

## Theme - Direct Taxation

*Hearty Congratulations !*

**Our New President**



CMA Biswarup Basu

**Our New Vice President**



CMA P. Raju Iyer

### OFFICE BEARERS OF WIRC OF ICAI FOR THE YEAR 2020-21



CMA Harshad Deshpande  
*Chairman*



CMA Dinesh Kumar Birla  
*Vice-Chairman*



CMA Ashishkumar S. Bhavsar  
*Hon. Secretary*



CMA Mahendra T. Bhombe  
*Treasurer*

### *Inside Bulletin*

<b>Cover Stories :</b>	• Faceless Assessment-Step towards transparent....	<i>CMA Santosh S. Korade</i>	7
	• Honoring The Honest : Faceless Assessment Scheme ....	<i>CMA Sonali Swapnesh Shah</i>	10
<b>CFO Speaks :</b>	• Need of hour is clarity over restructuring under faceless ....	<i>CMA N. Rajaraman</i>	14
	• TDS form & e-Proceedings	<i>CMA Nikhil Pawar</i>	15
<b>Other Articles</b>	• TCS - Tax Collected at Source	<i>CMA Jay Mehta</i>	16
	• TCS on Sales of Goods w.e.f. 1st October 2020	<i>CMA Vidyasagar A.</i>	18
	• GST The Long – Awaited: Interest on Net GST ....	<i>CMA Ashok Nawal</i>	20
	• October 2020 : GST Compliances	<i>CMA Vinod Shete</i>	24
	• Reverse Auction: What it is and How does it work	<i>CMA Pradnya Chandorkar</i>	25
	• ESG Investing - Good Investments & Investments for Good	<i>CMA(Dr.) S K Gupta</i>	26
	• Optimum Product Mix Selection to Maximize Revenue - ....	<i>CMA Manohar Dansingani</i>	28
	• Recovery of Balance Sheet V/S Employment Driven Demand	<i>CMA Dhananjay Kumar Vatsyayan</i>	31
	• Simplified Overview Revenue from contract with customer	<i>Indraneel Sen Gupta</i>	35
	• M&A Due diligence - Buyer Beware - The Devils are in Details	<i>CMA Virendra Chaturvedi</i>	36
	• Importance of Proper Allocation, Apportionment ....	<i>CMA (Dr.) Subir Kumar Banerjee</i>	39
		<i>CMA Rajesh Kapadia</i>	42

**WESTERN INDIA REGIONAL COUNCIL**  
**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

*(Statutory Body under an Act of Parliament)*

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

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



## From the Desk of Chairman . . . . .

Frinds,

At the outset, I express my gratitude towards my colleagues in the Regional Council for the courtesy of electing me as Chairman of WIRC-ICAI for the year 2020-21. My all efforts would be concentrated in trying to prove worthy of the Trust reposed in me.

### “Together we can and we will”

United Nations Conference on Environment and Development (UNCED) defined an Agenda on Environment and Development, and the Statement of principles for the Sustainable Management of Forests and it is a comprehensive plan of action to be taken globally by all. On the similar lines, WIRC has planned comprehensive **Agenda 21** for fulfilling the objectives of all stakeholders for the coming year 2020-21. Details are published alongside. Request to go through and I am open for your thoughts and suggestions on same.

Friends, we are all aware of challenges being faced - which may continue for some time more - in holding physical events. But WE WILL find the best possible ways to overcome all obstacles and try to perform on planned lines.

### Agenda 21

1. Theme of year 2020-21 will be “**Emerging Opportunities Post Covid 19**”;
2. **State Level CMA Convention** for members in every state of Western Region;
3. **Focused Workshops/Trainings** for members every month on Online Platform for emerging opportunities both in employment as well as practice like IND AS / Analytics & AI / SAP & ERP / Insolvency Professional / Forensic Auditing /Valuation etc.
4. Structured **Campus placements & creating platform for job openings** for experienced & fresher CMAs post disruption of Pandemic.
5. **Regional CMA Awards** to recognize performers in Industry;
6. Enhancing **statutory opportunities of CMAs in Practice in State legislations**;
7. PD/CEP Programmes in all small chapters periodically jointly by ICAI-WIRC minimum 2 programs in year;
8. Collaborating with MCA, ICAI, ICSI, ASSOCHAM, IMC, SME for joint events for better visibility;
9. Membership Drive & a drive to connect CMAs to ‘Benevolent Fund’ Scheme;
10. Skill Development / Training for Staff Members of ICAI-WIRC and Chapters under ICAI-WIRC
11. Ensuring tie ups with Universities, Colleges, Private Coaching and other relevant institutions as part of Marketing of the profession & outreach,
12. Social Media Campaigns & Digital Marketing for Visibility & Branding of Profession
13. Revamp of WIRC Bulletin to make its more attractive and improve practical utility;
14. Conduct of maximum Investor Awareness Programmes under ICAI – WIRC specifically States under ROC Mumbai i.e. Maharashtra & Goa Ensure conduct of IAP through respective ROC in other States by coordinating with Chapters therein;
15. Career Counselling programmes in Colleges/Schools for formation of CMA Support Centres by organising HODs’ Meet-University-wise;
16. Scholarship Scheme for CMA Final Students;

17. Crash Courses / Exam Preparations sessions for WIRC students
18. Effective use of Technology for the benefit of members & students- Revamp of Website Mobile App Digitalization of members & Students Services;
19. Empowering Woman CMAs through focused programs throughout year;
20. Special Meet for development of the Profession/Professionals/Students/ Academicians  
ICAI Head Quarter / Regional Programmes / National Cost Convention / Foundation Day / Blood Donation / Health Camp / Chapters Meet / Any other program by HQ
21. Sports, Music, Trekking and other extra-curricular activities like Organising Sports events, Trekking events, Cycle tour, Music / Art workshops etc.

Your thoughts and suggestions on above will help us fine tune the details and plan the Calendar And of course, we are open to ideas beyond too.

Towards the end of the year we will review our own performance, earmarked goals of **Agenda 21**. We feel that with coordinated efforts of all Regional / Central Council Members along with all support from all the stakeholders we can fulfil all our goals and achieve the maximum objectives

### **“When going gets tough, Tough get going”**

I feel that with this honour and responsibility conferred upon, it will be my duty to commit for the welfare and development of the profession with my utmost sincere efforts in the interest of the Nation.

Pleasure to share that the Task Force for Women Empowerment have organised Navratri celebrations, off bit program specially for women. More details are in last page of Bulletin.

We invite members, students and their families to join this new initiative. Happy Navratri & Happy Dussera ! Lets celebrate together !

*Jay Hind*

**CMA Harshad S. Deshpande**  
*Chairman, ICAI-WIRC*

### **What we could achieve during the 1st month**

1. Resumed mandatory training for students i.e. Soft skills, IOT, Computer Training in online mode.
2. Representation to Registrar of Co-operative Societies, Government Of Goa for Inclusion of “Cost Accountants and Cost Accountants Firms” for the purpose of Audit of Cooperative Societies in the state of Goa.
3. Empanelment of CMAs to conduct special audit under Central Excise, Service Tax and GST by CGST Audit II, Mumbai Commissioner ate Mumbai.
4. Joint Program with GSTN & TRD on E-Invoicing.
5. Webinar series on SAP CO.
6. Enrolments for “BOB-CMA One” Credit Card.
7. Webinar series on Intricacies in GST.
8. Young Professionals Programme for CMAs by MCA, submitted more than 60 resumes out of which 18 shortlisted. Candidates will be finalised soon.
9. Engagement of CMAs for the Post of Associate/Drafting in The Official Liquidator High Court, Bombay.



## *From Desk of Chief Editor . . . . .*

Dear CMA Professional Colleagues,

It gives me immense pleasure to communicate with you as chief editor and chairman of editorial board once again. I am thankful to CMA Harshad Deshpande Chairman of WIRC and other council colleagues for reappoint me as Chairman of Editorial board. I am sure with support of members of editorial board, other council member, members and students of WIRC and WIRC staff, I am sure we will make WIRC bulletin more vibrant and knowledge sharing platform.

I am also happy to share that after a gap of almost six month we are publishing print copy of WIRC Bulletin. Due to COVID impact, we have published E-Bulletin from April 2020 to September 2020. As the new normal progress and effort of the WIRC Staff and Surekha Press, we are able to bring print copy of WIRC Bulletin for the month of October 2020.

Theme of this bulletin is “Direct taxation”. We have received good response from members. We have received 5 articles on the themes. Articles on the theme are published as cover story. We are also publishing articles on other professional matters. I am thankful to all authors for providing articles and making WIRC bulletin a Knowledge Pack.

We have also start publishing interview of CMAs who had reached a respectable position like CFO, VP, Director etc. Objective of the same to share their experience with CMA fraternity. It will inspire young CMAs for making future brighter. In this bulletin, we have published interview of CMA Vidyasagar A Executive Director and Finance Controller Japfa Comfeed India Private Limited. I am thankful to CMA Prashant Vaze for conducting the interview. I request our proud CMAs who reach this highest position during their career to share their experience with CMA fraternity. Place reach us so that we can conduct interview.

Women empowerment is also one of the needs of the hour. We have also decided to publish at least one article from lady CMA. I hope that we will get excellent response from lady CMAs in future also.

I am happy to share another new initiative from Editorial board. We are starting “GST Corner” from this month. GST corner will contain major update related to GST during past month and due dates of GST for next month. I am thankful to CMA Vandit Trivedi to take responsibility for compiling the updates.

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

We welcome suggestion and feedback for betterment of WIRC Bulletin.

Stay Safe

Happy Reading !!!

With Ward Regards

**CMA Ashish Bhavsar**

*Chairman, Editorial Board*



# WESTERN INDIA REGIONAL COUNCIL OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Rohit Chambers, 4th Floor, Mumbai 400 001.

## Committees for the year 2020-21

### Executive Committee (Quorum 2)

CMA Harshad Deshpande, *Chairman*  
CMA Dinesh Birla  
CMA Ashish Bhavsar  
CMA Mahendra Bhombe  
CMA Shriram Mahankaliwar  
CMA Arindam Goswami

### Students Members Coordination Committee (Quorum 3)

CMA Arindam Goswami, *Chairman*  
CMA Dinesh Birla  
CMA Ashish Bhavsar  
CMA Mahendra Bhombe  
Ms. Shreya Lall, *Postal Student*  
Mr. Dharmraj Motilal Maurya, *Oral Student*  
CMA Sukrut Mehta (Co-opt.)

### Chapters Coordination Committee (Quorum 2)

CMA Dinesh Birla, *Chairman*  
CMA Mahendra Bhombe  
CMA Arindam Goswami  
CMA Chaitanya Mohrir  
CMA Shriram Mahankaliwar

### Task Force for Empowering Young CMAs

CMA Akshay Shah  
CMA Nikhil Pawar  
CMA Miteshkumar Prajapati  
CMA Sagar Malpure  
CMA Smit Desai  
CMA Amit Bhise  
CMA Mihir Turakhia  
CMA Pawan Mundada  
CMA Anshul Jain  
CMA Rahul Modh  
CMA Juber Jahir  
CMA Tushar Ramani  
CMA Azhar Patel  
CMA Kushal Desai  
CMA Amit Devdhe  
CMA Tejas More

### Finance Committee (Quorum 2)

CMA Harshad Deshpande, *Chairman*  
CMA Dinesh Birla  
CMA Ashish Bhavsar  
CMA Mahendra Bhombe

### Professional Development Committee (Quorum 2)

CMA Mahendra Bhombe, *Chairman*  
CMA Ashish Bhavsar  
CMA Shriram Mahankaliwar  
CMA Vinayak Kulkarni  
CMA Narasimhan S. G. (Co-opt)

### Editorial Board

CMA Ashish Bhavsar, *Chairman*  
CMA Arindam Goswami  
CMA Chaitanya Mohrir  
CMA Prashant Vaze  
CMA H. C. Shah  
CMA (Dr.) Sreehari Chava  
CMA Aparna Bhonde  
CMA Vandit Trivedi

### Task Force for Women Empowerment

CMA Poonam Shah  
CMA Pradnya Chandorkar  
CMA Varsha Limaye  
CMA Sakshi Jain  
CMA Minal Sonje  
CMA Usha Pandey  
CMA Manisha Agrawal  
CMA Deepika Jain  
CMA Kaushalya Melwani  
CMA (Dr.) Heena Oza  
CMA Ila Patel  
CMA Reena Patadiya  
CMA Sailaxmi Mudaliar  
CMA Kalyani Dongre

**HQ Coordination Committee  
(Quorum 2)**

CMA Harshad Deshpande, <i>Chairman</i>
CMA Debashish Mitra, CCM
CMA (Dr.) Ashish Thatte, CCM
CMA Neeraj Joshi, CCM
CMA Ashwin Dalwadi, CCM

**Task Force for Members in Practice  
(Under Professional Development Committee)**

CMA Dhananajay Vatsyayan
CMA Suresh Pimple
CMA Vinodrai Savaliya
CMA Sagar Chorge
CMA Shailesh Nagpure
CMA Ashutosh Tripathi
CMA Yogesh Chaurasia
CMA Jaideep Tiwari
CMA Paraj kanti Saha
CMA Alokesh Dutta
CMA Pankaj Kannaujiya
CMA Sameer Gupte
CMA Rajeev Birla
CMA Sanjay Borad
CMA B. F. Modi
CMA Viresh Kumawat
CMA Priyank Vyas
CMA Bhanwar Lal Gurjar

**Social Media Army**

CMA Darshan Vora
CMA Balasaheb Pate
CMA Pravin Mahadik
CMA Malhar Dalwadi
CMA Pramod Ralkar
CMA Ananda Shah
CMA Pranav Shitre
CMA Mihir Vyas

**Task Force for Members in Industry  
(Under Professional Development Committee)**

CMA Kalpesh Mody
CMA Rajeshkumar Gaud
CMA Hardik Diwanji
CMA Dipen Mehra
CMA Rudhaynath Hapse
CMA Sanath Kumar Joshi
CMA Mriganka Maity
CMA Dibyendu Sarkhel
CMA Murthy AVR
CMA Kiran Badve
CMA Nitin Alshi
CMA S. Rajat Naidu
CMA Kumar Sashiranjana
CMA Piyush Srivastava
CMA Parag Avinashbhai Swadia
CMA Neeraj Kumar Jangid
CMA Nikunj Shah
CMA Kartik Harish Vasavada
CMA Sanjay Jakotiya
CMA L. Prakash

**Task Force for Members in Academics**

CMA Bharat Savani
CMA Mahesh Purandare
CMA (Dr.) Nishith Parikh
CMA Sharad Pashine
CMA Vikrant Kelkar
CMA Byas Narayan Agarwal
CMA Sunil Tejwani
CMA Aniruddh Gupta

*(Chairman, WIRC will be permanent Invitee in all the Committees, Task Force, etc.)*



# Faceless Assessment-Step towards transparent Tax Administration

CMA Santosh S. Korade

Mob.: 97305 77016 • E-mail : santoshkorde77@gmail.com

## Abstract

Hon. Finance Minister Nirmala Sitharaman had announced the e-assessment scheme in her budget speech on 5th July 2019 which was inaugurated subsequently on 7th October 2019.

Hon. Prime Minister Narendra Modi on 13th August, 2020 had launched “Transparent Taxation-Honouring the honest” platform and by that enlisted the rights of assessee in a statute under Income Tax law. So from now onwards, e-assessment scheme as announced by FM will be known as Faceless Assessment Scheme.

This scheme aimed at moving to faceless scrutiny and eliminates human interference of human in assessment proceedings. This article will go to analyse the scheme procedure, impacts and benefits, Challenges and impact on the Indian tax administration.

## Types of Income Tax Assessment:

The Income Tax Department examines the return of income for its correctness. The process of examining the return of income by the Income-Tax department is called as “Assessment”. Income Tax Act 1961 specified assessment types as mentioned below -

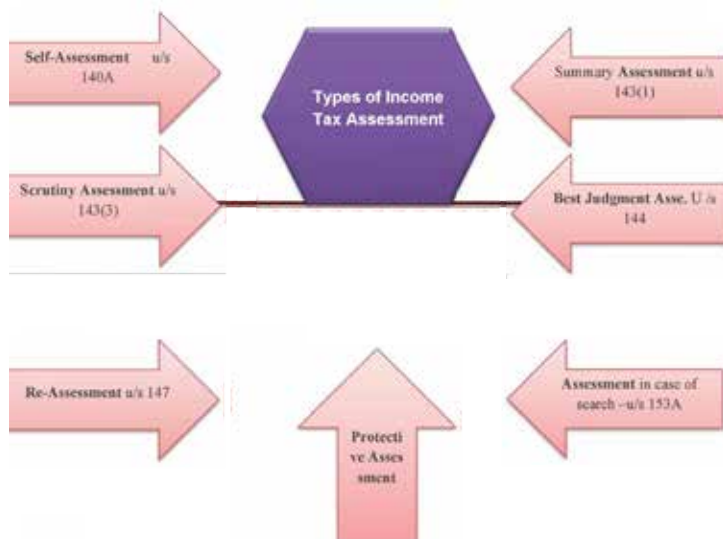


Figure - Types of Income Tax Assessment

## Faceless assessment scheme

From 13 August 2020, the e-assessment scheme of 2019 stands amended and hence known as Faceless assessment scheme. The faceless assessment scheme applies to scrutiny assessment and best judgment assessment. In the Union Budget 2019, the Finance Minister proposed

the introduction of a scheme of faceless e-assessment. The scheme seeks to eliminate the human interface between the taxpayer and the income tax department. The scheme lays down the procedure to carry out a faceless assessment through electronic mode. The e-assessment would be made in respect to such territorial area, or persons or class of persons, or income or class of income, or cases or class of cases, as may be specified by the Central Board of Direct Taxes (CBDT).

## Features of Income tax: Faceless assessment scheme

- Selection of a tax payer only through system using data analytics
- Abolition of territorial jurisdiction
- Automated random allocation of cases
- Central issuance of notices with Document Identification No.(DNI)
- No physical interface and no need to visit the Income Tax Office
- Team based assessments and team based review
- Draft assessment order in one city, review in another city and finalisation in third city.

## Exceptions to Faceless Assessment

- Any assessment that includes serious frauds, major tax evasion, sensitive and search matters will be exceptions to the Faceless Assessment
- The system also excludes International Taxation and Black Money Act & Benami

## Structure (Centres & Units) for faceless assessment

A faceless assessment will be as per the Income Tax Act and Income Tax Rules. For the purpose of faceless assessment, the CBDT would set up the below ‘centres’ and ‘units’ and specify their respective jurisdiction:

- **‘National e-Assessment Centre(NeAC)’** to facilitate and centrally control the e-assessment, It has been set up at New Delhi
- **‘Regional e-Assessment Centres’** under the jurisdiction of the regional Principal Chief Commissioner for making assessment. Regional e-Assessment Centres with 30 headquarters across 20 cities including Delhi, Mumbai, Kolkata and Chennai, under the faceless assessment scheme. Each of the regional centres, which will have a separate review unit and verification

unit, will report to the National e-Assessment Centre (NeAC), that will issue randomized notices of scrutiny.

- **‘Assessment units’** for identifying points or issues, material for the determination of any liability (including refund), analysing information, and such other functions.
- **‘Verification units’** for enquiry, cross verification, examination of books of accounts, witness and recording of statements, and such other functions.
- **‘Technical units’** for technical assistance including any assistance or advice on legal, accounting, forensic, information technology, valuation, audit, transfer pricing, data analytics, management or any other technical matter.
- **‘Review units’** for reviewing the draft assessment order to check whether the facts, relevant evidence and law and judicial decisions have been considered in the draft order.

All the communications between all the units mentioned above, for the purpose of making an assessment under this scheme would be through the National e-Assessment Centre.

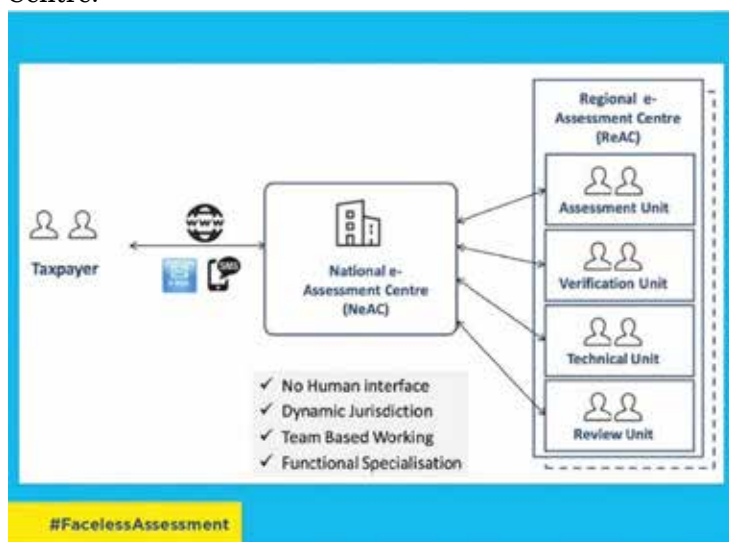


Figure - Structure of Faceless Assessment System

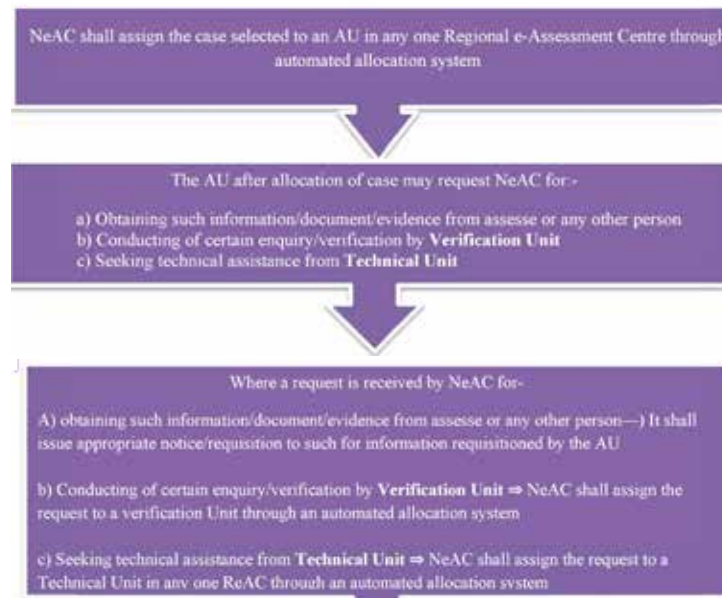
**Step-wise process for Faceless Assessment**

- National e-Assessment Centre will issue the notice
- Receiving assessee will reply within 15 days
- The centre will assign an official for the case in Assessment Unit
- NeAC will then communicate with assessee, verification unit and technical unit
- They will send all unit information to NeAC
- NeAC will collect all this information and send it to ReAC
- After examining all the information, ReAC will prepare a draft assessment order
- It will be sent to NeAC
- The assessee will be given a chance to defend his case and the fine will be charged

**STEP 1: Issuance of notice to assessee**



**STEP 2: Case to be assigned to Assessment Unit (AU)**

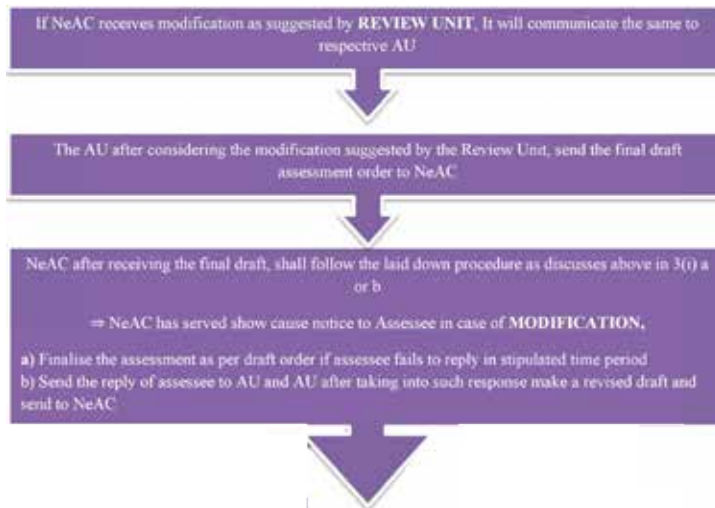


After taking into all the sought information in writing, The AU shall draft an assessment order of either accepting or modifying the return of that assessee and send a copy to NeAC along with penalty proceedings to be initiated, if any.

**STEP 3: Draft Assessment Order**

i) NeAC shall examine the draft assessment order in accordance with the risk management strategy specified by board, whereupon it may decide to -		
a) Finalise the assessment in accordance with draft assessment. Serve an order to assessee specifying the sum payable or refund amount along with notice of penalty proceedings if any.	b) In case of Modification is proposed, provide an opportunity to the assessee by serving a show cause notice as to why the assessment should not be completed as per draft assessment	c) In case of Review, the NeAC can assign the draft assessment order to Review Unit in any ReAC through an automated allocation system
• If NeAC has referred a case to REVIEW UNIT, RU shall conduct review of the order and may decide to -		
a) Agree with the draft assessment order and intimate the same to NeAC	b) suggest any modification, as it may deem fit, to such draft order and send it to NeAC	





#### STEP 4: Final Order and Completion of Assessment

The NeAC shall pass the order depending upon such revised order as received from AU. An opportunity will be provided to assessee in case the modification is prejudicial to the interest of assessee and then decide the case as per the procedure explained in step 3 above.

The NeAC shall after completion of assessment, transfer all the electronic records of the case to Assessing Officer having jurisdiction over such case for:

- Imposition of Penalty
- Collection and recovery of demand
- Rectification of mistake
- Giving effect to appellate orders
- Submitting reports to be produced before Commissioner (Appeals)/Tribunal/courts as the case may be
- Proposal seeking sanction for launch of prosecution and filing of complaint before the court

The NeAC may at any stage of the Assessment, if considered necessary, transfer the case to the Assessing Officer having jurisdiction over such case.

#### Benefits of Faceless Income Tax Assessment for Taxpayers -

Previously, the taxpayers had to visit the department's office for scrutiny, which resulted in an increase in corruption cases, especially in higher number cases. The problem would not have arisen if the transaction could have been settled through a payment. This is where faceless assessment comes in. It is an electronic mode through which the assessee does not have to face any official and report his grievance. No need for the official or a tax professional for help, the system is here for you. You can contact the department at your home anytime you want. The assessee will get the response for his query on his registered email id. All the responses will be available online and the need to contact an official will be removed.

The government has employed state-of-the-art digital technology for a risk management system for the assessment. Automated Examination Tool, Artificial Intelligence, and Machine Learning will ensure that there is

no human intervention or less interference from the Income Tax Department. No boundaries, no limit uses it anywhere, anytime. The faceless tax assessment will provide more transparency and efficiency to the system. Now that more than 99% of the ITRs are filed online, the system will help in assessing the scrutinized ITRs easily.



Figure: Faceless Assessment

#### Challenges and impact on the Indian tax administration-

With the implementation of the new assessment system, there will be a significant reduction in the delay in tax assessments and audits because the system would automatically flag unwanted actions or deference. Several units or teams will be set up to assess, review and verify tax demands or orders during the draft stage before being issued to the taxpayers. There will also be a specialized unit to assist in cases that require legal, industry-specific or economic expertise. This scheme takes away the power from regular assessing officers to conduct surveys and search which will also reduce huge unnecessary harassment of taxpayers. The power for survey and search can be done by the investigation and tax deducted at source wing that too only after due authorization from a senior official of director general or principal commissioner rank. This step may remove grey areas of the tax-administration and it will significantly reduce tax litigations stress and encourage voluntary tax compliance.

#### Conclusion

Sometimes, the assessee has to face harassment from the tax officials so for the benefit of such assessee, the government has started a faceless Income tax assessment. Previously, the assessee had to visit the office of the I-T department if there was an error in the return and the same was the case if there is a dispute with a rule. The system will be helpful for such faceless tax assessments. So we can say that big relief will get to assessee from such rigid and unhealthy system of assessment, and same time assessee will enjoy transparent assessment system will lead to encourage voluntary tax compliance also result in speedy settlements of cases and tax litigations.

#### References

- [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)
- <https://icmai.in>
- <https://cleartax.in/s/e-assessment-scheme-2019>
- <https://www.financialexpress.com>
- <https://taxguru.in/income-tax/income-tax-faceless-assessment>





# #Honoring The Honest : Faceless Assessment Scheme and Taxpayers' Charter

CMA Sonali Swapnesh Shah

Mob.: 76007 02842 • E-mail: sishah23988@yahoo.com

- On 13th August 2020, Prime Minister Shri Narendra Modi launched a platform for “Transparent Taxation – Honoring the Honest” through video conferencing. The Prime Minister said the platform of “Transparent Taxation – Honoring the Honest, has been launched to meet the requirements of the 21st century taxation system.
- The Platform of “Transparent Taxation – Honoring the Honest has major reforms as below:
  - Faceless Assessment to be made effective from 13th August 2020
  - Faceless Appeal to be made effective from 25th September 2020 and
  - Taxpayers' Charter to be made effective from 13th August 2020

## A. Faceless Assessment

Ø The main objective of Faceless Assessment scheme is,

- Imparting greater efficiency, transparency and accountability
- Eliminating Physical Interface between Taxpayer and tax officers.

Ø Key Features of the Scheme:

- Selection of cases only through system using data analytics and AI
- Dynamic Jurisdiction- abolition of territorial jurisdiction
- Automated random allocation of cases
- Central issuance of notices with document identification number (DIN)
- No physical interface and need to visit income tax office
- Team-based assessments and review
- Draft assessment order in one city, review in another and finalization in the third city
- 2/3rd of the manpower is utilized for faceless and balance for other functions

Ø Exceptions:

- Cases relating to serious fraud, major tax evasion, sensitive and search matter
- International tax matters

## Faceless Assessment Structure

Centre Name	Description
National e-Assessment Centre	To facilitate and centrally control the e-assessment
Regional e-Assessment Centers	To facilitate the e-assessment proceedings under the jurisdiction of the regional principal chief commissioner
Assessment units	To perform the function of making assessment which mainly includes identifying points or issues, material for the determination of any liability (including refund), analyzing information, and such other functions.
Verification units	To perform functions of verification which mainly includes enquiry, cross verification, examination of books of accounts, witness and recording of statements, and such other functions

Technical units	To provide technical assistance which includes any assistance or advice on legal, accounting, forensic, information technology, valuation, audit, transfer pricing, data analytics, management or any other technical matter
Review units	To review the draft assessment order to check whether the facts, relevant evidence and law and judicial decisions have been considered in the draft order

## Communication in Faceless Assessment

For the purpose of making an assessment under this scheme,

### Procedure of Faceless Assessment

- Refer Annexure attached for the chart of procedure for faceless assessment



Chart for Faceless Assessment Procedure

However, the electronic exchange of communication is not applicable where the verification unit approves a personal hearing.

## Electronic record in Faceless Assessment

- All the electronic records issued under the scheme shall be authenticated by the National e-assessment center by affixing digital signature, or by the taxpayer or any other person by affixing their digital signature or through an EVC.
- Every notice or order or any other electronic communication under this scheme shall be delivered to the taxpayer, by way of:
  - Placing an authenticated copy of the communication in the taxpayer's registered account; or
  - Sending an authenticated copy thereof to the registered email address of the taxpayer or his authorised representative; and
  - Uploading an authenticated copy on the assessee's Mobile App; and followed by a real-time alert to the taxpayer.
- The taxpayer shall file his response to any notice or order or any other electronic communication, under this scheme, through his registered account, and once an acknowledgement is sent by the National e-Assessment Centre containing the hash result generated upon successful submission of response, the response shall be deemed to be authenticated.

## Power to specify process and procedure

- The Principal Chief Commissioner or the Principal Director

General, in charge of the National e-Assessment Centre shall with the approval of CBDT lay down the standards, procedures and processes for effective functioning of the National e-Assessment Centre, Regional e-Assessment Centres and the units set-up under this scheme

- The systems shall function in an automated and mechanised environment, in respect of,
  - a. Service of the notice, order or any other communication;
  - b. Receipt of any information or documents from the person in response to the notice, order or any other communication;
  - c. Issue of acknowledgement of the response furnished by the person;
  - d. Provision of 'e-proceeding' facility including login account facility, tracking status of assessment, display of relevant details, and facility of download;
  - e. Accessing, verification and authentication of information and response including documents submitted during the assessment proceedings;
  - f. Receipt, storage and retrieval of information or documents in a centralised manner;
  - g. General administration and grievance redressal mechanism in the respective Centres and units.
  - h. Circumstances for approving a personal hearing.

## B. Faceless Appeals

- Finance Minister in Budget 2020 announced the introduction of Faceless Appeals in Income Tax Act 1961 on the lines of Faceless Assessment.
- The CBDT will launch Faceless Appeals from 25th September, 2020.
- As per the new reforms, Faceless Appeals aims to add more trust, transparency in the system. Under this, appeals made by a taxpayer will be randomly allotted to any Income Tax officer in the country.
- The identity of officers deciding appeal will remain unknown.
- A taxpayer won't need to visit the officer or the office.
- The appellate decision will be team-based and reviewed.

Exceptions: Appeal Cases relating to,

- Serious frauds, major tax evasion, sensitive and search matters.
- International tax
- Black Money Act and Benami Property.

## C. Taxpayers' Charter

- During budget speech of Finance budget 2020, finance minister Nirmala Sitharaman said that the government will soon introduce a taxpayers' charter in the Income Tax Act with statutory backing, which will contain their rights as well as obligations, to ensure fairness for all assessee. Hence, on 13th August, 2020, the Hon'ble Prime Minister Narendra Modi unveiled Taxpayers' Charter highlighting Income tax Department's commitments to Taxpayers and Department's expectations from Taxpayers.

### The Income Tax Department's Commitments to Taxpayers

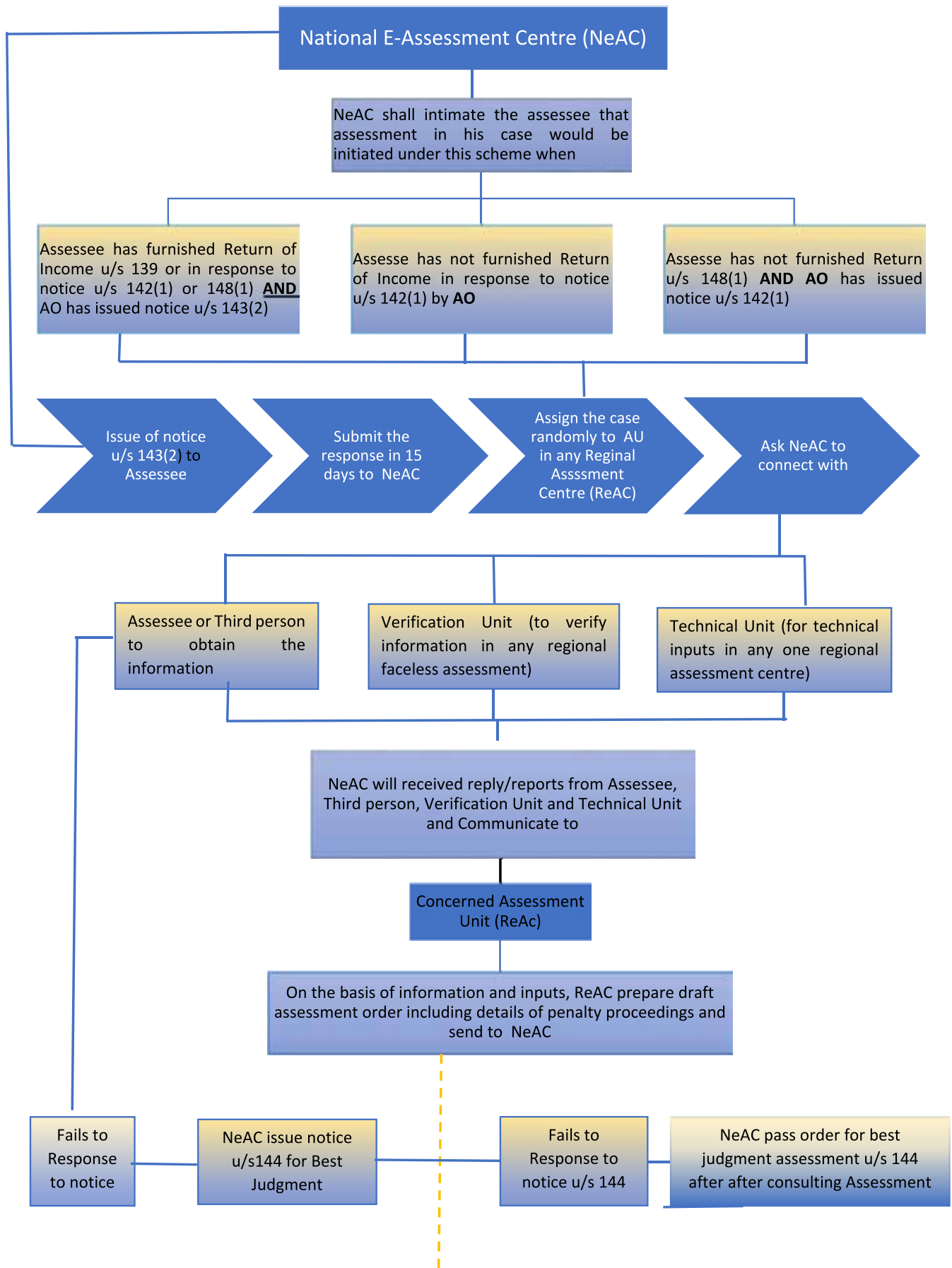
Sr. No.	Department's Commitments	Description
1.	Provide fair, courteous and reasonable treatment	The Department shall provide prompt, courteous, and professional assistance in all dealings with the taxpayer.

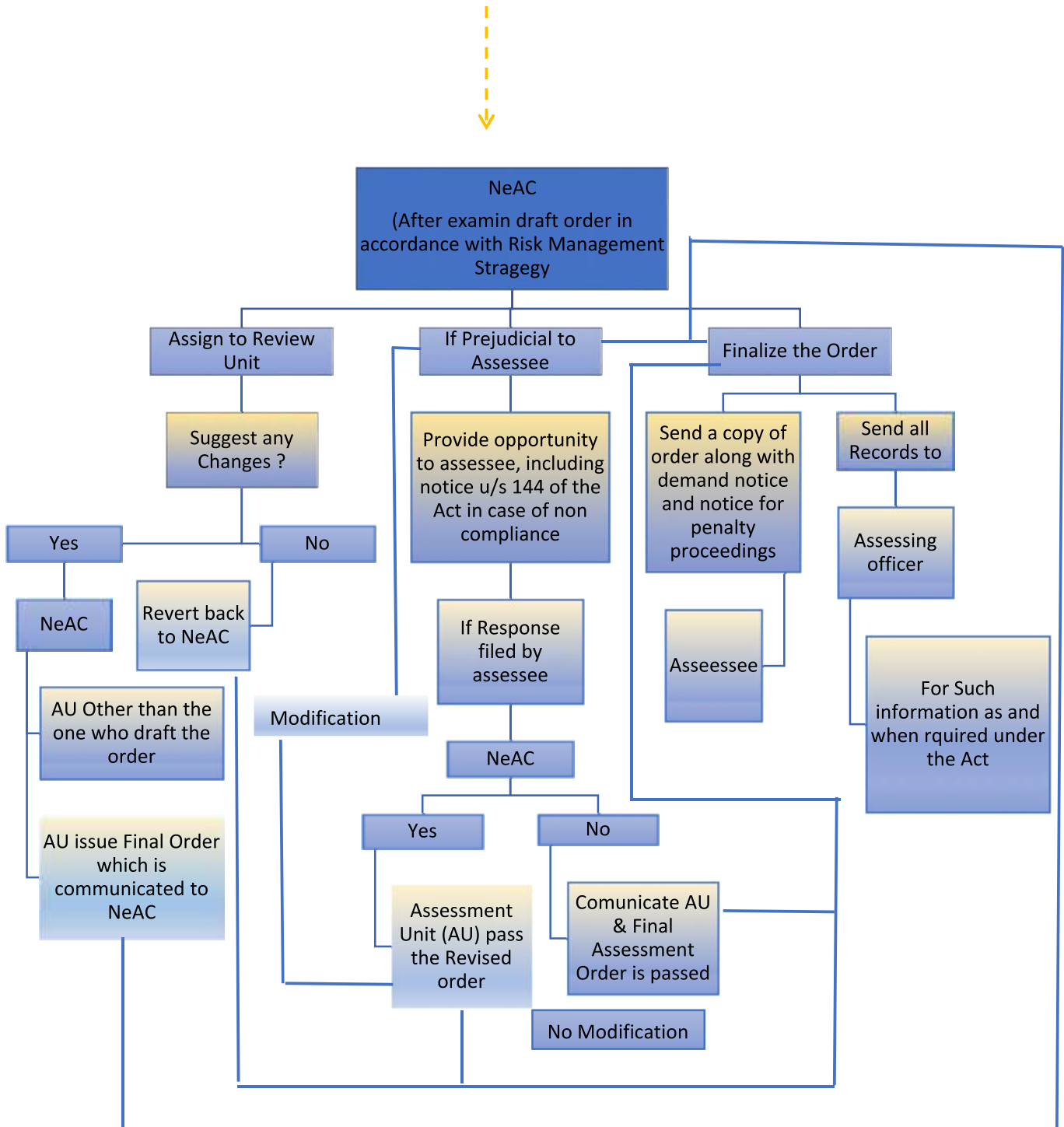
2.	Treat taxpayer as honest	The Department shall treat every taxpayer as honest unless there is a reason to believe otherwise.
3.	Provide mechanism for appeal and review	The Department shall provide fair and impartial appeal and review mechanism.
4.	Provide complete and accurate information	The Department shall provide accurate information for fulfilling compliance obligations under the law.
5.	Provide timely decisions	The Department shall take decision in every income tax proceeding within the time prescribed under law
6.	Collect the correct amount of tax	The Department shall collect only the amount due as per the law
7.	Respect privacy of taxpayer	The Department will follow due process of law and be no more intrusive than necessary in any inquiry, examination, or enforcement action.
8.	Maintain confidentiality	The Department shall not disclose any information provided by taxpayer to the department unless authorized by law.
9.	Hold its authorities accountable	The Department shall hold its authorities accountable for their actions.
10.	Enable representative of choice	The Department shall allow every taxpayer to choose an authorized representative of his choice.
11.	Provide mechanism to lodge complaint	The Department shall provide mechanism for lodging a complaint and prompt disposal thereof.
12.	Provide a fair & just system	The Department shall provide a fair and impartial system and resolve the tax issues in a time-bound manner
13.	Publish service standards and report periodically	The Department shall publish standards for service delivery in a periodic manner.
14.	Reduce cost of compliance	The Department shall duly take into account the cost of compliance when administering tax legislation.

### The Income Tax Department's Expectations from Taxpayers

Sr. No.	Department's Expectations	Description
1.	Be honest and compliant	Taxpayer is expected to honestly disclose full information and fulfil his compliance obligations.
2.	Be informed	Taxpayer is expected to be aware of his compliance obligations under tax law and seek help of department if needed.
3.	Keep accurate records	Taxpayer is expected to keep accurate records required as per law.
4.	Know what the representative does on his behalf	Taxpayer is expected to know what information and submissions are made by his authorised representative.
5.	Respond in time	Taxpayer is expected to make submissions as per tax law in timely manner.
6.	Pay in time	Taxpayer is expected to pay amount due as per law in a timely manner.

Taxpayers can approach the Taxpayers' Charter Cell under Principal Chief Commissioner of Income tax in each Zone for compliance to this charter. ■







# Need of hour is clarity over restructuring under faceless assessment scheme

CMA N. Rajaraman

Mob.: 75062 55388 • E-mail: rajaraman.chandra@gmail.com

Prime Minister Narendra Modi initiated the faceless assessment scheme along with the taxpayers' charter on August 14, aiming to bring transparency in tax administration. CBDT has been piloting faceless assessment since October 2019 and has processed over 8,000 cases as of July.

The faceless assessment scheme will “honor honest Taxpayers in the country.” The Central Board of Direct Taxes (CBDT) said that now all income tax appeals, ranging from e-allocation of appeals, to e-communication of notices, e-verification, e-enquiry, and e-hearing will take place online. There will be no physical interface between the taxpayers or their counsel/s and the Income Tax Department. The taxpayers can make submissions from the comfort of their home and save their time and resources

Under faceless scrutiny /assessment, a central computer picks up tax returns for scrutiny based on risk parameters and mismatch and then allots them randomly to a team of officers. This allocation is reviewed by officers at another randomly selected location and only if concurred, a notice is sent by the centralized computer system. All such notices need to be responded to electronically without the requirement of visiting a tax office or meeting any official.

“The faceless assessment scheme is a milestone initiative that has the potential to remove grey areas of the tax-administration. Doing away with the discretionary power available to tax assessing officers was unimaginable by any yardstick and Indian Government has taken a much forward move in the right direction.

While the Faceless Scheme is an inexorable march towards transparency through digital means, it may face some teething troubles, unless necessary clarifications are issued in a timely manner. The insertion of enabling provisions in the Taxation Bill has removed ambiguity regarding the coverage of the scheme to a certain extent. However, matters relating to search, seizure and international tax charges shall be kept outside the purview of the scheme.

The department shall still have to clarify matters such as circumstances under which the assesses shall be eligible for personal hearing through video conferencing, whether the hearing would be recorded and if yes, whether it would be made available to the assesses for future reference.

Further, proceedings under DRP shall be conducted in a faceless manner, it is still being deliberated upon as to how the DRP would exercise its power of making further enquiry. Further, it is doubtful as to how tax clearance certificates (under Section 281) will be issued and whether it would form a part of the section governing faceless approval and registration process.

While the Law lays down the recommendation of initiation of penalty proceedings by any unit, it does not pronounce a procedure for the conduct of proceedings. The question arises that while almost all proceedings have gone the digital way, why have penalty proceedings been kept out.

While we await clarity on dubious issues, both the taxpayer as well as the department must brace themselves and make sincere efforts for successful implementation of the scheme. Taxpayers should now maintain robust documentation in relation to potential and legacy issues, prepare self-explanatory and concise written submissions, update their contact information on the e-filing portal and respond to the notices timely. Likewise, the department must adopt a non-adversarial approach, grant reasonable time for response, issue clarifications wherever necessary and give time to adjust to the new mechanism. some issues need to revisit are :

## I. Knowledge update and constant study is the foremost requisite:

- a. Tax professionals are required to keep themselves up to date. But the need for the same is greater now than ever before in the happening sector of Tax compliance. A constant watch on the revolutionary and extensive changes in the tax laws, the Judgments, and the Departmental Circulars / Notifications on matters of procedure provides the key to success.

Besides the extensive literature to be covered by a Tax professional, an analytical and incisive approach for its study are the need, as the turnaround time laid down for response to Notice is fixed at 15 days in the CBDT Notification No. 60/2020 dt.13.8.2020.

- b. The availability of GST related data on the income-tax e-filing portal and the data-mine of financial transactions effected by an assesses housed in Form.26AS play a vital role in preparation of the case for filing of ITR as well as representing the assesses in scrutiny and assessment proceedings. A clear-cut analysis of the available data is a pre-requisite and any negligence in its consideration in entirety proves averse to the interests of the assesses. An inter-disciplinary approach must be adopted by the tax professional considering the data pertaining to statutes other than Income Tax.

## II. Consideration of 3600 View:

As Form.26AS is a vital document showing the voluminous fiscal data of an assesses, the impact of each of its components on the computation of income and compliance of the income Tax Act including

understanding of the transactions, their nature and impact from the accounting and taxation angles are to be evaluated and explained to the assesses during filing of ITR.

### III. Tech-savvy modus of work:

Faceless assessment must demand a technological edge to face online unknown officer and must upgrade to develop that skills for a quick turnaround.

### IV. Faster turnaround time in respect of client-request and the assessment related tasks:

As the CBDT Notifications sets out a short time for response and the nature of submission of data being in electronic mode requires adequate preparation and checks for data-accuracy, the speed of reaction and response counts, in the successful completion of assessment.

### V. Drafting and presentation skills:

The drafting and presentation skills of the Assesses with support of professional shall convey the appropriate answers to the issues raised in the assessment.

### VI. Integrity and Reliability:

Taxman has access to accurate data of an assesses aggregated from different platforms, integrity of the assesses and the professional by ensuring the filing of correct data and appropriate explanation of the impact on income computation, in the faceless assessment lays a foundation of mutual faith and goes a long way in fair presentation of the case resulting in fair assessment.

Whole spectrum of faceless assessment emerges progressively and Assesses must be patient before this process settles down. ■



## TDS form & e-Proceedings

CMA Nikhil Pawar

Mob.: 9021831683 • E-mail : pawarniks11@gmail.com

### Introduction:

This month we have theme of “Direct Taxes”. Being CMA students /members we must know few things about Income Tax.

Based on the same, I am trying to share some important points regarding Direct Taxes.

While working in corporate you need to download “Form 26 AS” for your company.

So let's understand process to download.

Login on “incometaxindiaefiling.gov.in” – Registered User-Login Here- My Account – View Form 26 AS. Click “view tax credit”( Form 26 AS) to view your form 26 AS.

Select “Assessment Year” .....

View as 1) HTML\*

2) Text\*\*

\* In order to download PDF, please view HTML then click on export as PDF button.

\*\* If you want Form 26 AS in xml format then click as TEXT and view/download.

Procedure to convert form 26 AS “text to xls.file :-

- 1) Select the complete text and copy.
- 2) Selected Text paste into MS Excel worksheet.
- 3) Select Data- Option in that text to column. Select the entire first column in the worksheet.

4) Next Click – Delimited option and click NEXT.

5) Other- Insert sign “^”

6) And Next and Finish.

### Form 26 AS: - New Avatar Form

From 1st June 2020 form 26 AS will cover in details information like

- 1) TDS or TCS
- 2) Specified financial statements transactions.
- 3) Payment of taxes
- 4) Demand and Refund.
- 5) Pending Proceeding
- 6) Aadhar No.
- 7) DOB/Email
- 8) Completed Proceed
- 9) Any other information

Second important concept is to track online all pending issues with Tax Authorities also you can provide reply online.

Login: - website:-Visit to Income Tax Website

Click on “e-proceeding”

You will find all penalty proceedings, Issue Letters, Assessments details in below format.

PAN	Assessment Year	Proceeding Name	Opt for e-Proceeding	Proceeding Status	Proceeding Limitation Time	Proceeding Closure Time	Action
-----	-----------------	-----------------	----------------------	-------------------	----------------------------	-------------------------	--------

It is always advisable to members to check frequently the status of your clients/companies related issues by login to avoid last minute rush.



# TCS - Tax Collected at Source

CMA Jay Mehta

Mob.: 86906 11515 • E-mail: cajaydmehta@gmail.com

Article explains TCS related provisions under Section 206C(1H) of Income Tax Act, 1961 Effective from 1st October 2020. Here we understand applicability of Transaction on which TCS under Section 206C(1H) of Income Tax Act, 1961 is applicable, Rate of TCS and Rate of TCS if PAN No. is not provided, Due date of payment of TCS, Certificate of TCS, etc.

## Applicability of TCS

if your turnover is more than 10 crores in the previous financial year i.e. the year ended 31 March 2020, then this year you will have to collect and deposit TCS on your receipts from sale of goods from such buyers from whom you received more than Rs. 50 Lakhs as sale consideration during the current Financial year. The TCS is payable on the amount of receipt which is greater than 50 Lakhs and received after 1st. Oct. 2020. The rate of TCS is 0.1% and presently due to corona Pandemic 25% discount has been given in this tax rate till 31 March 2021 and its effective rate is 0.075%.

Effective from 1st October 2020					
Particulars		Impact	Rate		Remarks
			PAN	No PAN	
Whether Turnover of the Seller exceeds Rs 10 Crores in F.Y. ended 31.3.2020	Yes	TCS is applicable on payment exceeding 50 Lakhs after 1.10.2020	0.075%	1%	CA Certificate of the Seller for turnover as per Appendix -1
Whether sale of Goods exceeds 50 lakhs in the current year	Yes	TCS is applicable on payment exceeding 50 Lakhs after 1.10.2020			
Sales exceeds Rs 50 lakhs in current year but turnover is less than Rs 10 crores in Previous Year		No TCS is applicable			
Sales is less than Rs 50 lakhs in current year but turnover exceeds Rs 10 crores in Previous Year		For payments above Rs 50 lakhs TCS is applicable			
Whether TDS or TCS is deducted by the Seller under any other provisions	Yes	No TCS is applicable			
Whether the Buyer is a Central / State Govt, Embassy, Local Authority	Yes	No TCS is applicable			
Whether the goods are imported into India	Yes	No TCS is applicable			
Whether InterCompany Sales transaction are also covered	Yes	TCS is applicable on payment exceeding 50 Lakhs			
Goods sold prior to 1st October 2020 exceeding Rs 50 lakhs	Yes	No TCS is applicable			
Goods sold prior to 1st October 2020 exceeding Rs 50 lakhs and payment made after 1st October 2020	Yes	TCS is applicable on payment exceeding 50 Lakhs			





### • Due dates of TCS

Due dates			
The dates for paying TCS to the government are :			
Collection Month	Quarter Ending	Due date of Payment	Due Date of filing return
April	30th June	7th May	15th July
May		7th June	
June		7th July	
July	30th September	7th August	15th October
August		7th September	
September		7th October	
October	31st December	7th November	15th January
November		7th December	
December		7th January	
January	31st March	7th February	15th May
February		7th March	
March		7th April	

### • Certificate of TCS

1. When a tax collector files his quarterly TCS return i.e. Form 27EQ, he has to provide a TCS certificate to the purchaser of the goods. This certificate has to be issued within 15 days from the date of filing TCS quarterly returns.

The due dates for generating Form 27D–

Quarter Ending	Date for generating Form 27D
For the quarter ending on 30th June	30th July
For the quarter ending on 30th September	30th October
For the quarter ending on 31st December	30th January
For the quarter ending on 31st March	30th May

*my view according to frequently asked question according here :*

### • Definition of Turnover :

No clarification has been provided by CBDT in this regard.

GST component is included while calculating the limit of section 44AB i.e. Tax Audit. Same interpretation is to

be followed while calculating the threshold limit under this section i.e. GST component will included in sales. For eg, if Mr. A has turnover of Rs. 9cr (exclusive of GST) in FY 2021-22 and collected GST of Rs. 1.08cr, in that case total turnover for the purpose of this section is Rs. 10.08cr. Same conclusion applicable for calculating Rs. 50 lakhs threshold.

### • Whether TCS will be collected on GST portion?

Indirect taxes like GST forms integral part of the consideration and therefore TCS is collectible on sales price inclusive of GST and other indirect taxes.

A clarification in this regard is expected from CBDT. Till then the conservative view is to collect TCS on GST component as well.

- **TCS provisions not applicable** where resident buyer furnishes a declaration to the person responsible for collecting tax, to effect that, the goods referred to above are utilized for the purposes of **manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes.** ■

# CFO Speaks

**CMA Vidyasagar A.**

*Executive Director and Finance Controller Japfa Comfeed India Private Limited*

**Interview by CMA Prashant Vaze, Member - Editorial Board**



CMA Vidyasagar A has over 30 + years of experience in the various gamuts of finance. He has been part of Business Management Teams driving business performance and has been closely working with Managing Directors/ CEOs to build long term and short term plans for the company. As part of his job, he also is entrusted with putting in place a system of checks and balances to manage risks. He has also been involved in acquisitions of other companies. He has also been involved in Change Management and has been a successful member of Transformational Teams. Being in finance has led to a diversity of companies that he has worked with. He started his first job in the software industry (in NIIT ,where he was also a student at the same time) and then went on to work for many MNC and Indian companies in Capital Equipments, Pharma, Auto Ancillary like KSB Pumps, Sulzer Pumps, Max GB, Mahindra, Sigma . His rise has been fast - as in 10 years' time he was already Heading Accounts and Costing Team in an Auto Ancillary and went on to rise to Head of Finance for a Pump manufacturer. For the last four years he has been with Japfa Comfeed, as the Executive Director and Financial Controller and a Member of the Board, for the Indonesian company's Indian subsidiary responsible for Finance and IT functions. Japfa is into the Animal Protein Industry, present in six countries and in India, it is a supplier of poultry feed on a pan India basis. It also has a small poultry business in India. In his present role, he has been executing digital transformation projects for the company and playing a key role in bringing about process efficiencies throughout the organisation

**1. What do you feel about your role as the Financial Controller for the Indian arm of an MNC, especially as a CMA?**

Thanks for the question. Professional qualifications actually are only passports to a job. What is required is attitude of continuous learning and positive thinking. As far as being the Financial Controller, I think Management Accounting gives a finance professional a holistic view of the entire organization helping her/him to join the various dots in the organization thereby enabling to make good decisions and /or assist management in successful business decisions. As the tag line of the Institute goes “ Behind every successful business decision there is a CMA.”

**2. What inspired you to pursuing CMA course?**

When I was doing my 12th standard, as all commerce students then (and maybe even now) aspired to be Chartered Accountant (CA), I also had planned to do the CA course since that was the more known course. One could either chose to be a Doctor, a Lawyer or a Chartered Accountant . Unfortunately, I still remember, those days the stipend during the articleship was Rs.150/- per month and with tight economic conditions, I knew I would not be able to look after the home in that amount. I therefore started looking for courses other than CA. That's when my neighbor who was senior and was pursuing ICWA course (as known then) mentioned to be about this course and that I should consider pursuing it . I went thru the content of the course and found that apart from subjects related to accounting, taxation, the course also offered something in Operations/Production. That set my interest in the course. It was also a very tough course. Checked around with some people and met some of the senior Members of the Institute like Mr. A.P Raman, Mr. G.B Laddha, who were highly successful Cost Accountants then and living closer to my home. The fact that I would be able to land a good job quickly, earn a decent income so as to support my family, also was a great motivation to pursue this course.

**3. How the CMA qualification helps you in your career path and how do you evaluate the role of CMA in the manufacturing industry?**

As, said earlier, CMA qualification gives you exposure to

not only the various facets of finance but also to the shop floor operations, production techniques, labour productivity calculations, financial management, taxation, etc. Things like budgeting, how budgets can be used to drive performance, marginal costing, help to understand the various levers of the business . The theoretical aspects of the course prepares a good groundwork to understand the various facets of finance but alongwith that, there should be an attitude to not to only get stuck with costing or inventory valuation alone but look for opportunities to learn other areas of finance like treasury, internal audit, accounting, taxation, that helped. Luckily for me, I got good breaks and I grabbed the opportunities with both hands to broaden my horizon of work.

**4. How a CMA can be helpful to industry in Cost Control and Cost Saving?**

Cost Management is an important part of any business. Costing techniques like Marginal Costing, Direct Costing, Absorption Costing, Standard costing help a business to measure and control costs effectively. Cost Management is an important tool for businesses to determine cost and profit structures in which the business can operate. Working with Cross Functional teams, CMAs can help their colleagues in production, sales, engineering to identify the costs associated with manufacturing a product, identify wastes and hence excess costs, which will help in establish cost control activities. Working with the research and development teams, manufacturing engineering department, the CMAs can help to build prototypes which will optimize the costs. All these will ultimately lead to cost reduction of the entire process and hence the product. I want to point out one thing here that its not CMAs who reduce costs or save costs. CMAs are the mentors, the guides to bring to the surface opportunities to reduce costs, save costs by working closely with the Operations Teams and Business Heads. CMAs should not hesitate to dirty their hands and spend maximum time of their work hours on the shop floor.. This will help them to have a good understanding of the processes, give them opportunity to build a bond with the operating team, thus making things easier for them to explain the financial impacts of certain actions or inactions on the shop floor. It will help them to sell their ideas or views in a cross functional team.

#### 5. How can a CMA be helpful in direct taxation ?

CMAs have good knowledge of taxation also and since they have a full rounded view of the financial performance of the company, they are in an enviable position to understand tax implications. CMAs help in performance management and hence profit maximization, tax optimization. So there could be a win win situation both for the organization and the government at time with higher profits for the organization and higher tax inflow for the government

#### 6. What are the key challenges for auditee and auditor for completing the audit task under this Covid 19 pandemic situation ?

This Covid situation really presented a challenging situation for us as auditees and also for the auditors.

For the auditees, it posed a problem of how to ensure that auditors got all the required documents, when working from home, especially when document management system was not in place. The staff ensured that whoever stayed near the plant or the office, took turns to go, scan the documents and send it to the auditors. They constantly held phone calls with the auditors to explain certain processes, documents so that auditors could understand the transactions easily wherever they had issues. The other challenge was how to do the physical verification of stocks especially when staff were working from home, follow all safety and hygiene protocols and maintain social distancing. Luckily for us, at each of the geographies where we operate, we were able to convince staff to do the physical verification and also were lucky enough to get some local Chartered Accounting firms to assist us in the physical verification.

For Auditors, it was more of a challenge of not being able to have face to face meetings with the staff. They also faced the challenge of doing physical verification of stocks which was overcome by having local CA firms assisting in the physical verification.

#### 7. What are the positives of new normal ?

One of the biggest positives of this new normal has been the push for digitization. Digitization has been there around for sometime but with the WFH, the push for digitizing the processes has quickened . The second positive has been that it has pushed organisations to relook at processes, question some of the assumptions of cost structure, that they were operating on and recalibrate things. We have, for example realized that we may be able to optimize our sales staff, reduce their travel and physical contact with the customers by digitizing this process of customer interactions, thereby reducing travel and admin costs. It has also helped organisations improve speed, efficiency. In our case for example, the IT team worked on digitizing some of the approval processes which helped to shorten the length of the process, quicken decision making and bring about overall improvements in the organization. This pandemic has taught us to unlearn and relearn quickly. It has taught that going forward Agility will be a very big differentiating factor in this VUCA world.

#### 8. What is the Future role of a CFO ?

The Future CFO would be the one who would be the Chief Value Officer for the organization, whose role will be to help the CEO/MD create value for the stakeholders at the same time be always on the look out for digitizing things. The CFO

will need to see how things like RPAs, AI/ML could be used to bring about process and efficiency improvements throughout the organization making the organization more agile and adaptable in this VUCA world.

#### 9. Your message to young CMAs?

For the young and aspiring CMAs, I would say its exciting times to be in . Always aspire to be a fully rounded finance professional. Have an attitude of continuous learning. Apart from being subject matter experts, ensure you have a good understanding of the IT systems. Only those who are Agile, who can Unlearn and Learn quickly will survive in a world which will be highly dependant and driven by technology.

#### 10. What kind of Exposure should a young CMA should be getting?

Institute should tie up with the various kind of industries and CMA's after completion of Final exams, should undergo a practical training in any of these Industries at least for the period of 6 months. This will result in boosting of confidence and improvement in communication skills. Or else young CMS's should undergo practical training with Practicing CMA's. This aspect should be made mandatory and Institute should not grant Associate Membership without completion of such training. Current system of options should be replaced with this System.

#### 11. What should be role of our Institute so that the presence of CMA's is increased in all the sectors of the Economy?

Institute should start interacting more with various Statutory bodies and apprise them about our expertise in Costing, Management Accounting and various Management Control functions and should induce them in availing the Services of CMA's. e.g. Farm Sector, Public Transport Sector etc.

#### 12. What Career opportunities do you see for the budding CMA's?

Along with the Manufacturing sector, CMA's can play a great role in Service Sector also. With timely updation in syllabus like introducing subject on ERP Systems like SAP, with sound theoretical base, with proper Industrial training as mentioned above, CMA's can definitely play a role in all the sectors of the Economy. We still are having a great pool of talented students and talented young CMA's. Institute should play a more proactive role in converting such pool of talented people into assets.

#### 13. What is your opinion on behaviour of Economy post Covid situation? Whether there would be upturns or downturns?

If Government of the Day implements the policies correctly, Economy would definitely revive. Along with emphasis on increasing exports, Government should also pay attention in reviving Domestic Economy also. For this Government can resort to the measures like direct cash transfer not just only to farmers or other deprived sections of the Society, but also to the middle class. This would lead to boost in demand and this would kickstart the Cycle of Growth. Job of the Government is not just collecting taxes but also the overall development, especially of the rural India. Government should also look after developing two and three tier cities and towns so that pressure on Metro cities would reduce.



# TCS on Sales of Goods w.e.f. 1st October 2020

CMA Ashok Nawal

Mob.: +91 98901 65001 • E-mail : nawal@bizsolindia.com

After the introduction of GST, number of cases were noticed that some suppliers do not file the returns even though they have not opted for composition scheme or below threshold limit. They do not upload their transactions in the form of GSTR-1 and do not pay the tax thereon, full or partly and there was a heavy mismatch, which has evidence of tax evasion not only for the GST but also may be for Income Tax. Therefore, the provision was inserted in the Finance Act 2020 to levy TCS and therefore, Section 206C was amended by inserting Clause (1H), which read as follows:

*“(1H) Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent of the sale consideration exceeding fifty lakh rupees as income-tax:*

*Provided that if the buyer has not provided the Permanent Account Number or the Aadhaar number to the seller, then the provisions of clause (ii) of sub-section (1) of section 206CC shall be read as if for the words “five per cent”, the words “one per cent” had been substituted:*

*Provided further that the provisions of this sub-section shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.*

*Explanation. —For the purposes of this sub-section, —*

*(a) “buyer” means a person who purchases any goods, but does not include, —*

*(A) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or*

*(B) a local authority as defined in the Explanation to clause (20) of section 10; or*

*(C) a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;*

*(b) “seller” means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.”*

The said section will come into the effect from 1st October 2020. Therefore, receipts upto 30th Sept 2020 are not covered under the TCS but any receipt more than Rs. 50 Lacs received after 1st October 2020 will attract TCS.

We will like to give below the “Frequently Asked Questions”, which will be very important to appreciate the concept of TCS on Sale of Goods as well as required to change the existing practice for complying the law.

## **Q. Whether TCS provisions were applicable earlier?**

Yes. TCS provisions were well applicable earlier also for the followings:

Section 206c (1)

(i)	Alcoholic Liquor for human consumption	One per cent
(ii)	Tendu leaves	Five per cent
(iii)	Timber obtained under a forest lease	Two and one-half per cent
(iv)	Timber obtained by any mode other	Two and one-half per cent than under a forest lease
(v)	Any other forest produce not being	Two and one-half per cent timber or tendu leaves
(vi)	Scrap	One per cent
(vii)	Minerals, being coal or lignite or iron ore	One per cent:

Similarly, TCS is collected on sale of cars as well as immovable property.

## **Q. Whether TCS is applicable on Sale of goods?**

Yes. It is applicable w.e.f. 1st October 2020 on the receipt basis.

## **Q. Who is supposed to collect TCS under section 206C (1H)?**

As is the case with all TCS transactions, the seller of goods has been entrusted with the responsibility to collect TCS. However, only those sellers, whose gross turnover or receipts from the business for the immediately preceding Financial Year exceeds Rs. 10 Crores shall be liable for the collection of TCS. Such limit shall have to be checked every year.

The Central Government may exempt certain entities from application of this section subject to conditions as may be specified.

## **Q. When is section 206C (1H) not applicable?**

The Section shall not be applicable in the following cases:

- If Gross Turnover/Sales/Receipts of the assessee, during immediately preceding FY is less than Rs.10 Crores.
- If the sale consideration received from the buyer is less than Rs. 50 lakhs.
- In case of any Import into India or Export from India.
- In case the sale is made to the Central Government, a State Government, an Embassy, a High Commission, legation, commission, consulate or any trade representation of a foreign State OR a local authority or such other person as may be specified.
- In case the transaction is covered by TDS under any other section.
- In case goods being sold are covered by
  - o Sec 206C (1) which covers – alcoholic liquor, tendu leaves, timber, forest produce other than timber and tendu leaves, scrap, minerals like coal or iron ore OR
  - o Sec 206C(1F) which covers – motor vehicles exceeding Rs. 10 lakhs in value OR
  - o Sec 206(1G) wherein remittance is being made outside India and TCS is being collected by Authorised Dealer for the same
- Transactions in securities and commodities which are traded through recognized stock exchanges or cleared and settled by clearing corporations including recognized stock exchanges or recognized clearing corporations located in International Financial Service Centre.
- Transaction in electricity, Renewal Energy Certificate and Energy Saving Certificate traded through power exchanges registered in accordance with Regulation 21 of the CERC.
- Applicability on payment gateway and TDS is deducted by E-Commerce operator under Section 194(O). No TDS will be required under TCS on sale of goods.
- Receipt by Insurance Agent on which TDS is deducted under Section 194(O).
- Fuel supplied to non-resident air lines at Air Ports in India.

**Q. From whom such TCS is to be collected?**

TCS is to be collected only from those buyers from whom, sale consideration received during the FY exceeds Rs. 50 lakhs. This condition needs to be evaluated separately for each buyer and the amount needs to be evaluated separately every year. It is important to note here that the trigger point for collection of TCS is receipts and not sales. Hence, in case consideration is received for sales, made over a number of years, TCS shall still be applicable even if the annual sale does not exceed Rs.50 lakhs. Also, CBDT needs to clarify whether receipts against sales made prior to 1st Oct 2020, shall also be subject to TCS. As a prudent measure, the same shall be subjected to TCS, unless a contrary clarification is received. Another thing to note is that this section is applicable on sale of goods only and

services have presently been kept out of the ambit of the section.

**Q. What is the rate at which TCS is to be collected?**

PAN / AADHAAR furnished	Up to 31st March 2021	From 1st April 2021
YES	0.075%	0.1%
NO	0.75%	1%

**Q. What is the meaning of Buyer and what is the meaning of Seller?**

A	Buyer
	Means any person who purchase any goods but does not include
	a. the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or
	b. a local authority
	c. a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose
B	Seller means
	whose total sales, gross receipts or turnover exceeds 10 Crore during the financial year immediately preceding the financial year in which the sale of goods is carried out

**Q. Whether GST can be charged on tax invoice issued under GST Act?**

Yes. Since, seller is responsible to collect the TCS on consideration received by him on receipt basis, Seller needs to be charged on the invoice then only it will be recovered. Alternatively, after payment of TCS on the due date, separate invoice / debit note for TCS also can be raised. However, on the receipt of TCS no further TCS is required to be paid.

**Q. On which amount TCS to be collected, whether before GST or after GST?**

Ans. It has been clarified by the CBDT Circular No. 17/2020 dtd. 29-09-2020 that, no adjustment on account of sales return, discount on indirect tax including GST is required to be made for collection of tax, since collection is made w.r.t. receipt of amount of sales consideration.

**Q. What are the Compliances?**

The general compliances to be undertaken for all TDS/ TCS like payment of tax by 7th of every month, filing of quarterly return within 15 days of the end of the quarter and subsequent issue of TCS Form shall apply to these transactions as well.

**TCS Certificate:**

When the tax collector files his quarterly TCS Returns in Form 27EQ, he has to provide a certificate of TCS to the buyer within 15 days of the date of filing.

Form 27D is the certificate issued for filing of TCS Returns.

It comprises of the following details:

- Name of the Seller and Buyer
- TAN of the seller
- PAN of both seller and buyer
- Total tax collected by the seller
- Date of collection
- The rate of Tax applied

Quarter Ending	The date for generating Form 27D
For the quarter ending on 30th June	30th July
For the quarter ending on 30th September	30th October
For the quarter ending on 31st December	30th January
For the quarter ending on 31st March	30th May

**Q. Kindly provide illustrative examples.**

**Receipt Basis**

Sales before 1st Oct 2020	Sales After 1st Oct 2020	Receipts before 1st Oct 2020	Receipts after 1st Oct 2020	Amount for which TCS applicable for FY 20-21	Reason	Issues to be addressed
60,00,000	20,00,000	50,00,000	30,00,000	–	Thres-hold not crossed post the date of applicability	Invoice to be raised with TCS
						TCS will also be applicable on amount that will be received after 01.10.20 pertaining to previous supplies but whose receipts crossed 50 Lacs and no TCS was charged on invoice
20,00,000	40,00,000	6,00,000	4,00,000	4,00,000	TCS appli-cable on amount exceeding 50 lakhs	
70,00,000	–	5,00,000	65,00,000	15,00,000	Trigger is Receipt and not sales.	
30,00,000		1,30,00,000	–	–	Trigger is Receipt and not sales.	
25,00,000	35,00,000	–	30,00,000	–	Threshold not crossed post the date of applicability	
–	60,00,000	60,00,000	–	–	Trigger is Receipt and not sales.	
60,00,000	–	–	60,00,000	10,00,000	Trigger is Receipt and not sales.	

**Q. Some other issues, which needs to clarification from CBDT.**

Sr	Issues	Ans
1	Sale made prior to 01.10.20 and receipt after 01.10.20 having value exceeding 50 Lacs. Whether TCS will be applicable	Yes
2	TCS to be charged on Invoice at the time of sale or to be collected on receipt of consideration	To be levied on invoice and paid to revenue once it is received from customer
3	If TCS to be charged on invoice whether to be charged on Basic value only or Basic + GST	On Basic + GST
4	If not charged on invoice and to be collected on receipt basis then in such case whether to issue separate invoice / Debit note for TCS only	Individual Invoice or subsequent debit note after the month
5	Whether TCS is payable on advance received for supply of goods	Yes
6	Treatment of advance received is to be returned on account of cancellation of contract	Advance to be paid after adjustment of TCS paid to revenue
7	Supply of Software considering Supreme Court Decision - Whether to levy TCS on same or not	Customized Software is Service and Packaged Software is goods
8	Cumulative ascertainment of Billing / receipts has to be made for charging TCS in Invoice since payment has to be made @ 0.075% on incremental value over 50 Lacs	Tracking
9	Tracking of Billing and Receipts	Tracking
10	Tracking of Customer turnover / receipts on PAN India basis and not on GSTN basis	PAN India Basis
11	Supply to SEZ / FTWZ is not export as per Income Tax Act and whereas it is export for GST and SEZ under SEZ Act	Yes
12	Sales exceeds Rs 50 lakhs in current year but turnover is less than Rs 10 crores in Previous Year	No
13	Since records to be maintained at PAN India basis proper system needs to be designed since in GST records are maintained on GST registration basis	Yes

**Q. What should be the accounting entries?**

A	TCS is charged on Invoice
1	Customer A/C Dr
	To Sale of Goods
	To GST Payable
	To TCS payable on receipt (Amount receivable form Customer)
	(Being goods sold vide Invoice no _____)
2	Bank A/C Dr.
	To Customer
	(Being amount received from customer against supply of goods)
3	TCS Payable on receipt
	To TCS to be paid
	(Being amount of TCS payable transferred to TCS to be paid on the basis of amount of TCS received from Customer)
4	TCS to be paid
	To Bank
	(Being amount of TCS paid to Revenue)
B	TCS is not charged on Invoice
1	Customer A/C Dr
	To Sale of Goods
	To GST Payable
	(Being goods sold vide Invoice no _____)
2	Bank A/C Dr
	To Customer
	(Being amount received from customer against supply of goods)
3	Customer A/C Dr
	To TCS payable (Amount receivable form Customer)
	(Being invoice / DN for collection of TCS from Customer for the TCS already paid)
4	TCS Payable
	To TCS to be paid
	(Being amount of TCS payable transferred to TCS to be paid on the basis of amount received from Customer from sale of goods)
5	TCS to be paid
	To Bank
	(Being amount of TCS paid to Revenue - without waiting for receipt of TCS from Customer)

**Q. Issues to be faced during assessment.**

Inconsistency of 26AS – Due to TCS being deducted on receipt and not sale, there may be a possibility that TCS is collected in a year in which there is no sale-purchase

transaction between the parties and hence assessing officers may make enquiries as to why such transaction is not reflected in books. Examples for the above may be where advance is paid in one year and sale is made in subsequent years or payments are made for the sales in a year subsequent to the sale being made.

Cancellation of Sale Agreement – In case advance is paid in anticipation of purchase, TCS would be collected and paid to the Govt on the same, however, subsequently in case such transaction is cancelled owing to commercial or other reasons, whether such TCS may also be reversed or not needs to be clarified by the CBDT.

TCS on sale of goods will be additional burden on the seller. Seller will have to borne the cost, if it is not charged on the invoice and it is paid after receipt from one time buyer. It is going to be absolutely complicated and therefore, really raised the question mark on the dream of Hon. Prime Minister w.r.t. “Ease of Doing Business in India”.

*Congratulations !*



Suparas Jain, FCA, ACS, FCMA (21684), is elevated to the position of Vice President- Corporate Finance in Deepak Fertilisers and Petrochemicals Corporation Limited



# GST : The Long – Awaited: Interest on Net GST Liability Notified by the CBIC

CMA Vinod Shete

Mob.: 86980 76687 • E-mail: Vinod\_shete@rediffmail.com

If a taxpayer fails to make payment of GST within the due date then he is liable to pay interest on GST liabilities @ 18% per annum for the period during which default continues. Interest on the total tax liability without adjusting the input tax credit available in their ledger for utilisation.

The provision of interest on late payment of GST liability is enumerated in section 50(1) of CGST Act 2017. The provision is reproduced as below.

## As per Section 50(1) of the Act:

“Every person who is liable to pay tax in accordance with the provisions of this Act or the rules made there under, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall, for the period for which the tax or any part thereof remains unpaid, pay, on his own, interest at such rate, not exceeding eighteen per cent, as may be notified by the Government, on the recommendation of the Council.”

The above provision of the Act was not clear to tax authorities whether the Interest shall be levied on Gross Liability or net liability. Based on this, there was conflict between taxpayer and tax authorities; as tax authorities started demanding interest on Gross GST Liability.

Post various contrary decisions by different authorities and considering the genuine demands and various requests from taxpayers, the GST Council in its 39th GST Council meeting recommended that the interest for delay in payment of GST should be computed on net cash tax liability (i.e., after adjusting ITC).

Considering the pain points of the taxpayers on Interest on Gross Liability or Net Liability, the Finance (No. 2) Act, (23 of 2019) vide clause 100 proposed to amend section 50 by inserting following proviso to section 50(1) of CGST Act, 2017.

“Provided that the interest on tax payable in respect of supplies made during a tax period and declared in the return for the said period furnished after the due date in accordance with the provisions of section 39, except where such return is furnished after commencement of any proceedings under section 73 or section 74 in respect of the said period, shall be levied on that portion of the tax that is paid by debiting the electronic cash ledger.”

However, such proviso shall come into effect from 01.09.2020 as declared by Notification No. 63/2020-Central Tax dated 25-08-2020. The above proviso was in the best interest of the taxpayers as it made it clear that the interest shall be

calculated only on Net GST Liability i.e. only that portion which was paid through cash ledger.

However, the GST Council had declared that the law would be amended retrospectively to make the changes applicable w.e.f. 01.07.2017. The Notification and the Press Release issued by the CBIC are contradictory to the decision of the GST Council regarding the retrospective applicability of the interest payable for delayed GST payments.

Further, Notification No. 63/2020-Central Tax dated 25-08-2020 about applicability of proviso to Section 50 with effect from 1st September, 2020, Central Board of Indirect Taxes (“CBIC”) issued a press release dated 26th August, 2020. Following are Key points :

- i) Relief will be given to Taxpayer as decided by the GST Council.
- ii) Due to some technical limitations amended provisions of Section 50 are applicable prospectively.
- iii) No recoveries shall be made for the past period as well by the Central and State tax administration in accordance with the decision taken in the 39th Meeting of GST Council.

## Conclusion:

Before this notification, the taxpayers had to calculate interest on the total tax liability without adjusting the input tax credit available in their ledger for utilisation. This way, it led to more cash outflow for the taxpayers; impacted negatively on working capital of the business.

The main question which arises is that CBIC press release or even a circular would have no legal force in law in as much as only Notification airing such an amendment or clarification that the interest will be prospectively applied can be said to be valid in law. The possibility of cropping up on interest issue during audit cannot be ruled out in its entirety. Also, the circular must clarify those taxpayers who are not sure of being refunded for the excess interest paid on a gross basis.

There was an expectation that the Government may come with another amendment in CGST Act, 2017 as notification is incapable of making retrospective effect in line with the GST council recommendation.

On the basis of “Principle of Estoppel”; many taxpayers will approach to the Courts on this unjustified demand of interest for over 3 years from the date of GST implementation. ■





# OCTOBER 2020 : GST COMPLIANCES

## Critical Dates

**CMA Pradnya Chandorkar**

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

### 15th Oct. 2020 E way Bill blocking

The GST Council has decided that E way Bill blocking will be made applicable for the taxpayers whose Aggregate Annual Turnover (AATO, PAN based) is more than Rs 5 Crores

In terms of Rule 138 E (b) of the CGST Rules 2017, the E Way Bill generation facility of a person is liable to be restricted, in case the person fails to file their GSTR-3B returns, for a consecutive period of two months or more.

EWB generation facility for such GSTINs (whether as consignor or consignee or by transporter) will be blocked on EWB Portal after 15th October, 2020

### 20th October 2020 Monthly Return 3B

#### Time limit of claiming of ITC and conditions thereon

ITC on invoices pertaining to 2019-20 or debit notes relating to invoices pertaining to 2019-20 can be availed any time till the due date of filing of the return for the month of September 2020 or the date of filing of the relevant annual return, whichever is earlier.

#### Deadline to reconcile GST data of FY 2019-20 for September

Also, note that the deadline to reconcile FY 2019-20 GST data is here, i.e. September 2020. ITC is accurately claimed for a financial year, registered taxpayers need to reconcile GSTR-1 with GSTR-3B from 1st April 2019 to 30th September 2020, for invoices raised in FY 2019-20 and associated debit-credit notes. After that, they can report missed invoices or make amendments in GSTR-1 of September 2020 to be filed on or by 11th October. Similarly, they must reconcile Input Tax Credit (ITC) for FY 2019-20 claimed in GSTR-3B with GSTR-2A and purchase records for the same period given above. Accordingly, they can claim any missed out ITC or reverse the excess claims before filing GSTR-3B on or by 20th October (22nd or 24th for small taxpayers).

### 31st October 2020 GSTR-9 and 9C for FY 2018-19

Normal taxpayers must also complete filing of GSTR-9 and 9C for FY 2018-19 by 30th September 2020 to avoid a late fee which is now extended up to 31st October 2020

#### Cumulative adjustment of ITC up to 110% of the eligible credit for Feb 2020 to Aug 2020

The restriction attached to the ITC up to 110% of the

eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers in GSTR-1 has to be seen cumulatively for the period February 2020 to August 2020 and the adjustments therein have to be made in Sep 2020 GSTR-3B.

Since the two financial years are involved the detailed GSTR 2 & GSTR 2A reconciliation for Feb to March and April to Aug shall be done separately for the ease of filing of annual return and handling of departmental notices.

#### Reversal of input of exempt supplies and supplies used for non- business purposes

The exercise of computation of reversal of ITC in respect of supplies used for non-business purposes or exempt supplies needs to be done for every tax period on a provisional basis and then finally at the end of the financial year before the due date of the filing of GSTR-3B for September month i.e. 20th Oct or through annual return through DRC-03.

#### Recap of Dates

20th Oct. 2020- GSTR -3B (Sept. 2020) & GSTR 5 & 5A

22nd Oct. 2020 GSTR -3B (Sept. 2020) If Turnover Less than 5 CR for Union Territory

24th Oct. 2020 GSTR -3B (Sept. 2020) for other States

25th October 2020- ITC-04 (July to Sept.2020)

#### 31st October, 2020

GSTR-1 (July 20to Sept.20)

GSTR-4 (2019-20)

GSTR-9 & 9C (2018-19)

## WIRC Mobile App

### Android version:

<https://play.google.com/store/apps/details?id=wirc.microvistatech.com.wirc>

### IOS version:

<https://apps.apple.com/us/app/id1523413767>

Suggestions for improvement in mobile app is welcome.



# Reverse Auction :

## What it is and How does it work

CMA (Dr.) S. K. Gupta

Mob.: 98101 62341 • E-mail: cbst.sk Gupta@gmail.com

A reverse auction is a type of auction in which the traditional roles of buyer and seller are reversed. Thus, there is one buyer and many potential sellers. In an ordinary auction (also known as a ‘forward auction’), buyers compete to obtain goods or services by offering increasingly higher prices. In contrast, in a reverse auction, the sellers compete to obtain business from the buyer and prices will typically decrease as the sellers underbid each other.

A reverse auction is similar to a unique bid auction because the basic principle remains the same; however, a unique bid auction follows the traditional auction format more closely as each bid is kept confidential and one clear winner is defined after the auction finishes. One common example of reverse auctions is, in many countries, the procurement process in the public sector. Governments often purchase goods or services through an open procurement process by issuing a public tender. Public procurement arrangements for large projects or service programs are often quite complex, frequently involving dozens of individual procurement activities.

Another common application of reverse auctions is for e-procurement, a purchasing strategy used for strategic sourcing and other supply management activities. E-procurement arrangements enable suppliers to compete online in real time and is changing the way firms and their consortia select and behave with their suppliers worldwide. It can help improve the effectiveness of the sourcing process and facilitate access to new suppliers.

### How Reverse Auction Works?

Since online portals are able to connect buyers and sellers in real time, reverse auction typically occurs online where multiple sellers gather to sell their product/services to a buyer. A buyer usually puts up a request for a quote on a platform where multiple sellers can see. If the seller is selling products/services that match the criteria, they participate in the bidding. As this is an open market, each seller has a fair chance.



Generally, the bidder that bids the lowest wins the race but it might not always be the case. There are certain features a product may be offering that the other product might not be offering. Thus, the actual winner is the lowest unique winner. This means that a product/service provider which gives services that fit your requirements as well as gives you the lowest price wins. If a seller gives you say, product X for the lowest price amongst competitors but it doesn't have a particular feature you are looking for, the obvious option is to go for the seller that provides the product with the feature in the lowest price.

### Origin of Reverse Auction

The use of reverse auctions as an auctioning strategy can be traced back to 1995. Its founder was a consultant at McKinsey and an executive at General Electric named Glen Meakem. Since there was no taker for his idea, he formed a separate entity named FreeMarkets with the help of his colleague Sam Kinney. The entity aimed solely at organizing reverse auctions, wherein ‘market makers’ and ‘commodity managers’ were employed who ran online tender processes and market operations for managing such auctions were undertaken. It was not until 2000 that the practice was adopted in a widespread manner, so the online portal almost ran a monopoly for 5 years. But due to the practice becoming common, its importance reduced and the prices also fell considerably. Later in 2004 the entity was bought by Ariba. But it nevertheless paved the way for reverse auctions in multiple fields including business to business and business to consumer transactions.

### Advantages of Reverse Auction

- Reverse auctions are amazingly quick and you save time researching market
- The buyer puts forth his requirements thus avoiding wastage of time and resources from either side
- The buyer can easily compare products and decide on the perfect fit
- The buyer gets the best price for the product.
- Save time in collecting bids from suppliers
- Increased transparency in the bidding process; improving supplier relationships
- Cost savings ranging from 18% to 40%

### Types of Reverse Auction Format

- English Reverse Auction - Suppliers strictly compete on being the lowest price in the market

- Global Reverse Logistics Auction - e-Auction specifically for negotiating logistics/transportation pricing
- Insurance Reverse Auction - A reverse auction process flow specifically designed for negotiating insurance products
- Energy Reverse Auction - Online auction sites that specialize in assisting companies who wish to reverse auction energy purchase for commercial and residential energy as well as reverse auction renewable energy
- Reverse Dutch Auction - A type of auction where the buyer sets a low starting price and price moves up in defined increments at defined time intervals. As soon as a supplier accepts the current price, the auction closes.

### **Drawbacks for Sellers**

- Probability of incurring losses : One of the major drawbacks for a seller in a reverse auction is that he does not get to choose the price for his product. Often, in order to win the bid he may end up lowering the prices significantly. This may lead him to incur loss in the contract.
- Adjusting costs : In order to lower prices, the sellers may have to ignore several costs incurred by them in terms cost of service of contract that include delivering the product and invoicing. This may lead to acceleration in the loss.

### **Drawbacks for buyers**

- Less informed choice : A reverse auction only deals with lowering of prices. It does not give information on other costs involved in a contract. This may lead a buyer to choose a seller who offers an apparently low price but who provides poor quality product, high cost of delivery or poor customer services. This can affect the buyer's business considerably at a later stage.
- Cost of monitoring : As the bid does not provide a clear picture of the dealings with the seller, the bid may lead the buyer to choosing a seller with whom the cost of monitoring and managing the project becomes high.

### **Reverse Auctions Critics**

There are two common criticisms that are directed against reverse auctions. One is that they are not strategic and do not facilitate long term relationships with suppliers. The second criticism is that suppliers do not like them. To address the first criticism, reverse auctions should rarely be used in relationships with strategic suppliers or suppliers where there is a good degree of collaboration or integration of supply chains that takes place in a long-term relationship. Reverse auctions are best targeted toward relationships that are more transactional in nature and are highly focused on obtaining favorable pricing. They are designed

for purchases that feature little collaboration, shorter term contracts, products with common specifications and little complexity, and purchases where there are savings opportunities. Strategic relationships with suppliers rarely meet these criteria.

The second criticism of reverse auctions is that suppliers do not like them. This criticism is not leveled directly at reverse auctions but it applies to any sourcing methodology that aims to lower the price that the organization pays for goods or services. Suppliers participate voluntarily because they are motivated to win the business. A rational supplier would not take the time to participate in an event if the supplier thought it wouldn't be worth it. Reverse auctions also provide other benefits for suppliers. They provide real time feedback on the competitiveness of a bid. The supplier does not need to wonder if the bid was too high or too low. Reverse auctions also shorten the time it takes for a supplier to win the business.

### **Reverse Auctions: Factors to Consider**

There are several factors that go into the decision on whether to use reverse auctions. These factors include: the specifications of the products, the structure of the supply base, the market pricing structure, projected lead times, contract status, the costs of switching vendors, the distribution complexity, the savings opportunity, the size of the purchase, and the strategic nature of the supplier relationships. This next few sections will discuss these factors in additional detail and explain the situations where these factors make reverse auctions a good choice for a purchase.

### **Conclusion**

While some people recommend using reverse auctions for every purchase and others do not want reverse auctions to be used at all, we are proposing a more balanced view. Reverse auctions are not always the best tool or even a desirable one for some purchases. However, for other purchases they are extremely powerful and will produce the best results. The trick is to use reverse auctions in situations where their use would deliver more value than the use of other tools. For most companies, these situations occur quite frequently. For example, reverse auctions are ideally suited for purchases of raw materials, processed goods, travel, printing services, capital equipment, components, and many other items. Reverse auctions work best when price is a key point of negotiation for the buying organization. By using reverse auctions at the right time, correctly, and in combination with other best practice sourcing tools companies can maximize the value and benefits that arise from their sourcing efforts.



# ESG Investing - Good Investments & Investments for Good

CMA Manohar Dansingani

E-mail : mdansingani@gmail.com

*“Man shall not live by bread alone.”*

*The Old Testament, Book of Deuteronomy*

*“Norway’s \$1tn wealth fund to divest from oil and gas exploration*

*World’s largest sovereign wealth fund was created to invest North Sea oil profits*

*The world’s largest sovereign wealth fund, which manages \$1tn (£770bn) of Norway’s assets, is to dump investments in firms that explore for oil and gas, but will still hold stakes in firms such as BP and Shell that have renewable energy divisions.” (The Guardian, March 8, 2019)*

*Welcome to the world of ESG Investing – Environmental, Social, & Governance.*

## **Disclaimer**

*No investment recommendations are being made by the author. This is neither an invitation to invest, nor an encouragement to follow any particular style of investment.*

*The portfolio shown is purely for illustrative purposes & not a suggestion. The returns shown are just numbers included at random, not actual returns on these shares.*

*Every tool is only as good as the person wielding it. There is no error-proof tool or investment theory. All market investments carry risk.*

*All copyrights acknowledged. No copyright infringement intended. Images courtesy Google search.*

\*\*\*\*\*

## **What is ESG Investing?**

In accounts, there is a relatively new concept called TRIPLE BOTTOM LINE, where the focus is not just on financial profits, but rather on People, Planet, & Profits.

Similarly, in light of the fact that the entire world is inter-linked, & this is the only home we have, an investment concept is gradually gaining popularity which takes a holistic view of investments, their return & their impact.

Historically, most investors have only one goal; to make money. ESG investing includes non-financial factors:

### **Environmental**

- Climate change and carbon emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Environmental opportunities
- Waste management
- Water scarcity

### **Social**

- Customer satisfaction
- Data protection and privacy

- Gender and diversity
- Human capital
- Human rights
- Labour standards
- Respect for stakeholders

### **Governance**

- Corporate governance
- Corruption
- Executive compensation
- Unfair trade practices
- Whistle-blower schemes

### **The Evolution of Responsible Investing**

In 1971, the Reverend Leon Sullivan who was a board member of General Motors (U.S.A.) wrote a Code of Conduct for doing business with South Africa. This was a serious protest against the egregious practice of apartheid.

The Sullivan Principles resulted in a mass disinvestment by the US from many South African companies. Obviously, the South African regime came under increasing pressure from its own business community, adding weight to the opinion that apartheid should be abolished.

In 1998 John Elkington, coined the term “triple bottom

line” in his book “Cannibals with Forks: the Triple Bottom Line of 21st Century Business”. He identified certain non-financial considerations which ought to be a part of selection criteria for investment in & valuation of, a company.

Among the pioneers who implemented ESG were the Brazilian bank Unibanco, and Mike Tyrell’s Jupiter Fund in London.

### “ESG versus SRI

ESG investing grew out of investment philosophies such as Socially Responsible Investing (SRI), but there are key differences. Earlier models typically use value judgments and negative screening to decide which companies to invest in. ESG investing and analysis, on the other hand, looks at finding value in companies — not simply at supporting a set of values.

SRI uses exclusionary filters to keep companies out of portfolios that don’t meet certain criteria, while ESG opts-in to companies that are making positive impacts in the three factor areas.”

*CFA Institute.*

### Why ESG?

“Profit at any cost” has resulted in global warming, environmental degradation, heart-wrenching income disparities, poor quality of life for those less privileged, & obscene pay-checks to managers, often based on fudged figures. We live in a world with unhealthy trade restrictions, rampant lobbying, profiteering, unhealthy risk-taking with other people’s money, & rapidly diminishing standards of corporate governance. There is unsustainable concentration of power, wealth & resources in the hands of a few, while the average world citizen struggles with shortages, ailments & the quest for dignity & meaningful work.

The separation of ownership from management in corporates was intended to usher in better governance & ethical systems. Instead, it fostered manipulation, corruption, & conflict of interest (agency conflict).

It is easy to say the right things for public consumption. Doing what is right rather than what is convenient is a daunting task however. Rules & regulations can only work in a limited frame – & are prone to manipulation. Public opprobrium & outcry does work sometimes, but memory is short & convenience outweighs scruples in most cases.

This is where institutional investors can play a major role. They can exercise significant influence by being active (not activist) shareholders. If discussion fails, they can vote with their feet. The presence or absence of reputed institutions as shareholders in a company does affect share prices in the long-run.

Besides, if we accept the idea of “Do good to do well”, even small investors can be a part of this gradual movement to make money, but through investment in organizations which show respect – for the environment, society, & governance (ethics).

### ESG & the UN SDGs

“The Sustainable Development Goals (SDGs), also known

as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

The 17 SDGs are integrated — that is, they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

Through the pledge to Leave No One Behind, countries have committed to fast-track progress for those furthest behind first. That is why the SDGs are designed to bring the world to several life-changing ‘zeros’, including zero poverty, hunger, AIDS and discrimination against women and girls.

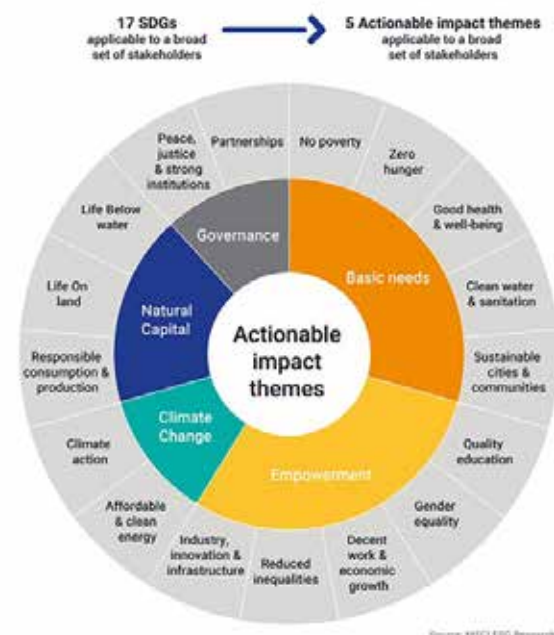
Everyone is needed to reach these ambitious targets. The creativity, knowhow, technology and financial resources from all of society is necessary to achieve the SDGs in every context.”

<https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

### MSCI ESG Sustainable Impact Metrics

“MSCI ESG Research has developed a new framework designed to allow investors to measure their current exposure to listed companies providing sustainable impact solutions. Relying on the SDGs, we grouped the 17 goals into five actionable impact themes: Basic Needs, Empowerment, Climate Change, Natural Capital and Governance. From there we developed a detailed taxonomy of solutions and estimated companies’ revenue exposure to these products and services with options for applying minimum ESG standards to minimize exposure to negative impacts and maintain minimum governance standards.

MSCI ESG Sustainable Impact Metrics covers over 8,500 companies for social and environmental impact themes. The MSCI ACWI Sustainable Impact Index, which leverages the data, is designed to identify companies with high net



exposure to sustainable impact themes while meeting minimum ESG standards.”

<https://www.msci.com/zh/esg-sustainable-impact-metrics>

### Proof of the Pudding

Is it possible to introduce these elements as selection parameters for investment & make money?

“Nine of the biggest ESG mutual funds in the U.S. outperformed the Standard & Poor’s 500 Index last year, and seven of them beat their market benchmarks over the past five years.

The \$878 million Ave Maria Growth Fund was the top performer in 2019, followed by the \$3.8 billion Calvert Equity Fund and the \$4.9 billion Putnam Sustainable Leaders Fund. All three funds posted gains of more than 35%, compared with the S&P 500’s 31.5% with reinvested dividends. Morgan Stanley’s \$3.9 billion Global Opportunity Portfolio and the \$2.1 billion Brown Advisory Sustainable Growth Fund placed atop the rankings in the five-year period.

“The number one question I used to get from investors is aren’t you limiting your options and sacrificing returns by doing ESG?” said Karina Funk, a one-time civil and environmental engineer who runs the Brown Advisory

fund. “I don’t get that question anymore.”

<https://www.bloomberg.com/graphics/2020-ten-funds-with-a-conscience/>

### The Way Forward

In India too, several fund houses have recently raised funds & created awareness regarding ESG Investing. Their financial performance will only be clear over time, as will the portfolios & ESG metrics.

ESG Investing offers investors the peace of mind that their money is not responsible for damage to society or our planet; while they hope to earn returns from sustainable investments.

### Caution

Past performance does not guarantee future returns. No two markets are alike. Every market investment is subject to risk. There are no substitutes for common sense, prudence, mindfulness, & brutal honesty in admitting one’s mistakes.

Parting Thought

“Ptasya paqaa pa`ota”

Yajur Veda 7/45

Tread on the path of Truth

\*\*\*\*\*

## Theme for Coming Months

*Details of Themes of coming months:*

Month	Theme
November	Valuation
December	Insolvency Profession

Theme of November 2020 is Valuation. Editorial board invitees’ articles/papers on Banking for the WIRC Bulletin for the month of November 2020. Sub theme of Valuation is as below:

### Sub Theme:

- **Draft Valuers Bill, 2020 : New framework for Valuation**
- **Valuation of Intangible assets**
- **Valuation under IBC**
- **Valuation of ESOP**
- **Opportunity for CMAs as Valuer**

Regular articles/papers on other professional matter are also going to be published in WIRC Bulletin apart from articles/papers on respective theme. Editorial board also invitees’ articles/papers on other professional matters.

Kindly send your articles on or before 30th October 2020 by email to WIRC: [wirc.admin@icmai.in](mailto:wirc.admin@icmai.in)

### Minimum Criteria for Selection of Article/Paper for WIRC Bulletin

1. Type of Article: Related to theme of the month or any other professional matter.
2. Font: Arial/ Time New Roman/Calibri
3. Font Size: 11
4. Minimum length of the Article: 1000 Words (Other than graphs/tables/figure/pictures)

***Pls. note the final decision to consider Article/Paper is left with Chairman - Editorial Board.***



# Optimum Product Mix Selection to Maximize Revenue – Sugar Industry

CMA Dhananjay Kumar Vatsyayan

Mob.: 99606 00854 • E-mail : dvatsyayan@yahoo.com



## A. Optimisation

Optimization is a dynamic model developed on the principal of Linear Programming, Nonlinear Programming, Assignment, Transportation etc. during World War II, when resources (constrain) are limited and demands (Decision variable) are huge. Then, objective (Maximization of gain or Minimization of lose) is the governing factor for allocating scarce resources. So, three factors are important to be identify prior to formulating Optimization module.

- a. Decision Variable
- b. Objective
- c. Constrains

Assignment and Transportation module are more suitable for service sector and supply chain departments. Linear Programming and Nonlinear Programming can be used for optimising operational department / cost centres of Manufacturing sector. The most difficult part of optimization module is to formulate the same in mathematical module. Once it is formulated, it can be solved using the Operation Research Principal and techniques. So, it is very important to have complete understanding of industry regarding resource require, constrains at hand and various options available.

Price of a Product is market driven and determined based on demand & supply. The cost of a product depends on resources (Raw Material, Machine, Manpower, utilities, working capital etc) required to manufacture the same. Any product demands definite quantity of resources for per unit production. When many products (Two and more) are consuming same resources, which are scarce and reward are not proportional to resources it consumes.

So, Optimum Product mix is a method of scientifically evaluating product quantity in order to maximise the profit (Price – Cost) or revenue generated from the basket of selection. We will to use this technique in Sugar Industry to maximize the revenue with same resources. Information about process, resources and constrain are explained here in brief about Sugar Industries.

## B. Sugar Industry

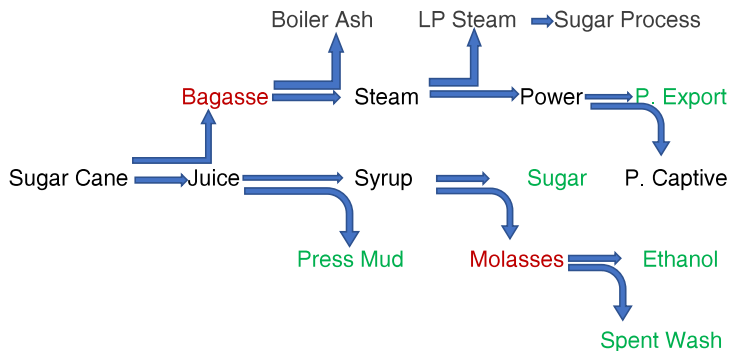


Sugar Cane, which constitute major portion of variable cost, is the main raw material of sugar Industries. The sugar cane is crushed in mill after cane preparation. Cane juice and Bagasse is produced here. Bagasse is burnt in boiler furnace as fuel and juice is sent to boiling house for extracting sugar from the juice. Steam generated in boiler used for power generation in turbine and back pressure steam / extracted steam used for sugar manufacturing & distillery process. Power generated in turbine is used for driving heavy equipment and generators. The Power generated in Turbo Generator is consumed captive and surplus power are sold to Electricity Board at rate declared in advance.

The juice is first heated, treated & filtered. The solid suspended material, Press Mud is extracted and clear juice sent for further processing. The juice first concentrates in evaporator, called Syrup are sent to Pan for crystallization. Sugar crystals are extracted in centrifuge and left over semi liquid material, called molasses are sent to distillery for extracting Ethanol. However various material (Sprit, Technical sprit, Fusel Oil, etc.) can be produced in distillery but I am considering only Ethanol for simplicity of the model.

Ethanol can be produced directly from sugar syrup or final molasses left after sugar extraction. Sugar can be extracted in twice (B molasses) or thrice (C-molasses). Molasses can be sold in market or used captively for ethanol production.

The final products of Sugar Industries are Bagasse, Boiler Ash, Power, Sugar, Press Mud, Molasses, Ethanol (Sprit & its derivative), Spent Wash. Presently, the Boiler Ash, Press Mud & Spent Wash are not economically significant. Bagasse & Molasses can be sold in market or consumed captive for generation of power and ethanol respectively. The Manufacturing flow chart of sugar Industries are as under.



The quantity of Juice & Bagasse obtained are not process dependent and they are not interchangeable. But Bagasse & Power generated are interchangeable. Ethanol and Sugar are interchangeable in boiling house operation. There is also tradeoff between Cane Preparation power and Mill Power. There are many options to select inventory level. However, I will be presenting the models at two levels Bagasse vs Power and Sugar vs Ethanol.

### C. Model 1 – Power generation & Export vs Bagasse sale in Market.

#### a. Options available –

- Bagasse can be sold in market.
- Bagasse used for power generation and sold to Electricity Board after meeting captive power requirement.

#### b. Model Factors

- Objective - Maximize the revenue from sale of Bagasse & Power.
- Constrains
  - Bagasse quantity produced by cane crushing.
  - Steam required for sugar & distillery process, which cannot be diverted for power generation.
  - Minimum Steam required in condenser for condensing turbine.
- Decision Variable
  - Bagasse Price
  - Price of Power.
  - Power generated per MT of bagasse

#### c. Assumptions

- Bagasse recovery 28 % cane.

- Bagasse to steam Ratio 2 (Process constant depends on equipment installed)
  - Specific steam consumption of turbine 6 Kg / KW for extraction condensing turbine (Process constant depends on equipment installed)
  - Specific steam consumption of turbine 4.4 Kg / KW – for condensing turbine.
  - Specific requirement of LP steam 45 % Cane.
  - Specific requirement of power 32 KW/ MT of cane
  - Power Price – Rs 10 per unit for purchase / captive requirement and Rs 4.5 for Export power (price by Electricity Board).
  - Bagasse Price Rs 2385/- Per MT (MERC Rate)
  - It is assumed that no extra cost is incurring for power generation except bagasse.
  - Cane crushing per annum – 7,50,000 MT
- d. Calculation – For 100 MT crushing of cane.

- LP Steam Required for process =  $100 \times 45\% = 45$  MT

Steam required for condenser = 10% of total input steam = 5 MT

Total steam required =  $45 + 5 = 50$  MT

- Power generated as by product for steam =  $50,000 / 6 = 8333$  KW.

Power required for running the plant =  $100 \times 32 = 3,200$  KW

Balance Power =  $8,333 - 3,200 = 5,133$  KW for sales to EB

- Bagasse generated =  $100 \times 28\% = 28$  MT  
Bagasse required for 50 MT steam =  $50 / 2 = 25$  MT

Bagasse saved =  $28 - 25 = 3$  MT

- Mathematical Formula applied

Revenue = Bagasse Qty x Bagasse Rate + Captive Power x Purchase Power + Export Power x Power Rate + Additional Power x Power rate.

- Option 1 – Use all bagasse in boiler and sale power to EB

Revenue =  $0 \times 2385 + 3200 \times 10 + 5133 \times 4.5 + 3,000 \times 2 \times 4.5 / 4.5$

Revenue =  $32,000 + 23,098 + 6,000 =$  Rs 61,098 /-

- Option 2 – Sale balance bagasse in market

Revenue =  $3 \times 2385 + 3200 \times 10 + 5133 \times 4.5 + 4.5 \times 0 \times 2 / 4.5$

Revenue =  $7155 + 32,000 + 23,098 =$  Rs 62,253 /-

- Option 2 being maximum revenue is preferable.

Additional revenue =  $62,253 - 61,098 =$  Rs 1,155/- for 100 MT crushing.

- Conclusion – It is based on above assumption, which may vary from time to time and needs to be recalculated based on present data.



- i. It is advisable to sale the bagasse in open market than using it for power generation & export.
- ii. Bagasse should be used only to the extent of steam required for sugar and distillery process. Steam should not be allowed in condenser except for the process requirement (Constrains)
- iii. Additional revenue for 7,50,000 MT crushing = Rs 86,62,500/-
- D. Model 2 – Sugar production vs Ethanol production.
- a. Option available- There are many options available, however I will present here five options.
- i. Three stage sugar extraction & sale the C molasses in market.
- ii. Three stage sugar extraction & produce ethanol from C Molasses.
- iii. Two stage sugar extraction & produce ethanol from B Molasses.
- iv. Use 20% syrup for direct ethanol production and 80 % syrup for two stage sugar extraction. B Molasses for ethanol production
- v. Use 20% syrup for direct ethanol production and 80 % syrup for three stage extraction. C molasses for Ethanol production
- b. Model Factors
- i. Objective – Maximize the revenue from sales of sugar & Ethanol.
- ii. Constrain
1. Sucrose available in cane. (Depends on area and climate)
  2. Capacity of distillery plant.
  3. Availability of steam for sugar and distillery process.
  4. Operational constrain of plant to use Syrup, B molasses, C Molasses for ethanol production.
- iii. Decision Variable
1. Price of Ethanol (Based on raw material used)
  2. Price of Molasses
  3. Price of Sugar
  4. Yield per MT of B/C- Molasses / Syrup
  5. Sugar recovery in various situation
- c. Assumptions
- i. Sugar recovery % cane – 10.5 % for C Molasses
  - ii. Sugar loss in final molasses – 1.18 % cane
  - iii. Sugar recovery % Cane – 8.94 % for B Molasses (From Calculation)
  - iv. Production of final molasses % cane - 4.15 % for C Molasses
  - v. Production of final molasses % cane – 6.6 % for B Molasses
  - vi. Yield of Ethanol – 260 Lit / MT for C Molasses
  - vii. Yield of Ethanol - 313 Lit / MT for B Molasses
  - viii. Yield of Ethanol – 600 Lit for 1 MT of sucrose for Syrup
  - ix. Price of Ethanol – Rs 43.75/- Per Kg - Ethanol from C molasses
  - x. Price of Ethanol – Rs 54.27/- Per Kg - Ethanol from B molasses
  - xi. Price of Ethanol – Rs 59.48/- Per Kg - Ethanol from Syrup
  - xii. Price of Sugar - Rs 31,500/- Per MT
  - xiii. Price of C Molasses - Rs 9,000/- Per MT
  - xiv. Distillery Plant capacity is sufficient to handle various type of raw material and process all quantity.
  - xv. Sufficient steam is available for distillery operation
- d. Calculation – For 100 MT crushing of cane
- i. Ethanol Production in 100 % syrup for sugar production
- Ethanol from C Molasses =  $100 \times 4.15\% \times 260 \times 0.95 = 1025$  Lit
- Ethanol from B Molasses =  $100 \times 6.6\% \times 313 \times 0.95 = 1963$  Lit
- Additional ethanol in 2 stage =  $1963 - 1025 = 938$  Lit
- Loss of Sugar recovery in 2 stage =  $938 / 600 = 1.56$  MT
- $1.56$  MT = 1.56%
- Expected recovery in 2 stage =  $10.5\% - 1.56\% = 8.94\%$
- ii. Ethanol production in 20% syrup used for Ethanol production
- Ethanol from Syrup 20% =  $100 \times 0.2 \times (10.5\% + 1.18\%) \times 600$  Lit
- $20 \times 11.68\% \times 600 = 1,402$  Lit
- Ethanol from C Molasses =  $1025 \times 0.8 = 820$  Lit
- Ethanol from B Molasses =  $1963 \times 0.8 = 1,570$  Lit
- iii. Sugar Production Quantity
- Three stage Sugar extraction =  $100 \times 10.5\% = 10.5$  MT
- Two stage Sugar extraction -  $100 \times 8.94\% = 8.94$  MT
- Three stage extraction & 20% Syrup =  $100 \times 80\% \times 10.5\% = 8.4$  MT
- Two stage Sugar Extraction & 20 % syrup  $100 \times 80\% \times 8.94\% = 7.15$  MT
- iv. Molasses Production Quantity
- C Molasses =  $100 \times 4.15\% = 4.15$  MT
- v. Mathematical Formula applied
- Revenue = Sugar Quantity x Sugar Price + Molasses Quantity x Molasses Price + Ethanol

Quantity X Ethanol Price

- vi. Option 1 - Three stage sugar extraction & sale the C molasses in market.  
 $Revenue = 10.5 \times 31,500 + 4.15 \times 9,000 = 3,30,750 + 37,350 = 3,68,100/-$
- vii. Option 2 Three stage sugar extraction & produce ethanol from C Molasses.  
 $Revenue = 10.5 \times 31,500 + 1025 \times 43.75 = 3,30,750 + 44,844 = 3,75,594/-$
- viii. Option 3 -Two stage sugar extraction & produce ethanol from B Molasses  
 $Revenue = 8.94 \times 31,500 + 1963 \times 54.27 = 2,81,610 + 1,06,532 = 3,88,142/-$
- ix. Option 4 - Use 20% syrup for direct ethanol production and 80 % syrup for two stage sugar extraction. B Molasses for ethanol production  
 $Revenue = 7.15 \times 31,500 + 1,402 \times 59.48 + 1570 \times 54.27 = 2,25,225 + 83,391 + 85,204 = 3,93,820$
- x. Option 5 - Use 20% syrup for direct ethanol production and 80 % syrup for three stage sugar extraction. C Molasses for ethanol production  
 $Revenue = 8.4 \times 31,500 + 1402 \times 59.48 + 820 \times 43.75 = 2,64,600 + 83,391 + 35,875 = 3,83,866/-$
- e. Conclusions – Based on above assumption and calculation following conclusion are drawn. However, it may change based on plant conditions and present prices.
- i. The order of priority based on revenue earned are as Option 4 > Option 3 > Option 5 > Option 2 > Option 1.

- ii. 20% juice be diverted for direct extraction of ethanol. Two stage extraction of sugar from 80% of juice and B molasses be used for ethanol production. More than 20% can also be used for direct ethanol production based on distillery capacity.
- iii. Production of Ethanol from B Molasses is having edge over other options.
- iv. The difference between option 2 and option 4 is 18,226 for 100 MT crushing. Total expected gain in option 4 over option 2 for 7,50,000 MT crushing is Rs 13,66,95,000/-

Based on the plant constrains, best option can be selected for implementation. It may be noted that the article above is focusing on revenue and not on profit. For profit optimization it is required to first calculate contribution (Price – Variable Cost) of every individual product. Using contribution instead of price will identify most profitable options.

Actual optimization module will have Linear Programming / Nonlinear Programming. I purposely avoided that route and applied simple technique to solve optimization problem. So, that a common person can use and apply this technique for optimizing the product mix in Sugar Industries.

There are many such mathematical / financial techniques available and same can be used by a CMA (Cost & Management Accountant) or any other professional. These techniques are practical and tested by us on our clients successfully. Any person need further information / clarification can contact me.

“Jay Hind”

## ATTENTION – MEMBERS & STUDENTS

**WIRC office started functioning from 1st October 2020**

**WIRC Office, Fort – Monday to Friday from 10.00 a.m. to 4.00 p.m.**

**Thane & Borivli SMFC – Monday to Saturday from 10.00 a.m. to 4.00 p.m.**

### Help Line Numbers

For Students – 9372071120/9372036890

For Members – 9372045191

Thane SMFC – 9372167164

Borivli SMFC - 7777088443



# Recovery of Balance Sheet v/s Employment Driven Demand

Indraneel Sen Gupta

E-mail : neel19414@gmail.com

This article might be ahead of time but we have only 4 months. Ballooning fiscal deficit and rising unemployment married with falling consumption. The govt cannot service the debt and the whole game starts from there where we will be planning in the next 4 months what type of budget planning will be required is going to be a crystal ball gazing game. Taxes at all levels need to be lower since any hike in the same like Dividend Distribution tax, Security Transaction Tax, Hike in MAT, Capital Gain tax or slab changes of any tax would be detrimental for the Indian economic growth.

The corporate tax hike is not expected but taxes like digital tax as imposed in European countries or increase in VAT in a certain category of sectors would be high impact on the Indian economy. We are just 4 months away from the Budget and the situation is very critical.

The government needs to understand that they have to bear the pain of this pandemic for the next 2 years until the job employment market settles out. The fact is that unless the employment generation happens consumption will not pick up which leads to the growth of manufacturing and demand for goods. All the regulatory bodies like RBI, SEBI, MCA, Finance Ministry & Ministry of Economic Affairs all together need to understand that if they try to bring any rules or regulation which brings down the growth of an industry then they should avoid such a thing for the next 2 years.

The hike of petrol and diesel prices through the increase in taxes has already pushed up inflation. Well, it not only the transportation cost which plays its dice but also for the farmers who have to buy diesel for farming activities like (water pump, Tractor etc).

Flood and state payments are going to be double-edge expenditure for the Indian economy. Our point is that the Indian economy should avoid anything which impacts employment creation. We have seen in the past many instances where economic policies or taxation policies have slowed the industry growth. The current deficit number of Rs 10 lac cr or Rs 20 lac cr (whatever wild guess or projection metric are used) needs to be recovered over the next 5 years.

Indian economy is nowhere like the US or China hence it needs to give time to the industries for the next 2 years to manage and get out of this slow down phase. We don't

pay social benefits to unemployed people hence we need to provide time to the Indian economy to recover from the slowdown. Any tax hike or anything which sucks liquidity from the market would slow the recovery phase of the Indian economy. We appreciate that Maharashtra has reduced stamp duty to keep the Real estate sector alive.

The industry has to fight with price war as supply and lockdown across the globe has slowed the production and inversely raised the cost to an abnormal level. The profit margins for FY-22 will be under pressure. For example, higher global commodity prices – gold, silver, crude remain a pressure point. Bus fare, airfare, other conveyance, porter charges, and railway fare etc have gone up and will remain at elevated levels. As food prices have gone up the cost of living for those who have lost a job or who are facing a salary cut to the tune of 30% to 50% remains at a risky level. The base salary of the jobs has come down significantly and this will remain for the next 2 years on a maximum stretched period. Hence the battle on the ground is more.

Indian government might have flooded the street with excess capital but who will borrow when there is no demand. Demand cannot be fuelled by liquidity. It is no doubt that Indian economic growth post-COVID will be gradual but will be slower if the Indian government actions are detrimental to economic growth. The various sectors of the Indian economy will face different speeds of recovery and growth where much industry might take significant time to revive.

There will be a significant divergence in sectorial growth of the Indian economy. From now the next 4 months India will have its budget and that is going to decide the fate of recovery for FY-22. RBI monetary policy action has now the limited scope of a rate cut and even if that happens maximum of 0.25bps would be on the plate.

One benefit which India might get that low-interest rates and low taxes will help to fight against the elevated raw material prices and high cost of production. FY-22 is more equally divided between government and private. Infrastructure no doubt needs special attention with no further excuse of delay in project execution. The survival of the Indian economy is now how the Indian government controls its greed of making over its own losses.



## SIMPLIFIED OVERVIEW

### Revenue from contract with customer (Ind As-115)

CMA Virendra Chaturvedi

Mob.: 93100 39375 • E-mail: cwaviren@gmail.com



The Ministry of Corporate Affairs (MCA) notified 39 Indian accounting standards (Ind AS) on 16 February 2015. These standards include Ind AS 115, which was converged with the International Financial Reporting Standards (IFRS) 15. Following the deferral of IFRS 15 to 1 January 2018, the MCA also deferred the application of Ind AS 115 on 30 March 2016, and issued Ind AS 11 (construction contract) and Ind AS 18 (revenue recognition). On 28 March 2018, the MCA notified Ind AS 115, a new revenue recognition standard that replaces existing Ind AS 11 and Ind AS 18. The new standard also replaces guidance notes on real estate revenue recognition. Ind AS 115 is applicable from 1 April 2018, i.e., FY 2018–19. The core principle of Ind AS 115 is that revenue needs to be recognized when an entity transfers the control of goods and services to customers at an amount that the entity expects to be entitled replacing earlier condition of transfer of Risk and Rewards. We can understand this from one example:

Buyer X ask seller Y to make one equipment as per his specifications and also store in his warehouse, As per terms and condition Buyer pick the item whenever it is required by him, As per AS-9 revenue can be recognized once item is transferred to Buyer while as per Indi AS -115 there are two performance obligation in the contract, One for Manufacturing of goods as per specifications and second Storage of goods and Insurance to avoid any risk. Once supplier Y made goods /item ready and inform to customer about its readiness ( control of goods transferred in favor of customer, buyer can pick its items when he desire ), its performance obligation get completed and it can book / recognizes its revenue and when second obligation of storage obligation is over, it can book revenue for second obligation.

#### Objective of IND AS 115

IND AS 115 sets the principles to apply when reporting about the nature, the amount, the timing, and the uncertainty of revenue and cash flows from a contract with a customer, Let me stress "a customer" here. If you have a contract with party other than a customer, then IND AS 115 does not apply. Sometimes, it's quite difficult to determine whether you deal with a customer or simply with a collaborating party (e.g. some mutual development projects with other entities), therefore one should take care of the same.



Under IND AS 115, Revenue is five steps model, when any transaction fulfill all these steps than only revenue can be recognized



#### Step-1 – Identify Contract with Customer

In this step company should ensure that there is enforceable contract and not cancellable unilaterally. There must be price, terms, condition and There must be expectation of completion of performance obligation and receipt of consideration, Besides all of this contract should be in scope of this INDI AS collaboration agreement, sale of PPE are not come in scope of this INDI AS.

#### Step-2 – Identify separate Performance Obligation in Contract

- What are the performance obligation in Contract ?
- Whether there is one Performance Obligation or more than one Performance obligation ?

Goods and services are considered as one if following conditions are satisfied :

#### I. Entity emphasis on significance of Integration,

We can understand this with following examples:

- In airlines like in Jet Airways, Air Travel cost and Food cost can be called integration of Goods and Services
- Similarly In Hotels, one day room charges and breakfast cost can be called integration of Goods and Services

#### II. One or more Goods and services modify significantly other Goods and Services, For Example

**Sale of Car with three free services :** If company do not provide free services the performance of car may effected so though there are two goods and services but

can't be said as distinct as there is one performance obligation

### **Purchase of Truck and Body Making of Truck :**

Mr X want to purchase truck from Tata show room, Tata has another division for making truck Body but Tata showroom does not insist for body making of truck, it is as per customer discretion whether he want to make body from Tata division itself or outside in the market. If customer order to make body with Tata division itself then also, both transaction can't be said as one transaction, both activities are independent and will be considered as separate transaction or separate performance obligation.

### **III. Goods and Services are highly interrelated / interdependent between themselves**

If X got a contract from Government to make road, drain and footpath on the side of road, it may be separate contract but can't be said separate performance obligation .as all performance obligation are interrelated and interlinked

### **Step-3 – Identify Consideration for each Performance Obligation**

One has to identify Transfer Price of each Performance obligation indentified in Step -2 and check whether Variable consideration or Non Monetary consideration are part of total Consideration ?

### **Variable Consideration**

Escalation, Contingent Consideration, incentives, Penalties, volume Discounts are the form of Variable consideration Variable consideration is contingent upon future event and expressed in implied contracts including methods to measure the same, it can increase total consideration in form of Incentive, Bonus, escalation etc or decrease total consideration in form of penalties.

As per INDI AS -115, If you are certain of receiving any variable consideration, you will include it in your Transaction Price since inception but if you are not certain than you consider the assumption which is most probable . But in the next year Probability of variable consideration may change and that time you should make addition / reduction of variable consideration as per circumstances, we can understand it with one example :

ABC Ltd. gave one contract to Mr. X to make the building for which consideration was as under

If X complete the Building in 3 years consideration will be 50 lacs but if X complete the building

- In two years than consideration would be 60 Lacs (10 Lacs more),
- In two and Half year than consideration would be 55 Lacs (5 Lacs more),
- But if it take more than three year that he has to pay penalty of Rs 5 lacs and consideration would be 45 lacs only.

In case of Multiple outcome we will compute Probability

on weighted average method and include in Contract Transaction Prices

### **Non Monetry Consideration**

If significant financing component exist in contract, time value of money should be considered for determining transaction prices. Let say Credit period allowed to one customer is two years and total consideration charged from customer is one lacs, entity would required to compute notional finance cost charged to customer, say at the rate of 10% interest cost of two years are 20K So out of total consideration charged from customer, only 80K would be recognized as revenue from sales proceeds and 10K would be recognized as Interest income in 1st year and 10K in another year. It is quite possible that earlier entity recognized revenue of Rs 1 lacs upfront.

Similarly if customer has given an advance, again the notional finance cost need to be computed and revenue need to be adjusted, if advance given up to one year and credit period is also one year, in such case company may not able to find time value of money.

### **Step : 4 & 5 – Allocate Transfer Price ( Consideration) to each Performance Obligation and Recognition of Revenue**

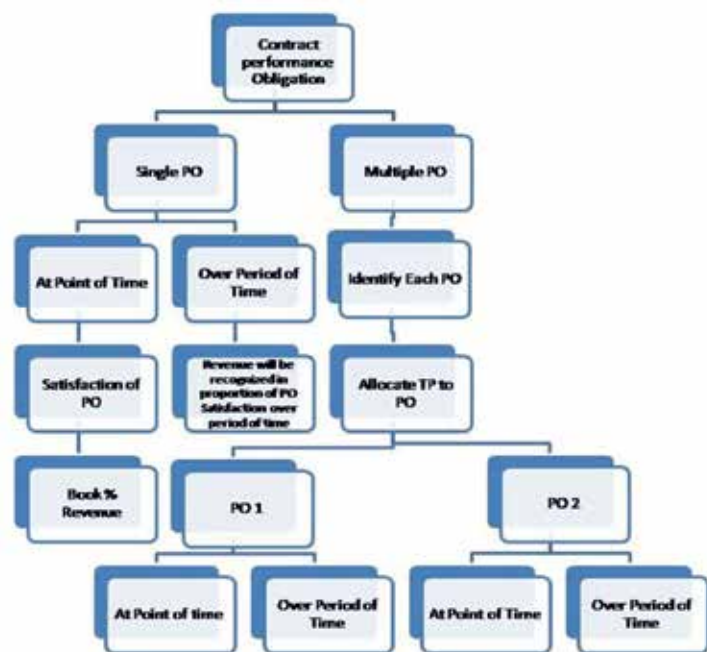
Transfer price Allocation depends upon the satisfaction of Performance Obligation. so before Allocation of TP, it is necessary to decide whether there is Single Performance Obligation or Multiple Performance Obligation . One also has to check whether Performance obligation is getting satisfied at point of time or Over a period of time .We can be understand it from one example :

If X purchase one Ready to move flat, than it is the example of satisfaction of Performance obligation at point of Time but if X ask contractor to make flat as per his configuration over a period of time than It is the example of Performance obligation over a period of time,

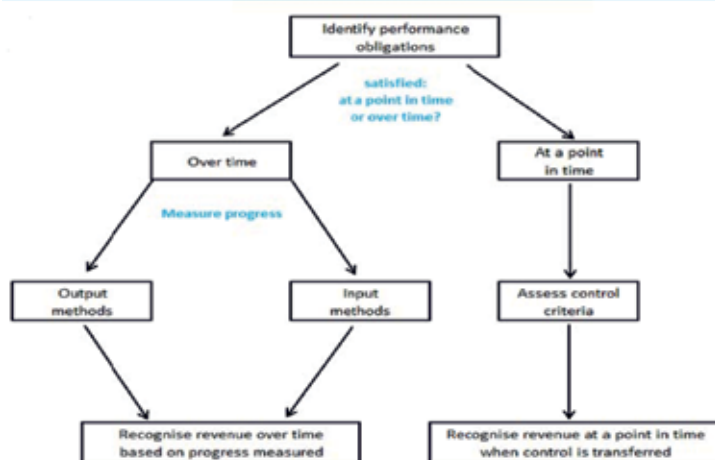
If buyer cancel the order unilaterally, and service Provider / supplier can ask for payment of work already done than it is the example of Performance obligation over a period of time .

### **Satisfaction of Performance Obligation :**

At Point of Time if	Over a Period of time if
<ul style="list-style-type: none"> <li>• Transfer of control over asset to customer</li> <li>• Customer can use the benefit of the Asset</li> <li>• Customer has right to Prevent other from use of Assets</li> <li>• Customer can further sell or lease out Assets</li> <li>• Asset Generate benefits to customer immediately</li> <li>• Customer get legal Ownership and substance over form</li> </ul> <p>Examples : Purchase of office equipment, Purchase of vehicle etc</p>	<ul style="list-style-type: none"> <li>• Customer receive and Consumes benefits over a period of time like AMC Charges</li> <li>• Performance obligation enhance the asset that customer control</li> <li>• Performance obligation does not create asset but generate right to receive payment</li> </ul> <p>Examples : AMC Contract, Crane Purchase with specific configuration</p>



**TIMING OF REVENUE RECOGNITION**



**Method of Revenue Recognition - In case PO Satisfied over a period of time**

Earlier Accounting Standard AS-7 recommends only Input Based Method but INDI AS-115 recommends three method for Revenue Recognition

Input Based Method	Output Based Method	No Profit-No Loss Method (Cost Method)
= Cost Incurred / Total cost to be incurred	= Value of Goods or Services Transferred to customer / Total value of Goods or Services to be transferred	=Cost incurred to date

**Input Method and Output Method**

Suppose M/s X ltd get contract for Rs 100 cr out of which 30 cr is material cost and 40cr is Service cost and 30cr is other cost, Mr X Purchase Material of Rs 30 cr and as per old accounting standard he could recognized revenue for 30% of cost incurred while As per Indi AS 115 M/s X can book revenue only in proportion of work completed.

Let say M/s. X Ltd. Get a contract to build 100 KM Road and it has completed 50 Km road in first year itself but it is

wrong to say that X ltd has completed 50% of its work since in remaining 50 km road to be completed passes through Hills where X ltd has to cut the rocks and has to make tunnel so it this case Input method will not show correct picture, one should use Output method to recognized revenue

Note:

Value of Goods transferred can be identified through physical survey method, milestone achieved and certification of work by third party agencies

When revenue is directly related to Performance completed, output method is recommended

Whatever method once adopted, will be used consistently

**Example of cost method / No Profit –No Loss Method**

This method is used when entity can't measure the work completed reliably and Entity is sure that it get consideration against cost incurred from contractee

Let say M/s X Ltd get one contract for laying 5000 miles sea cable between India and Thailand . No company has laid the cable on that route earlier so it is not feasible to anticipate what difficulties it will face in laying the cable so in such case percentage of completion can't be estimated so whatever cost has been booked will be considered as revenue. Suppose after two years X Ltd completed 4000 miles and now it can approximate percentage of completion, X ltd will book / recognized revenue using input method accordingly.

**INDI AS 115 vs IFRS 15**

**INDIAS 115** excludes penalties from variable consideration and provides specific accounting treatment in case of penalties

**INDI AS 115** requires an entity to present separately the amount of excise duty included in the revenue recognized in the statement of profit and loss

**INDI AS 115** require an additional disclosure as compared to IFRS 15, under the new standard entities are required to present reconciliation of the amount of revenue recognized in the statement of profit and loss with the contracted price showing separately each of the adjustment made to the contract price specifying the nature of amount of each such adjustment separately

**INDI AS 115** provides additional guidance on accounting treatment in case of transfer of control of a product to a customer with an unconditional right of return

**Summary**

Implementation of new revenue recognition standard is a welcome move considering convergence of revenue recognition policy with that globally accepted IFRS 15 but this Ind AS 115 differs considerably as compared to existing accounting principles for revenue recognition. Transition to new revenue recognition standard is not only an accounting change but is like to have significant impact on the entity's data, systems and processes.





# M&A Due diligence - Buyer Beware - The Devils are in Details

CMA (Dr.) Subir Kumar Banerjee

Mob.: 98201 13419 • E-mail : subirkumar.banerjee@gmail.com

Due diligence (DD) is a methodology of scrutiny, or audit of a prospective M&A transaction to ensure that all crucial facts and financial data have been on board. Due diligence (DD) must be finished prior to clicking actual deal of M&A to assure the buyer that the cost-benefit ratio is viable for the deal. DD ensures that deal will be successful.

From a buyer's side DD ensures the acquirer to be more confident about the deal. Sans DD before a M&A deal is dangerous for buyer since he may pay more money to seller than the worth of the target. The acquirer has other anxieties. Will the Board and CEO pull through the acquired company with flying colours? Will the acquired company produce sufficient cash flow for future growth apart from reaching break even point? Will acquired company will deliver as per projection of target company or is it mere gift of the gab of Directors of target company? What hidden troubles or indebtedness may endanger the acquired company in coming days? DD from a seller's side is wise to arrive at the intrinsic value of the business. During negotiation of the deal, the seller add sufficient margin on the intrinsic value so that after negotiation, the seller achieves the desirable price in the deal. In fact, both seller and acquirer prepare their own DD before negotiation of the prospective transaction.

## Why Due Diligence is must

After going through DD, it is informed investment decisions for Investors and acquirers who get clear idea of the complex nature of the prospective acquisition and how risky is it and whether it will be strategic fit for their investment. In fact, DD is a base work before a big investment for growth and diversification.

Figure 1 – Due Diligence Process



Image source: Ignitedwings

## List of the Due Diligence queries for a M&A deal.

### 1. Target Company DD

- Why is the target company is being sold? Is such attempt first time?
- What are the business goals and vision of the company?
- How is the market standings of it in respect of products, services?
- Is the company strategically located?

### 2. Fiscal Issues

- Are the accounts and related documents regularly audited?
- What do the accounts and related documents indicate about the financial health and other aspects of the company?
- Are short and long term forecast are practical and pragmatic?
- What amount of net current asset is needed for operation of the company?
- What are the present expenses for acquiring fixed assets and related investment ?
- What is the outstanding creditors and and their respective ages?
- Is there any uncommon income recognition?
- Have the acquirer sufficient fund for the prospective deal or it will be borrowed?

### 3. Technology/Patents

How good are of the company's technology and intellectual property?. These should include patents, trademarks and copyright.

### 4. Matching Fit

- What synergies will be achieved by this acquisition?
- Will there be matching its resources and capabilities with the acquired company ?

### 5. Target Base

The company's target consumer base and the sales pipeline

- Who are the company's main customers?
- How stable is consumer demand for the company?

- Are there after sale service issues, and what is the customers' logjam?

## 6. Management/Workforce

- What is the present remuneration composition for different employees?
- What are the workmen and executive benefits?
- What are the policies of manpower?
- What are the backdrop of company's Key Management Personnel?
- Scheme of Management structure
- Synopsis of any labor disagreement
- History of any earlier, ongoing intimidation of workers' go slow, demonstration, visible commotion or other alike labour activity
- Employment related covenant in relation to officers, directors, key employees, and alike parties

## 7. Legal aspects

- What are the characters of the ongoing lawsuits?
- In court of law, what statutory and other financial demand are there from and against the company?
- List of Resolved lawsuits and their conditions of resolution

## 8. Information Technology

- What are the programs and other operating system in place in the company?
- What are the yearly IT support costs?
- What is the capacity of the present operating systems?
- In the target company, is there a natural calamity recuperation system, power shutdown recovery scheme and also plan how to handle hacking disruption in the IT system?

## 9. Corporate Affairs

- Promoter stake, main clauses of Memorandum and Article of Association specially the object clauses and internal policies of the Target company.
- List of key executives and directors.
- List of main Equity shareholders, Preference shareholders, if any, warrants holders of the target company?
- What is the structure of holding and subsidiaries, if any, of the target company?
- Present details of shareholders' covenant for both for voting and non-voting rights.
- Documents regarding earlier M&A, Compromise and Arrangement, if any, of the target company.

## 10. Environmental Aspects

- Are there damaging raw materials used in production processes not conducive to environment?

- Does the company have permanent environmental clearance from concerned ministries or is it renewed periodically?
- Are there any environmental lawsuit(s) or penalty or any enquiry investigations relation to the target company?

## 11. Production Capacity

- Who are the company's main outsourcers ?
- Who are in the company's list of main providers of raw materials, product or service?
- What is the cycle of work in progress and finished product to arrive at working capital cycle every month or is it a long cycle product or service?
- Are there any foreign collaboration or royalty covenant of company's products or services?

## 12. Marketing Plan

- Are there any buyback contract with any domestic or foreign company?
- What are the scheme for promoting and selling company's product or service.
- List of marketing workforce, wholesalers, retailers and their respective contract.
- How are the feed back from main customers?

## 13. Related Party Transactions

- Any intimate and indirect attachment of commercial nature of any officer, director, shareholder, or staff of the target company in any commercial dealing that in competition with or does deal with acquiree
- Any commercial deal with target company of any officer, director, shareholder or staff who are entitled to remuneration
- Any covenant in which any officer, director, shareholder, or staff has an commercial attachment in any property ( land and building, patent, trade mark, brand and other IP, personal asset and the like) of the target company

## 14. Insurance

In there adequate insurance covering following area -

- General liability insurance
- Cyber security insurance
- Insurance on patent, brand, trade mark and on other IP
- Car insurance
- Health insurance of employees
- Insurance on Key Management Personnel
- Employee liability insurance
- Umbrella policies

## 15. Cybersecurity and Data Privacy

It has become pertinent that a acquirer must go through



critically the vulnerability of cyber security and data privacy risks before buying the company. Do not take any version of the target company on the face value. It is better to employ a cyber security professional for such due diligence. It is a specialist job. Hacking may destabilize the target company if no appropriate cyber security measure has already been taken.

Due diligence should cover Cyber security threat and Data Privacy breach of target company on the following aspects:

- Pinpointing the key aspects of privacy and cyber security risks in particular industry and the type of the products and services
- Realising the network and system structure and application of cloud providers and third-party applications
- Try to realise the degree to which the target collects and applies customer personal information which are sensitive and also data of business collaborator and/or governmental agencies
- Understand if there is requirement for acquirer to get approval to employ personal or private information of the target company after deal is done
- Check whether target company has faced any earlier hacking of data and how they coped with it

Two Brief Case Studies of No/Hasty Due Diligence Disasters are mentioned below -

### 1. Dunlop Tyre Case

In 1984, R P Goenka Group of Ceat Tyre acquired Dunlop tyre. Shortly after acquisition, efficient work force and new machineries of Dunlop were sent to Ceat Tyre. Thereafter, Dunlop was acquired by Shaw Wallace. No due diligence was done for the deal. It was a deal disaster and flop acquisition for Shaw Wallace.

### 2. Acquisition of Kelvinator by Electrolux in 2001

Kelvinator was a main Indian player in domestic refrigerator market having market share of 40%. Key companies in the market were Samsung, LG, Voltas, Godrej, Videocon. Samsung and LG came into Indian market with non-CFC (Chloro Fluoro Carbon) compressors and all other Indian players were carrying with CFC compressor.

Electrolux of Sweden entered in haste in Indian refrigerator market by buying Kelvinator at an exorbitant price without proper Due Diligence especially in respect of Technology. Indian Government gradually wiped out CFC technology and in 2002 it banned its use. Shortly after purchase, Electrolux was forced to close down manufacture of CFC since all refrigerators of Kelvinator are of CFC. As a result, Raw materials, WIP, Finished stock became redundant. It was a massive blow. Obviously, main market share of Electrolux went to Samsung and LG. As a result, to keep with market demand, it commenced bringing refrigerators from holding company in Sweden. Because of unfavourable currency fluctuation, it was not viable both in the short and long run. Loss was piling. Being desperate, Electrolux put massive fund in non-CFC machinery for new refrigerators. However, by this time, demand of Electrolux came down to a great extent. Also by this time, major distributors of Electrolux joined to Samsung and LG. Ultimately, they had no option but to dispose of the company to Videocon.

### References

1. <https://www.forbes.com/sites/allbusiness/2019/03/27/comprehensive-guide-due-diligence-issues-mergers-and-acquisitions/#6fda01772574>
2. <https://seraf-investor.com/compass/article/learning-hard-way-due-diligence-mistakes>
3. <https://corporaterefinanceinstitute.com/resources/knowledge/deals/due-diligence-overview/>
4. <https://www.exigent-group.com/blog/what-is-ma-due-diligence-a-fresh-perspective-for-gcs/>

## NASHIK-OJHAR CHAPTER

### Online Session - “Success without Stress”

By considering current pandemic situation our Chapter conducted online session jointly with Art of Living on 16th September 2020.

During this session Guest Girija Dharade & Vasuda Madam guided student’s simple techniques to tackle stress during study. They also guided students by doing Pranayama. More than 60 students enjoyed the session.

CMA Kailas Shinde, Chairman of the Chapter delivered his chairman speech. Managing Committee Members CMA Nikhil S. Pawar host the programme. All other Managing Committee Members also participated actively. CMA Maithili Malpure also contributed for this programme.



# Importance of Proper Allocation, Apportionment and Absorption of Repairs Expenses

CMA Rajesh Kapadia

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

A Company is required to incur expenses on Repairs to keep its Plant & Machineries in good condition so that it facilitates smooth running of its Plant & Machinery. To arrive at reliable Product Cost, it is essential to ensure proper allocation, apportionment and absorption of All Cost Elements.

And Repairs Expenses being an important Cost Element, it is imperative to ensure its proper allocation, apportionment to Respective Cost Centres and thereafter its absorption in Final Product Cost which is exhibited in Annexure I. This makes it necessary to define Proper Cost Centres.

In Expense Voucher, proper Cost Centre should be mentioned to ensure proper booking of Repairs Expenses. List of Cost Centres should be provided to All Engineers as well as Purchase Department to ensure mentioning of Correct Cost Centre against each Expense Voucher. Sometimes, New Cost Centres are added to meet the Management Reporting Requirements. This Update should be provided to ALL Concerned.

It may be a good industrial practise to circulate Cost Centrewise Expenses on Repairs Expenses to Maintenance Manager regularly ( Say Quarterly). This will help identify booking of expenditure in wrong cost centre.

Maintenance Manager and his staff are adequately equipped to know any wrong booking of Repairs Expenses which can be suitably corrected. It may be a good practice to analyse Cost Centrewise Expenses on Repairs Expenses every quarter with previous quarter as well as corresponding quarter of previous year.

When a Costing System is established for the 1st time:

- 1) Either in the existing company or
- 2) In New Company than

It would be a better practice to educate the all concerned including the Maintenance people, Stores people and Purchase people about the Structure of Cost Centres and their importance. This will help and enable the Maintenance, Stores and Purchase people to use correct cost Centre.

A question may come before the management, how many cost centres company should have. Experience says- neither it should be too many

or nor too less. No of Cost Centres should be reasonable to facilitate management needs. Too many cost centres will confuse the users as some cost centres may be overlapping in nature. With too less cost centres, it may not be possible to address the management requirement.

It is always advisable to have Proper Costing System with Properly defined Cost Centres to have proper allocation, apportionment & absorption of Expenses on Repairs Expenses.

If the company does not have Proper Costing System with Properly defined Cost Centres, then it may create Practical Problem as enumerated below:

Under this situation, Company may have GL in Financial Accounting for booking of Repairs Expenses without assigning any Cost Centre to each Issue Voucher. Under this situation, if Management requires either Cost Centrewise Expenses on Repairs or Expenses on Repairs for any given Cost Centre / Cost Centres, then somebody from Finance or Costing will have to sit with Maintenance person to work out / ascertain Expenses for Repairs for required Cost Centres which will be very time consuming.

So, it is always advisable to have Proper Costing System with Properly defined Cost Centres. Following Illustration will explain Allocation, Apportionment & Absorption of Repairs Expenses. For booking of Repairs Expenses, company may have following GL in Financial Accounts.

Say: Repairs to Buildings

Repairs to Plant & Machinery

Repairs to Roads

Now, further say, Cost Centre for Boiler is 100. Say further, x amount is incurred as Repairs Expenses for Building of Boiler. This X amount will be debited to GL Repairs to Building against Cost Centre 100. Say further that Y amount is incurred as Repairs Expenses for Plant & Machinery of Boiler. So, this Y amount will be debited to GL – Repairs to Plant & Machinery against Cost Centre 100. This is how it will result in Proper Allocation of Cost Centrewise Repairs Expenses. And it will be allocated as Steam Cost to Product.

## ANNEXURE I – Cost Centrewise Repairs Expenses for Company / for Plant 1

YEAR	2019-20(Rs Lacs)	%	Allocation	Apportionment/ Absorption
<b>COST CENTRES</b>				
<b>Manufacturing Cost Centres</b>				
Manufacturing Plant-1			In Product Cost Sheet it will appear as Repairs Expenses	
Manufacturing Plant-2				
Manufacturing Plant-3				
<b>Utilities Cost Centres</b>				
Power Plant			Allocated to Respective Utilities	In Product Cost Sheet, it will appear as Cost of Respective Utilities
Boiler				
DM Water Plant				
Filtration Plant				
Cooling Water Plant				
Chilled Water Plant				
Air Compressor				
Nitrogen				
<b>Other Cost Centres</b>			Allocated	In Product Cost Sheet, it will appear as Factory Overheads
<b>TOTAL</b>				

NOTE : VIEWS EXPRESSED ARE PERSONAL VIEWS OF THE AUTHOR



## GST Corner

Compiled by CMA Vandit Trivedi

- Goods sent on approval basis (Section 31(4) of CGST Act) from 20th March 2020 to 30th October 2020, the time limit has extended to complete compliance up to 31st October 2020 (Notification - 66/2020-Central Tax dated 21.09.2020)
- Relaxation on payment of late fees for filing of Annual Return (GSTR-4) by the Composition taxpayer between 22 September 2020 to 30th October 2020
  - For “Nil” tax liability – Zero late fees
  - For Others – up to two hundred fifty rupees only (Notification - 67/2020-Central Tax dated 21.09.2020)
- Waiver of late fees for delay filing of Final return (GSTR -10) between 22 September 2020 to 30th December 2020 (Notification - 68/2020-Central Tax dated 21.09.2020)
- Due Date for filing of GSTR 9 & 9C has extended up to 31st October 2020 (Notification 69/2020-Central Tax dated 30.09.2020)
- E-invoicing applicability - Turnover of taxable person (Other than specified person & SEZ units & SEZ developers) is more than Rs. 500 crores for any preceding Financial Year 2017-18 (Notification 70/2020-Central Tax dated 30.09.2020)
- No Quick Reference (QR) Code for B2C invoices up to 30th November 2020. From 1st December 2020, the provision shall be applicable. (Notification 71/2020-Central Tax dated 30.09.2020)
- QR code having Invoice Reference Number (IRN) must be part of E- invoice. However, the Commissioner has empowered to exempt a person or any class of person from it (Notification 72/2020-Central Tax dated 30.09.2020)
- Extended exemption on services by way of transportation of goods by air or by sea from customs station of clearance in India to a place outside India, by one year i.e. up to 30.09.2021. (Notification 04/2020- Integrated Tax dated 30.09.2020)

### Updates from 42nd GST Council (5 October 2020):

- Compensation Cess to be levied beyond transitional period of five years
- Existing GST Compliance system i.e. filing of GSTR 3B & GSTR -1 shall be continued to file till 31st March 2020.
- New attributes of GST Portal from 1st January 2020 -
  - Refund to be released only with Aadhar link bank account
  - Revised the due date for filing of quarterly filing of GSTR -1. New revised date will be 13th of Succeeding the quarter.
  - Liability will be automatically travelled from GSTR -1 to GSTR -3B.
  - Auto population of liability from GSTR -1
  - The Tax payer, whose aggregate turnover is less than Five Crores rupees, can file return quarterly and with monthly payment of liability. For such quarter payments, the taxpayer can pay only up to thirty-five percentage in first two months of each quarter and balance in last month.
- Compulsory to file GSTR -1 before filing of GSTR -3B w.e.f. 1st April 2021

- Mandatory to furnish the details of HSN/SAC from 1st April 2020
  - HSN/SAC at 6 digits for supplies of both goods and services for taxpayers with aggregate annual turnover above Rs. 5 crores;
  - HSN/SAC at 4 digits for B2B supplies of both goods and services for taxpayers with aggregate annual turnover upto Rs. 5 crores;
  - Government to have power to notify 8digits HSN on notified class of supplies by all taxpayers. (separate notification will be issued to notify the amendments.)

### Compliance Calendar

Nature of Compliance	Due Date/ Extended Due Date
GSTR-3B (for turnover upto 5 Crore) for August 2020 for State category I	01 Oct. 2020
GSTR-3B (for turnover upto 5 Crore) for August 2020 for State category II	03 Oct. 2020
GSTR-7 (TDS Deductor) for the month of Sept. 2020	10 Oct. 2020
GSTR-8 (TCS Collector) for the month of Sept. 2020	10 Oct. 2020
GSTR-1 (for turnover of more than 1.5 cr) for Sept. 2020	11 Oct. 2020
GSTR-6 (Input Service Distributor) for Sept. 2020.	13 Oct. 2020
GST CMP 08 for the quarter of July 2020 to Sep. 2020	18 Oct. 2020
GSTR-3B (for turnover more than 5 Cr.) for Sep. 2020	20 Oct. 2020
GSTR-5 (Non-Resident Taxable Person) for Sept. 2020	20 Oct. 2020
GSTR-5A (OIDAR Service Provider) for Sept. 2020.	20 Oct. 2020
GSTR-3B (for turnover upto 5 Crore) for Sept. 2020 for State category I	22 Oct. 2020
GSTR-3B (for turnover upto 5 Crore) for Sept. 2020 for State category II	24 Oct. 2020
Quarterly GSTR-1 for the quarter of July 2020 to Sept. 2020	31 Oct. 2020
GSTR 9 for F/Y 2018-19 for taxpayers having annual aggregate turnover more than Rs. 2 cr.	31 Oct. 2020
GSTR 9C for F/Y 2018-19 for taxpayers having annual aggregate turnover more than Rs. 5 cr.	31 Oct. 2020
GSTR-4 (Annual Return) by Composition Dealer for the F/Y 2019-2020	31 Oct. 2020
GSTR-4 for the quarters from July 2017 to March 2020	31 Oct. 2020

**State Category I:** Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana or Andhra Pradesh or the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman, and the Nicobar Islands and Lakshadweep

**State Category II:** Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha or the Union territories of Jammu and Kashmir, Ladakh, Chandigarh and Delhi.

# CHAPTER NEWS

## AHMEDABAD

Chapter organized various CEPs during August-September 2020 for the members. CMA Malhar Dalwadi, Secretary of the Chapter gave welcome speech. CMA Haren Bhatt, Chairman of the Chapter and CMA Dakshesh Choksi, Chairman of P.D. Committee welcomed faculties during the session. There were many members who attended the programs organized by Chapter. The 3 days series workshop was also attended by many Intermediate students as a part of their computer training. The programs were well-appreciated by participants. CMA Malhar Dalwadi proposed vote of thanks.

### Details of CEP during 01-08-2020 to 30-09-2020

Date	Topic-Subject of Program	Name of Faculty
29-08-2020	Recent updates in Income Tax Laws	CA Divyang Shah
01-09-2020 02-09-2020 04-09-2020	3 Days series of Workshop on Advance Excel, PowerPoint & word	Prof. Amanulla Shethwala
26-09-2020	Export of Goods under GST	Mr. Sree Ram Kaza

Press note of CMA foundation students online exam result was given to all print and electronic media. All leading newspapers of Ahmedabad gave detailed coverage of this exam result.

## BHARUCH-ANKLESHWAR

### Webinar on 16.09.2020

Chapter organized a Webinar on 'Covid 19 opportunities' on 16.09.2020. Webinar was addressed by CMA Harshad Deshpande, Chairman WIRC as keynote speaker. Welcome Note was made by CMA R A Mehta, Chairman of the Chapter explaining the activities of Chapter and support of all industries. Introduction of Chief Guest was made by Founder Chairman of the Chapter CMA S N Mundara. CMA Laxman Pawar explained the opportunities to CMA in IBC, Independent Director, valuer in detail. He explained that in view of Covid 19 professionals need to get additional professional qualifications like valuer, insolvency and cost effective techniques to survive in difficult times. Programme was co-ordinated by CMA Virag Shah and CMA R.K.Rathi. CMA Shailendra Saxena appreciated the presentation.

### Webinar on 23.09.2020

Chapter organized a Webinar on MSME for Atmanirbhar Bharat on 23.09.2020. Webinar was addressed by Vice-Chairman, WIRC, CMA Dinesh Birla as keynote speaker. Welcome Note was made by CMA R A Mehta, Chairman, explaining the activities of Chapter and support of all industries. Introduction of Chief Guest was made by Founder Chairman of the Chapter CMA S N Mundara. Programme was co-ordinated by CMA Virag Shah and CMA R. K. Rathi. CMA A R Patel presented concluding remarks and CMA Virag Shah presented vote of thanks. CMA Shailendra Saxena appreciated the presentation.

## NASHIK-OJHAR

### Live interactive session on "Data Analytics"

Chapter organized a Live session for members and other stakeholders on 9th September 2020 on "Data Analytics". CMA Kailash Shinde, Chairman of Chapter welcomed the speakers and the participants. Dr. CMA Shilpa Parkhi, a practicing Cost Accountant and Past Chairman of Nashik-Ojhar Chapter was the speaker. She explained the types of data analytics to improve the decision-making process, how to choose the most appropriate data analytic tools etc. Session was useful to everyone. All Committee members took active participation in this session.

The session ended with a vote of thanks given by CMA Nikhil S. Pawar. Felicitation Programme for All Passed students — Foundation — September 2020.

Chapter recently conducted virtual Felicitation Programme for all foundation passed students on 27th September 2020. Total 25 students cleared their foundation. First time our Institute conducted online exam for foundation due to pandemic COVID-19 situations. The Chief Guest for said event was CMA R.K. Deodhar, Past Chairman of Nasik Chapter. CMA Chaitanya Mohrir, Committee Member of WIRC felicitated the successful students and guided them for future studies and courses. The programme was attended by all successful students through the online mode. Some students share their experience about their success and hard work. CMA members were also present for the programme. Programme was co-ordinated by Amit Jadhav and CMA Maithili Malpure (Oral coaching Faculty). Chairman CMA Kailash Shinde delivered the Chairman Speech and give warm wishes to students on their success. CMA Nikhil S. Pawar (Managing Committee Member) addressed the students about various training conducted by Chapter also told importance of Practical training and soft skills. CMA Mayur Nikam, Secretary of the Nasik Chapter also wished students for their future career. Vote of thanks was given by CMA Dipak Jagtap, (Treasurer). All other committee members also participated to take this programme to greater heights.

## PIMPRI-CHINCHWAD-AKURDI

### Webinar on 'Preparation of Resolution Plan under IBC' on 6th September 2020

Chapter conducted webinar on 'Preparation of Resolution Plan under IBC' on 6th September 2020 through Google Digital platform. CMA Pradeep Deshpande, Secretary welcomed all the members present for the webinar. He introduced the speaker CMA L D Pawar, practicing Cost Accountant and Past Chairman – WIRC of ICAI.

CMA L D Pawar in his speech focused on the objectives of IBC Code. Accordingly he said that – An Act to consolidate and amend the laws relating to re-organisation and insolvency resolution of corporate persons, partnership firms and individuals in a time-bound manner for

maximization of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders including alteration in the order of priority of payment of Government dues and to establish an Insolvency and Bankruptcy Board of India and for matters connected therewith or incidental thereto. This code is planned, to guarantee the resolution of the debt of corporate people, in a time-bound way. The lenders, operational and financial creditors, are subjected to the mandatory compliance with all the formalities referenced under the code, to documentation of an application with the National Company Law Tribunal (NCLT) for starting the insolvency resolution process against the corporate borrower. Further he said, a resolution plan is a proposal that aims to provide a resolution to the problem of the corporate debtor's insolvency and its consequent inability to pay off debts. It needs to be approved by the committee of creditors ("COC") and comply with mandatory requirements prescribed in IBC. Section 5(26) of IBC, 2016 - "Resolution plan" means a plan proposed by resolution applicant for insolvency resolution of the corporate debtor as a going concern in accordance with Part II. Then he briefed on the person who can be the Resolution Applicant and who cannot be the Resolution Applicant.

#### **Webinar on 'Effective and Useful Cost Audit in Manufacturing Industries'**

Chapter conducted webinar on 'Effective and Useful Cost Audit in Manufacturing Industries' on 12th September 2020 through Google Digital platform. CMA Jayant Hampiholi, Chairman welcomed all the members present for the webinar. He introduced the speaker CMA Dhananjay Kumar Vatsyayan, practicing Cost Accountant.

CMA Dhananjay Vatsyayan in speech started with types of Products and the Specifications in Industries. He gave examples accordingly such as Automobile, Mobile, Pharmaceuticals, Chemicals, and Sugar etc. He said in type of products there are two specifications. One is Individual Specification which is necessary for the Project and second is Common Specification required for the Product.

Then he briefed on the Capacity i.e. Licensed Capacity, Normal Capacity, Installed Capacity, Actual Capacity, Utilized Capacity and Unutilized Capacity etc. He explained about the working process by taking example of Sugar Industry. CMA Pradeep Deshpande, Secretary – PCA Chapter proposed the vote of thanks.

#### **Webinar on 'Total Cost Management'**

Chapter conducted webinar on 'Total Cost Management' on 19th September 2020 through Google Digital platform.

CMA Pradeep Deshpande, Secretary welcomed all the members present for the webinar. He introduced the speaker CMA Ashish Inamdar, practicing Cost Accountant.

CMA Ashish Inamdar in his speech said, our mission is to help our clients prosper by providing them with a wide array of Professional Business and individual services, products and solutions to help them better manage their resources. We endeavour to provide superior client service and build long term client relationship. He further said that the

modern business environment has changed drastically in a short time. Then he briefed on various services provided by the professionals. CMA Sagar Malpure, Managing Committee Member – PCA Chapter proposed the vote of thanks.

#### **Webinar on 'Unlock o Take-Off – A Paradigm shift for CMA's'**

Chapter conducted webinar on 'Unlock o Take-Off – A Paradigm shift for CMA's' on 26th September 2020 through Google Digital platform. CMA Ashish Deshmukh, Past Chairman of PCA Chapter welcomed all the members present for the webinar. He introduced the speaker CMA Gopal Bhutada, Head – Business Finance, Tata Motors Ltd. CMA Gopal Bhutada in his speech said, we are facing a global crisis unlike any we have known. Even before the inset of pandemic, global economy was confronting turbulence on account of disruptions in trade flows and weakened worth growth. COVID-19 is first & foremost, a global humanitarian challenge as thousands of healthcare professionals / support services are battling the virus, putting their own lives at risk. Normal life has stopped for more than billion people as the virus forces the world into isolation, throwing business into disarray. Governments & Industries response has been nimble to the crisis as they are working towards understanding & addressing the challenges, support communities & search for treatments. The current disruption has been all pervasive. He further said that the cases of Covid-19 are being witnessed by more than 200 countries around the world and India has been no exception to the virus and took a tough call to impose nationwide lockdown from 24th March 2020.

He then briefed on what will have changed as a result of what's happening now – Economic Impact of the Crisis, Government of India's response to the pandemic and Path to new normal Role of Management Accountants. He said we have a pivotal role for making sense of the future. Contents-wise he focused on Context Setting, Historical perspective, Changing Roles of CMAs, Live Industry experiences. CMA Pradeep Deshpande, Secretary – PCA Chapter proposed the vote of thanks.

### **PUNE**

#### **Webinar on "Scope & Challenges for RV in Draft Valuers Bill"**

Chapter arranged Webinar for members on 5th Sept. 2020 on the topic "Scope & Challenges for RV in Draft Valuers Bill". Speaker for the session was CA Dhananjay Satarkar, Practicing Chartered Accountant. CMA Rahul Chincholkar, Chairman Students Co-ordination Committee, Chapter welcomed & introduced the Speaker to the participants. CMA Shrikant Ippalpalli expressed vote of thanks.

Webinar on "Essentials and Practical Aspects of Presumptive Taxation". Chapter arranged Webinar for members on 12th September 2020 on "Essentials and Practical Aspects of Presumptive Taxation". Speaker for the session was CA Prajakta Chincholkar, Practicing Chartered Accountant). Very knowledge sharing session given by Speaker. It was very Informative and useful for participants.

### **Webinar on “Various provisions under Companies Act for CMA Profession”**

Chapter organized Webinar for members on 19th September 2020 on “Various provisions under Companies Act for CMA Profession”. Speaker for the session was CMA Bharat Zanvar. Vote of thanks given by CMA Rahul Chincholkar, Chairman Students Co-ordination Committee of the Chapter.

### **Nominating List of Applicants for Engagement of young professional scheme in the office of ROC Pune.**

Ministry of Corporate Affairs through its field offices of RD/ROC provides an opportunity for Young Professionals (YPs) (Chartered Accountant/ Cost Accountants/Company Secretaries) to have an internship.

As per the request received from RD regarding nomination of candidates for engagement of young professionals, the Chapter has taken necessary action by forwarding the notice inviting applications from willing professionals had been circulated to members (who are searching jobs), display in office Notice board for Visibility and informed to Qualified Members (who are visiting chapter). Besides this, the applications which received were scrutinized by the Chapter office as per the terms and conditions prescribed under the Scheme framed by the Ministry .Only the suitable candidates having integrity & after assessment, were nominated to ROC office for further processing.

### **Webinar on “Recent amendments in GST Return filing procedures and availing of ITC”**

Chapter arranged Webinar for members on 26th September 2020 on “Recent amendments in GST Return filing procedures and availing of ITC”. Speaker for the session was CMA Rahul Pore, Practicing Cost Accountant CMA Rahul Chincholkar, Chairman Students Co-ordination Committee, of the Chapter welcomed to the Speaker and participants & also proposed vote of thanks.

### **Office Bearers for the year 2020-21**

CMA Sujata Budhkar	- <i>Chairman</i>
CMA Abhay Deodhar	- <i>Vice Chairman</i>
CMA Simta Kulkarni	- <i>Hon. Secretary</i>
CMA Nagesh Bhagane	- <i>Treasurer</i>

## **SURAT-SOUTH GUJARAT**

### **Social Awareness Program**

As per the guidelines issued by the Central Government & HQ regarding the COVID-19 pandemic, Chapter held the program on on “Positivity in Adversity” on 19th September 2020 through the google meet and it was cast live on YouTube. The Speaker of the program was Swami Shree Gnanvatsaldasji from BAPS - Swaminarayan. CMA Bharat Savani, Chairman of the Chapter presented a welcome address and Immediate Past Chairman, CMA Brijesh Mali gave introduction of the Speaker to the members. Swamiji spoke about how to be positive in this pandemic situation by illustrating the examples of successful people around the world and answered several questions from

the members. Around 800 members took the benefit of the program. CMA Pankaj Kannaujiya, Secretary of the Chapter proposed vote of thanks.

### **Press meet for Declaration of Result for June-2020 Foundation Exam**

By taking all necessary safety precautions & following the Government & HQ guidelines, the Chapter hosted a Press Meet at the Chapter’s campus, at Ritz Square, Ghod Dod Road, Surat. CMA Bharat Savani, Chairman, CMA Bhanwar Lal Gurjar Vice-Chairman, CMA Brijesh Mali, Immediate Past Chairman, CMA Kishor Waghela, CMA Mahesh Bhalala, Managing Committee Members and students joined the Meet. The Press Meet was being held for the declaration of results for Foundation exam held for June 2020 term the exam was held online and in September due to Covid Pandemic. 40 students appeared for online exam. 35 students passed. The Chairman along with the managing Committee honoured the top 5 students and congratulated the Students and motivated them for future and also thanked our honourable faculties for their support to students and Chapter by continuing the Oral Coaching even through digital platform from home during lockdown. CEP on “Various Opportunities & products for CMAs & CMA students offered by Bank of Baroda.

Chapter organized a webinar on “Various Opportunities & products for CMAs & CMA students offered by Bank of Baroda” on 26th Sept. 2020 through google meet. CMA Bharat Savani Chairman presented formal welcome address to all the participants. CMA Keval Shah (Treasurer), CMA Kishor Vaghela and CMA Mahesh Bhalala – Managing Committee Members introduced the speakers to the participants. About 50 members joined the programs. CMA Keval Shah, Treasurer presented formal vote of thanks.

### **CEP on “Practical Issues faced while filing GSTR-9, GSTR-9C & GST Audit**

Chapter organized a Webinar on the subject of “Practical Issues faced while filing GSTR 9, 9C and GST Audit” on 30th Sept. 2020 through Google Meet. Chief Guest for the program was CMA Harshad Deshpande, Chairman-WIRC, accompanied with CMA Dinesh Kumar Birla, Vice-Chairman, WIRC, CMA Vikas Deodar, Past President-ICAI. CMA Bharat Savani, Chairman presented the formal welcome address and also introduced the Chief Guest by briefing his profile & achievements to all the participants. CMA Manubhai Desai, Past Chairman of WIRC & Chapter graced the occasion with briefing members and showering them with blessings and good luck. CMA Keval Shah, Treasurer, introduced CMA Nidhi Bhandhari, Speaker to the audience. CMA Nidhi commenced her session and gave a brief on Annual Return GSTR9. CMA Bhanwarlal Gurjar, Vice-Chairman introduced the second speaker CMA Dr. Shailendra Saxena, Past Chairman. He guided all the participants about the Practical Aspects of GSTR-9C & GST Audit. At the end of the session, the speaker answered the queries of the participants. About 55 members took part in it. CMA Kishor Vaghela, Managing Committee Member of the Chapter proposed vote of thanks.



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

## WESTERN INDIA REGIONAL COUNCIL



First time in the History of WIRC, Women Empowerment Committee Presents A tribute to the Divine Power of Women by worshipping nine Avatars of MAA DURGA

Requesting participants to follow the colours

Never get so busy making a "Living" that you forget to make a "LIFE"

**WORK LIFE BALANCE**

**1**

**Saturday, 17 October**  
At 4 P M

Attire - Grey Color  
By CMA Ulka Kalaskar  
By CMA Arundhati Basu  
By CMA Jyoti Satish  
By CMA Parvathy Venkatesh

BEAUTY GETS THE ATTENTION  
BUT  
PERSONALITY GETS THE HEART

**2**

SMART CMA'S  
GET READY TO OWN YOUR STYLE WITH ATTITUDE  
**SUNDAY, 18 OCTOBER, AT 4 PM**  
ATTIRE - ORANGE COLOR  
BY CMA VAISHNEVI DESHPANDE, MAKE UP ARTIST

**ANNAPURNA**

"Live with Passion"  
Bringing from Industry to Kitchen

**3**

**Monday, 19 October**  
Attire - White Color  
At your home - 4 PM  
By CMA Renu Kulkarni, Renu's Rasoi  
Blogger & Shreya

When to Sell,  
When to Buy  
and  
When to Wait  
Learn at your home

**4**

**INVESTMENT MANAGEMENT**

Mrs. Deena Mehta, M.D.,  
Asit C. Mehta Investments

**Tuesday, 20 October at 4 PM**  
Attire - Yellow Color

A Leader is one who knows the way  
goes the way and shows the way.

**5**

**LEADERSHIP SKILLS**

**Wednesday, 21 October**  
At 4 PM  
Now at your own Place  
Attire - Blue Color

BY DIVYA BHATIA

The greatest

**6**

**HEALTH IS WEALTH**

**Thursday, 22 October**  
At 4 PM

Attire - Red Color  
By Dr Neha Karnik

NEVER LET AGE  
EXTINGUISH YOUR INNER  
CHILD

You are invited to join us to have some fun and entertainment

**7**

**ACTIVITIES & GAMES**

**Friday, 23 October**  
At 4:00 PM  
Attire - Green Color  
At your own house

By - CMA Sakshi Jain

SO MUCH FUN

LOOK BEYOND THE HORIZON  
THAT'S WHERE THE  
OPPORTUNITIES ARE....

**8**

**NEW AVENUES  
BEYOND THE  
HORIZON**

**Saturday, 24 October**  
At 4 PM  
Attire - Peacock Green

With regards

CMA Harshad Deshpande  
Chairman

CMA Dinesh Kumar Birla  
Vice Chairman

CMA Ashishkumar Bhavsar  
Hon. Secretary

CMA Mahendra Bhombe  
Treasurer



Felicitation of CMA Harshad Deshpande,  
Newly elected Chairman, WIRC



Felicitation of CMA D. K. Birla, Newly  
Elected Vice Chairman of WIRC



Felicitation of CMA Ashish Bhavsar,  
Newly Elected Hon. Secretary of WIRC



New Office Bearers of WIRC for the year 2020-21



CMA Harshad Deshpande, Chairman WIRC met Shri Vikas  
S.N. Gaunekar, Registrar of Co-op. Societies, Pune

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.