, stand to benefit immensely from blockchain's inherent features of transparency, immutability, and security. This article delves into how blockchain technology can enhance cost accounting systems, focusing on its potential to provide in-depth analysis, improve control mechanisms, and revolutionize data handling.

In the realm of business, cost accounting plays a paramount role in understanding an organization's profitability. Traditional practices, however, have often struggled with ensuring accurate data and maintaining effective controls. That may be about to change; blockchain technology is positioned to revolutionize the way cost accounting systems operate, offering unprecedented levels of accuracy, transparency, and control.

Control is equally vital in cost systems. A cost, once overlooked, cannot be recovered after the product is sold. Inefficient tracking mechanisms create vulnerabilities that erode profit margins. Effective control, enabled by reliable data, allows businesses to identify areas for improvement and implement measures to reduce waste and optimize costs

In-Depth Analysis in Costing

Costing is not just about numbers; it's an intricate process that requires a detailed examination of every factor contributing to the cost of producing goods or services. Traditional systems, while effective to an extent, often struggle with the volume, variety, and velocity of data needed for comprehensive analysis. Blockchain technology, with its capacity to handle vast amounts of data securely and transparently, offers a robust solution. By integrating blockchain into cost accounting systems, companies can ensure that every transaction, no matter how small, is recorded in a tamper-proof ledger. This capability not only facilitates more accurate cost calculations but also enables a deeper analysis of cost drivers, leading to more informed decision-making.

The Challenge: Reliable Data for Accurate Costing

The heart of effective costing lies in comprehensive data. Traditional cost accounting systems often rely on manual data entry, spreadsheets, and disparate databases. This introduces multiple sources of error and makes it hard to trace data back to its origin, undermining the integrity of the cost analysis. Moreover, the fragmented nature of traditional systems increases the risk of data manipulation, hindering the transparency needed for control purposes. This is where blockchain technology offers a game-changing solution.

The Role of Control in Cost Systems

Control is the backbone of effective cost management. Without stringent control measures, it's easy for costs to spiral out of control, eroding profit margins. Traditional cost accounting systems often rely on periodic audits and checks to maintain control. However, these measures can be reactive rather than proactive, identifying issues after they have already impacted the financials. Blockchain technology introduces a paradigm shift by enabling real-time monitoring of transactions. Every entry on a blockchain ledger is verified and recorded instantly across multiple nodes, making it nearly impossible for discrepancies to go unnoticed. This level of control ensures that cost systems are always accurate and up to date, allowing for immediate corrective actions when necessary.

The Irrecoverability of Missed Costs

A fundamental challenge in cost accounting is the permanence of errors. Once a product is sold, any costs that were not accurately accounted for cannot be recovered. This issue underscores the need for precision in cost accounting systems. Blockchain technology addresses this challenge head-on. Its immutable ledger ensures that once a transaction is recorded, it cannot be altered or deleted. This permanence acts as a safeguard against missed costs, as every transaction from raw material procurement to final product sale is permanently documented. This comprehensive record-keeping not only minimizes the risk of missed costs but also provides a reliable audit trail for financial analysis and reporting.

Blockchain's Role in Data Utilization for Cost Control

Effective control mechanisms in cost accounting are heavily reliant on the extensive use of data. The more information a company has about its operations, the better it can manage and control costs. However, the sheer volume and complexity of data can overwhelm traditional systems, leading to inefficiencies and inaccuracies. Blockchain technology, with its decentralized nature, offers a solution by facilitating the secure and efficient sharing of data across the network. Each participant in the blockchain can access real-time data, ensuring that everyone has the same information at the same time. This capability not only enhances transparency but also improves the accuracy and reliability of cost control mechanisms.

Revolutionising Data Handling for Costing Systems

Blockchain technology has the potential to fundamentally change how data is handled in cost accounting systems. In traditional systems, data is often siloed within different departments or systems, making it difficult to obtain a holistic view of costs. Blockchain's distributed ledger technology allows for the integration of data across the entire value chain, from suppliers to customers. This integrated approach ensures that all relevant cost data is available in one place, streamlining the costing process. Furthermore, blockchain's smart contracts can automate many of the transactions and calculations involved in cost accounting, reducing the potential for human error and increasing efficiency.

Enter Blockchain: A Decentralized Ledger for Reliable Data

Blockchain functions as a distributed, immutable ledger. Here's how this technology can transform cost accounting systems:

- **Immutable Records:** Each transaction on a blockchain is cryptographically secured, creating an unalterable record that cannot be tampered with. This guarantees the integrity of cost data and simplifies the auditing process
- **Transparency:** Blockchains create a shared ledger visible to authorized participants. This ensures everyone is working from the same verifiable information, enhancing collaboration and minimizing the potential for fraud or accidental errors
- **Automated Data Entry:** Smart contracts, self-executing contracts on a blockchain, can automate data collection and updates. This reduces manual effort, minimizes errors, and frees up accounting professionals for higher-value, strategic tasks
- **Real-time Tracking:** Blockchain systems enable live tracking of cost data, allowing for immediate adjustments to production processes if needed. This dynamic data stream ensures proactive instead of reactive management.

Practical Examples: Blockchain-powered Costing

The potential of blockchain to improve cost accounting systems goes beyond theory. Here are a few real-world use cases highlighting its benefits:

- **Supply Chain Optimization:** Blockchain enables the tracking of raw materials across complex supply chains. This provides greater accuracy in costing and better insights into sourcing decisions
- **Real-Time Inventory Management:** Blockchain-enabled inventory systems offer real-time, transparent views of stock levels and associated costs. Businesses can optimize inventory holding costs while avoiding costly stockouts
- **Enhanced Overhead Allocation:** Blockchain can help precisely track indirect costs and allocate them to products accordingly, leading to more reliable cost assessments and enhanced pricing models
- **Activity-Based Costing:** Blockchain can support precise tracking of activities, resources, and their associated costs. Businesses can accurately measure the cost drivers, improving the understanding and efficiency of processes.

Challenges and Considerations

While the potential of blockchain for cost accounting is undeniable, certain challenges and considerations must be addressed during implementation:

- **Adoption and Integration:** Organizations will need to integrate blockchain systems with their existing systems and processes, which may require substantial changes.
- **Scalability:** Blockchain solutions must be scalable enough to meet the growing needs of a company as it expands its operations

- **Regulation:** Clear regulatory frameworks for blockchain-based accounting systems are still evolving
- **Skillsets:** Accounting professionals will need to become acquainted with blockchain applications and their implications for cost accounting

The Future: Blockchain and Cost Transformation

Blockchain technology promises to unlock a new era in cost accounting by delivering increased reliability, transparency, automation, and real-time control. The advantages are substantial, with the potential to improve profitability, optimize processes, and gain competitive advantages. As blockchain continues to mature and adoption increases, its role in shaping the future of cost accounting will grow undeniably.

Conclusion

Blockchain technology is set to transform the landscape of cost accounting systems. Its ability to provide in-depth analysis, improve control mechanisms, ensure the accuracy of costs, and revolutionize data handling addresses many of the challenges faced by traditional systems. As blockchain technology continues to evolve and mature, its integration into cost accounting systems will likely become more prevalent, offering businesses a more accurate, efficient, and secure method of managing their costs. The journey towards blockchain-enabled cost accounting systems is just beginning, but its potential benefits are clear, heralding a new era of financial management and control.

Importance of Bifurcation of Cost into Variable and Fixed Cost for Proper Decision Making

CMA Rajesh Kapadia
Mob.: 99090 29382 • E-mail: rajeshanita2007@yahoo.com

It is imperative for the management to bifurcate its cost structure into Variable Cost (Annexure I) and Fixed Cost (Annexure II) to enable it to take proper pricing decisions through Product Cost Sheet (Annexure III) and Product Profitability Statement (Annexure IV) which will get emanated through Annexure I & II.

Product Pricing Decision is important for :

1) Survival and Growth
2) Top Line & Bottom Line

Product Profitability Statement as mentioned in Annexure IV will enable the management for appropriate Product Pricing Decisions :

1) Products having good profitability
2) Products having good contribution but not good profitability (Profitability is +ve)
3) Products having contribution but not good enough to cover fixed cost
4) Products having -ve contribution, covering raw material cost but not being able to cover utilities, packing material and other variable cost, if any.
5) Products having -ve contribution not being able to cover even raw material cost

In the above mentioned situations, management may take appropriate pricing decisions on the basis of Product Profitability Statement as mentioned below :

1) It is an ideal situation.
   So no need to play with the Pricing Decisions.
2) Management may try to push up either volume or price or both
3) Management may try to push Selling Price and also may look at optimising the major cost components
4) Management may try to :
   - Push selling price and also
   - May look at optimising the major cost component

   In addition, management may look at the following options :
   - To continue its production if management would like to continue its presence in the market

   In this situation, volume should be kept as low as possible.
5) Same as above 4)

So, it can be seen that from what is stated above that with the help of Product Profitability Statement, management can take appropriate pricing decision :

1) To Survive and Grow
2) To achieve the desired Top Line and & Bottom Line.

Annexure I – Variable Cost

SR NO	PARTICULARS	THESE COST ELEMENTS ARE RELATED TO VOLUME OF PRODUCTION. THEY HAVE GOT LINEAR OR SEMI-LINEAR RELATIONSHIP WITH VOLUME OF PRODUCTION
1	RAW MATERIALS	
2	UTILITIES LIKE – ELECTRICITY, STEAM, COOLING WATER ETC	
3	JOB WORK CHARGES	
4	NATURAL GAS	
5	PACKING MATERAL	

Annexure II – Fixed Cost

1	CONSUMABLE STORES	THESE COST ELEMENTS ARE PERIOD COST. THEY ARE INDEPENDENT OF VOLUME OF PRODUCTION
2	REPAIRS COST	
3	EMPLOYEE COST	
4	DEPRECIATION	
5	INSURANCE	
6	INTEREST	
7	OVERHEADS	

ANNEXURE III – Product Cost Sheet

Sr. No.	PARTICULARS	ACTUAL FOR CY			ACTUAL FOR PY		
	Production (MT) :	Rs Lacs	Rs / MT	%	Rs Lacs	Rs / MT	%
(A)	VARIABLE COST						
1	Raw Material Consumption						
2	Electricity Charges						
3	Other Utilities						
4	Natural Gas						
5	Packing Material Consumption						
6	JOB WORK CHARGES						
7	Total Variable Cost						
(B)	Fixed Cost						
1	Stores Expenses						
2	Repairs Expenses						
3	Employee Cost						
4	Interest						
5	Depreciation						
6	Insurance						
7	Factory Overheads						
8	Corporate Overheads						
9	Selling Overheads						
10	Total Fixed Cost						
(C)	Total Cost (A+B)						

ANNEXURE IV

MIS Report showing Product wise Gross Margin, Contribution and Net Margin

PRODUCTS	SALES VALUE	RAW MATERIALS COST	GROSS MARGIN	OTHER VARIABLE COST	CONTRIBUTION	FIXED COST	NET MARGIN
	RS MT	RS MT	RS MT	RS MT	RS MT	RS MT	RS MT
1	2	3	4=2-3	5	6=4-5	7	8=6-7
PRODUCT 1							
PRODUCT 2							
PRODUCT 3							
PRODUCT 4							
PRODUCT 5							
PRODUCT 6							
PRODUCT 7							

AI Revolutionizing Role of Finance Professional; How CMAs Can Leverage the Future

CMA Hrushikesh Shrotriya

Mob.: 93703 15272 • E-mail: hvshrotriya@gmail.com

Artificial Intelligence or AI is a new field that is now referred to as "weak AI" (due to/with limitations). Humans across the world are working to build strong AI, which will be the future of artificial intelligence. Today, AI can only defeat humans in a few particular skills, but it is believed that in the future, AI will be able to beat humans in all cognitive tasks. It will undoubtedly have both positive and negative implications.

The cost & financial management financial landscape is undergoing a seismic shift, driven by the ever-evolving power of artificial intelligence (AI). We all remember usage of Emerging Technologies was once confined to science fiction & cartoon films in past. Today AI is now transforming how finance professionals approach tasks, analyze data, and make decisions. We belong to a large network of Cost & Finance Management professionals; it has now become a need to understand how can finance professionals will use AI for personal & team growth.

The immediate low hanging fruits from this ever-growing platform has these clear first mover winners and capabilities that AI can empower us:

- **Enhanced Data Analysis and Decision-Making:** AI algorithms can process and analyze vast datasets, finding patterns, anomalies, and trends that humans might miss. This empowers professionals to make data-driven decisions on investments, risk assessments and financial forecasting with greater accuracy and efficiency.
- **Streamlined Operations and Automation:** AI can automate repetitive and time-consuming tasks like data entry, reconciliation, and reporting. This frees up valuable time and resources for professionals to focus on more strategic and analytical tasks, improving overall productivity and efficiency.
- **Personalized Customer Experience:** AI-powered chatbots and virtual assistants can provide personalized financial advice and support to customers 24/7. This enhances customer engagement, satisfaction, and loyalty, leading to a competitive advantage.
- **Fraud Detection and Risk Management:** AI algorithms can analyze vast amounts of financial data to detect fraudulent activity and potential risks in real-time. This helps to mitigate losses and protect financial institutions and their clients.
- **Algorithmic Trading and Portfolio Management:** AI can analyze market data and news feeds to identify trading opportunities and automate investment decisions based on predefined parameters. This can improve portfolio performance and optimize returns.
- **Regulatory Compliance and Reporting:** AI can automate the process of collecting, analyzing, and reporting financial data for compliance purposes. This reduces the risk of errors and ensures adherence to regulations, saving time and resources.
- **Credit Scoring and Lending Decisions:** AI can analyze creditworthiness and predict loan defaults with greater accuracy than traditional methods. This allows lenders to make better lending decisions, expand access to credit, and manage risk more effectively.
- **Cybersecurity and Data Protection:** AI can detect and respond to cyber threats in real-time, protecting sensitive financial data from breaches and unauthorized access. This strengthens cybersecurity defenses and ensures data privacy.
- **Personalized Financial Planning:** AI-powered tools can analyze individual financial data and goals to provide personalized financial planning advice. This helps individuals make informed financial decisions and achieve their financial goals more effectively.
- **Democratization of Financial Services:** AI-powered platforms can offer financial services and products to previously underserved populations. This promotes financial inclusion and empowers individuals to manage their finances more effectively.

AI has already arrived & is embracing the Future of Finance Professional

While AI presents immense opportunities, it is crucial to remember that it is a tool, not a replacement for human expertise and judgment. Finance professionals should focus on developing complementary skills, such as critical thinking, problem-solving, and ethical decision-making, to leverage AI effectively and navigate the evolving financial landscape with confidence. This article provides a starting point for understanding how AI is transforming the financial industry. As AI continues to evolve, finance professionals who embrace and adapt to these changes will be well-positioned to thrive in the future.

While AI offers numerous benefits, it is crucial for Cost & Finance Professionals to approach it with a strategic mindset. Here are some tips for AI adoption at workplace:

- **Develop your understanding of AI:** Familiarize yourself with the different types of AI and how they can be applied in an accounting context.
- **Identify opportunities for integration:** Look for AI-powered tools and solutions that can seamlessly integrate with your existing workflow and address your specific needs.
- **Upskill and adapt:** Invest in training and development opportunities to stay ahead of the curve and acquire the skills necessary to leverage AI effectively.
- **Focus on the human touch:** Remember that AI is a tool, not a replacement for human expertise. Use AI to augment your skills and focus on providing the strategic insights and personalized services that clients value most.

The future of Cost accounting & Financial Management Function is undoubtedly interwoven with AI. By embracing this technology and adapting their skillsets, accounting professionals can unlock new opportunities, enhance their value proposition, and thrive in the evolving digital landscape.

"Are you geared up for AI for Future?" is the question to Answer.

Entrepreneurial Finance and its fundamental relevant issues in the indian context

CMA (Dr.) Roop Kishore Singhal & Prof. Girish Naik
Mob.: 87884 56287/96650 16146 • E-mail: roopkishoresinghal@gmail.com

Entrepreneurial finance refers to the financial aspects and strategies involved in starting, managing, and growing a new business or venture. It encompasses the various financial decisions and activities that entrepreneurs undertake to raise, allocate, and manage capital to support their business objectives. Here are some key aspects of entrepreneurial finance:

1. **Capital Raising:**
   - Entrepreneurs often need to secure funding to start or expand their ventures. This can be achieved through various means, including personal savings, loans, angel investors, venture capital, crowd funding, and government grants.
2. **Financial Planning:**
   - Creating a detailed financial plan is crucial for entrepreneurs. This involves forecasting revenues, estimating expenses, and projecting cash flows. A well-structured financial plan helps in making informed decisions and attracting potential investors.
3. **Bootstrapping:**
   - Bootstrapping refers to the practice of starting and growing a business with minimal external funding. Entrepreneurs may use personal savings, revenue generated by the business, and other creative ways to sustain and grow their ventures without relying heavily on external financing.
4. **Risk Management:**
   - Entrepreneurs face various risks, including market uncertainties, competition, and financial challenges. Effective risk management involves identifying potential risks, developing strategies to mitigate them, and having contingency plans in place.
5. **Financial Management:**
   - Entrepreneurs need to efficiently manage their finances to ensure the sustainability of their businesses. This includes managing working capital, optimizing cash flow, and making informed decisions regarding investments and expenses.
6. **Valuation:**
   - Determining the value of a startup or small business is essential, especially when seeking external funding or negotiating with potential investors. Valuation methods may include discounted cash flow (DCF), comparable company analysis (CCA), and precedent transactions.
7. **Exit Strategies:**
   - Entrepreneurs need to plan for potential exit strategies, such as selling the business, merging with another company, or going public through an initial public offering (IPO). Having a well-defined exit strategy is important for maximizing returns for investors and stakeholders.
8. **Financial Reporting and Compliance:**
   - Entrepreneurs must adhere to financial reporting standards and comply with relevant regulations. Proper financial reporting enhances transparency and builds trust with investors, creditors, and other stakeholders.
9. **Investor Relations:**
   - For ventures that secure external funding, maintaining strong relationships with investors is crucial. Communication, transparency, and delivering on promises are essential components of effective investor relations.

Entrepreneurial finance requires a blend of financial acumen, strategic thinking, and risk management skills. Successful entrepreneurs understand how to navigate the financial landscape to ensure the growth and sustainability of their ventures.

In the context of entrepreneurial finance in India, several issues are particularly relevant due to the country's unique economic, regulatory, and cultural landscape. Here are some fundamental issues that entrepreneurs often face in the Indian entrepreneurial finance ecosystem:

1. Limited Access to Formal Funding:

- Many entrepreneurs in India face challenges in accessing formal sources of funding, such as bank loans or venture capital. This is especially true for early-stage startups, and the lack of collateral and credit history can be significant barriers.

2. Dependency on Informal Funding:

- Due to the challenges in accessing formal funding, entrepreneurs often rely on informal sources, such as family and friends. While this can provide initial support, it may not be sufficient for scaling the business.

3. Risk Aversion and Cultural Factors:

- Indian investors, including venture capitalists and angel investors, have historically been perceived as risk-averse. This cautious approach can make it challenging for entrepreneurs with innovative or high-risk ventures to secure funding.

4. Regulatory Complexity:

- Regulatory processes in India can be complex and time-consuming, affecting entrepreneurs' ability to raise funds quickly. Navigating through various compliance requirements and regulatory hurdles poses a challenge, particularly for startups.

5. Lack of Exit Opportunities:

- The Indian entrepreneurial ecosystem historically had limited exit opportunities for investors, such as through initial public offerings (IPOs) or acquisitions. This lack of exit options can deter potential investors, impacting the overall funding landscape.

6. Educational Gaps:

- Entrepreneurial education and financial literacy among entrepreneurs may be inadequate. This lack of knowledge can hinder entrepreneurs in preparing robust business plans, understanding various financing options, and effectively managing their finances.

7. Infrastructure Challenges:

- In certain sectors, infrastructure challenges can impact the scalability of ventures. Entrepreneurs in areas such as logistics, transportation, and energy may face additional hurdles in securing funding due to these infrastructural constraints.

8. Government Policy and Support:

- While the Indian government has introduced various initiatives to support entrepreneurship, the effectiveness and accessibility of these policies can vary. Entrepreneurs may face challenges in navigating bureaucratic processes and ensuring they can benefit from available schemes.

9. Market Fragmentation:

- The Indian market is diverse and fragmented, with regional variations in terms of culture, language, and business practices. Entrepreneurs may encounter difficulties in scaling their businesses across different states or regions.

10. Technology Adoption:

- The rate of technology adoption in certain sectors may vary, and entrepreneurs relying on innovative technologies may face challenges in convincing investors and customers to embrace new solutions.

Addressing these issues requires a collaborative effort from entrepreneurs, investors, policymakers, and other stakeholders. Initiatives that focus on improving financial literacy, streamlining regulatory processes, and fostering a more risk-tolerant investment environment can contribute to a more vibrant entrepreneurial finance ecosystem in India.

Conclusion:

In conclusion, entrepreneurial finance plays a pivotal role in shaping the success and sustainability of ventures, serving as the lifeblood that fuels innovation, growth, and economic development. Entrepreneurs navigate a dynamic financial landscape, making critical decisions that impact their ability to start, scale, and ultimately thrive in the competitive business environment.

The key takeaways from the discussion on entrepreneurial finance include:

Diverse Funding Sources: Entrepreneurs must explore a variety of funding sources, ranging from personal savings and angel investors to venture capital and crowd funding. Diversifying funding streams enhances financial resilience and flexibility. Strategic Financial Planning: Developing a robust financial plan is essential for entrepreneurs to guide their ventures. Forecasting revenues, managing expenses, and projecting cash flows empower entrepreneurs to make informed decisions and attract external funding. Risk Management: Effective risk management is crucial in mitigating uncertainties inherent in entrepreneurship. Entrepreneurs must identify, assess, and proactively address risks to ensure the long-term viability of their ventures. Financial Management Skills: Entrepreneurs need strong financial management skills to optimize cash flow, manage working capital efficiently, and make sound investment decisions. These skills contribute to the overall health and sustainability of the business.

Valuation and Investor Relations: Valuation is a critical aspect, especially when seeking external funding. Entrepreneurs should understand various valuation methods and maintain transparent communication with investors to build trust and secure ongoing support. Exit Strategies: Entrepreneurs should plan for exit strategies from the early stages of their ventures. Having well-defined exit plans, whether through a sale, merger, or IPO, enhances the attractiveness of the venture to investors. Cultural and Regional Considerations: Entrepreneurial finance is influenced by cultural, regional, and economic factors. Entrepreneurs must adapt their financial strategies to the specific challenges and opportunities within their operating environment.

Government Support and Policies: Entrepreneurs benefit from supportive government policies that foster a conducive ecosystem for innovation and business growth. Advocacy for policies that streamline regulatory processes and provide financial incentives can contribute to a thriving entrepreneurial environment. Continual Learning and Adaptation: Given the dynamic nature of entrepreneurial finance, entrepreneurs must embrace a mindset of continual learning and adaptation. Staying informed about market trends, financial innovations, and regulatory changes is crucial for sustained success. Collaboration and Ecosystem Building: Building a strong network and collaborating with stakeholders such as investors, mentors, and fellow entrepreneurs is essential. A supportive ecosystem enhances access to resources, expertise, and opportunities.

In essence, entrepreneurial finance is a multifaceted journey that requires a combination of financial acumen, strategic thinking, resilience, and adaptability. Successful entrepreneurs master the art of balancing risk and reward, leveraging financial resources effectively, and navigating the complexities of the business landscape to achieve their goals.

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Green India: A Central Government Initiative and the Impact of VAT on Sustainable Energy Solutions

Shri Rajesh Jain,
Director -Commercial, Aavantika Gas Limited

The escalating challenges of air pollution and greenhouse gas emissions underscore the urgent need for sustainable energy solutions. A cleaner, greener source of energy is imperative for the well-being of current and future generations. In this context, Aavantika Gas Limited (AGL), a joint venture of GAIL and HPCL, emerges as a pioneering City Gas Distribution company in Madhya Pradesh, authorized by the Petroleum and Natural Gas Regulatory Board (PNGRB) to supply Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) in key cities such as Indore, Ujjain, Gwalior and Pithampur. Embracing the Government of India's vision, AGL is committed to the ambitious aim of contributing towards achieving net-zero carbon emissions by 2070 and enhancing the share of natural gas in India's energy matrix to 15% by 2030.

Decarbonization through Gas-Based Vehicles

With the transportation, domestic, and industrial sectors being significant contributors to national energy consumption and emissions, the pursuit of decarbonization has become increasingly important. Acknowledging this, AGL champions the cause of decarbonization with a focus on gas-based vehicles (GBVs) including CNG, CBG, and LNG variants, recognizing their potential to support both environmental sustainability and economic growth. The development of the City Gas Distribution (CGD) network is crucial for ensuring widespread availability of natural gas for domestic, industrial and transport use, thereby reducing reliance on polluting energy sources and enhancing the quality of life. From 2014 to 2023 AGL has expanded its network by 65% with 1,20,000 Domestic Connections, 104 CNG stations, more than 500 Industries and 350 Commercial connections in the authorized area. This network expansion highlights AGL's concerted efforts to align with India's environmental objectives and underscores the government's dedication to fostering growth in this sector. This effort is complemented by Original Equipment Manufacturers (OEMs) who are expanding their portfolios of gas-based vehicles and enhancing fuel efficiency, in response to growing consumer demand for eco-friendly transportation and the government's encouragement of cleaner fuel alternatives.

Navigating the VAT Landscape

In the context of AGL mission to enhance sustainable energy use, the imposition of a Value Added Tax (VAT) on natural gas, currently set at 14%—ranking as the fourth highest in India—presents a significant challenge. This tax rate directly impacts the cost of natural gas supplied to end customers, with the retail prices of CNG and PNG being shaped by various factors including the basic cost of gas, tariffs for transmission infrastructure, costs associated with compression and distribution, profit margins, and notably, by excise duties and state VAT.

In recent times, several states have revisited and revised their VAT policies to better support the utilization of CNG/PNG. For instance, Andhra Pradesh reduced its VAT from 28% to 5%, Gujarat brought its VAT down from 15% to 5%, and West Bengal has exempted CNG vehicles from the Motor Vehicle Tax. Maharashtra and Kerala have also made significant adjustments, reducing VAT on CNG/PNG to 3% and 5% respectively. This recalibration of tax policies underscores the urgent need for Madhya Pradesh, India's second-largest state, to re-evaluate its own tax structures. Such revisions would not only bolster the development of the gas economy but also, reciprocally, enrich the state's economic landscape.

Potential of Gas Infrastructure

The investments channelled into gas infrastructure thus far have not only facilitated the expansion of this sector but have also spurred job creation, promising the generation of numerous direct and indirect employment opportunities through to FY 30. This growth trajectory benefits not just the energy sector but also stimulates ancillary industries including equipment manufacturing, service provision, and maintenance, providing a fertile ground for Micro, Small, and Medium Enterprises (MSMEs) to innovate and localize the production of high demand advanced technological components like next-generation gas cylinders.

Furthermore, the automotive market is currently witnessing an expansion in the range of gas-based vehicle variants, with around 100 models across various segments and many more anticipated, signalling a pivotal shift towards cleaner mobility solutions. These efforts are further complemented by ongoing technological advancements in gas-based leading to remarkable improvements in fuel efficiency. The recent collaborative efforts between Original Equipment Manufacturers (OEMs) and component makers aimed at localizing the production of advanced gas-based vehicle components are a clear testament to the industry's commitment to the shift to sustainable transportation.

Towards a Synergistic Policy Framework

With the industry poised to surpass one million gas-based vehicle sales in FY 24, and with gas-based and electrified vehicles together driving the transition to clean mobility, the case for lowering the tax burden on natural gas becomes even more compelling. A reduced tax rate would alleviate the financial pressures on companies, encourage a broader transition to cleaner, more sustainable energy sources across various sectors, and attract more business investment to Madhya Pradesh. This, in turn, would significantly decrease manufacturing costs and enhance the competitive edge of MP-based businesses in relation to their counterparts in other states,

The envisioned future for Madhya Pradesh's gas ecosystem hinges on the adoption of policy and regulatory frameworks that are not only conducive but also supportive of the state's economic growth, GDP objectives, and the ambitious net zero target set for 2070. A pivotal factor in realizing this vision is the recalibration of the VAT on natural gas. A reduction in VAT is anticipated to catalyse a series of positive outcomes: an upsurge in gas sales, enhanced GST collections from CNG vehicles and their retrofitting, and a substantial boost to the development of pipeline infrastructure. Such measures are expected not only to augment employment opportunities but also to invigorate City Gas Distribution (CGD) entities and industries, encouraging the consumption of locally produced natural gas within the state.

Moreover, a more favourable VAT landscape could act as a beacon for new investments, particularly in LNG terminals, potentially unlocking additional GST revenues through activities such as regasification and LNG loading. This strategic move towards rationalizing tax rates is poised to cultivate a robust gas-based economy, appealing to a broad spectrum of industrial clients, including multinational corporations—Japanese firms among them—currently prioritizing carbon emission reductions.

AGL remains steadfast in its commitment to Madhya Pradesh, having already infused over 700 crore INR into the state's economy. With a supportive policy environment and optimized tax structures, AGL is poised to spearhead the creation of an ecosystem that not only benefits the state and its community at large but also aligns with global sustainability goals.

This holistic and integrated approach towards a future of gas-based mobility underscores a broader commitment to transforming India's energy and transportation landscapes. By transitioning towards cleaner, more efficient, and sustainable fuel options, Madhya Pradesh is set to play a pivotal role in charting a course for environmental stewardship and sustainable development, mirroring national aspirations and contributing to a greener planet fostering a more vibrant, sustainable, and economically prosperous future.

The New India Assurance Co. Ltd.

"India's Health Insurance System - A Social Dilemma"

DR. SHRAVAN KUMAR MAMIDI
Administrative Officer (Medical), Health Insurance Department,
The New India Assurance Co.Ltd.

It is so natural and common for every living being to fall sick at one point of life. In the case of humans, due to our intellect , we always tried to find remedies and cures for sickness and diseases . With the evolution of modern medicine, the treatment became universal and uniform but it is still in the expensive arena only. The health system also started to grow in favor of the wealthy and the poor became marginalized in terms of accessibility to modern medicine with affordable cost. In developing countries like India, where poverty is widely prevalent and hunger deaths are still common, it is so absurd to dream about the idea of Health For All.

Though the term "insurance" was so common for centuries in India, still it is not fully understood by a common man. Even in the current advanced technology era, the concept of insurance is not only ambiguous but also an enigmatic subject. With this mysterious background, in the year 1986, the Indian Insurance Industry successfully added a new missile into its armor called Health Insurance. However it took almost fourteen years to launch it in full scale by establishing a regulator called IRDAI in the millennium year with the vision of making our long awaited constitutional right - Health For All in true spirit to turn each and every citizen into insured to health insurance. Slowly this regulator started working on the penetration of health insurance by implementing few mechanisms but even after two decades of its inception, the percentage growth of penetration is almost negligible.

Due to covid pandemic, along with the rest of the world, the population of India also realized the importance of health insurance and there was a rapid thrust in the improvement of health policy selling in the Indian market. But this pandemic jolt behaved a bit differently in India. It only made awareness about the importance of health insurance but not fully convinced the entire population. The main reason to land into this typical situation is all about confusion regarding the concept of health insurance at all the levels from the inception of policy to claim settlement.

The main stakeholders of any health insurance industry are the customer, an agent, an insurance company,a hospital, a third party administrator and a broker. Let us examine a few issues prevailing at different stakeholders levels which are creating the dilemma situations in the current Indian health insurance system.

(A) **CUSTOMER CONFUSION :** The basic dilemma of the majority of customers is due to his own illusion about a health insurance policy that he will get the entire claim amount paid up to the available sum insured in all the hospitalization situations. This illusion is mostly created due to his ignorance about the policy terms and conditions. The policy holder is not at all interested in understanding the policy clauses and least concerned about the terms and conditions. This disinterest is partly attributed to the pure technical wordings of both insurance and health terminology and partly to the non availability of policy wordings in vernacular languages. All these situations make a customer either become a policyholder blindly or to refuse to take policy.

(B) **AGENT AVIDNESS :** The insurance market mainly depends upon the selling of policies through agents. However, today's digital era is slowly changing this selling from offline to online policies without intervention of agents, but the majority of the market is dependent on agents and it takes so many years for completely shifting to the digital market is undeniable fact. The complexity of medical terminology and insurance concepts at one hand and targets of selling, greed for incentives at another hand making agents to sell the health policies without fully explaining about the policy clauses to the customers. Not understanding and misunderstanding about policy wordings are the two reasons for the agent falling in the trap of the dilemma situation of the health insurance business.

(C) **INSURER INSIGHTS :** All insurance companies will work on the model of three levels. First, to design an appropriate health insurance product which is viable and sustainable in the long run. Second, implementing the best selling strategies and third, building efficient claims control mechanisms. Insurance is a social business and this fact is applicable in case of Government sponsored health schemes only. Rest all the private insurers do pure business and apply all the logics and look after various means to get profits. To sustain the business and to make profits in the insurance market is a very challenging task for any insurer. Further, the situations like pandemics crumble the roots of the business and push the insurer to become bankcrupt. The main dilemma of all the Indian health insurers is to sustain the business without having controlling authority on service providers i.e hospitals and the pro customer attitude of regulators and judicial forums. Even though the insurer is trying strict underwriting and best product designing, they are failing due to the above two loopholes in the entire health insurance systems.

(D) HEIGHTENED HOSPITAL : Any business success depends entirely on the quality of service provided by the company up to the level of customer satisfaction. This also applies to the health insurance business too. However, here between the insurance company and the customer, another main stakeholder called the hospital plays a major role as service provider and the customer satisfaction is directly dependent on the quality of patient care and treatment given by the hospital. Most of the insurers prefer the cashless mode treatment availability in empanelled hospital networks by the customers because it avoids the most of fraud and abuse claims payment which are most common in reimbursement mode of claims. Usually the insurer in India, while empanellment of hospitals, follows different rates for the same category of surgery and this is decided based on the grading of hospitals with the parameters like geographical area of hospital location, specialities availability, advance technology usage e.t.c. For example, a hospital located in the capital city, with super speciality services and advanced robotic surgery availability is graded as the best hospital and the package rates are maximum compared to other hospitals having less specialization doctors with no advanced treatments. Though this grading of hospitals is good practice and profitable to insurers, the same practice also creates dissatisfaction in the hospitals graded with low rank. Insurance money became the main source of income of the majority of corporate hospitals and to get more money from insurance companies, many doctors wanted to establish big hospitals and upgrade the medical facilities to the level of maximum standards. But to increase all these facilities, doctors need the finances and they approach the banks, business investors and money lending firms for investment. In clearing debts, most of the doctors in the hands of business personnel are being forced to do unethical practices to get more insurance money by lodging fraud and abuse health claims. Because of covid, a large number of hospitals established by under qualified and unqualified health professionals with the prime motto of gaining money from unethical practices.

(E) TIGHTENED TPA : Third party administrator shortly called TPA is a claim servicing management entity and the main role of it is to process the claim file received from hospital, verification of the file with respect to the policy terms and conditions and informing the insurer about the claim payment or claim repudiation. In turn the insurer will pay service charge to TPA for each claim processed accordingly as per agreed service level agreement. Further, Insurer will recover the financial loss along with penalty from TPA for each discrepancy and error committed while processing the claims. Sometimes this recovery and penalty runs into crores of rupees and it will be difficult for TPAs to run their business and few end up selling their entity to others to protect their investment and avoid bankruptcy. This tightened dilemma of TPA pushes it to do unethical practices to survive their business with the support of policy holders, corporate clients, hospitals e.t.c.

(F) BARGAINING BROKER : Another important stakeholder of the health insurance business is an insurance broker who brings the corporate business to the insurer and usually charges brokerage fees from the insurer for placing the business. These insurance brokers are the key persons who liaison between the corporate clients and insurance companies to arrive at an acceptable premium for both the entities. Almost all the insurers are dependent on broking firms for the large group business and in many situations, due to this dependency, insurers are forced to accept high risk portfolios with minimum premium, to settle the high value claims unnecessarily, to settle the claims which are outrightly under the clause of exclusions e.t.c. The race for brokerage fees ultimately keeps the good clients into poor servicing insurers and the race for premium money makes better servicing insurers accept bad clients into their books.

(G) RESTRICTED REGULATOR : Indian Insurance Industry which comes under ministry of finance and regulated by insurance regulatory and development authority of india shortly called IRDAI. This regulatory body came into force in 2000 and started guiding all the segments of insurance portfolios in view making insurance more affordable, acceptable and reachable to all the indian citizens. The functioning of IRDAI have a huge impact on the health insurance business and it reached the peak during covid pandemic. The biggest complaint about this regulatory body by all the general and health insurance companies is that it is regulating only the insurers but not the hospitals in the insurance market. This situation has been prevailing from the inception of the regulatory body due to weak laws and proceedings against the hospitals and doctors in the judiciary system makes the IRDAI restricted to their power on insurance firms only.

Finally, to think about a proper healthcare system is a day dream for the countries having poor and underdeveloped economies. But, the idea of health insurance has proved successful in all the countries where it is implemented and this magical wand will work for all the countries irrespective of their status of economy. The only thing that matters at the need of hour for nullifying the entire social dilemma and turning the current health insurance business into dynamic social business is to bring all the stakeholders of the health insurance industry to a common platform and convince them to work hand in hand together in building a strong healthcare system of the nation.

FAQs on Health Insurance

Q: What is Health Insurance?

Ans: The term health insurance is a type of insurance that covers your medical expenses. A health insurance policy is a contract between an insurer and an individual /group in which the insurer agrees to provide specified health insurance cover at a particular "premium".

Q: What are the forms of Health Insurance available?

Ans: The commonest form of health insurance policies in India cover the expenses incurred on Hospitalization, though a variety of products are now available which offer a range of health covers, depending on the need and choice of the insured. The health insurer usually provides either direct payment to hospital (cashless facility) or reimburses the expenses associated with illnesses and injuries or disburses a fixed benefit on occurrence of an illness. The type and amount of health care costs that will be covered by the health plan are specified in advance.

Q: Why is Health Insurance important?

Ans: All of us should buy health insurance and for all members of our family, according to our needs. Buying health insurance protects us from the sudden, unexpected costs of hospitalization (or other covered health events, like critical illnesses) which would otherwise make a major dent into household savings or even lead to indebtedness. Each of us is exposed to various health hazards and a medical emergency can strike anyone of us without any prior warning. Healthcare is increasingly expensive, with technological advances, new procedures and more effective medicines that have also driven up the costs of healthcare. While these high treatment expenses may be beyond the reach of many, taking the security of health insurance is much more affordable.

Q: What kinds of Health Insurance plans are available?

Ans: Health insurance policies are available from a sum insured of Rs. 5,000/- in micro-insurance policies to even a sum insured of Rs 50 lakhs or more in certain critical illness plans. Most insurers offer policies between 1 lakh to 5 lakh sum insured. As the room rents and other expenses payable by insurers are increasingly being linked to the sum insured opted for, it is advisable to take adequate cover from an early age, particularly because it may not be easy to increase the sum insured after a claim occurs. Also, while most non-life insurance companies offer health insurance policies for a duration of one year, there are policies that are issued for two, three, four and five years duration also. Life insurance companies have plans which could extend even longer in the duration.

A Hospitalization policy covers, fully or partly, the actual cost of the treatment for hospital admissions during the policy period. This is a wider form of coverage applicable for various hospitalization expenses, including expenses before and after hospitalization for some specified period. Such policies may be available on individual sum insured basis, or on a family floater basis where the sum insured is shared across the family members.

Another type of product, the Hospital Daily Cash Benefit policy, provides a fixed daily sum insured for each day of hospitalization. There may also be coverage for a higher daily benefit in case of ICU admissions or for specified illnesses or injuries.

A Critical Illness benefit policy provides a fixed lumpsum amount to the insured in case of diagnosis of a specified illness or on undergoing a specified procedure. This amount is helpful in mitigating various direct and indirect financial consequences of a critical illness. Usually, once this lump sum is paid, the plan ceases to remain in force.

There are also other types of products, which offer lumpsum payment on undergoing a specified surgery (Surgical Cash Benefit), and others catering to the needs of specified target audience like senior citizens.

Q: What is cashless facility?

Ans. Insurance companies have tie-up arrangements with several hospitals all over the country as part of their network. Under a health insurance policy offering cashless facility, a policyholder can take treatment in any of the network hospitals without having to pay the hospital bills as the payment is made to the hospital directly by the Third Party Administrator, on behalf of the insurance company. However, expenses beyond the limits or sub-limits allowed by the insurance policy or expenses not covered under the policy have to be settled by you directly with the hospital.

Cashless facility, however, is not available if you take treatment in a hospital that is not in the network.

Q: What are the tax benefits I get if I opt for Health Insurance?

Ans: Health insurance comes with attractive tax benefits as an added incentive. There is an exclusive section of the Income Tax Act which provides tax benefits for health insurance, which is Section 80D, and which is unlike the section 80C applicable to Life Insurance wherein other form of investments/ expenditure also qualify for the deduction.

Currently, purchasers of health insurance who have purchased the policy by any payment mode other than cash can avail of an annual deduction of Rs. 15,000 from their taxable income for payment of Health Insurance premium for self, spouse and dependent children. For senior citizens, this deduction is higher, and is Rs. 20,000.

Further, since the financial year 2008-09, an additional Rs 15,000 is available as deduction for health insurance premium paid on behalf of parents, which again is Rs 20,000 if the parents are senior citizens.

Q: What are the factors that affect Health Insurance premium?

Ans: Age is a major factor that determines the premium, the older you are the premium cost will be higher because you are more prone to illnesses. Previous medical history is another major factor that determines the premium. If no prior medical history exists, premium will automatically be lower. Claim free years can also be a factor in determining the cost of the premium as it might benefit you with certain percentage of discount. This will automatically help you reduce your premium.

Q: What does a Health Insurance policy not cover?

Ans: You must read the prospectus/ policy and understand what is not covered under it. Generally, pre - existing diseases (read the policy to understand what a pre - existing disease is defined as) a r e excluded under a Health Insurance policy. Further, the policy would generally exclude certain diseases from the first year of coverage and also impose a waiting period. There would also be certain standard exclusions such as cost of spectacles, contact lenses and hearing aids not being covered, dental treatment/surgery (unless requiring hospitalization) not being covered , convalescence , general debility, congenital external defects, venereal disease, intentional self-injury, use of intoxicating drugs/alcohol, AIDS, expenses for diagnosis, x-ray or laboratory tests not consistent with the disease requiring hospitalization, treatment relating to pregnancy or child birth including cesarean section, Naturopathy treatment.

Q: Is there any Waiting Period for claims under a policy?

Ans: Yes. When you get a new policy, generally, there will be a 30 days waiting period starting from the policy inception date, during which period any hospitalization charges will not be payable by the insurance companies. However, this is not applicable to any emergency hospitalization occurring due to an accident. This waiting period will not be applicable for subsequent policies under renewal.

Q: What is pre - existing condition in health insurance policy?

Ans: It is a medical condition/disease that existed before you obtained health insurance policy, and it is significant, because the insurance companies do not cover such pre - existing conditions, within 48 months of prior to the 1st policy. It means, pre - existing conditions can be considered for payment after completion of 48 months of continuous insurance cover.

Q: If my policy is not renewed in time before expiry date, will I be denied for renewal?

Ans: premium within 15 days (called as Grace Period) of expiry date. However, coverage would not be available for the period for which no premium is received by the insurance company. The policy will lapse if the premium is not paid within the grace period.

Q: Can I transfer my policy from one insurance company to another without losing the renewal benefits?

Ans: Yes. The Insurance Regulatory and Development Authority (IRDA) has issued a circular making it effective from 1st July,2011, which directs the insurance companies to allow portability from one insurance company to another and from one plan to another, without making the insured to lose the renewal credits for pre-existing conditions, enjoyed in the previous policy. However, this credit will be limited to the Sum Insured (including Bonus) under previous policy. For details, you may check with the insurance company.

Q: What happens to the policy coverage after a claim is filed?

Ans: After a claim is filed and settled, the policy coverage is reduced by the amount that has been paid out on settlement. For Example: In January you start a policy with a coverage of Rs 5 Lakh for the year. In April, you make a claim of Rs 2 lakh. The coverage available to you for the May to December will be the balance of Rs.3 lakh.

Q: What is 'Any one illness' ?

Ans: 'Any one illness' would mean the continuous period of illness, including relapse within a certain number of days as specified in the policy. Usually this is 45 days

Q: What is the maximum number of claims allowed over a year?

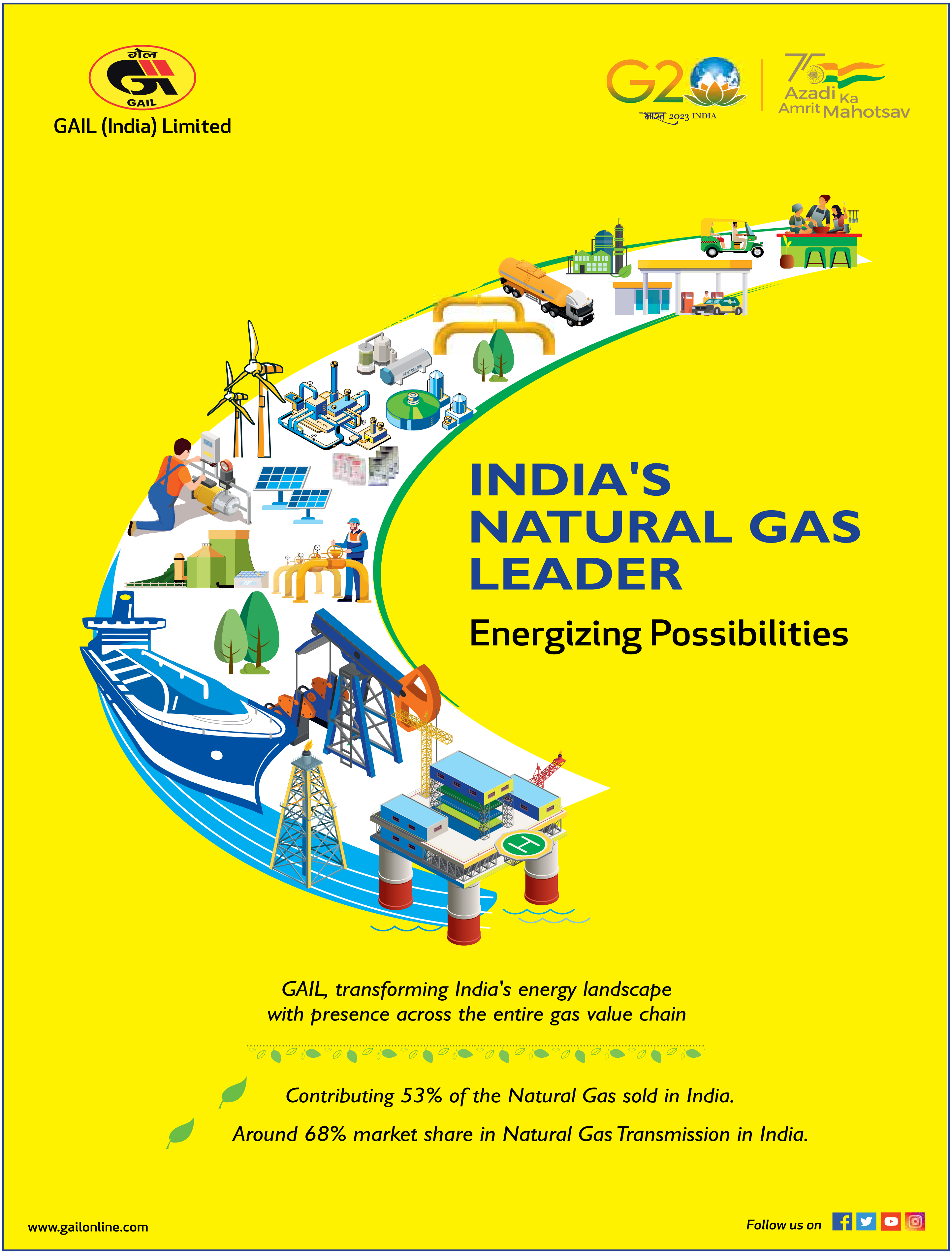
Ans: Any number of claims is allowed during the policy period unless there is a specific cap prescribed in any policy. However the sum insured is the maximum limit under the policy.

Q: What is "health check" facility? Some health insurance policies pay for specified expenses towards general health check up once in a few years. Normally this is available once in four years.

Q: What do you mean by Family Floater Policy?

Ans: Family Floater is one single policy that takes care of the hospitalization expenses of your entire family. The policy has one single sum insured, which can be utilized by any/all insured persons in any proportion or amount subject to maximum of overall limit of the policy sum insured. Quite often Family floater plans are better than buying separate individual policies. Family Floater plans takes care of all the medical expenses during sudden illness, surgeries and accidents.

Source: IRDA Handbook on Health Insurance.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