



WIRC BULLETIN

Hearty Congratulations !

Our New President
(2017-2018)



CMA Sanjay Gupta

Our New Vice-President
(2017-2018)



CMA H. Padmanabhan

OFFICE BEARERS OF WIRC OF ICAI FOR THE YEAR 2017-18



CMA Kailash R. Gandhi
Chairman



CMA Laxman D. Pawar
Vice-Chairman



CMA Shriram N. Mahankaliwar
Hon. Secretary



CMA Harshad S. Deshpande
Treasurer

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

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CMA CFO Awards-2016 – Western Region

Category I: Private-Manufacturing-Large-Male

Category IV: Service-Large-Female



CMA Hiranand Savlani, Astral Poly Technik Limited
Certificate of Merit



CMA Ulka Ganesh Kalaskar, Pune Municipal Corporation
Best CMA CFO

CMA Achiever Awards-2016 – Western Region

Category I : Private-Manufacturing-Large-Male

Category I : Private-Manufacturing-Large-Male

Category II: Private-Manufacturing-Large-Female



CMA Gurram Prabhakara Rao, KRIBHCO



CMA Hetal S. Shah, Cadila Healthcare Ltd. – Certificate of Merit



CMA Rita Pius Dmello, Mahindra and Mahindra Ltd.

CMA Young Achiever Awards-2016 – Western Region

Category I: Private-Manufacturing-Large-Female

Category III: Service-Large -Male



CMA Melissa Inacina Lacerda, Larsen & Toubro Ltd.



CMA Neeraj Jangid – Uttar Gujarat Vij Company Ltd.



CMA H. P. Sangani felicitating CMA S. S. Dongare during CEP organized by WIRC at Thane SMFC on 23rd July 2017.



CMA Devarajan Swaminathan felicitating Mr. Nikhil Kolhatkar during CEP Organized by WIRC at Thane SMFC on 30th July 2017.



CMA C. U. Usha felicitating CMA Devarajan Swaminathan during CEP organised by WIRC at Thane SMFC on 6th August 2017.



CMA Rekha Shandilya, felicitating CMA L. Prakash during CEP on "GST Implementation" organized by Navi Mumbai Chapter on 16th July 2017.



Prof. Nitesh Pratap Singh delivering lecture on GST organized by Kalyan-Ambarnath Chapter on 22nd July 2017.



CMA Pradnya Chandorkar felicitating Mr. M. L. Patil, Dy. Commissioner GST during seminar organized by Nashik-Ojhar Chapter on 28th July 2017.



From the Desk of Chairman

Dear Members and Students,

I express my sincere thanks to all Regional Council Members and Central Council Members of our Region to elect me unanimously as 45th Chairman of The Institute of Cost Accountants of India, Western India Region and have given me the opportunity to serve the members & students of the Institute and in-turn my alma mater.

"No one can whistle a symphony,
It takes a WHOLE orchestra to play it".

I congratulate CMA L. D. Pawar, CMA Shriram Mahankaliwar and CMA Harshad Deshpande for being elected unanimously as Vice-Chairman, Secretary and Treasurer in WIRC for the year 2017-18. Committees are formed to take care of various functions and accelerate the growth of the organisation. I congratulate all the members of various committees and have high hopes for their contribution in each committee to bring a change in time to come. The experience & knowledge of Central Council Members CMA Ashok Nawal, CMA Amit Apte and CMA P. V. Bhattad blended with energy of Regional Council Members CMA Debasish Mitra, CMA Neeraj Joshi and CMA Pradip Desai gives me confidence to create a history for the profession.

I, on my behalf and on behalf of WIRC, convey hearty congratulations to CMA Sanjay Gupta - President and CMA H. Padmanabhan - Vice President of our Institute for the year 2017-18. Under their dynamic leadership, our Institute and our profession will see new heights. On behalf of WIRC Team, I assure and extend full co-operation to them.

In the present complex industrial world and ever changing business environment, Cost and Management accounting has extended the boundaries of accounting and has become an integral part of management. With multi-product manufacturing and distribution ventures being the order of the day, it has become very important to understand the exact cost of creating and distributing every product and service at different stages, so as to minimize expenditure and ensure optimum utilization of resources.

Costing is crucial to determine the cost of product, pricing of products and services in every organization, which is accountable to its stakeholders. This is where the role of us as Cost and Management Accountant (CMA) has become critical, as this work cannot be done by just an ordinary accountant. We all members need to take this as a challenge and opportunity to create CMA as integral part of every organisation and re-brand ourself as vehicle of inclusive growth for an organisation. We should make every effort to spread this message to world at large.

WIRC will make every effort to support its members and students to achieve their goals. I strongly believe that for members in practice and Industry, the following four pillars of professional areas will bring growth to the profession:

1. Cost Records, Cost Audit and Strategic Cost Management Consultancy.

2. Indirect Taxes especially GST and Direct tax.
3. Banking and Financial service sectors including Valuation etc.
4. Company law related services which includes Insolvency & Bankruptcy Code etc.

We will be conducting programs and seminars for capacity building in all the above areas in time to come and would request every member to be part of this revolution.

The constant effort of this Council to improve the student's strength is paying off and WIRC has witness the growth this year in the student admission as compared to last year. The new batch of Oral Coaching Classes have started from 10th July 2017 at various centres.

The most awaited tax reform i.e. Goods and Service Tax (GST) became a reality on 1st July 2017. GST, with the five different tax slabs (i.e. 0%, 5%, 12%, 18% and 28%) has overhauled the indirect tax regime in India. With the new tax system in place, economic growth is expected to increase by ~1-2% and had given big opportunity for our members. Corporate earnings - Some signs of GST implementation impact visible in Consumer Durables, Building Materials, Pharmaceuticals, FMCG etc. as channel inventory depletes.

Nifty hits 10000 mark after a stirring 22-year journey. Monsoon is progressing well with cumulative rainfall at 4% above Long Period Average (LPA). BJP nominee Mr. Ram Nath Kovind, won the presidential election with 66% of the votes cast and is sworn in as 14th President of India.

In the month of July 2017, following programs were conducted for the benefits of our members.

- 23rd July 2017 CEP - Legal Aspects & Audit of Co-operative Societies at Thane SMFC by CMA S.S. Dongare, Practising CMA.
- 30th July 2017 CEP - Filing of Forms and Returns under Goods and Service Tax by Mr. Nikhil Kolhatkar, Indirect Tax Practitioner.

Go green!! We may worship different gods and come from different faith, but we owe the most to Mother Nature. Air, Water and Food all three necessities come from her and not from our mobile phone & laptops. We all need to learn and lead from the front to set an example to respect her, protect her and not exploit her. The world wouldn't exist the way we know if we don't realize this today! Hence, I appeal to all the members and students to subscribe for E-bulletin of WIRC and relinquish the paper copy of Bulletin.

Festive season has started and I wish all the members, students and their family members "Raksha Bandhan", "Independence Day" and "Ganesh Chaturthi Utsav" in advance.

Jai Hind!!

CMA Kailash R. Gandhi



Taxability on Warranty Supply made during Warranty Period subsequent to original supply free of cost

CMA Ashok B. Nawal

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• PRIOR TO GST ERA:

Transaction value was defined in explanation to Section 4 of Central Excise Act 1944as :

Quote :

(d) "transaction value" means the price actually paid or payable for the goods, when sold, and includes in addition to the amount charged as price, any amount that the buyer is liable to pay to, or on behalf of, the assessee, by reason of, or in connection with the sale, whether payable at the time of the sale or at any other time, including, but not limited to, any amount charged for, or to make provision for, advertising or publicity, marketing and selling organization expenses, storage, outward handling, servicing, warranty, commission or any other matter but does not include the amount of duty of excise, sales tax and other taxes, if any, actually paid or actually payable on such goods;

Un quote

Specific provision was inserted vide Notification No. 3/2011 C.E. (N.T.) - dated 01-03-2011 inserting the proviso to Sub Rule (5) to Rule (3) w.r.t. Removal of Inputs as such during warranty period which provided :

Quote :

(5) When inputs or capital goods, on which CENVAT credit has been taken, are removed as such from the factory, or premises of the provider of output service, the manufacturer of the final products or provider of output service, as the case may be, shall pay an amount equal to the credit availed in respect of such inputs or capital goods and such removal shall be made under the cover of an invoice referred to in rule 9:

Provided that such payment shall not be required to be made where any inputs or capital goods are removed outside the premises of the provider of output service for providing the output service:

Provided further that such payment shall not be required to be made where any inputs are removed outside the factory for providing free warranty for final products

Un Quote :

Since, supply of service during warranty is free of cost, there was no question of payment of any service tax, since there was no consideration, since any activity carried by one person for another for consideration was only covered under the definition of "Service".

Similarly, VAT / CST was levied when transfer of property of movable goods is made against consideration and

therefore neither VAT nor CST was chargeable on supply during warranty being not covered under definition of "Sale".

To conclude, there was no tax impact either of Central Excise Duty or Service Tax or VAT/ CST on Supply during Warranty period free of cost.

As per definition and explanation inserted to the definition in CCR, 2004, input includes: "any goods including accessories, cleared along with the final product, the value of which is included in the value of the final product and goods used for providing free warranty for final products."

Further the explanation to the definition states: "For the purpose of this clause, "free warranty" means a warranty provided by the manufacturer, the value of which is included in the price of the final product and is not charged separately from the customer"

Reversal of cenvat credit as per Rule 3(5), was not required under CCR, 2004 only if the value of warranty is included in the price of the final product. In other words, if the value of warranty is not included in the price of the final product, then reversal of cenvat credit was required even if supplied free of cost or under warranty. Input tax credit is extended to input goods which are used in the provision of warranty services

• POSTGST ERA:

Section 7 of CGST Act 2017 provides "Meaning & Scope of Supply" defining the taxable event of supply.

In Accordance with Section 9 of CGST Act 2017, GST is leviable on supply of goods & Services and therefore definition of Goods & Services are given below :

"Goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

Inclusions:

- Every movable property
- Actionable claim
- Growing crops
- Grass
- Things attached to or forming part of the land which are agreed to be cut off before supply or under a contract of supply

Exclusions:

- Money and securities

The definition of goods is borrowed from Sale of Goods Act, 1930 with the exception that goods under GST includes

actionable claim and excludes securities whereas definition under Sale of Goods Act, 1930 includes securities and excludes actionable claims.

Goods is defined under Sale of Goods Act, 1930 as:

"goods" means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale

"Services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Inclusions

- Anything other than goods
- Activities relating to the use of money
- Transactions relating to use of money or conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination against a consideration

Exclusions

- Money and Securities

The definition of services is wide and encompasses everything other than goods.

Section 7 clearly provides expression supply, which is reproduced below :

Section 7 : Scope of supply.

Quote :

7.

- 1) For the purposes of this Act, the expression "supply" includes-
 - a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
 - b) import of services for a consideration whether or not in the course or furtherance of business;
 - c) the activities specified in Schedule I, made or agreed to be made without a consideration; and
 - d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.
- 2) Notwithstanding anything contained in sub-section (1), -
 - a) activities or transactions specified in Schedule III; or
 - b) such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of

the Council, shall be treated neither as a supply of goods nor a supply of services.

- 3) Subject to the provisions of sub-sections (1) and (2), the Government may, on the recommendations of the Council, specify, by notification, the transactions that are to be treated as-

- a) a supply of goods and not as a supply of services; or
- b) a supply of services and not as a supply of goods.

Un-Quote :

Since Supply during warranty period is without consideration, let us examine whether it covers under Schedule I to Section 7 of CGST Act 2017 which is reproduced below:

Schedule I :

Quote :

SCHEDULE I [See section 7] ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:

Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
3. Supply of goods-
 - (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or
 - (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

Un Quote

In view of the Schedule I, it can be covered under Serial number 1 of the schedule, since ITC on all the inputs and input services is availed.

However, Section 17 (5)(h) of CGST Act 2017 provides :

Quote :

Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following, namely:

- (h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and

Unquote

Transaction Value has been mentioned in Section 15 of CGST Act 2017, which is reproduced below :

Quote :

- (1) The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.
- (2) The value of supply shall include---
 - (a) any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;
 - (b) any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods or services or both;
 - (c) incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of services;
 - (d) interest or late fee or penalty for delayed payment of any consideration for any supply; and
 - (e) subsidies directly linked to the price excluding subsidies provided by the Central Government and State Governments.

Explanation – For the purposes of this sub-section, the amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

- (3) The value of the supply shall not include any discount which is given--
 - (a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and
 - (b) after the supply has been effected, if-
 - (i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
 - (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.
- (4) Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed.
- (5) Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed.

Explanation – For the purposes of this Act,--

- (a) persons shall be deemed to be "related persons" if--
 - (i) such persons are officers or directors of one another's businesses;
 - (ii) such persons are legally recognised partners in business;
 - (iii) such persons are employer and employee;
 - (iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;
 - (v) one of them directly or indirectly controls the other;
 - (vi) both of them are directly or indirectly controlled by a third person;
 - (vii) together they directly or indirectly control a third person; or
 - (viii) they are members of the same family;
- (b) the term "person" also includes legal persons;
- (c) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related.

Un Quote

It is pertinent to note the following provisions of CGST Act 2017 and CGST Rules 2017 :

Quote

31.

- (1) A registered person supplying taxable goods shall, before or at the time of,--
 - (a) **removal of goods for supply to the recipient, where the supply involves movement of goods; or**
 - (b) **delivery of goods or making available thereof to the recipient, in any other case, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars as may be prescribed:**

Provided that the Government may, on the recommendations of the Council, by notification, specify the categories of goods or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.

- (2) A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed:

Provided that the Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which--

 - (a) any other document issued in relation to the supply shall be deemed to be a tax invoice; or
 - (b) tax invoice may not be issued.
- (3) Notwithstanding anything contained in sub-sections (1) and (2) --

- (a) a registered person may, within one month from the date of issuance of certificate of registration and in such manner as may be prescribed, issue a revised invoice against the invoice already issued during the period beginning with the effective date of registration till the date of issuance of certificate of registration to him;
- (b) a registered person may not issue a tax invoice if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed;
- (c) a registered person supplying exempted goods or services or both or paying tax under the provisions of section 10 shall issue, instead of a tax invoice, a bill of supply containing such particulars and in such manner as may be prescribed:
- Provided that the registered person may not issue a bill of supply if the value of the goods or services or both supplied is less than two hundred rupees subject to such conditions and in such manner as may be prescribed;
- (d) a registered person shall, on receipt of advance payment with respect to any supply of goods or services or both, issue a receipt voucher or any other document, containing such particulars as may be prescribed, evidencing receipt of such payment;
- (e) where, on receipt of advance payment with respect to any supply of goods or services or both the registered person issues a receipt voucher, but subsequently no supply is made and no tax invoice is issued in pursuance thereof, the said registered person may issue to the person who had made the payment, a refund voucher against such payment;
- (f) a registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 shall issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both;
- (g) a registered person who is liable to pay tax under sub-section (3) or sub-section (4) of section 9 shall issue a payment voucher at the time of making payment to the supplier.
- (4) In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.
- (5) Subject to the provisions of clause (d) of sub-section (3), in case of continuous supply of services,--
- (a) where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;
- (b) where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment;
- (c) where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.
- (6) In a case where the supply of services ceases under a contract before the completion of the supply, the invoice shall be issued at the time when the supply ceases and such invoice shall be issued to the extent of the supply made before such cessation.
- (7) Notwithstanding anything contained in sub-section (1), where the goods being sent or taken on approval for sale or return are removed before the supply takes place, the invoice shall be issued before or at the time of supply or six months from the date of removal, whichever is earlier.

Explanation – For the purposes of this section, the expression "tax invoice" shall include any revised invoice issued by the supplier in respect of a supply made earlier.

Un Quote

Rule 55 of CGST Rules 2017 clearly deals with the provisions when goods can be supplied without invoice

Quote

- (4) Where the goods being transported are for the purpose of supply to the recipient but the tax invoice could not be issued at the time of removal of goods for the purpose of supply, the supplier shall issue a tax invoice after delivery of goods.
- (5) Where the goods are being transported in a semi knocked down or completely knocked down condition.
- (a) the supplier shall issue the complete invoice before dispatch of the first consignment;
- (b) the supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice;
- (c) each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice; and
- (d) the original copy of the invoice shall be sent along with the last consignment

Un Quote

In other words, if free supplies during warranty is made, it can be stated that it is covered that warranty is already included in the price of the goods which is supplied. However, inclusive part of transaction value as specified in Section 15 of CGST Act 2017 do not include the warranty in line with earlier transaction value as provided in the explanation in Section 4 of Central Excise Act 1944.

Similarly, there is no provision in CGST Act 2017 of prescribing the procedure of dispatch of such goods of which price is stated to be included in the supply of goods already supplied. But, though there is specific provision of dealing with the advances which has been received against supply. however, the supply of the goods which has been already made on which tax is already paid and such value includes the value of subsequent supply if any to be made during warranty made but such supplies not been defined in

coverage of transaction value as per Section 15 of CGST Act 2017.

Moreover, Section 34 (2) of CGST Act 2017 provides that :

Quote :

Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted in such manner as may be prescribed:

Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

Un Quote

In other words, all supplies effected during the year further supplies, tax invoice or debit note or credit note pertaining to such supply can be made only upto 30th September of subsequent year.

Warranty might be more than one year of can be extended further upto 10 years for certain specified goods. Therefore, whether such free supplies made during warranty will attract tax or will be covered as already tax paid goods being covered under the price of originally supplied goods.

Unfortunately, there is no specific provision for not paying any tax on supply of goods or services without consideration during warranty period. Rather, there are specific provisions to include such supply which has been made without consideration when ITC has been taken is to be considered as taxable supply. Irrespective of the fact that the price of such supply might have been included in the price of goods already supplied.

Further there is specific provision under section 17 sub-section 5 (h) where ITC should not be availed in case of

Quote :

Notwithstanding anything contained in sub-section (1) of section 16 and subsection (1) of section 18, input tax credit shall not be available in respect of the following, namely:

(h) goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and

Un-Quote

In other words, anything supplied free of cost or without consideration where ITC is taken will be considered as taxable supply or no ITC will be allowed on such good which are supplied without consideration. In the GST era no ITC will be allowed if payment of such supplies are not made within 180 days. No consideration / payment will be received within 180 days from the date of supply since it is FOC.

It cannot be stated that consideration of such supplies made during the warranty periods is received as advance as

consideration of original supply nor it can be termed the goods has been supplied in part in terms of section 34 of CGST Act, read with CGST Rules. Any supply has to be effected either of following documents :

1. Tax invoice
2. Bill of supply
3. Receipt Voucher
4. Delivery Challan without invoice
5. Delivery Challan

Free supply during warranty where input tax credit has been availed will be treated as taxable supply and to be supplied against tax invoice or alternatively when ITC has not been availed on such supply then it will be non-taxable supply and to be supplied against bill of supply.

Alternatively if provision of earlier law is required to be followed in absence of specific provision relating to warranty in GST era, how supply can be effected without payment of GST or without availment of ITC.

The above question remain unanswered in GST era, therefore in My opinion either it has be treated as taxable supply and GST has to be paid or no ITC to be availed so as to make such supply as non-taxable supply.

Warranty is a written guarantee, issued to the purchaser of an article by its manufacturer, promising to repair or replace it if necessary within a specified period of time. Depending upon the nature of contract, delivery model, the warranty can be catered to either the manufacturers directly or then through dealers. Warranty is a service as per definition of service provided in CGST Act, 2017.

As per CBEC FAQ Q6, Composite supply is a supply consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are bundled in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is a principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance service are ancillary.

Warranty is considered as a taxable supply, part of the composite supply involving supply of TV. The consideration received as part of composite supply is towards the supply of TV and "the promise to repair or replace" and not towards the supply of goods under warranty. Therefore the supplies under warranty will be treated as supplies without consideration.

Free of cost supplies made, whether under warranty or otherwise, would qualify as supply in accordance with Schedule I of CGST Act, 2017. There is no specific exclusion to Schedule 1 point 1, and the supplies made for the purpose of warranty will be a taxable supply once ITC is availed. If the intention was to exclude such supplies under warranty, wordings similar to CCR would have been incorporated under GST.



Bill to-Ship to Transactions and its Place of supply in GST regime

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In today's business Bill to - ship transactions are often occurrence. The main benefit of any subsequent sale during the movement of goods is exempt from tax leads to do a proper tax planning's in current regime.

In the Bill to - Ship to model, the billing and shipping of goods are done to entities and two states.



For example :

M/s. Sonu Ltd, a dealer in automobile goods, located in Maharashtra receives an order from M/s. Monu Ltd , located in Gujrat. The order is for the supply of 5,000 qty of automobile part, with an instruction to ship this goods to M/ s. Natu Ltd (Customer of M/s.Monu Ltd), located in Karnataka.

There are two transactions involved in this example:-

Transaction-1

Between Sonu Ltd. and Monu Ltd.:

Sonu Ltd. is the supplier & Monu Ltd. is the buyer. Accordingly, Sonu Ltd. will bill the transaction to Monu Ltd., and as per the instruction, ships the goods to Natu Ltd. in Karnataka.

Taxes: CST 2%

Forms: Monu Ltd. - C Form
Ltd. - C Form

Transaction-2

Between Monu Ltd. and Natu Ltd.:

Monu Ltd. is the supplier & Natu Ltd. is the buyer. Monu Ltd. bills the transaction to Natu Ltd., and endorses the lorry receipt (goods shipped in a lorry by Sonu Ltd.) in favour of Natu Ltd.

Taxes: NIL

Sonu Ltd. - E-1 Form Forms:-Natu
Sonu Ltd. - Lorry Receipt

In the above illustration, Sonu Ltd. bills to Monu Ltd., and ships the goods to Natu Ltd. Sonu Ltd. issues Form E1 to Monu Ltd. as against the C form produced by Monu Ltd for availing CST @ 2%. Subsequently, Monu Ltd. bills to Natu Ltd. against C Form without charging any tax, and endorses the Lorry Receipt in favour of Natu Ltd.

Bill to - Ship to transactions in Current regime

In Bill to -Ship to transactions, there is two transaction a first sale and a subsequent sale. In the current regime, tax should be levied on both parts of the transaction.

However, in order to avoid tax being calculated multiple times through the course of the transaction, exemptions are provided on subsequent sales. These exemptions however, are subject to the furnishing of the prescribed forms under CST Act. To get the exemption on the subsequent sale, a declaration Form E1 has to be issued by the first seller, and C-Form has to be issued by the buyer for levy of CST at a reduced rate of 2%.



Bill to - Ship to transactions in GST regime

Under GST, the place of supply of goods is important to determine the transaction as interstate or intrastate and accordingly, the applicable taxes can be levied.

In GST, if the goods are supplied by the supplier to the recipient on the direction of a third person, it will be deemed that the third person has received the goods, and the place of supply will be the principal place of business of such third person.

Place of supply for Bill to - Ship to transactions is defined under GST under Section 10 (b) of IGST;

(b) where the goods are delivered by the supplier to a recipient or any other person on the direction of a third person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to the goods or otherwise, it shall be deemed that the said third person has received the goods and the place of supply of such goods shall be the principal place of business of such person;

We will consider the same example in GST regime.



In the example, on the instruction from Monu Ltd., Sonu Ltd. ships the goods to Natu Ltd. located in Karnataka. Here, Monu Ltd. is deemed as the third person. Therefore, the place of supply will be the principal place of business of the third person i.e., Gujrat. Accordingly, Sonu Ltd. charges IGST on billing to Monu Ltd. and in second part of transaction between Monu Ltd. and Natu Ltd. will also be interstate, and IGST will be charged.

Let us discuss further with various scenarios along with understanding purpose

Considering the GST provisions, it is very important to have an accurate determination of place of supply for below reasons:

- Wrong classification of supply between interstate or intra-state and vice-versa may lead to hardship to the taxpayer as per section 19 of IGST Act and section 70 of CGST Act.
- The taxpayer will have to pay the correct tax along with interest for delay on the basis of revised/correct classification.
- Also, correct determination of place of supply will help us in knowing the incidence of tax.
- Where wrong taxes have been paid on the basis of the wrong classification, refund will have to be claimed by the taxpayer.

Lastly, it is very important to understand first the main purpose of transaction in proposed Bill to - Ship to transactions, as it will define the place of supply under GST regime and taxes will be applicable accordingly.

Supplier	Bill to (Third party)	Ship to (Recipient)	Place of Supply	GST
Maharashtra	Maharashtra	Maharashtra	Maharashtra	CGST+SGST
Maharashtra	Karnataka	Maharashtra	Karnataka	IGST
Maharashtra	Maharashtra	Karnataka	Maharashtra	CGST+SGST
Maharashtra	Karnataka	Karnataka	Karnataka	IGST



GST : Reverse Charge Mechanism

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GST is one of the biggest Tax Reforms in India since its independence .GST's main focus is not only increasing the transaction base but also widen the tax net.

What is Reverse Charge Mechanism in GST ?

"Reverse Charge" means the liability to pay tax by the recipient of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9 of the Central Goods and Services Tax Act, or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act.

In a normal course of business , Supplier has to pay tax on the Supply of goods or Service Provider has to pay on the services rendered .But in the reverse charge, recipient of goods or services or both is liable to pay GST.

In simple words, 'Reverse Charge' means the liability to pay tax is on the recipient of Goods or Services instead of the Supplier of goods or Service Provider. Reverse Charge appliesto both Goods as well as Services .

According to Section 9(4)of CGST Act, 2017 or Sec 5(4) of IGST Act , 2017 : The tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

List of Services applicable under the Reverse Charge Mechanism issued by CBEC (refer below link)

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/list-of-services-under-reverse-charge-2.pdf>

key points of Reverse Charge Mechanism under GST Law

- Registration is compulsory for those who are required to pay Tax under the Reserve Charge Mechanism irrespective of threshold limit of turnover.
- Tax under reverse charge can be paid through cash only without taking set off benefit of ITC (Input Tax Credit). ITC can be used for payment of output tax only.
- Exemption for intra-State supplies of goods or services or both received by a registered person from any supplier, who is not registered (Notification No.8/2017-Central Tax Rate).
- But the said exemption will not be applicable where the aggregate value of such supplies of goods or service or both received by a registered person from any or all the suppliers, who is or are not registered, exceedsRs.5000/- in a day.

- Exemption of Rs.5000/- is for the entire single day and not for purchases of goods or services from each unregistered person.
- Reverse charge payment is entitled to avail credit of such tax paid under reverse charge on goods and services subject to the condition that the goods and services are used or will be used for business or furtherance of business.
- According to IGST Act, 2017 Inter-state supplies, even supplies of less than Rs. 5000 will attract tax on reverse charge if supplieris un-registered and recipient is registered.
- Many procedural requirements need to be complied for any reverse charge supply received by recipient.
- If the value of goods or services exceeds Rs.5000/- in single day then GST will be payable on entire amount
- Prefer purchase from Dealer registered under GST instead of unregistered dealer . Below example is self explanatory about the net impact of cost

	Registered Dealer Under GST	Unregistered Dealer Under GST
	Rs.	Rs.
Value (similar Product)	10000	10500
CGST @ 9%	900	
SGST @ 9%	900	
	11800	10500
Reverse Charge		
CGST @ 9%		945
SGST @ 9%		945
Cost	11800	12390
Input Tax Credit	0	0
Landed Cost net of ITC	11800	12390
Increase in Cost Burden	590	

Conclusion:Reverse Charge Mechanism is one of the important aspects in the GST. Organisation needs to give more focus on the resources available in the market and procurement planning. Further, robust planning and implementation of procurement of Goods and Services should be insuch away that minimum/lowest procurement is from unregistered dealer.

(Thanks to S. NARAYANAN for Guidance)



Commercial Banking – Credit Growth and NPAs

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Shashank Agarwal

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India is one of the fastest growing economies of the world, and its Banking Sector is on a way to become the world's third largest in asset size by 2025 according to BCG with its asset sized to touch a new milestone of USD 28,500.

No doubt in today's world banking sector has become one of the most important integral parts of the economy, whether it's institutions, companies, or a common man all need the loan at some point to expand their operations. The core business of Bank's is lending and borrowing, so the bank increases their credit so to gain maximum revenue from the interest which is being paid with the principal amount the credit growth increases, so in a way banks are more than mere agents of financial intermediation and carry the additional responsibility of achieving the government's social agenda. From 2002-2008 as the economy was in a growth phase, the banking sector saw the credit growth of more than 22%.



Source: RBI Sectorial Statistics

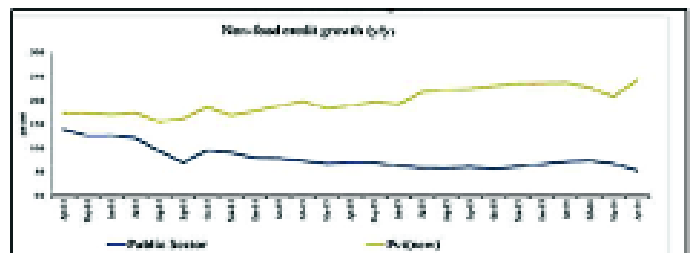
However, credit growth to 'petroleum, coal products and nuclear fuels', 'vehicles' and construction' accelerated.

Credit to the services sector increased by 8.1 per cent in January 2017 as compared with an increase of 8.9 per cent in January 2016.

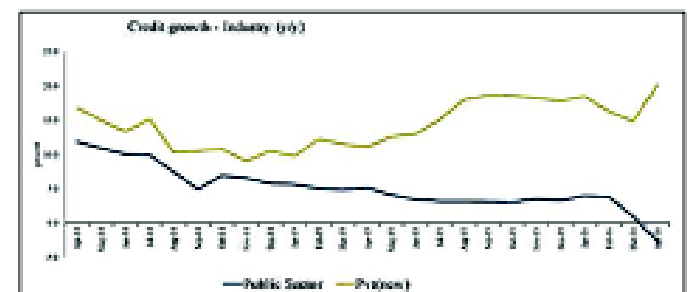
Personal loans increased by 12.9 per cent in January 2017 as compared with an increase of 18.1 per cent in January 2016, according to "**Sectoral Deployment of Bank Credit - January 2017**"

It is quite interesting to know that as the Indian economy is growing at approx. 7% our banking system is getting weaker. About 70% of the assets have been managed by the PSU's and if they have to lend in future, then more capital would be needed as their NPA's are on a high level, as compared to Private sector Banks. The market value of all the PSU banks today is less than book value at around \$70 billion. If PSU banks had performed in line with the private sector banks, they would have been worth \$ 250 billion according to Nirmal Jain, chairman IIFL Group.

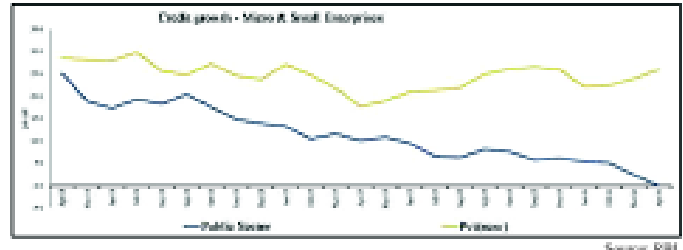
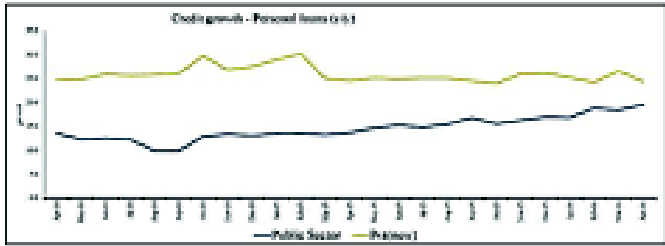
In India, bank loan growth refers to the year-over-year change in the overall commercial bank's credit, to the economy, including food credit, non-food credit, and loans, cash credit and overdraft. The value of loans in India increased 4.8 percent year-on-year in the two weeks of February 17th, 2017. Loan Growth in India averaged 12.48 percent from 2012 until 2017, reaching an all-time high of 18.70 percent in April of 2012 and a record low of 4.80 percent in February of 2017.



Source: www.TRADINGECONOMICS.COM | RBI



Source: RBI



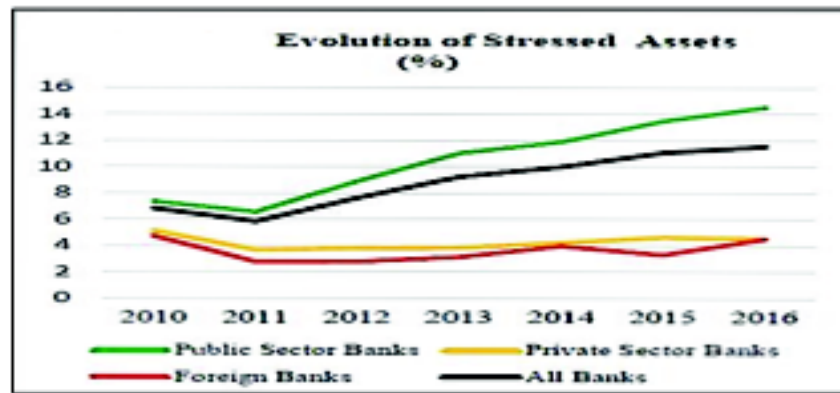
Source: RBI

Above three graphs clearly, depicts the decline of a public sector bank as compared to a private sector bank. Is it due to the non-availability of the capital with the public sector or some other reason? Well, if we go, a little deeper, it's clear that there is no dearth of capital by the public sector as from the graph of personal loan it's very lucid that the public sector is trying to match with the private sector, which is not the case in another sector. "Whenever one sees a slowdown in lending, one could conclude there is no demand for credit - firms are not investing. But what we see here is a slowdown in lending by public sector banks vis-à-vis private sector banks," the Ex RBI governor (Mr. Raghuram Rajan) said at a meeting with industrialists and traders in Bengaluru organized by Assocham.

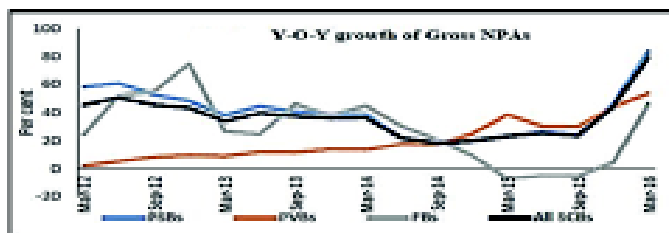
reason for that is the NPA (non-performing assets).

As president Mr. Pranab Mukherjee said at the centenary celebrations of Karur Vysya Bank "Though Indian banking sector stood solidly despite global economic crisis and challenges, a major area of concern for the sector is the huge NPAs". But many times, banks usually say that because of the high-interest rate the credit growth is decreasing and we are not being able to perform well. But that is not the case here with the private bank, as the Reserve Bank of India (RBI) Ex-Governor Raghuram Rajan said that slow credit delivery has largely been on account of stress in public sector lenders and not due to high-interest rates or the lack of capital. According to Reserve Bank of India data, five sectors contribute 61 per cent of the banking sector's stressed assets - infra, steel, textiles, power, and telecom. Source: RBI

So why the public sector is lacking behind. The main



Credit growth plunged to a whopping six-decade low of 5.08 per cent in the financial year 2016-17, as against 10.7 per cent a year ago, according to the Reserve Bank data. The situation has even aggravated in the last five years with the stressed asset (Stressed assets = NPAs + Restructured loans + Written off) ratio rising from 7.6 per cent in March 2012 to 11.5 per cent in March 2016, it's the Public Sector Banks are leading the strain at 14.5% as at end-March 2016.



Source: RBI

Stressed asset is a powerful indicator of the health of the banking system, but due to the increasing ratio, the matter is becoming worse.

High credit growth leading leverage		06-07	07-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
GDP Growth (%) (Annual)		9.6	9.3	6.7	6.6	8.9	6.7	5.6	6.6	7.2	7.6(P)
Credit Growth (%) (annual-As reported on the last Friday of the financial year)		28.1	22.3	17.5	16.9	21.5	17.0	14.1	13.9	9.1	10.9
Credit growth Industrial sector (%)		26.7	25.0	23.0	24.4	23.6	20.3	15.1	13.1	5.6	2.7

From the above charts it is being very clear post 2007 i.e. before the recession economy was in full swing, as the GDP growth (%) was 9.6, so as always investor doesn't miss out any opportunity so looking at this era they begin to scale up their projects, started taking big loans from the banks, and banks also without thinking much or proper check started lending, with a hope of earning high interest. It can be noted that the credit growth in the financial year 2016-17 is the lowest since 1953-54 when it had inched up by a paltry 1.7 per cent, according to the apex bank data.

Another interesting finding came out that in the two fiscal before 2008, retail loans grew by 30-40 per cent, "according to thehindubusinessline" with such factors as the increased competition, higher disposable income, growing middle class acceptance of loans and many other reason, but the banks' perception of low risk in such loans, a theory that had turned on its head during the financial crisis. But in 2008 as a result of the financial crisis, all things went upside down, many projects stalled as such investor was not having money to repay which ultimately led to NPA.

Another thing to note that since the private sector was a bit reluctant in lending out to the steel and manufacturing industry as they were not doing well, but PSU's as they are being compelled to fulfill social objectives begin to lend which ultimately rose up to their NPA's at a greater level.

A close observation tells us that the denominator is the culprit in 2016. In 2001, total advances/loans from the banking system is a mere Rs.5.2 lakh crore compared to 2016 figures of approx. Rs.84.0 lakh crores, according to forbesindia.com, dated 29th Feb 2016.

Icra has projected gross NPAs to increase to Rs.7.5-7.7 trillion or 9.7%-10% for March 2017 and Rs.8.2-8.5 trillion or 9.9%-10.3% for fiscal 2018 with upside risks in the case of slower resolution of SDR accounts, leading to higher slippages.

Warning of more pains on the restructured accounts, especially those under the 2/25 scheme, Icra said, of the 40 large borrowers with a total debt of Rs.3.16 trillion, 29 percent of the debt turned NPA till December 2016.

Industry-wise Classification of Live Cases: As on Dec 31, 2016				
Sr. No.	Industry	No.	Aggregate Debt (Rs. crore)	Debt in %
1	Infrastructure	16	40349	19.49
2	Iron & Steel	37	40269	19.46
3	EPC	5	23522	11.37
4	Engineering	8	22082	10.66
5	Construction	11	18644	9.00
6	Ship-Breaking/Ship Building	3	11449	5.53
7	Textiles	18	10558	5.10
8	Telecom	5	7040	3.40
9	NBFC	3	6252	3.02
10	Pharmaceuticals	7	5713	2.76
12	Power	8	3763	1.82
13	Manufacture	3	3629	1.75
14	Sugar	10	2823	1.36

Source: Corporate Debt Restructuring Mechanism

Approx. 95% of the debt is with these 14 industries, with major hit iron & steel industry.

This could be due to the fact of cheap imports, or Raw material Trouble or due to the power problems. Moreover, infrastructure, engineering, and construction contributed to approx. 40% of the debt, as in 2014-15 real estate sector was the worst hit by the economic downturn, on top of that increasing interest rates and inflation was like the icing on the cake, which ultimately keeps the homebuyers away from buying.

Many times it could be seen just to cook up the books, loans are getting approved without proper scrutiny and the best example could be Kingfisher airlines. As it has been said by Ex- RBI governor Mr. Raghuram Rajan that "The short tenure of managers means they are unwilling to recognize losses immediately, and more willing to postpone them into the future for their successors to deal with". "Such distorted incentives lead to over lending or

'ever greening' of unviable projects."

So what it means is that there could be some system to keep a check on employee so that this thing again not hamper the growth of banks. The time has come for the government to take a step forward and make some strategic move towards saving PSU's as It can be noted that the banking system is saddled with close to Rs 14 trillion of bad loans, including that turned dud after restructuring. This is almost 15 per cent of the system.

Sources:

- RBI
- RBI Sectorial Statistics
- Sectorial Deployment of Bank Credit - January 2017
- www.thehindubusinessline.com
- https://m.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1023
- Corporate Debt Restructuring Mechanism



GST QUESTION : Drugs & Pharmaceuticals

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Question 1 : Whether formulations cleared have to be assessed to GST under transfer price mechanism or on the basis of MRP printed on them?

Answer : The assessment of drugs and formulations under GST would be on the basis of transaction value at each level of supply with end to end ITC chain for neutralizing the GST paid at the procurement level.

Question 2 : What are the requirements for clearance of physician samples distributed free of cost?

Answer : In case of clearance of physician samples distributed free of cost, the ITC availed on the said samples has to be reversed in view of the provisions under Section 17 (5) (h) of the CGST Act, 2017. No tax is payable on clearance of physician samples distributed free of cost as the value of supply is zero and no credit has been availed.

Question 3 : What is the procedure for movement of time expired medicines from their retail outlets to the manufacturer for destruction?

Answer : In such cases, the manufacturer may issue a credit note within the time specified in sub-section (2) of section 34 of the CGST Act, 2017 subject to the condition that the person returning the expired medicines reduces his ITC. Subsequently, when the time expired goods are destroyed, the manufacturer has to reverse his ITC on account of goods being destroyed. Where the goods are returned after the time limit specified in section 34(2) of the CGST Act, 2017, the registered person returning the goods shall issue an invoice, as it is a supply within the meaning of Section 7 of the CGST Act, 2017.

Question 4 : How loan and licensee units carry out their operations in GST regime?

Answer : GST law does not have any special provision for loan and licensee units. Where the contract is in the nature of performance of job-work, these units can opt to follow the procedure laid down in section 143 of the CGST Act, 2017 i.e. the principal can send any inputs etc. to such units without payment of tax and the principal can clear the goods from the premises of such units if the principal declares these units as his additional place of business or where such units are themselves registered under section 25 of CGST Act, 2017.

Question 5 : What is the treatment of clearances effected to Special Economic Zones?

Answer : The clearances effected to the SEZ are zero rated supplies in terms of Section 16 of the IGST Act, 2017. Accordingly, the supplier can claim refund of IGST paid on such supplies or clear the same under bond /

letter of undertaking and claim refund of the un-utilized ITC.

Question 6 : Whether SEZ unit located in a State requires a separate registration under GST?

Answer: The SEZ unit located in a State is treated as a business vertical distinct from other units located in the State outside the SEZ [first proviso to Rule 8 of the CGST Rules, 2017 read with Section 25 of the CGST Act, 2017]. Hence, separate registration is required to be obtained for the unit located in SEZ.

Question 7 : Whether ISD registration is required to be obtained separately?

Answer : In terms of second proviso to Rule 8 of the CGST Rules, 2017 read with Section 25 of the GST Act, 2017, every person being an Input Service Distributor has to make a separate application for registration.

Question 8 : What is the transitional credit that can be availed on the existing stocks held by a registered person under GST, who was not required to be registered under the existing law?

Answer : In terms of Rule 117(4) of the CGST Rules, 2017 (transitional provisions) read with Section 140(3) of the CGST Act, 2017, a registered person who was not registered under the existing law and who is not in possession of any document evidencing payment of central excise duty in respect of the goods held in stock, shall be allowed credit at the rate of sixty per cent on such goods which attract central tax at the rate of nine percent or more and forty percent for the other goods of the central tax applicable on supply of such goods after 01st July 2017 and the said amount shall be credited in the electronic credit ledger after the central tax payable on such supply has been paid. In case where integrated tax is paid, the amount of ITC would be at the rate of thirty percent and twenty percent respectively of integrated tax. This facility is available for a maximum period of 6 months from the appointed day (i.e. upto 31st December, 2017) or till the goods are sold out, whichever is earlier.

Question 9 : Whether a manufacturer can avail deemed credit in respect of transitional stocks on the appointed day in respect of the stocks for which duty paying document is not available?

Answer : In terms of the proviso to Section 140 (3) of the CGST Act, 2017, the manufacturer is not eligible to avail deemed credit in respect of transitional stocks, for which duty paying document is not available. Such credit is not available in case of SGST except where VAT was payable on the basis of MRP.

Question 10 : Whether deemed credit is available in respect of goods purchased from tax free zones?

Answer : The deemed credit in terms of Rule 117 (4) of the CGST Rules, 2017 (transitional provisions) read with Section 140 (3) of the CGST Act, 2017 would be available in respect of the goods, which were not unconditionally exempt from the whole of the duty of excise specified in the First Schedule to the Central Excise Tariff Act, 1985 or were not nil rated in the said Schedule. As the goods purchased from tax free zones were exempted from duty payment under a Notification issued under Section 5 of the Central Excise Act, 1944 and not Nil rated in the First Schedule to the Central Excise Tariff Act, 1985, the deemed credit would be available in respect of such goods held in stock on the appointed day.

Question 11 : What is the obligation cast on the Registered Person in case of purchases from Unregistered Person?

Answer : In terms of Section 9(4) of the CGST Act, 2017 read with Section 31(3) *ibid*, the Registered Person procuring the taxable supplies from an Unregistered Supplier has to raise invoice and pay GST on reverse charge basis in respect of such supplies.

Question 12 : What is the treatment of supplies made from erstwhile tax free zones?

Answer : Since GST is a destination based consumption tax with seamless transfer of ITC credit, no exemptions are accorded to supplies made by erstwhile tax free zones. Accordingly, the goods cleared from erstwhile tax free zones would be subjected to GST from the appointed day (01st July, 2017).

Question 13 : What is the effect of non-payment of consideration in respect of taxable supplies received by the recipient?

Answer : If the recipient fails to pay to the supplier the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, the amount of input tax credit availed proportionate to the amount of consideration not paid would be added to his output tax liability along with interest thereon. The ITC so reversed can be reclaimed by the recipient after payment of consideration along with tax payable there on subsequently. This provision is not applicable in respect of deemed supplies made without consideration in terms of Schedule to the CGST Act, 2017

Question 14 : Whether separate sequence numbers can be maintained for invoices issued by the Registered Person in respect of supplies made under GST?

Answer : In terms of Rule 46(b) of the CGST Rules, 2017 single or multiple series of invoices can be raised by the Registered Person for the supplies made under GST as long as such invoice numbers are unique for a financial year.

Question 15 : Which is the document required to be issued by the Registered Person for supply of goods from one premises to another premises under the same registration number?

Answer : In terms of Rule 55(1)(c) of the CGST Rules, 2017 such movements have to be effected under the cover of a delivery challan along with any other document that may be prescribed in lieu of the e-way bill.

Question 16 : Whether discounts can be claimed as an abatement from the price for assessing GST?

Answer : In terms of Section 15(3) of the CGST Act, 2017, the value of supply for charging GST shall not include any discount which is given before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply. The value of supply shall also not include any discount which is given after the supply has been effected, if such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices and ITC attribute able to such discount has been reversed by the recipient of the supply.

Question 17 : What are the relevant provisions for movement of transitional goods lying at the premises of contract manufacturer on or after appointed day?

Answer : The procedure for movement of transitional goods lying at the premises of Contract Manufacturers / Loan Licencee is governed by the provisions under Section 141(1), (2) & (3) of the CGST Act, 2017.

WIRC CEP REPORT

WIRC organised CEP on - Legal Aspects & Audit of Co-operative Societies at Thane SMFC on **23rd July 2017**. CMA S.S. Dongare, Practising CMA was the faculty.

* * * * *

WIRC organised CEP on “Filing of Forms and Returns under Goods and Service Tax” at Thane SMFC on **30th July 2017**. Mr Nikhil Kolhatkar, Indirect Tax Practitioner was the faculty.

CMA Debasish Mitra, was present on the occasion.

WIRC OFFICE - CHANGE IN HOLIDAYS

WIRC office will remain closed on 2nd, 4th Saturdays instead of 1st and 3rd Saturday w.e.f. 1st August 2017.



Benchmarking : A tool for Profit Re-engineering

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The business world today is highly volatile, uncertain, complex and ambiguous. Companies are testing and adopting newer business models to grab markets and ensuring sustainable growth. In order to get where we want to go in the long haul, it's important to take a look at where we stand today. It's even more important to put together smaller goals to make sure we're getting there in the most productive way possible. Think of it as if you're running a marathon - at each mile you'll want to perform a quick check to see how you're doing on hydration, nutrients and body performance. The same idea holds true for your online business.

This is what we call benchmarking. While there are several definitions and variations of the term, it ultimately boils down to setting a long-term goal and using specific indicators and metrics to track your progress.

David T. Kearns, Chief Executive Officer of Xerox Corporation, defined benchmarking as "the continuous process of measuring products, services, and practices against the toughest competition or those companies recognized as industrial leaders." Benchmarking is a way to go backstage and watch another company's performance from the wings, where all stage tricks and hurried realignments are visible.

Companies use benchmarking as a way to compare key metrics to other businesses in the industry. This allows companies to see how well they are performing and identify ways they can become more competitive in the industry. In the business world, companies use benchmarking as a point of reference as well. But instead of having physical benchmarks carved in stone, they use benchmark reports as a way to compare themselves to others in the industry. Benchmarking is the practice of a business comparing key metrics of their operations to other similar companies.

You can also think of a benchmark report as a dashboard on a car. It is a way you can quickly determine the health of the business. Much like a dashboard, where you can check your speed, gas level, and temperature, a benchmark report can examine things like revenue, expenses, production amounts, employee productivity, etc.

Benchmarking occurs across all types of companies, including private, public, nonprofit, and for-profit, as well as industries e.g., technology, education, and manufacturing

Companies use benchmarking as a way to help become more competitive. By looking at how other companies

are doing, they can identify areas where they are underperforming. Companies are also able to identify ways they can improve their own operations without having to recreate the wheel. They are able to accelerate the process of change because they have models from other companies in their industry to help guide their changes.

Why Should Your Firm Benchmark?

The case for benchmarking suggests that a particular process in your firm can be strengthened. Some organizations benchmark as a means of both improving discrete areas of their business and monitoring competitor's shifting strategies and approaches. Regardless of the motivation, cultivating an external view of your industry and competitors is a valuable part of managing in this world of change.

There are a number of core drivers of benchmarking initiatives in a firm.

- The most common driver for benchmarking comes from the internal perspective that a process or approach can be improved. Organizations will collect data on their own performance at different points in time and under different circumstances and identify gaps or areas for strengthening.
- Many organizations compare themselves to competitors in an attempt to identify and eliminate gaps in service or product delivery or to gain a competitive edge. The data gathered in a competitive benchmarking initiative offers specific insights into a the competitor's processes and thinking.
- **The term:** strategic benchmarking, is used to describe when a firm is interested in comparing its performance versus the best-in-class or what is deemed as world-class performance. This process often involves looking beyond the firm's core industry to firms that are known for their success with a particular function or process. Benchmarking is a continuous process of :

Comparison

- Comparing the organization and its parts with the best in class organizations
- Comparing business processes with similar processes in best in class organizations all
- Comparing operational processes with the similar processes in best in class organizations
- Comparing the organization's products and services with those of the best competitors

- Comparing different types of capital to with the best in class organizations.

Projection

- Projecting future trends in best practices and proactively leading to these trends
- Meeting and exceeding customer expectations

Implementation

- Implementing defined best practices
- Making improvements systematic,repeatable and reliable

Types of Benchmarking

1. Internal

One of the easiest benchmarking investigations is to compare operations among functions within your own organization. This type of investigation is applicable to multidivisional or international firms. Data should be readily available and reportable on a consistent basis

2. Competitive

Direct product or service competitors are the most obvious to benchmark against. Although this information may be difficult to obtain, its value is high

3. Functional

It is not necessary to limit comparison to direct competitors. In fact, a narrow focus may risk missing potential breakthroughs. Functional benchmarking investigates leaders in dissimilar industries. The relevance of comparison is maintained by defining the performance characteristics that must be similar to your own functions.

4. Generic

It extends functional benchmarking by removing the constraints imposed by limiting the investigation to practices with similar characteristics. It holds the potential for revealing the "best of the best". It requires broad conceptualization.

Benchmarking Process

- Determining benchmark focus - During this phase, the company determines the specifics of the research project. (e.g., which companies will they include in the research and what types of metrics they will compare).
- Planning and research - During this phase, the company puts the resources together to implement the project (e.g., develop surveys, seek cooperation from other companies, and find databases already available).
- Gathering data - During this phase, the data is collected through the methodology determined in the planning and research phase.
- Analysis - After gathering the data, the company uses statistical techniques to examine and create the

findings.

- Recommendations - After analyzing the data and areas where the company can improve, recommendations are developed.
- Implementation - After reviewing

Some of the important performance measures that can be used are

- operating cost / sales per employee;
- product development time;
- rejection ratio
- capacity utilization;
- number of new products developed;
- queuing time
- customer complaints;
- service responsiveness; and
- percent of returned orders.

Figuring out a company's relative performance is ferociously problematic. It depends on which other companies are included in your comparison. Just change the peer group, and a laggard becomes a leader, or vice versa.

- When comparing a ketchup plant that fills small bottles with one that fills large bottles, a company should scale to a common unit and calculate the additional cost per liter of filling smaller bottles.
- One CPG company found that its process for filling small package sizes cost 20 percent more than its process for filling large ones.
- A milk powder manufacturer might have a highly efficient packaging process, but it might also have an outdated, energy-guzzling drying machine. These two factors can offset each other, resulting in reasonable production costs. Only with a detailed examination of every step in the production process will the company realize that it ought to replace its milk-drying machine.

Benchmarking Case studies

1. Xerox

Benchmarking against Japanese competitors, Xerox found out that it took twice as long as its Japanese competitors to bring a product to market, five times the number of engineers, four times the number of design changes, and three times the design costs. After an initial period of denial, Xerox managers accepted the reality.

Xerox collected data on key processes of best practice companies. Xerox identified ten key factors. Each of these then became a target for improvement Xerox zeroed in on various other best practice companies to benchmark its other processes. These included:

- American Express (for billing and collection),
- Cummins Engines and Ford (for factory floor layout),

- Florida Power and Light (for quality improvement),
- Honda (for supplier development),
- Toyota (for quality management),
- Hewlett-Packard (For product development),
- Fuji Xerox (for manufacturing operations)
- DuPont (for manufacturing safety).

Results of Benchmarking efforts in ZEROX

- Highly satisfied customers for its copier/duplicator and printing systems increased by 38% and 39% respectively.
 - Customer complaints to the president's office declined by more than 60%.
 - Customer satisfaction with Xerox's sales processes improved by 40%, service processes by 18% and administrative processes by 21%.
 - Inventory costs reduced by two-thirds.
 - The financial performance of the company improved considerably.
2. One of the most famous examples of best-in-class benchmarking is that of airlines improving their turnaround times by benchmarking themselves against Formula 1 racing car pit-stop operations. In both cases there are both routine operations and occasional emergency repairs / replacements to be carried out efficiently. Also load factor (what percentage of seats are occupied) can be benchmarked for different Airlines
 3. A European company embarked on a benchmarking effort involving six of its production plants. Data was gathered on more than 100 operations-related key indicators. The analysis showed that two of the company's plants were among the best performers in the industry, and two were among the worst. The breakdown analysis revealed that :

In one case, a plant's material cost was too high

 - In another, a plant had a disproportionately large staff

The plant down time was significant in one plant

 - Energy consumption analysis revealed two inefficient plants, and since both were located in regions with low energy costs, savings potential was huge
 - The team calculated that if all the six plants could improve performance to the level of the top performing quartile, the resulting savings would amount to tens of millions of Euros every year.
 - By applying detailed break down of cost levers, and deploying a cross functional / cross plant team the company realized significant savings
 5. A quick service restaurant chain dependent upon speedy, accurate service in the drive-thru to maximize efficiency, cut costs and increase profits will study the drive-thru practices of key competitors. Every second gained without sacrificing customer quality

allows the firm to increase profits. Over the years, competitors have consistently innovated in their drive-thru operations with configuration, number of windows, menu and speaker boards and ordering approaches in an attempt to improve in this area. They are constantly watching and benchmarking against each other.

6. One firm, Pal's Sudden Service, a small hamburger and hot dog chain and a Baldrige Quality Award winner, is so successful at achieving best-in-class performance for drive-thru and overall restaurant operations, that it opened an educational institute to train other organizations. Many companies in the fast food market use Pal's as a best-in-class benchmark for their own firms.

Examples of bad benchmarking

- Many companies set targets for operational metrics without proper analysis whether target is really what the customer wants or is really in the best interest of the company.
- The worst example is where the target is 80% of calls answered in 20 seconds when the data suggests that most customers will wait in queue for 60 seconds, if, when their call is answered, they can get complete answer for their question
- HP invests up to two minutes of educational time on calls where the customer asked a simple question that could have been self serviced on the Website. While talk time is longer, future calls are prevented because the customer is educated on self-service.

What Benchmarking is not

- A way to justify headcount reductions without changing the accompanying processes
- A form of industrial tourism
- A training ground for new and/or inexperienced employees
- A tool for a quick fix
- A tool to impress top management only
- A tool to use up some idle time if there is nothing better to do with it
- A tool for merely competitive comparison
- A tool for spying or espionage

The Bottom Line:

Benchmarking is the practice of being humble enough to admit that someone else is better at something and wise enough to try and learn how to match and even surpass them at it. Benchmarking is a potentially powerful tool to promote continuous improvement in your organization. As discussed, relying on internal-only measures breeds a myopic perspective. High performing organizations strive to identify processes, functions or offerings important to their business and evaluate their efficiency and effectiveness versus leading competitors or leading innovators. Care should be taken to define benchmarking initiatives deliberately and scientifically, or, the results can be misleading. ■



Concurrent Audit – Experience Sharing of CMA

Interview of CMA Anwar Hasan by CMA R. P. Gore

Anwar Hasan, a fellow member of the Institute, practicing since year 2000 in proprietary firm "Anwar Hasan & Associates" is also qualified insolvency professional. He has been few CMAs who had got Concurrent Audit assignment. In this interview he is talking about his views about Concurrent Audit

CMA R. P. Gore (RPG) : At the outset I like to congratulate you, for becoming Concurrent Auditor of J & K Bank and wants to abrest your feeling regarding that

CMA Anwar Hasan: Thank You very much Goreji, its all because of efforts of some active members who are relentlessly following this particularly deserving area for CMAs

CMA RPG : I was asking about your feeling

CMA Anwar Hasan: Reserve Bank of India is giving more importance to concurrent audit particularly because of rising NPA in banks & bringing more number of branches in its purview. It is early warning system for banks. J & K Bank has put great responsibility on Cost Accountants by appointing them as Concurrent Auditor of branches. What I feel, with this, --- Banks have assigned, CMA.s the role of "banks internal independent assurance mechanism" as concurrent auditors.

Bank Concurrent Audit is a type of internal audit where auditor's duty is to check and correct branch internal control system.

CMA RPG : So you want to say that concurrent audit is another type of internal audit,

CMA Anwar Hasan : Sir, all I said is as compare to other internal audit, concurrent audit is a bit different; in concurrent audit, auditor work in branch is for entire working hours (either himself/ herself or his/ her assistant) similar to any other bank employee, bank also provides a separate computer and login facility to auditors . On the other hand, like bank branch employees he doesn't report to Branch Manager but reports to Head office of the bank which empanels / appoints him

CMA RPG : What is the scope of this audit?

CMA Anwar Hasan: We must make a note of the fact, that the concurrent audit work is done in real time; there is no constraint in your scope as a concurrent auditor.

CMA RPG : what is the end use of the reports of a Concurrent audit?

CMA Anwar Hasan: Concurrent audit reports are being used by many functionaries before starting assignments like Branch statutory auditors, RBI auditors, Bank Internal

Auditors and Different department of banks (Like RO, ZO etc).

CMA RPG : What are the pre-requisite for successful Concurrent audit?

CMA Anwar Hasan: At this juncture I feel, to perform the concurrent audit assignment effectively, it is crucial for auditor to focus on certain aspect like knowing the Existing Banking Practices, Guidelines for bank audit by different professional bodies specially our Institutes publication, flowchart of actual conduct of Audit, Quality in reporting and well-timed audit report. He has to be updated constantly about the changes in banking rules, instructions, guidelines

Further- more, the role of Concurrent Auditor assumes greater responsibility in reinforcing the audit system and the auditor to act as a great guide for the bank branch staff.

CMA RPG : What is the role of concurrent auditor?

CMA Anwar Hasan : Of course being CMA give you added advantage 'cause of your better understanding of operational management and management accounting and audit, apart from that , the CMA,s syllabus and training is much more than adequate for effectively carrying out Bank Concurrent Audit, moreover, Concurrent Auditors are necessary to be punctual, disciplined, updated and vigilant. They must make out all the occurrence of nonconformity of systems & procedures on regular basis and discuss / convince the same with the branch manager for their rectification. A time has come, when approach of the Auditors needs to be changed. In fact, the role of audit is to ensure operational efficiency and not mere bookkeeping assurance. The concurrent Auditor should act a facilitator and not act simply as fault finding machinery.

CMA RPG : Are CMAs better positioned to counter NPA in comparisons to others? What I mean is, whether the background of Cost Audit makes them better suited to counter menace of NPA?

cost audit contains critical suggestions for improvement in accounting system, suggestion for improvement in utilisation of material, better schemes for different element of cost, better capacity utilisation, improved inventory policy, balancing of plant and machinery . There is no other audit which provide these types of suggestions for future. Audit of Cost & Management Areas provides in depth knowledge and perspective to manage business in given circumstances.

CMA RPG : I congratulate you once again and hope next year CMAs will be doing concurrent audit in all the commercial banks.

Thank you very much.



Observations on matching concept under GST

CMA Rajendra Rathi

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Observation on section 42 i.e. Matching reversal and reclaim of ITC. Sub section

- (1) Every Inward supply for tax period to be matched. (Invoice level separate entry for separate rate)
- (2) Claim of ITC relating to inward supply match with corresponding outward supply of supplier
- (3) Where ITC claimed by recipient is excess discrepancies shall be communicated to both
- (4) Duplication of ITC shall be communicated to recipient
- (5) If discrepancies not rectified by the supplier in his valid return for the month shall be added to output tax liability of recipient
- (6) If ITC found excess on account of duplication of claim shall be added to output tax liability
- (7) Recipient is eligible to reduce from output liability if supplier declare the detail in valid return
- (8) A recipient in whose output liability had been added as per sub section (5) and (6) shall be liable to pay interest

In view of above provision we can conclude that output tax liability will be added automatically if

- (1) Mismatching is not corrected in time
- (2) Valid return is not filed by supplier
- (3) Payment of tax is not made by supplier or less made by supplier

GSTN portal having three ledgers i.e. Cenvat ledger, Cash ledger and liability ledger.

All above ledger balance should match with assessee ledger on real-time basis and addition in output liability should have linkage/identification.

24 % interest will be charged on excess claim of ITC so utmost care need to be ensured at each transaction level as vendor may charge wrong tax like CGST instead of IGST

Observation on taxability on CIF import freight under reverse charge

1. Freight of CIF import was taxable under reverse charge till 30-06-2017. POT was bill of lading date .
2. Under GST such freight portion is taxable under reverse charge as per POS section 13 (9) of IGST.
3. POT for all import of services is date of payment or 60 days from date issue of invoice whichever is earlier.(section 13 (3).
4. Accordingly all CIF import POT can be ascertained accordingly
5. Valuation can be taken as per Notification 08/2017 IGST Dated 28.06.2017 srl no 9 i.e 10 % of CIF Value of imported goods in case actual freight value is not available.
6. Rate of IGST will be 5%

Every assessee need to follow DTC i.e. Disciplined, Timely and Correctly on real time basis.

Inauguration of WIRC Oral Coaching Classes – Monday, 10th July 2017

Name of the Coaching Centre	Name of the Persons
Sydenham College, Churchgate	CMA Malvika Subramaniam
N. M. College, Vile Parle	CMA Akshay Shah
St. Francis Institute of Management & Research, Borivali	CMA Ashwin Solanki
R. J. College, Ghatkopar	CMA Kishore Bhatia
Mulund College of Commerce, Mulund	CMA Shailaja Balmurali
Thane SMF Center	CMA Atul Dharap



MIS Report with respect to Inventory Status of key finished products which account for 70 % to 75 % of Total Sales Revenue

CMA Rajesh Kapadia

Every Month, CMA Department should prepare and submit MIS Report with respect to Inventory Status of Key Finished Products as mentioned in ANNEXURE 1

Contents :

- (1) This MIS Report lists Inventory of Key Finished Products
- (2) It compares Average Monthly Production of Current Year as against Average Monthly Production of Previous Year
- (3) It compares Average Monthly Sales of Current Year as against Average Monthly Sales of Previous Year (Qty.)
- (4) It also lists down Closing Stock of each of the Key Finished Products at the end of the Month for Current Year as against Previous Year
- (5) This Month end Closing Stock is expressed as no of Months Production.

Purpose :

- (1) To take suitable corrective action if actual inventory is far in excess or short as compared to the desired level.

(2) Excess or Short Inventory may be due to Actual Production being more as compared to Actual Sales

(3) To ensure that the level of finished goods is within reasonable limits and what is held is in a saleable condition

Control Points :

- (1) It provides information about current stock position of Key Finished Products
- (2) How the Stock Position is keeping pace with production pattern & sales pattern
- (3) The control of stock is primarily a matter of effective production planning & sales planning
- (4) When production is undertaken to achieve production targets which have little bearing on actual sales, there will be substantial accumulation of inventory consisting of slow and non-moving finished products
- (5) Alternative outlets for sale of such items should be found out on regular basis
- (6) Major items of finished products should be identified with individual salesmen / customers wherever this link can be established.

ANNEXURE 1

LIST OF KEY FINISHED PRODUCTS INVENTORY DOMINATING TOTAL INVENTORY VALUE OF FINISHED PRODUCTS

Key Finished Products	Average Monthly Production Previous Year MT	Average Monthly Sales Previous Year MT	Closing Stock of the Month Mt	Closing Stock As Months' Cover	Average Monthly Production Current Year MT	Average Monthly Sales Current Year MT	Closing Stock Of The Month MT	Closing Stock As Months' Cover
Finished Product 1								
Finished Product 2								
Finished Product 3								
Finished Product 4								
Finished Product 5								
Finished Product 6								
Finished Product 7								
Finished Product 8								
Finished Product 9								
Finished Product 10								
Finished Product 11								



Determination of tariff of Power Generating Companies by Regulator

CMA Mukeshkumar Kaka

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State Government was the authority to determination of tariff of the respective State as per the Electricity Act (Supply) 1948. However as per Section 61 of the Electricity Act 2003, this authority is regulatory authority (SERC / CERE).

Tariff is determine in two part tariff.

(A) First part is Fixed cost also known as a capacity charges and Second part tariff is Variable cost also known as energy charges.

The various elements of fixed cost on which tariff depends are:

- (i) Operation & Maintenance Cost
- (ii) Depreciation
- (iii) Interest on working capital
- (iv) Interest on project loan
- (v) Return on equity.
- (vi) Income Tax.

(i) Operation & Maintenance Costs (O&M)

Operation & Maintenance Costs (O&M) comprise cost of Respire & Maintenance, Employee cost, Administration and General Cost and water cost. However, In Gujarat state charging Higher rate of water there for GERC consider as a separate charges for water charges. The CERC has specified O&M costs for thermal power stations on the normative parameters (Rs. Lakh/MW) depending on the class of the machine installed by the power station. The normative O&M expenses allowed are as under

Plant in MW	O. & M. cost for 2014-15 FY (in Rs.lakh/MW)	Escalation rate per year on year baises
200/210/250 MW.	23.90	6.31%
300/330/350MW	19.95	6.31%
500 MW	16.00	6.31%
600MW AND ABOVE	14.40	6.31%

(ii) Depreciation

Depreciation is allowed by CERC/SERC /GERC as per the rate specified by CERC. Existing rate of Depreciation is 5.28% previously it was 3.62 % where the CERC followed the concept of Advance Against Depreciation (AAD) in case where the normal depreciation rates (notified by the regulator) were not sufficient to meet the debt repayment obligation of the utility.

The tariff regulations for the period FY 2009-14, the CERC has removed the concept of AAD and at the same time increased the depreciation rates applicable for projects as against the earlier depreciation rate of 3.6% for thermal power projects (based on a 25 year project life and 90% of the capital cost),the CERC has increased the depreciation rate to 5.28% for most components of the project. CERC has also restricted rate of 5.28% for first 12 years and remaining balance depreciation upto 90 % of the capital cost within balance useful life i.e 13 years.

5.28*12=63.36 % for first 12 years. balance 26.64 % in 13 years i.e 26.64/13=2.05% and 10 % as a residue value.

(III) Interest on Working Capital

The working capital for a thermal power station is determine every year on given in table .

Table : Working capital for thermal power station for FY 2014-19.

	Components	FY 2014-19
1.	Coal Stock	½ months for Pt Head. 1 months for Non-pit head.
2.	Secondary Fuel Oil Stock	2 Months.
3.	Maintenance Spares	20% of O&M Costs - Coal Based. 30% of O&M Costs - Gas Based.
4.	Sales Receivables	2 months.
5.	O&M Expenses	1 month.

IV Interest on Capital long term Loan:

The CERC has specified a debt equity ratio 70:30 as the funding mix for the capital cost of a project. The interest on debt funds is recoverable as part of the tariff. The Tariff Regulations allows retention of 1/3rd of the benefits. If any arising out of the re-financing of loans; earlier such benefits were required to be passed on entirely to the beneficiaries.

V. Return on Equity (RoE)

CERC has specified a Pre-Tax RoE of 15.5% for the tariff period FY 2014-19. Further, it has allowed an additional RoE of 0.5% for projects commissioned after April 2009|within specific timelines. The additional RoE allowed by CERC is acting as an incentive for a project developer to achieve time bound mile stones. On the other hand, the Tariff Regulations does not allow utilities to recover tax on income such as unscheduled interchange (UI) and incentive income from beneficiaries.

VI Income Tax

Actual payable income tax on power Generating Income is also payable to Generator.

VII. Second part of tariff is Variable cost also known as energy charges.

The Variable cost shall be calculated as under.

Energy Charges depends on following parameters.

Variable Cost

$$ECR = \{(GHR - SFC \times CVSF) \times LPPF / CVPF + SFC \times LPSFi\} \times 100 (100 - AUX)$$

ECR = Energy charge rate, in Rupees per kWh sent out

GHR = Gross station heat rate, in kcal per kWh

SFC = Normative Specific fuel oil consumption, in ml per kWh

CVSF = Calorific value of secondary fuel, in kcal per ml

LPPF = Weighted average landed price of primary fuel, in Rupees per kg, per litre or per standard cubic metre, as applicable, during the month. (In case of blending

of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion to blending ratio)

CVPF= Weighted Average Gross calorific value of coal as received, in kcal per kg for coal based stations

AUX = Normative auxiliary energy consumption in percentage.

LPSFi= Weighted Average Landed Price of Secondary Fuel in Rs./ml during the month

VII. 1 Cost of Secondary Fuel Oil

As per Tariff regulations for the period 2009-14, the CERC has included the cost of SFO as part of AFC. Projects are able to recover the cost of SFO on the basis of normative consumption norms specified by the regulator and the plant availability factor during the year.

B.2. Energy Charges (for recovery of Primary fuel costs)

Energy charges for thermal power stations are linked to the normative operational parameters as specified by the regulator. The normative parameters are given below:

	Norms for Operations	FY 2014-19
1.	Plant Availability Factor	85%
2.	Gross Station Heat Rate.	
	for existing Stations	
	200/210/250 MW Sets	2425 KCL
	500 MW and above	2385 KCL
3.	Secondary Fuel Oil Consumption	
	Coal based.	1.00 KL/KWH
4.	Auxiliary Energy Consumption	
	200 MW Series.	8.50 %
	500 MW Series (Steam driven BFP)	5.25 %
	500 MW Series (power driven BFP)	7.75 %

IX. General concepts & Definitions in reference to Tariff calculation.

IX.1 Auxiliary energy consumption

The quantum of energy consumed by auxiliary equipment of the generating station, and transformer losses within the generating station, expressed as a percentage of the sum of gross energy generated at the generator terminals of all the units of the generating station.

IX.2 Date of Commercial Operation or COD.

The date declared by the generating company after demonstrating the maximum continuous rating (MCR) or the installed capacity (IC) through a successful trial run after notice to the beneficiaries from 0000 hour of which scheduling process as per the Indian Electricity Grid Code (IEGC) is fully implemented, and in relation to the generating station as a whole, the date of commercial operation of the last unit or block of the generating station.

IX.3 Declared capacity

The capability to deliver ex-bus electricity in MW declared by such generating station in relation to any time block of

the day or whole of the day duly taking into account the availability of fuel or water and subject to further qualification in the relevant regulation.

IX.4 Gross calorific value:

The heat produced in Kcal by complete combustion of one kilogram of solid fuel or one litre of liquid fuel or one standard cubic meter of gaseous fuel, as the case may be.

IX.5 Gross station heat rate.

The heat energy input in kcal required to generate one KWH of electrical energy at generator terminals of a thermal generating station.

IX.6 Infirm power

Electricity injected into the grid prior to the commercial operation of a unit or block of the generating station.

IX.7 Installed Capacity

The summation of the name plate capacities of all the units of the generating station or the capacity of the generation station (reckoned at the generator terminals) approved by the Commission from time to time.

IX.8 Operational and maintenance expenses.

The expenditure incurred on operation and maintenance of the project or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads.

IX.9 Plant availability factor (PAF)

The average of the daily declared capacities (DCs) for all the days during that period expressed as a percentage of the installed capacity in MW reduced by the normative auxiliary energy consumption.

IX.10 Conversion of MW into Million Units (MUs)

X.11 Tariffs

- Normal tariff
- Discount tariff
- Levelized Tariff

Normal tariff

The tariff calculated at for each year (fixed cost + variable cost.)

Discount tariff

The tariff calculated at present value of the future tariffs. This is done by discounting future tariffs by discount rate (given by CERC)

Discount tariff = Nominal tariff x Discount factor.

Levelized tariff

The tariff calculated for all years. This is a simple tariff representing the tariffs through the plant life. In concept, this is Weighted Mean of all tariffs with weights as discounting factors.

XI. Conclusion :

The fixed cost and the variable cost of the power generated by thermal power plant of 800 MW of Wankbori TPS were found to be Rs. 1.65 and Rs. 1.406 respectively. Hence the total generation cost would be Rs. 3.05/Unit.

Report of activities carried out during last two years by Pune Central CEP Study Circle

CMA Prashant Vaze <i>Convener</i> 2015-17	CMA Rahul V. Bharam <i>Co-convener</i> 2015-17	CMA Sameer Gupte <i>Convener</i> 2017-19	CMA Pranav Shitre <i>Co-convener</i> 2017-19
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ADVISORY COMMITTEE		
CMA Varsha Limaye	CMA Rajendra Pardeshi	CMA Arvind Paranjape

Dear members,

I am very happy and satisfied to present before you the report about the activities of Pune Central CEP Study Circle (formed for the members of the ICAD) for last two years.

The formation of 'Pune Central CEP study circle' was the end result of the need voiced by many CMAs and students who wanted a platform of quality programs on various topics of professional interest. Members felt that there should be programs on diverse topics such as Direct Taxes, Indirect Taxes, new GST regime, Value analysis, Bank Audits, Accounting Standards etc. With this in mind Pune Central CEP Study Circle was established in June 2015 with the help and support of WIRC.

I myself and CMA Rahul Bharam were unanimously elected as Convener and Co-convener of the newly established CEP study circle. The CEP Study Circle had the support of an Advisory committee comprising of CMA Varsha Limaye, CMA Rajendra Pardeshi and CMA Arvind Paranjape.

This month Pune Central CEP Study Circle has completed two years which were full of activity and we arranged the Training Programs on varied subjects. Members can go through the details which are given below. During this entire period CEP Study Circle got the whole-hearted support of the Advisory Committee, WIRC as well as the members from Pune and surrounding areas. I am also happy to announce that from this month onwards I am passing the baton of Convener ship to CMA Sameer Gupte. CMA Sameer has huge experience in Industry, teaching as well as in Practice. CMA Pranav Shitre will work as Deputy Convener. He is a young member of our Institute and very enthusiastic. It's a combination of experience as well as energy and enthusiasm.

The CEP Study Circle is also grateful to authorities of Brihan Maharashtra College of Commerce (BMCC) for extending the facility of their class rooms for the conduct of the programs.

During 2015-16, 9 programmes were conducted by Pune Central CEP Study Circle. During last two Years CEP Study Circle arranged the following programs.

No.	Program details	Speaker	Date
1	Recent changes in Maharashtra VAT Act, 2002 and its procedural impacts	CMA Laxman Pawar	22nd April 2016
2	Understanding Technical concepts in Asset (Plant & Machinery) valuation	CMA Avinash Joshi	13th May 2016
3	Effects of Lean Management on Product/Service Costing	Engineer Pradeep Paranjape	18th June 2016
4	Risk Management in Banks	CMA Uday Devi	23rd July 2016
6	Understanding Accounting of Construction Contracts	CMA Satish Thombre	20th Aug. 2016
7	Understanding Draft GST Law	CMA V S Datey	17th Dec. 2016
8	Understanding Insolvency and Bankruptcy Law	CS Omkar Deosthale	21st Jan. 2017
9	Analyzing Union Budget FY 2017-18	CMA Shekhar Sane CMA Manoj Malpani	4th Feb. 2017
10	Journey of Accounting Standards to INDAS via IFRS	CMA Milind Date	3rd March 2017
11	Activity Based Costing, scope and potential for future practice	CMA Ashish Deshmukh	24th March 2017
12	Understanding RERA	Dr. Kamaljeet K. Siddhu	20th May 2017
13	Transitional provisions in GST and how to get benefitted	Advocate Kiran Sawale	17th June 2017
14	Anti Profiteering Provisions in GST	CMA Pratik Shah	15th July 2017

In addition to above, Pune Central CEP Study Circle is happy to announce the two upcoming CEP programs. First one is on 5th August 2017. Topic is GST and beyond and the Speaker is CMA Rahul Renavikar. Second one is on 12th August 2017. Topic is 'opportunities to CMA's in the field of Education' and the speaker is CMA Dr. Sanjay Patankar. I request all the members to join these two programs and continue to support the activities of Pune Central

CEP Study Circle as before.

Suggestions regarding conduct of Programs by Study Circle from members are most welcome. Contact details are as follows:

With Regards,

CMA Prashant Vaze

Mobile : 9850296048 | E-mail : prashantvaze9@gmail.com

CHAPTER NEWS

BARODA

Chapter has organized Evening talk on 15th July 2017. The speaker was CMA A. G. Dalwadi. Around 80 members has participated in the programme.

BHARUCH - ANKLESHWAR

GST Seminar - 22.07.2017

Chapter organized a GST Seminar on 22.07.2017 at Seminar hall of AIA Ankleshwar. Seminar was inaugurated by Mr. Mahesh Bhai, President of Ankleshwar Industry Association and Mr. Dharmendra Patel, Head. Business Development More than 150 participants were present in the seminar from Bharuch, Dahej, Ankleshwar, Panoli & Jaghdia (Surrounding of Biggest Industrial area).

In his welcome address CMA Rajendra Rathi, briefed about the activities of Chapter and support extended by of all industry in Asia biggest Industrial area.

CMA Rajendra Rathi made presentation about overview on GST and practical tips for smooth implementation of GST including import and Export procedure under GST. Question Answer session was very interactive and all the participant had taken active part in clarifying the doubts.

CMA Ramesh Kabra explained the impact of Transitional Provision and Job work procedure under GST in detail. He clarified doubts of participants nicely. Programme was coordinated by CMA R. A. Mehta, CMA Bhanwarlal Gurjar & entire team of Chapter. CMA J. R. Panchal proposed vote of thanks. All local Channels covered the programme.

KALYAN-AMBERNATH

Inauguration of New Batch & Prize Distribution Function

The inauguration function of new batch of oral coaching was held on 8th July 2017 at Chapter premises CMA M.R. Dudani Chairman of Chapter who inaugurated the session by lighting of lamp in his inaugural lecture gave valuable tips to students for being successful in their career and about time management.

Career Counselling Programme

Chapter organised Career Counselling programme for benefit of students of S.E.S. Swami Hansmini Maharaj Degree College Ulhasnagar on 19th July and for HSC students at Netaji High School & Junior College Ulhasnagar, on 20th July 2017. Mr Raju P.C. Executive Secretary informing students about Foundation, Intermediate and Final levels of the course and gave

details of admission procedure to the course

Lectures on Goods & Service Tax

For updating knowledge of members and students, traders and small business, Chapter organised GST awareness Series of Lectures during the month of July 2017.

1. On 16th July Prof. Nitesh Pratap Singh delivered lecture on "Basics of GST" Speaker informed the students in simple language rules for Registration of traders, Migration, Mixed and composite Supply, Place and time of supply of goods and services, Input Tax Credit, Reverse charge, Input Service Distributor, Filing of Returns.
2. On 22nd July 2017 Chapter organised full day lecture jointly with "Digital Seva Foundation" and "Aaple Sarkar Seva Foundation" for benefit of small Scale Business, Traders and Shopkeepers on "Impact of GST on Small Scale Business". Prof. Nitesh Pratap Singh delivered lecture in simple language explained various provisions of GST related to Registration of traders, Migration, Mixed and composite Supply, Place and time of supply of goods and services, Input Tax Credit, Reverse charge, Input Service Distributor, Filing of Returns. Prof. Krishna Naidu, Director from Emac I.T. Academy Ulhasnagar, Mr. Jitendra Dubey and Mr. Maurya S K from Udyog Software shown power point presentation on procedure for Migration of existing dealers and registration of new dealers under GST. Local Media reporters from Munch TV of Ulhasnagar covered the event which was broadcast on Konark TV Channel (which can be seen on Konark News 394 www.youtube.com). More than 40 business persons who attended the function were impressed by lecture and requested chapter to organise similar lectures again in August to guide how to file GST Returns.

NAVI MUMBAI

CEP on GST Implementation - Practical Aspects

Chapter conducted a CEP programme on the theme "GST Implementation - Practical Aspects" on July 16, 2017 at K.B. Patil College, Vashi. The speaker for this event was CMA L. Prakash, Head Hydrocarbons SCM Platforms, Reliance Industries Ltd. The programme commenced with the speaker emphasising on the One Nation One Tax regime effective from 1st July 2017, wherein GST is defined as a Value added tax to be levied on both goods and services (except exempted goods and services). The terms Taxable event, Input Tax Credit, Place of supply, CGST, SGST, IGST, Multi stage tax, Destination based consumption tax, Seamless credit across entire supply

chain etc were explained by the speaker. The global scenario of GST was discussed with France being the first country to implement GST in 1954. The various GST models followed in different countries were highlighted with India adopting the GST model similar to the one prevalent in Canada (Quebec province) & Indonesia.

In the concluding session, the speaker examined the steps for filing Returns under GST in the backdrop of the various regulations and time lines specified for GSTR 1 to 8. The audience was listening with rapt attention and were deeply enlightened with the facts. A large number of professionals and students participated in the programme. The interactive workshop came to an end with the speaker being felicitated by CMA Rekha Shandilya and the vote of thanks being proposed by CMA VaidyanathanIyer.

PUNE

GST Day Celebration

Our Institute observed 1st July 2017 as GST Day and as part of that Chapter organised CEP at Chapter's premises.

The topic of the CEP was GST Typical Issues and answers to Queries. More than 80 members were present for the program. Subject experts CMA Dr. Sanjay Bhargave and CMA N. K. Nimkar discussed GST related typical issues and answered the queries of participants.

CEP on HSN Classification in GST

As part of GST fortnight a CEP was arranged on the Topic "HSN Classification in GST" on 5th July 2017, and speaker for the program was CMA Dr Sanjay Bhargave. There was request from the members to have deliberations on the topic related to HSN codes. Large number of members attended the CEP and got clarified their doubts as related to HSN codes and codes of specific products with which they are dealing as employee or as consultant.

CEP on GST through Tally

Again as part of GST fortnight Chapter conducted CEP on the subject "GST through Tally" on 08th July 2017. CMA Rahul Pore (Practicing Cost Accountant) & Mr. Vikas Walwelakar (Tally Expert) were the speakers for the program. CMA Neeraj Joshi, RCM felicitated the Speakers. Large numbers of members and company representatives attended the program.

SURAT - SOUTH GUJARAT

Intensive GST Workshop

Chapter organized an Intensive Workshop on GST consecutively for 4 Weekends conducted from 17th June 2017 at Chapter office. CMAs B. F. Modi, Ashwin

Dalwadi, D. S. Mahajani, Sanjay Bhargave, N.K. Nimkar, Mukund Chauhan, Dr. Shailendra Saxena, V. S. Datey, Mr. Chandrasekhar, Mr. Sanjay Saraswat Mr. Avinash Poddar were the faculties. Topics covered were Overview of GST, Impact of GST on works contractor, Manufacturer & Trader with case studies, Invoice Rules, Credit, GSTR Forms with case studies, -Time of Supply, Place of Supply, Anti profiteering Provisions with case studies, How the Application Service Provider add value to GST customer, GST Implementation: Issues and challenges for Industry etc. Inauguration of the programme was on 17th June 2017. All the sessions were very informative and interactive. Conclusion of the programme was held on 9th July, 2017 by the session of CMA V. S. Datey, very interactive with case studies and practical problems of the traders and business persons carried out whole day. CMA Biswadev Chanda, member of the Chapter proposed formal vote of thanks.

GST Day

Chapter, observed on 01.07.2017 as GST Day, by conducting an Evening talk at Chapter's conference hall at 5:00 PM on the subject "GST - scope of CMA". CMA G. P. Rao (GM Finance, Kribhco, Surat) was the Chief Guest. CMA G. P. Rao shared Industry knowledge and encouraged the new members and students to be a master in GST. Around 30 members and students took part in the evening talk.

Oral Coaching Inauguration for January - June 2017 Batch

Inauguration Function of Oral learning classes for July -Dec - 2017 session of Chapter was organized on 09/07/2017 at Chapter's Auditorium at the worthy hands of Shri Kalpesh Yagnik, Vice Chairman of Sarvajanic Education Society and Shri Bharatbhai Shah, well-known builder and trusty of Manav Seva Sansthan.

VAPI-DAMAN-SILVASSA

1. Chapter Conducted training programs for industry jointly with federation of industries Silvassa. CMA B F Modi and CMA R M Kandoi gave analytical understanding of Goods & Service Tax Act. Over 300 persons from industry attended.
2. GST day was celebrated on 1.7.2017 at the Chapter office. More than 30 members participated. The CMA R M Kandoi, Chairman and CMA B F Modi, Secretary briefed on activities by Institute to promote GST.
3. A Seminar was organised on 8.7.17, where CMA V S Datey was main speaker. Over 180 participants from industry attended. CMA Datey resolved many queries of the business.
4. A talk on transitional provisions under GST was organised on 22.7.17 and 24.7.17 Saturdays.

COMMITTEES OF THE COUNCIL FOR 2017-2018

Constituted at the 290th WIR Council Meeting held on 25-07-2017

Sl. No.	COMMITTEE	Sl. No.	NAME	POSITION
1.	Executive Committee	1	CMA Kailash R. Gandhi	Chairman
		2	CMA Laxman D. Pawar	Member
		3	CMA Shriram N. Mahankaliwar	"
		4	CMA Harshad S. Deshpande	"
		5	CMA Pradip H. Desai	"
		6	CMA Debasish Mitra	"
		7	CMA P. V. Bhattad	"
		8	CMA Ashok B. Nawal	"
2.	Finance Committee	1	CMA Kailash R. Gandhi	Chairman
		2	CMA Laxman D. Pawar	Member
		3	CMA Shriram N. Mahankaliwar	"
		4	CMA P. V. Bhattad	"
		5	CMA Ashok B. Nawal	"
3.	Students, Members & Chapter Co-ordination Committee	1	CMA Shriram N. Mahankaliwar	Chairman
		2	CMA Laxman D. Pawar	Member
		3	CMA Harshad S. Deshpande	"
		4	CMA Debasish Mitra	"
		5	CMA Neeraj D. Joshi	"
		6	CMA P. V. Bhattad	"
		7	Mr. Akshay D. Ghagre	Students Representative (Final - Postal)
		8	Mr. Sushant R. Pawar	" " (Final - Oral)
4.	Professional Development Committee	1	CMA Pradip H. Desai	Chairman
		2	CMA Laxman D. Pawar	Member
		3	CMA Shriram N. Mahankaliwar	"
		4	CMA Harshad S. Deshpande	"
		5	CMA Ashok B. Nawal	"
		6	CMA Amit Apte	"
		7	CMA Rajendra Gore	Co-opted Member
5.	CPD Committee (Continuing Professional Development Committee)	1	CMA Debasish Mitra	Chairman
		2	CMA Pradip H. Desai	Member
		3	CMA Darshan Vora	Co-opted Member
A.	Editorial Board	1	CMA Harshad S. Deshpande	Chairman
		2	CMA Laxman D. Pawar	Member
		3	CMA Shrenik Shah	"
		4	CMA N. P. Viswanathan	"
		5	CMA (Dr.) Shailendra Saxena	"
		6	CMA Soumen Dutta	"
B.	Task Force - Members in Industry (under PD Committee)	1	CMA Sanjay Mundade	GE India Pvt. Ltd.
		2	CMA Pradeep Deshpande	Faurecia India Pvt. Ltd.
		3	CMA Vivek Chavan	Mahindra & Mahindra Ltd.
		4	CMA R. B. Kothari	Uttar Gujarat Vij Co. Ltd.
		5	CMA Rajendra Kumar Rathi	Reliance Industries
		6	CMA Vivek G. Bhalerao	TCS
		7	CMA Suresh Vishnu Sasane	MSPGC Ltd.
		8	CMA H. C. Shah	Sadbhav Engineering Ltd.
		9	CMA Shailesh Daga	Aditya Birla Group
		10	CMA B. N. Agarwal	Bhilai Steel Plant
		11	CMA Rajesh Shukla	Tata Motors
		12	CMA Bibekananad Pradhan	Raymonds Ltd.
		13	CMA Sumit Bahadur	Electronic & Power Control Co.
		14	CMA Amit Kumar Sarker	Deloitte Haskins & Sells
C.	Task Force - State Government Representation	1	CMA Laxman Pawar	Chairman
		2	CMA Shriram N. Mahankaliwar	Maharashtra
		3	CMA Neeraj Joshi	Maharashtra
		4	CMA Dipen Mehra	Chattisgarh
		5	CMA Arun Kumar	Maharashtra
		6	CMA Ashwin Dalwadi	Gujarat
		7	CMA Arindam Goswami	Chattisgarh
		8	CMA Rammohan Menon	Goa

(Chairman, WIRC of ICAI will be permanent invitee of all the Committees, except Executive & Finance Committee)

CMA Kailash R. Gandhi
Chairman

CMA Laxman D. Pawar
Vice-Chairman

Glimpses of 290th Council Meeting held at Mumbai on 25th July 2017 for Election of New Office Bearers for the year 2017-18



CMA P. H. Desai, outgoing Chairman garlanding the rotating medal of Chairman to CMA Kailash Gandhi



Felicitation of CMA Kailash Gandhi, Newly elected Chairman WIRC



Felicitation of CMA Laxman D. Pawar, Newly Elected Vice Chairman of WIRC



Felicitation of CMA Shriram Mahankaliwar, Newly Elected Hon. Secretary of WIRC



Felicitation of CMA Harshad Deshpande, Newly Elected Treasurer of WIRC



New Office Bearers of 2017-18 along with the CCMs and RCMS



Council Meeting in progress under the Chairmanship of CMA Kailash Gandhi



New Office Bearers of 2017-18

To



If undelivered please return to:

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
WESTERN INDIA REGIONAL COUNCIL,
Rohit Chambers, Janmabhoomi Marg, Fort, Mumbai 400 001.