WIRC BULLETIN

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In this Issue....

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

Rohit Chambers, Janmabhoomi Marg, Fort, Mumbai 400 001.

Tel.: 2204 3406 / 2204 3416 / 2284 1138 • Fax : 2287 0763 E-mail : wirc@icmai.in • **Website : www.icmai-wirc.in**

From the Desk of Editor

"Challenges are what make life interesting and overcoming them is what makes life meaningful "- **Joshua J. Marine**

WIRC of Institute of Cost Accountants of India deeply mourns the sad demise of one of our doyens of the profession - CMA Rajendra Gore, Practising Cost Accountant who was also one of the member of the Task Force of State Representation of WIRC. He left for heavenly abode on 10th April 2019 and we are deeply shaken by his untimely death.

WIRC of the Institute of Cost Accountants of India conducted 2 workshops and 2 CEPs during the month of April 2019 which was well-attended by members across various WIRC Offices including Borivali SMFC respectively.

WIRC of ICAI and WIRC of ICSI organized jointly the Workshop on GST Audit on 27th April 2019 at WIRC Office at Mumbai and was very well appreciated by the members of both the Institutes' as it touched the chord of the professionals and brought a ringside view of the important topics and delved deep in the subject much to the need and requirement of the professionals practising in such an area.

WIRC organized Campus Placement programme on 9th and 10th April 2019 and was well participated by MNCs, Indian behemoths, Auditing Firms and others.

CITCO who participated for the 1st time gave maximum offers to 23 participants and we are thankful to them for flooding the students with such handsome offers. The persons who could not make it in the 1st phase will get another chance to prove their mettle in the 2nd Phase which is scheduled after the General Elections of the country.

WIRC successfully concluded the 9th batch of Registered Valuation Course at Mumbai at WIRC Office from 8th April to 14th April 2019. The next batch is tentatively scheduled in the month of May 2019.

WIRC organized 3 days Soft skills programme and 7 days Industry Orientation Programme at Shri Bhagubhai Mafatlal Polytechnic, Vile Parle and RJ College, Ghatkopar respectively in the month of April 2019.

Jai Hind

Chief Editor
WIRC Bulletin

Shorten your journey to become an Insolvency Professional in just Two Years!

Dr. Neeti Shikha
Head, Centre for Insolvency and Bankruptcy, Indian Institute of Corporate Affairs

The Indian Institute of Corporate Affairs (IICA) is launching the Graduate Insolvency Programme (GIP) from July 2019. Registration for the Programme has already opened. The programme is certified by the Insolvency and Bankruptcy Board of India (IBBI) and is the only insolvency programme of this nature. It is a stand-alone course that is homegrown but at par with global standards. This is a globally unique programme that offers such an in-depth course in insolvency for those aspiring to become an up insolvency professional or are seeking to take up other roles in the value chain, in India or foreign jurisdictions.

This programme offers young graduates from eligible disciplines a direct entry into the insolvency ecosystem as young insolvency professional. A student who completes the GIP will be eligible for registration as an insolvency professional under the Insolvency and Bankruptcy Code 2016, without having to wait to acquire the 10-year experience as required by the Code at present.

In this 2-year long course, young graduates will spend one year in the classroom developing their theoretical understanding and one-year pursuing internships and learning about various facets of insolvency.

The course draws leadership guidance from most eminent figures from India as well as aborad. The Advisory Board for the course is chaired by Justice A.K. Sikri Judge, former judge, Supreme Court of India, Dr. K.V. Subramanian Chief Economic Advisor, Government of India, Shri Arvind P. Datar, Senior Advocate, Supreme Court of India, Dr. M.S. Sahoo Chairperson, Insolvency and Bankruptcy Board of India, Dr. Sameer Sharma Director General & CEO, IICA and Shri Sumant Batra, India's leading insolvency practitioner. Eminent international figures such as Dr. Paul J. Omar, Nottingham University and Mr. Scott Atkins from Norton Rose Fulbright, Australia are also on the board.

Approach to a Holistic Learning Experience

An insolvency professional, serving as a licensed practitioner or in any other capacity, needs not only domain knowledge but also a range of skills, multiple abilities, and extraordinary qualities. This understanding is at the core of the curriculum design. For this reason, the curriculum of the course goes beyond core insolvency domain expertise and offers modules on leadership, effective communication, culture and conflict, human resource management etc.

An insolvency professional has great ethical and moral obligations towards the company whose affair he/she is looking into. Hence, courses ethics along with courses on the global economy, corporate finance, and domestic and transnational insolvency frameworks have been integrated within the core curriculum. The GIP offers all that the market expects from high-quality insolvency professional.

Another unique feature that makes the course most attractive is the idea of "earn as you learn" that is integrated within the course. A student can also start earning in the second year while he/she interns and works on live projects.

Curated by a group comprising of eminent economists, insolvency, financial, legal and other sector experts, GIP is designed to provide exposure to real-time situations and on the ground training. The programme offers opportunities to work with leading insolvency professionals and other stakeholders and provide the graduates the skill and experience that will help them to take their career to the next level, and increase marketability to employers. The course will help harness both technical and practical knowledge by facilitating classroom and on the field environments. The students will learn various facets of insolvency from sector experts and industry leaders.

The pedagogy of learning for the course is based on constructivism, inquiry- based, reflective, collaborative, integrative.The course will follow a comprehensive training philosophy and the curriculum will be a blended design of the theory, perspectives and best-practices of insolvency practice policy from around the world, augmented with strong ethical and technical and leadership skills.

Who can apply?

Graduates/ practitioners from any of the following discipline may apply:

- Chartered Accountant
- Advocate
- Cost Accountant
- Company Secretary
- B.E / B. Tech
- Post-graduate with major subjects in Economics, Finance, Commerce, Management and Insolvency with aggregate 50% mark

Career paths after completion of the Course

After completion of the Course, graduates may register as insolvency professionals, join consulting or law firms, or work as an in-house counsel and expert. The course will offer vistas of opportunities for graduates and shall be the beginning of their exciting journey as young insolvency professional.

The GIP will produce a cadre of top-quality insolvency professionals who can deliver world-class services as resolution professionals, liquidators or in other capacities in the value chain on insolvency services. The leading insolvency professional entities, law firms, advisory firms, banks and other institutions, including those located out of India, will compete to hire the graduating students. The GIP is an investment that would bring the graduating students returns by way of their placements and challenging career opportunities. Campus recruitment is one of the most widely used measures to hire fresh graduates each year. Be it a large multinational corporation or a new age start-up, campus recruitment definitely forms one of the largest bulk recruitment exercises for every organization.

Programme Pedagogy

The GIP programme is developed in a way to focus on inducing Domain knowledge, Insolvency eco-system and industry, Laws operating in insolvency orbit, Experiences of key global economies, Ethics and values, Practical knowledge, Soft skills, Nuances of entrepreneurship, Dynamics of doing business, Thought leadership, Problem-solving ,Innovative resolution management, Creative liquidation, Art of advocacy, Leadership, Strive for excellence and Art of negotiation and consensus building.

Insolvency profession requires multiple abilities, serving multiple stakeholders. The GIP will emphasize on inculcating the requisite soft skills such as interpersonal and communication skills, people management, entrepreneurship, commitment, and emotional IQ. The GIP will deeply embed ethics, integrity and other virtues in the IP. It will be equally emphatic about developing thought leadership through interaction and mentorship with thinkers, leaders and role models from across the spectrum of economy and society, domestic and overseas, invited to share their thoughts, perspective, experiences, and vision. The GIP will command acknowledgment and respect on the strength of the innovative, unique and high quality of its structure, content, and delivery.

Benefits of Graduate Insolvency Program

This program will benefit the candidate

- By providing an opportunity to jump-start the career
- By Squeezing ten years of practice into 2 years
- To Earn a specialization
- To Rub shoulders with Luminaries
- To start Earning during the Internship

Teaching and learning theory are critical and it delights theory-headed people. However, overemphasis on theory can cause students to shut down quickly if they don't have the necessary skills. Therefore, it is crucial to make the theory real. The structure of GIP will help students make connections of knowledge, comprehension, and application. The GIP structure will comprise of a fine mix of theory and practice while maximizing learning's from the experiences of key stakeholders operating in the insolvency industry, providing exposure to real-time situations and on ground training. Emphasis will be on teaching application of textbook knowledge to resolve real world problems. The graduates will be trained and oriented to serve across the diverse range and profile of cases, small to large, corporate to individual insolvency, across jurisdictions. In some ways, GIP will seek to compress theoretical knowledge of insolvency, related laws, requisite practical experience and exposure of individuals qualified to sit in Limited Insolvency Examination, in a shorter period of time.

The GIP is uniquely designed to give an experiental earning to the students. The class room teaching and internship rigours are equally ensacpsulated within the course. There will be an intensive internship of a sufficiently long duration. The benefits of internships are broad and will vary between the students, the internship providers, and the institution where students are enrolled. Through the internship, students will gain exposure to real-world problems and issues that perhaps are not found in textbooks. They will have hands-on opportunities to work with equipment and technology that may not be available on campus. Internship will help cultivate adaptability and creativity in a dynamic world, ease the transition from being a student to entering the workforce, and increase self-confidence in the workplace while developing an expanded network of associates and professionals.

At the same time, the internship programme would help objectively apply the learnings of the GIP in a working environment, improving its post-graduation statistics, accelerating corporate fund-raising efforts, providing learning experiences that are ever more valuable than case studies and lectures, connect faculty to current trends within their professional field, developing more competitive and employable graduates. The Internship will also benefit the market by creating an opportunity to recruit future employees, giving employers an the opportunity to evaluate prospective employees virtually risk free.

Are you Excited to undertake this new journey?

About the Author

Dr. Neeti *has done her Ph.D. from National Law University Jodhpur and her LLM from University College London, UK.*

She is the recipient of prestigious Hague Scholarship where she attended Private International Law Course at the Hague Academy. She has given talks at National University Singapore, University of Indonesia and has many publications and 2 books to her credit. She has worked both in India and abroad.

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Need to re-visit Salary Structure

CMA Ashok B. Nawal

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

Each & Every Employer will have to be 100% statutory compliant w.r.t. all labour laws including but not limited to The Employees Provident Funds & Miscellaneous Provisions Act 1952, Minimum Wages Act 1948, Bonus Act 1965, Employee State Insurance Act 1948 and all other labourlaws. Decisions of recent judgements w.r.t. PF, ESIC, Minimum Wages needs to be considered carefully before reviewing existing salary structure and devising new salary structure with the intention to be 100% statutory compliant of labour laws and also satisfy one of the stake holder i.e. employee which are the back bone of any trade & industry.

PROVIDENT FUND :

Decision of Hon. Supreme Courtin the case of Surya Roshni Ltd. & Others in the Civil Appeal No. NO(s). 39653966 of 2013, 39693970 of 2013, 39673968 of 2013 will be the landmark judgement in the history of labour law and on account of the said judgement, whole of the trade & industry have to revisit salary structure and recompute PF liability on account of employer's contribution and employee's contribution.

It is important to analyze the basis of PF contribution. Hon. Supreme Court held in the aforesaid case that:

Quote: Applying the aforesaid tests to the facts of the presentappeals, no material has been placed by the establishments todemonstrate that the allowances in question being paid to itsemployees were either variable or were linked to any incentive forproduction resulting in greater output by an employee and thatthe allowances in question were not paid across the board to allemployees in a particular category or were being paid especiallyto those who avail the opportunity. In order that the amountgoes beyond the basic wages, it has to be shown that theworkman concerned had become eligible to get this extraamount beyond the normal work which he was otherwiserequired to put in. There is no data available on record to showwhat were the norms of work prescribed for those workmenduring the relevant period. It is therefore not possible toascertain whether extra amounts paid to the workmen were infact paid for the extra work which had exceeded the normaloutput prescribed for the workmen. The wage structure and thecomponents of salary have been examined on facts, both by theauthority and the appellate authority under the Act, who havearrived at a factual conclusion that the allowances in questionwere essentially a part of the basic wage camouflaged as part ofan allowance so as to avoid deduction and contributionaccordingly to the provident fund account of the employees.There is no occasion for us to interfere with the concurrentconclusions of facts. The appeals by the establishmentstherefore merit no interference. Conversely, for the same reasonthe appeal preferred by the Regional Provident FundCommissioner deserves to be allowed.

Un Quote : In other words, PF contribution will be on total salary excluding HRA, bonus, incentive, commission, overtime but will include allowances or any other payment included in any other head which is paid across the board, grade etc.

It will have great impact on employer as well as employee, since employer will have to contribute more amount towards the provident fund than that of earlier and employees also will have to contribute more amount, therefore, there will be reduction in net pay. Though, there is a concept of salary as "Cost to the Company", but in general most of the employees consider net pay as salary which will have the negative impact.

Though, there is a provision of PF contribution on maximum salary of Rs. 15,000/- per month under Section 26(A) of The Employees Provident Funds & Miscellaneous Provisions Act 1952, most of the employers generally deduct the PF on total basic, DA, etc. but now they will have to deduct on total salary except exclusions as held in above judgement.

Perhaps, nowmost of the employer will have no other option but to choose contribution to PF on maximum salary of Rs. 15,000/- per month. It is important to appreciate the following provision:

1. **Employees drawing more than Rs.15,000/- pm:**

a. Can an employee who is already a member of the Provident Fund Scheme opt out of the Scheme when his salary crosses the ceiling of Rs.15,000/- per month?

   No. An employee whose salary crosses Rs.15,000/- per month does not have the option of opting out of the Scheme. If his salary is more than Rs.15,000/- at the time of taking up an employment he can opt out and remain an "excluded employee" under the Scheme. "Once covered always covered".

b. Can an employee who is already a member of the Scheme drawing more than Rs.15,000/- p.m. opt out of the Scheme if he changes his employer?

   No. Once an employee has joined the Scheme, he will remain covered throughout his career.

c. Has an employee the option of limiting his contribution to PF only on the ceiling amount of Rs.15,000/-?

   Yes. Section 26A of the said act provides that

Quote : (1) A member of the Fund shall continue to be member until he withdraws under paragraph 69 the amount standing to his credit in the Fund or is covered by a notification of exemption under section 17 of the Act or an order of exemption under paragraph 27 or paragraph 27A.

(2) Every member employed as an employee other than an excluded employee, in a factory or other establishment to which this Scheme applies, shall contribute to the Fund, and the contribution shall be payable to the Fund in respect of him by the employer. Such contribution shall be in accordance with the rate specified in paragraph 29:

Provided that subject to the provisions contained in sub-paragraph (6) of paragraph 26 and [in paragraph 27], or sub-paragraph (1) of paragraph 27- A, where the monthly pay of such a member exceeds fifteen thousand rupees the contribution payable by him, and in respect of him by the employer, shall be limited to the amounts payable on a monthly pay of fifteen thousand rupees including dearness allowance, retaining allowance (if any) and cash value of food concession.

Un Quote: Also, the Hon. Supreme Court was not required to specifically comment on the aspect that if the salary for PF contribution already exceeded statutory wage obligation of Rs 15,000 per month, whether the employers will be required to contribute on the higher amount.In this context, in another Hon. Supreme Court ruling in the case of Marathwada Gramin Bank [AIR 3567 SC (2011)], it was held that employers cannot be compelled to contribute beyond the statutory liability.

2. House Rent Allowance:

In view of the judgment of the Supreme Court, should Provident Fund contribution be deducted on the HRA paid to the employees?

No. The definition of basic wages as per Section 2 (b) of the Act for the purpose contribution of provident fund specifically excludes HRA along with a host of others including Dearness Allowance. However, in order to include the latter for PF, Section 6 of the Act specifically requires the employer to deduct PF contribution on Special Allowance, the justification being 'universal' applicability. HRA has not been sought to be included in the definition of wages through Section 6 also. Even in the portion of the judgment in Bridge & Roof of the Supreme Court quoted in the present judgment seems to justify the position that HRA is not includible in basic wages for PF contribution. In the case of HRA like in the case of cash value of food universality also does not matter.

To conclude, PF contribution will be on Total Salary excluding HRA, Bonus, Commission, Incentive, Overtime or such payment, where employee will have to do something more to get such amount and it will not be the same across on the board, grade category etc. but can be restricted maximum on Rs. 15,000/- per month per employee.

While there are still certain areas (e.g. retrospective applicability of the SC judgement, impact on other retiral payment, etc.) which warrant further deliberation, establishments may start re-evaluating their employee compensation policies and documentation in this regard to ensure compliances with the regulations under the PF Act.

This is especially relevant in the context that the PF department has already issued a circular directing its field officers to utilise this ruling in defending other similar cases and taking necessary action in view of this judgement.

MINIMUM WAGES :

State Govt notifies minimum wages for the period January to June and July to December for different zone and different types of industries. Generally it is differently for Type of Industry / Type of Scheduled Employment and further specified into Skilled, Semi-Skilled, Un-Skilled. Such rates are specified separately for different zones namely Zone I, Zone II, Zone III

1. Advocate and Attorney
2. Automobile Repairing
3. Bakeries
4. Canteen & Clubs
5. Card Board Boxes
6. Cashew Processing
7. Cement & Cement Based Industry
8. Chemical Fertilizers
9. Construction of Roads/Buildings
10. Cotton Ginning & Pressing
11. Cycle Mechanic Works Shops
12. Dairy
13. Dispensary
14. Drugs & Pharmaceuticals
15. Dyes & Chemicals
16. Eatable Tobacco
17. Engineering Industry
18. Exercise Books
19. Fountain Pen
20. Glass Bulb
21. Glass Industry
22. Hair Cutting Saloon
23. Handloom
24. Hospital
25. Hotel & Restaurants
26. Ice & Cold Drinks
27. Laundry
28. Liquor Industries
29. Oil Mill
30. Optical Frames
31. Paints and Varnishes
32. Paper & Paper Board
33. Potteries
34. Stable (Premises wherein Buffaloes or Cows are kept)
35. Printing Press
36. Public Motor Transport
37. Readymade Garments
38. Rice, Flour or Dal Mill
39. Rubber Balloon
40. Rubber Industry
41. Saw Mills
42. Seepz

43. Shops & Commercial Establishments
44. Soaps & Cosmetics
45. Silver Industry
46. Steel Furnitures
47. Sweeper & Scavengers
48. Tanneries & Leather
49. Utensils
50. Gram Panchayat
51. Watch Straps
52. Wooden Furniture
53. Wooden Photo Frames
54. Tobacco (Bidi)
55. Vita & Kaule Industry (Brick & Roof Tiles Manufacturing)
56. Salt Pan Industry
57. Cinema Exhibition
58. Agriculture
59. Onion

Further, minimum wages are declared separately as mentioned above and further categorized into

- Basic
- HRA (5% of the Basic)
- Special Allowance

Even if, the total salary may be much higher than that of Basic + Special Allowance, labour department insist to pay min wages i.e. Basic + Special Allowance in accordance with such notifications. Therefore, it is recommended to structure the salary accordingly to avoid unnecessary dispute with the department.

It is important to also appreciate the decisions of Hon Supreme Court in the following cases, wherein it has been held that total wages has to be considered as compliance of minimum wages and not only the Basic etc.

- 2002 (2) Labour Law Journal 1075

  Case : Management of Ramkrishna Pharmaceuticals Vs. State Authority under Minimum Wages Act
- 1999 (2) Current Labour Report 799

  Case : Harilal Doshi Vs Maharashtra General Kamgar Union, Mumbai High Court
- 1999 (2) Current Labour Report 537

  Case : Air Freight Limited Vs State of Karnataka, Supreme Court

Further, it isimportant to appreciate the decision of Hon. Supreme Court in the case of Hindustan Sanitaryware vs The State of Haryana, following ratios were considered in the decision:

18. The upshot of the above discussion is :

(a) The prohibition of segregation of wages into components in the form of allowances in the Notification is impermissible;

(b) The security inspector/ security officer/ security supervisor cannot be included in the Notification;

(c) Trainees who are employed without payment of any reward cannot be covered by the Notification;

(d) Categorization of unskilled employees as semi- skilled and semi-skilled as skilled on the basis of their experience is ultra vires.

(e) Fixing the training period for one year is beyond the jurisdiction of the Government.

Employees' State Insurance (ESIC) :

Employees' State Insurance (Central) (Amendment) Rules, 2019 is in the draft form and after lifting Code of Conduct on account of Parliamentary Election, notification will be issued and these rules may come in existence. Draft Rules are already put on the website. According to Rule 51 of the Employees' State Insurance (Central) Rules, 1950

51. Rate of contribution. - The amount of contribution for a wage period shall be in respect of -

(a) employer's contribution, a sum (rounded to the next higher rupee) equal to four percent of the wages payable to an employee ; and

(b) employee's contribution, a sum (rounded to the next higher rupee) equal to one percent of the wages payable to an employee.

In other words, ESIC contribution will be as follows :

Contribution by	Existing	After Issuance of Notification
Employer	4.75%	4%
Employee	1.75%	1%

Needles to say, when total salary of any employee crosses Rs. 21,000/- per month then no ESIC contribution will have to be made either by employer or employee.

House Rent Allowance (HRA) :

In accordance with The Maharashtra Workmen's Minimum House Rent Allowance Act 1983, minimum HRA has to be paid to the extent of 5% of wages payable or Rs. 20 per month whichever is higher. In other words, House Rent Allowance should be min 5% of total wages. In other words, for the calculation of HRA, the basis should be all the wages payable other than HRA, which includes all allowances but excludes Bonus, Commission, Incentive, Over Time, or any other payment which is based on something extra to be done to get the same amount.

However, computation of Income from salary Tax under Section 10(13A) of Income Tax Act 1961read with Rule 2A of Income Tax Rules 1961 provides one of the condition for claiming exemption on account of HRA from taxable salary to the extent of 50% of basic + Dearness Allowance in metro cities or 40% of Basic + Dearness Allowance in other cities.

HRA is also excluded for the calculation of contribution to provident fund.

To conclude, existing salary structure needs to be revisited considering the above aspects for achieving both objectives:

- To be Statutory Compliant under the Labour Laws
- To ensure better net pay to the employees ■

Living the Code of conduct - The essence of being a professional

CMA (Dr.) S. K. Gupta
Contact : 9810162341 • E-mail : sunilkumar@clcindia.com

What is a Code of conduct

A code of professional conduct is a necessary component to any profession to maintain standards for the individuals within that profession to adhere. It brings about accountability, responsibility and trust to the individuals that the profession serves. Code of conduct is adopted to assist members in understanding the difference between right and wrong and in applying that understanding to their decisions. Code of conduct refers to the principles, values. Standards or rules of behaviour that guide the decisions, procedures and systems of a profession in a way that contributes to the welfare of its key stakeholdersand respects the rights of all constituents affected by its operations. The code of conduct describes the expectations that we have of ourselves and our stakeholders. Codeof conduct consists of all the obligations that professionals must respect while carrying out their duties. It includes core values of the profession and the behaviour which should be adopted.People who breach their code of conduct incur disciplinary actions that can range from a warning or reprimand to dismissal or expulsion from their professional order.

The Code of Conduct outlines specific behaviours that are required or prohibited. Codes of conduct are written to guide behaviour. It is probably quite obvious that codes of conduct are not made for circumstances where it is easy to do what is right, but rather for when immediate factors might otherwise render the proper move unclear or obscured by ideas of expediency. Codes of conduct are made to guide us towards consistently proper or ethical choices so that we habitually avoid difficult and ambiguous situations. However, We have to accept that despite rules, constraints, training, or promises, human beings act in accordance with their morality.

Professional codes of conduct draw onprofessional ethical principles viz. honesty,trustworthiness,loyalty,respect for others,adherence to the law,doing good and avoiding harm to others,accountability.as the basis for prescribing required standards of behaviour for members of a profession. They also seek to set out the expectations that the profession and society have of its members

Most professionals have internally enforced codes of conduct that members of the profession must follow to preserve the integrity of the profession. This is not only for the benefit of the client but also for the benefit of those belonging to that profession. Disciplinary codes allow the profession to define a standard of conduct and professional responsibility and ensure that individual practitioners meet this standard, by disciplining them through a professional body if they do not practice accordingly. It also maintains the public's trust in the profession, encouraging the public to continue seeking their services.

Who is a professional

A person, who is a member of a professional body due to the education qualification and follows the prescribed model and professional code of conduct. A person who has mastered a high level of expertise in a subject or field. A person who is formally certified by a professional body or belonging to a specific profession by virtue of having completed a required course of studies and/or practice and whose competence can usually be measured against an established set of standards. A professional is a member of aprofession or any person who earns their living from a specified professional activity. The term also describes the standards of education and training that prepare members of the profession with the particular knowledge and skills necessary to perform their specific role within that profession. In addition, most professionals are subject to strict codes of conduct, enshrining rigorous ethical and moral obligations

Purpose of the Code of conduct

The intention of codes of conduct is to provide guidelines for the minimum standard of appropriate behaviour in a professional context. Codes of conduct sit alongside the general law of the land and the personal values of members of the profession.The primary value of a professional code of conduct is not as a checklist for disciplining non-conforming members, although breaches of a code of conduct usually do carry a professional disciplinary consequence. Rather, its primary value is to act as a prompt sheet for the promotion of ethical decision-making by members of that profession.

Benefits of the Code of conduct

Professional codes of conduct provide benefits to:

- the public, as they build confidence in the profession's trustworthiness
- clients, as they provide greater transparency and certainty about how their affairs will be handled
- members of the profession, as they provide a supporting framework for resisting pressure to act inappropriately, and for making acceptable decisions in what may be 'grey areas'
- the profession as a whole, as they provide a common understanding of acceptable practice which builds collegiality and allows for fairer disciplinary procedures
- others dealing with the profession, as the profession will be seen as more reliable and easier to deal with.

Living the Code of conduct

In order to be of use or relevant to a professional, a code of conduct requires internalization and habitual reference. Specifically, it requires a strong, consistent internal standard; quantifiable, integrated into every element of practice, and each component related to the others. The result of this standard put into practice is known as professionalism. Professionalism means behaving in an ethical manner while assuming and fulfilling your rightful responsibilities in every situation every time, without fail. It means, in part, conducting your affairs in such a way as to garner trust and confidence in every aspect of your work. It means having the requisite ability to be worthy of the confidence others place in you.

Professionalism connotes "Professional responsibility" whichimplies obligations and standards in the performance of services. Characteristically, there are three elements in the concept "professional responsibility. One element concerns the effective use of that body of knowledge that the profession has developed. A second concerns the suitability of the professional's attitudes and actions in dealing with the client when viewed in terms of regard for public standards and ethics in behaviour. The third element focuses on the propriety of the professional's conduct in view of the professional's self-image .Typically, all three perspectives are commingled and may be presented as a "code of professional conduct.

Aprofessional Codeof conduct is a rational construct built upon a foundation of values. Those in the habit of moral discrimination-the practice of automatically comparing issues to their own core values and deciding and/or acting accordingly-are people of integrity. But not everyone is practiced at or has disciplined themselves to evaluate and make decisions in this manner. There are many who approach each situation afresh and evaluate based merely on immediate factors and/or emotional primacy.

Professional decisions which are compatible with the professional Code of conduct therefore require of individuals three qualities that can be identified and developed. The first is competence to recognize issues and to think through the consequences of alternative resolutions. The second is self-confidence to seek out different points of view and then to decide what is right at a given time and place, in a particular set of relationships and circumstances. The third is what William James called tough-mindedness, which is the willingness to make decisions when all that needs to be known cannot be known and when the questions that press for answers have no established and incontrovertible solutions.At times,under pressures to get ahead, the professional (of whose native integrity we are hopeful) is tempted to pursue advancement at the expense of others, to cut corners, to seek to win at all cost, to make things seem better than they are.We often make small ethical compromises for "good" reasons. Minor ethical lapses can seem harmless, but they instill in us a hard-to-break habit of distorted thinking. Rationalizations drown out our inner voice, and we make up the rules as we go. We lose control of our decisions, fall victim to the temptations and pressures of our situations, taint our characters, and sour business and personal relationships.The professional practice requires a prolonged play of judgment. Professionals must find in their own will, experience, and intelligence the principles and practiceof conduct they apply in balancing conflicting claims.

Code of conduct in practice is only as strong as the individual's moral base. When one's core morality is based on relativism, any ethical constraints become impotent because then any behavior or practice can be justified according to its relative value and appropriateness. As should be obvious, such behavior contradicts ethical constraint. It is probably quite obvious that rules and codes of conduct are not made for circumstances where it is easy to do what is right, but rather for when immediate factors might otherwise render the proper move unclear or obscured by ideas of expediency. More to the point, codes of conduct are made to guide us toward consistently proper or ethical choices so that we habitually avoid difficult and ambiguous situations. However, despite rules, constraints, training, or promises, human beings can only be trusted to act in accordance with their morality. Since a professional must unfailingly adhere to the rules of professional ethics, perhaps you can perceive the potential for problems presented by any allowance for relativism.

Living the Code of conduct - live examples

I was invited to deliver a lecture on the occasion of the founders day of a company. I decide to talk on Code of Conduct. I raised a question - is there a Code of conduct in the company ? many hands went up (though not all), then I asked have you read it ? fewer hands were up now, I then asked - have you understood it , still fewer hands went up. Finally I asked - do you live by it ? only two hands went up in a gathering of about 350 people. It is good thing for a company to have a code of conduct, but more importantly people must also live by it.

I was a speaker at one of the seminars at Chennai organized by the Institute of Cost Accountants of India. Sitting on the dais along side was a senior professional lady from a company based in Noida. As is customary after the presentations by the speakers a memento was offered to all the dignitaries sitting on the dais. When the gift packed memento was handed over to this lady she whispered in my ears " what is the cost of this ?" I was surprised , I said 'Madam why are you bothered ..this is just a token of appreciation for your having come all the way to participate as a speaker at the seminar " she said ' No, Dr.Gupta my company has a gift policy. If whatever is there inside the box exceeds that threshold amount then sorry I would not be able to accept it " I was startled. Here was a lady who was living the code of conduct of the company in true sense.

Conclusion

In order to be of use or relevant to a professional, a Code of conduct requires internalization and habitual reference. Specifically, it requires a strong, consistent internal standard; integrated into every element and various dimensions of practice. A professional needs to live the Code of conduct and manifest the same in all his professional actions, duties and responsibilities. A professional code of conduct articulates both expected and unacceptable standards of behaviour. However, a code without discipline lacks substance and impact. Desirable behaviour results from training, ensuring professionals comprehend the code through written acknowledgements and reinforcing the standards in practice every day. ■

Success Stories - Implementing AI in Banking Sector

CMA (Dr.) Subir Kumar Banerjee

E-mail : subirkumar.banerjee@gmail.com

Leading banks have prioritized strategic technological advancements with mighty investments into AI applications to serve their customers efficiently, set new performance standards and increase revenue. The future of finance will be heavily influenced by emerging fintech with technology setting the stage for increasing competitiveness among the banks and financial institutions. Expect more to happen in the banking and financial sector as banks get ready to adapt to the changes that technology adoption brings. In recent times, the competition in the banking space just got a bit more exciting with AI and its allied technologies powered by Neuro-Linguistic Programming (NLP) and Machine learning powering banks with a new reformation.

3 largest American banks

1. JPMorgan Chase

The first spectacular example of use of AI systems by JPMorgan Chase is the Contract Intelligence system (COiN), created specifically for the needs of the bank. The program was designed to "analyze legal documents and extract important data points and clauses". Certainly, the system is bringing millions in savings to the bank. Manual review of 12,000 credit agreements usually requires approximately 360,000 man-hours. The results of initial implementation of this technology showed that the same number of agreements can be verified in several seconds only. COiN certainly has a broad potential and the company examines the ways of implementation of this powerful tool in other fields of operations.

Another example of implementation of artificial intelligence at JPMorgan Chase is the so-called Emerging Opportunities Engine. It's tasked with analysis and identification of clients best prepared for obtaining capital by issuance of shares. This technology turned out to be effective on capital markets and is currently expanded onto other areas, including debt capital markets.

In total, the bank invested in 2017 more than USD 9.5 billion in various kinds of technologies, 3 billion of which were allocated to new initiatives, such as AI.

2. Bank of America

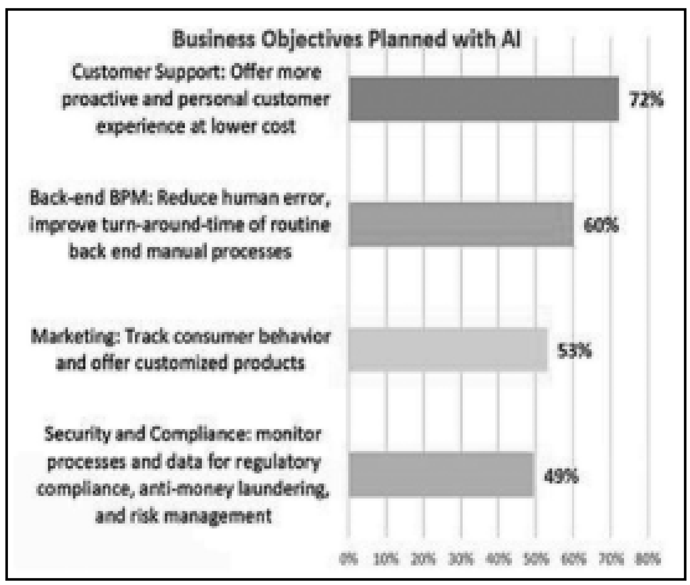
Bank of America was one of the first financial institutions which provided mobile banking to its clients 10 years ago. Last year, the bank introduced Erica to the market, a virtual assistant that was regarded in 2017 as the most significant innovation in payment and financial services. As a result of using predictive analytics, Erica works as a financial advisor for over 45 million clients of Bank of America. Integration of the intelligent assistant with advanced mobile banking solutions is intended to reduce burdens related to routine transactions, so as to allow client service centers to solve more complicated cases faster.

2017 was the second most lucrative period for Bank of America, which informed that it spent USD 3 billion on technological progress in this year only. The company is on a good way to achieving subsequent records and constantly increasing its presence in the finance industry.

3. Wells Fargo

It is third largest bank in America. In its pursuit of utilizing the possibilities of artificial intelligence and contributing to strengthening of its organizational structure, Wells Fargo announced in February establishment of a new team called Artificial Intelligence Enterprise Solutions. Steve Ellis, EVP of the bank, was appointed to manage the new team. The effects of the activities of the newly created body appeared very quickly. In April, the company began a pilot program with the use of a Chabot based on machine learning algorithms. This virtual assistant establishes relations with users through Facebook Messenger and is already able to provide accurate information on the client's account, as well as perform simple actions, such as resetting a password. After being tested by 700 company employees (a good example of initial internal testing!), the system has been introduced for all clients of the bank, many of whom have been performing financial operations through Facebook Messenger already since 2009.

These 3 banks presented examples obviously do not exhaust the catalogue of uses of AI systems by the banking sector. Let's not limit ourselves only to the United States - a good example of gaining benefits thanks to virtual agents based on machine learning systems is China Merchants Bank. This Chinese commercial bank uses a bot in the popular application WeChat to handle 1.5 to 2 million inquiries a day. In order to handle such a quantity of work without using AI systems, the same bank would need to employ more than 7,000 people. Another spectacular example is the use of artificial intelligence mechanisms by one of the Australian banks. Currently, it is experimenting with an independent, intelligent virtual assistant, the primary task of which is to listen in on conversations of bank employees about loans. If a bank employee forgets about something or makes a mistake, the bot automatically engages in the conversation.



HSBC is Using Artificial Intelligence to Take Money Launderers to the Cleaners

United Kingdom based financial holdings company, HSBC, is the seventh largest bank in the world by assets and sits at #88 on the Fortune Global 500 list, with revenues of $75,329 million.

Earlier,most compliance based checks within financial institutions such as

HSBC were carried out manually by human staff. However, research has identified most anti-money laundering investigations conducted by banks are unable to detect unusual activity, resulting in a waste of time and resources.

However, after the introduction of AI technology into the compliance process, HSBC Bank can now help improve efficiency in several different ways.

Fraud Identification: AI technology can identify complex fraud patterns and cut down on the number of false positives by consolidating large volumes of data, such as geolocation tagging, IP addresses, phone numbers, usage patterns, etc.

AML Transaction Monitoring and Sanctions Screening: AI can similarly reduce the number of false alerts by taking more data into account. It can use this data to identify complex criminal activity occurring across different products, lines of business, and customers.

Anti-Bribery, Insider Trading, and Corruption: AI can identify insider trading and bribery by analyzing multiple sources of information including emails, phone calls, messaging, expense reports, etc.

AI Applications in the Top 3 Indian Banks

We examine the AI applications in the top three Indian banks, which help answer the following questions:

- What AI applications are being used by customers and employees at leading Indian banks?
- What are the benefits of these AI applications in terms of reduction in cost, time and effort?
- What does the future hold for AI in the Indian banking sector?

State Bank of India (SBI)

SBI, which is India's largest public-sector bank with 450 million customers, is embarking on its AI journey from the point of view of both employees and customers. To fuel its AI mission, last year, SBI launched a national hackathon, "Code For Bank", for developers, startups and students to come up with innovative ideas and solutions for the banking sector, focusing on technologies such as predictive analytics, fintech/blockchain, digital payments, IoT, AI, machine learning, BOTS and robotic process automation.

SBI is currently using an AI-based solution developed by Chapdex, the winning team from its first hackathon. The solution essentially scans cameras installed in the branch and captures the facial expressions of the customers and immediately reports whether the customer is happy or sad … this is real-time or near real-time feedback. From a customer chatbot perspective, SBI has launched SIA, an AI-powered chat assistant that addresses customer enquiries instantly and helps them with everyday banking tasks just like a bank representative.

SIA has responded to millions of queries from thousands of customers. SIA is setup to handle nearly 10,000 enquiries per second or 864 million in a day. That is nearly 25% of the queries processed by Google every day. Deployment of this size is arguably the ?rst of its kind in India and even across the world. SBI claims that SIA continuously learns with each interaction and gets better over time (this alone isn't unique, it's the premise of more or less any machine learning-based product). Currently, SAI can address enquiries on banking products and services. It is trained with a large set of past customer questions and is said to aptly handle frequently asked questions.

HDFC Bank

HDFC Bank has developed an AI-based chatbot, "Eva". Since its launch in March last year, Eva (which stands Electronic Virtual Assistant) has addressed over 2.7 million customer queries, interacted with over 530,000 unique users, and held 1.2 million conversations.Eva can assimilate knowledge from thousands of sources and provide simple answers in less than 0.4 seconds. Within the first few days of its launch, Eva has answered more than 100,000 queries from thousands of customers from 17 countries across the globe.

With the launch of Eva, the bank's customers can get information on its products and services instantaneously. It removes the need to search, browse or call. Eva also becomes smarter as it learns through its customer interactions. Going forward, Eva would be able to handle real banking transactions as well, which would enable HDFC Bank to offer the true power of conversational banking to its customers. Eva will complement existing digital platforms in enhancing experience for our customers.

ICICI Bank

ICICI Bank, India's second-largest private sector bank has deployed software robotics in over 200 business processes across various functions of the company. ICICI seems to be referring to what is often referred to as "robotic software" - a kind of software generally focused on automating office work.The bank said it is the first in the country and among a few globally to deploy this technology, which emulates human actions to automate and perform repetitive, high-volume and time-consuming business tasks. Software robots have reduced the response time to customers by up to 60 percent and increased accuracy to 100 percent thereby sharply improving the bank's productivity and efficiency. It has also enabled the bank's employees to focus more on value-added and customer-related functions.Software robots now perform more than 1 million banking transactions per working day.

The software robots at ICICI Bank are configured to capture and interpret information from systems, recognize patterns and run business processes across multiple applications to execute activities, including data entry and validation, automated formatting, multi-format message creation, text mining, workflow acceleration, reconciliations and currency exchange rate processing among others.In February this year, ICICI Bank launched its AI-based chatbot, named iPal. Since its launch, the chatbot has interacted with 3.1 million customers, answering about 6 million queries, with a 90 percent accuracy rate.

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GST: Change in Input Tax Credit entitlement under GST & its impact on Cash Flow

CMA Vinod Shete
Contact : +91- 86980 76687 • E.mail : vinod_shete@rediffmail.com

Input Tax Credit:

According to Section 16 (1) of CGST Act, 2017: Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

Goods and services tax involves two equal components on any transactionunder intra state supplies,CGST and SGST / UTGST.While inter-state supplies attract integrated goods and services tax (IGST), which is eventually apportioned between the Union and State Governments.

Input Tax Credit entitlement prior to 1st February, 2019

Section 49 (5) of CGST Act, 2017 had provided manner of utilizing Input Tax Credit (ITC) for payment of GST output tax liability, e.g IGST can be set off against IGST and then CGST and SGST; CGST can be set off against CGST and then against IGST; and SGST can be set off against SGST and then against IGST.

The credit ledger showed the balance of credit lying in CGST, SGST or IGST. The amount under various heads of credit could be utilised in the following order of preference:

i. IGST ITC can be used :
   a. For payment of tax as IGST
   b. For payment of tax as CGST
   c. For payment of tax as SGST
ii. CGST ITC can be used:
   a. For payment of tax as CGST
   b. For payment of tax as IGST, in case balance is available
iii. SGST ITC can be used:
   a. For payment of tax as SGST
   b. In case balance available, payment of tax as IGST

The following tableshows the utilisation of input tax credit prior to 1st February, 2019,i.e. upto 31.01.2019:

Payment for	First set off from	Then set off from
SGST	SGST	IGST
CGST	CGST	IGST
IGST	IGST	CGST and SGST

Input Tax Credit entitlement post 1st Feb., 2019

CGST (Amendment) Act, 2018 has inserted following new sections 49A & 49B in the GST w.e.f. 01.02.2019.

According to section 49A, Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilized towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilized fully towards such payment.

According to section 49B,the Government may, on the recommendations of the Council, prescribe the order and manner of utilization of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax

The following table shows the utilisation of input credit tax w.e.f. 01.02.2019:

Payment for	First set off from	Then set off from
SGST	IGST	SGST
CGST	IGST	CGST
IGST	IGST	CGST and SGST

Below example shows impact on cash flows due to changes in ITC entitlement

Following figures are for filing monthly return GSTR-3B:

	Tax Liability (INR)	Input Tax Credit (INR)
IGST	10000	20000
SGST	10000	5000
CGST	10000	5000

Till 31.01.2019, the ITC was taken as follows:

	ITC Available (INR)	IGST (INR)	CGST (INR)	SGST (INR)	To be paid by Cash Ledger
Tax liability	(20000)	(5000)	(5000)		
IGST	10000	10000			
CGST	10000	5000	5000		
SGST	10000	5000		5000	

There was no impact on Cash flow. Tax liability was set off against Input Tax Credit entitlement.

The ITC shall be utilised w.e.f. 01.02.2019 as follows:

	ITCAvai-lable(INR)	IGST (INR)	CGST (INR)	SGST (INR)	To be paid by Cash Ledger
Tax liability	(20000)	(5000)	(5000)		
IGST	10000	10000			
CGST	10000	10000			
SGST	10000			5000	5000
ITC Balance			5000		

It is observed that the amount is not different in both the cases. But the tax of the SGST should be paid from the cash ledger even when there is credit in the CGST head. Rs.5000 is to be paid in cash.Impact on cash outflow is Rs.5000/-

Under the changed Act, IGST credit is to be used against IGST and also IGST first need to be set off against CGST and then only CGST credit can be set off against CGST. Also, the ITC of CGST can't be utilized against the SGST or vice-versa.

Major concern arising out of this amendment is that it restricts the seamless flow of ITC to the taxpayer across the board which will also impact the working capital requirements as well as increase the cost of funds to the taxpayers. Ultimately it will have a negative impact on bottom line of the business

Most of the cases where integrated goods and services credit is used up for paying CGST liability fully, business is forced to pay SGST liability in cashfully or partly. Unlike credits for integrated goods and services, the same for CGST and SGST can't be cross-utilized. This results in tax payment in cash while input tax credits remain on the books of the company adversely impacting working capital of business.

Conclusion:

The new amendment will have heavy impact on cash flowof taxpayers due to less amount of total credit available to the taxpayers in a given period as compared to the pre-amendment period. It will create paradox where on one hand taxpayers have credit available in any of the three types of tax (IGST / CGST / SGST) but on the other hand, they are made liable to discharge GST liability in cash. Needless to say that earlier manner of Input Tax Credit utilisation was tax friendly,morelogicaland was in line with the principle of seamless credit which is the primary objective of GST. ■

Lyft Off! The First Ride-Sharing IPO

CMA Vishal Gupta

Contact : +91 80809 43381 • E-mail : vishalwgupta@gmail.com

On 1 Mar 2019, Lyft filed its prospectus with the SEC for an IPO. As the first of the ride-sharing companies in the world to file a prospectus for an IPO, this was of special interest. If the Lyft IPO went well, it would be guaranteed that the other ride-sharing companies would soon follow. And the pricing and the timing of those IPOs would be affected by how Lyft is received by the markets.

Ride-sharing has exploded as a business. The most impressive statistic is not just the revenues or the growth in revenues, but how quickly the service has penetrated not just into the younger & more tech-savvy crowd but the entire market. And while the growth was initially in the US, it has exploded in Asia. Many Asian companies now have their own home-grown ride-sharing companies like India's Ola, China's Didi, Malaysia's GrabTaxi, etc. Europe has been a hold-out but even in Europe ride-sharing is finding a way in. The regulatory push in Europe has tried to curtail the growth of ride-sharing but it has started to take off.

Uber was supposed to be the ultimate big story company. They were going to be all things to all people. They were going to be in delivery, in moving, in car service, in all parts of the world.Lyft in contrast drew a clear line saying it's going to stay in ride-sharing& it's going to stay in the US.There are pros & cons to each. One may argue that with its big story Uber is setting itself up for distraction & disappointment. Distraction because they have to do all that they'd promised the world that they'd do & disappointment because its expectations were sky-high.In a way that is true. Uber has had a series of distractions including management changes, scandals, & divestitures. Lyft has stayed true to its focus staying in the US only in ride-sharing. In the last 3 years Lyft has been able to increase its market share at the expense of Uber. It's not that Lyft has won the game but it has been able to survive & make this a real contest. Both companies have now joined the bike & scooter craze with Uber buying Jump & Lime and Lyft buying Motivate. So clearly this fight is just beginning & we don't see either company walking away from this fight. And that might be bad news for investors in both companies because that competition will play out as margins stay in check. We estimate a total market of $ 120B market doubling over the next 10 years giving a huge growth in the total market for Lyft. The market share will increase as ride-sharing companies continue their dominance from 10% to 40%. We estimate that Lyft's revenues would grow from $ 3.4B to almost $ 26B. The losses turn to profits &they need toreinvest the profits. That's why we're seeing the rush to markets as they need more capital. There'll be cash burning in for the next few years, but eventually the cashflows turn very positive. The value we get from the operating assets for our story is about $ 14B & that incorporates a 10% failure rate. On the offering date we have cash coming into the company. Since Lyft has specified that they're going to keep the proceeds in the company for operating needs we could add the $ 2B of the IPO. Our total value for Lyft for the IPO valuation is about $ 16B.

As of writing this article, the market cap of Lyft was $ 16B, which is 28% lower than the listing price. This might make Uber hold back on its IPO. But even if Uber holds back & decides to get money from Venture Capitalists, the VCs are going to look at the market to decide how to price ride-sharing. So Lyft will have consequences not only for other ride-sharing companies the private market as well. The Lyft listing is still young & volatile & being watched intensely from all those ride-sharing companies as it has huge consequences for all of them. ■

"Key Performance Indicators" (KPI): A tool to understand business health

CMA Himanshu Kachhela
Contact : +91 90043 47344 / 98193 59423 • E-mail: himanshu.kachhela@parker.com

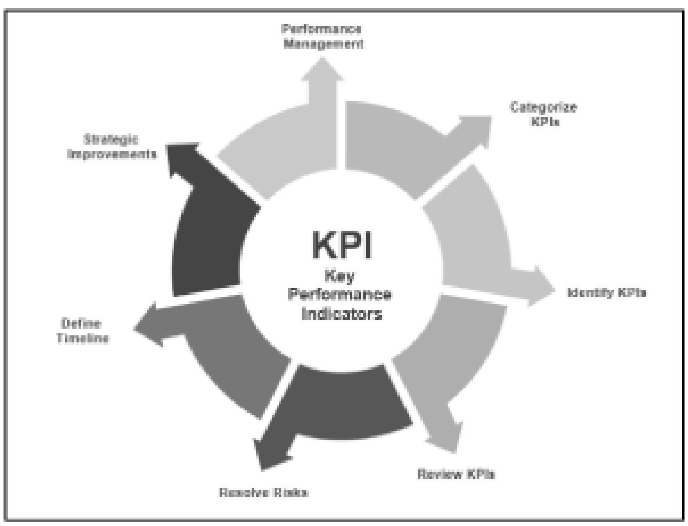
What is KPI:

As we know in every organization Key Performance Indicators (KPI) tracking plays a huge role to understand business health. It's a measurable value that demonstrates how effectively anorganization is achieving key business objectives. KPI can be used at multi levels to track performance measures depending on their roles.

Furthermore, different business units / segments and departments are typically measured against KPIs, resulting in a mix of performance indicators throughout an organization - some at the corporate level and others geared toward specific operations.

Importance of KPIs:

Key performance indicators shine a light on how well business is doing. Without KPIs, it would be difficult for an organization leaders to evaluate that a meaningful way, and to then make operational changes to address performance problems. To achieve organization GOAL, KPIs plays important role to keep employees focused on business initiatives.



KPIs are always useful to track historical performance and plays alarming role for future risks on possible business problems. This helps management in taking proactive action and right step at right time. KPIs is an important tool benchmarking Organization performance with competitors and take corrective actions wherever necessary.

KPIs measurement:

Once key performance indicators have been identified, they should be clearly communicated to employees so all levels of the organization understand which business metrics matter the most and what constitutes successful performance against them. This could include entire workforce of the Organization or can be for smaller groups like leadership team, management team, departments.

In most companies, KPIs are automatically tracked via Business Analytics and reporting tools that collect relevant data from operational systems and create reports on the measured performance levels. KPIs results are presented to executives either through dashboards or performance scorecards that often includes charts and other data visualization, with the ability to drill down into performance data for further analysis.

One of the challenge for organizations is to decide on how many KPIs to be track for organizational success and keep focus as having too many KPIs may dilute the attention paid to the truly important ones.

Few Important KPIs for Finance / Business Team:

Profitability KPIs

- Sales Growth: Sales growth is calculated to understand what is the growth in revenue Organization has fetched vs what is market / GDP growth. It is often calculated with Prior Year, Plan, Forecast period.

  Formula: Sales Growth% = (Current Year Sales - Prior Year Sales) / Current Year Sales
- **Orders Growth:** Orders growth is calculated to understand what is the growth in Order IntakeOrganization has fetched. It is important for Organization to understand how the order curve is moving. It can be calculated w.r.t to Prior, Plan and Forecast.

  Formula: Orders Growth% = (Current Years Orders - Prior Year Orders) / Current Year Orders
- **Order Backlog:** Order Backlog represents figures of what is the amount of outstanding orders from customers that is shippable in future. Increases each time order is received from customer and decreases each time an order is shipped to customers. Industry to Industry it differs what is the good order backlog Organization should have at any point of time. It even helps in forecasting future sales and therefore very important for any Organization to track Order Backlog.
- **Gross Margin%:** This is important KPI to understand what is the gross margin on product / business segment and what price should be offered into market if there is no market price.

  Formula: Gross margin% = (Sales - Cost of goods sold) / Sales

- **Contribution Margin:** Contribution Margin is foundation for breakeven analysis used in the overall cost and sales price planning for products. It represents incremental money generated for each product/unit sold after deducting variable portion of costs.

  Formula: Contribution Margin% = (Sales - Variable Costs) / Sales
- **EBIT:** Earnings Before Interest and Taxes (EBIT) is an indicator of anOrganization's profitability. EBIT is also referred to as operating income, operating profit and profit before interest and taxes.

  Formula: Contribution Margin% = (Sales - Operating Expenses (excluding Interest and taxes)
- **Marginal Return on Sales:** This KPI is used to track what is the return on incremental sales or new business. It can be calculated for comparing different periods. It can be done for Current Year vs Prior Year or for Current Year vs Forecast or Plan.

  Formula: Change in Profit (Year 2 - Year 1) / Change in Sales (Year 2 - Year 1)
- **Expense as % of Sales:** Expense as % of Sales is the KPI to measure expense by line or by cost center as a % of sales and to understand which cost contributes more and what action required to control it.
- **Profit as % of Sales:** Profit as a % of Sales can be either Profit Before Tax or Profit After Tax. It is an important parameter as Organization do business for profit and with targets of profit in mind.

  Formula: Profit / Sales

Working Capital KPIs

- **Days Sales Outstanding (DSO):** DSO shows how long it takes to collect cash from customers. Lower the DSO better it for Organization. Faster collections have positive impact on working capital.

  Formula: DSO= Accounts Receivable / Credit Sales * 365
- **Days Sales Inventory (DSI):** DSI is a measure of how long it takes for anOrganization's inventory turn into sales. Lesser the DSI better it for Organization. If Organization carries lesser inventory it has positive impact on working capital as less cash is tied up.

  Formula: DSI= (Inventory / COGS) * 365
- **Days Payable Outstanding (DPO):** DPO is a measure of how long it takes the Organization to pay its vendors. DPO is opposite of DSO - higher DPO is advantageous for anOrganization.

  Formula: DPO= (Accounts Payable / COGS) * 365
- Cash Conversion Cycle: The cash conversion cycle calculation measures how long cash is tied up in inventory before the inventory is sold and cash is collected from customers.
  Formula: CCC= (DSI+DSO-DPO)

KPI Dashboard:

A KPI Dashboard displays key performance indicators to provide the executive with an easily discernable view of their business performance. Dashboard can be in many formats like Charts, Tables, Scorecard, etc. It is important for anyone to create the easy dashboard tofollow performance tracking and trends of the Organization on periodic basis.

Business Segment		Financial Year 19			
		Prior	Plan	Act	% change Vs. Prior
Sales Growth	Sales (K$)				
	Order (K$)				
	Backlog (K$)				
Key financials	GM(%)				
	CM%				
	Expenses / Sales%				
	PBT (K$)				
	EBIT (%)				
	MROS(%)				
	PBT %				
Working Capital	DSI				
	DSO				
	DPO				

Finally, it is very important for each organization to have KPI dashboard as this is the very important tool to understand financial health of the organization at any point of time be it on monthly, quarterly basis and take corrective action where numbers are not looking in the range or not acceptable as per organization / market standard. The KPI dashboard should be simple to understand the information and act upon the issues.

WIRC Activities

Workshops

- Workshop on Input Tax Credit was organised by WIRC on 13th April 2019 at Borivali SMFC. Mr. Pratik Shah, Practising Chartered Accountant was the speaker.
- WIRC in association with WIRC of The Institute of Company Secretaries of India organised Workshop on "GST Audit" on 27th April 2019 at WIRC office. Shri Arvind Kumar Sinha, Inspector, CGST was the speaker. CS Amrita Nautiyal, Regional Council Member, ICSI-WIRC was also present on the occasion.

CEP

- CEP on "Anti-Dumping Duty with formats was organised by WIRC on 26th April 2019 at WIRC Office.

Quiz Competition

- On the occasion of Shri Ambedkar Jayanti, WIRC arranged an Quiz Competition "Know Our Constitution" for students as well as members on 13th April 2019 at WIRC Office.

Financial Fitness through Financial Planning

CMA Nikhil B. Mehta

Contact : +91-90999 28785 • E.mail : nikhil291189@rediffmail.com

Today's generation is self-centered. Their ideology is different from that of our predecessor. Everybody is trying to escape from helping each other in financial troubles. So financial fitness becomes equally important as physical fitness. A person has to imperatively do own financial planning in an appropriate manner to become financially fit.With the help of this article, I am trying to highlight the basics of personal financial planning.

Financial planning

Financial planning is a continuous lifelong process. It is allabout achieving financial goals through proper management of available financial resources. It helps in determine short and long term financial goals and create a balanced plan to meet those goals.Personal financial planning is the management of money and financial decisions for a person or family which includes protection, saving and effective investment to achieve goals.Majorly, personal financial goal includes buying an own home/ car, Child education/ Marriage, Foreign tour, Medical emergency, Retirement corpus, etc.The personal financial planning process can be summarised as below,

1. Defining financial objectives and goals
2. Gathering financial and personal information
3. Analysing financial and personal information
4. Development of financial plan
5. Implementation and review of the financial plan

Financial Planning Pyramid

A person must adhere to the financial planning pyramid forbuilding good financial health. A pyramid is divided intothree-level. First level - Protection, Second level - Wealth Accumulation and third level - Wealth Distribution.All three levels are equally important but the journey of financial planning must start from bottom to top.

Risk Mitigation &Protection:It is a basic of personal financial planning. Protect 'What you have' such as life, health, property etc. A person must have sufficient insurance coverage (Term Insurance as well as Medical Insurance). The emergency fund is must require to meet unforeseen emergencies. Sufficient amount must be allocated towards emergency fund every month.

It is advisable to maintain an emergency fund in low-risk products. Prepare monthly budget representing monthly expenses and Income, which helps in the management of cash inflow and outflow.

Wealth Accumulation& Financial Goals:'Let your money work for you'. This is an important phase of financial planning pyramid. After the protection phase, A person must implement a habit of saving in a systematic and disciplined manner. In this phase, a person should determine his financial goals & accordingly he should save and invest, considering important factors such as cash flow trend, asset allocation, risk appetite, investment horizon, inflation rate, the expected rate of return, etc. If a person starts investing early, he will get the benefit of the power of compounding (known as '8th wonder of the world') - shown in the table.

Power of Compounding - Example

Investor Name	Mr. Saxena	Mr. Gupta
Investment Start @ Age	35	25
Monthly Investment	₹15,000/-	₹5,000/-
Invested for (Till 60 Yrs.)	25	35
Total Investment	₹45 Lakh	₹21 Lakh
Retirement Amount	₹4.13 CR.	₹5.70 CR.

Assuming 15% CAGR in investment

Wealth Preservation & Distribution: This isequally important in financial planning. It includes management of retirement income, wealth transfer (estate planning/ will preparation), etc. In this phase, the monthly disbursements plan needs to be developed for basic livelihoods such as food, clothing, health care, and lifestyle. Make a proper nomination plan for your beloved for smooth transfer of your wealth after your death.

Conclusion:

It is true that no one can predicate the future. Butprevention is better than cure i.e.appropriate financial planning helps a person and his family in unexpected financial troubles. If you don't want to compromise with your current lifestyle in the retirement age, you must require doing personal financial planning today. If you are not an expert in financial planning, it is advisable to consult a good financial advisor - Doctor of Finance. Failing to plan is planning to fail. ■

Pricing Jet

Vishal Gupta
Contact : +91 80809 43381 • E-mail : vishalwgupta@gmail.com

Aviation in a tough industry. Globally we have seen time & again that the industry is prone to bankruptcy. A significant amount of capital expenditure is required upfront & then there are very high fixed costs. This means that unless we get a high degree of customer stickiness, it becomes very difficult to make a profit. This is a factor we've seen play out in India where a lot of airlines have gone bankrupt despite the fact that there is tremendous growth in traffic & the projected growth is also very high. As a result, there're a lot of airlines investing in growing capacity because they want to cater to this growing market. As they invest in growing capacity they also have to ensure that the capacity gets utilized. That builds a pressure on the airlines to keep pricing at a level where more customers join the band of flyers. This has been a big pain for Indian airlines despite the huge growth margins. India has the lowest airfares in the world . Because the airfares are so low, the airlines are unable to make profits while operating. It is often said that oil is a big factor in aviation but oil has been volatile for over 6 years now. Despite that, the global aviation industry has returned a profit consistently for the last 10 years. It is expected that the industry will hit a profit of $ 36B in 2019 . Looking just at the APAC, the profitability is expected to be $ 10B . These numbers show that airlines have been on a positive growth trajectory for the last 10 years.

Despite this backdrop, the Jet fallout did happen.The airline industry in India is suffering from very high ATF prices. The tax imposed by the central & state governments on ATF in India make it a very expensive fuel in comparison to their international peers. Further, ATF is not a part of the GST. Hence, airlines are unable to take the set-off of the GST that they pay. Also, there're a lot of congestions are airports which adds to the operating costs of airlines. Apart from the infrastructure issues, there's a pursuit for growth & market share resulting in lack of discipline in pricing.

In a distressed situation, the first question asked during valuation is the possibility of a turnaround, i.e. the steps to be taken to make sure that the airline can operate at margins that are remunerative. There has been a history of turnarounds in the airline industry globally as well as in India. Spicejet was almost grounded about 5 years ago & today is one of the best aviation stocks in the world . Any incoming investor looks at the possibility of a turnaround when they are evaluating a distressed business & try to figure out what is the best they can do with the business. They would always put a higher degree of risk in to the future cashflows of the company because they're not sure whether they'll be able to achieve those projected cashflows. One of the most valued assets for any airline is parking slots, which guides an airline's ability to land at a certain airport. Jet's parking slots are only available to it till June. If the airline is not revived till then the slots will be up for auction and then the airline will have no value left. Another factor the investors will look at is the flexibility of the lenders in taking a haircut. The equity value of a business is the total value of the business minus the total debt of the business. If the value of the business is less than the value of the debt, then theoretically there is no value to equity. Then an investor would not bother coming in. The only reason an investor would come in is if the lenders are willing to bring their value down to a reasonable number.

From a lender's perspective, it's important for them to maximize their recovery. In order to maximize recovery, tough questions need to be faced. If they invest some more money one may argue that it is putting good money after bad. Another argument is that by making a relatively small investment, the lenders may be able to recover a significantly higher sum later. When this starts to play out, the lenders need to have a lot of comfort with the new investor and their business plan. If the lenders have that confidence, things may work out for the airlines.

It remains to be seen if any new investor will perceive value in the airline. However, as the age old adage goes, at the right price, everything is a good asset.

OBITUARY

With profound grief, we regret to inform you the sad demise of **CMA Rajendra Gore,** (M/6355) fellow member of the Institute on 10th April 2019. He was the member of “Task Force – State Govt. Representation” Committee of WIRC for the year 2018-2019.

CONDOLENCE MEETING

To mourn the sad demise of CMA Rajendra Gore, WIRC arranged a Condolence Meeting on Saturday, 13th April 2019 at 5 p.m. at WIRC Office premises.

MIS Report to Improve / Optimise Sales Revenue

CMA Rajesh Kapadia

Following MIS Report (As Mentioned in Annexure-1) will enable the management to Improve / Optimise Sales Revenue and thereby will enable it to maintain its Top Line and also its Bottom Line.

To make it meaningful and result oriented, it is advisable if it is prepared for Key Finished Products which account for its 75 % to 85 % of total Sales Revenue.

Focus on these products will yield desired results.

Less Sales Quantity or Less Per MT Sales Realisation in Current Year as compared to Previous Two Years can be due to any one or more of the following factors :

1) Product Quality not in line with Customers Satisfaction / Requirement
2) Poor / Ineffective Advertisements
3) Arrival of New Competitor in the Market
4) Launch of same Product with better features by Competitor

Following Actions are recommended to improve & optimise both Sales Quantity and Sales Realisation

1) Incresing selling price without affecting the sales volume
2) Reducing selling price where such action will substantially increase the volume of sales
3) Improving the Product Design, quality, reliability and service to command better prices
4) Developing New Markets
5) Expanding sales areas
6) Better Publicity
7) Better After Sales Services

Improvement / Optimisation of Sales Quantity / Sales Realisation offers following advantages, inter alia, others:

1) Improvement in Productwise Contribution
2) Improvement in Productwise Profitability
3) Improvement in Company's Top Line
4) Improvement in Company's Bottom Line

ANNEXURE I

Sales of Key Products - Quantity & Value

	F.Y.2018-19				F.Y.2017-18				F.Y.2016-17			
	Qty.	Rate	Value	% of Total Value	Qty.	Rate	Value	% of Total Value	Qty.	Rate	Value	% of Total Value
Product 1												
Product 2												
Product 3												
Product 4												
Product 5												
Product 6												
Product 7												
Product 8												
Product 9												
Product 10												
Product 11												
Product 12												
Product 13												
Product 14												
Other Products												
Total Sales Value												

Note : In case of Other Products, MIS Report will show only Value and its % to Total Value.

Remembrance - CMA Rajendra Gore

Gore Sir is not with us. He passed away.

When this news struck on whatsApp, I was totally shattered. I was aware that he is hospitalized, but this news was totally unexpected.

Many times, I tried to make it understand to my brain that Gore Sir is not with us. But, still I wish that his name shall appear on my mobile screen and soft spoken voice should reach to my ear drums. "आशिष सर, मी राजा गोरे....'' He was very much senior to me but never skipped to call me Sir. I used to very feel embarrass at those salutations. Slowly, I realized that it was his style to respect every individual. I gave up instructing him not to call me 'Sir'.

Still remember our first meeting. I am not sure about date but it may be June or July 2012. I was told by our Pimpri-Chinchwad-Akurdi Chapter Co-ordinator to pick up Gore Sir and accompany him to Mumbai for attending one CEP Program. I retorted her to ask his age. After all, I was concerned to have a nice company on Mumbai trip. Our Co-ordinator answered he must be in 60-65. I felt little nervous.

The day before event, I dialled his number to ensure place of pick up and his caller tune started. ''गोरे गोरे, ओह बांके छोरे, कभी मेरे गली आया करो.'' Oh my God..I guessed that he must be the young soul trapped in old body. My guess came true next day when I picked him up at Kasarwadi.

Once he boarded in our Hired Car, after some professional introduction session, suddenly we started talking like old pals. His story narrating skills were better than me. I took the back seat in conversation and listened to his age old stories about how he completed his CMA, his love cum arranged marriage, his college days in Aurangabad, how he settled in Pune from Aurangabad, about his family members.... and that ended our Pune-Mumbai journey. A new journey of friendship is started.

We used to talk frequently over telephone. We realized our passions as well as our Idols are same. "Chatrapati Shivaji Maharaj". He was so well versed with this great Maratha Leader that we used to talk for 3-4 hours without any interruptions about his strategies, his interpersonal skills. He used to tell me small stories how Shivaji Maharaj groomed up every shiledar of swarajya through varied role. I liked to hear the story about 'Ramchandra Nilkanth' as he was Cost Auditor in Maharaj's council of eight Ministers (Ashta Pradhan). He not only did look after accounts and audit of every pargana but also fought a war for Maharaj when other ministers were engaged in battles. First time, I came to know from Gore Sir that Shivaji Maharaj was paying Cost Auditor 12,000 Hon Salary which was more than Hambirrao Mohite, Sarsenapati's salary (10,000 Hon). That was the importance of CFO than CEO.

His another passion was profession of Cost Accountant. CMA Gore sir, was one of the founder members of Aurangabad Chapter.

He had also contributed a lot for our Pimpri-Chinchwad- Akurdi Chapter (PCAC). When PCA chapter was formed, he guided us a lot in documentation, record keeping and on various compliances of chapter. He became instrumental to train our Chapter's staff by extending a help from our elder brother-Aurangabad Chapter.

He had handled & given a presentation on 'Fiat judgement & TISCO case' which was under consideration of the Director-Technical of our Institute of Cost Accountants, for issue of Guidance note.

He had initiated so many RTIs and became victorious to get clarification from C & AG authority that CMAs are entitled to do Internal Audit & other audits too. His RTI on CAG opened a many avenues for Cost Accountants.

He had written so many letters to various authorities like Banks, Ministry, PMO, etc. Fruits of his efforts ripened now. Now, in almost every advertisement CMAs are invited for Internal Audit, Bank Stock Audit Empanelment & Concurrent Audits.

He was also member in implementation - of 'Minimum Fees' for Cost Audit Assignment to stop the unhealthy competition between CMAs quoting fees -lower than each other.

He was trying to get the Concurrent Audits for CMAs. He had also encouraged many CMAs to do 'DISA' course.

He had written so many letters to RBI -Department of banking regulations asking their intervention on various Bank certification & project reports approval process. Because of him, CMA Profession finds a way to troop into Banking sector services.

He had given so many representation to Bank for empanelling CMAs in Stock Audits . Presently more than 50 CMAs got assignments in Bank of Maharashtra, due to his constant interaction with Bankers.

I also involved him in our CMA trekkers group. He accompanied us in trek to Raireshwar, on 26th Jan 2016. It was a trek on bike. I was little worried about him whether he would make it. It was a difficult trek but he made it in time and ahead of us.

We lost a true warrior.

I pray to God for his soul rests in peace and give his family an immense strength and peace in life.

(CMA Gore Sir... Salute from all CMA Trekker Gang..We will miss you)

From :

CMA Ashish Deshmukh

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Successful CMAs from WIRC who got placement in April 2019 Campus

Aishwarya Savardekar
ONGC

Ashmita Shetty
CITCO

Bindiya K. Bhatia
Godrej and Boyce

Devendra Deshpande
RSM Astute

Jaynil Jariwala
CITCO

Jyoti Choithani
Accenture

Kavita Aswani
Federal Bank

Kireet Parihar
Accenture

Puja Kumari Sah
Federal Bank

Sangmeshwar Swami
CITCO

Vipasha Jain
Accenture

Vishal Shiyani
Godrej & Boyce Mfg. Co. Ltd.

and many more. . . . . .

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