

Cost & Management Accounting – Service Sector



			Page
Cover Stories	• Cost Accounting for Banking Sector	<i>CMA Shweta Shah</i>	5
	• Cost & Management Accounting - Service Sector	<i>CMA Dhananjay Kumar Vatsyayan</i>	7
	• Management Accounting in Services Sector – A Perspective	<i>CMA (Dr.) S. K. Gupta</i>	10
	• NBFC & Financial Services Sector – Role of CMAs	<i>CMA Vaidyanathan Iyer</i>	12
	• Health Sector – Role of CMAs	<i>CMA Vaidyanathan Iyer</i>	14
	• Costing and Cost Audit of Hospitals	<i>CMA Bhakti Gaivas-Pawar</i>	16
CFO Speakes Articles	• Lapses of Internal Auditors – 2 (Two) Brief Case Studies	<i>CMA C. P. Patel</i>	18
	• Compromise and Consolidate!	<i>CMA CS (Dr.) Subir Kumar Banerjee</i>	20
	• Virtual CFO Services - Article 3	<i>CMA Dr. Girish Jakhotiya</i>	23
	• "E-Invoicing": Major Reform under GST	<i>CMA (Dr.) Ashish Thatte</i>	24
	• Checklist to Ensure Adequacy of Quality Control Functions	<i>CMA Vinod Shete</i>	26
	• Labour Reforms w.e.f. 1st April 2021 & Impact thereon	<i>CMA Rajesh Kapadia</i>	27
		<i>CMA Ashok Nawal</i>	28
		<i>CMA Harshesh Pandya</i>	34
		36
	Direct Tax Corner Chapter News		

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

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Maharashtra CMA Conclave held on 13th & 14th March 2021, at Raireshwar Agro tourism, Bhor



CMA Mahendra Bhombe, Chairman – PD Committee, WIRC - ICAI welcoming speakers & participants. Also seen CMA Harshad Deshpande, Chairman, WIRC - ICAI, CMA Ashok Nawal, Past Chairman WIRC- ICAI, Mr. Sushil Kumar Solanki, Principal Commissioner of Customs & Excise (Retd.), CMA B M Sharma, Past president of ICAI



Mr. Sushil Kumar Solanki, Principal Commissioner of Customs & Excise (Retd.) IS being felicitated by CMA B M Sharma, Past president of ICAI



CMA Harshad Deshpande, Chairman, WIRC - ICAI felicitating CMA B M Sharma, Past president of ICAI



Felicitating of CMA Ashok Nawal, Past Chairman WIRC- ICAI by senior participant.



CMA Harshad Deshpande, Chairman, WIRC - ICAI felicitating Mr Ajit Limaye, GST intelligence (DGGI), President Award Winner



Felicitating of CMA Anand Karwa, Management Consultant by CMA Chitralee Goswami



View of Participants



View of Participants

“No winter lasts forever; no spring skips its turn.” – Hal Borland

Friends,

April is the auspicious month not only because it is a commencement of the new financial year but also from the religious, cultural as well as nature perspective. Spring and “springtime” refer to the season, and also to ideas of rebirth, rejuvenation, renewal, resurrection and regrowth.

Last month we WIRC had its first state level CMA Conclave. Maharashtra CMA Conclave (MCC) which had given opportunity to members, students to come together and share their ideas and exchange their views. The Members exuberant participation made the event not only successful but also created long lasting memories amidst a beautiful Scenic Historical location. We have taken the appropriate health & safety precautions which enabled the exchange of knowledge and experience. It catalyzed us to rejuvenate and inspired us to form new creative ideas. The event was a successful one and we cherish the memories created.

I Congratulate the students who did well in the December 2020 examination and emerged as winners during these difficult times. The results of WIRC were quite encouraging for which I express my sincere gratitude to Faculties, Teachers and WIRC Staff. I would also state that those who could not succeed in this time will take this experience as a learning and will do better in the subsequent examination.

With the second wave of COVID-19 impacting the whole India the time has come to rejuvenation. The rejuvenation is needed in terms of thought process, lifestyle, work culture and overall way of living in all spheres of life.

I Wish you all a very Happy & prosperous New Financial Year, Good Friday, Easter, Dr Babasaheb Ambedkar Jayanti, Gudi Padwa, Ram Navami & Hanuman Jayanti. With Holika, let’s burn the evil & negativity around us and spread new hope with positivity, progress & happiness.

Jai Hind

CMA Harshad S. Deshpande

Chairman, ICAI-WIRC.

Activities undertaken in March 2021

- Women’s Day Celebration – 8th March 2021
- Maharashtra CMA Conclave – 13th/14th March at Rareshwar Agro tourism, Bhor.
- Webinar on GST Audit Introspection – 20th March 2021 by CMA Ashok Nawal
- Webinar on BUSY Business Accounting Software – 26th March 2021 by Mr. Rajkumar Vishwakarma, Sr. Lead Implementer - Busy Infotech Pvt. Ltd.
- WIRC organized Felicitation Function to CMA Final Pass Successful Students from and around Mumbai / Thane, who have completed their Final Examination held in January 2021 on 3rd April 2021 at WIRC Office. – Postponed due to COVID

What WE could achieve during 6th month

Status # Agenda 21	Completed	Total
Upto March 2021	14	21

- # **Agenda 2** State Level CMA Convention for members in every state of Western Region
Maharashtra CMA Conclave - 13th & 14th March 2021
- # **Agenda 4** Structured Campus placements & creating platform for job openings for experienced & fresher CMAs post disruption of Pandemic.
Recruitment for Cost trainees for Mazagon Dock Ltd.
Tie up with BUSY Business Accounting Software for concessional scheme for accounting software
- # **Agenda 19** Empowering Woman CMAs through focussed programs throughout year
International Women’s Day Celebration
- # **Agenda 21** Sports, Music, Trekking and other extra-curricular activities like Organizing Sports events, Trekking events, Cycle tour, Music / Art workshops etc.
Maharashtra CMA Conclave – Trek to Rareshwar Fort
COVID Vaccination drive for the members





FROM DESK OF CHIEF EDITOR

Dear CMA Professional Colleagues,

Happy New Financial Year 2021-22 !!!

Hope you all safe in the 2nd wave of COVID 2019. As the number of positive cases increase since last one month, we all should follow COVID protocols very strictly. To control under COVID situation, Government of India had now started vaccination drive for all above 45 years. I request all the members to get vaccinated at the earliest.

Theme of this bulletin is “**Cost & Management Accounting - Service Sector**”. We have received good response from members. Articles on the theme are published as the cover story. Articles on other professional matters are also published in the bulletin. I am thankful to all the authors for providing articles and making WIRC Bulletin a Knowledge Pack.

We have also started publishing interview of CMAs who have reached a respectable position like CFO, VP, Director, etc. Objective of the same is to share their experience with CMA fraternity. It will inspire young CMAs for making their career brighter. In this bulletin, we have published interview of **CMA C. P. Patel, Vice President- Finance of Zydus Cadila**. I am thankful to CMA Malhar Dalwadi for conducting the interview. I request our proud CMAs, those who have reached the highest position during their career to share their experience with CMA fraternity. Please reach us so that we can conduct interviews.

Women empowerment is also one of the needs of the hour. We have also decided to publish at least one article from lady CMA in every bulletin. I am happy to inform you that, we have received excellent response from lady CMAs too. We have received 2 articles from lady CMAs.

We have started “**Direct Tax Corner**” in the bulletin. Direct Tax corner contains major update related to Direct Tax during past month and due dates of Direct Tax for current month. I am thankful to CMA Harshesh Pandya for compiling the updates.

WIRC had decided to invite advertisement from PCMAAs and also from firm of PCMAAs for recruitment of CMA trainees. We are also inviting advertisement from corporates. Rate chart for advertisement is given on the last page.

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

We welcome suggestions and feedback for betterment of WIRC Bulletin.

Happy Reading !!!

With Warm Regards

CMA Ashish Bhavsar
Chairman, Editorial Board

Cost Accounting for Banking Sector



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Now-a-days, Costing for Service Sectors are buzzword. Slowly cost accounting spreading its path and try to cover Service Sectors also moving from typical Manufacturing & Trading Sectors. There are many business activities in service sectors too like --- Banking, Rating, Accounting, Consulting, Hotels, Real Estate, Education, Health, Social Work, Information Technology services, Recreation, Media, Communications, Electricity, Gas and Water supply, etc.

Banking Sector is very prime, crucial, core and large sector. So here we will going to take Banking Sector. I have collected expenses based on main as well as other activities from banking operations, bifurcated them to prepare Cost Sheet for Banking Sector and ultimately to reach the targeted or estimated figures of Profits.

Direct Materials: Stationery Expense, Plastic Cards/ Cards for plastic money.

Direct Expenses/Investments: Standard Liquidity as per Standard Liquid Ratio, Cash Reserve as per Cash Reserve

Ratio as per RBI Guidelines, Software/SAP Development Expenses, , Repairs & Maintenance to ATM machines, Repairs & Maintenance to Passbook Printing Machines.

Office & Administration Expenses: Electricity Expenses, Printing Expenses, Salary & Other amenities to staff, Courier to branches, Rent & Taxes, Accounting Expenses, Repairs to Computers.

Selling & Distribution Expenses: Advertisement Expenses, Salary & Other Benefits to Marketing Personnel, Courier to customers, Interest payment to Savings/ Recurring/PPF Account holders, Payments under Excess Cash Withdrawal facility for Credit Card holders.

Sales/ Receipts from Business Activities: Savings Accounts Deposits, Fixed Deposits, Recurring Deposits, PPF Account Deposits, Interest earned on Loans disbursed, Interest earned from Credit Card holders, Rentals from Lockers amenities, Bank charges recovered from SB/ Current/ NRI Account holders.

Cost Structure for Banks

Particulars	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
Opening Stock of Direct Materials:		xxx	
~ Stationery Expense			
~ Plastic Cards/ Cards for plastic money			
Add: Purchase (Stationery Expense, Plastic Cards)		xxx	
		xxx	
Less: Closing Stock of Direct Materials (Stationery Expense, Plastic Cards)		xxx	
Direct Materials Consumption [I]		xxx	xxx
Standard Liquidity as per SLR (According to RBI Guidelines) at the beginning	xxx		
Cash Reserve as per CRR (According to RBI Guidelines) at the beginning	xxx		
	xxx		
Add:			xxx
Additional Standard Liquidity as well as Cash Reserve during the period	xx		
Software/SAP Development Expenses	xx		xxx
Repairs & Maintenance to ATM Machines			
Repairs & Maintenance to Passbook Printing Machines			
Less:			
Standard Liquidity as per SLR (According to RBI Guidelines) at the end	(xxx)		
Cash Reserve as per CRR (According to RBI Guidelines) at the end	(xxx)		

Net Direct Expense/Investment [II]	xxx	xxx	
Net Prime Cost / Investment [A]= [I+II]			xxx
Add: Office & Administrative Overheads:		xx	
Printing Expenses		xx	
Salaries & Othe Amenities to Staff		xx	
Electricity Expense		xx	
Courier to Branches		xx	
Rent & Taxes		xx	
Insurance		xx	
Accounting Expenses		xx	
Repairs to Computers & Other Parts		xx	
Fittings expenses		xx	
Cost of Operations [B]		xxx	xxx
Add: Selling & Distribution Overheads:			
Advertisement Expense		xx	
Courier to Customers		xx	
Salary & Other Benefits to Marketing Personnel		xx	
Interest payment to Savings / Recurring / PPF Account holders		xx	
Payments under Excess Cash Withdrawal facility for Credit Card holders		xx	
		xx	
Cost of Producing Services [C]		xxx	xxx
Total Cost of Earnings [D] = [A+B+C]			xxx
Add: Actual / Estimated Profit [E] = [F- D]			xxx
Revenue/ Earnings:			
Savings Accounts Deposits		xxx	
Fixed Deposits		xxx	
Recurring Deposits		xxx	
PPF Account Deposits		xxx	
NRI/ NRO Account Deposits		xxx	
Interest earned on Home Loans, Business Loans, Vehicle Loans, etc. disbursed		xxx	
Interest earned from Credit Card holders		xxx	
Rentals from Lockers amenities		xxx	
Bank charges recovered from SB / Current / NRI Account holders		xxx	
Total Revenue / Earnings [F]		xxx	xxx

Women's Day Celebration – 8th March 2021

WIRC organized International Women's Day on 8th March 2021 by online mode. Ms. Sampada Mehta, Joint Commissioner of Investigation, GST Department, Mumbai was the Chief Guest for the programme. Ms. Anuradha Lashkari, Ex Bharti Axa - Deputy Vice President, Heading Global Accounts & CMA Neeta Phatarphekar, Partner, Deals (Business Restructuring, Services), PricewaterhouseCoopers Professional Services LLP were the speakers. CMA Poonam Shah, CMA Pradnya Chandorakar & CMA Sakshi Jain, Members Task Force for Women Empowerment coordinated the programme.

Cost & Management Accounting - Service Sector

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In 20th Century, Agriculture and Manufacturing sector were the main contributor of economic activity. Service sector gained the momentum in 21st Century with the evolution of super computers, globalization and open economic system. The world became a global village because of highspeed internet, where services can be easily imported and exported across the globe. Service sector has gained momentum and today, it is the main contributor of economic growth in India and most developing economy.



Photograph 1 – Banking Service during rough weather
(source - Internet)

Any intangible product, which are not goods are service. The unique feature of service sector are high labor cost and low material cost. The working capital requirement is also low because of low material cost & direct expenses. The cost unit of Service are of unique & standard. The distinct Cost units are used for measurement of output, calculating per unit cost and charging customers.

Service Costing or Operating Costing pertains to total operational cost of each unit of intangible product (service). Service can be in the form of internal service (Service offered by support function to Production / Sales department) or external service (Service offered to customer as a significant product).

Internal Service of company such as Canteen, Employee transport, Water, Power, Dispensary etc. are applicable to

all manufacturing & Service sector. Activities like Hospital, Educational institution, Hotel, Transport, Supply chain offer their services to all external entity and charge for the services at prespecified rates based on services availed.

It is important to understand the Aim & objective of various organization offers various type of services to people or organization at large. It can be classified as under for better understanding.

A. Individual Services

1. Professional Services – Professional offer their services on chargeable basis. Like CMA, CA, CS, Doctors, Advocate, Estate Agents, Tuition, Architect, Para medical etc.
2. Personnel Services – Skilled / Semi skilled person offer their services on chargeable basis. Like Painter, Plumber, Electrician, House Assistance, Cook, Hair Dressing / Beauty Parlors, Photo / Xerox etc.
3. Family Members - Services offered by family members to other members as family responsibility. Like Home lady cooking food for family members, Parents teaching kids, family members taking care of old person of family etc. There is nil commercial transaction for these services.

B. Organize Services

4. Govt / Public Sector - Govt. / Public Organization offer their services on chargeable basis and they earn some profit. Like Road Transport Company, Electricity board (Generation & Distribution), Banking, Port services, Railways, Airways, Postal Services, Telecommunication, Insurance, Highway, Water ways, Canal etc.
5. Private Sector - Pvt. Organization offer their services on chargeable basis and they earn profit. Like Hospital, Banking, Hotel, Lodge, Catering, Mangal Karyala, Courier Services, Tour Operator, Road Transport (Goods & Passenger), Shipping, Supply Chain services, IT services, Security Services, Theatre, Club etc.
6. Charitable Trust - Charitable trust offers various services at no profit & no loss basis or free of charge as charity for social upliftment of society. Like Educational institution, Hospitals, Nursing home, Spiritual Centers, Places of worship etc.
7. Local Bodies / Govt - Services are provided by local bodies or Govt at subsidized rates or free of cost as social responsibility. Health & Sanitation, Water supply,

Citizen recreation centers etc.

8. Emergency Services - Services offered in certain critical condition or unique situation. Like earth quake, Flood, Fire, Pandemic etc. These services are offered by Govt. or Society as charity. Like NDRF services, Fire tender services, Free Langers during natural calamities etc.



Photograph 2 – Service during Pandemic (Source Internet)

C. Internal Services

9. Employee Support – Service offered to employee by company in order to improve employee satisfaction. Like Canteen, Employee Training, Employee recreation, Employee Transportation etc.
10. Utility Department – The utility is a service produced / purchased and used by many cost / works centers including production centers. Like Water, Steam, Power, Compressed Air, Oxygen Gas, Acetylene etc.
11. Production & Sales Support – Services are offered to production / sales department to have trouble free manufacturing and dispatch of finished goods to customer. Like Maintenance Department, Production Planning, Quality control, Design, Materials, Supply Chain, stores, Dispatch, Dealer Network etc.

The services mentioned above having different aim & objectives. The organization size & structure, Management style, customer and operation area are different. The costing system to be adapted should be in line with economic parameters. However, general applicability of Cost & Management Accounting for different type of services are as under.

Sr. A.1 & A.2 – Cost & Management Accounting systems are generally not followed for Personal & Professional services. The serviced are charged based on Market trend, gut feeling of individual and negotiation skill of individual. Time consumed of individual are the main input ingredient. Per hour cost of individual is multiplied by expected time

required to complete the task. Raw material cost and overhead are low and included in per hour cost of individual

Sr. A.3 – These activities are not considered as commercial activity. Hence Cost & Management Accounting Concepts are not applicable.

Sr B.4, B.5 & B.6 – These sectors operate on commercial basis at profit or no profit & no loss basis. Various complex activities take place simultaneously, hence it is important to have Cost & Management accounting of these activities in order to simplify the system. Detail process of same are mentioned below.

Sr. B.7 & B.8 – These services are not for profit but a service provided by state to its citizen as social security. They collect consolidated tax as local body tax / property tax / Road tax etc. and provide these services. Hence Cost & Management Accounting concepts are not applicable for this category.

Sr. C.9, C.10 & C.11 – These services are not for profit and it is being consumed by the company itself. Any inefficiency in system will pass on to the product. So, it is necessary to have proper Cost & Management Accounting system so that data can be compared inter company, inter year and intra company. It helps to keep the system in control, identify areas needs improvement.

The process of Service Costing / Operating costing for internal services or external services are same. It starts with identifying Cost unit, Collecting & Classifying Cost Data, Selecting Appropriate Costing Technique [Job Costing, Process Costing, Hybrid (combination of Job & Process Costing) etc.]. Allocating direct cost to cost unit and Apportioning overheads based on cost drivers. Finally absorbing total cost to Cost unit. Activity Based Costing a better tool for apportioning (Overhead) period cost and indirect cost.

Cost Unit – Business entity having complex structure of activities, where measuring every parameter are cumbersome. A single Cost unit is defined, which represent most of the activities and help to measure cost. The Cost unit can be simple cost unit or composite cost unit. When one factor is used for measurement and compilation of cost data, it is called as simple cost unit. When two or more factors is used for measuring and compiling cost data, it is called composite cost unit.

Few examples of cost units as per services are as under.

Sr	Particulars of Service	Cost Unit	Type
1	Passenger Vehicle - Public	Per Passenger Per KM	Composite
2	Goods Vehicle	Per MT Per KM	Composite
3	Private Transport	Per Trip or Per KM or Per Passenger	Simple
4	Water Supply	Per Kilo Liter	Simple
5	Street Light	Per Lamp or Per Point	Simple
6	Restaurant / Catering	Per Plate Per Glass / Cup	Simple

7	Educational Institute	Per Student	Simple
8	Hotel	Per Room-Night or Per Room-Day or Per bed-day	Composite
9	Port Service	Per Cargo or Per MT or Per Passenger	Simple
10	Postal / Courier	Per Kg or Per Parcel	Simple
11	Banking	Per Transaction	Simple
12	Beauty Parlors / Hair Dresser / Spa	Per Service	Simple
13	Doctors - OPD	Per Patient	Simple
14	Hospitalization	Per Room-Day, Per patient-day, Per Service	Composite
15	Gas Supply	Per Cubic Meter or Per KG	Simple
16	Boiler House	Per MT	Simple
17	Advocate	Per Hour or Per Hearing	Simple
18	CMA, CA, CS	Per Assignment, Per Hours	Simple
19	Electricity	Per Kilowatt Hours	Composite
20	Jim / Health Club	Per Person per month	Simple
21	Entertainment Theatre	Per Person per Show	Composite
22	Railways	Per Passenger per KM	Composite
23	Airways	Per Passenger per Single journey	Composite

Table 1 – Service, its cost unit and type of cost unit

Cost Data Collection, Compilation and computation –

The cost data pertaining to a particular period are collected in a pre-specified format. The format segregates the data in Running Expense (Variable Cost or Direct Cost) and Standing Charge (fixed Cost or Period Cost). The total cost pertaining to a period are compiled and then divided by cost unit served during the period.

Operating Costing Sheet of -----

For the Period -----

Cost Unit----- No of Cost Unit -----

Sr.	Particulars	Total Cost	Cost/Unit
A	Fixed Cost		
1	License Fee (annual)		
2	Interest on Capital		
3	Annual Tax / Permit		
4	Administrative Expense		
5	Insurance		
6	Depreciation		
7			
	Sub Total (A)		

B	Semi Variable Cost		
1	Salary & Wages - Supervisor		
2	Periodic Repair & Maintenance Expense		
3	Overhaul (Major Repair & Maintenance)		
4	Stores & Spares		
5			
	Sub Total (B)		
C	Operating Expense		
1	Salary & Wages – Operator / Professional		
2	Salary & Wages - Helper		
3	Power & Fuel		
4	Oil & Grease		
5	Other Consumable & Chemical		
6	Raw Material		
7	Utility Cost (Water, Steam, Gas, ETP etc.)		
	Sub Total (C)		
	Total (A+B+C)		

Table 2 – Typical cost sheet of Operating Costing

Typical Cost Sheet of Operating Costing is shown above at Table 2. However, content of actual cost sheet may differ based on services it offered, input it consume, industry & Management.

Cost Per unit = Total cost / No of cost unit served

The effective utilization of available cost unit varies based on season / location / occasion and various other factors. So, it is important to distinguish between Commercial Cost Unit and Absolute Cost Unit.

Commercial cost unit is the achievable cost unit during the period, where as absolute cost unit is most optimistic figure. So, it is important to define peak-season, off-season, full-time, part-time, busy-hours, lean hours etc. while calculating commercial cost unit.

For example, 52-seater city bus makes a round trip of 100 KM. So, 5,200 Passenger KM per trip will be absolute cost unit. If the average occupancy of bus is 80%, then $5,200 \times 0.8 = 4,160$ Passenger KM per Trip will be commercial cost unit.

During festival season, office hours & Week days the occupancy will be maximum. Some period the occupancy will be average and some period will be minimum. So, it is important to select the period carefully.

Principals of Operating / Service Costing is applied to operation concerned of Utility department, departments supporting production / sales and Departing serving all employee. Similar principals are applied for external service except profit factor. The type of service is more important than source of service.

Management Accounting in Services Sector – A Perspective

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The Perspective

The Role of Service sector contribution in Indian Economy is gradually increasing over last 2 decade. The contribution of the services sector to the Indian economy has been very vital. This sector contributes 55.2 per cent share in gross domestic product (GDP). As the country Moves from an industrial economy to a service economy, four out of every five new jobs created presently are in the services sector. The service industry is highly competitive and, as a result, service providers are always looking for more efficient ways to operate that will reduce their overall costs.

Features of Service Costing

The costing in a service industry can be better understood with the help of the following characteristics:

- **Intangible Products:** Service costing deals with the operating cost of products which does not have any physical form but satisfies consumer needs and wants.
- **Collection of Cost Data:** The documents used for service costing of products include cost sheet, bills payables, daily log sheet, etc.
- **Unique & Standard Service:** The services so offered by such organizations are specialized and exclusive.
- **Less Working Capital:** The service costing involves less working capital since the direct cost of raw material and other direct expenses is comparatively low.
- **Cost Per Unit:** The cost per unit is mainly calculated in service costing. Here, the cost unit is determined by the type of service industry the business belongs to, and it usually differs from company to company.
- **Internal or External Service:** The service costing can be performed internally, to determine the operating cost of the supporting activities in manufacturing industries. Else, it can be carried out externally, by the companies dedicated to rendering such services.
- **Cost Classification by Behavior:** In the operating cost sheet format, all the business costs are classified according to their behavior, i.e., fixed costs, semi-variable costs and variable costs.
- **Periodic or Order Wise Computation:** The service costing records the overheads at regular intervals, i.e., monthly or yearly whereas in some services order wise computation is adopted.

The problem of measuring costs

Service innovation and increased competition have made it extremely important that providers of services have an accounting system that allows them to measure costs accurately and quickly. Unfortunately, many service organizations typically have had either no cost system or one that is very

inadequate. One of the problems has been that firms in service industries have tried to use the wrong accounting tool in measuring costs. They have tried using the manufacturer's cost system, which is designed for a different type of operation. In manufacturing industries, product cost information has four main uses: (1) inventory valuation, (2) cost control, (3) short term planning, and (4) product profitability analysis. The techniques used to develop information regarding the first three do not provide relevant information to service organization managers. Furthermore, in service industries, it is harder to separate costs into their fixed and variable components, and the presence of relatively large amounts of joint costs and interrelated products in a typical service industry makes it more difficult for most service firms to identify unique costs for individual services.

Scope of Costing in Service sector

The scope of Costing in service sector is very broad and quite interesting, because in manufacturing sector having very standard set of process of manufacturing the product and applicable costing technique and methods are very similar for the selected product and industry. But Service sector has different set of process for each activity and also it will differ from company to company.

Instead of trying to adapt the standard costing techniques to a service industry, we should design a cost system that is tailored to the industry. If properly designed, the system should be able to determine the profitability of each individual service. To be able to do this, we must be able to assign the relevant costs and revenues to each type of service offered. The only costs that are relevant in analyzing profitability are those that can be uniquely attributed to the production and sale of the particular service. All other costs are called joint costs. Unique costs are defined as costs that could be eliminated if the service was eliminated. Joint costs are not assigned to the service, as they remain unchanged whether or not the product is produced and sold.

One of the main difficulties in service costing is the establishment of a suitable cost unit. In some situations it may be necessary to calculate a composite cost unit.

- A composite cost unit is more appropriate if a service is a function of two variables.
- Examples of composite cost units are as follows:
 - tonne-miles for haulage companies
 - patient-days for hospitals
 - passenger-miles for public transport companies
 - guest-days for hotel services
- In service costing, it is not uncommon for labour to be the only direct cost involved in providing a service and for overheads to make up most of the remaining total costs.

- In service costing it is sometimes necessary to classify costs as being fixed, variable or semi-variable. If costs are semi-variable, it is necessary to separate them into their fixed and variable constituents using the high/low method.
- The cost per service unit is calculated by establishing the total costs involved in providing the service and dividing this by the number of service units used in providing the service

The concept of Management accounting is applied to the service industry accounting practice to identify variable costs, fixed costs, fixed costs and job order costing for setting service price. Managerial accounting helps to ascertain costs to a specific department or product. It is necessary for analyzing and predicting costs for maximizing organizational goal. It is used for controlling excess costs of services. The variable costs of service industry vary on the level of service provided to customers. If the level of activities of a service company increases, the variable costs will also increase. In Management accounting, variable costs are measured to identify contribution margin which provides marginal profit per unit of service provided and it can be used to calculate the operating leverage of a service company.

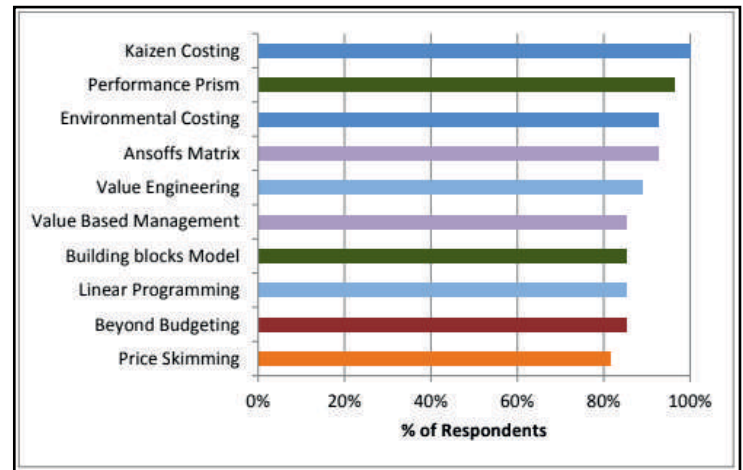
Fixed costs including rent, insurance, premises don't change with the level of service provided. It is fixed up to the relevant range. If a service company increase its services, fixed cost will remain the same. In Management accounting, fixed costs are used to determine breakeven point and targeted income. Some mixed costs including electricity, water, telephone bill, internet bill etc. are essential to allocate within the cost object. The accurate measurement of mixed costs helps management to set service price and control of those costs. The accurate measurement of mixed costs increases the efficiency of management as well as the employee

Usefulness of Management Accounting in Service Sector

The application of Management accounting in service industry accounting practice is helpful to analyze relevant cost, to reduce costs, to increase the financial return, to compare actual costs and budgeted costs, to determine breakeven point, to identify target profit etc. The analysis of variable costs maximizes the utility of each cost. It helps managers to take an effective decision about maximizing efficiency. The analysis of fixed costs is necessary for determining breakeven point and target profit. It helps management to reduce unwanted costs to reduce service costs. The effective measurement of mixed cost is helpful to reduce service charge. The price of a specific order can be determined by using managerial accounting in the service industry. Management accounting provides valuable information to opt out of less profitable services, controlling costs and maximizing return. Service management accountants must take an active role in the decision-making process where commercial services are involved, such as introducing a new service or service contract, a new branch, a new line of business or a new market segment

The 14 management accounting techniques identified for application in the Services sector include; Cash flow Statement Analysis, Budgetary Analysis, Financial Statement Analysis, Variance Analysis, Total Quality Management (TQM), Cost Volume Profit Analysis (CVP), Fund Flow Statement, Target Costing, Responsibility Accounting, Variable Costing, Activities Based Costing (ABC) Management by Exemption (MBE), Balance Score card, Theory of Constraints.

Most widely used Costing Techniques in Service Sector



Source : *Contemporary Management Accounting*, Angela Lorenz

In whatever service business context the management accountant finds himself, his role as a supplier of relevant information takes on a new importance. It is imperative not only that the accountant know his "craft", but that he is able to communicate relevant information to managers who may be operating in unfamiliar territory. To this end, the accountant becomes a teacher and a "silent partner" in the decision-making process.

Conclusion

There are four main differences between the 'output' of service industries and the products of manufacturing industries. Intangibility - output is in the form of 'performance' rather than tangible ('touchable') goods. Heterogeneity - the nature and standard of the service will be variable due to the high human input. Simultaneous production and consumption - the service that you require cannot be inspected in advance of receiving it. Perishability - the services that you require cannot be stored.

Service sector is growing and gaining importance day by day. Newer services are entering into market place. Customer is becoming more and more dependent on services. Service organizations are looking for some innovative ways to improve their services. As the economy changes from a manufacturing economy to a service economy, there are many new challenges. Manufacturers are being challenged to enter the service industry; government is being challenged to regulate it; and accountants are being challenged to measure the costs. As accountants, we must accept this challenge and take a major role in designing and utilizing systems which will measure costs meaningfully to determine the profitability of each service.

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NBFC & Financial Services Sector – Role of CMAs



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NBFCs, like other lenders, are in the business of lending money and earning a margin over their cost of funds. In the process, part of the margin is lost to credit losses or non-performing loans. So the factors that retail investors have to look for are underwriting capability as reflected in the NPA ratios relative to net interest margin, adequate liquidity, low operating costs and robust capital adequacy. The maturity profile of both assets and liabilities play a significant role in the survival and growth of NBFCs in these trying times. The real challenge is to get the economy back on the growth track. With all the stimuli spending to counteract the impact of the lockdown, there is a likelihood of inflation going up and if growth is not there, the risk of stagflation in the economy is real. Today, the expectation is that India's GDP growth would be negative in FY21, the first time since the liberalisation of 1991. For India, a relatively high rate of GDP growth compared to the advanced economies is essential because this is the only way to sustainably create jobs for our young population. Without growth, unemployment will shoot up leading to many adverse consequences. Further, from the point of view of NBFCs, our cost of funds is still on the higher side as successive rate cuts by the Reserve Bank of India have not translated into proportionate cuts in interest rates by banks. On the positive side, we can derive a lot of comfort from the surge in our foreign exchange reserves, driven by a spike in FDI.

Digitisation has been the core differentiator during these times. Over the course of the lockdown all the branches were closed, and it was the early investments in digitisation and deployment of technology that saved the day and most of the customers were able to use digital means to transact with us during the successive lockdowns, not just for repayments but also for additional fund requirements. We have been the early adopters of technology, be it for operational efficiency, service quality improvement or for risk management. In the core business of gold loan, there is very low credit loss, even in case of defaults. Supply chains have been disrupted due to various restrictions to tackle the pandemic and reduced mobility of people and goods. More importantly, demand has been impacted due to lower incomes, layoffs, reduced mobility, tendency to save for tougher times ahead, etc. Lower consumption in turn leads to lower capacity utilisation, which precludes investment which is another large component of our GDP. So the government must step in by investing in infrastructure, healthcare and education. This may jumpstart the economy by driving consumption demand. The gold loan business is virtually unaffected by the increase in gold prices beyond the initial periods because the higher gold prices soon become the new normal. The demand for gold loan depends mainly on growth of economic activities, particularly in rural, semi-urban and the unorganised sectors, and the requirement of funds to support income generation activities. A large part of gold loan demand is also from the MSME businesses. Gold

is like an all-weather friend to them. In good times, they can monetise this gold for business expansion. In times of uncertainty such as now, gold loans can be used to tide over the crisis. Looking at a longer time horizon, the organised gold loan segment in India, which currently takes a backseat to the unorganised segment, is likely to increase its share of business from the current one-third to at least a half or more. Moreover, the overall industry accounts for less than 4-5 per cent of household gold holdings. The market potential is huge and the gold loan industry can easily be a USD 100 billion industry.

The top priorities are to ensure availability of funds at reasonable costs to improve profitability and shareholder returns by appropriate diversification of the sources of funds and arriving at an optimum mix of short-term and long-term liabilities in order to achieve long-term sustainability; improving operational efficiency, including cost optimisation and thereby improve earnings; compliance as well as enable the business to capture opportunities in the market, as they come. Focus areas are:-

- ALM followed by various costs and earnings ratios are used to evaluate an NBFC and determine whether the NBFC raise fresh long-term funds without significant increase in the cost of borrowing. Some of the challenges are striking the right balance between the requirement for funds and its availability. On the one hand, ensure on a real-time basis that enough funds are available to meet the growth objective and on the other hand, take care not to have too much surplus liquidity sitting idle as it affects overall profitability. Hence ALM plays a significant role in the decisionmaking process.
- The level of stressed assets, be it the declared NPAs, or restructured assets, including under moratorium. Attention must be given to the absolute numbers as well as key ratios and how they have changed over the past few quarters.
- Leverage digital technology to prepare for growth. While there is pressure to reduce costs in the short term, one has to ensure that the company is wellfunded to make use of the growth opportunities.

Financial Services Sector

Given the current uncertain environment, investors are risk-averse at this point of time and fear a spike in NPAs. The real case scenario of investors turning risk-averse has added to the liquidity stress and cash-flow mismatch. While following a prudent risk management approach, a significant number of them have embraced extreme risk aversion. The macroeconomic scenario, on the other hand, is likely to impact the NPA ratio adversely. Having said that, the prevailing economic scenario is quite dynamic and low leverage and a well-managed balance-sheet will give the required resilience. The restricted

mobility of people and supply chain disruption are the major challenges impending economy recovery. Another challenge is the dwindling spending power of the consumers in line with their subdued income stream. Balance-sheet stress in the financial sector and corporate sector also poses a challenge. Recovery in the labour market and informal sector will spur demand and act as a catalyst to sharper economic recovery.

In order to become one of the prominent diversified financial services groups, offer a wide spectrum of businesses to corporations, financial institutions, high net-worth individuals and retail investors and help clients spread across geographies and realise value-accretive growth in investment banking, wealth management and securities, mortgage lending (wholesale mortgage lending and retail mortgage lending) and distressed credit which includes asset reconstruction business and asset management, including mutual fund business. The strong balance-sheet and net worth will reflect the resilience & experience taking into account stakeholder trust and strategies sharpened with insights, prudence and foresight. A selective and strong cash flow-backed secured lending business could provide an opportunity for growth. There are growth opportunities in the wealth and advisory business and offer long-term sustainable returns to the customers of all verticals. With the surge in non-performing assets (NPAs) due to the adverse impact of the pandemic, Budget 2021-22 announced that the Centre will set up an asset reconstruction company (ARC), commonly referred to as a bad bank, to resolve the issue. An ARC is a specialized financial institution which buys stressed assets from banks and financial institutions. Banks can sell their stressed or bad assets to the ARC at a mutually agreeable price, thereby helping banks to clean up their balance sheets and concentrate on delivering normal banking services. Thereafter, it is the responsibility of the ARC to recover the bad debts or associated securities in a market-led process. Asset reconstruction, simply put, is the purchase of title or rights of the banks or financial institutions in loans, bonds, debentures, etc., for the sole purpose of its recovery or realization.

The setting up of an ARC is regulated under the SARFAESI Act, 2002. An ARC is required to have a net owned fund of ₹100 crore and maintain a capital adequacy ratio (CAR) of 15% of its risk-weighted assets. The NPAs are to be transferred to the ARC at a reasonable price backed by an arm's length principle, that is, at the net book value (asset value minus bank provisioning against the stressed assets). A receipt issued by the ARC to a qualified institutional buyer (QIB), which gives the owner the title, right or interest in the financial asset and helps the ARC raise funds to make an upfront payment to buy the discounted bad debts, is commonly known as a security receipt. For the bad assets sold to the ARC, the banks will obtain 15% cash, and the balance could be by way of bonds or debentures with a maximum maturity period of six years and security receipts issued by the ARC. To meet its funding requirements, an ARC can issue bonds, debentures and security receipts. As per the SARFAESI Act, an ARC can restructure or reschedule the loan, enter into settlements, sell or lease the borrower's business, take over or change the management, and engage in security interest enforcement (sell, take possession or lease the owned asset). But, enforcement or security interest can only be conducted when at least 75% secured creditors and the ARC are in agreement. In case of the debt being unsecured and the ARC being unable to recover the bad loan, they can file civil suits against the creditors.

The top priorities are to manage liquidity and create best-in-class liabilities franchise, closely watch and evaluate emerging risk matrices during the current pandemic situation, and allocate capital to the growth businesses without compromising on profitability; to navigate this period of uncertainty and prepare the required groundwork for future growth; reduce costs, especially fixed cost, since they don't have a tendency to automatically reduce with lower business volumes; maintain adequate liquidity at all times to ensure timely repayment of debt obligations and provide funds to the business for growth. Focus areas are:-

- Integrate business models to provide a good blend of fee-based and lending income based revenue diversification.
- Adhere to the vision and the core values of the entity and transform from a mere accounting, auditing and tax professional to an efficient finance professional who has to deal with corporate governance, capital allocation, emerging business models, risk, liquidity, liabilities, asset qualities, etc. and become a reliable business partner.
- Innovate by adding all the new-age financial services businesses, including wholesale and retail lending, alternative asset management, distressed asset management and international expansion to the portfolio.
- Some of the challenges in setting up new business models are capital allocation, operational issues and evolving market competition; being an enabler and facilitator of the company's objectives, working together with business leaders and pointing out inefficiencies and opportunities to maximise revenue; partner with the leaders to remove those inefficiencies or utilise the revenue opportunities' amidst competing demands for resources from different business units, ensure that the company's capital is being used in the best possible way in the interest of the stakeholders of the company

Conclusion

The Indian economy was already struggling with high fiscal deficit, demand contraction and poor health of our financial institutions, banks and NBFCs. The pandemic has put further stress on all economic activities. Most of the corporates have put on hold their expansion plans and this will directly impact employment generation. All of this has adversely affected the financial strength of the corporate sector and banks may need to make more provisions for NPAs. This will ultimately impact the financial health of banks and NBFCs, which are already struggling. Unemployment is increasing at a very fast rate but more investment in infrastructure will generate employment and increase the purchasing power. The Insolvency and Bankruptcy Code (IBC) was introduced with the aim of resolution and reorganization of insolvent companies, while ARCs are set up for clearing up NPAs. ARCs primarily deal with recovery, while the IBC seeks for a resolution, wherein creditors are given the chance to make insolvency resolution an economically viable process and entities can apply for insolvency, bankruptcy or liquidation. Some of the banks are relatively well-capitalised and are being supported by governments. We are already seeing improvement of consumer sentiment and optimism aiding economic recovery across the world.

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Health Sector – Role of CMAs



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The virus outbreak was certainly unprecedented and circumstances lead to unprecedented awakenings. In this case, the pandemic has served as a reminder for us to relook at our priorities and approaches towards healthcare in India. It has given us a chance to re-imagine the ecosystem and build a stronger one to face future health crisis. The pandemic has brought the focus back on India's public healthcare. It presents an opportunity to reinvigorate public health services across the country and reiterates the need for primary healthcare to be bolstered to reduce stress at the secondary and tertiary level. Addressing the human resources' gap in healthcare is also necessary, as is the up-skilling of existing resources, including frontline workers. The pandemic has also reminded us that wealthy cities may not necessarily be healthy cities unless strong urban health systems are created. Hence, there is an urgent need to revamp and strengthen the country's urban health services. Scientific innovations hold the key to solving such health crisis, and therefore this area also needs our attention. India needs to create a favourable environment to enhance its research and innovation capabilities. At the same time, it is important that we also work towards achieving self-reliance in end-to-end production of high quality treatments by creating an enabling ecosystem for local manufacturing.

For the Indian pharmaceutical sector, the impact of the pandemic came in two phases. First, from the lockdown in China which impacted API (Active Pharmaceutical Ingredient) supplies, and then from the national lockdown that suddenly brought the entire country to a halt. These challenges were unprecedented, and we had to adapt almost immediately. However, driven by our purpose, business resilience and agility to re-imagine our operations, we have been able to successfully emerge out of this and continue on our mission and vision for the future. The pandemic has definitely helped initiate the above changes, right from policy level to the grassroots. It has also fuelled tremendous collaboration across the board, including government, industry and academia that will be the key to bringing about these changes. Apart from being one of the largest makers of generic drugs, a stronger call for innovation will also define the sector's growth moving forward. In addition to re-defining operations in the new world, the pharmaceutical industry will also grow by creating value in the overall healthcare ecosystem. This includes working closely with the government to strengthening access to healthcare, equipping doctors with innovative tools and knowledge resources and empowering patients to play an active role in their health management.

The Indian pharmaceutical industry is on the cusp of change, and its growth will be further fuelled by the new reality that we are faced with, renewed government focus and the re-imagination of its role in the ecosystem. Focus areas are:-

- As the largest provider of generics globally, the Indian pharmaceutical sector has always been attributed as the pharmacy of the world. Well-versed in making finished formulations, the industry will now focus on achieving self-sufficiency in API manufacturing. This will not only secure its

production and supply chain from disruption but also present itself as a viable alternative to China for other countries. This is certainly an opportune time for the Indian pharmaceutical sector to move towards becoming a preferred sourcing hub for the world. With 70 per cent of its APIs sourced from China, the pharma industry did face some level of disruption due to the lockdown in China. However, the sufficient buffer stock ensured that the manufacturing and supply of drugs were not impacted.

- A formal business continuity planning (BCP) framework was implemented to de-risk procurement, manufacturing, and distribution processes. Alternate vendor development (AVD) strategy ensured uninterrupted supply of raw materials and enhanced API research and development and manufacturing capacities in these therapeutic areas integrated for manufacturing of key starting materials and critical API intermediates to achieve better supply chain control.
- Working closely with regulatory authorities and restrict supply of the drug only to hospital channels to ensure fair and equitable distribution. As per regulatory guidelines, a state-wise list of these hospitals must be available on the website and launching of a dedicated helpline and email channel to support patients' access to the drug exclusively during this pandemic outbreak was recommended.
- The future is being an innovative healthcare services' provider instead of a medicine manufacturer to continue on the upward growth trajectory and stay ahead of the curve. In keeping with the new reality, the industry is also increasingly embracing digital tools in a big way to engage with stakeholders like doctors and patients. Adoption of these digital tools will help enable continuity, efficiencies and offer far more reach for players.
- Manage Foreign exchange risk with appropriate hedging activities in accordance with the risk management framework by using forward exchange contracts and/or options to hedge against net foreign currency exposures. All material foreign exchange transactions are fully covered. Avoid derivative instruments for trading or speculative purposes.
- Some of the challenges are - whether it was HIV/AIDS, the Bird Flu and now the corona virus pandemic, the pharma industry has always been in the forefront, saving lives consistently delivering in accordance with strategic priorities and growth targets, being a future-ready organisation and also living up to its core purpose of serving patients coming with an immense sense of responsibility to deliver on all fronts to patients, the healthcare ecosystem, investors and the community, Value generation, both from a humanitarian and business perspective. For instance, pharmaceuticals has been at the forefront of the battle against the ongoing pandemic and it was imperative for us to holistically adapt to this new

reality, right from activating scientific efforts towards finding a mode of treatment and maintaining business continuity to ensuring employee safety and uninterrupted supply to medicines to patients.

The pandemic and ensuing lockdown posed the biggest threat to the battered Indian economy and the major hurdles impeding growth are dramatic loss of individuals' livelihoods across sectors. On account of the lockdown in the months of April and May, the footfall, occupancy and revenue in hospital chains had come down drastically affecting the ARPOB (average revenue per occupied bed). The government needs to put a plan in place to pull people out from these difficult times. This will need a higher level of direct cash support in various forms than has happened so far. The opportunity now of being an alternate supplier to the world is getting rapid acceptance and with government support and proactive reforms and bold incentives, the opportunity to deliver on this front could be real. We must take some lessons out of the textile story of Bangladesh, where they have gained significant share of the global wallet, at India's expense. Looking ahead, India needs large amounts of equity infusions to emerge out of this pandemic.

The focus is on debt and fiscal management, but with the enormous amounts of investible surplus available around the world, it is important that we create an enabling environment to position India as an investment destination to tap into both the Indian consumer market and that of the world. The outlook for the industry is positive as the structural demand-supply gap for healthcare services in India is intact. But there are emerging trends of a well-informed, empowered and demanding consumer, which all healthcare providers need to acknowledge and prepare for. We will also need to adapt to the changing payer landscape with insurance and the government increasingly becoming payers for large segments of the population. As long as healthcare providers are prepared for these changes, the future growth prospects are healthy.

The top priorities are to maintain a healthy overall financial position and balance-sheet, generating sufficient cash flows to meet operating expenses without increasing leverage involving careful planning of use of funds and strong working capital management, to drive sustainable, structural cost reduction across the enterprise to emerge with a leaner organisation structure and a greater sense of resilience than before, to work with all business heads to provide them with actionable insights that help them strengthen the position in healthcare while taking care of existing customers and patients and simultaneously launching new customer-facing service lines – both physical and digital, to achieve long-term sustainable growth through the use of digital platforms like artificial intelligence, tele-consultation, etc., aim to work towards structuring a resilient, transparent and agile organisation to cope with the ever-changing business environment, to deal with multiple uncertainties, including ever-changing government regulations and directions. Focus areas are:-

- Achieve drastic fixed cost reduction by resorting to pay cuts for the senior management, including clinicians in the range of 15-50 per cent depending on the level of the individuals with an assurance that the quality of services is not compromised.
- Work on a new lever for revenue generation such as tele-medicine, Home care facility, tie-ups with various hotel chains for treatment of corona virus patients
- Hospitals should be included in the priority sector and banks

and financial institutions should be encouraged to provide loans at concessional rate. Complete exemption from GST on consumables, medical equipment and hospital services is required. Similar exemptions and deduction under direct tax should be provided to healthcare service providers and healthcare staff. The government should provide mediclaim and term insurance cover for private medical staff and doctors. Hospitals should also be allowed to use CSR funds for treatment of poor patients suffering from the virus, make available free-of-cost PPE kits for healthcare staff and poor patients.

- Conduct a Productivity study across the enterprise and launch initiatives to improve productivity and reduce costs in a sustainable way over the next 12-18 months.
- Expansion strategy should be carefully planned enabling overall margin expansion in the healthcare services segment over the next few years.
- Gain market share in the top cities with a lion's share of beds and have an unmatched geographic and format diversity – spread of services from diagnostics, to short-stay formats, to cradles, to home care, and digital healthcare 24/7 which will provide both the range and depth to be top-of-mind with the consumer, and therefore garnering higher market share.
- Renegotiate the existing rental agreement and contracts with vendors for supply of goods and services and rationalising the marketing and sales expenses to a bare minimum.
- Hospitals are a high-fixed-cost business, and it is not easy to change the cost structure in a very short period of time. Take efforts to minimise the impact to profits by instituting one-time measures on cost reduction such as negotiating lower rentals, deferring marketing costs and reducing other operating costs
- Some of the challenges are – to be data-driven, identify risks associated with the business, to be a business partner having deep understanding of the market, competitive landscape, emerging opportunities and threats, as well as a deep knowledge of internal operations, Capital allocation, risk mitigation and strong governance along with understanding the importance of sustainable value creation, Digital space – both in terms of the business opportunities it brings as well as the opportunities for internal re-engineering that it provides.

Conclusion

Unlike anything we have witnessed in the past, the economic crisis will not resolve fully unless the health crisis is addressed. This is a crisis impacting every country across the globe. However segments like telecom, hi-tech, life sciences and healthcare have gained further traction due to the pandemic – due to remote working, higher need for technological enablement, increased focus on health and wellbeing, etc. During these times, we see heightened interest in digital technology areas like cost take-outs, cloud transformation, vendor consolidation, captives and cyber security. Any amount spent on the implementation of these techniques should be considered as an investment with tremendous potential to give handsome returns in the future. From this angle, chalking out proper strategies and with better cost management, the economy will achieve robust growth fulfilling the dream of 'Atmanirbhar Bharat'

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Costing and Cost Audit of Hospitals



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Background:

Healthcare is one of India's largest sector, in both ways of revenue and employment. Covid-19 pandemic gives boost to the industry and specially hospitals are playing vital role in this pandemic situation. People are more concern about their health in this pandemic.

Healthcare market in India is expected to reach US \$ 193.83 billion by 2020 and US \$ 372 billion by 2022, driven by rising income, better health awareness, lifestyle diseases and increasing access to insurance. The government of India aims to increase healthcare spending to three percent of the GDP by 2022. Also, government aims to develop India as a global healthcare hub.

Hence, healthcare sector specially hospitals will play vital role in Indian economy now onwards, so keeping treatment revenue and cost records in a auditable fashion and complying to NABH (National Accreditation Board for Hospitals) standard guidelines are in the best interests of doctors, patients and insurance companies, therefore, implementation of cost audit can consequently easily reduce health care costs. Cost record maintenance and audit is a important way to maintain cost competency in healthcare sector.

Cost Audit Applicability:

As per Companies Cost Records and Audit Rules, 2014 & Amendment : thereto, any company engaged in "Health services, namely functioning as or running hospitals, diagnostic centres, clinical centres or test laboratories" are required to maintain cost records and having an overall turnover from all its products and services of rupees thirty-five crore or more during the immediately preceding financial year. And if, the overall annual turnover of the company from all its products and services during the immediately preceding FY is Rs. 100 cr or more and the aggregate turnover of the individual product or service for which cost records are required to be maintained is Rs. 35 crore or more then cost audit compulsory to that particular organisation.

Points to be Consider for Audit or Service Costing:

1. Overview of business: In the process of audit, there is important to know which sort of business has with client. Whether it is hospital, diagnostic centre, laboratories etc. As per the business we have to plan or prepare our strategy to analyse their business. For example, In case of hospitals there is multiple revenue centres from which they generates their revenue. There

is various departments in hospital like Operation theatres, ICU's, Pathologies, Imaging department etc. There is department wise analysation is important.

2. Revenue and Cost Centres: Identification of revenue and cost centres are crucial in the process of audit. If there is proper maintenance of revenue and cost centre then there is half work done for the process. For example, if Pathology is there one of revenue centre then cost related to the same accomplish against it.

3. Costing Methods: Hospital management or authorities should choose appropriate method of costing for appropriate service costing. Different approaches to managerial and cost accounting have emphasized different components of the methodologies such as, accurate cost capture or the ability to capture financial and non-financial performance measures. There is various methods for costing which may follow by them to exact result. Some methods or techniques are follows:

I] Traditional Costing: It is a cost accounting methodology that allocates organizational overhead to a specific output based on a predetermined cost driver or by using a pre-determined percentage rate. The traditional costing method is easy to apply. It requires minimal financial and/or managerial investment which helps explain its wide use and acceptance

II] Activity Based Costing: This approach has been widely adopted in public and private, service and managerial organizations. Activity based costing is nothing but a rational approach to identify main activities and resources involved in producing of output. The basis for ABC is a belief that all activities exist to support the production and delivery of goods and services and that all indirect costs can be traced and allocated to individual products and services. In Activity based costing ,organisation have to update their assumptions of cost drivers as per changes in industry. Identifying the appropriate cost drivers, an essential step in the ABC process, requires significant managerial time and financial investment

III] Ratio Of Cost to Charges: It is a costing method specific to the health care industry. Hospitals participating in the Medicare program are required to file annual Medicare Cost Reports with the Centres for Medicare and Medicaid Services (CMS). In this method, as per traditional costing allocation of overheads to clinical department ,allowing authority to estimate full cost of particular revenue centre. Hospitals can

pair these estimates with information about the total charges for all services provided by a clinical department to compute a department-level ratio of cost to charges (RCC). The RCC, when multiplied by the hospital's charge for a specific service, can be used to estimate the cost of providing an individual.

4. **Quantitative Information:** Quantitative info is the crucial part of audit. Every hospital has different sort of revenue centres as per size of business. Some has all the facilities available under one roof, like Pathology, Physiotherapy, X-ray, MRI Facility, 2D Echo, Blood Bank etc.

There is change in unit of measurement for service as per the nature of service. For example.

Pathology department measures as per the no of tests conduct in particular period, Physiotherapy measures in No of cases attended by doctor, Operation theatres measures in no of operations done in particular period etc. Hence, there is important to identify proper unit of measurement of service to result into accurate costing for the same.

Conclusion:

Here tried to give understanding and information about service costing and audit techniques. There may be other approaches and way of conducting audit and service costing as per the business nature of health care institutes, hospitals and any other organisation related to health care industry. Covid-19 realize us about uncertainty and insecurity of life but also teach us how we become self-sufficient and alert about our lifestyle. Hence, Health care sector becomes very crucial now a days and Covid 19- Pandemic increases its importance too. As a professional its our duty to give contribution in this pandemic, through our services and help health care industry to maintain proper costing in their services and maintain cost competency.

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Maharashtra CMA Conclave on 13th and 14th March 2021 at Bhor, Pune, Maharashtra

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I appreciate communication channels in operation from ICAI - WIRC through e-mails and Whats Up in this pandemic situation. We are enjoying and our knowledge base is getting upgraded by excellent Webinars. On the same line when I got the e-mail about Maharashtra CMA Conclave on 13th and 14th of March 2021, I was thrilled to know about Topics and Location !

All the topics by eminent speakers on - GST Audit - Introspection, Investigations through Artificial Intelligence and Cryptocurrency were in line with current digital environment improvement in all fields of business activities and personal life. The renowned and expert in the field - Mr Ajit Limye, Mr Sushil Kumar Solanki and CMA Anand Karwa have presented the subject in very lucid and interesting way through their expertise and ground level experience in their field of activities. As usual the presence of CMA Nawal Sir and CMA Datey Sir was always a motivating factor for others. They were surrounded by old as well as young CMAs and students.

The location of Raireshwar Agro Tourism was excellent. We have enjoyed lots of fun & adventure activities like exciting tent stay on the bank of lake, river crippling, trekking, gun shooting, archery, live orchestra, dance and much more! Trek to Raireshwar has its own charm! The scenic beauty around the Fort was excellent! We were delighted to visit historical and sacred place Raireshwar temple where great King Chhatrapati Shivaji Maharaj at the age of 16 has taken his oath of Swaraj on 27th April 1645!

In this event all the COVID - 19 preventive precautions had been taken care by the organisers. Very happy to mentioned that very tasty, delicious food & hygienic water arrangements were provided by the organisers during this event. I wholeheartedly thanks ICAI - WIRC team for arranging Maharashtra CMA conclave and wonderful and enjoyable excursion event organised at Raireshwar, Bhor, Pune, Maharashtra.

We have experienced this event as a mind refreshing bluster in the tense atmosphere of business uncertainty as well as pandemic situation. Thanks, WIRC team under the Chairmanship of young and enthusiastic CMA Harshad Deshpande for taking initiative and sincere efforts in arranging such a mind and soul refreshing event for the CMA fraternity. Lots of care & co-operation had been taken by the WIRC team during this conclave. We expect these types of events to be organised many times in the coming period.

CFO Speaks

CMA C. P. Patel

*Interview by
CMA Malhar Dalwadi*



CMA C P Patel, MCom, ACMA, is having 35 years rich experience. He has Started carrier in 1986 in basic accounting, there after moved to budgeting, Costing and MIS. Worked in business finance for Marketing business, handled DPCO related regulatory frame work, played active role in financial evaluation of business opportunities, worked for due diligence of both the process of M&A (buyer as well as seller), currently heading finance function of formulation manufacturing operations. He is currently designated as V. P. – Finance of Zyclus Cadila.

1. What do you feel about your role as VP Finance of Pharma Company?

Global Pharmaceutical industry has many business challenges as its own quality and regulatory standards. Pharmaceutical industry is working hard to overcome the challenges in human health as well as to put the patient safety first. With this two broad aspects is has to invest heavily on research as well as updating the quality norms. As head of finance its our major responsibility to keep the financial health of oraganisation in right condition and not only to report the historical accounting data.

2. What are your main constraints / challenges you face as VP Finance of a multinational company?

The clear vision of the organisation will always push for heavy investment for research and development as well the physical infrastructure to support the innovation. Many time the financial returns are invisible for short span of the period, which many a time disturbs the financial heal the oraganisation. The business cycle is different for its business verticals/units as well as geography leads to create a different financial models to support the health of business unit.

3. What inspire you to pursuing CMA?

Apart from the routine and tax accounting the CMA professionals add the value to the business and ultimately increase the value to shareholders. A corporation or an enterprise is in the business to increase the value of the business, product, customer and shareholders, the CMA professionals are back bone to all the futuristic decisions backed by solid financial analysis. Financial analysis is an art, with the better accounting tools and methods CMA profession helps us to excel in performing the duties and responsibilities given to an individual which gives them a job enrichments and satisfaction of their contribution to society at large.

4. What is the importance of costing in multiple business segment?

Any big corporation is having it's footprint in many business segments. Board or leadership team of management wants to review the operational aspects of each business segment. Many of the aspects has interconnectivity, cross transactions as well as common activities, in such cases activity based costing and lean accounting helps to better the fair accounting of the revenue as well as the cost to arrive at the right financial numbers to evaluate the performance of the business segment.

5. How would you evaluate the role of CMA in manufacturing industry?

Improve the customer satisfaction, control the supply chain, minimise the investment in capacity, reduce the waste, optimise the operating cost, improve the utility efficiency etc are primarily focused area of any manufacturing unit/block or a line. CMA in the manufacturing industry are focused in all these areas with better analysis as well as in implementation better process or practices to achieve the desired goal. CMA in manufacturing are viewed as technical finance manager, as they are not only financial experts but also adds the value to technical process by converting the technicalities in financial outcome i.e. additional business, overcoming supply chain constrains, making more adaptable products to the expectation of the customer need.

6. How a CMA can helpful to industry in Cost Control and Cost Saving, especially pharma industry?

Following are the basic areas where the CMA can play a role in pharma industry.

- 1) Process excellence and capacity utilisation
- 2) Reduction in wastage – yield improvement at each part of the process.
- 3) Reduction in expiry
- 4) Make v/s buy decision basis the marginal cost

- 5) Controlling the time based fixed cost – considering all costs are variable at some point of time.
 - 6) Reducing the capacity cost
 - 7) Controlling the Utility cost by mapping it and balancing it over production cycle and time usage.
 - 8) Managing working capital cycle to reduce blocked working capital.
- 7. How a CMA's role is important for management under COVID situation to improve productive and profitability?**

During the COVID situation aim of the corporation is to keep the customers need satisfied with the minimum available resources and to control the fixed cost of the establishment. CMA will help the leaders with proper financial analysis on each of the decision. Such analysis helps the leads to take the calculated call to spend some thing to overcome the situational gaps as ration in the resource utilisation is must during this period.

- 8. What are your views about statutory cost records maintenance and cost audit?**

We all know that information is not a decision, but structured and relevant data always helps to decide

better as well in time for any of the business critical situation which has financial impact.

- 9. Is the Cost Audit creating value addition for industry?**

Any audit has its own benefits and in similar way cost audit has also. It has an impact on the way we calculate the cost, reconciliation of the cost which are taken as relevant cost for estimating the cost of decision impacting future business.

- 10. How the performance appraisal report by cost auditor which is laid down in earlier rules 2011 will be useful to industry?**

The performance report indicating the financials will always add the value to the board to make the future decision. It will be considered as guiding tool, what is the health of the corporation and take the corrective path to overcome the any of the weak/missing link.

- 11. Your message to young CMAs.**

Use the knowledge and wisdom in the right spirit, you are bright because of the profession and not profession is bright because of you. Respect the person opposite to you because it is not his choice, it only situational.



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Internal Audit Series No. 3 out of 4

Lapses of Internal Auditors – 2 (Two) Brief Case Studies

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Case Study 1- Toshiba's Accounting Scandal

Headquartered at Tokyo, Toshiba is one of the giant Japanese company who manufactures personal computers, consumer electronics, home appliances, and medical equipment apart from power, industrial and social infrastructure systems, semiconductors.

When, Toshiba postponed annual result, 2014, the Securities and Exchange Surveillance Commission started investigation in February of 2015 under a committee, guessing accounting scandal at the 140-year-old company, Toshiba. Committee Report (300 Page) was published on 20th July, 2015.

During Accounting Years 2009-2014, Toshiba applied a bunch of Bogus Accounting Entries to declare shocking Net Profit of ¥152 billion (\$1.2 billion) found by 4 member committee. The committee added that top management including the then CEO (President) Hisao Tanaka and its predecessors were parties in these unethical practices and there was complete absence of scrutiny by internal auditors to detect such nefarious activities.

The report revealed that only objective of all CEOs were showing better profit in each quarter than earlier after projecting optimistic figures and pursuing vigorously fellow officers to abide by instructions of seniors. The corporate culture in Japan (in general) is toxic specially in Toshiba which had unwritten dictum for the subordinate officers "not to go against the seniors".

Some examples of Toshiba's manipulating the accounting

1. Toshiba subcontracted the production of computers to a business associate. Toshiba used to dispose of computer parts to such associate for assembly of the computers, which it would then repurchase.

The Toshiba's computer division would dispose of excessive parts than required to the subcontractors, which boosted company's stock, enabling Toshiba to artificially increase its profit.

2. The infrastructure division deliberately showing lesser costs of construction projects even with full knowledge that revised cost with revised estimates, the actual costs had shoot up. Hence, artificially boosted profit.
3. The presidents strongly persuaded their fellow officers to show a profit. For instance, in September, 2012, the digital product and service division of Toshiba, which

includes its computer business, explained to the then-President Sasaki that it would incur a ¥24.8 billion operating loss for the first six month of the accounting year. However, president did not agree, instead persuaded the division to show profit by ¥12 billion.

4. In another example, in September, 2013, President Tanaka forced a senior vice president to show profit against actual loss at the digital product and service division by manipulating the figures.

Failure of Internal Audit

The committee report submitted that scandal of Toshiba was not only as a result of the company's toxic culture, activities of management or lacking the ability of the company's audit committee. Moreover, the report squarely blamed the Toshiba's internal audit department.

Toshiba's internal audit department had a system of shifting of personnel periodically. At the time of appointment of each employee, they were intimated that each of them would be changed (rotation) time to time through the department to give better scope within the company. This system of rotation of staff has plus and minus depending on how it is used. Such rotation model in Toshiba's Internal Audit disabled the competence of productive internal audit devoid of resources and competency in accounting.

Moreover, as per report, Toshiba's governance model was dependent substantially on internal audit which served more as a consultant compared to inspection of books of accounts. They completely ignored assessment/inspection of books of accounts. By default, internal auditors in Toshiba had not acted as internal auditor in literal sense but acted as consultant in to various Toshiba's companies. Acting as consultant by auditor is not a sin. The Committee blamed internal audit for scant regard to audit of accounting. They have not addressed any operational critical risk in their reports to board of directors. Even in such scenario with less activities in operation audit, internal auditor department pointed two times inappropriateness of Toshiba accounting earlier which were ignored as "not material for reporting" by senior management.

In Toshiba, there was an audit committee and independent board of directors. Instead, the internal audit department made to report President rather than to Audit Committee. Internal audit can operate with autonomy only if the audit committee is professional and proactive and the internal auditor reports to the audit committee. In Toshiba, the

audit committee was not efficient nor had autonomy. The three outside members of the audit committee had no idea of finance and accounting. An ex-CFO, who was the CFO at the time of scandal during 2009-2014, was the only full time member of the audit committee. Therefore, the internal audit department was dependent on whims of the management. Achieving unrealistic target with unethical means had the unspoken sanction of the senior management. Hence, internal audit ignored the flouting norm of accounting.

Internal audit also had no opportunity to approach by hierarchy to company's board of directors. In such scenario, for Internal Auditor, it was unworkable in traditional Japanese business toxic cultures to report directly to board of director of any irregularities in accounting. Not to put unpleasant questions to authority is the toxic corporate culture in Japan. Absolute Loyalty to Boss is Japanese culture. All through the hierarchy, upto last level they abide by the impractical target of profit set by presidents and also implemented the same with bogus accounting practices.

There was extreme persuasion from senior management to reach unachievable target. There were two components of total pay. Base pay was on designation and variable pay around were 45%. To achieve unachievable variable pay, all subordinates agreed to flout norms of accounting practices. That was the reason why internal auditor role is crucial in such circumstances. Internal auditor failed because they gave importance to consultancy against auditing of accounts and also concentrated to achieve yardstick of variable pay.

Case Study 2 – Absence of Balance & Check- The Lessons from Enron

Enron Corporation was established in 1985 from a amalgamation of Houston Natural Gas Company and Omaha-based InterNorth Incorporated. Fortune declared Enron for 6 years in a row 'America's Most Innovative Company' which was named the seventh-largest corporation in America.

What Did Enron Do Wrong? 4 Reasons

1. Accounting practices that hid the materiality

Accountants showed more earnings than actual, separated the losses and debt out of (off) balance sheets. Had such actions were not allowed, the making of loss of Enron would have been revealed earlier.

 - Mark-to-market accounting permitted and showing the total value of a deal instantly, against normal procedure of showing a gap over reasonable time.
 - Complex SPV (Special Purpose Vehicle) deals authorize Enron to take loan and simultaneously such borrowing kept off their balance sheet for hiding.
 - To keep away write off in that particular period, dead deals were falsely made active.
2. Incentive structures were made that remunerate for short-term profit (against long-term)
 - A. Instead of Deal makers incentivizing on actual cashflow, they were compensated for the deal value when it closed

with buoyant projection which turned to unviable deals ultimately.

- B. Staff got incentive for momentary (not long-term) stock prices, thus fuelling artificial stock price.
 - C. Officers in higher hierarchy like CEO/CFO were awarded big bonuses for share performance. This fuelled buoyant projection in Wall Street, which expedited mad rush of buyers for bubble business like Enron Broadband and created end quarter disarray to make earnings.
3. Enron made step by step stairs of financial dependencies in a consistent boost to share prices.
 - A. Surprisingly, Enron's mark-to-market accounting have treated the amount of a 20-year deal as recurring income in one quarter. New York Stock Market thought this to be actual recurring income. It meant that Enron had to originate even bigger deals that had poor long-term prospects to maintain the optimistic impression that had been falsely created.
 - B. Enron's share price was ascending because of fake accounting and super optimistic projections. If Enron had failed to match profit, its share price would tumbled.
 - C. If its share price would descend, its Special Purpose Vehicles (SPV) deals would be exposed the (because they forecasted on Enron share prices) huge debt (off-balance sheet) and in that case Enron would be compelled to show huge debt in balance sheet otherwise they would be forced to issue fresh shares. In such situation, share price would again dip.
 - In case, off-balance sheet huge debt would have been exposed, Enron's Credit Rating would have been junked from the standpoint of inability (difficult) to raise further raise credit to repair balance sheet. Moreover, in such downgrading of creditworthiness of Enron, it would breach key provisions of Loan Agreements with Lender. They (Lenders) might have called back loan payment before scheduled maturity. Additionally, business associates might call back securities.
 - Since Enron didn't practically have enough cash, its capacity to repay loan was at worst level. In such situation, business associates forced Enron to return securities of loans. Obviously, income further dipped..
 - This led to bankruptcy.

Role of Internal Auditor

The famous accounting company Arthur Andersen was both the statutory auditor for bankrupt Enron Corp. and also the company's internal auditor. When the outside auditor also does internal auditing, counterbalancing influences by which an organization or system is regulated is lost and the internal auditor loses autonomy and independence as third party. In addition, Apart from being auditor, Andersen was also consultant. This later role played significantly in the collapse of Enron. Several correspondence inside at Andersen revealed that serious disagreements were there among the auditors and the audit committee of Enron. Comments in most of such internal correspondence mentioned unsafe

accounting systems followed by Enron. There is evidence that Anderson employees admitted in correspondence that they falsely declared that the professional standards group officially agreed of the accounting system of Enron that camouflaged debts and artificially boosted earnings.

Andersen's freedom from (devoid of) outside control is also objectionable due to the link between audit and non-audit fees. To become professional and productive, internal auditors must be outside of clutches of management and should have independence of review of the financial related issues of management like financial statements. Andersen received remuneration from Enron short of 30% from external auditing with the remainder (70%) money from consulting including internal audit. Andersen played role of Enron's external auditor and internal auditor. Andersen's role as a consultant was questionable. It is apparent that Andersen's internal audit team, when questioned with thorny accounting aspects, disregard intentionally and gave in quietly to unsafe accounting.

Enron had various internal control deficiencies. First one was that the CFO was made free from a conflicts of interest policy, and second one is internal controls over SPEs (special purpose entity) were a fake and artificial. Such internal control exists in structure but contents were not material. Many officers had no experience for their jobs. Moreover, assets mostly overseas assets, were not physically protected. The follow up of regular cash was slack, dates of loan payment were not programmed, off balance sheet loans were bypassed though the liabilities continued and multiple risks were ignored. Internal controls were not sufficient; contingent liabilities were concealed and Andersen both as internal auditor and external auditor suppressed all of these limitations.

Internal Auditors and external Auditors did false narrative on materiality on accounting. Obviously, such false narrative on materiality on accounting transform the decisions of the readers of financial statements. When Enron started to reiterate financial statements and investors were shocked for such false narratives on materiality. When pointed out, Andersen declared (as both internal and external auditors) such known false narratives (errors) as immaterial. Thus, Internal Auditor grossly failed to perform its role as eye and ear of the company. Taking over consulting job, external audit and internal audit simultaneously, Anderson has messed up all roles and could not do justice in any job. As a result, internal audit was ultimate victim which led to collapse of the company.

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5	49665	Kirti Agarwal	PUNE
6	49668	Purvish Sharma	RATLAM
7	49676	Girish Thanwardas Shajani	MUMBAI
8	49683	Rishabh Kothari	PUNE
9	49684	Akash Lalwani	RAIPUR
10	49685	Richa Pahwa	BILASPUR
11	49686	Chirag Arunkumar Azad	AHMEDABAD
12	49691	Abhishek Shahu	NAGPUR
13	49693	Anand Kumar Rajput	SURAT
14	49694	Gaurav Pratap Bhosle	THANE (WEST)
15	49697	Samar Banwat	MUMBAI
16	49699	Mansi Shah	AHMEDABAD
17	49722	Rohit Rajiv Joglekar	MUMBAI
18	49729	Lokesh Chourasia	VADODARA
19	49730	Prashant Gupta	PUNE
20	49734	Yogita Sharma	RAIGARH

Management Wisdom

Article 4: Compromise and Consolidate!



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In an Indian context, a clever daughter-in-law compromises tactically during the initial days of her post-marriage milestone and wins the hearts of her in-laws. This act of 'compromise' helps her substantially to 'consolidate' her position in a new environment. Lord Krishna too compromised and shifted his stay from Mathura to Dwaraka, where he consolidated his position. Chhatrapati Shivaji Maharaj strategically compromised with Mirza Raje Jaising, the commander of Aurangzeb and signed a pact. This pact gave him enough time to consolidate his 'swaraj'. The great Abraham Lincoln initially compromised on smaller issues and gained the confidence of his critiques. This enabled him to demolish the ugly & inhuman practice of slavery. Similarly, Dr. Ambedkar too compromised and signed an undesirable "Pune Pact" with Mahatma Gandhi, only to consolidate his position in Indian politics. Japan and Germany compromised after their humiliation in the war and consolidated their global position. In the game of chess, a very seasoned player compromises & sacrifices a pawn and consolidates his position for an ultimate goal of checkmating the opponent's king. In business too, a shrewd entrepreneur compromises on little gains today to build a consolidated business of tomorrow. There were many such occasions in the entrepreneurial career of the well-known Indian industrialists who compromised and then consolidated their empire. Of course, we cannot and should not compromise on the 'basic doctrines of business' like integrity, humanity, quality, organizational heritage, trust and gender equality etc.

There are six major situations which compel us to compromise before we wish to consolidate. These situations are as follows: -

1. When we are weak or we are very new 'entrant' to an organisation (hence need to buy some time)
2. When we are absolutely wrong
3. When we are in a fix
4. When we need support for our new idea or venture
5. When we face an uncertainty, which may be a manageable risk for our local partner and
6. When the authorities are against us

The overall assessment of the decision to compromise and consolidate should be based on four major criteria (i) Is it going to be strategically sustainable? (ii) Will it be financially viable? (iii) Will it be operationally convenient? and (iv) Is it going to be culturally acceptable? Once this

decision is amicably taken, the 'act of compromise' should be tactically defined and executed. There are four behavioural possibilities. (a) A big show to prove your sacrifice (b) Try to hide it if it is going to be viewed as your weakness (c) A big show to prove your need & (d) Make it firmly clear that it won't be repeated. Let us remember that the 'act of compromise & consolidate' is an art, science and commerce too. The style of compromising is based on 'behavioural quotient' which is an art. The analysis of this decision is mostly an act of 'intelligence quotient' which is a science. Its cost-benefit analysis is a result of an 'entrepreneurial quotient' which is commerce. We normally find a hierarchical flow of compromise i.e. the robotic employees compromise for their superiors who are the decision-making executives. These decision-makers compromise for the top executives, who at the end compromise for the board. Each and every compromise should be timely compensated by the seniors, if a compromise is done for the organization. Obviously, there is a descending flow of compensation. This compensation should restart an employee's efforts of consolidation.

There are six interesting situations in the career of a CEO which demand a very strategic combination of 'compromisat' and consolidation. These situations are: (i) from uncertainty to risk (ii) from imperfection to perfection (iii) from survival based on the break-even efforts to a position of sustainable ROI (iv) from fellowship to leadership (v) from imitation to invention and (vi) from creating an organization to building an institution. Of course, these situations can be better handled with an increasing ratio of "consolidation to compromisat", if the CEO enjoys great amount of goodwill with all the stakeholders. A diplomat CEO always monitors the situations of "some executives consolidate because some other executives compromise". A 'zero sum game' is not always possible in the organizational dynamics!

The last but very important point now. Self-esteem or ego very often doesn't allow you to compromise. When you compromise, you ensure three things viz. a new cordial relationship, a new opportunity and a security of what you might have earned so far. In many Indian families, a child is taught a doctrine "Better break, but do not bend." This is a strategic blunder. Your existence is important to create something bigger. If you break, nothing remains. We all Marawadis migrate to different places and live happily with the sons of soil. This is simply because we are taught in our childhood, the art - science & commerce of "compromisat and consolidation!"

Virtual CFO Services (vCFO)



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Article 3: Objectives of Virtual CFO

In last 2 articles we have seen some introduction and need for vCFO. Now we will move to serious discussion on actual work to be performed by CFO in this context in virtual way. Chief Financial Officers usually is appointed with various objectives. This post is not created to satisfy legal requirements but the post means serious business. India INC is mainly family driven and in few organizations this was filled by Family Person or may be 'Next to Family Person', however objectives of the role of CFO have to be fulfilled. Promoters and Directors usually concentrate on Production/ Operations or Marketing Functions and hence to manage finances or cash flows they need finance expert who may be actually coming to Company premises or virtually is not relevant in current scenario and future as well.

This may look good for academic discussion but in vCFO organizations it means serious tasks to be achieved. In case of Virtual Mode of CFO services legally it may not be mandated to have a Chief Financial Officer and hence performance of CFO counts in big way. While offering services, objectives of such services must be clear. Fundamentally when any company appoints CFO on virtual basis it understands advantages and limitations also. If not then before accepting such assignments it is always better to have clarity on the same. We will discuss here about general objectives of such services these may vary from time to time and assignment to assignment basis. E.g Group appoints vCFO for its small company but mainly decisions taken by Group CFO only. In that case limitations of such assignments must be clarified prior hand. On the other hand Promoters wants to have serious advice and services of CFO but they cannot afford to have a full time CFO or currently not in their budget to appoint the same, here dimension of services changes drastically. After a laps of period, expectations of Shareholders/ Promoters keeps changing and hence according to me professionals should not be seeing such assignments for lifelong in one company. Generally speaking following should be objectives of vCFO the same may be called as Key Result Areas or Key Performance Indicators of vCFO.

	Primary Objective	KPI/ Secondary Objective
vCFO	Strategic Planning	Business Plan, Organization Structure, Setting Business Goals Objectives, Resource Allocation Etc.
	Transaction Support	Audits, IPOs, ERP Services, Due Diligence, Advisors, Documentations, Compliances etc.
	Fund Management	Venture Capitalists, Banks and Financial Institutions etc.

Budgeting and Forecasting	Sensitivity Analysis, Forecasting, Long Term and Short Terms Plans and Budgets etc.
Executive Dashboard	MIS, Dashboard for Individual Functions and company as whole etc.
Cash Flow and Working Cap	Cash Flow Polices, Raising Finance for Short Term, Working Capital Management etc.
Business Planning	Entry and Exit Strategies, Product Development, New Product Launch, Manpower Planning etc.
Handover Planning	Developing Department, Training, Successor Planning, Eying for Director/ Independent Director etc.

Table 1: Primary and Secondary Objectives of vCFO

- 1. Strategic Planning:** In every organization strategic planning is critical for many aspects. Like setting targets in short term and long term, manpower planning, setting goals and creating strategies to achieve the same and many more. Role CFO in case of normal and vCFO in case of virtual more is always recognized by business community. Precisely here according to me vCFO can play vital role. In larger organizations for strategic planning there are expert outside agencies who gives SWOT, Market Research, Product Viability etc. Companies preferring vCFO may not be in a position to afford outside agencies and relies upon wisdom of vCFO. Similar to that Resource Allocation or Organization Structure may not be known much to promoters where in vCFO can use his/her experience in the same. These are important Result Areas which vCFO should draw to the self and try to achieve to be successful vCFO.
- 2. Transaction Support:** vCFOs comes with lots of experience and networking. Hence from appointment of auditors/ professionals to getting work done by them is the expertise of vCFO. As we all know promoters are mostly technocrats and their skills handling of various functions which are non-core of business are minimal. Rather they prefer to outsource to employees/ consultants/ vCFO. Hence while setting objectives for self, vCFO should give priority to Transaction Support and should draw against it to achieve.
- 3. Fund Management:** This is yet another function Technocrats would love to avoid. For running business money is needed and when there is deficit, borrowing is the only option. In normal circumstances or larger

companies full time employees can be appointed but in small companies or companies preferring vCFO expects vCFO to handle the same. As an objective of the assignment, vCFOs are mainly concerned with older debts and commitments. Company already burdened with large debt is very challenging for newly appointed vCFO. In such cases Fund Management becomes main objective to save company from its sinking situation. This includes renegotiating with current Financial Institutions, various ways of Funding, Strategic Investments etc.

4. **Budgeting and Forecasting:** A core of the objective by vCFO is Budgeting and Forecasting. vCFO will have to budget first and mainly adhered to budget during the period of budget. For companies like Start Ups may need to revise the budget every quarter or half years as their business dynamics are quite variable in even shorter run. Companies with Mid-Size sales and profits also needs revision but may be less frequently. vCFO should keep the objective that as per need of the company Budget can be drawn and revised. Budgets can be short or long terms so vCFO should upraise the promoters about drawing long term budgets also to set targets in longer run. Company Management usually expects vCFO to control the expenses and find Cost Benefit Analysis of all major expenses.
5. **Executive Dashboard:** Start-ups or even the mid-size companies are not even aware about dashboards can be prepared. Older companies lose their way in multiple reports and multiple MIS etc. As and when you take over as vCFO it is expected to draw first MIS if the same in not in the place and then carve-out Dashboard out of that. Dashboard for Company as whole can be ultimate objective of any vCFO and keep management updated about various parameters. Every cycle these parameters keeps changing and should be flexible to absorb those changes.

6. **Cash Flow and Working Capital:** We all know that cash is blood for business. A technocrat, promoters and company management relies upon finance team for its better management. One has to keep this in mind that non finance functions understands cash is only finance. Hence vCFO is not an exception to keep this as a key result area. Forming policies for credit, negotiating with banks for better credit facilities, finding newer sources of funding, maintaining balance between cash inflows and working capital and if needed making funds available for capital expenses etc can be key result areas for vCFO.

7. **Business Planning:** Promoters are always flooded with ideas. Since they have risk taking abilities and appetite, vCFO has to balance between all. Promoters will come with plenty of mergers, new businesses, new products, sale of business, hiving off division/products etc. Evaluating all those proposals and choosing either of them or rejecting all of them is skilful job. Full time employed CFO may not be in a position to give frank opinion but it is expected that vCFO must give the right advice using his independence. As a Key Result Area such objectives must be set

8. **Handover Planning:** This sounds totally odd that there can be succession planning for vCFO also. I believe that assignment of vCFO should come with expiry date unless extended by the management. Creating a department, developing manpower to that extent, training of current finance department if it exists else recruiting persons and creating ably good department can be objectives of vCFO. The end of vCFO assignment one should be promoted to Independent Director, Full Time Director or any other role in Management

I am confident that I have successfully enumerated various objectives of vCFO assignment in this third article in the series. My best wishes to readers for a role of vCFO.

Vacancies

Vacancies for the initiative PCMA / recently qualified CMA / Intermediate Qualified Students seeking good costing / insolvency experience, exposure and direct training under 40 experienced PCMA.

Location Mumbai: Preference to candidate staying at Borivali and could attend Home Base office via private vehicle or in walk.

Other than Mumbai: Preference to young candidate opting to settle in practice

Requirements: WFH: Initiative to Learn. Hard working aptitude Good Laptop and broad bend connectivity with more than 50 MBPS. Rules & Regulations Applied towards long term commitments. Candidate seeking limited experience of Six months for appearing in the examination shall not be entertained.

Contact : Rohit Vora 98202 17893 / contact@rohitvora.com

“E-Invoicing” : Major Reform under GST

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Background: GST Council, in its 37th meeting held on 20th September, 2019, has approved Introduction of electronic invoice in GST in a phased manner. Accordingly, steps have been initiated to introduce ‘e-invoicing’ for reporting of Business to Business (B2B) invoices, beginning from 1st January 2020 on voluntary basis. Further, the GST Council, in its 39th meeting, held on 14th March 2020, has further recommended certain classes of registered persons to be exempt from issuing e-invoices and the date for implementation of e-invoicing to be extended to 01.10.2020 for certain category of taxpayers.

A notified class of registered persons must prepare invoice by uploading specified particulars of the invoice on the Invoice Registration Portal (IRP) and obtain an Invoice Reference Number (IRN).

Notified class of registered persons – Below Table shows the applicability of E-invoicing

Aggregate Turnover	Applicable w.e.f.	Notification
>=500 Crores	01-10-2020	Notification No.61/2020 – Central Tax
>=100 Crores	01-01-2021	Notification No.88/2020 – Central Tax
>=50 Crores	01-04-2021	Notification No.05/2021 – Central Tax

Section 2(6) of the CGST Act: “(6) “aggregate turnover” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;”

Exemption from E-Invoicing: The Entities which are exempted for e-invoices are –

- Special Economic Zone Units
- Insurer or a Banking company or a financial institution, including a non-Banking financial company.
- Goods transport agency supplying services in relation to transportation of goods by road in a goods carriage.
- Suppliers of passenger transportation service, Suppliers of services by way of admission to the exhibition of cinematograph films in multiplex screens.

The documents covered by ‘e-invoice’ system are:

- Invoices
- Credit Note
- Debit Note

‘E-invoicing’ is not generation of invoice by a Government portal. Taxpayers will continue to create their GST invoices on their own Accounting/Billing/ERP Systems. These invoices will now be reported to ‘Invoice Registration Portal (IRP)’. On reporting, IRP will generate a unique ‘Invoice Reference Number (IRN)’, digitally sign it and return the e-invoice. A GST invoice will be valid only with a valid IRN.

IRP will also generate a QR code containing the unique IRN along with certain other key particulars. The QR code (which can be printed on invoice) enables offline verification of the fact whether the e-invoice has been reported on the IRP or not (using Mobile App etc.) Taxpayers with AATO above Rs 500 Cr need to have a self-generated QR Code on B2C invoices which can facilitate easy

payment options for customers such as scan and pay. E-invoicing and QR Code for B2C Invoices was mandated in light of moving towards a digital economy.

Key Benefits of E-Invoicing:

- One-time reporting:** One-time reporting of the invoicing details for all your GST filings. A taxpayer which validates the invoice and issued the Invoice Reference Number (IRN). Upon authentication, the details will be auto-populated to the GSTR-1 return. This reduces the manual reporting process that was previously carried out.
- E-way bill:** Seamless generation of E-way Bill with Part A and Part B slip. E-invoicing facilitates the easy generation of the e-way bill as the taxpayer has to just update vehicle details. The details in Part-A of e-way bill will get auto-populated from e-invoice authenticated from the GST portal.
- ITC claim:** E-invoicing allows real-time tracking of invoices prepared by a supplier. This allows for faster availability of input tax credit (ITC).
- Invoice mismatches:** E-invoice, once uploaded on the GST portal for authentication, will be shared with the buyer as well on his e-mail ID mentioned on the e-invoice. This will help the buyer to reconcile his purchase order with the e-invoice and also accept/reject the invoice on a real-time basis.
- Standard invoicing system:** The standard invoicing system means interoperability between multiple software.
- Invoice Tracking :** Under E invoicing system, It is possible Real-time tracking of invoices prepared by the supplier
- Tax Evasion :** E invoicing system eliminates the possibility of fake GST invoices. Similarly, only genuine ITC can be claimed. It becomes easier for the tax officials to track fake input credit, mainly due to the input tax credit and output tax details are readily available.

HSN Code

According Notification No. 78/2020 – Central Tax (w.e.f 1st April 2021), A registered person having aggregate turnover up to five crores rupees in the previous financial year and more than five crores rupees in the previous financial year shall mention the number of digits of HSN Code, as specified in the corresponding entry in column (2) of the below Table in a tax invoice issued by him under the said rules in respect of supplies made.

Aggregate Turnover in the preceding Financial Year	Number of Digits of Harmonised System of Nomenclature Code (HSN Code) required to disclose in Tax invoice
Up to rupees five crores	4
more than rupees five crores	6
In case of Export of Goods/Service	8

Conclusion: E-invoicing has been the biggest reform under GST in 2020. Invoicing practices have been quite industry- specific. In spite of the different ways of preparing invoices, unified approach of e-invoicing was taken in good spirit by the overall taxpayers. Main object of introducing E-invoice System to eliminate the tax evasion, but maximum tax leakage possibility in B to C invoices mainly due to NON Claiming of Input Credit.

Checklist to Ensure Adequacy of Quality Control Functions

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Quality Control consists of set of well defined Policies and Procedures, preferably well documented and duly authorised, which will be followed to ensure adequacy of Quality of Incoming Bought Out Raw Materials which will in turn ensure adequacy of Quality of Intermediates Products (Such as in VAT Dyes), if any, and ultimately will ensure adequacy of Quality of Final Products which will be sold to Customers.

Unlike other Cost Centres, in terms of Monetary Value, Quality Control as Cost Centre may not draw attention of the management.

However, through its defined Policies & Procedures it ensures that Final Products have the specifications which is acceptable to the Customers.

Following is an Illustrative Check List of Such Policies and Procedures:

Adequacy of Infrastructure

There should be proper Infrastructure for Quality Control which can House the Entire Quality Control Functions including Its Employees and Equipments

Adequacy of Staff Recruited

This interalia may include No of Employees, suitable training for them, further education, attending seminar etc for constant Upgradation of Knowledge

Any request from Staff Member for further training, upgradation of knowledge should always be encouraged

A separate Library Facility for Quality Control should be encouraged which should house all relevant Books

Further Books can be added as per the Further requirement of Staff

Quality Control Staff is often required to put on cap to prevent hair fall and also to wear hand gloves etc which should be strictly adhered to

Adequacy of Samples Collected and Tested

Samples should be accompanied by Dully Filled In Form and should be entered in Sample Testing Register

All Test Results should be recorded for further scrutiny / analysis, if required

Inspection Report should be communicated to User Department, Buyer and Purchase Department

In case of Abnormal Result, it should be re-analysed after reasonable revision in sample size before issuing material rejection report

Once material is rejected, it should be stored in separate place and tagged clearly

There should be a well laid down policy to return such rejected material to the suppliers

Standard time limit for each test should be clearly defined, documented and **adhered**

Care should be taken in fixing suitable tolerance limits within which the Quality Control should operate.

There should be proper compilation at regular intervals of Date of

Receipt of Materials and Date of Inspection Report

This will help in knowing the actual time limit as against the time limits as laid down in Policies & Procedures

Adequacy of Procedure to Resolve Customer Complaints

There should be proper mechanism to resolve quality related complaints of customers

Proper time limit should be defined within which customer complaint should be sorted out

It may be a good industrial practice to maintain customer complaint register with proper remarks with respect to date of complaint and nature of complaint.

When customer complaint is sorted out, again that date should be mentioned in the register.

So this facilitates date of Customer complaint and date on which it is sorted out and time limits within which it is sorted out and whether this time limit is within the approved time limits or not to sort out customer complaints

There should be proper compilation at regular intervals of Date of Customer Complaint and Date on which such complaint is resolved

This will help in knowing the actual time limits as against the time limits as laid down in Policies & Procedures

Adequacy of Laboratory Equipments

All Laboratory Equipments should be purchased from Approved Vendors which should be periodically reviewed

There should be Annual Maintenance Contract for all Critical Laboratory Equipments to ensure their smooth functioning throughout

All Laboratory Equipments should be regularly calibrated to ensure reliability of their functions.

Management should always encourage either Purchase of New and or Additional Equipment as per the Situation / Circumstances

Conclusion

By ensuring the Adequacy of Different Segments which ultimately make Quality Control Functions in any Organisation, it will be possible to ensure Adequacy of Quality Control Functions as a Whole

Note: Views expressed are personal views of the author

OBITUARY



CMA Richard Correa

(M / 14530) Sr. member of Institute has passed away on 5th March 2021. May the departed soul rest in peace.

Labour Reforms w.e.f. 1st April 2021 & Impact thereon



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April 2021

Hon Prime Minister of India needs highest applaud for eliminating number of Acts & Rules and introduction of following laws and rescinding 29 other labour laws for ease of doing business and considering health, safety and security of labours / employees :

- 1) The Code on Wages, 2019
- 2) The Code on Social Security 2020
- 3) The Industrial Relations Code 2020
- 4) The Occupational Safety, Health and Working Conditions Code, 2020

Attempt has been made in this article to analyze and find out the impact on all the stake holders

THE CODE ON WAGES 2019:

New Code on Wages 2019 will substitute following earlier laws :

1. Payment of Wage Act 1936
2. Minimum Wages Act 1948
3. Payment of Bonus Act 1965
4. Equal Remuneration Act 1976

New definition of wages will apply to all labour laws in India

Definition of Employee :

“(k)” “employee” means, any person (other than an apprentice engaged under the Apprentices Act, 1961), employed on wages by an establishment to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward, whether the terms of employment be express or implied, and also includes a person declared to be an employee by the appropriate Government, but does not include any member of the Armed Forces of the Union;”

Definition of WAGES :

“(y)” “wages” means all remuneration whether by way of salaries, allowances or otherwise, expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes,—”

(i) basic pay; (ii) dearness allowance; and (iii) retaining allowance, if any but does not include –

“(a) any bonus payable under any law for the time being in force, which does not form part of the remuneration payable under the terms of employment;”

- (b) the value of any house-accommodation, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the appropriate Government;
- (c) any contribution paid by the employer to any pension or provident fund, and the interest which may have accrued thereon;
- (d) any conveyance allowance or the value of any travelling concession;
- (e) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment;
- (f) house rent allowance;
- (g) remuneration payable under any award or settlement between the parties or order of a court or Tribunal;
- (h) any overtime allowance;
- (i) any commission payable to the employee;
- (j) any gratuity payable on the termination of employment;
- (k) any retrenchment compensation or other retirement benefit payable to the employee or any ex gratia payment made to him on the termination of employment;

PROVISO-1

Provided that, for calculating the wages under this clause, if payments made by the employer to the employee under clauses (a) to (i) exceeds one-half, or such other per cent. as may be notified by the Central Government, of the all remuneration calculated under this clause, the amount which exceeds such one-half, or the per cent. so notified, shall be deemed as remuneration and shall be accordingly added in wages under this clause:

PROVISO-2

Provided further that for the purpose of equal wages to all genders and for the purpose of payment of wages, the emoluments specified in clauses (d), (f), (g) and (h) shall be taken for computation of wage

Explanation

Where an employee is given in lieu of the whole or part of the wages payable to him, any remuneration in kind by his employer, the value of such remuneration in kind which does not exceed fifteen per cent. of the total wages payable to him, shall be deemed to form part of the wages of such employee;

Benefits :

- Minimum wages and payment of wages to all organized and unorganized sectors
- Empower central government to set different national minimum wages for different parts of the country
- Timely payment to employees without any wage ceiling
- Payment of salaries or wages on or before the 7th of the following month
- Removal of gender discrimination not just in wages but also in recruitments and transfers
- Imprisonment only in case of offences committed repeatedly within five years of commission of the first or subsequent offence
- Contract Labour to be treated on par with regular employees
- Minimum wages fix by the state government cannot be lower than the National minimum wages for that region
- Inspection via randomised selection process. No geographical limits.
- Jurisdiction of Inspectors widened, web based electronic labour inspections
- Deposit of undisbursed dues with the government in case of death of an employee, where there is no nomination.
- Inclusion of digital mode / cheque modes for payment of wages
- Overtime rate set at twice the standard wage rate, to ensure no ambiguity on computation

What has been changed?

Old		New
Coverage	Minimum wages are fixed for scheduled employments with more than 1000 employees	Minimum wages paid to all employees
	Wages Act - Applies to employees whose wages do not exceed Rs. 24000/- PM	Provision regarding payment of wages will apply to all employees
	Bonus Act- Applies to establishments with 20 or more persons and for employees and for employees whose wages do not exceed Rs. 21000/- PM	Bonus will apply to employees whose wages do not exceed a monthly amount notified by central or state governments
Minimum Wages	No Provision	Minimum wages fixed by the state Government cannot be lower than the national minimum wages for that region
Overtime Wages	Allow the relevant central or state governments to set overtime wages	Overtime wages set at two times the normal wages
Gender Discrimination	Prohibits gender discrimination in wage payment, recruitment, transfers and promotions	Removal of Gender discrimination not just in wages but also in recruitments and transfers

Inspections	Inspections are appointed to carry out 1) Surprise checks and 2) Examine persons and require them to give information among other powers	Appointments of a Facilitator to carry out inspection and provide information to employees and employers for better compliance. Inspection will be done on the basis of Inspection scheme, which will include a web-based inspection schedule
Penalties	Minimum wages : Offences includes 1) Paying employees less than minimum wages and 2) not providing for a day of rest in the week. Penalties include fine up to Rs. 500 and imprisonment up to six months Wages Act: Offence includes 1) Non-payment of wages at specified time period 2) Unauthorized deductions from wages. Penalties include fine up to Rs. 7500 Bonus Act: In case a person or company does not comply with the act, they can be punished with imprisonment up to six months or fine up to Rs. 1000 Equal Remuneration Act Offences include 1) Non maintenance of documents in relation to employees and 2) Discrimination against women in recruitment, penalties include fine up to Rs. 20000 or imprisonment up to 1 year	Employers who pays less than what is due under the code will pay a fine upto Rs. 50000 . If employer is guilty of repeat offence within five years, penalties include imprisonment upto 3 months or a fine of upto 1 lakh or both Employers who do not comply with any other provision of the code will pay a fine of up to Rs. 20000. If an employer is guilty of the same offences again within five years, penalties include imprisonment up to one month or a fine of up to Rs. 40000 or both

Following points to be noted on the New Labour Code

- Code applied to all sectors of employment
- Minimum wage to all, including unorganized sector
- Definition of employee includes employees in the supervisory, managerial and administrative category
- Disparity in wages applicable in different state reduced
- No salary ceiling on the applicability of the provisions of the payment of wages act
- Demands could be met sourcing workers locally
- Grievances can be addressed for all categories of employees, within the framework of the labour codes ensuring uniformity in treatment, avoiding disputes and litigation cost
- Inspection will be done on the basis of inspection scheme, which will include a web-based inspection scheme
- Employer has to deal with a single Inspector for compliance

Impact :

Trade and Industry will have to restructure the salaries and wages, so as to ensure 50% of CTC excluding employers contribution towards PF & ESIC are considered to be basic wages on which PF will be deducted. Therefore, there will be reduction in net take home salary, but will substantially increase in savings of the employees. Following factors needs to be considered while not only restructuring of salaries but compliance of the labour code :

- Definition of wages does not include house rent allowances , 50% of allowances paid shall be part of the basic wages for computation
- Higher amount of penalties for contravention
- Court can take cognizance of an offences punishable under this code if a complaint is filed by an employee or a registered trade union.

CODE ON SOCIAL SECURITY 2020 :

Following laws will be rescinded and new code on Social security 2020 has been introduced:

1. The Employees' Compensation Act, 1923
2. The Employees' State Insurance Act, 1948
3. The Employees Provident Fund and Miscellaneous Provisions Act, 1952
4. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
5. The Maternity Benefit Act, 1961
6. The Payment of Gratuity Act, 1972
7. The Cine Workers Welfare Fund Act, 1981
8. The Building and Other Construction Workers Welfare Cess Act, 1996
9. The Unorganised Workers' Social Security Act, 2008

Object :

- To extend social security to all employees and workers either in the organized or unorganized sectors
- To provide for voluntary coverage under ESIC and PF schemes even if the number of employees are less than the limit.
- To extend social security benefits to temporary workers
- The definition of the EMPLOYEE has been comprehensively elaborated to over maximum number of employees and workers
- To provide electronic registration of employers
- Constitution of various social security organizations like the national security board for the unorganized workers
- To empower the government to frame schemes for temporary workers and the members of their families for coverage under the ESI scheme.
- To frame schemes providing for social security benefits to self employed workers
- To provide for payment of gratuity to fixed term employees on pro rata basis.

Features :

- The facility of ESIC would now be provided in all 740 districts. At present, this facility is being given in 566 districts only.

- Establishments working in hazardous sectors would mandatorily be linked with ESIC, even if there is only one worker working in it.
- Provision for Gratuity has been made for Fixed Term Employee and there would not be any condition for minimum service period for this. For the first time, a Fixed Term Employee working for a determined period on contract has been given the right of social security like a Regular Employee.
- There will be national database for unorganised sector workers where registration of all such workers would be done on an online portal on the basis of Self Certification through a simple procedure. It would facilitate the extension of benefits of various social security schemes to beneficiaries in the unorganised sector.

Duties of employer have been specifically mentioned as follows:-

- a) ensure that workplace is free from hazards which cause or are likely to cause injury or occupational disease to the employees;
- b) comply with the occupational safety and health standards declared, regulations, bye-laws or orders made under this Code;
- c) provide such annual health examination or test free of costs to such employees of such age or such class of employees of establishments or such class of establishments, as may be prescribed by the appropriate Government;
- d) ensure the disposal of hazardous and toxic waste including disposal of e-waste;
- e) issue a letter of appointment to every employee on his appointment in the establishment, with such information and in such form as may be prescribed by the appropriate Government and where an employee has not been issued such appointment letter on or before the commencement of this Code, he shall, within three months of such commencement, be issued such appointment letter;
- f) ensure that no charge is levied on any employee, in respect of anything done or provided for maintenance of safety and health at workplace including conduct of medical examination and investigation for the purpose of detecting occupational diseases;

Advantages to Employers

- No fresh registrations required under the code for employees already registered under the subsumed laws
- Uniformity in definition of wages as adopted in the code of wages
- Returns to be filed electronically
- Fixed term method of engagement with no maximum period legally permitted subject to payment of benefits on par with permanent employees
- Introduction of 5 years limitation period for initiation of an enquiry under the EPF Act
- Responsibility fixed on employees clearly to provide AADHAR for availing benefits under the social security code

- EPFO and ESIC corporations to be made body corporates to increase the accountability
- Generation of web based inspection scheme . Randomized selection of employers for the purpose of inspection
- Inspector bound to perform advisory role- shall provide advice to employers and employees on compliance of the provision of code
- Inspection report to be uploaded online within a time frame after inspection to ensure transparency and for the employer to respond only on the specific queries.
- Proposal to enhance salary limit for women employees under the ESIC scheme to INR 50000/- to facilitate payment of Maternity and other cash benefits.

Following Points to be considered by Employers while considering the CTC or Cost to the Company on engaging employee, compliances thereof and consequences:

- Labour welfare fund law have not been merged with the code , leading to additional obligation / compliance for employers.
- Insurance cover for payment of gratuity may be made mandatory , leading to blockage of working capital for employers
- Dues towards EPF and ESIC contributions shall have first charge on asset of the establishment
- The provision that government will contribute 50% of the Maternity expenses to women earning upto INR 15000/- has not been included
- Minimum fine for first time offence INR 50000/- with one-year imprisonment
- Enhanced punishment after previous conviction , fine up to INR 200000/- with imprisonment for a term of 2 years
- 2nd and subsequent offence involving non-payment of contributions due, maternity benefit, gratuity benefit, employee compensation shall attract imprisonment not less than 2 years to 5 years and fine of INR 3,00,000/-

THE INDUSTRIAL RELATIONS CODE, 2020

Following laws will be rescinded and new code on “The Industrial Relations Code, 2020 has been introduced:

1. Trade Union Act
2. Industrial Dispute Act
3. Industrial Employment Act

What are the changes?

- This will apply to establishments with at least 300 employees which was earlier 100 employees
- Permission for closure , lay-off will be required for establishments with at least 300 workers which was earlier 100 employees
- Dispute relating to termination of individual worker: Classifies any dispute in relation to discharge, dismissal, retrenchment, or otherwise termination of the services of an individual worker to be an industrial dispute. The worker may apply to the industrial tribunal for adjudication

THE OCCUPATIONAL SAFETY, HEALTH AND WORKING CONDITIONS CODE, 2020

Following laws will be rescinded and new code on The Occupational Safety, Health And Working Conditions Code, 2020 has been introduced:

1. Factories Act
2. Plantation Labour Act
3. Mine Act
4. Working Journalists and other Newspaper employees Act
5. Working journalist Act
6. Motor Transport Workers Act
7. Beedi and Cigar Workers Act
8. Contract Labour Act
9. Sales Promotion Employees Act
10. Inter State Migrant Workmen Act
11. Cine Workers and Cinema Theatre workers Act
12. Dock Workers Act
13. Building and Other construction Workers Act

Objectives

To provide flexibility and to include necessary provisions in the code for enforcing rules and regulations in tune with the emerging technologies.

Advantages to Employers

- Consolidation of laws helps for monitoring, easy compliances and benefits of both companies and employees
- Once Registration, One License, One Return, One Common authority
- Single all India License valid for five years for engaging the contract labours.
- Legal provisions strengthened to make employees abide by the safety norms
- The code does not apply to apprentices
- Web based inspection for easy and smooth process
- Inspectors cum facilitators to perform the role of guiding the employers to comply with the code.

Following Points to be considered by Employers w.r.t. compliances & consequences:

A. Contract Employees

- Provision apply to Establishments employing 50 or more contract workers and to every manpower supply contractor employing more than 50 workmen
- Welfare facilities for the contract labour to be provided by the principal Employer
- Engagement of Contract labour by a principal employer through a contractor without license shall be deemed to be in contravention of the code
- Principle Employers can also engage contract labour when there is a sudden increase in the volume of work to be completed within a specified period of time

- Contractor to initiate the authority as and when he receives a fresh work order . Failure to intimate authority may lead to cancellation of license
- Contractor shall be responsible for payment of wages through bank transfer electronically and inform the principle employer after disbursement
- In case the contractor fails to make payment, the Principal employer will be responsible for the payment of wages
- Contractor shall issue an experience certificate to the contract labour engaged by him
- Contractors engaging contract workers in more than one state can obtain a common license from the designated authority
- The code provides for a common license as well as work specific license for contractors
- No contractor shall engage workmen without a license
- Licence can be applied shall be issued and renewed electronically
- A License issued under this code shall be valid for a period of five years

B. Penalties & Offences

- Higher rate of penalty for violations. An offence leading to the death of an employee will be punishable with imprisonment of upto 2 years , or a fine upto 5 lakh rupees , or both. For any other violation, where the penalty is not specified, the employer will be penalized with a fine between 2 to 2 lakh rupees.
- Civil courts barred from hearing matters under the code

Generally, salary and wages are revised from the financial year and hence every industry have to undertake restructuring, so as to be 100% compliant. However, there is going to be either negative impact on morale of the employee, since their take home salary may get reduced even though saving will increase. Otherwise, cost to the company will have to be higher, so as to meet existing take home salary.

Comparative CTC of Existing Salary and New Salary Structure without any increase in salary will be as follows:

For the Employee not covered under ESIC

Existing CTC	500000
	Yearly
Basic	175000
HRA	70000
Maximum Onsite Productivity Incentive	219423
Sub-total	464423
Bonus	14578
PF- Employer Contribution	21000
Total	500000
Employees Contribution	21000
Profession Tax	2500
Take Home Salary	440923

New CTC Structure	500000
	Yearly
Basic	232212
HRA	92885
Maximum Onsite Productivity Incentive	139326
Sub-total	464423
Bonus	1934
PF- Employer Contribution	27865
Total	494222
Employees Contribution	27865
Profession Tax	2500
Take Home Salary	434057

For the Employee covered under ESIC

Existing CTC Structure	225000
	Yearly
Basic	142752
HRA	35688
Maximum Onsite Productivity Incentive	11371
Subtotal	189811
Bonus	11891
PF- Employer Contribution	17130
ESIC- Employer Contribution	6169
Total CTC	225000
PF- Employee Contribution	17130
ESIC- Employee Contribution	1424
PT	2500
Take Home	168757

New CTC Structure	225000
	Yearly
Basic	142752
HRA	47059
Maximum Onsite Productivity Incentive	0
Sub-Total	189811
Bonus	11891
PF- Employer Contribution	17130
ESIC- Employer Contribution	6169
Total CTC	225001
PF- Employee Contribution	17130
ESIC- Employee Contribution	1424
PT	2500
Take Home	168757

To conclude, every establishment had to re-work and restructure the existing salary, since this is effective from 1st April 2021 and there will be a major impact. Similarly, the compliance what needs to be changed, needs to be studied and also proper training programs to be conducted so as to ensure 100% statutory compliances.

***Wage code deferred, your salary structure isn't changing just yet as per the news of Economic Times**

Quote

The government has deferred implementation of labour codes beyond April 1, 2021 citing delay on the part of states to finalise Rules. The move is expected to give more time and bandwidth to companies to retweak their salary structures and other human resource (HR) policies as certain provisions of the Code would have led to increase in employee cost for the companies.

A senior labour ministry official confirmed to ET that implementation of labour codes has been deferred for some time. “Implementation of labour codes looks unlikely from April 1, 2021. The government wants at least some industrial states to notify rules across four labour codes along with the Centre to avoid any legal void,” the official said.

The labour ministry is ready with the rules on four codes and will notify them once some states are ready with rules in their domain. So far, only Jammu and Kashmir has notified Rules for the codes while states of Uttar Pradesh, Bihar, Uttarakhand and Madhya Pradesh have put up draft Rules for two Codes while Karnataka has put it up for one Code.

The delay in implementation of labour codes is a breather

for India Inc as resurgence of Covid-19 cases in major industrial states have raised apprehensions that economic recovery seen so far could be stalled or even reversed if the cases continue to go up. Suchita Dutta, executive director of the Indian Staffing Federation said people are living in some bit of ambiguity till there is clarity though preparation is on. “Companies had started preparing for changes based on the provisions of the Codes and the draft rules, including the budgeting of wages and gratuity” Dutta said.

Experts feel the Centre should have handheld states in firming up their Rules. “Preparatory work for implementation of all labour codes has been as shoddy as the Codes themselves. The central government should have taken abundant measures of guidance to the state governments and also send signals to employers and trade unions that they are serious about implementation of the four codes,” KR Shyam Sundar, labour expert and professor at XLRI said.

Un-Quote

However, it is advisable to get prepared so that after introduction of labour code, no further restructuring will be needed. ■



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL

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Series of Webint from 19th to 26th April - 2 hours including Question & Answer

Sl. No.	Date (2021)	Time	Topic	Faculty
1	19th April	6.30 to 8.30 p.m.	Jobs help for CMA finalist	CMA Rammohan Bhawe
2	20th April	6.30 to 8.30 p.m.	Interview skills for CMA	CMA Jaideep Dasgupta
3	21st April	6.30 to 8.30 p.m.	CV preparation skills for CMAs	CMA Srinivas Subramaniam
4	22nd April	6.30 to 8.30 p.m.	Job help for CMA inter	CMA Dilip Raut
5	23rd April	6.30 to 8.30 p.m.	How to find job vacancies	CMA Ajay Mohan
6	24th April	6.30 to 8.30 p.m.	Existing vacancies with guidance on how to apply for CMA Vacancies	CMA Rammohan Bhawe
7	25th April	11 am to 1 p.m.	How to negotiate salary for CMA Jobs	CMA Sanjay Parnerkar
8	26th April	6.30 to 8.30 p.m.	CMA which skill sets are in demand in Jobs	CMA Jayant Manmadkar

Please Join with Google Meet: <https://meet.google.com/jtt-aona-yru>

With regards

CMA Harshad Deshpande
Chairman, WIRC-ICAI

CMA Mahendra Bhombe
Chairman-PD Committee, WIRC-ICAI

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The following new sections are inserted with the amendments in the Finance Act-2021.

1. Section 245M: Option to Withdraw Pending Application:

- Where any application is pending, assessee at his option may withdraw such application within 3 months from 1/2/2021 & inform AO about such withdrawal.
- Where above option is not exercised, it shall be deemed to have been transferred to Interim Board.
- Any pending application may be transferred from one Interim Board to another Interim Board.
- All documents or evidences shall also be transferred to Interim board in relation to such application.
- Where the application has been withdrawn by assessee, then any proceeding in relation to that application shall stand abated.

2. Section 245OB: Board for Advance Rulings:

- Central Govt. shall constitute one or more boards for advance rulings.
- The Board shall consist of two members (Officer not below the rank of Chief Commissioner).

3. Section 245W : Appeal:

- Any applicant aggrieved by ruling or order of the board, may appeal to High Court within 60 days from the date of communication of that ruling or order. "Further 30 days may be granted to appellant on sufficient cause."
- Central Govt may make any scheme by notification for the purpose of filing appeal to High Court.
- Central Govt in respect to the above scheme, direct that any of the provisions of this act shall not apply or shall apply with such exceptions, modifications as may be required.

4. Section 245AA : Interim Boards for Settlement:

- Central Govt. shall constitute one or more Interim Boards for Settlement, for the settlement of pending applications.
- Every Interim Board shall consist of three members, each being an officer of the rank of Chief Commissioner, as may be nominated by the Board.
- If members of board differ in opinion on any point, the point shall be decided by majority.

5. Section 206CCA : Special Provisions for TCS for non-filers of ITR:

- Where Tax is required to be collected at source on any sum or amount received by a person from a specified person, the tax shall be collected at higher of the following two rates :
 1. At twice the rate specified; or
 2. At the rate of 5%.
- If the provisions section 206CC is applicable to a person, in addition to the provisions of this section, the tax shall be collected at higher of the two rates provided in this section & in section 206CC.

6. Section 206AB : Special Provisions for TDS for non-filers of ITR:

- Where TDS is required to be deducted under provisions of chapter XVIIB, other than sections 192, 192A, 194B, 194BB, 194LBC or 194N on any sum paid or payable or credited by any person to a specified person, the tax shall be deducted at higher of following rates :

1. At twice the rate; or
2. At the rate of 5%

- If the provisions of section 206AA is applicable to a specified person, in addition to the provisions of this section, the tax shall be deducted at higher of two rates provided in this section and in section 206AA.

- "Specified Person" means a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted and the aggregate of TDS & TCS in his case is Rs. 50,000 or more in each of two previous years.

7. Section 194Q : Deduction of tax at source on payment of certain sum for purchase of goods:

- Any Buyer who is responsible for paying any sum to any resident (Seller) for purchase of any goods of the value or aggregate of such value exceeding 50 Lakh Rupees in any PY, shall deduct TDS @ 0.1% of such sum exceeding 50 Lakh Rupees.

- "Buyer" means a person whose total sales, gross receipts or turnover from business carried on by him exceed 10 Crore rupees during FY immediately preceding the FY in which purchase of goods is carried out.

- Where any sum referred in sub section (1) is credited to any account, whether called "suspense account" or any other name, in books of accounts of person liable to pay such income , such credit shall be deemed to be credit to the account of payee and provisions of this section shall apply accordingly.

- The provisions of this section shall not apply to a transaction on which –

- Tax is deductible under any other provisions; and
- Tax is collectible under section 206C.

8. Section 194P : Deduction of tax in case of specified senior citizen:

- In case of a specified senior citizen, the specified bank shall, deduct income-tax on total income on the basis of rates in force.

- Provisions of Section 139 (Return Filing) shall not apply to specified senior citizen for AY relevant to PY in which Tax has been deducted.

- "Specified Senior Citizen" means an individual, being a resident in India

- i) Who is of the age of 75 yrs or more at any time during PY.

- ii) Who is having income of nature of pension and interest income from that account maintained by such Individual.

- iii) Has furnished a declaration to the specified bank containing such particulars as may be prescribed.

9. Section 148A : Conducting Inquiry, providing opportunity before issuer of notice under Section 148:

- The Assessing Officer shall, before issuing notice under section 148, –
- Conduct an enquiry, with the prior approval of specified authority, for the information which suggests that the income chargeable to tax has escaped assessment;
- Provide an opportunity of being heard.
- Consider the reply of assessee.
- Decide on the basis of material available on record whether it is fit to issue notice under section 148.
- Provided that the provisions of this section shall not apply in a case where :
 - Search is initiated under section 132 or requisition under section 132A in case of Assessee on or after 1/4/2021; or
 - AO is satisfied, with prior approval of Commissioner that valuable article or books of accounts seized under section 132 or requisitioned under section 132A, belongs to the Assessee on or after 1/4/2021;

10. Section 89A : Relief from Taxation in Income from Retirement Benefit Account maintained in notified country:

- Where a specified person has income accrued in a specified account, such income shall be taxed in such manner and in such year as may be prescribed.
 - “Specified Person” means a person resident in India who opened specified account in a notified country while being non-resident in India and resident in that country.
 - “Specified Account” means an account maintained in a notified country by the specified person in respect of his retirement benefits and the income from such account is not taxable on accrual basis but is taxed by such country at the time of withdrawal or redemption.
 - “Notified Country” means a country as may be notified by CG in the Official Gazette.
- The CBDT has issued several notifications out of which few are discussed as under.
- CBDT notifies reporting of Capital Gain, Dividend, Interest Income in SFT – Notification No. 16/2021-Income Tax/G.S.R 175(E) dated 12/03/2021

CBDT notifies that For the purposes of pre-filling the return of income, a statement of financial transaction containing information relating to capital gains on transfer of listed securities or units of Mutual Funds, dividend income, and interest income shall be furnished by specified persons at such frequency, and in such manner, as may be specified by the Principal Director General of Income Tax or the Director General of Income Tax.

Sr. No.	Nature of Transaction	Specified Person (Reporting Person)
1.	Dividend Income	A Company
2.	Interest Income	(i) A banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); (ii) Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act, 1898 (6 of 1898). (iii) Non-banking financial company which holds a certificate of registration under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934), to hold or accept deposit from public.

3.	Capital Gains on transfer of listed securities or units of Mutual Funds	i) Recognised Stock Exchange; (ii) depository as defined in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996); (iii) Recognised Clearing Corporation; (iv) Registrar to an issue and share transfer agent registered under sub- section (1) section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).
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• CBDT notifies Prescribed Income-tax Authority’ under Section 143(2) for Returns - Notification No. 25/2021-Income-tax dated 31/03/2021

1. In exercise of powers conferred under sub-section (2) of section 143 of Income-tax Act, 1961 (43 of 1961) (the Act) read with Rule 12E of the Income-tax Rules, 1962, the Central Board of Direct Taxes hereby authorises the Assistant Commissioner of Income-tax/Deputy Commissioner of Income-tax (NaFAC) having her / his headquarters at Delhi, to act as the ‘Prescribed Income-tax Authority’ for the purpose of sub-section (2) of section 143 of the Act, in respect of returns furnished under section 139 or in response to a notice issued under sub-section (1) of section 142 of the said Act, or sub-section (1) of section 148 of the Act, for the purpose of issuance of notice under sub-section (2) of section 143 of the said Act.
2. This notification shall come into force from the 1st day of April, 2021
 - The Finance Bill 2021 has proposed new Section 206AB and Section 206CCA under Income Tax Act, 1961 which provides for the higher rate of TDS and TCS respectively for the deductee who do not file their Income Tax Returns for the both of the two assessment years relevant to the two previous years which are immediately before the previous year in which tax is required to be deducted or collected.
 - The Government at the time of presentation of Budget 2021 has also proposed to insert new section 206AB and section 206CCA in the Income Tax Act, 1961 as a special provision providing for higher rate for TDS and TCS for the non-filers of income-tax return.
 - Proposed section 206AB of the Act would apply on any sum or income or amount paid or payable or credited, by a person (herein referred to as deductee) to a specified person. The proposed TDS rate in this section is higher of the followings rates:-
 - a) Twice the rate specified in the relevant provision of the Act; or
 - b) Twice the rate or rates in force; or
 - c) The rate of 5%

However, this section shall not apply where the tax is required to be deducted under sections 192 (TDS on Salary), 192A (TDS on Premature withdrawal of EPF), 194B (TDS on winnings from lottery), 194BB (TDS on winnings from horse races), 194LBC (TDS by securitization trust) or 194N (TDS on cash withdrawal) of the Act.

If the provision of section 206AA of the Act is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA of the Act.

Proposed section 206CCA of the Act would apply on any sum or amount received by a person (herein referred to as collectee) from a specified person. The proposed TCS rate in this section is higher of the following rates:-

- a) Twice the rate specified in the relevant provision of the Act; or
- b) The rate of 5%

This amendment will take effect from 1st July, 2021.

CHAPTER NEWS

AHMEDABAD

Brain Storming Meeting on Exposure Draft of Standard on Quality Control (ED SQC)

A Brain storming discussion Meeting on Exposure Draft of Standard on Quality Control (ED SQC) was held on 5th February 21. The speaker of the meeting was CCM-CMA Ashwin Dalwadi. There was detailed and healthy discussion between all the participants on the subjected topic. In continuous, 2nd part of the meeting was held on 1st March 21. Many members including CMA Ashish Bhavsar-RCM, Hon. Secretary-WIRC attended the meeting. Exposure draft was discussed in detail and all the members present gave their valuable inputs in this discussion.

Inaugural program of Online Computer Batch

Inaugural Program of Online computer training of previous batch students was organized on 5th /03/2021. CMA Haren Bhatt, Chairman of Chapter welcomed speakers, CMA A G Dalwadi-CCM, Chief Guest CMA Harshad Deshpande, Chairman, WIRC, CMA Manish Analkat, Chairman of Computer Training & Soft Skill Development Committee, members and students present. CMA Haren Bhatt, Chairman of Chapter Felicitated Chief Guest CMA Harshad Deshpande, Chairman, WIRC by offering memento and bouquet. CMA A.G. Dalwadi-CCM was felicitated by CMA Manish Analkat, Chairman of Computer Training & Soft Skill Development Committee. CMA A. G. Dalwadi-CCM gave brief about computer training and other technological activities done by HQ. CMA Harshad Deshpande, Chairman, WIRC – ICAI explained his view and importance of Computer Training as a part of study as well as in profession. The program was well informative useful to the students. CMA Manish Analkat, Chairman of Computer Training & Soft Skill Development Committee proposed vote of thanks. CEP on Brainstorming / Discussion meeting on Guidance Note on Internal Audit of Pharmaceuticals

Chapter had organized CEP on Brainstorming / Discussion meeting on Guidance Note on Internal Audit of Pharmaceuticals on 16th March 2021. CMA Dakshesh Chokshi, Chairman-Professional Development Committee welcomed speaker CMA Ashwin G Dalwadi and participants. CMA Ashwin Dalwadi gave detailed presentation and explained about Guidance Note on Internal Audit of Pharmaceuticals. CMA Haren Bhatt, Chairman proposed vote of thanks.

CMA Cricket League 2021 on 13th, 14th & 21st March 2021

CMA Cricket League 2021 was arranged on 13th & 14th March 2021 [League Matches] at Sunrise Cricket Ground, Ahmedabad, and 21st March 2021 at Shree Hari Party Plot, Ahmedabad. All the COVID protocols followed very strictly by all the players. Total 8 teams participated in CCL 2020.

CMA Ashish Bhavsar Secretary – WIRC and CMA Haren Bhatt chairman - Ahmedabad Chapter had inaugurated CCL 2021. The final was played between Vedant Volcanos and Cadila Riders. Vedant Volcanos become the Champion for CCL 2021. Cadila Riders become the Runners up for CCL 2021

while Sheladia swingers become the 2nd Runners up for CCL 2019.

Presentation ceremony to award winning trophies arranged on 21st March 2021. CMA Ashish Bhavsar Secretary – WIRC, CMA Haren Bhatt Chairman – Ahmedabad Chapter, CMA Malhar Dalwadi Secretary Ahmedabad Chapter and CMA Mitesh Prajapati Chairman – Oral Coaching Committee Ahmedabad Chapter remain present in the presentation ceremony. All the players had appreciated all the arrangement and excellent organization of sport committee lead by CMA Kushal Desai. Chapter had got overwhelmed response from sponsors.

Women's CMA Cricket League 2021 on 21st March 2021

First ever Women's CMA Cricket League 2021 was arranged on 21st March, 2021 by Sport committee in association with ladies' wing of Ahmedabad chapter. There was total 22 women player either CMA member or CMA students or relative of CMA take part. 3 Match series played between two teams of 11 players. Game swingers lead by CMA Anita Dave became the champion of 1st ever Women's CMA Cricket League 2021. Winning trophies awarded to winning team. CMA Ashish Bhavsar Secretary – WIRC, CMA Haren Bhatt Chairman – Ahmedabad Chapter, CMA Malhar Dalwadi Secretary – Ahmedabad Chapter, CMA Aparna Bhande Treasurer – Ahmedabad Chapter, CMA Mitesh Prajapati Chairman Oral Coaching Committee, CMA Daxesh Choksi Chairman Professional Development Committee remain present throughout WCCL to cheer up players. All the players had appreciated all the arrangement and excellent organization of sport committee lead by CMA Kushal Desai.

Webinar on Strategic Cost Management

Chapter had organized CEP webinar on Strategic Cost Management on 28th March 2021. CMA Dakshesh Choksi, Chairman P.D. Committee welcomed speaker CMA P D Modh and participants. CMA P.D. Modh gave detailed presentation and explained on subject of webinar. More than 35 members and professional participated in webinar.

BARODA

Chapter organised CMA Cricket Tournament 2021 at Aryan Cricket Academy, Opp. Kabir farms, Near Khanpur, New Alkapuri, Vadodara. Total 8 teams have participated in the tournament

KALYAN - AMBERNATH

Celebration of International Women's Day

On 8th March 2021, Chapter organized a virtual programme on celebration of International Women Day. CMA Neetu S. Kapoor Secretary of Chapter welcomed CMA M .R. Dudani, immediate Past Chairman of Chapter, CMA Gopichand B. Shamnani, Chairman of Chapter, CMA S.G. Narasimhan and CMA Gopal U. Keswani, Treasurer of Chapter and speakers Dr. Bhavna Binwani, Vice Principal, (Prof.) Reshmi Gurnani, Prof. Kajal Bhojwani faculty member of Smt. C.H.M. College of Arts Science & Commerce and other dignitaries present.

CMA Gpoichand B. Shamnani Chairman informed about Golden Jubilee Celebration last year Feb 2020 and conducting online lectures for Foundation, inter and Final levels, CMA S. G. Narasimhan, Vice Chairman appreciated the role of women in the corporate world and gave examples of many successful women entrepreneurs and executives. He gave example of Finland where all ministers are women.

(Prof.) Reshmi Gurnani speaker lecture on “Women’s Empowerment - Where there is a Woman There is Magic”. She explained importance of role played by Women in history and modern society and Dr. Bhavna Binwani gave power point presentation on “ A talk on successful Women’s and Mompreneurs.”

Programme was co-coordinated by Mr.Raju P.C, .Executive Secretary , Mr. Ravi Rohra Office Assistant, Programme was anchored by Prof. Komal Bhojwani, faculty of chapter. CMA Neetu S. Kapoor, Secretary of Chapter, proposed vote of thanks.

Seven Days Industry Oriented Training

Chapter organized Virtual 7 days Industry Oriented Training commencing on 20th March 2021 to 26th March 2021 for final students appearing June 2021 examination. CMA Gopichand B. Shamnani, Chairman of Chapter welcomed faculty and students and explained how students will be benefited by updated knowledge shared by faculties during 7 days of training.

Soft & Communication Skills

For improving the Communication and presentation skills and to face interview after completing CMA course for appointment of Cost Trainee/Accounts Executive at private sector and public sector organizations, Chapter organized online virtual lecture on March 2021 on Communication and Presentation for Intermediate students appearing June 2021 examination. Prof. Krishna Naidu, Corporate Trainers and Motivational speaker explained students the importance communication and presentation skills for students pursuing professional courses like Cost & Management Accountancy. More than 100 students attended the lecture.

NASHIK OJHAR

International Women’s Day

Chapter jointly with The Institute of Company Secretaries of India, Nashik Chapter and Nasik Branch of The Institute of Chartered Accountants of India organized International Women’s Day on 06th March 2021 online through a zoom meeting at 4 to 6 p.m.

The Chief Guest was Mrs. Veena Majgaonkar, CFO - Armstrong Machine Builders Pvt. Ltd. and Chief speaker Ms. Pooja Parsun, Novelist, Motivational speaker and Podcaster. Mrs. Vina Majgaonkar, in her interview session, discussed how to tackle the situation of personal life and professional life while working in the Professional area. She also shared her professional experience.

Lady professionals from all three Institutes as well as from Industries, lady students from all three Institutes attended the program. The program was coordinated by CMA Arpita

Fegde, Vice Chairperson and CMA Dipak Joshi, Member of Managing Committee, Nashik Chapter.

Walk in Interview - Hindustan Aeronautics Ltd.

Chapter has conducted walk in interviews for Intermediate students as a requirement of Cost Trainees in Hindustan Aeronautics Ltd., Nashik on 19th March 2021. CMA B.K. Raout- Chief Manager (Fin.) and CMA Ranjan Kumar Das from HAL took the Interviews of students. CMA B.K. Rout and CMA Ranjan Kumar Das from HAL were felicitated by CMA Kailas Shinde, Chairman and CMA Arpita Fegde- Vice Chairperson of Nashik Ojhar Chapter. The Responses from students were very good.

NAVI MUMBAI

Webinar on Reinventing Corporate Social Responsibility

Chapter conducted a Webinar on “Reinventing Corporate Social Responsibility” on 21st March, 2021 via Google Meet app. The speaker for this event was Mr G.M. Kanase COE (Human Resource – (Compliance & CSR). CMA Vivek Bhalerao PD Chairman of the Chapter welcomed the audience and Treasurer CMA Sushant Ghadge introduced the speaker. CMA Sirish Vasant Mohite proposed the Vote of Thanks.

Webinar on Annual Filings – Compliance under Companies Act

Chapter conducted a Webinar on “Annual Filings – Compliance under Companies Act” on 27th February 2021 via Google Meet app to celebrate Corporate Law Month. The speaker for this event was CMA Deepak Gupta Practising Company Secretary.

CMA Sirish Vasant Mohite Chairman of the Chapter welcomed the audience & speaker and Secretary CMA Ajay Mohan introduced the speaker to the audience.

CMA Vaidyanahan Iyer, Vice Chairman of the Chapter proposed the Vote of Thanks

Webinar on Insight on Union Budget

Chapter conducted a Webinar CEP programme on “Insight on Union Budget” on 7th February, 2021 via Google Meet app. The speaker for this event was CMA K. M. Riyazuddin Retired DGM (Finance) Bharat Petroleum Corporation Ltd). CMA Sirish Vasant Mohite Chairman of the Chapter welcomed the audience & Speaker while PD Chairman CMA Vivek Bhalerao introduced the speaker. CMA Vaidyanahan Iyer, Vice Chairman of the Chapter proposed the Vote of Thanks.

PIMPRI-CHINCHWAD-AKURDI

Webinar on “PSU Banks: The Unsung Heroes of Indian Economy”

Chapter conducted webinar on ‘PSU Banks: The Unsung Heroes of Indian Economy’ on 20th March 2021 through Google Digital platform. CMA Pradeep Deshpande, Secretary of PCA Chapter has welcomed all the audience and introduced the speaker Dr. Divya Kumar Agrawal, Chief Manager (Research), State Bank Institute of Credit and Risk Management.

Dr. Agrawal in his speech has started with introduction of PSU Banks. Further he focused on the news items. He said, there are two news items. The news items show that one of the

largest private banks was bailed out by a PSU Bank. Second item shows that Yes Bank was not alone; the story goes to PMC Bank, Laxmi Vilas bank ILFS, DHFL etc. He said, these news items say that the Government is privatising a few PSU Banks and setting up a DFI for infrastructure projects. Now some may ask that recently we have seen debacles of a few private banks all over the world and even in India many private banks were either sinked or given a lease of life by public money. We are acknowledging that we need a Government Financial Institution for funding infrastructure projects and Even after heroic Act of a Public Sector Bank (PSB) in saving a much-hyped blue-eyed private sector bank (PVB) and its depositors, why the newspapers are still filled with demands of privatisation of PSBs.

The experts are comparing the Public Sector Banks (PSBs) and Private Sector Banks (PVBs) on various parameters like business increments, NPA, loan book, return on equity, Returns in the stock market, their profits and provisioning etc. The people who are in favor of full privatisation of the PSBs have given various reasons for privatization. No analysts have compared their “serve the poor” ability, especially in critical times. We are forgetting that this was the whole purpose of nationalisation of these Public Sector Banks (PSBs) i.e., to provide the banking services to each citizen of the country especially to the person who is at the bottom of the social and economic pyramid. The purpose was to serve the masses along with the upper classes.

The session was well interactive. The seminar was attended by members in practice, members from industries, professionals and students in large numbers.

The program ended with a vote of thanks.

PUNE

CEP on “Women’s Day Celebration”

Chapter celebrated International Women’s Day on Monday, 8th March 2021 by organizing CEP on the subject “Happiness Unlimited” through ZOOM video conferencing tool.

CMA Smita Kulkarni welcomed the participants and introduced the speaker Dr. Mrs. Surekha S. Bhalerao, Corporate Trainer, Consultant & Founder Director, SMILE Wellness Foundation.

She explained how to tackle the ups & downs in life with energy within us. She also advised to stay health conscious to reach out to our dreams by having courage and perseverance & to be yourself.

CMA Meena Vaidya, former Chairperson of Chapter, also share her views with participants and delivered vote of thanks. The session was very interactive and everybody participated actively.

CEP on “Internal Audit and Risk Management”

Chapter arranged Webinar on “Internal Audit and Risk Management” on 26th March 2021. CMA Pradeep Pathak, Practicing Cost Accountant was speaker for the programme.

CMA Nilesh Kekan, Chairperson, Chairman, P D Committee, ICAI-Pune Chapter introduced the speaker to the participants.

3 Days (CSS) Training, 7 Days (IOTP) Program & Computer Training

Chapter started 3 Days (CSS) Training on Monday, 8th March 2021 & Computer Training Program on Thursday, 11th March 2021 through video conferencing tool via google meet for Intermediate students & 7 Days Industry Oriented Training Program (IOTP) for Final Students from 8th March 2021. Students’ response to this program was very overwhelming & fruitful.

SURAT - SOUTH GUJARAT

Webinar on “CSR Policy 2021 & its implications on Corporates

Chapter organized a Webinar on “CSR Policy 2021 & its implications on Corporates” on 23rd March, 2021 through the Google meet. The Speaker of the Program was CMA Pankaj Kannaujiya- Practicing Cost Accountant & Certified CSR Professional, Hon’ble Secretary of the Chapter.

MA Brijesh Mali, Immediate Past Chairman of the Chapter welcome the members and Vice Chairman, CMA Bhanwar Lal Gurjar gave introduction of the Speaker to the members. Around 50 members took the benefit of the program. CMA Keval Shah, treasurer of the Chapter proposed vote of thanks.

Representation at VNSGU

The Veer Narmad South Gujarat University proposed to constitute a Fee Regulation Committee to monitor & review the fees of self-finance colleges. Surat South Gujarat Chapter-Institute of Cost Accountants of India represented to the Vice Chancellor of the university to include our members in FRC committee. CMA Pankaj Kannaujiya (Secretary) and CMA Brijesh Mali (Immediate Past Chairman) submitted the representation to the Vice Chancellor on 22nd March 2021.

Press Meet & Felicitations of Rank holder

By taking all necessary safety precautions & following the Government & HQ guidelines, the Chapter hosted a Press Meet for the result declared on 29th March 2021 for Intermediate and Final exam of December 2020 term held in January 2021 at the Chapter office on 31st March 2021. CMA Harshad Deshpande, Chairman-WIRC was the Chief Guest of the program. CMA Bharat Savani, Chairman gave a formal welcome to the gathering and Chairman sir along with CMA Bhanwar Lal Gurjar, Vice Chairman of the Chapter, CMA Pankaj Kannaujiya Secretary, CMA Keval Shah, Treasurer, CMA Kishor Vaghela, Managing Committee Member felicitated to CMA Harshad Deshpande. CMA Harshad Deshpande addressed to the students and congratulated all the passing students. CMA Mahesh Bhalala, Managing Committee Member, CMA Brijesh Mali, Immediate Past Chairman and Intermediate and Final passed students joined the Meet. In intermediate 209 students appeared for online exam 67% got passed with AIR 35 scored by Ayush S. Agarwal, AIR 50 scored by Hardik V. Garg. In final 110 students appeared for online exam 63% got passed with AIR 19 scored by Tarun R. Shah, AIR 35 scored by Devansh Chandna and AIR 47 scored by Khushboo R. Jain. CMA Harshad Deshpande along with managing committee members of the Chapter felicitated all the rank holders from Surat.

CMA Pankaj Kannaujiya, Secretary proposed formal vote of thanks.



CMA Manish Analkat, Chairman of Computer Training & Soft Skill Development Committee, Ahmedabad Chapter felicitating CMA A G Dalwadi-CCM- ICAI during Inaugural program of Online Computer Batch organised by Ahmedabad Chapter.



Winner Team of CMA Cricket League 2021 organised by Ahmedabad Chapter.



Women's CMA Cricket Team – Ahmedabad Chapter



CMA Harshad Deshpande, Chairman, WIRC felicitating student during felicitation function organised by Surat, South-Gujarat Chapter.



Mr. Rajendra Shete - Chairman ICAI Nashik Branch, Ms. Payal Vyas - Chairperson ICSI Nashik, Ms. Anagha Ketkar - Vice Chairperson ICSI Nashik, Mrs. Vina Majgaonkar - Guest of Honor, CMA Arpita Fegde - Vice Chairperson, Nashik Ojhar Chapter and Ms Rashmi Lonikar Committee member of ICAI Nashik Branch during Women's Day celebration organised by Nashik-Ojhar Chapter.



CMA Kailas Shinde – Chairman, Nashik-Ojhar Chapter felicitating CMA B. K. Rout - Chief Manager -(Fin.) HAL. Also seen CMA Arpita Fegde - Vice Chairperson, CMA Ranjan Kumar Das and CMA Jyoti Mohanty from HAL



CMA Cricket Tournament 2021 organised by Baroda Chapter



Women's Day Celebration organised by Baroda Chapter on 8th March 2021.

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Theme for May 2021

Theme for May month is **Agriculture Sector - Role of CMA**

Sub Theme:

- Cost Drivers for Agriculture Sector
- MSP – Role of CMA
- Cost Optimisation
- New Agri Laws
- Modernisation of Agri Sector – Role of CMA

Articles on the theme as well as other professional matters are invited along with scanned copies of their recent passport size photograph, email id, mobile no and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else. Please send your articles by e-mail to wirc.admin@icmai.in before 25th April 2021.

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

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