WIRC BULLETIN

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CAMPUS PLACEMENT – OCTOBER 2017

COMPANIES PARTICIPATED

Deloitte.

Evosys Passionate Evolutionary Friendly Meaningful

TATA MOTORS

LARSEN & TOUBRO

RSM Astute Consulting

vedanta

ITC Limited

L&T Construction

Campus Placement for the June 2017 Final passed Students was held on 13th & 14th October 2017 at Mumbai. Total 8 Companies participated in Campus and selected 36 fresh CMAs.

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WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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ICAI Campus Placements held on 13th & 14th October 2017 at Mumbai

CMA Kailash Gandhi, Chairman WIRC

CMA Shriram Mahankaliwar, Hon. Secretary WIRC

CMA P. V. Bhattad, Past President & CCM - ICAI

CMA Harshad Deshpande, Treasurer WIRC


(L to R) - CMA Debasish Mitra, RCM, CMA Kailash Gandhi, Chairman WIRC, CMA P.V. Bhattad, Past President and CCM-ICAI and CMA Harshad Deshpande, Treasurer WIRC during the Campus Placement

CMA Debasish Mitra, RCM and Past Chairman WIRC


CMA P.V. Bhattad, Past President and CCM-ICAI felicitating Team L & T Construction.


Felicitation of Team Evosys by CMA Kailash Gandhi, Chairman WIRC


CMA Shriram Mahankaliwar, Hon. Secretary WIRC feliciating Team RSM Astute


CMA P.V. Bhattad, Past President and CCM-ICAI and CMA Kailash Gandhi, Chairman WIRC -with Team Tata Motors


View of fresh CMAs


View of fresh CMAs

From the Desk of Chairman

Dear Members and Students,

The festive season is over, ditto for the audit season. In the last few months, we were focused on student activities like admissions, Students day - Eklavya, Campus placement and the like. Now is the time to accelerate Member activities, as well. Here's a humble appeal to all members, please participate in large numbers to make every event a big success. And I can assure you there are many of them lined up.

Our Institute Chapters are indeed our back bones in respective regions. A vibrant, dedicated and hardworking Managing Committee at the Chapter level can bring about a sea change in every Region of our presence. I congratulate each member of the new Managing Committee across Chapters for the 2017- 2019 term. I am sure that these new Committee Members would work incessantly towards serving the larger cause of students and members. Good luck to one and all.

Last month was ripe with activities. The Campus placement organized in WIRC on 13th and 14th October at Mumbai was a stupendous success. 36 Students got placed in reputed companies. This is an encouraging development for the companies, our budding Cost Accountants and for WIRC. I whole heartedly appreciate the efforts of HO training and development committee, my Council colleagues, members who shared corporate references and the WIRC staff. We appeal to all our members to ensure more participation from esteemed companies in the next campus slated in April 2018.

To provide employment opportunities to our CMA Final & Intermediate Passed Candidates on a continuous basis, we have initiated a process of approaching best-in-class companies and requesting them to recruit "CMAs". We are getting a positive response and we have started sending e-mails to students for the needful requirements. I once again appeal to all members in industry and practice to share your requirements with the WIRC office and we would communicatethe same to students via e-mail. This is a win-win process for all and it will help the Institute to further strengthen the relationship between students and members.

The scope of our profession is growing by leaps and bounds, and we need to ensure commensurate capacity building in every key sector. Hence, we plan to host CEPs which can help members gain knowledge and develop interest on varied subjects.

Snapshot of October 2017 Activities:

- Observance of Rashtriya Ekta Diwas (National Unity Day) and Rashtriya Ekta Diwas Shapath (Pledge) taken by WIRC Staff and Students today at WIRC office.
- Campus Placement on 13th & 14th October 2017 at Shah Institute, Ghatkopar. 36 Students got the placement.
- CEP - Valuation Rules under GST & Changes in GST post 22nd GST Council Meeting - 14th October 2017 at Thane SMFC - CMA Harshad Deshpande
- CEP on Decoding the Valuation Rules - 27th October 2017 at WIRC Office by CMA (Dr.) V. V. L. N. Sastry
- CEP on Accounting Techniques and Reporting of Property Plant & Equipment under guidelines of Ind AS - 29th October 2017 at Thane SMFC by CMA Sudip Bhattacharya
- Full day Seminar on Effective Cost Management in Bank & Improve Customer Relationship on 3rd November 2017 at WIRC - faculty - Mr. K.C. Jani, Managing Partner, Areion Corporate Advisors (I) Pvt. Ltd (Ex-ED - IDBI Bank) and CMA Dilip Y. Tawde, General Manager, The Saraswat Co-op. Bank Ltd.
- CEP on CMAs Role in The Customs Act - 1962 on 4th November 2017 at Borivli SMFC by Mr. Kamlesh Joshi, Director, Babaji Shivram Clearing and Carriers Pvt. Ltd.

Registered Valuers

The Ministry of Corporate Affairs (MCA) has notified the provisions governing valuation by registered valuers [section 247 of the Companies Act, 2013 (the Act)] and the Companies (Registered Valuers and Valuation) Rules, 2017 (the Rules), both to come into effect from 18 October, 2017. CMAs are recognized in the Rules, which gives one more good opportunity to CMA professionals to diversify the portfolio and do practice in non conventional areas. I urge members to be aware of these Rules and take benefits of the recognition in this new avenue.

Jai Hind!!!

CMA Kailash Gandhi

Expectations from forthcoming meeting of GST Council on 10th November 2017

CMA Ashok B. Nawal
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Hon. Prime Minister of India has very clearly stated that Govt. is not inflexible in understanding the problems faced by Trade & Industry, Professionals, Exporters and Consumer at large. Hon. Finance Minister, Shri Arun Jaitely have received the ET Award for Business Reformer of the year. Undoubtedly 2016-17 will be known as an Economic Reform Year on account ofdemonetization wide acceptance of digital transactions and introduction of Bankruptcy and Insolvency Law and height of reform is Introduction of GST - One Nation & One Tax.

Introduction of GST is the biggestTax Reform in the economic legislative history of India and therefore there are lot of issues which has remain unaddressedbefore implementation of GST and therefore each person has faced the difficulties. However, one has to appreciate the difficulties faced are negligible as compared to expected gains of the GST, since difficulties are in the nature of readiness of the system, awareness of all stake holders and overcoming earlier practices and adopting new practices. Hon. Finance Minister, Shri Arun Jaitely and all members of GST Council to be uploaded for their seriousness in solving the issues and taking the proactive decisions even after 1st July 2017, which can be listed.

Meeting	Date	Important Decisions
21st Meeting	9th Sept 2017	1. Due date for filing return has been extended as follows: Due dates for filing of the above-mentioned returns for subsequent periods shall be notified at a later date. 2. GSTR-3B will continue to be filed for the months of August to December 2017. 3. Option to opt for composition levy will be available till 30th September 2017. Such person can avail benefit of composition scheme from 1st October 2017. 4. Person making inter-state supply of handicraft upto aggregate total turnover of Rs. 20 Lakhs will not be liable for registration provided goods always move with cover of e-way bill. 5. Job worker making interstate supply of service is not liable for registration upto total aggregate turnover of Rs. 20 Lakhs as long as the goods move under the cover of an e-way bill. This exemption will not be available to job work in relation to jewellery, goldsmiths' and silversmiths' wares as covered under Chapter 71 which do not require e-way bill. 6. Due date for submission of FORM GST TRAN-1 has been extended to 31st October 2017 and the same can be revised once. 7. The registration for persons liable to deduct tax at source (TDS) and collect tax at source (TCS) will commence from 18th September 2017. However, the date from which TDS and TCS will be deducted or collected will be notified later. 8. It is proposed to increase compensation cess for the SUV, Large Cars and Mid Sze cars. 9. GST Rate change for number of items 10. For pulses, cereals and flours, put up in unit container and bearing a registered brand name,
20th Meeting	5th August 2017	1. E-way bill to be rolled out from 1st October. However, the same will not be required to transfer exempted goods. 2. In-principle approval is given to anti-profiteering measures and proposal is made to set up a Screening Committee in 15 days to see if tax reductions after implementation of GST have been passed on to consumers 3. Proposal to alter Tax Rates w.r.t. following:

Meeting	Date	Important Decisions
		* Rate of tax on few tractor parts to be reduced from 28% to 18% * Rate of tax to be lowered for rent a cab service * Work contracts under GST will be taxed at 12% with input tax credit * Rate of tax for job work for textile sector to be lowered from 18% to 5%
19th Meeting	17th July 2017	• Hiked cess on cigarettes to take away the windfall manufacturers were reaping due to anomaly that crept in after the GST rate fixation. • Peak GST rate of 28% stays and so does 5% ad valorem cess on top of it, the fixed cess has been hiked between Rs 485 and Rs 792 per thousand sticks

If we analyze, major decisions can be classified into:

- Businesses with a turnover of Rs 1.5 crore to pay tax and file returns quarterly instead of monthly
- Has raised the composition scheme threshold to Rs 1 crore from Rs 75 lakh
- Service providers providing Inter-State services up to Rs 20 lakh will be exempted from GST
- Exempted exporters from payment of tax under various promotion schemes
- Suspended Reverse Charge Mechanism until the fiscal year-end
- e-wallet facility by April; will be provided with notional credit as an advance refund for exporters
- Merchant Exporters need to pay 0.1 percent GST on goods they source
- Slashed tax rates on number of items, including man-made yarn, a key demand of the textiles sector
- Set up a group of ministers to examine issues concerning the small-scale sector
- Extension of filling the GSTRReturns
- Extending the period of filing the GSTR-3B upto March 2018.
- Postponing introduction of E-Way Bill from 1st April 2018
- Allowing Inter-State Supply for claiming the threshold limit exemption
- Postponing Payment of GST on reverse charge when goods or services are received from un-registered person.

However, following issues needs to be addressed for overall acceptance of smooth implementation of GST without any hard feelings.

Issues	Solutions
Reporting of each transaction of outward supplies and inward supplies on monthly basis and matching of the same have become absolute cumbersome ad lot of manhours are wasted on account of huge databasecoupled with technical problems faced by GSTN.	These returns to be discontinued and quarterly statement of inward supply and outward supply can be uploaded through excel file on quarterly basis and quarterly basis only matching can be done by GSTN and mismatch report is to be sent to the taxpayer for removal of mismatches. It will help taxpayersand there will be ease of doing business.
Reduction in Tax Rates	• Rates of certain goods attracting GST @28% needs to be reviewed. • Wherever there are same Four Digit HSN Code attracting the different rate considering the description of goods, rates has to be made at par and there should not be two slabs for the items falling under Four Digit based on different description. • Further, Service Accounting Code should not be insisted and rate of services for legal, telephone / mobile, internet and the services which are used by common man should be reduced to 12%. • Rate of Composition Scheme should be reduced by 50%.

Issues	Solutions
Removal of issues discussed by the High level authority headed by Hon. Finance Minister of Bihar for monitoring and resolving the IT challenges faced in the implementation of GST	Considering the number of technical issues faced by taxpayers (Large, Medium & Small) till the time such issues are not resolved. Simple GSTR3 -3B to be continued and other GSTR-1, 2 & 3 to be discontinued.
Number of Taxpayers notices the errors subsequent to filing GSTR-3B but till the time GSTR-1, 2 & 3 are not filed the liability cannot be paid correctly or adjusted correctly and therefore interest liability may go up.	There should be a provision to revise GSTR-3B till the time system is updated and finally working smoothly.
Exports: In spite ofdecision of granting refund, exporters so far have not received refund of duty paid on exports.	Refund to be granted based on the total statement of exports which can be uploaded in the system and such refund can be granted after taking suitable bond, so that exporters will not have to face heavy liquidity crunch.
Supply to Advance Authorisation & EPCG Authorisation and Supply to EOU are considered as Deemed Exports and Supplier is required to claim the refund after giving the evidences namely • Acknowledgment by the jurisdictional Tax officer of the Advance Authorisationholder or Export Promotion Capital Goods Authorisation holder, as the case may be, that the said deemed export supplies have been received by the said Advance Authorisation or Export Promotion Capital Goods Authorisation holder, or a copy ofthe tax invoice under which such supplies have been made by the supplier, dulysigned by the recipient Export Oriented Unit that said deemed export supplies havebeen received by it. • An undertaking by the recipient of deemed export supplies that no input tax credit onsuch supplies has been availed of by him. • An undertaking by the recipient of deemed export supplies that he shall not claim therefund in respect of such supplies and the supplier may claim the refund	Supplies against Advance Authorisation and EPCG Authorisation and supplies to EOU should attract GST @0.1% as applicable for supplies to Merchant Exporter. Leakages, if any can be cross-checked after getting either GSTR-2 or statement of inward supplies of such taxpayer holding Advance Authorisation or EPCG Authorisation / EOU.
Consumers were expecting benefit of GST and expecting reduction in prices. However, prices hardly changed	Effective implementation of anti-profiteering measures as envisaged u/s 171 of CGST Act 2017 should be done and information to be published in the local news paper. MRP, wherever printed should be inclusive of GST.
Lack of awareness and Training to the Traders & MSME Sectors.	There should be series of programs and workshops to be arranged free of cost by Central Govt & State Govt giving practical solutions and making awareness programs to the Trade & MSME Sector in local language.

If above measures are taken, majority of the issues/ problems faced by all Stake Holders will be reduced and there will be a positivity towards GST and each citizen will gladly accept the change, which is the best forEconomic Development.

Registered Valuers : New opportunity for CMAs

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The Ministry of Corporate Affairs (MCA) has notified the provisions governing valuation by registered valuers [section 247 of the Companies Act, 2013 (the Act)] and the Companies (Registered Valuers and Valuation) Rules, 2017 (the Rules), both to come into effect from 18 October, 2017. In addition, to administer and perform functions under the said rules, the MCA by way of notification on 23 October, 2017, has specified the Insolvency and Bankruptcy Board of India (IBBI) as the responsible authority.

The concept of Registered Valuers was brought by The Companies Act, 2013 to regulate the practice of Valuation in India and to standardize the valuation in line with International standards. However the valuer's qualification, experience, manner and process was not prescribed.

Valuation denotes the Value of the underlying assets as on a particular date. Business/Asset valuation is critical for strategic business decisions including fund raising, M&A, Sale/Liquidation of businesses, Strategic business decisions like Family or Shareholders disputes, Voluntary value assessment or may be just to comply with certain regulatory or accounting requirements in India under RBI, Income Tax, Companies Act, SEBI Laws etc. Better Corporate Governance is also leading to requirement of independent Business Valuations. Companies like Infosys have reported Valuation of Human resources as part of their Voluntary disclosures for many years.

Valuation itself is an evolving field and is an inexact science. Professional judgement of valuer is thus critical in any valuation exercise. Due to lack of Indian Valuation Standards and absence of any Regulatory Authority to control, guide and develop the practice of valuation in India, different valuers have been taking different assumptions leading to drastic differences in value conclusion. In many cases, the valuation also lacks uniformity and generally accepted global valuation practices.

The following persons shall be eligible to apply for being registered as a valuer:

- A chartered accountant, company secretary or cost accountant who is in whole-time practice, or retired member of Indian Corporate Law Service or any Indian Citizen holding equivalent Indian or foreign qualification as the Ministry of Corporate Affairs may by an order recognize.
- A Merchant Banker registered with SEBI and having in his employment persons having qualifications as mentioned above to carry out valuation services by such qualified persons
- A member of the Institute of Engineers and who is in whole-time practice
- A member of the Institute of Architects and who is in whole-time practice
  5 years of continuous post membership experience is mandatory in all the above cases.

SPECIFIC PROVISIONS UNDER THE COMPANIES ACT, 2013 WHICH REQUIRES VALUATION REPORT FROM A REGISTERED VALUER

S.No.	Section	Particulars	Details
1	12(1)C	Valuation report for Further Issue of Shares	If any company proposes to issue new shares (excepta rights issue to existing shareholders or to employees under employees stock options), the price of such shares should be determined by the valuation report of a Registered Valuer.
2	192(2)	Valuation of Assets Involved in Arrangement of Non cash transactions involving Directors	In case of sale or purchase of any asset involving a company and the directors of the company (or its holding, subsidiary or associate company) or a person connected with the Director for consideration other than cash, the value of the assets has to be calculated by a Registered V
3	230(2)(c)(v)	Valuation of shares, property and assets of the Company under a scheme of Corporate Debt Restructuring	In case of a compromise or arrangement between members (such as in mergers or amalgamations) or with creditors (such as in corporate debt restructuring), a valuation report in respect of

S.No.	Section	Particulars	Details
			shares, property or assets, tangible and intangible, movable and immovable of the company, or a swap ratio report by a Registered Valuer is required. • In case of mergers, the directors are also required to circulate a report to members specifying, inter alia, any
4	230(3)	Valuation report along with Notice of creditors/shareholders meeting-Under scheme of compromise/Arrangement	In case of a compromise or arrangement between members (such as in mergers or amalgamations) or with creditors, a valuation report in respect of shares, property or assets, tangible and intangible, movable and immovable of the company, or a swap ratio report by a Registered Valuer is required.
5	232(2(d)	The report of the expert with regard to valuation, if any, would be circulated for meeting of creditors/Members	Same as above
6	232(3)(h)	The Valuation report to be made by the tribunal for exit opportunity to the shareholders of transferor Company - Under the scheme of Compromise/ Arrangement in case the Transferor company is Listed Company and the Transferee-company is an unlisted Company	Same as above
7	236(2)	Valuation of equity shares held by the Minority Share Holders	In case an acquirer or person acting in concert with the acquirer acquire 90% or more of the equity capital in a company, they can offer to the minority shareholder (or the minority shareholder can offer to the acquirer) to acquire the minority shareholding at a valuation determined by the Registered Valuer.
8	281(1)	Valuing assets for submission of report by liquidator	A valuation of assets of the company prepared by the Registered Valuer is required in case of winding up, voluntarily or otherwise.

REGISTERED VALUER UNDER THE INSOLVENCY CODE INSOLVENCY AND BANKRUPTCY BOARD OF INDIA REGULATIONS, 2016 WHICH REQUIRES VALUATION REPORT FROM A REGISTERED VALUER

Under Insolvency Code and Insolvency and Bankruptcy Board of India Regulations, 2016 - Registered Valuer means a person registered as such in accordance with the Companies Act, 2013 and rules made thereunder

REGISTERED VALUER UNDER THE SEBI (REIT AND INVIT) REGULATIONS, 2016 WHICH REQUIRES VALUATION REPORT FROM A REGISTERED VALUER

Under SEBI (REIT and InvIT) Regulations, 2016 "valuer" means any person who is a "registered valuer" under section 247 of the Companies Act, 2013 and who has been appointed by the manager to undertake valuation of the REIT assets

Who will appoint Registered Valuers

Registered Valuers will be appointed by the audit committee, or in its absence, by the Board of Directors of the company. Incase of company under Insolvency proceedings, the Registered Valuer will be appoint by Insolvency Resolution Professional.

Asset Classes	Qualification	Experience	Valuation Examination
Land and Building	Graduate in Civil Engineering, Architecture or Town Planning of a recognised university	5 years of experience in discipline after completing graduation	As per Rule 5
	Post Graduate in Civil Engineering, Architecture or Town Planning of a recognised university	3 years of experience in discipline after completing post-graduation	As per Rule 5
	Graduate in a discipline specified by the Authority for a RVO in its conditions of recognition and Post Graduate in Valuation of land and building or real estate from a recognised university	5 years of experience in discipline after completing post-graduation	As per Rule 5
Plant and Machinery	Graduate in Mechanical or Electrical Engineering of a recognised university	5 years of experience in discipline after completing graduation	As per Rule 5
	Post Graduate in Mechanical or Electrical Engineering of a recognised university	3 years of experience in discipline after completing post-graduation	As per Rule 5
	Graduate in Valuation of machinery and plant from recognised university and Post Graduate in Valuation of machinery and plant from recognised university	3 years of experience in discipline after completing post-graduation	As per Rule 5
Securities or Financial Assets	Graduate in any stream and Member of Professional Institute (CA/CS/CMA) or MBA/ PGDBM specialisation in finance or Post graduate degree in Finance	3 years of experience in discipline after completing graduation	As per Rule 5
	Any other graduate or post graduate level qualification as may be specified by Authority	5 years and 3 years of experience in case of graduate level degree and post graduate level degree respectively	As per Rule 5

Contents of Valuation Report

The report of valuation by a registered valuer shall be as near to and shall contain such information as set out in Form No. 17.3.

RULE 5 : VALUATION EXAMINATION

The authority shall, either on its own or through a designated agency (i.e. IBBI), conduct valuation examination for one or more asset classes, for individuals, who possess the qualifications and experience as specified in rule 4, and have completed their educational courses as member of a registered valuersorganisation, to test their professional knowledge, skills, values and ethics in respect of valuation:

Provided that the authority may recognise an educational course conducted by a registered valuersorganisation before its recognition as adequate for the purpose of appearing for valuation examination:

Provided also that the authority may recognise an examination conducted as part of a master's or post graduate degree course conducted by a University which is equivalent to the valuation examination.

In short, one need to possess not only required qualification and experience as mentioned above, but also need to pass the examination for particular asset class.

RULE 8 : CONDUCT OF VALUATION

The registered valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under rule 18:

Provided that until the valuation standards are notified or modified by the Central Government, a valuer shall make valuations as per-

(a) internationally accepted valuation standards;

(b) valuation standards adopted by any registered valuersorganisation.

The registered valuer may obtain inputs for his valuation report or get a separate valuation for an asset class conducted from another registered valuer, in which case he shall fully disclose the details of the inputs and the particulars etc. of the other registered valuer in his report and the liabilities against the resultant valuation, irrespective of the nature of inputs or valuation by the other registered valuer, shall remain of the first mentioned registered valuer.

The valuation shall now be conducted based on the Valuation Standards. Unless these standards are made, the valuation shall be done taking reference of internationally accepted valuation standards.

There are International Valuation Standards, 2017 issued by the International Valuation Standards Council (IVSC) which may be relied upon. Further the existing regulatory provisions prescribed by other regulators including Income Tax, RBI, SEBI and the Valuation reports and Fairness Opinions on Scheme of Arrangement (available in public domain) may be reviewed.

In case a valuer has taken registration for one of the class of assets, but the assignment requires valuation of other class of assets as well, he/it may get valuation of other class of assets from another Registered valuer but it shall be fully disclosed and the liabilities, if any against the resultant valuation shall remain with the first mentioned registered valuer. Accordingly outsourcing of Valuation assignments would be done carefully after proper understanding of credentials of the other valuer.

RULE 18 : VALUATION STANDARDS

The Central Government shall notify and may modify (from time to time) the valuation standards on the recommendations of the Committee set up under rule 19.

ANNEXURE I : MODEL CODE OF CONDUCT FOR REGISTERED VALUERS

The Rules prescribe Code of Conduct for Registered Valuers. This code of Conduct is on the similar line as we have for our professional Institute.

Methods of Valuations will be discussed in the next part of this article next month.

Summing Up

The notified Rules attempt to bring in standardisation in the valuation standards in India and ensure that valuation reports disclose a true and fair view and result in greater objectivity in valuation procedures. The increased transparency and fairness in the valuation system would also boost stakeholder confidence by bringing uniformity.

We already have Paper No. 20 'Strategic Performance Management and Business Valuation' in our curriculum. In fact, Institute of Cost Accountants of India was first Institute to bring this subject to its syllabus back in 2003. The Directorate of advance studies has offered certificate courses on Business Valuation & Corporate Restructuring.

CMAs are recognized to act as registered Values for asset class Securities or Financial Assets. CMAs can appear for the limited examination to take benefits of this new opportunity.

(Author is M.Com., FCMA, CS, CISA(USA), CIMA(UK), IP)

WIRC CEP REPORT

WIRC organised following CEPs during the month.

1. CEP on **Valuation rules under GST & Changes in GST post 22nd GST Council Meeting** was organised on 14th October 2017 at Thane SMFC - CMA Harshad Deshpande was the speaker. CMA Debasish Mitra, Chairman CPD Committee was present on the occasion.
2. CEP on **Decoding the Valuation Rules** was organised on 27th October 2017 at WIRC Office. CMA (Dr.) V. V. L. N. Sastry was the speaker. CMA Kailash Gandhi, Chairman WIRC was present on the occasion.
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Monitoring and Evaluation of CSR projects

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The perspective

The corporate social responsibility law that came into force in April 2014 mandates companies subject to the provisions of the Act to invest 2% of their net profit in CSR projects. For the successful implementation of any CSR project, it is desirable that the said project achieves the required objective. It is also equally important to ensure that the project makes the desired impact which was visualized at the time of selection & planning. The focus for corporates who see the law more as "compliance" has been on project "deliverables" than measuring social impact.

Organisations in all sectors face an increasing need to demonstrate the impact they're having, whether it's the social value delivered by public sector projects or the impact of a business' corporate social responsibility (CSR) programme.It's important to have strict and accurate monitoring and evaluation plan as part of any successful project implementation and CSR projects are no exception. It not only helps to be assured of implementation of policies as planned but also helps address intense public scrutiny and legal compliance. Designing Monitoring and evaluation (M&E) system is crucial for improving performance and ensuring success of the Sustainability & CSR project. M&E can help track progress and outputs systematically, measure outcomes and help you steer your social program in the right direction.

Monitoring is a periodically recurring task already beginning in the planning stage of the Sustainability & CSR project. It helps clarify project objectives, link activities & resources to the objective and translates them into performance indicator to set targets. It allows results, processes and experiences to be documented and helps us understand the status of the project at any given time. Monitoring acts as an alert that warns us about a problem to be remedied. The data acquired through monitoring is used for comparing actual results with the target for evaluation.

Evaluation is assessing, as systematically and objectively as possible, a completed or ongoing Sustainability & CSR project and help us understand why the intended results were achieved/ not achieved. It deals with the questions of cause & effect. It looks at relevance, effectiveness, efficiency and sustainability of particular intervention.

The M&E system that provides the information needed to assess and guide the project strategy, ensure effective operations, meet internal and external reporting requirements, and inform future programming. M&E is not an operational conversation, but rather it is a leadership level conversation. It is critical to determine the 3-4 key indicators that are most important for your program, to understand if the program is working on the ground. This involves plotting

- The long-term impact you want to make
- Mid-terms outcomes which will get you there
- Short-term outputs of your program

It is important to quantify progress through numbers that directly indicate the value being delivered or the situation being improved. Today, there are standards available for everything one can measure quantitatively - in education, healthcare, skill development and so on.

Reporting:

As mandated by SEBI, CSR performance is disclosed & reported in the Annual Business Responsibility Report. Besides it is also mandatory for CPSE who publishes their report as per the DPE guidelines. The reporting should revolve around the following :

- Effectiveness of CSR activities:Is the project achieving its pre-set goals?
- Project relevance: Are CSR activities well-directed towards stakeholders?
- Coherence/Complimentarily: Are CSR activities well-coordinated?
- Efficient use of resources: Are the resources allocated for CSR activities utilized efficiently
- Development-policy effects: Are CSR project efforts contributing to pre-determined goals
- Sustainability:Will CSR initiatives keep continuing for long duration?

How Monitoring & Evaluation of Project benefits?

Monitoring and evaluation of CSR activities helps corporations in learning from past experiences, improving delivery system of CSR activities they undertake, systematic planning and optimizing resource allocation and measurement of results as a part of accountability to the key stakeholders.

- Assess and demonstrates Sustainability & CSR projects effectiveness in achieving its objectives and/ or impacts on people's lives.
- Improves internal learning and decision making about Sustainability & CSR project design, how the group operates, and implementation i.e. about success factors, barriers, which approaches work/don't work etc.
- Assess the capabilities of implementing partners and plan future CSR projects based on their strengths.

- Ensures accountability to key stakeholders (e.g. community, Community members/supporters, the wider movement, funders, supporters)
- Can influence the government policy & help share learning with other communities and the wider movement.
- Track, assess and report the progress of the sponsored project and undertake course corrections. Helps CSR team to understand how each stakeholder has met assigned responsibilities.

Framework of M & E

A clear framework is essential to guide monitoring and evaluation. A framework should explain how the program is supposed to work by laying out the components of the initiative and the order the steps needed to achieve the desired results. A framework increases understanding of the program's goals and objectives, defines the relationships between factors key to implementation, and articulates the internal and external elements that could affect the programs success.

Considerations when developing a monitoring and evaluation framework

Asking questions:

- What are the objectives of the monitoring activities?
- What are the specific questions that need to be asked to gauge the progress of the intervention?
- What information is needed to see if activities are being implemented in the way that was planned, and who can provide that information?
- What are the objectives of the evaluation?
- What are the specific questions that need to be answered to gauge the impact and success of the intervention?
- What information is needed to determine if the expected objectives and outcomes were accomplished and who can provide that information?
- Determining whether the questions being asked are appropriate ones for understanding how "successful" the intervention has been with respect to its expected objectives and outcomes?

M&E of CSR projects : Suggested approach

- Develop amonitoring and evaluation plan that acts as a monitoring tool by defining how information from the program will be tracked.
- Different indicators demand different frequencies of measurement. Typically, skill outcomes, awareness building results, etc. can be measured in the short term (monthly, quarterly, etc.); action-based outcomes like policy change, behavior changes need to be evaluated in the long-term window. Impact indicators necessarily have a long measuring cycle. For example, an eventual change in environmental landscape or socioeconomic conditions can only be confirmed over a long period of time.
- To ensure we are making a real step change around sustainability and continuing to move the program on to the next level, the M&E approach should go beyond measuring reach and adoption to focus on the outcomes achieved on the ground
- The implementation partners have to be involved completely in the M&E process since it has a bearing on the program design and also how they allocate resources and plan activities. They have the best understanding of grassroots realities and should be primarily responsible for data collection.
- Use Logical frameworks or logic models which provide a linear, "logical" interpretation of the relationship between inputs, activities, outputs, outcomes and impacts with respect to objectives and goals.They show the causal relationship between inputs, activities, outputs, outcomes and impact vis-à-vis the goals and objectives. Logical frameworks outline the specific inputs needed to carry out the activities/processes to produce specific outputs which will result in specific outcomes and impacts.
- Once the M&E framework, including performance indicators, are signed off with the implementation partners, they should ideally support the monitoring and evaluation process by creating simple tools and processes for data collection and analysis and set up a process for two-way feedback.
- Measuring returns from CSR projects o Social impact index= Net improvement in quality of life, and number of lives affected due to the nature of the CSR activity and based on the needs of the Targeted Beneficiary (in terms of increase in awareness in social, economic, health, environment, education, political, and other areas of life etc) o Economic impact index= Net improvement in incomes, wealth, savings, and assets, and number of lives affected, due to the nature of the CSR activity, and based on the needs of the Targeted Beneficiary(in terms of economic value created, income-generating assets created etc). o ROI = (Net Social Value created for TB +Net Economic Value created for TB)/Financial Investment of the firm. ROI be calculated by external auditing firms every 6 months after the beginning of the project, until at least after 5 years of the completion of the activities to ensure that the impact is sustainable,

Conclusion

Ideally, an M&E process needs to be developed right at the beginning and incorporated in the overall implementation plan. However, even for programs where implementation has been initiated, the M&E framework can be worked upon and integrated. This may call for a minor (or major) change in the overall program design. Also, evaluations do not need to be carried out by a third party always. The most efficient and effective programs are those where the program managers collect data at regular intervals to analyze based on the M&E frameworkUnless companies bring in the rigor of monitoring and evaluation into their CSR programs, they can neither ensure sustainability of their programs nor can they draw linkages between their program and any real social change on ground. ■

Major Relief to Exporters... Deemed Export under GST and Ease of doing Business

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Dear Professional Colleagues,

As you must be aware that The GST Council under Chairmanship of Union Finance Minister Shri Arun Jaitley has in its 22nd Meeting held at Delhi on 6th October, 2017approved a major relief package for exporters.

Considering the difficulties faced by exporters post-GST leading to a decline in export performance and export competitiveness, the Council had set up a high power Committee on Exports under Revenue Secretary Shri Hasmukh Adhiaand five senior Government functionaries alongwith an equal number of members from Statesto recommend suitable strategies for helping this sector.

The Council identified the major difficulties constraining the export sector are on account of delays in refunds of IGST and input taxes on exports and working capital blockage as exporters have to upfront pay GST on inputs and capital goods for export production or for procuring goods for export. Another difficulty was that the duty credit scrips such as MEIS was losing value due to its reduced usability as it could no longer be used to pay IGST / GST.

Accordingly, the Council approved the following package of relief and incentives for exporters with immediate affect:-

1. Within the next 4 days i.e. by 10.10.2017 the held-up refund of IGST paid on goods exported outside India in July would begin to be paid. The August backlog would get cleared from 18.10.2017 and refunds for subsequent months would be handled expeditiously. Other refunds of IGST paid on supplies to SEZs and of inputs taxes on exports under Bond/LUT, shall be processed from 18.10.2017 onwards. For this, the Council agreed to suitably empower Central and State GST officers so that exporters get refunds from one authority only. Related matters of settlement of funds are being resolved
2. To prevent cash blockage of exporters due to upfront payment of GST on inputs etc. the Council approved two proposals, one for immediate relief and the other for providing long term support to exporters. Immediate relief is being given by extending the Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% EOU schemes to sourcing inputs etc. from abroad as well as domestic suppliers. Holders of AA / EPCG and EOUs would not have to pay IGST, Cess etc. on imports. Also, domestic supplies to holders of AA / EPCG and EOUs would be treated as deemed exports under Section 147 of CGST/SGST Act and refund of tax paid on such supplies given to the supplier.
3. Merchant exporters will now have to pay nominal GST of 0.1% for procuring goods from domestic suppliers for export.
4. The permanent solution to cash blockage is that of "e-Wallet" which would be credited with a notional amount as if it is an advance refund. This credit would be used to pay IGST, GST etc. The details of this facility would be worked out soon. The Council desired that the "e-Wallet" solution should be made operational w.e.f. 1st April 2018.
5. Exporters have been exempted from furnishing Bond and Bank Guarantee when they clear goods for export.
6. Specified banks and Public Sector Units (PSUs) are being allowed to import Gold without payment of IGST. This can then be supplied to exporters as per a scheme similar to Advance Authorization.
7. To restore the lost incentive on sale of duty credit scrips, the GST on sale-purchase of these scrips is being reduced from 5% to 0%.
8. GST on bunker fuel is being reduced to 5% for both coastal vessels and foreign going vessels. This will boost coastal shipping. It will also improve India's competitiveness.

Government has taken actionsto implement abovementioned decisions and also issues circular/ Notifications for more clarity.

We will focus on the two major decisions-

1. Deemed Export and
2. LUT Procedure

Briefs are as under:

1. Deemed Export :

Backdrop

Deemed Exports in general means supplies wherein goods supplied do not leave India, and payment for such supplies is received either in Indian rupees or in convertible foreign exchange. Earlier Deemed Export was not defined in GST Act. But now GST Council and Government of India has cleared the ambiguity and apprehensions of trade by issuing notifications and further clarifying as to which supplies would be regarded as deemed exports and thus assisting the exporters to plan their exports accordingly under various licenses/ authorisation taken by them.

In furtherance of Section 147 of the CGST Act, the Central

Government on 18th of October, 2017 defined Deemed Export by way of notification No. 48/2017 under the CGST Act, 2017 In addition to the above clarification issued as to who should be filing the Refund application in respect to such supplies of deemed exports by way of Notification Number 49/2017 dtd 18th October,2017.

Deemed Exports now defined under the CGST Act, 2017:

The following supplies are categorised as Deemed Exports[1]:

- Supply of Goods by a registered person to a holder of Advance Authorisation (AA).
- Supply of Goods by a registered person to a holder of Export Promotion Capital Goods Authorisation (EPCG).
- Supply of Goods by a registered person to an Export Oriented Undertaking (EOU).
- Supply of Gold by a bank/PSU against Advance Authorisation.(as specified in notification 50/2017-cus dated 30.06.2017)

Filing of Refund Application in case of Deemed Exports:

The application for refund of tax in case of Deemed Exports was earlier to be filed by only the recipient of deemed supplies. However, now the refund application in respect of deemed export supplies can be filed by

i) Recipient of Deemed Export Supplies, OR

ii) The supplier of Deemed Export Supplies in cases where the recipient does not avail Input Tax Credit on such supplies and furnishes an undertaking that the supplier may claim refund.

Other Changes:

- For refund of IGST paid on export of goods/ services for export without payment of IGST under Bond/LUT and furnishing of an undertaking binding to pay tax due along with the interest, has been given relaxation for the payment of tax/interest thereon if exports not made within a period of 15 days after the expiry of 3 months from the date of issue of invoice for export or such further period as may be allowed by the commissioner.
- Statement 2- Exports of Services with payment of tax & Statement 4- On account of supplies made to SEZ unit or SEZ Developer (on payment of tax) of RFD-01 have been changed

2. LUT Procedure -GST Circular For Relaxing Norms Related To Letters Of Undertaking And Bonds For Exporters

Introduction:

Exports as Zero-Rated Supplies:

Export of Goods and Services under the GST regime have been categorized as Zero-Rated Supply. This means that subject to the provisions of the CGST Act, 2017, and the Rules made thereunder, the exporter shall not be liable to pay Integrated GST applicable on exported goods if he/ she satisfies the criteria as prescribed under the Rules. The exporter can trade without payment of integrated tax followed by claim of refund of unutilized input tax credit or on payment of integrated tax with provision for refund of the tax paid.

Letter of Undertaking and Bonds:

For availing these benefits, according to Rule 96A of Central Goods and Services Tax Rules, 2017 in case of export of goods or services without payment of GST, the exporter has to furnish a bond or letter of undertaking (LUT) in form RFD-11. This is also required in the case of provision of goods or services to SEZ units/ developer.

In supersession of its July 7 Circular, the Central Board of Excise and Customs (CBEC) issued a notification - Notification No. 37/2017 - Central Tax dated October 4, 2017 extending the facility of Letters of Undertaking to all exporters under Rule 96 A of the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as "the CGST Rules") subject to certain conditions and safeguards.

It is a significant move by the Finance Ministry to liberalize norms for letters of undertaking (LUT) to help exporters who have been facing difficulties under the Goods and Services Tax (GST) in timely shipment of consignments. The Circular also widens the scope of applicability of the said norms by relaxing the eligibility criteria of exporters who were benefited by this Zero-Rated Supply category. The facility was earlier available only for manufacturer exporters.

Significant aspects of the Circular:

Accordingly, to ensure uniformity the Board, in exercise of its powers conferred under Section 168 (1) of the Central Goods and Services Tax Act, 2017 clarifies the following issues:

1. **Eligibility to export under LUT:** The eligibility criteria for being exporters to fall within the ambit of Zero Rated Supply and become entitled to the benefits of LUTs, has been relaxed considerably. Earlier, (old notification) this facility of export under LUTs was applicable only to 'status holders' under the Foreign Trade Policy 2015-2020 and to persons receiving a minimum foreign inward remittance of 10% of the export turnover in the preceding financial year which was not less than INR 1 Cr. The same has now been extended to all registered persons who intend to supply goods or services for export without payment of integrated tax.

   Exception: The only persons not entitled to this facility are those who have been prosecuted for any offence under the CGST Act or the Integrated Goods and Services Tax Act, 2017 or any of the existing laws and the amount of tax evaded in such cases exceeds INR 250 lakhs.

2. **Validity of LUTs and their deemed withdrawal:** The LUT shall be valid for the whole financial year in which it is tendered. However, in case the goods are not exported within the time specified and the tax dues according to sub rule (1) of rule 96A of the CGST Rules are not paid the facility of export under LUT will be deemed to have been withdrawn. If the

amount mentioned in the said sub-rule is paid subsequently, the facility of export under LUT shall be restored. Therefore, the Circular states that exports made during the period from when the facility to export under LUT is withdrawn till the time the same is restored.

3. **Steps for submission of Form for bond/LUT:**

- Download FORM GST RFD-11 from www.cbec.gov.in;
- Prepare LUT on the letter head of the registered person, in duplicate, and it shall be executed by the working partner, the Managing Director or the Company Secretary or the proprietor or any other person duly authorized by them;
- Furnish a duly filled form to the jurisdictional Deputy / Assistant Commissioner having jurisdiction over their principal place of business; and
- The bond, wherever required, shall be furnished on non-judicial stamp paper of the value as applicable in the State in which the bond is being furnished.

4. **Self-declaration of Documents for LUT:** Self-declaration to the effect that the conditions of LUT have been fulfilled shall be accepted unless there is specific information otherwise. That is, self-declaration by the exporter to the effect that he has not been prosecuted should suffice for the purposes of Notification No. 37/2017- Central Tax dated October 4, 2017. Verification, if any, may be done on post-facto basis.

5. **Deemed Acceptance:** To ensure that LUT/ Bonds are processed as a priority, as they are the sine qua none of the exports business now, the clarification states that if a duly filled and eligible LUT/ Bond is not accepted within 3 says, it shall be deemed to be accepted.

6. **Bank guarantee for those prosecuted under CGST laws:** The circular goes a step further and grants a chance even to persons being prosecuted under CGST laws, for cases involving an amount exceeding INR 250 lakhs for them to avail the benefits of LUT/Bonds, if they can furnish a bank guarantee. A bond, in all cases, shall be accompanied by a bank guarantee of 15% of the bond amount. Export bond should be furnished on non-judicial stamp paper of the value as applicable in the State in which the bond is being furnished.

7. **Clarification regarding running bond:** The exporters shall furnish a running bond covering the amount of self-assessed estimated tax liability on the export and ensure that the outstanding integrated tax liability on exports is well within the bond amount. Fresh bond amounts can be furnished if the estimated bond amount is exceeded and does not cover the said liability in yet to be completed exports. The exporter should maintain the debit / credit entries of integrated tax in the running bond and are to be furnished to the Central tax officer as and when required.

8. **Sealing by officers:** Till mandatory self-sealing is operationalized, sealing of containers, wherever required to be carried out under the supervision of the central excise officer having jurisdiction over the concerned place of business. The Deputy/Assistant Commissioner having jurisdiction over the principal place of business should be sent a report of the sealing.

9. **Where Zero Rating in not applicable to exporters:** The said zero rated taxation and LUT facility is not applicable where merchant exporters are required to purchase goods from a manufacturer or in case of supplies to export oriented units. These transactions shall be normally taxable under the GST regime.

10. **Realization of export proceeds in Indian Rupee:** With reference to the laws relating to foreign trade and the RBI Master Circular No. 14/2015-16 dated July 01, 2015 all export proceeds shall be realized in freely convertible currency though acceptance of LUT for supplies of goods to Nepal or Bhutan or SEZ developer or SEZ unit will be permissible irrespective of whether the payments are made in Indian currency or convertible foreign exchange as long as they are in accordance with the applicable RBI guidelines. But the supply of services, however, to Nepal or Bhutan will be deemed to be export of services only if the payment for such services is received by the supplier in convertible foreign exchange.

11. **Jurisdictional officer:** Though the jurisdictional Deputy/Assistant Commissioner having jurisdiction over the principal place has the power to accept the LUT/ Bonds, the exporter is at liberty to furnish the LUT/bond before either the Central Tax Authority or the State Tax Authority till the administrative mechanism for assigning of taxpayers to the respective authority is implemented.

To conclude, Government is trying to have Goods and Service Tax in way of Good and Simple Tax by way of Introducing Technosavy and Paperless Mechanism which will take time but will be good for everyone in India. More relaxation is expected from the GST Council meeting to be held on 9th and 10th November, 2017 at Guwahati. ■

Bond Portfolio Management - Immunization

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"More money has been lost reaching for yield than at the point of a gun"

Raymond F. Devoe Jr., Legg Mason Wood Walker

Introduction

In our previous article, Bond Duration & Convexity: To Tame The Risk in Bonds, we have introduced the concepts of Macaulay Duration, Modified Duration & Convexity.

Investors should be able to use this theory in order to mitigate interest rate risk in their bond portfolios. (Investors invariably hold numerous bonds, with varying coupons & terms to maturity).

Additionally, major investors in bonds are banks, insurance companies, pension funds etc., who would like to implement a robust ALM (Asset Liability Management) system.

They are exposed to both, ***reinvestment rate risk & price risk.***

Quick Recap

Bond prices and interest rates are inversely related. There exists an interest rate risk.

Duration can help us to measure interest rate risk.Duration of a bond is the time-weighted average of the PV of all the payments from the bond. It is also called average maturity or effective maturity.

Higher the duration, more sensitive the bond is to changes in interest rates, hence more volatile.

Two Bonds with the same coupon rate & the same residual life can have different durations, because they have different frequency of payments. For a given residual life & YTM, duration is shorter when coupon rate is higher &/or cash flows are more frequent.

Duration can be thought of as a balance point (fulcrum), the average economic life time of a series of cash flows (coupon + principal).

For a zero-coupon bond, duration = residual life of the bond.

In 1938, Frederick Macaulay termed this idea of effective-maturity, as DURATION

$$D = \frac{\sum_{t=1}^{T} \frac{tCF_t}{(1+YTM)^t}}{\sum_{t=1}^{T} \frac{CF_t}{(1+YTM)^t}}$$

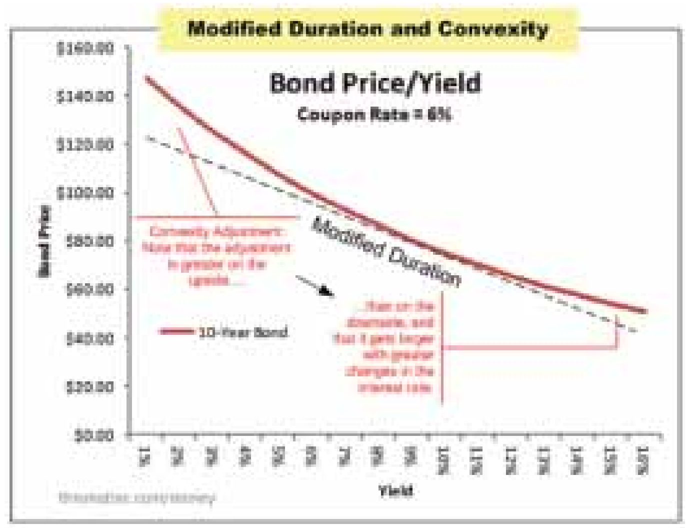
Modified Duration = Macaulay Duration /(1 + y/n)

(y = market yield & n = number of interest payments per year)

% Change in Bond Price = - (Modified Duration * Yield Change)

$$\frac{\Delta P}{P} = -D^{*}\Delta y$$

Convexity measures the change in duration, for a change in yield. It is the 2nd derivative of the price-yield curve, at the current price-yield point.



$$\text{Convexity} = \frac{\sum_{t=1}^{T} \frac{(t^2+t)\times \text{Cash Payment}_t}{(1+Yield)^t}}{\text{Bond Price} \times (1+Yield)^2}$$

Change in Bond Price is Predicted by combining MODIFIED DURATION & CONVEXITY

% bond price change = - (% Yield change × modified duration + ½ × convexity × (Yield change)2)

Using both duration and convexity allows for a more accurate estimation

$$\frac{\Delta P}{P} = -D_{mod}\,\Delta i + \frac{1}{2}[Convexity \times (\Delta i)^2]$$

(Please use decimals for interest rates, not percentages to use this convexity rule)

Bond-Pricing Relationships

1 *Bond prices & yields are inversely related*
2 *An increase in the bond's YTM results in a smaller price change than a decrease of same magnitude, in YTM*
3 *Prices of long-term bonds are more sensitive to interest rate changes than prices of short - term bonds*
4 *The sensitivity of bond prices to changes in yields increases at a decreasing rate as maturity increases.*

Interest rate risk is not directly proportional to bond maturity

5 *Interest rate risk is inversely related to the bond's coupon rate. Prices of low-coupon bonds are more sensitive to changes in interest rates than prices of high-coupon bonds.*

6 *The sensitivity of a bond's price to a change in its yield is inversely related to the current YTM of the bond.*

Term Structure of Interest Rates or Yield Curve

Any long-term interest rate is the expected value of future short-term interest rates. The yield on the ten-year bond should be the expected average yield of the next 40 three-month Treasury bills.

However, because of the liquidity preference theory, the yield-curve (normally) has a positive bias (the long-term bond yield averages somewhat higher than the yield on short-term investments)

If the yield on long-term instruments is lower than that on short-term instruments, it implies that individuals expect interest rates to fall over the life of the bond: because of:

Expected decline in Inflation (thus reducing the inflation premium), &/or

Expected reduction in government deficit (leading to reduction in real interest rates), &/or

Expected slowdown or recession in the economy (reducing private demand for capital, thuslowering interest rates)

Net Interest Income

NII is the excess of interest received over interest paid.

Net Interest Margin = Net Interest Income/Income Producing Assets

A primary role of the Asset Liability Management team is to hold NIM roughly constant over time (for obvious reasons).

This is not as easy as it appears to be. Consider the following example:

Net Interest Income		
Bank Rates Offered to its Customers		
Maturity yrs	Deposit Rate	Borrowing Rate
1	6.00%	12%
5	6.00%	12%

The assumption is that interest rate increases are as likely as decreases & the table above is a fair representation of market expectations.

Note that a depositor would probably be comfortable with a 1 year investment, preferring to roll it over every year, for 4 more years (given the 50:50 chance of higher or lower interest rates).

The borrower however, may prefer to lock in 5 year rates for certainty of committed cash outflows, rather than roll over a 1 year loan 4 more times.

This leads to an ASSET-LIABILITY MISMATCH.Cash flows & Net Interest Margin are both at risk here,since the bank would have financed long-term loans using shorter-term deposits. Each year, it would face two risks

a) *Rolling over of existing deposits or collecting fresh deposits (liquidity risk)*

b) *The interest rate applicable for the rollovers (interest risk)*

Should the bank lose credibility, or be perceived to entail higher risk in future, not only will depositors not wish to trust their money to the bank, but even those who are willing to, would require higher compensation).

If interest rates come down after the 1st year, the bank has no problem, its NIM actually expands, since borrowing cost will lower. It is equally likely that interest rates will go up: here the bank's finances would be strained, since it has to borrow at a higher cost.

In an effort to match maturities of assets & liabilities, both 1 year & 5 year, the bank may change the 5 year rates as follows:

Bank changes long-term rates to match		
Maturities of Assests & Liabilities		
Maturity yrs	Deposit Rate	Borrowing Rate
1	6.00%	12%
5	7.50%	14%

This adjustment is an ongoing process, until the Asset-Liability Maturities match.

It is logical to expect all banks to follow a similar system.Hence long-term rates tend to be higher than those predicted by expected future short-term rates.

This is the LIQUIDITY PREFERENCE THEORY.

Duration revisited:(& brief explanation of continuous compounding)

Duration Revisited				
(with continuous compounding)				
FV	$	1000		
Coupon		10%		
Yield		12%		
Frequency	Semi annual	2		
Residual Life	years	3		

Time (years)	Cash Flow $	PV	Weight	Time * Weight
0.5	50	47.088	0.050	0.025
1	50	44.346	0.047	0.047
1.5	50	41.764	0.044	0.066
2	50	39.331	0.042	0.083
2.5	50	37.041	0.039	0.098
3	1050	732.560	0.778	2.333
Total	1300	942.130	1.000	2.653 Duration (years)

The first interest would be discounted as follows:

$$50*e^{(-.12*.5)} = 47.088$$

Continuous Compounding & Effective Yield

Effective rate increases with compounding frequency. The limit as the compounding frequency m, tends to infinity is called continuous compounding.

P = Principal
R = Rate of Interest
n = Number of Years
A = Final Amount

$$A = P*e^{(R*n)}$$

(e is the exponential function (Euler Number) with value approximately 2.71828)

Equivalent Rate With m Compounding Frequencies

Rc = Rate of Interest with Continuous Compounding

Rm = Equivalent Rate with m compounding frequencies p.a.

$$R_c = m*ln(1 + R_m/m)$$

(ln is the natural logarithm function)

$$R_m = m*(e^{Rc/m} - 1)$$

In our example above

Given	12%	yield (semiannual compounding)
R_m	=	$2*(e^{Rc/m} - 1)$
R_m	=	12.3673%
Yield with semiannual compounding (continuous)		

Modified Duration

$$D^* = D/(1+y/m)$$

$$D^* = \frac{2.653}{(1+0.123673/2)}$$

$$D^* = 2.4985$$

Dollar Duration

Duration * Price.

$D_\$$	=	$D * B$
Dollar Duration		Duration * Bond Price

Duration relates proportional changes in a bond's price to its yield.

Dollar Duration gives theabsolute dollar change in bond value

PVBP: Present Value of a Basis Point

It is the dollar duration of a bond, for a one basis point movement in the interest rate.

Portfolio of Bonds

Active vs. Passive Investment Strategy

Active Management attempts to achieve returns greater than those commensurate with the risk borne. Interest rate forecasts are used to predict price movements, or relatively mispriced bonds are identified using some intra-market analysis.

Passive Management does not attempt to beat the market, rather it seeks to maintain an appropriate risk-return balance, given the market opportunities in a market where the assumptionis that security prices are fair.

Immunization is a special case of passive management & is distinct from Indexing Strategies.

Interest rate immunization can be accomplished by several methods, including cash flow matching, duration matching, and volatility and convexity matching. Itcan also be accomplished by trading in bond forwards, futures, or options.

Net worth immunization

Duration of assets = Duration of liabilities

Target date immunization

Holding Period matches Duration

Banks, insurers, pension funds & other investors would like to equate interest sensitivity of assets & liabilities, so that surplus is unaffected.

In other words, the portfolio is IMMUNIZED against interest rate risk& price risk.

IMMUNIZATION was first conceived by Frank Redington, an actuary for a life insurance company.

Actuaries are concerned with assets held to cover future liabilities.

Surplus = PV of Assets - PV of Liabilities

Or, Surplus = NPVA - NPVL

Immunization requires three conditions to be fulfilled:

1 *NPVA = NPVL*

2 *Volatility of Assets = Volatility of Liabilities, and*

3 *Convexity of Assets exceeds the Convexity of Liabilities (in the previous article, we have seen that CONVEXITY IS GOOD)*

The Fixed Income manager may seek to attain greater convexity in the asset portfolio than in the liability portfolio. As a result, both positive and negative shocks to interest rates would have beneficial effects on the entity's net worth.

Duration Matchingof assets & liabilities ensures that for a horizon equal to the portfolio's duration, price risk & reinvestment risk precisely offset each other.

Consider an Insurance Contract	
Guaranteed Investment Contract	
Face Value	10000 $
Zero Coupon, guaranteed	0 p.a.
Periodicity	1 annual
Life	5 yrs
Maturity Value	**14693.28 $**
Since it is zero coupon, the duration is	**5 yrs**

This is the Liability of the Insurance Company.

It could invest in zero coupon bonds with life (& duration) = 5 years, offering 8% YTM, to guarantee the payment of the GIC.

Five Year Zero Coupon		yield %	8%
FV		$	1000
PV	$1000/(1.08)^5$	$	680.58
Buy	14696.03/1000	bonds	14.696
Total Investment		$	10001.87
Maturity Value		**$**	**14696.03**
This will fully immunize the requirement, **since the duration is matched i.e. 5 years each**			

Difficulties : Finding zero coupon bonds with the exact characteristics required. Practically, we cannot buy 14.696 bonds.

Or, it invests in an 8% coupon-paying bond, annual interest, with a residual life of 6 years &a duration of 5 years (calculations below)

Consider a *coupon-paying bond*	8% p.a
Periodicity	1 annual
FV	10000 $
Term to Maturity	6 yrs
Yield	8%

Calculating Duration
(annual discounting, not continuous)

Time (years)	Cash Flow $	PV	Weight	Time * Weight
1	800	740.7407	0.0741	0.0741
2	800	685.8711	0.0686	0.1372
3	800	635.0658	0.0635	0.1905
4	800	588.0239	0.0588	0.2352
5	800	544.4666	0.0544	0.2722
6	10800	6805.8320	0.6806	4.0835
Total	**14800**	**10000.00**	**1.00**	**4.99**
				Duration (years)

If the theory of Immunization using Duration Matching holds good, the company should be in a position to honour its liability towards the guaranteed insurance contract, after 5 years.

Let us consider 3 Interest-Rate scenarios(all proceeds are reinvested)

1) Rates Remain 8%
2) Rates Fall to 7%
3) Rates Increase to 9%

Note: The term to maturity of the bond is 6 years. It is sold at the end of year 5 (in the market), to meet the obligation on the GIC (Guaranteed Investment Contract). This value depends on the existing interest rate, as can be seen from the table below.

In every instance, at the end of year 5, the bond has cash flows coming in as follows:

After 1 year 10,000 + 800 (principal + interest)

1) *If interest rates remain unchanged @ 8, this is discounted @ 8% to arrive at the current market price (at the end of year 5), in this case, 10,000.*
2) *If interest rates fall to 7%, this is discounted @ 7% to arrive at the current market price (at the end of year 5), in this case, 10,093.46.*
3) *If interest rates remain increase to 9, this is discounted @ 9% to arrive at the current market price (at the end of year 5), in this case, 9,908.26.*

	Payment Number	Residual Life (years)	Reinvestment Details	Reinvestment Value ($)
1	Interest Rates Remain 8%			
	1	**4**	**$800*(1.08)^4$**	**1088.39**
	2	**3**	**$800*(1.08)^3$**	**1007.77**
	3	**2**	**$800*(1.08)^2$**	**933.12**
	4	**1**	**$800*(1.08)^1$**	**864**
	5	**0**	**$800*(1.08)^0$**	**800**
	Sale of Bond End of Year 5	**0**	**10800/(1.08)**	**10000**
	Total			**14693.28**
2	Interest Rates Fall to 7%			
	1	**4**	**$800*(1.07)^4$**	**1048.64**
	2	**3**	**$800*(1.07)^3$**	**980.034**
	3	**2**	**$800*(1.07)^2$**	**915.92**
	4	**1**	**$800*(1.07)^1$**	**856**
	5	**0**	**$800*(1.07)^0$**	**800**
	Sale of Bond End of Year 5	**0**	**10800/(1.07)**	**10093.46**
	Total			**14694.05**
3	Interest Rates Increase to 9%			
	1	**4**	**$800*(1.09)^4$**	**1129.27**
	2	**3**	**$800*(1.09)^3$**	**1036.02**
	3	**2**	**$800*(1.09)^2$**	**950.48**
	4	**1**	**$800*(1.09)^1$**	**872**
	5	**0**	**$800*(1.09)^0$**	**800**
	Sale of Bond End of Year 5	**0**	**10800/(1.09)**	**9908.26**
	Total			**14696.03**

The Immunization Worked. When interest rates dropped to 7%, the reinvestment amounts came down, but the sale price of the bond increased. The reverse happened when interest rates increased to 9%.

A Portfolio of Bonds

Portfolio of Bonds			
Bond	Market Value $ million (using a common yield)	Portfolio Weight	Duration (years)
A	10	0.1	4
B	40	0.4	7
C	30	0.3	6
D	20	0.2	2
Total	100	1	

Portfolio Duration	
*Weighted Average of Bond Portfolio Weght * Bond Duration*	
5.4	years

Suppose the yields affecting the four bonds change by 100 bps (basis points), the portfolio value will change by approximately 5.4%.

Illustration with Proof of Effective Immunization of a Bond Portfolio

Company A		
Obligation to Pay	$	1000000
After	years	10
At 9% Yield, the PV of the Obligation to pay is		$4,14,642.86

Choice of Bonds Available					
Bond	Coupon %	Residual Life yrs	Yield %	Price $	Duration yrs
1	6%	30	9%	69.04	11.44
2	11%	10	9%	113.01	6.54
3	9%	20	9%	100.00	9.61

Bonds 2 & 3 have a duration of less than 10 years, hence the company cannot create a portfolio with duration of 10 years, using these as a combination.

		Investment	Where
Consider	Bond 1	V_1	$V_1 + V_2 = PV$
	Bond 2	V_2	PV = Amount Invested Now

Duration	=	10	yrs
$D_1 * V_1 + D_2 * V_2$	=	10*PV	
$11.44*V_1+6.54*V_2$	=	10*414642.86	
$11.44V_1 + 6.54V_2$	=	**4146428.6**	**I**
V_1+V_2	=	**414642.86**	**II**
V_1	=	**414642.86-V_2**	**III**

Substitute III in I			
$11.44*(414642.86-V_2)+6.54V_2$	=	4146428.6	
$4743514-11.44V_2+6.54V_2$	=	4146428.6	
597085.72	=	$4.9V_2$	
V_2	=	$1,21,854.23	
V_1	=	$2,92,788.63	
V_1+V_2	=	$4,14,642.86	
Invest Today		Total	$4,14,642.86
Bond	**Qty**	**Amount**	
1	**4241**	**292811.22**	
2	**1078**	**121822.56**	**$4,14,633.78**

Proof		
If Yield Changes to	9%	10%
PV of Obligation	**$4,56,386.95**	**$3,76,889.48**
Bond 1		
Price	**77.38**	**62.14**
Qty	**4241**	**4241**
Total	**$3,28,153.78**	**$2,63,541.77**
Bond 2		
Price	**120.39**	**106.23**
Qty	**1078**	**1078**
Total	**$1,29,775.56**	**$1,14,517.13**
Total PV of Bond Portfolio	**$4,57,929.34**	**$3,78,058.90**
Hence, this combination of Bonds 1 & 2 has immunized the portfolio quite effectively, at the current time, given the existing price-yield curve.		

Conclusion

Immunization is an ongoing process, since the Duration changes with time & constant rebalancing will be required. Not so Passive, after all but effective, nonetheless.

While these tools are powerful & help in effective risk management, it must be noted that the assumption is that the shifts in the yield curve are parallel (this may not be the case in reality). Partial Duration is used for addressing this issue.

Suggested Reading

Bond Markets, Analysis and Strategies	*Frank J. Fabozzi*
Damodaran on Valuation	*Aswath Damodaran*
Investments	*Zvi Bodie et.al.*
Risk Management and Financial Institutions	*John C. Hull*
Security Analysis & Portfolio Management	*Donald E. Fischer & Ronald J. Jordan*
The Handbook of Fixed Income Securities	*Frank J. Fabozzi & Steven V. Mann*

■

An insight of section 35(1) and rule 56 of Goods and Services Tax

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GST shall be levied on supply of goods or services or both on the transaction value as defined in section 15 of GST Act read with the valuation rules.The taxable person shall maintain their own records and shall pay tax on monthly/ quarterly basis based on their value of the supply. All records are basically private records. The taxing authorities at the time of assessment shall call for the submission of such private records to verify and assess the tax liability as discharged by the taxable person on monthly basis or quarterly basis.Sub section 1 of Section 35 stipulates that every registered person shall keep and maintain, at his principal place of business, true and correct account of-

(a) Production or manufacture of goods

(b) Inward and outward supply of goods or services or both

(c) Stock of goods

(d) Input tax credit availed

(e) Output tax payable and paid

(f) Such other particulars as may be prescribed

An attempt has been made to analyze the section 35(1) of CGST Act, 2017.

Applicability of section 35(1): Section 35(1) is applicable to all persons registered under GST Act and such person shall not only keep but also maintain true and correct books of accounts. There are two ways of getting registration under GST. One is compulsory registration and other is voluntary registration. The former is applicable where a supplier is making taxable supplies and his aggregate turnover in a financial year exceed rupees twenty lakh rupees.

(a) Production or manufacturing of goods:

The word production and manufacturing are synonymous to each other.Section 2(72) has defined the term manufacture means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character.Manufacturers have to maintain a true and correct account of their production or manufacturing records. The records should be in quantitative as well as value based as the section has not specified that only quantitative records will be maintained. All registered persons engaged in manufacturing of goods have to maintain the quantitative as well as value based manufacturing records. However, rule 56(12) has specified that every registered person manufacturing the goods has to maintain monthly quantitative records raw materials or services used in manufacturing of goods and quantitative details of goods so manufactured including the waste and by products thereof.

We may say based on section 35(1) read with rule 56(12) that every registered person engaged in manufacturing of goods has to maintain on monthly basis the quantitative records of raw materials or services used in manufacturing and also records of goods so manufactured including the waste and scrap thereof. These records are not limited only to quantitative but extends to value base also. How the value of goods so manufactured is not defined in the act.The principles of determination of value of goods manufactured are governed by GACAP and CAS as issued by the Institute of Cost Accountants of India.

(b) Inward and outward supply of goods or services or both:

Registered person shall maintain the records of all inward supply of goods and services. Inwards supply includes the supplies on which registered person is liable to pay tax on reverse charge. In addition to inward supply the registered person shall maintain outward supply details of goods or services. Rule 56(1) also mandated that every person shall maintain true and correct account of supplies attracting payment of tax on reverse charge along with the relevant documents including valuchers, bills of supply, delivery challan, credit notes, debit notes, receipt vouchers, payment vouchers and refund vouchers.

(c) Stock of goods:

As per section 35(1) every registered person shall maintain stock of goods. It is also prescribed in rule 56(2) that every registered person, other than a person paying tax under section 10, shall maintain the accounts of stock in respect of goods received and supplied by him, and such accounts shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and the balance of stock including raw materials, finished goods, scrap and wastage thereof. Here the phrase "goods received and supplied" is used. Rule 56(12) has mandated for every taxable person engaged in manufacturing of goods shall maintain the stock of goods.

It may be concluded that rule 56(2) is applicable for registered person engaged in purchase and sale (trading activity only) of goods only. However, this is applicable for all registered person except person registered under composition scheme.

As per section 35(1) it is mandated for every registered taxable person to maintain stock of goods. Person under composition scheme under section 10 is also a registered person. However rule 56(2) has restricted the stock maintenance only to registered person under normal scheme. Here is a doubt arise. Can a rule override the provision of the act? Here is a gap between section 35(1) and rule 56(2) which needs to be at harmonized.

(d) and (e) Input tax credit availed, output tax payable and paid:

Definition of input tax and input tax credit and output tax are as follows:

Section 2(62) - input tax in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supplyof goods or services or both made to him and includes-

(a) the integrated goods and services tax charged on import ofgoods;

(b) the tax payable under the provisions of sub-sections (3) and (4)of section 9;

(c) the tax payable under the provisions of sub-sections (3) and (4)of section 5 of the Integrated Goods and Services Tax Act;

(d) the tax payable under the provisions of sub-sections (3) and (4)of section 9 of the respective State Goods and Services Tax Act;

OR

(e) the tax payable under the provisions of sub-sections (3) and (4)of section 7 of the Union Territory Goods and Services Tax Act, but does not include the tax paid under the composition levy.

Section 2(63) input tax creditmeans the credit of input tax

Section 2(82)output taxin relation to a taxable person, means the tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis. Tax payable under reverse charge is not output tax as per section 2(82) of CGST Act 2017.

As per section 35(1), every taxable person shall maintain the details records of input tax credit availed and output tax payable and paid. However rule 56(4) has limited this scope only to taxable person other than the person opted for composition scheme. As per rule 56(4) every registered person other than a person paying tax under section 10 shall keep and maintain:

- Details of tax payable (including tax payable in accordancewith the provisions of sub-section (3) and sub-section (4) of section 9)
- Tax collected and paid
- Input tax, input tax credit claimed
- Register of tax invoice, credit notes, debitnotes, delivery challan issued or received during any tax period.

Person under composition scheme shall pay tax at the fixed rate on his turnover as mentioned in section 10 subject to some conditions and restrictions. However, such person shall pay tax under reverse charge also at the applicable on such goods or services so procured, based on their HSN or SAC code.So there is also a gap between section 35(1) and rule 56(4). The responsibility of maintaining the proper records by all taxable persons regarding supplies attracting payment of tax under reverse charge is also supported by rule 56(1). Rule 56(1) states that "every registered person shall keep and maintain, in addition to the particulars mentioned in sub section (1) of section 35, a true and correct account of .... supplies attracting payment of tax on reverse charge along with the relevant documents......"

(e) Such other particulars as may be prescribed:

1. Every registered person shall maintain records of advances received, paid and adjusted made thereto. [Rule 56(3)]
2. Every registered person shall maintain debtors and creditors list, complete address of all godowns. [Rule 56(5)]
3. Works contractors shall maintain the details of description, value and quantity (wherever applicable) of goods or services received, utilized in execution of works contract, details of payment received in respect of each works contract. [Rule 56(14)]
4. Every agent shall maintain records for authorization received from each principal to receive or supply goods or services on behalf of principal, details of goods or services received and supplied on behalf of every principal, tax paid on receipts or on supply of goods or services effected on behalf of principal.

■

GST : Post Implementation Challenges

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

Goods and Service Tax (GST) replaced all indirect taxes levied on goods and services by the Government, bothCentral and States. GST is one of the biggest Tax Reforms in India since its independence.There are the Challenges before all types of businesses across the country. Some of challenges are below :

i) Compliance : Filing timely GST returns is one of the biggest challenges before most of businesses. Especially, SMEs and Small traders are facing more problems due to sea changes in requirement of data and big gap between traditional record keeping to digital record keeping. Further, there is lack of awareness about data required for uploading returns.To overcome this challenge, one can really need to relook the present data and required data to be maintained for smooth filing of GST returns. While filing returns some timesfaces technical problems like GST portal is not functioning properly , updating records at very slow speed etc.

The government is considering a proposal to tweak the way people file their goods and services tax (GST) returns. The move, to customise the form as per the varying requirements of the taxpayer, is expected to significantly simplify the filingprocess.

The ultimate aim is that the small tax payers should be able to file the returns without much assistance from outside (Ref.: Economic Times of India as said by Ajay Bhushan Pandey,the newly-appointed chairman of the GST Network (GSTN)).

ii)Cash Flow : Managing the Cash flow with sudden increase in the prevailing tax rate viz. Air compressor from 17.5% (Excise + Vat) to 28% under GST or particular group of commodities from prevailing rate 5% to 18% under GST would result in increased tax outgo leading to cash flow issues. Under GST, any branch transfer whether local or inter-state branch transfers would attract GST. Similarly, exporters will have to procure duty paid inputs and claim refund after exporting leading to cash blockage. Prior to GST,EPCG benefit was available for custom duty and CVD as well. But under GST, EPGC benefit is up to custom duty while IGST to be paid in cash, this will have a negative impact on the cash flow.The above concerns are addressed to GST Council by various Business Associations and Chamber of Commerce. Hoping that positive outcome will come out and it helps to ease the burden on cash flow.

iii) Higher Tax Burden for SMEs : Small businesses in the manufacturing sector will not have it easy in the GST regime. Under the excise laws, only manufacturing business with a turnover exceeding Rs. 1.50 crores had to pay excise duty.Whereas, under GST the turnover limit has been reduced to Rs. 20 lakh, thus increasing the tax burden for many manufacturing SMEs. However, SMEs with a turnover of upto 75 lakhs can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy lesser compliances. The main drawback is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme (and thereby no ITC) will be a tough one for many SMEs.Recently, GST Council has increased in limit for composition scheme from 75 lakhs to 1 core.

iv) Awareness :A large number of businesses are still not familiar fully with GST and lot of confusion regarding the concepts and requirements has created in initial days. Due to lack of clarity, some of large trades differs which not only created hurdle but also affected business at a large scale.

vi)Reverse Charge : In a normal course of business, Supplier has to pay tax on the Supply of goods or Service Provider has to pay on the services rendered. But in the reverse charge, recipient of goods or services or both is liable to pay GST. According to the Section 9(4)of Central Goods and Services Tax Act, if a purchase is made from an unregistered vendor, the liability to pay tax is transferred to the buyer. This provision largely affected to the small and unorganised sector, the most of registered businesses avoided purchases from them and its impacted negatively to small and unorganised sector. The GST council announced in its meeting which was convened on October 6that the'Reverse ChargeMechanism' was put on hold until March 31, 2018.

vii) IT Systems and Accounting Software : Suitable changes arerequired to be made in ERP system and also IT framework aligned with the new provisions, to enable generating various reports required for GST compliance. Main challenge is major changes /modifications of entire IT frame work which is in line with GST -compatible. SMEs and unorganisedsectors do not have adequate IT support and to adopt new system or do major changes in existing system leads to increase in maintaining cost of business. GST council is working on the simpler system for small traders and it helps to SMEs to make the compliance under GST more easierand hassle-free as well.

viii) Export : Major challenge before exporter is blocking of significant amount of working capital due to widen gap between date of export and time requires to get refund on taxes paid on inputs. Sometimes, refund get delayed due to strict compliance procedure and its' affect on their business negatively.

Conclusion : GST council is working on the various challenges faced by the businesses since the implementation of GST and hoping that suitable solution / outcome will definitely come outand its'helpsto adoptability of GST at a large scale in businesses. Needless to say that, if GST is implemented efficiently& effectively, the growth boost get from internal movement of goods is going to be very high and which helps to achieve our desired Economic Growth !!! ■

GOLD FAQ

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Question 1: Whether advertising and communication material (banners/hoardings/ posters) provided to distributors would be treated as supply in the course of business by the company thereby not requiring any reversal of ITC.

Answer: (a) Where the material is provided free of cost: This would not amount to a supply and hence no tax is payable on such transaction and in such a case credit availed by the company would need to be reversed in accordance with section 17(5) of the CGST Act, 2017.

(b) Where the material is provided for a consideration: This would amount to a normal supply.

Question 2: Currently Banks do not pay any VAT on import of precious metals. Banks/nominated agencies pay only customs duty on imports. In the new regime of GST, will the Banks have to pay IGST while importing?

Answer: Yes, 3% IGST is payable on all imports of precious metals in addition to the basic customs duty. IGST paid can be taken as input tax credit by the banks.

Question 3: Banks import gold / silver on consignment basis wherein the ownership of the metal is with the supplier of the bullion which maybe an overseas entity. Is the overseas entity required to have GST registration because currently they do not file returns and are governed by multi-nation treaties?

Answer: This amounts to an import in accordance with the definition of the word "import" in the IGST Act, 2017 which provides that "bringing into India of any goods from any place outside India" is an import of the goods. What is material in this definition is the mere act of bringing into India; the ownership is not material for determining whether an import has taken place. Banks, being registered entities, would be liable to pay IGST on such imports but not the overseas entities since they are not effecting the import.

Question 4: Gold and silver imported by banks/ nominated agencies on consignment basis are lying in stock as on 1st July. Clarification is required on how to charge the customers in transition phase from VAT to GST. Will customers be liable to pay GST rates?

Answer: GST is payable @ 3% with effect from 01.07.2017.

Question 5: Banks lend gold in physical form for a period not exceeding 6 months. Banks receive interest on the gold ounces disbursed and the same is converted into Rupees after calculation of interest on the ounces and the USD/INR conversion. Will the same methodology continue in case of GST as well wherein Banks shall pay a provisional GST (i.e. IGST/SGST/CGST) on ongoing market prices and pay the final GST as and when the prices are fixed?

Answer: Yes, Banks may avail of the benefit of provisional assessment provided under section 60 of the CGST Act, 2017.

Question 6: Banks pay provisional VAT currently at the time of delivery of gold on the basis of ongoing market prices. When customer fixes the price of metal, Banks pay actual VAT on the maturity date of the Gold Loan. Banks must be allowed to set-off the excess provisional GST paid to the government against future fixation of prices. In case of excess payment, the same should be refunded on Pan - India basis and not on the basis of States.

Answer: Banks may claim refund in accordance with the provisions of section 54 of the CGST Act, 2017. Interest is payable in such cases as provided in section 56 of the CGST Act, 2017. In this connection, section 60(5) of the CGST Act, 2017 may be referred to.

Question 7: When we are selling Gold, Diamond or Silver Jewellery to the end consumer (Customer) like a Gold Chain weighing 10gm at a total value of Rs. 30,000/- (gold value is Rs. 28000/- and making charges on that gold chain is Rs 2000/-), can we charge GST @3% on the total value or @3% on the gold value and @5% on making charges?

Answer: GST is payable at the rate of 3% of the total transaction value of jewellery, whether the making charge is shown separately or not.

Question 8: When we issue gold as raw material to our Job Worker for Job Work and he returns that gold as finished goods,what GST treatment will be done and how to calculate the value?

Answer: The job worker, if registered, would be required to pay GST at the rate of 5% on job charges only. The jewellery manufacturer would in turn take credit of GST paid on such job work and may utilize the same for payment of GST on his outward supply of manufactured jewellery. However, if the job worker is exempted from registration, the jewellery manufacturer would be required to pay GST on his input supply from the job worker [of jewellery made out of precious metal given by him] on reverse charge basis. Nonetheless, he would be eligible to avail input credit of the tax so paid under reverse charge mechanism. ■

CHAPTER NEWS

AHMEDABAD

Chapter took part in the celebration of Vigilance Awareness Week. The Managing Committee members,Members, Faculty, Staff and Students of Ahmedabad Chapter took the integrity pledge on 30-10-2017 at 11.00am CMA Ashish Bhavsar, Hon.Chairman of Chapter & CMA S S Shah led the session.

Chapter took part in the celebration of Rashtriya Ekta Diwas Shapath (Pledge). The Managing Committee members, Members, Faculty, Staff and Students of Ahmedabad Chapter took the Rashtriya Ekta Diwas Shapath (Pledge) on 31-10-2017 at 11.00am CMA Haren P Bhatt, Hon.Secretary of Chapter, CMA Upen Shah, Management Committee Member and CMA R B Korhari led the session.

BHARUCH - ANKLESHWAR

Career Counselling and GST Seminar

Chapter organize Career counseling and GST Awareness Programme at Kadakia Educational Campus, Ankleshwaron 18th September 2017. This Campus is having Various Collages for B.Com, M.com, B.B.A, M.B.A etc. This program is started with Welcome Speech by Prof (Dr.) T.D Tiwari (Principal & Executive Director) of Campus.

CMA S. N. Mundra, Chairman of the Chapterexplain in detail about CMA profession and GST awareness in detail along with CMA Rakesh Darji working with Lupin Ltd. This Program is specially arranged for MBA and BBA student. College professor and more than 60 students attended this program.Session was very interactive. Management of this campus appreciates efforts made to opening CMA Chapter at one of the Asia's biggest industrial area that help for improve education facility. CMA S. N. Mundra explain that opening of Chapter is possible due to teamwork of local CMA Member.

NAVI MUMBAI

CEP on Impact of Insolvency &Bankruptcy Code on Corporate Insolvency in India

Chapter conducted a CEP on "Impact of Insolvency &Bankruptcy Code on Corporate Insolvency in India" on October 8, 2017 at K.B. Patil College, Vashi. The speaker for this event was CMA Sudip Bhattacharya, Practicing Cost Accountant. He was introduced by CMA Debasish Mitra (Ex-Chairman of WIRC).

The speaker decoded the Insolvency & Bankruptcy Code (IBC) and provided a deep insight on the applicability of the Code to various entities namely Companies, LLP's, Partnership, Individuals and other body corporates. He also emphasised on the various roles played by those governing the Code namely-Insolvency Professional Agencies, Information Utilities, Corporate Insolvency Resolution Process (CIRP), Corporate Debtors, Committee of Creditors, Interim Resolution Professional etc. The application for CIRP shall be filed by financial creditors, Operational Creditors and or by corporate debtors.

In the concluding session, the speaker discussed Case Studies at length along with the various decisions and implications.

The interactive workshop came to an end with the speaker being felicitated by CMA L Prakash and the vote of thanks being proposed by CMA VaidyanathanIyer.

PIMPRI-CHINCHWAD-AKURDI

Students Felicitation Function on 5th October 2017

CMA Ashish Deshmukh, Chairman, The ICAI - Pimpri-Chinchwad-Akurdi Chapter gave welcome speech and introduced of all dignitaries on the dais, Guest of honor CMA B M Sharma, Former President of The ICAI, CMA L D Pawar, RCM & Vice-Chairman, WIRC and CMA Deepak Borse, Managing Committee Member. CMA Ashish Deshmukh, Chairman felicitated all dignitaries by offering a memento.

On the auspicious day; the dignitaries on the dais felicitated faculties, successful students and our All India 46th rank holder Ms. BhavanaIsrani (Intermediate) from June 2017 examination. All successful students were awarded by CMA B M Sharma, CMA L D Pawar, CMA Ashish Deshmukh& CMA Deepak Borse.

CEP on 'Learn to Decode Vedic Management' on 7th October 2017

CMA Vastyayan, faculty in his speech focused on Understanding the word 'Vedic Management' Vedic Vs Modern Management Education, Brief Journey of past. He briefly focused on what is Vedic? Veda means knowledge and it comes from Vedas contains knowledge in condense form - 1) Rugved 2) Yajurved 3) Samved& 4) Atharvaved. He explained on various techniques to decode and use Vedic text. He has given some live examples of decoding from RAMAYANA. Session was well interactive. The seminar was attended by members in practice, members from industries, professionals, students in large numbers.

PUNE

Cricket Tournament 2017 : Chapter had organized Cricket Tournament on Sunday, 8th October 2017 at Shahu College, Parvati, Pune 411 009, timing for the tournament was 7.00 a.m. to 5.30 p.m.

Total eight teams participated in the Tournament. Amongst these, "CMA Warriors" (Captain- CMA VaibhavGhadge) won the tournament and Runner up Team was "Shining CMA's" (Captain - CMA Santosh Choukulkar). Best Batsman Trophy was awarded to Ashok Gawali, Best Bowler Trophy to Kailas Pawar, Man of the Match award of final match as well as Man of the Series Trophy was awarded to CMA Vaibhav Ghadge.

Winning and runner up team and players were felicitated with trophies and medals at the hands of CMA H. Padmanabhan, Vice-President -ICAI, CMA Dr I. Ashok, CCM-ICAI, CMA Amit A. Apte, CCM-ICAI, CMA Dr. D. V. Joshi, Past President ICAI, CMA Neeraj Joshi, RCM - WIRC of ICAI, CMA Anant Dhavale, Chairman, ICAI - Pune Chapter. CMA H. Padmanabhan, Vice-President -ICAI also awarded a special gift to best players as a token of appreciation from the Institute. Large number of members &students attended and enjoyed the Tournament.

SURAT-SOUTH GUJARAT

Independence Day Celebration : Chapter celebrated 71st Independence Day at the campus of CMA Bhawan, Ritz Square, GhodDod Road, Surat. CMA Jitendra Parmar, Secretary of the Chapter along with CMA Manubhai Desai, Chairman and CMA Bharat Savani, Managing Committee member of the Chapter hoisting the Flag, addressed the students and members. After the Flag hosting ceremony, students of the Chapter arranged a Group Discussion on the Subject of good and awful effects of GST. Around 25 students and members took part in the Group

Discussion. CMA Amish Parmar, Treasurer of the Chapter co-ordinated the GD.

Study Tour (Factory Visit) of KRIBHCO Ltd.

Chapter organized an Educational Tour to KRIBHCO Ltd. Hazira, Surat on 04-08-2017, especially for Inter & final year students. Around 52 students with CMA Keval Shah, member of the Chapter participated the Factory Visit. CMA G. P. Rao, GM (F & A) KRIBHCO took the initiative and make all the arrangements for visit.

Placement Activity : Chapter arranged a placement at Chapter's office on 3-9-2017. Agrawal & Dandhania Associates came to Chapter's office with due permission of CMA J. T. Parmar, Secretary of the Chapter. Out of 13 students, 8 CMA have been finalized for appointment. Managing Partners of the firm, Mr. Sanjay Agarwal and Mr. Alok Dandhania conducted group discussion and interviews. CMA Dr.Heena Oza, Vice Chairperson and CMA Jitendra Parmar, Secretary of the Chapter remained present and coordinated the event.

Press Meet : Chapter arranged Press Meet with local Media (various newspapers) on 24-08-2017 at Chapter's Office. Approximately 10 press Reporters and photographers attended the Press Meet. CMA Manubhai Desai, Chairman of the Chapter and CMA Brijesh Mali, Managing Committee Member represented from the Chapter's side and gave Information to the media about the Result for June-2017 session. 4 students (2 Inter & 2 Final) from Surat were amongst the all over India Rankers. All Foundation, Intermediate and Final passed students were invited. The Chapter gave 20 new CMAs to the Society. All News Paper gave wide coverage to our result with Photographs.

Managing Committee of the Chapter for the year 2017-2019

Ahmedabad

CMA Ashish S. Bhavsar	....	*Chairman*
CMA Kanaiyalal M. Mehta	....	*Vice-Chairman*
CMA Haren P. Bhatt	....	*Secretary*
CMA Malhar A.Dalwadi	....	*Treasurer*

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CMA Suresh Popat Bhangale	....	*Chairman*
CMA Suresh R. Pimple	....	*Vice-Chairman*
CMA Shailendrasing C. Rajput	....	*Secretary*
CMA Bisheshwar Sen	....	*Treasurer*

Baroda

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CMA Mihir Vyas	....	*Vice-Chairman*
CMA Y. S. Thakar	....	*Secretary*
CMA KartikVasavada	....	*Treasurer*

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CMA Yogesh Chourasia	....	*Vice-Chairman*
CMA Shashi Bhushan	....	*Secretary*
CMA Vikas Gour	....	*Treasurer*

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CMA S. G. Narasimhan	....	*Vice-Chairman*
CMA Neetu S. Kapoor	....	*Secretary*
CMA Gopal U. Keswani	....	*Treasurer*

Pimpri-Chinchwad-Akurdi

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CMA Jayant Hampiholi	....	*Vice-Chairman*
CMA Pradeep Deshpande	....	*Secretary*
CMA Bhavesh Marolia	....	*Treasurer*

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CMA Ravindra Aralikati	....	*Vice-Chairman*
CMA Amit Shahane	....	*Secretary*
CMA Chaitanya Mohrir	....	*Treasurer*

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CMA Yogendra P. Saha	....	*Vice-Chairman*
CMA Anil B. Verma	....	*Secretary*
CMA Sameer M. Joshi	....	*Treasurer*

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CMA Prashant Yeole	....	*Vice-Chairman*
CMA Dipak N. Joshi	....	*Secretary*
CMA Bhushan Pagere	....	*Treasurer*

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CMA Sirish Vasant Mohite	....	*Vice-Chairman*
CMA Vaidyanathan Neelakantan Iyer		*Secretary*
CMA Sushant J Ghadge	....	*Treasurer*

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CMA Kantilal Jain	....	*Vice-Chairman*
CMA H. Satman	....	*Secretary*
CMA Ratan Khatwani	....	*Treasurer*

Solapur

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CMA Shriniwas S. Diddi	....	*Vice-Chairman*
CMA Raghunath V. Kshirsagar	....	*Secretary*
CMA Murali S. Iyengar	....	*Treasurer*

Surat-South Gujarat

CMA Dr. Heena Sunil Oza	....	*Chairperson*
CMA Biswadev Chanda	....	*Vice-Chairman*
CMA Amish Parmar	....	*Secretary*
CMA Nanty Shah	....	*Treasurer*

Vapi-Daman-Silvassa

CMA B. F. Modi	....	*Chairman*
CMA R. M. Kandoi	....	*Vice-Chairman*
CMA Ajay Kumar Verma	....	*Secretary*
CMA Raja Dutta	....	*Treasurer*

Vindhyanagar

CMA Probhakar Ghosh	....	*Chairman*
CMA Jose Kurian	....	*Secretary*
CMA Abhinav Maurya	....	*Treasurer*

CMA B. M. Sharma, Past President ICAI and CMA L.D. Pawar, Vice Chairman WIRC felicitating Students during Felicitation Programme organized by Pimpri-Chinchwad-Akurdi Chapter on 5th October 2017

CMA Ashish Deshmukh, felicitating faculty CMA D. K. Vatsyayan during CEP on 'Learn to Decode Vaidik Management' organised by Pimpri-Chinchwad-Akurdi Chapter on 7th October 2017

Cricket Tournament 2017 organised by Pune Chapter on 8th October 2017

Winner team captain felicitating by CMA H. Padmanabhan, Vice-President - ICAI

CMA L. Prakash felicitating CMA Sudip Bhattacharya during CEP organised by Navi Mumbai Chapter on 8th October 2017.

Celebration of Vigilance Awareness Week at Ahmedabad Chapter

WIRC Staff and Students taking Rashtriya Ekta Diwas Shapath (Pledge) at WIRC office.

Celebration of Vigilance Awareness Week – Integrity Pledge taken by WIRC Staff and Students at WIRC office

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CMA Ankita felicitating CMA Harshad Deshpande during CEP organise by WIRC on 14th October 2017 at Thane SMFC.

CMA Sudip Bhattacharya delivering lecture during CEP organised by WIRC on 29th October 2017 at Thane SMFC.

CMA B.C. Sanghavi felicitating Mr. Kamlesh Joshi during CEP organised by WIRC on 4th Nov. 2017. Also seen CMA Debasish Mitra, Chairman CPD Committee, WIRC

CMA Kailash Gandhi, Chairman WIRC felicitating speaker CMA Dr. V. V. L. N. Sastry during CEP organised by WIRC on 27th October 2017.

Seminar on Effective Cost Management in Bank & Improve Customer Relationship – 3rd Nov. 2017 at WIRC

CMA Y. R. Doshi, Past Chairman WIRC felicitating Mr. K. C. Jani, faculty. Also seen CMA Kailash Gandhi, Chairman WIRC.

CMA Paulomi Merchant lighting the lamp. Also seen CMA Kailash Gandhi, Chairman WIRC, Mr. K. C. Gandhi, Faculty and CMA Y. R. Doshi, Past Chairman WIRC.

CMA Kailash Gandhi, Chairman WIRC felicitating speaker CMA Dilip Y. Tawde, General Manager, The Saraswat Co-op. Bank Ltd.

To

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