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*Chief Editor:*
CMA Kailash Ratanlal Gandhi


## CMAs : Strategic Planner


### *In this Issue....*




**WESTERN INDIA REGIONAL COUNCIL**

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

***(Statutory Body under an Act of Parliament)***

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# From the Desk of Editor

*"Great is the art of beginning, but greater is the art of ending."*
*- Henry Wadsworth Longfellow*

*As we close our tenure of the present Regional Council it is the time to look back and feel nostalgic and recollecting the times which have gone by. I am very much privileged to be a part of this esteemed Institute both as a student, member and a Regional Council Member. The tenure as Chairman (2017-18) has been the most challenging and satisfying experience to serve the profession with best of my ability.*

*The life is very dull if there are no challenges and as a professional we are always striving to cater to our clients to make their life peaceful and comforting. The profession of accounting is under huge challenge considering the proliferation and widespread usage of Artificial Intelligence and as CMAs we are to give more in tomorrow than we did in yesterday. We feel that all accounting and financial work can be done by machines, but decision making is the key determinant and there is no substitute for a human mind and an opportunity for CMAs to give their best to the organization they cater.*

*I always felt that the challenges are many at the same time there are opportunities which had always inspired us to take the bull by the horn. The new role of CMAs has transformed from a mere bean counter to a trusted business partner of the organization. The strategic thinker, decision enabler and a holistic appraisal can be only done by us which is quintessence for the success of an organization.*

*The managerial world wants a professional, who can be the panacea and enable the business to grow and prosper to the zenith and the genesis of our Institute was to provide the cost leadership as presently 'Cost' is the only key determinant of a market leader.*

*We wish the next Council will carry out further steps in untouched areas, where our profession can serve to their best ability and I wish all success and good wishes to them for furthering the goal of our profession. I would be always available as a member to serve the cause of the profession and would thank the members, students, WIRC staff, Corporates, Government Officials who had supported me in all my endeavours for the cause of the profession. My sincere gratitude to all my young and dynamic CMA's especially from Mumbai for their efforts, creativity and passion for the profession.*

*Jai Hind.*

**CMA Kailash R. Gandhi**
*Chief Editor*

# GST @ 2 "HAPPY BIRTH DAY" !!!!!!!

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In a historic moment, Goods and Service Tax (GST) was implemented at Parliament's Central Hall on the intervening night of 30th June and 1st July. The launch event, being hailed as India's second tryst with destiny after Independence on August 15, 1947, saw speeches from Finance Minister Arun Jaitley, Prime Minister Narendra Modi, and President Pranab Mukherjee. PM Narendra Modi, in the historic Parliament address, termed GST as good and simple tax for the nation. Further, President Mukherjee said that "GST will create a strong incentive for buyers to deal with honest and compliant sellers who pay their dues promptly,"

GST is basically an indirect tax that brings most of the taxes imposed on various goods and services at the point of manufacture, sale and consumption of goods and services under one umbrella at the National level.While in PreGST Era, taxes were levied separately on Goods and Services.

Goods and Service Tax (GST) replaced all indirect taxes levied on goods and services by the Government, both Central and States. GST is one of the biggest Tax Reforms in India since its independence.

The initial period was very stressful for the trade and the government, but over a period of time it has stabilised to a large extent though many issues still remain unresolved. Till date there have been 35 GST Council Meetings to resolve the issues on the rate of tax, the amendments required in law, simplification of procedure etc.

**Key Hits :**

i) In the pre - GST period, traders had to comply with the rules and regulations of various tax departments and laws. Now tax compliance has been easier for traders.

ii) The assesses base of GST has increased to the tune of 85% in past two years. At beginning of GST rollout. around 65 Lacs Assesses registered under GST and now numbers of number Assesses registered gone up to 120 lacs.

iii) Some commodities which were kept in the high tax bracket (18-28%) were reviewed and the tax rate was reduced considering such items as necessities and not luxuries. At present, only few items remain in the highest tax rate of 28%.

iv) Compliances have been simplied for a section of taxpayers by extending the due dates, for lling annual returns and reconciliation statements, introduction of simplied return ling system, introduction of nationwide e-way bill, etc.

v) Increase in registration threshold limit, introducing composition schemes and extending composition schemes to service providers which give boost for micro, small and medium enterprises (MSME Sector)

vi) National Anti-Profiteering Authority (NAA) which ensures that the benefit of reduction in the rate of tax on goods or services or the benefit of the input tax credit is passed on to the customer by way of a commensurate reduction in prices.

vii) Authority on Advance ruling (AAR) established in various states has over the last year pronounced important rulings providing clarity on issues such as classification of good/ services for determining the GST rate, determining the time and value of supply of goods/services, registration requirements, etc. An advance ruling brings certainty in determining the tax liability, as the AAR's ruling is binding on the applicant as well as tax authorities. Further, it helps in avoiding long drawn and expensive litigation at a later date

**KEY Focus Areas :**

i) GST has been multitude of tax rates, which negate the basic idea of simplification in tax system. According to The International Monetary Fund. GST needs more simplification in the processes which helps to create environment for Ease of doing business in India.

ii) Anti-profiteering provisions have been fraught with litigation as the current GST provisions do not prescribe any methodology/mechanism for taxpayers to determine the quantum of the benefits to be passed on to the consumers. Appropriate guidance from the government is awaited on this area to reduce unnecessary disputes and litigation.

iii) New return filing system which is being proposed to be introduced into phased manner should not be implemented till the trade, professionals and the departmental authorities are fully conversant with the same. Change in the process in the middle of the year is cumbersome for all as accounting systems have to be amended for the same.

iv) In case of Input Service Distributor. there is lack of clear guidelines or mechanism for cross charging of expenses between offices in different states. Its foresee huge litigation and trouble will expect.

v) The trade and professionals are grappling with the frequent changes and notifications issued in past two years. Though changes and amendments are required for clarity, but major amendments impact the decision making capacity of the trade. e.g. In Construction Business GST for under construction property @5% without taking Input Tax Credit &

**GST @12% with Input Tax Credit benefit.**

vi) Periodic notices even before the year is complete for differences in Input Tax credit claimed by the trade and as appearing in the GSTN network is e putting a strain on trade and industry. Business and professionals are further confused as figures appearing in their GST Return, GSTR 2A appearing on GSTN network and figures stated in the notice sent by the department is different. The authorities also do not have any break-up on the basis of which notice has been sent.

**Conclusion:** In the TWO years journey. many changes are made in tax structure to make it more and more simple. Continuous efforts are being made to increase the registered dealer under GST and to widen the Tax Base. The GST Council and Central Board of Indirect Taxes and Customs (CBIC) have played an important role in handholding of taxpayers/businesses for smooth transition to this new regime and in addressing their grievances.

I believe that, if GST widens tax base will achieve desired Economic Growth and create environment for EASE Of Doing Business.

# Water - An emerging corporate agenda

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Water, water everywhere… except it's not everywhere any more. Water is life. It is a precious and a common resource for all mankind and all living beings. How we are able to utilize and preserve this resource to the best of our ability is a fundamental question that concerns our present and future generations.

Water is something that most of us tend to take for granted. However, as demand for water continues to rise, more and more companies are learning that water is a finite resource and that water scarcity may have a big impact on the bottom line. The world over, industry operations require water: to run machinery and equipment, for use in manufacturing of products and packaging, and for human consumption. Corporates are starting to take notice of how water scarcity is affecting their business. In some cases, it can even threaten a company's ability to operate, as well as its reputation.

In India, industry uses about 6% of available water. The demands of a rapidly industrialising economy and urbanising society pose serious concern and challenge of limited potential for augmenting supply, falling water tables and severe water quality issues as groundwater gets contaminated with fluoride, arsenic and uranium while rivers are polluted by untreated effluents and sewage.

**Water: The New Corporate Risk**

Among the most significant emerging risks for companies is water risk. Water is vital to many different industry sectors. It is used in heating, cooling and cleaning and as a raw material in production, or along supply chains. It has no cost-effective replacement, and its accessibility and quality underpin the stability of ecosystems upon which businesses are dependent. Furthermore, water is critical for the health and wellbeing of employees, suppliers, workers and customers alike. Water-related risks have the potential to limit production, disrupt supply chains, result in asset write-downs, create conflict with other water users and harm corporate reputations. Water disruptions potentially can have a significant effect on a company's supply chain. As a result, money managers, fund managers and individual investors are putting more weight on the potential for water shortages as a risk factor for investments.

**Water and Business nexus**

In a world where demand for water is looking to outstrip supply, many companies are struggling to find the water they need to run their businesses. Companies everywhere could face similar challenges during the next few years. Water is a quintessential part of various business activities across sectors

**Agriculture -** Farming accounts for 71 percent of global water withdrawals, a proportion that is projected to decline only slightly, to 65 percent by 2030. Water scarcity is tied not only to growing but also to the trading of food. India, for instance, is just left with half of the water it will need in 2030, and agriculture will account for about half of the growth in water demand over the next two decades. water availability presents a key material risk to agricultural assets and the supply chains reliant on agricultural products

**Thermal Power -** Thermal plants use water to cool steam during electricity production and for the disposal of ash waste, hence reduced water supplies resulting from drought or from increased competition among water users can cause forced disruptions leading to tangible financial losses. Water scarcity contributes to lost revenue, higher operational costs (due to lower capacity utilization), and higher capital expenditures for upgrades to more water efficient technologies

**Commercial Real Estate -** Water availability can significantly affect viability and profitability of commercial and residential real estate projects. Regulatory and legal action on projects coming up in river flood plains or reclaimed lakes, wetlands and groundwater stressed regions, can also be a risk as flood risks represent one of the largest forms of asset loss.

**Chemicals & Chemical Products -** Availability of sufficient, clean water is typically critical for production of chemicals. Any disruptions in water availability can affect the operations. Besides, the physical risks the industry has also, on several instances, been affected by regulatory and reputational risks due to pollution impacts.

**Other Infrastructure -** Other infrastructure investment such as urban utilities (water supply & sewage treatment), Irrigation project are subject to water scarcity, flooding and pollution risks

**Cement & Cement Products -** Another industrial sector with large water abstractions where both water scarcity and pollution impacts are potential risks.

**Mining and Quarrying -** Water poses a significant regulatory and reputational risks for the mining projects. Dewatering of mines-water pumped out of mines to enable mining operation reduces groundwater levels for surrounding water users, and can cause pollution and high flows downstream

**Tourism, Hotels & Restaurants -** Hospitality industry is highly dependent on water not only for the physical needs of the tourists, but also for the recreational and spiritual value that the water offers. Water scarcity or damage to the ecology of the water bodies can pose significant risk to the tourism industry.

**Paper & Paper Products -** Availability of sufficient, clean water is critical for Paper production with the commodity accounting for more than 90% total inputs used for production. Any changes in water availability can affect the operations. Besides the physical risks, the industry has also, on several instances, been affected regulatory and reputational risks due to pollution impact

**Sugar -** Availability of sufficient, clean water is critical for production of Sugar. Any changes in water availability can affect the operations. The industry is also subject to water risks through its Sugar supply chain, which is a water intense crop.

**Beverage & Tobacco -** The industry is also subject to water risks through its Agri-supply chain for sugar, fruits, dairy etc.

**Leather & Leather Products -** Availability of sufficient, clean water is critical for production of leather. Any changes in water availability can affect the

Nearly every business sector will face the challenge of managing water efficiently. Few companies, however, look beyond short term water constraints, as important as they are, to a more comprehensive assessment of the longer-term business risks associated with water scarcity.

**Water related business risks can be classified in broadly three categories:**

a) **Physical Risks -** Water quality and quality issues related to the performance of the company and its supply chain largely arising out of the quality and the quantity of water available to the company;

b) **Regulatory Risks -** Stemming from the consequences of Government policies and enforcement in the context of a company's operations;

c) **Reputational Risks -** Perceptions around water use, pollution and operational behaviour that may have negative impacts on the company brand and influence purchasing decisions. Public perceptions can emerge rapidly when the actions of the company are not properly communicated to the stakeholders and as a consequence reputation of the company suffers.

While there is a growing awareness among companies on water related risks, water is not yet widely integrated into the corporate agenda of companies in India. Focus is desired on a) operational integration -extent of inclusion of water within the day-to-day asset allocation decisions of the company, and b) strategic integration - availability of broader and long-term evaluation and support framework within the company on water risks and opportunities.

**Intertwining water into corporate agenda**

Businesses can start to develop an understanding of water-related business impacts by scrutinizing how their internal operations use and manage water compared to current and projected water availability. But in order to see the true picture, companies should analyse their entire value chain. How much water do suppliers use? How much do customers use when consuming their products? Also, it is useful and imperative to consider the potential financial impact of water-related concerns. A bottom-line perspective provides the CEO, COO, and CFO with a tangible understanding of the business value at risk and how best to allocate capital to mitigate any current or projected water related risks

To effectively lower your company's water footprint, it takes employee engagement, top-down commitment and a methodology for routinely measuring water use. Following steps are proposed to improve a company's water management:

1. **Define water issues and the desired outcomes:** The first step towards effective management and reduction in company's water use is to develop a problem statement with the goals the company wants to achieve. Some examples include decreasing the risks associated with water scarcity, increasing organization's competitive advantage or achieving cost savings. In any water management program, a water use baseline is an essential element, particularly one that accompanies a quantitative target for water use reduction.

2. **Measure water consumption:** Next, a water management plan needs to be created. Start with a review of how much water the company is using. To paraphrase the old management adage, "If you can't measure it, you can't improve it." Therefore, it is imperative to measure water consumption and set tangible targets. Make sure that the meter is installed and that you take regular readings to find the areas of greatest water use.

3. **Know your water costs:** This is another key aspect of the measurement and target-setting phase. A water management plan grounded in potential cost and environmental savings will help generate due buy-in from key stakeholders. Often the actual cost to purchase and discharge a volume of water does not provide the complete costs associated with water use at a facility. For example, energy is required for the pumping systems to move the water, and chemicals may be required to treat the water (as is the case with water used in cooling towers). The "true cost of water" captures all costs associated with water use such as energy costs to operate pumps, treatment costs, and water discharge costs

4. **Conducting a water audit:** Hiring a professional to conduct a water audit would provide a better understanding of how much water facilities use and which processes require the most water, it also enables the company to set a baseline for average water consumption and provides detailed information on opportunities for using less. Professional audit can be too too costly sometimes, creating an internal team to examine your water consumption can help. This is a great opportunity for employees to volunteer and become part of the water-saving process.

5. **Analyse water consumption results:** After the overall water consumption has been measured by your company, assess where water use is most significant and then compare it to the industry benchmarks. This will help you in identifying opportunities for improvement. During the analysis step, seek answers to the following questions:
   - Who monitors and manages your organization's water system?
   - Have you assessed the efficiency and age of your equipment, such as faucets, water dispensers, toilets and irrigation systems?
   - If you have an irrigation system, is it optimally set for time of day, frequency and run time based on the season, geographic location and need?
   - If your facility has a cooling tower, how efficient is it and what steps can be taken to upgrade its water use efficiency?
   - For industrial and manufacturing facilities, do you measure water use? If so, have you ever benchmarked optimal requirements for the various processes such as cooling, wash down and lubrication?

6. Improve current water consumption: With the information gathered during the measure and analysis steps, the company can develop and implement a water management plan. It is suggested to start small with a few quick wins or realistic goals that each area of the organization can easily achieve. Some water-saving tactics that are simple to implement and relatively inexpensive include:
   - Detecting and fixing leaks in pipes, fixtures, appliances and equipment

- Making sure restroom faucets and break room are fitted with low-flow restrictors, which emit 1.5 gallons of water per minute instead of 2.2 gallons for standard faucets
- Replacing older toilets with newer, higher efficiency models can reduce gallons of water per flush from 5 to 2
- Reducing of outdoor water use by creating a landscape that unifies native plants or other less water-intensive plants
- A more involved, yet highly sustainable solution is reclaiming wastewater to meet water needs such as irrigation, cooling towers or other non-potable uses

After executing these quick solutions, a larger strategy and timetable for implementing and assessing more comprehensive water-saving measures can be developed as a part of the company's overall water management plan.

7. **Sustain ongoing water-reduction efforts:** Once a company has implemented water-saving practices, the work is far from over. To ensure ongoing success, it is important to regularly measure how the business is performing against the desired outcomes established at the outset. To do so, develop and employ a monitoring and control protocol to report progress, recognize and reward successes, and most importantly, keep employees engaged.

   You can also sustain engagement by promoting your company's commitment to reducing water consumption, sharing relevant updates and publicizing when key goals have been achieved to increase awareness among employees and make them mindful of their daily water use. It is also a good idea to periodically ask employees for their suggestions on how to save water and reduce water costs. Doing so will give them a sense of pride and ownership in the program. To ensure your organization is being a good water steward, revisit your water conservation plan often to measure and evaluate the success of current efforts, and consistently develop and execute new water-saving strategies to further lower your water use footprint.

**Water management action recommendations**

**Recycle/reuse:** Eliminate once through cooling, including installing closed loop chillers, recycle non-contact cooling water, modify existing equipment to eliminate non-contact water cooling, Clean and recirculate treated contact water, install semi-closed loop water system, use recycled water for process water, Reuse process water, including capturing formerly discharged cooling tower wastewater for use in a recirculating chilled process water loop system

**Substitute water:** Replace water with other coolants (i.e. air and antifreeze in a closed loop circuit), Replace water cooled compressors with air cooled compressors, replace water cooled chilled water system with air cooled system, install air cooled systems in place of non-contact cooling water, replace water cooled vacuum pumps with air cooled units, Install waterless urinals throughout the facility.

**Monitoring and controls:** Adjustment on control valves to improve water efficiency, automate controls on continuous flow streams, Change faucets to auto type faucets, install low flow fixtures, install thermal proportioning valves, install automatic shutoff valves, Implement procedures to monitor and adjust the flow on water cooled equipment, Monitor water quantity and quality, Monitor cooling tower cycle of concentration

**Training:** Increase water usage awareness throughout the facility Train operators in the most water efficient procedures

**Water balance map:** Cummins and Saint-Gobain have reported that performing a water balance at their facilities led to the identification of a number of water reduction actions, including many low cost actions such as repairing leaks. A water balance maps the water flow into, stored in, and out of a facility. If there are unaccounted water flows, the facility will not be able to reconcile its water balance. Unaccounted water flows can indicate that there is an unknown water use (perhaps a leak) within the facility.

**Water storage:** Design of rinse tank overflow systems, install rain water harvesting system, Capture and store water during facility shutdowns for future use instead of discharging to sewers

**Effective communication for water:** We need to communicate to the people that water is essential to everything we do and have in our lives, and then educate them about the criticality of water. As the industry shifts its operational strategies it must also shift its communications strategies. It is time to lift the veil and bring the public along on the journey. Transparency and public engagement have to be built into every plan, not an afterthought. Projects thrive when they have community support and stakeholder buy-in, from public officials to environmental groups.

**Water stewardship:** is the use and treatment of water in ways that are socially equitable, environmentally sustainable, and economically beneficial. It can be adopted by businesses, as well as by growers, communities, and others. Ultimately, stewardship is a key practice to address these crucial water challenges, drive sustainable water management, and then achieve the Sustainable Development Goals. WWF's Water Stewardship Ladder consists of the following five sequential steps that indicate activities businesses can take in their journey to become good water stewards

- **Awareness of Water -** High level understanding of water related risks and opportunities
- **Knowledge of Impacts -** Systematic knowledge of impacts of water risks
- **Internal Action -** Optimizing internal water governance
- **Collective Action -** Engaging with multi-stakeholder platforms to address water issues
- **Basin Governance -** Effort to influence policy and institutional performance at the basin level

**Conclusion**

In the past businesses have often viewed water as a minimal operational cost and hardly as a strategic issue. However, water has now emerged as a crucial issue for both the public sector and corporations in response to increased water demand, climatic risks and potentially negative impacts on brand value. Better management of water resources is a growing interest for many manufacturers as they seek to cut costs, mitigate risks, and reduce their environmental impact. Companies are continuously developing water management programs for a variety of reasons. More efficient use of water resources results in lower operating costs, a more reliable water supply, and improved water quality. ■

# Big Data - Will Finance Professionals Become Obsolete?

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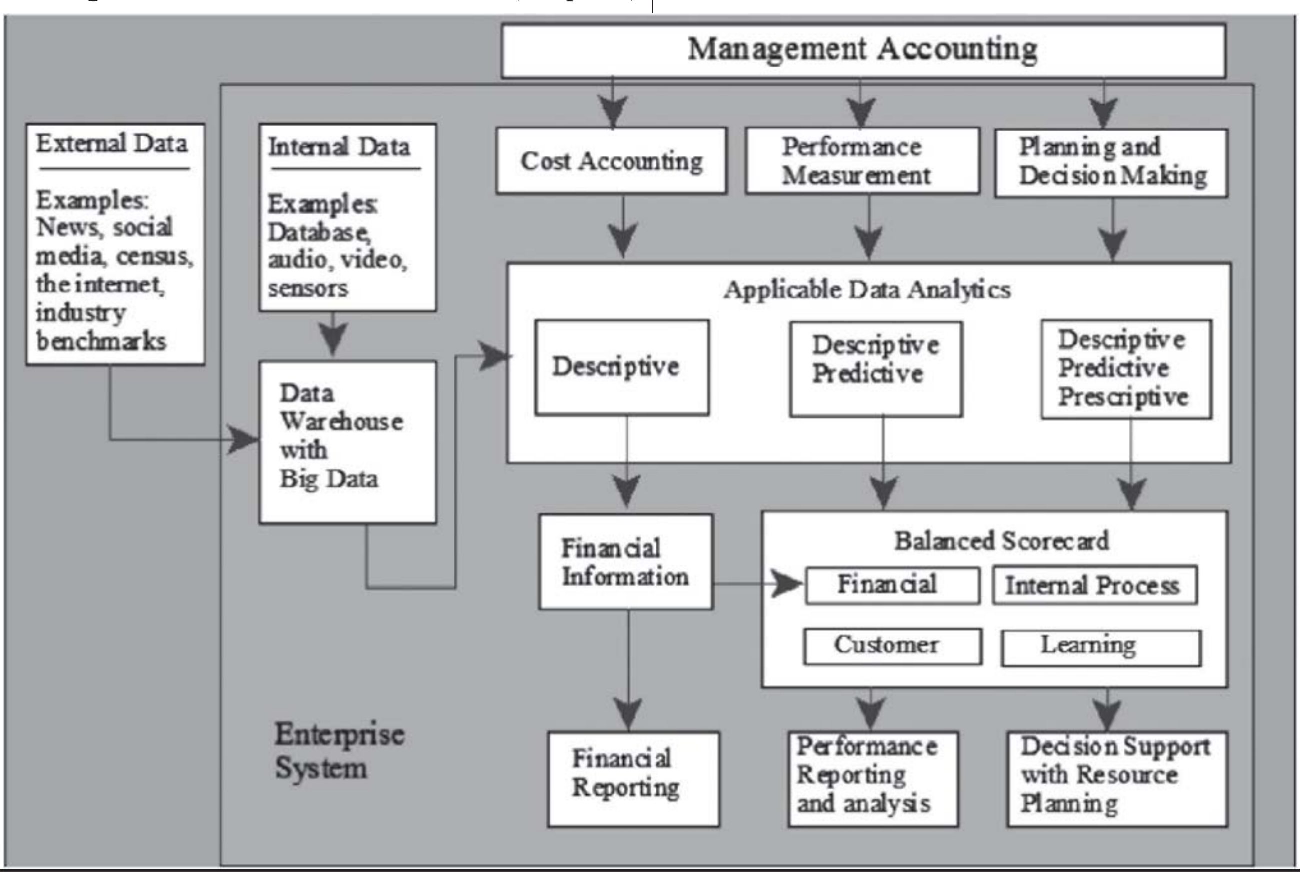
Robotic process automation (RPA), artificial intelligence (AI), block chain, smart contracts, and advanced analytics are swiftly going through the corporate hub and companies are using the big data to mesmerise customers, honing skills of aggressive marketing campaigns. Unfortunately, in lot of companies, the finance universe (tax accounting, management accounting, financial accounting, audit, accounts payable and receivable) has been crawling to acclimatise in these innovative new kits, reason being they are ill equipped. Repetitive and monotonus activities are becoming irrevalent and better skilled hands are the call today. This itself is an immediate threat for finance professional.

Recently, Harvard Business School (HBS) produced a bright picture of the Big Data in the corporate sector. HBS conducted case to case and interviews with structured questions with top managements of 330 publicly listed North American companies about their organizational and technology management practices. It shows that these companies in the respective industry use data-driven decision(Big Data) making were, "on average, 5% more productive and 6% more profitable than their competitors. This performance difference remained robust after accounting for the contributions of labor, capital, purchased services, and traditional IT investment and it is reflected in increase in share value". Obviously, value addition to the shareholders has happened in such cases and this fact itself justifies the introduction and implementation of Big data as a mechanism in the growth in the rest of the companies who are yet to grab it.

**Finance feels the heat**

When query comes from CEO to CFO on foolish revenue projection, this poor CFO suddenly discover that with the help of Analytics, metrics that go through the financial process can be used in all types of financial projection . Analytics can give a refined knowledge of how, for example, agriculture commodities prices are sensitive to the cost of goods sold, or how climate can change crop production, or how whole process of logistic and distribution system may alter manufacturing output. Obviously, CFO, through Big Data may project a better bottom line via correct sales figure. Accordingly, decision making will be professional.

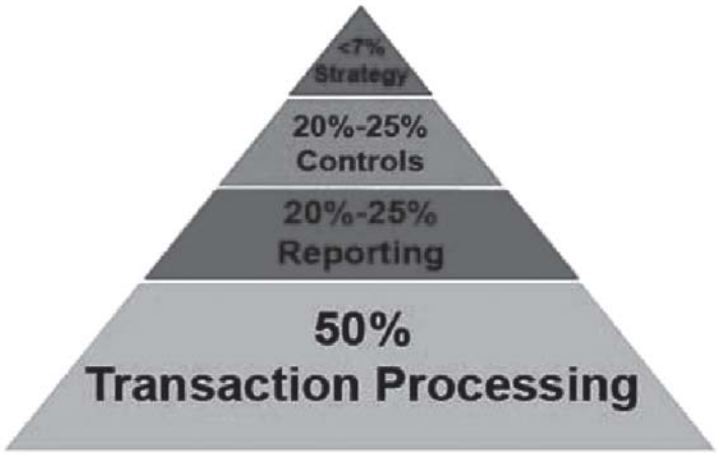
We will always need accountants/auditors with backgrounds in accounting and auditing. However, our accountants/auditors will also need to have some level of proficiency in data analytics.



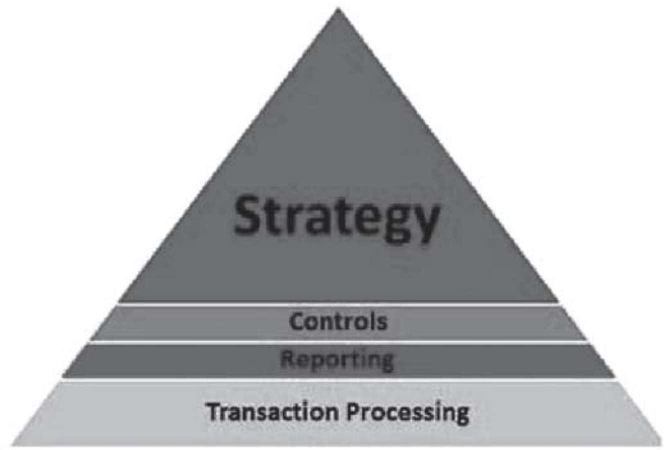
These advancements present an opportunity for finance professionals, provided they embrace these tools. Businesses will still have roles in which insight, transparency, stewardship, and ethical corporate conduct are valued, and strategic finance professionals can fill these roles. Risks remain, but mainly for those who fail to appreciate the new tools and get left behind.

Finance professionals must live with this changing, disruptive, but opportune environment and explore opportunities whereby the finance function itself can harness the power of big data and analytics to significantly transform itself and the organization.

The two figures below contrast the traditional finance function and the emerging future.




The traditional finance pyramid where less than 7% of the function is focused on organisational strategy




The traditional finance pyramid where less than 7% of the function is focused on organisational strategy

By capitalizing on big data using business analytics tools, the role of the CFO is moving beyond optimizing the finance function to transforming the enterprise.

CFOs are used to dealing with highly structured and verifiable data - big data isn't like that and it requires a change in mindset for CFOs to feel comfortable making use of it themselves.

**Priorities for all finance functions**

1. Adding value - Less than a quarter of finance time is spent delivering business insight.
2. Focusing effort - Even in top quartile companies, analysts spend 40% of their time gathering data, not analyzing.
3. Eliminating inefficiency - Across many key finance processes, automation and process improvement can reduce costs 35%-46%.
4. Investing in skills -Top quartile companies pay their "insight" finance professionals 25% more.
5. Making savings - Leading finance functions cost 36% less than the median finance functions

**7 (Seven) accounting functions that will have impact unless skill upgraded -**

1. Transactional accounting processes - Clerical accountants are the most in danger to Big data because their roles involve routine tasks like bookkeeping and data entry. Primary examples are processing of payroll, expense voucher, customer invoicing, accounts receivable and accounts payable etc.
2. Fiscal period-end accounting closes - The more software that digitise the workflow processes of the monthly, quarterly and fiscal year-end accounting close, the more the danger for the accountants. Small businesses can now utilise GST and Income Tax processing software instead of assigning the job to a CA firm.
3. Inventory Managers & Stockists -The employee restocking the cans in the aisle may likely disappear. For out-of-stock items, misplaced items, and pricing errors may soon be taken over by robots.
4. Bank Tellers and Representative - First, the ATM took over banking jobs, then the smartphone app. Now, whatever left over teller and banking jobs in these sphere, will be eaten away by AI. Next, on the way to extinction are areas of processing cash transactions, opening of accounts and process loans at a far reduced cost.
5. Tax Consulting - In case you are a tax consultant who does only tax computations and filing of tax returns, then you are the one next with red flag. AI has also to the extent resolved tax disputes automatically. Only Tax Planning & Advisory Service is not in danger zone as of now.
6. Auditing - Audit is to guard against fraud, error, understatement of liability, overstatement of revenue, irregularities and wrong revenue recognition etc. Instead of manual human audit,when upgraded analytics are applied, 100% data go through the process. This give rise to excellent risk assessment and audit. Hence, manual human audit is on the way to disappearing.
7. Regulatory filings - In this sphere also, Big Data have already started innovation. Apart from routine knowledge in the areas of bookkeeping, mathematics

and tax, accountants can concentrate on interpreting and analyzing financial information.

**Measures to mitigate risks -**

As stated earlier, for low skill activities, accountants jobs will be eliminated. Long working hour, reduced salaries and heavy workload are the other fallout. These jobs will henceforth will be processed both by big data and algorithms.

There are several ways that accountants can mitigate the impact on themselves:

1. **Skilled yourself with education and training**

   They can do this by acquiring new capabilities (via education and training) such as with planning, strategizing and analysis which contribute higher value to the organization than simply reporting data.

2. **Changing Quality Requirements**

   Accountants needs a seperate method of teaching in this situation. Besides, having mastery in subjects, they require process capability. It is definitely different. Unless they are conversant and well versed in process angle of the system, all training will be back to square one.

3. **Supervising Machine Operation**

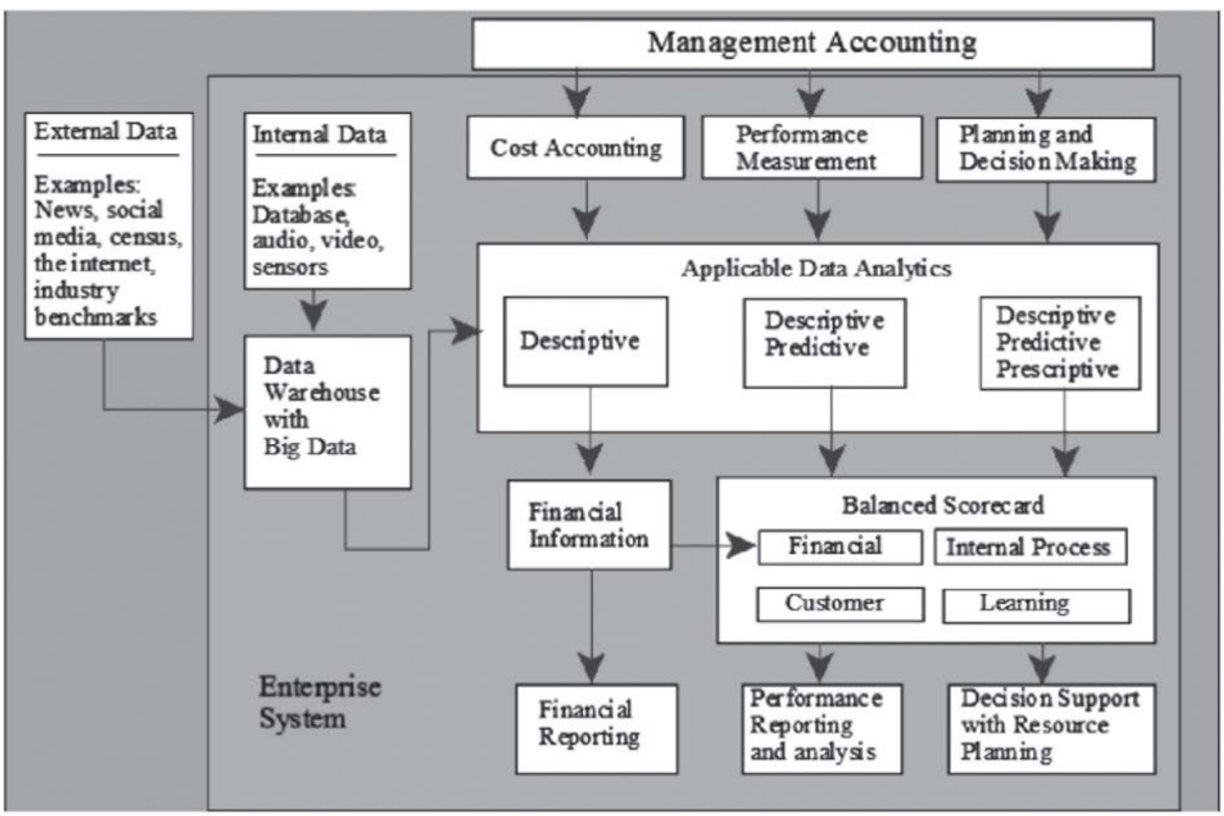
   It is definite that instruments like IA, Blockchain etc. will not able to complement in totality requirement of a job in the new era. The opportunity for accountants is that they can add value to the process. Limitation of Big Data is that it can digitaIise a highly frequent job but to do addition of value to it, you need an accountant. Other opportunity is that since big data is meant to eliminate mistakes and produce report swiftly, there should be someone in between to look out whether discrepencies is actually happening. Thus accountants will oversee and supervise the performance of the automation.

4. **New business models from digital disruption**

   For self employed accountants who are not interested in regular jobs or want to migrate from existing accounting jobs of pre-big data regime to independent profession, they have also scope even under such disruption. Tax Planning & Advisory Service will remain virgin fields for such prospective professionals. BPO and normal software implementation are the other areas for hunting. There is huge scope in these fields.

   How can management accountants perform under Big Data

- The functions of Management Accounting can be divided into three broad heads: (1) Cost Accounting (2) Performance Measurement (3) Planning and Decision Making. Cost Accounting makes use of internal data. Performance Measurement also uses data which is available internally. Only external data will be used for benchmarking the performance. Lastly planning and decision making involves data from cost accounting and performance measurement as well as external data which is also "non-financial" and available in a haphazard manner. Management accountants have much to gain from and contribute to this new era. They already know how to work with data, they understand the inner workings of the business and they are well placed to help turn new data insights into commercial advantage. Their involvement also adds credibility to the end product.



**Source:** Impact of Business Analytics and enterprise system on Management Accounting. International Journal of Information systems (25):35

The good news is, Business Analytics can be utilized for all the three functions. Descriptive and Diagnostic analytics is useful for cost accounting, both descriptive and predictive tools can be applied to performance measurement, and all three tools, descriptive, predictive, and prescriptive can be used for planning and decision making.

Having fully understood the effect of software automation and the swiftness at which it will impact accounting jobs, accountants have two options. The first is admiting whether they have come in worst profession if so and should opt for a different career. The second is to grab the positivity in new accountants' role and go through a series of training and education in Big data regime. This will add value to his career, company and customers.

A new designation called the 'chief financial technology officer' put death knell of normal CFO role. Now, CFO lies at the junction of finance, technology and information, and the next decade may give rise to new professionals in top management named : the CFTO - chief financial technology officer - and the CFIO - chief financial information officer. Only those who can play their card well in this shift will have scope for big boost in career in Finance orbit and will further have ' Catch me if you can' position in the corporate hierarchy.

Welcome Big Data.

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## Reciprocal Exemption between ICAI-CMA and ACCA Members as per MOU

Notified for general information Qualification related reciprocal exemption offered to ACCA-UK Members for pursing the CMA Course under Syllabus 2016 and exemption for CMA members pursing ACCA as per Addendum in Memorandum of Understanding dated 23rd October 2018.

| | |
|---|---|
| For ACCA-UK Members for pursuing CMA Course under Syllabus 2016<br><br>(ACCA Members pursuing the ICAI qualification under syllabus 2016 will be awarded exemptions from 14 papers) | Exempted from complete CMA Foundation Course (four papers) under Syllabus 2016 |
| | Exempted from appearing in the following six papers at the CMA Intermediate Course under Syllabus 2016<br>Paper 5 - Financial Accounting<br>Paper 6 - Laws & Ethics<br>Paper 8 - Cost Accounting<br>Paper 9 - Operations Management & Strategic Management<br>Paper 10 - Cost & Management Accounting and Financial Management<br>Paper 12 - Company Accounts & Audit |
| | Exempted from appearing in the following Four papers at the CMA Final Course under Syllabus 2016<br>Paper 14 - Strategic Financial Management<br>Paper 15 - Strategic Cost Management - Decision Making<br>Paper 17 - Corporate Financial Reporting<br>Paper 20 - Strategic Performance Management and Business Valuation. |
| | Exemption from undergoing 100 Hrs Compulsory Computer Training, Communication and Soft Skill Training in Intermediate Course & IOTP Training & Practical Training in Final Course for ACCA Members. |
| Exemption for CMA members pursuing ACCA as per MOU of the Institute with the ACCA | 1. Associate/Fellow member with Five years of work experience will get 9 Exemptions<br>2. Associate member with less than 5 years of work experience will get 7 Exemptions<br>**For further details, please refer to website of ACCA-UK link.** |

**For further Details visit :**

**http://icmai.in/upload/Students/Circulars/Exemption-ICAI-CMA-ACCA-UK.pdf**

# Basics of Cost Accounting

CMA Rajesh Kapadia

The common iteration for Cost Accounting should be as simple as ' Cost + Accounting'.

Basic segments can be described as mentioned below:

1) Cost
2) Accounting
3) Cost Accounting
4) Cost Classification
5) Methods & Techniques

## 1) Cost :

When perceived as a noun, Cost is defined as the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction.

If taken as a verb, Cost means ascertaining the cost of a specified thing or activity.

## 2) Accounting :

Accounting is the art and science of recording transactions of an organization's economic activities, measuring the end results arising thereof, and conveying the relevant information to a variety of stakeholders such as the management, shareholders, lenders, creditors, regulators etc.

## 3) Cost Accounting :

Cost Accounting provides the detailed cost information as mentioned in Annexure 1 to the management for controlling the current operations as also plan for the future course.

The primary function of Cost Accounting is to aid the managers in making decisions.

## 4) Cost Classification :

Cost Accounting takes forward the financial accounting by introducing cost classification and segregating costs into convenient categories.

The underlying objective is ascertainment of the unit costs with reasonable accuracy for the purpose of cost analysis and cost control.

Cost Classification may be carried out :

- Elementwise - such as Material, Labour and Expenses
- Identificationwise - like Direct and Indirect
- Functionwise - such as Production, Administration, Selling & Distribution
- Behaviourwise - Variable and Fixed

And so forth.

## 5) Methods & Techniques

Different methods are used in various industries like Job Costing, Batch Costing, Contract Costing, Process Costing, Operationg Costing etc.

Simultaneous to the methods, various techniques of Cost Management too have come up. The techniques enable analysis of the costs for managerial decisions.

Marginal Costing, Budgetary Control, and Standard Costing may be described as vital techniques that would instil Cost Management sense amongst the small and medium enterprises for better decision making.

## ANNEXURE 1

| Sr.No | PARTICULARS – Production ( MT ) : | ACTUAL FOR F.Y.2018-19 | | | ACTUAL FOR F.Y.2017-18 | | |
|---|---|---|---|---|---|---|---|
| | | Rs Lacs | Rs / MT | % | Rs Lacs | Rs / MT | % |
| (A) | VARIABLE COST | | | | | | |
| 1 | Raw Material Consumption | | | | | | |
| 2 | Electricity Charges | | | | | | |
| 3 | Other Utilities | | | | | | |
| 4 | Natural Gas | | | | | | |
| 5 | Packing Material Consumption | | | | | | |
| 6 | Total Variable Cost | | | | | | |
| (B) | Fixed Cost | | | | | | |
| 1 | Stores Expenses | | | | | | |
| 2 | Repairs Expenses | | | | | | |
| 3 | Employee Cost | | | | | | |
| 4 | Interest | | | | | | |
| 5 | Depreciation | | | | | | |
| 6 | Insurance | | | | | | |
| 7 | Factory Overheads | | | | | | |
| 8 | Selling Overheads | | | | | | |
| 9 | Total Fixed Cost | | | | | | |
| (C) | Total Cost (A+B) | | | | | | |

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