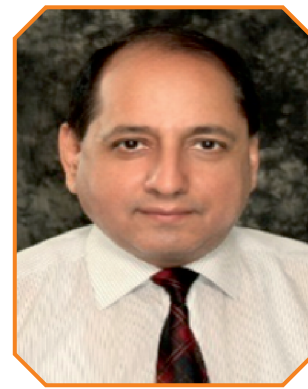


Heartly Congratulations !

*To the Newly Elected President & Vice President of
The Institute of Cost Accountants of India*



CMA Vijender Sharma
President, ICAI - 2022-23



CMA Rakesh Bhalla
Vice-President, ICAI - 2022-23



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

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

Tel.: 9372071120, 8828061444, 9372036890 • E-mail : wirc.admin@icmai.in • Website : www.icmai-wirc.in

Glimpses of extending Diwali Greetings by CMA Shriram Mahankaliwar, Chairman WIRC to Dignitaries



Mr. Tumane, Director Finance,
MOIL Ltd.



Mr. Ghanshyam Sharma, CMD MECL
& additional charge as Director Finance
Hindustan Copper Ltd.



CMA (Mrs.) Bhandari, CGM F & A
Powergrid Corporation,
at RHQ Nagpur



CMA Haren Pande, Director finance Maha
Metro Nagpur



CMA Shriram Mahankaliwar, Chairman
WIRC felicitating Mr. Basant Maheshwari,
Wealth Advisers LLP. Also seen CMA
Vinayak Kulkarni & CMA Ashish Bhavsar



CMA Vinayak Kulkarni, Vice Chairman
WIRC welcoming CMA Raju P Iyer,
President ICAI during his visit to WIRC
office, Mumbai on 14th November 2022.



Felicitation of Dr. Udai Paliwal, Director of
Institute of Commerce, Nirma University,
Ahmedabad by Immediate Past Chairman
WIRC, CMA Dinesh Kumar Birla



Felicitation of CMA Amit Dalmiya, CFO
of Reliance Textile Unit Ahmedabad by
Immediate Past Chairman of WIRC, CMA
Dinesh Birla.

OBITUARY

With Profound grief & sorrow, We regret to inform you the Sad demise of **CMA Laxman Pawar**, Past Chairman (2018-19) of WIRC -ICAI & Fellow member of Institute on 3rd December 2022. Our heartfelt condolences & respected homage to the departed soul.



This untimely death of CMA Laxman Pawar is a great loss to the Profession as well as CMA fraternity at Large. He was a dedicated CMA & was instrumental in bringing lot of good initiatives in the Professional development activities of the Institute. His contribution to bring Co-operative Audit for CMA in Maharashtra will be remembered forever.

A condolence Meeting was arranged to mourn the sad demise of CMA Laxman Pawar, on 5th December 2022 at 4 p.m. via google meet. CMA Shriram Mahankaliwar, Chairman WIRC, CMA Vinayak Kulkarni, Vice Chairman WIRC, CMA Ashish Bhavsar, Hon. Secretary, WIRC, CMA Chaitanya Mohrir, Treasurer WIRC, CMA Ashish Thatte, CCM-ICAI, CMA Pradip Desai, CMA Kailash Gandhi, Past Chairmen, WIRC, CMA V.C. Kothari and many respected members attended.



FROM THE DESK OF CHAIRMAN

Respected Dear Professional Colleagues

With Profound Grief & Sorrow we accept the Sad Demise of CMA Laxman Pawar Sir, Past Chairman, WIRC. My heartfelt condolences & respected homage to the departed soul. He was a dedicated CMA & was instrumental in bringing a lot of good initiatives in the Professional development activities of the Institute. We were together in the Regional Council during 2015-19 & I cherish a lot of memories with him. I personally feel so sad to lose a real ‘COSTMAN’. I pray for Strength to his family members to bear this irreparable Loss. WIRC organised a Condolence Meeting on 5th December 2022 at 4 p.m. via Google meet to pay homage to the departed soul.

On behalf of the Office Bearers & all Regional Council Members as well as all the members of Western India Regional Council, I extend my Heartiest Congratulations & Best compliments to the newly elected President of the Institute **CMA Vijender Sharma** and Vice President **CMA Rakesh Bhalla**. I hope their elevation shall further strengthen our profession to heights.

We are in the midst of “**Amrit Kaal**” and to justify it we need to observe it as a “**Kartavya Kaal**”. In observance of the same we are duty bound to have professional activities and for the same we have planned Regional Cost Convention 2023 (RCC) on the apt theme “**Digital Bharat towards Amrit Kaal**” on 20th & 21st January 2023 at Indian Education Society’s Pracharya B N Vaidya Sabhagriha. Hindu Colony, Dadar, Mumbai.

We are honoured and privileged to be at this crossroad of Indian Economic Independence initiated by our Hon’ble Pradhan Mantri, Shri Narendraji Modi, with his clarion call of SABKA SAATH. SABKA VIKAS. SABKA VISHWAS, SABKA PRAYAS. It encompasses the initiative to transform India into a digitally empowered society and knowledge economy. It aims to connect entire India digitally focusing on our collective resolve and determination to shape the destiny of our motherland. The journey to 2047 requires each one of us to rise up and play our part as individuals, groups, civil society, institutions of governance etc. Look forward to receiving you all with warm greetings for an eventful period of positive deliberations to enable the materialisation of the sincere dream of our Hon’ble Pradhan Mantriji.

Campus placement for qualified CMAs for June 2022 term, was held at A.M. Shah Institute, Mumbai on 16th & 17th November 2022. Total 17 Corporates participated in Campus. I am happy to inform you that out of about 150 candidates who appeared for Campus, 102 Candidates got placed in various Companies. Details of the Companies participated & number of Candidates selected is published in this issue.

To facilitate the Students & Members at large, WIRC has started “**JOB Portal**” window at the WIRC Website. It’s a Connect counter for the Prospective Employer’s & Employees to meet their Demand.

WIRC in association with SME Chamber of India organized “**SME Manufacturers & Exporters**” Summit on 19th November 2022 at Enrise by Sayaji, Nashik. Inaugural sessions

were chaired by E. Mr. Kong Xianhua, Consul General - People's Republic of China, Shri Chandrakant Salunkhe, Founder and President - SME Chamber of India and Maharashtra Industry Development Association, Mrs. Mary Sagaya, General Manager–State Bank of India. Myself along with CMA Vinayak Kulkarni, Vice Chairman & CMA Ashish Bhavsar, Hon. Secretary as well as members of Nashik Chapter also attended the summit.

It's a pleasure to inform you all that Central Council at its 337th Council Meeting has decided & approved the change in name of Nashik-Ojhar Chapter as **“NASHIK CHAPTER”**. I extend my heartiest Congratulations & Best Wishes to the Chairman, Office Bearers & Managing Committee Members as well as all the Members of **“NASHIK CHAPTER”**. Hope this change will further accelerate the growth of the Chapter.

WIRC Task force for Members in industry will be organising a Full day programme on **“Manufacturing 4.0 - The Enabler for Value Creation”** on Saturday, 17th December 2022 at MCCIA Trade Tower, Senapati Bapat Road, Pune. Details are published in this issue.

WIRC will be starting Regular (Offline) coaching for the New Syllabus for the session January to June 2023 at various Oral Coaching Centres.

The 21st World Congress of Accountants 2022 was held from 18th to 21st November, 2022 at the Jio World Centre, Mumbai, in Hybrid mode. The theme for WCOA 2022 was **“Building Trust Enabling Sustainability”**. Our Institute President & Vice President alongwith Central Council members & Govt. Nominees participated in the programme.

As per Directives of the HQ. & Ministry of Social Justice & Empowerment, WIRC celebrated the Constitution Day on 26th November 2022. A webinar was arranged on the topic **‘Constitutional fundamentals & Values of the Indian Constitution’**. CMA Ajay Deoras, Advocate was the speaker. Myself & CMA Vinayak Kulkarni, Vice Chairman WIRC & other respected members attended the celebration & Webinar.

I wish all the Students and Members **‘Merry Christmas’** & a very **‘Happy New Year 2023’** & I welcome you all at Mumbai, RCC 2023.

With Warm Regards

CMA Shriram Mahankaliwar
Chairman, WIRC-ICAI

Theme of January 2023

Pre Budget Expectations from Industry and Individuals

Sub Themes: Income tax – Corporate
Income Tax – Non-Corporate
Indirect Tax

Please send your articles by e-mail to wirc.admin@icmai.in before 25th December 2022.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

WESTERN INDIA REGIONAL COUNCIL

is pleased to announce

REGIONAL COST CONVENTION 2023

**Theme : Digital Bharat towards Amrit Kaal
on Friday, 20th & Saturday, 21st January 2023**

Venue :

**Indian Education Society's Pracharya B. N. Vaidya Sabhagriha,
2nd Floor, IES, Raja Shivaji Vidya Sankul, Gate No.12,
Patkar Guruji Chowk, Hindu Colony, Dadar East, Mumbai 400 014.**

**CEP Credit
- 6 Hours**

About the Theme of the Convention

We are honoured and privileged to be at this crossroad of Indian Economic Independence initiated by our Hon'ble Pradhan Mantri, Shri Narendraj Modi, with his clarion call of SABKA SAATH. SABKA VIKAS. SABKA VISHWAS, SABKA PRAYAS. It encompasses Government policies, schemes, action plans along with commitments from institutions, businesses, NGOs, civil society that helps actualise our ideas and help us collectively create a better tomorrow.

It encompasses the initiative to transform India into a digitally empowered society and knowledge economy. It aims to connect entire India digitally focusing on our collective resolve and determination to shape the destiny of our motherland. The journey to 2047 requires each one of us to rise up and play our part as individuals, groups, civil society, institutions of governance etc.

Any Institution is not worthy of its existence if it cannot impart useful knowledge to its members as well as the local beneficiaries amongst whom it functions. Western India Regional Council of the Institute of Cost Accountants of India in the past has never wavered from its goal of "Tamaso ma Jyotirgamaya".

Being the Professional body our endeavour is to justify the "Amrit Kaal" by observing it as a "Kartavya Kaal" and that is the reason why we at the Western India Regional Council of the Institute of Cost Accountants of India have decided to deliberate on the apt theme "Digital Bharat towards Amrit Kaal". Through this we extend our support and associate as a partner with the various digital initiatives of the Govt. of India as well as to educate and upgrade the knowledge of our members about the digital dimension and development happening in the Global Economy. Since India is emerging as a Global leader in Digital transformation what better and apt subject can be the guiding force behind the annual congregation of CMA's this year.

Every Indian involved in organising and partaking in this event should feel proud of this opportunity and feel honoured to associate themselves with this endeavour of the Institute of Cost Accountants of India with their overwhelming cooperation and contributions.

We at Western India Regional Council of the Institute of Cost Accountants of India look forward to receiving you all with warm greetings for an eventful period of positive deliberations to enable the materialisation of the sincere dream of our Hon'ble Pradhan Mantriji.

PROGRAMME SCHEDULE

Friday, 20th January, 2023		
From	To	Details
09.00 am	10.00 am	Registration & High Tea
10.00 am	11.30 am	Inauguration Session
11.30 am	12.00 pm	Tea / Coffee Break
12.00 pm	01.30 pm	Technical Session – I
01.30 pm	02.30 pm	Lunch
02.30 pm	04.00 pm	Technical Session – II
04.00 pm	04.30 pm	Tea / Coffee Break
04.30 pm	06.00 pm	Technical Session – III
06.00 pm	06.30 pm	Tea / Coffee Break
06.30 pm	08.30 pm	Cultural Programme
08.30 pm	-	Convention Dinner
Saturday, 21st January, 2023		
From	To	Details
09.30 am	10.00 am	High Tea
10.00 am	11.00 am	Technical Session – IV
11.00 am	12.00 pm	Technical Session – V
12.00 pm	12.15 pm	Tea / Coffee Break
12.15 pm	01.30 pm	Valedictory Session
01.30 pm		Networking Lunch

CEP Credit – 6 Hours

DELEGATE FEES & SPONSORSHIP DETAILS

Non Residential Delegate Fees	
Delegate Categories	Amt. (Rs)
Self-Sponsored Members	2,000/-
Corporate Delegates & Non Members	3,000/-
CMA Student	5,00/-
Accompany Spouse	1,500/-


***Plus 18% GST**

Souvenir Tariff	
Souvenir Imprint	Amt. (Rs)*
Back Cover	30,000/-
Front Inside Cover	25,000/-
Back Inside Cover	25,000/-
Full Page Colour	20,000/-
Half Page Colour	10,000/-
Full Page (B/W)	10,000/-
Half Page (B/W)	5,000/-

***Plus 5% GST**

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Sponsorship Type	Amt. (Rs.)*	No. of Free Delegates	Logo on Backdrop	Souvenir Imprint
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Silver	2,00,000/-	5	Yes	Full Page Colour
Convention Kit	1,50,000/-	4	Yes	Full Page Colour
Cultural Event	1,00,000/-	3	NA	Half Page Colour
Convention Dinner	1,00,000/-	3	NA	Half Page Colour
Co Sponsorer	75,000/-	2	NA	Full Page (B/W)

***Plus 18% GST – (GST Payable under RCM by the Sponsorer)**

Payment Details		
For Cheque or DD	Details of NEFT Payment	QR Code
The Cheque/ Demand Draft to be drawn in favour of "ICAI-WIRC" payable at Mumbai	Bank of Baroda SB Account No.: 7940100022156. Branch: Horniman Circle, Mumbai IFSC Code: BARB0PBBMUM (Fifth Character is ZERO) MICR Code: 400012111 PAN: AAATT9744L GSTIN No. : 27AAAT197 44L1ZS	

For Registration please contact :

Western India Regional Council of ICAI

Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001. Maharashtra. India.

Mob.: 93720 45191 / 98920 25045 / 98921 85588

CBDC – The New Age Currency

CMA Vasant Dinkar Tondwalkar

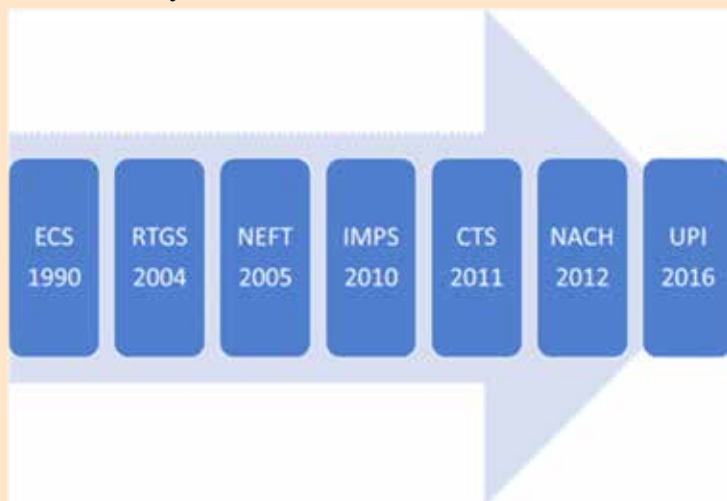
Mob.: 90280 50859

E-mail: tondwalkarvasant741@gmail.com



With the evolution of mankind, money has also evolved. Right from the barter system where goods were exchanged, to metal coins to paper currency to plastic money. As humans became more and more civilized, money also evolved and became more structured and more regulated.

With the advent of technology, the banking system also witnessed many developments in the past years. Indian payments systems have also witnessed impressive progress in the recent years.



Progress in Indian Payments System

The latest buzz word in the world of money is Digital Currency. It came into limelight when the Government of India announced the launch of Digital Rupee (e Rupee), a Central Bank Digital Currency (CBDC) in the Union Budget on 1st February 2022. The Reserve Bank of India (RBI) launched the pilot program of Digital Rupee in the wholesale segment on November 1, 2022.

Few questions which arise with the launch of CBDC are -

1. What is a digital currency?
2. How is it different from Cryptocurrency?
3. How is it different from NEFT/ RTGS and UPI?

1. What is a digital currency?

Digital currency or CBDC as it is more formally known, is a legal tender issued by the Central Bank in digital form. It suffices the major functions of money like legal tender and store of value.

2. How is it different from Cryptocurrency?

The biggest disadvantage of cryptocurrency is that it has no intrinsic value, while CBDC will have the same value that of the physical currency. While cryptocurrency is not being regulated, CBDC will be regulated by the

Central bank. CBDC will not witness extreme volatility like cryptocurrency as it will be centralized as against a decentralized crypto.

There are certain similarities of CBDC with cryptocurrency as well. Both of them are technology based and both require a digital wallet through which a person can transact in them.

3. How is it different from NEFT/ RTGS and UPI?

When Mr. A pays Mr. B Rs.500 via UPI, one bank is involved in the transaction. Bank acts as a mediator in the entire transaction. Even though the transaction appears to be completed, the actual settlement of funds takes place later between the two banks. The infrastructure is also provided by the Banks. In case of digital currency, commercial banks will not have a role. It will be same as Mr. A paying Mr. B Rs.500 without involvement of bank, but a digital wallet.

Types of CBDC

CBDC can be broadly classified into two types.

1. CBDC – W: Wholesale CBDC

It will be used by the banks and financial institutions for settlement of transactions

2. CBDC – R: Retail CBDC

It will be used by the end consumers and business for making safe payments.

Model of Issuance:

1. **Direct Model:** In direct model, the central bank will be responsible for issuance and management of CBDC. In these cases, the Central bank will have to record all the retail transactions as well. But this will increase the requirement of data management for the Central bank.
2. **Indirect Model:** In indirect model, the central bank through intermediaries (banks) will issue the CBDC to the consumers. It is similar like the existing model which is used for physical currency.
3. **Hybrid Model:** A hybrid model is wherein, the CBDC will be issued by Central Bank through intermediaries. But the ledger will be maintained by the intermediaries as well as the Central bank.

Forms of CBDC:

1. **Token Based:** Token based CBDC is like bearer instrument. The person in possession of the instrument will be considered the owner of the instrument. Token based CBDC is similar to physical cash.

2. **Account Based:** Account based CBDC will be wherein record maintenance will be required which will be managed by an intermediary.

Remunerated or non-remunerated:

If interest is paid on CBDC, it may result in loss of business by the banks. This may also result in liquidity issues at bank's end and impact the lending capacity. Since anyone holding physical cash does not earn interest, it seems ideal for CBDC to not bear an interest.

Other Aspects:

- CBDC will have trust, safety, and liquidity because of its sovereign nature.
- CBDC will reduce the costs which the Government incurred on physical cash management. Currency notes get tampered and hence require re printing. CBDC may

reduce these costs in the long run.

- Even after rapid increase in digital payments, the requirement of physical cash has not gone down. CBDC will of course not replace the existing cash system in the country but will compliment it with an additional option to individuals.
- CBDC may be issued in fixed denominations (Rs.100, Rs,500, etc.) or with a minimum value (Re.1). If issued with minimum value, the higher value transactions may result into higher processing time.

The Reserve Bank of India (RBI) has launched CBDC for wholesale segment on 1st November 2022 on pilot basis. The RBI is also expected to launch Retail CBDC pilot in December 2022. It will be interesting to see how Indian payments system adopts this change to the new age currency.

Campus Placements

The Institute of Cost Accountants of India conducted Campus Placement for the June 2022 Final passed Students on 16th & 17th October 2022 at Aruna Manharlal Shah Institute of Management, Mumbai.

Total 17 Companies participated in Campus and selected 102 Students. The highest package was from GAIL (I) Ltd amounting to Rs.18 lakh per annum.

S.No	Name of Company	Selection
1	GAIL (India) Limited	4
2	India Tourism Development Corp Ltd	3
3	ITC Limited (Tobacco Division)	1
4	Ernst & Young LLP	16
5	Reliance Limited - JIO	3
6	ITC Limited (Hotels Division)	4
7	Kalpataru Power Transmission Ltd.	18
8	Prism Johnson Limited	7
9	TIAA Global Business Services (India) Private Limited	10
10	UBS	9
11	Cytel	2
12	ITC Limited (Foods Division)	3
13	RSM Astute Consulting Pvt. Ltd.	11
14	Medline Industries India Pvt. Ltd	2
15	Hindustan Coca Cola Beverages Pvt. Ltd.	2
16	YES BANK	4
17	BEML Limited	3
	Total	102

CYBER Security – Challenges and Mitigating Solutions

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Big or small, new-age businesses are leveraging the tremendous potential of digital platforms. Many companies have adapted to cloud-based servers, data networks, and remote collaboration efficiently.

Amidst this shift and adaptability towards online solutions, cyber threats continue to disrupt the workflow of many organizations.

For instance, 68% of companies still fear the gradual increment of data risks. As a hi-tech business, it is imperative to stay aware of such threats in the cybersecurity domain.

This article contains detailed information about the potential challenges and possible solutions pertaining to cybersecurity. In addition, companies can be well-prepared by correlating each challenge with their enterprise setup.

Top Cybersecurity Challenges

Cyberattacks are an inseparable threat to the digital world. Still, awareness of current trends and challenges can equip any organization to tackle these dangers.

1. Risks to Supply Chain

In a supply chain attack, hackers target elements of an industry that are comparatively less secure. Generally, this cyberattack takes place with the help of a third-party partner that has access to a company's data.

The recent SolarWinds attack is an excellent example of this growing cybersecurity challenge. Unfortunately, the ever-increasing dependency of enterprises on outside providers has increased this risk to the supply chain elements.

In addition, open-source software is also becoming a target of this alarming cybersecurity challenge. Hence, strict supply network control is vital to combat this risk.

Here are some common industries that face the supply chain attack threat:

- Finance
- Oil and Gas
- Government
- Information Technology
- Healthcare

Companies can use regulatory frameworks to tackle this challenge. However, new solutions are necessary to safeguard companies in the upcoming years.

2. Phishing

In today's era, small businesses need cybersecurity solutions for many purposes. However, familiar challenges like phishing are still relevant.

In simple terms, phishing implies harming a company's system through files from supposedly trustworthy sources. These files range from simple PDFs to compressed documents.

Phishing attacks will become more customized soon. Basically, corporates need to be wary of any suspicious emails and attachments.

Here's how businesses can identify common phishing threats:

- Shortened URLs
- Replicating JavaScript of a reputed website
- Redirect links
- Utility of brand logos

Unfortunately, this cybersecurity challenge will become tougher with the high scope of phishing sources. Hence, companies need to equip themselves with anti-virus solutions, use HTTPS sites and consult a reliable Internet Service Provider.

3. Cloud Computing Attacks

Remote and hybrid working models have increased the dependency on cloud storage. Employees in an organization can collaborate efficiently through cloud computing.

But the absence of secure auditing, data encryption, and vulnerability in authentication leads to weak cloud management. These factors can enable hackers to leak a company's data and breach cybersecurity through the following modes:

- Malware injection
- DoS (Denial of Service) attacks
- Wrapping attack
- Advanced persistent threats

This new segment in cybersecurity attacks has emerged as a massive challenge for modern corporates. Hence, companies should consider strengthening their cloud storage and network to brace up for this threat.

4. The Ransomware Challenge

Ransomware uses asymmetric encryption to hold an individual's or company's data. Although a familiar term, ransomware still poses a huge challenge to cybersecurity.

Government departments and the financial sector are at huge risks due to ransomware. The easy accessibility to malware kits, utility of generic interpreters, and encryption technology have increased these attacks.

Companies need to be prompt to face this challenge. Here are some tricks to keep the organization's data safe from ransomware attacks:

- Data backup
- Using secure networks
- Security awareness drives amongst employees
- Safeguarding backed-up data
- Installation of upgraded security software

In addition, AI technology can combat such modern cybersecurity threats. For instance, malware detection, continuous monitoring, and discovering flaws in the system can be a useful utility of AI.

5. Social Media Privacy Intrusion

Social media giants possess information about several individuals across the globe. Unfortunately, laws to monitor this storage have certain limitations.

Going forward, privacy on social media platforms will still be a controversial issue. Thus, data leakage is a trending challenge to the cybersecurity of individuals and companies.

The solution for this issue can be to limit the amount of data uploaded. Also, individuals can choose to avoid sharing sensitive information on social media.

Using a password manager can prove handy to safeguard from social media security breaches. Overall, this challenge will keep growing as an increasing number of people are becoming active on these platforms.

Smart Ways to Combat Cybersecurity Challenges

Individuals and corporates must function with these inevitable online threats. One way to stay prepared is by following security and risk management trends.

For instance, privacy-enhancing computation, cyberattack simulators, and machine identity management can be potential strategies.

In addition, these common methods can help improve cybersecurity immensely:

- Installing a two-step verification process (Firewalls to tighten)
- Using strong and distinct passwords for different accounts
- Offline engineering software
- Physical backup of organizational data (redundancy)

- Full-proof ransomware and anti-virus tools

Above all, a unique data protection system is the need of the hour to combat rising cybersecurity threats. Also, smart management of data is a new requirement to combat these cyber threats.

However, these solutions will depend on the adaptability of different companies. Switching between online and offline storage and segregating data has become more critical than ever.

Wrapping Up

With a rising number of companies shifting base online, cyber attackers will have high scope to gain profits. Hence, ransomware, malware, phishing attacks, and privacy breaches will stay active.

Notably, most of these cybersecurity challenges aren't new but can increase in intensity. In addition, trends like supply chain and cloud computing attacks are additional risks to cybersecurity.

Staying aware of these challenges is the key to developing a full-proof (Fail-proof) security system. Importantly, companies will need to adapt to better ways of managing the abundant data. Technologies like deep learning can also prove vital in the fight against cyber threats.

Hence, businesses need to stay vigilant of cybersecurity threats and upgrade their IT strategies.

OBITUARY



CMA Mukund Gajanan Korde (M/1094)
Sr. member of Institute has passed away in
September 2022.

May his soul rest in eternal peace.

ABC of Digital Currency

CMA Lt. Dhananjay Kumar Vatsyayan (Ret.)

Mob.: 95455 51752, 89990 70378

E-mail: dvatsyayan@yahoo.com



A. PREAMBLE

1. Digital currency does not have physical form like normal currency (Notes or Coin), which can be kept in hand or stored in vault. However, it is used as medium of exchange like normal currency. It is generally understood as an asset, which is exchanged on internet and stored in computer system.
2. Digital currency facilitates movement of money, which is backed by Government such as USD\$, Euro, Pound, Rupees, Yen etc. Now it includes crypto currency and virtual currency as well.
3. Digital Currency would neither get torn, burnt or physically damaged nor physically lost. The life of a Digital Currency is infinite in comparison to paper currency.
4. Government of India has recently introduced digital currency, “e₹” digital Rupee. So, “e₹” has become a legal tender document in India. The main advantage of digital currencies are instant transfer of money and lower transaction cost along with sovereign guarantee of money.

B. HISTORY

1. The history of money goes back to thousands of years with development of civilisation and trade. Initially barter system was used for transaction, which was very laborious and cumbersome. Later on, Metal (Gold, Silver, Copper and bronze coin) money were introduced, which boosted the trade and economy. Later, paper currency was introduced, which replaced the metal money largely.
2. Paper currency had advantage over metal currency because of storage, accounting and transportation facility. The paper currency had ruled the economy till 20th century. End of 20th century witnessed digital currency in various format. The growth of digital transaction indicates that sooner it may replace the paper currency.
3. Mr. David Chaum had written an article “Blind Signature for untraceable payment” in 1983 and introduced the idea of digital cash. The concept gained its practical usage from 1989 to 2000 in various form like e-gold, digiCash, PayPal etc. Other popular digital currency introduced were Liberty reserve, Q Coin, QQ Coin etc. Initially it was used mainly for ponzi schemes and money laundering purpose.
4. Bitcoin, based on decentralised block chain system

introduced in 2008, became most prominent crypto currency of exchange worldwide.

5. Various Government is either introduced her own digital currency or in the process of issuing digital currency.
6. Government of India also proposed digital currency in Union Budget 2022-23 and Reserve Bank of India has introduced its own digital currency “e₹” in Nov 2022, which is expected to be in line with paper currency “₹”.

C. TYPE OF DIGITAL CURRENCY - Digital currency is broadly classified under three categories.

1. CRYPTOCURRENCY

- a. Cryptocurrency is a system of decentralised digital asset based on blockchain technology. It facilitates a medium of exchange across the border within small community.
- b. Cryptocurrency makes use of an electronic ledger system to create a network of computing nodes to process transactions.
- c. Cryptocurrency use secure network system and cryptography to ensure temper free digital currency.
- d. Initially people were hesitant to use Cryptocurrency because of decentralised nature and non-involvement of intermediaries like bank or financial institutions.

2. VIRTUAL CURRENCY

Virtual Currency functions as a medium of exchange, a unit of account, and/or a store of value as defined by IRS.

3. CBDC

CBDC (Central Bank Digital Currency) is issued and controlled by Central Bank of the country. Broadly, CBDC is categorised in two formats based on usage and control mechanism.

- a. CBDC-R – Retail CBDC will be used by individual, Private sector business entity and non-financial consumer / business.
- b. CBDC-W - It will be used by Government segment, Interbank transaction and capital market (financial institution) for transaction settlement purpose.

D. FEATURES OF CBDC

As per RBI published writeup of Concept note on digital currency, the features of CBDC are defined as under. “The features of CBDC include:

- CBDC is sovereign currency issued by Central

Banks in alignment with their monetary policy

- It appears as a liability on the central bank's balance sheet
- Must be accepted as a medium of payment, legal tender, and a safe store of value by all citizens, enterprises, and government agencies.
- Freely convertible against commercial bank money and cash
- Fungible legal tender for which holders need not have a bank account
- Expected to lower the cost of issuance of money and transactions"

E. TYPE OF CBDC

Two types of CBDC instruments are in use by many central banks. The merit and demerit of both systems is as under

1. Remunerated CBDC

- a. CBDC will carry an interest on deposit, which will incentivise investors to switch their money from deposit to CBDC. CBDC will be a nice instrument to invest and hold as value for money.
- b. Bank deposit may reduce in this case and ultimately wealth creation power of bank will diminish.
- c. Bank might have to increase the interest rate on deposit in order to attract deposit. Ultimately, it will lead to higher cost of capital for business community.

2. Non remunerated CBDC

- a. CBDC will be interest free. Here public will have no incentive to shift from bank deposit to CBDC.
- b. Business entity having money in Current Account may switch over to this system.
- c. Bank may have to create higher reserve to meet sudden demand of fund for CBDC.

F. MANAGEMENT MECHANISM OF CBDC –

Three types of mechanism are being adapted to have overall management of CBDC operation.

1. Single Tier Model or Direct CBDC Model

- a. Under this model all aspect of operation, management and control remain with central bank. This model eliminates financial intermediary and enter in retail transaction.
- b. CBDC will be responsible for issuing, accounting and transaction verification. All information will be saved in Central Bank server. The reliability of instrument will be high.
- c. Central bank will not be in position to take advantage of wide network of Banking system. It may be cumbersome to have KYC of all account holder for Central Bank.

2. Two Tier Model or Intermediate model

- a. Central Bank and intermediary play their role independently as per model designed by Central bank.
- b. It overcome the deficiency of Single Tier system and avail the benefit of wider banking (Intermediary) network.
- c. Two Tier system is having two models. Indirect models & Hybrid Model
 - i. Indirect Model – The consumers will have account or wallet with service provider (Bank).
 1. The intermediary will be responsible to provide CBDC on demand and not the central bank.
 2. The central bank will track the wholesale CBDC balances of the intermediaries.
 3. There is no backup to restart payment system, if intermediary (Bank) become insolvent
 - ii. Hybrid Model – Central Bank is responsible to issue CBDC to banks (intermediary) and bank will be responsible for all activities related with customers.
 1. Central Bank will retain a ledger of retail transaction but intermediary (Bank) will provide all retail services to user.
 2. CBDC will have direct claim on Central Bank, which maintain central ledger of all transaction.
 3. This system will allow to restart the payment system, even if the intermediary become insolvent or having technical problem.

G. ECONOMIC BACKGROUND OF ISSUING CBDC IN INDIA



1. Physical currency remains most preferred mode of transaction, followed by digital currency. Still, cost of managing physical currencies and requirement of currency is increasing substantially in spite of promoting paperless transaction (digital mode).
2. Though the usage of Digital Payment Index is growing rapidly because of increasing appetite of Indian citizen for digital payment. The growing DPI is an indication about acceptance of digital currency by common citizen.

3. Private virtual currency with any intrinsic value has mushroomed all along the world. The growth of private virtual currency has become a challenge to established financial system.
4. The regulatory body (Central Bank) failed to track and

control virtual currency. In order to tackle the problem, RBI has taken many steps to facilitate trouble free 24x7x365 transaction and settlement at minimum cost.

5. The brief information of Economic indicator of India in recent past is given below in tabulated format.

Sr.	Description	2020-21	2021-22
1	Cost of Cash Management	₹4,012.10 crore	₹4,984.80 crore
2	Percentage increase in value of Currency in India	16.8 %	9.9 %
3	Percentage increase in volume of Currency in India	7.2 %	5.0 %
4	DPI Digital payment Index (From to to) [March 18 base as 100] in India	207.84 – 270-59	270-59 – 349.3
5	Annual Financial Inclusion (FI) index of India	53.9	56.4

[Photo – Reserve Bank of India; Source – The Mint]

[Source: RBI Bulletin]

H. CBDC IN INDIA – Reserve Bank of India (RBI) has issued its CBDC symbolise as “e₹” on 1 Nov 2022 as pilot project.

- a. 9 banks have been initially recognised as intermediary to RBI in management of CBDC. These banks are State Bank of India, Union Bank of India, Bank of Baroda, Yes Bank HDFC Bank, ICICI Bank, HSBC, IDFC First Bank and Kotak Mahindra Bank.
- b. Virtual Currency purchase and sales will trigger tax events.

I. ADVANTAGE AND DISADVANTAGE OF CBDC IN INDIA –

1. **ADVANTAGE** -The main advantage envisaged by Indian Government from Indian CBDC, as published in concept note on digital currency by RBI are as under.

- a. CBDC “e₹” would offer the public broad access to digital money free from credit risk and liquidity risk.
- b. CBDC “e₹” payments using CBDCs are final and thus reduce settlement risk in the financial system.
- c. CBDC will eliminate the need for interbank settlement by directly using CBDC accounts.
- d. Indian CBDC “e₹” will automate accounting and other record keeping. This will save time and expenses for every user.
- e. CBDC “e₹” may provide the public a safe sovereign digital money for meeting various transaction needs. It shall make financial services more accessible to the unbanked and underbanked population.
- f. CBDC could provide the public a risk-free virtual currency that will provide them legitimate benefits without the risks of dealing in private virtual currencies.
- g. Safeguarding the trust of the common man in the Indian Rupee vis-à-vis proliferation of crypto asset is another important motivation for introducing CBDC.
- h. The CBDC platform is expected to generate huge

sets of data in real time, which can assist in evidence-based policy making.

- i. Rich data source to service providers for financial product insights.
- ii. Data would be highly useful for law enforcing and money laundering regulations.
- iii. Data may assist in curbing non-compliance of existing rules and regulations.

2. DISADVANTAGE / RISK FACTOR

- a. Potential demand for a CBDC is highly uncertain. there are two main concerns: first that, in times of financial crisis, CBDC may hypothetically result in faster bank runs; and second, financial disintermediation could lead banks to rely on more expensive and less stable sources of funding.
- b. CBDC is likely to weigh on bank profitability and lending.
- c. Digital Currency reduces transaction cost but increases other cost like cyber security cost, computing transaction fee etc.
- d. All transaction is having a trail, which can be tracked. Such system may infringe the personnel information of any individual.

J. CONCLUSION

- a. Digital Currency is not immune to hackers and cyber criminals. If a country adapts Digital Currency in toto, financial stability and security will have a cyber security risk.
- b. Dealing with usage of Digital Currency in cross border transaction or illegal economic activity poses a big challenge to law enforcing agencies and policy makers.
- c. Digital Currency including CBDC is in a state of flux. However, development of technology and its expansion is bound to overcome all obstacle.
- d. Digital currency (CBDC) is advisable to operate in parallelly with conventional currency but Digital Currency is expected to overtake conventional currency in future.

“Jay Hind”

Crypto Currency : Means of an Unregulated and Decentralised Transaction

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Abstracts :

1. What is Crypto Currency?
2. Elements of Crypto Currency
3. Brief Background
4. Examples
5. How does it work
6. Pros and Cons
7. Is it Legal
8. Is it safe
9. In India
10. Conclusion

1. What is Crypto Currency^{[1],[2]}?

Cryptocurrency, sometimes called crypto, is any form of currency that exists digitally or virtually and uses cryptography to secure transactions. Cryptocurrencies don't have a central issuing or regulating authority, instead using a decentralized system to record transactions and issue new units^[1]. Cryptocurrency is a digital payment system that doesn't rely on banks to verify transactions^[1]. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments^[1]. Instead of being physical money carried around and exchanged in the real world, cryptocurrency payments exist purely as digital entries to an online database describing specific transactions.^[1]

When you transfer cryptocurrency funds, the transactions are recorded in a public ledger^[1]. Cryptocurrency is stored in digital wallets^[1]. Cryptocurrency received its name because it uses encryption to verify transactions^[1]. This means advanced coding is involved in storing and transmitting cryptocurrency data between wallets and to public ledgers^[1]. They enable secure online payments without the use of third-party intermediaries^[2]. "Crypto" refers to the various encryption algorithms and cryptographic techniques that safeguard these entries, such as elliptical curve encryption, public-private key pairs, and hashing functions^[2]. The aim of encryption is to provide security and safety^[1]. The first cryptocurrency was Bitcoin, which was founded in 2009 and remains the best known today. Much of the interest in cryptocurrencies is to trade for profit, with speculators at times driving prices skyward^[1].

2. Elements of Crypto Currency^{[3],[4],[5]}. To understand cryptocurrency, one needs to first understand three terminologies – blockchain, decentralization, and cryptography.

- Blockchain is a type of shared database that differs from a typical database in the way that it stores information; blockchains store data in blocks that are then linked together via cryptography^[4]. In simple words, blockchain in the context of cryptocurrency is a digital ledger whose access is distributed among authorized users^[4]. This ledger records transactions related to a range of assets, like money, house, or even intellectual property^[3]. The access is shared between its users and any information shared is transparent, immediate, and "immutable"^[3]. Immutable means anything that blockchain records is there for good and cannot be modified or tampered with – even by an administrator^[3]. The goal of blockchain is to allow digital information to be recorded and distributed, but not edited^[4]. In this way, a blockchain is the foundation for immutable ledgers, or records of transactions that cannot be altered, deleted, or destroyed^[4]. This is why blockchains are also known as a distributed ledger technology (DLT)^[4].

- Centralized money refers to the regular money that we use, which is governed by authorities like the Reserve Bank of India^[3]. Decentralization in cryptocurrency means there is no similar authority that can be held responsible for supervising the rise and fall of a particular cryptocurrency^[3]. This has many benefits over centralized money^[3].

– Some of these benefits include the following^[3],..:

There is no need for currency owners to "trust" a single governing entity, as everyone in the network has access to the same information that cannot be altered^[3]. Data remains accessible only to the users of the network and it is heavily secured^[3]. Shared ownership also means all users sign off on how accurate the data is, which means there is very little scope for data mismanagement or miscommunication. Think of it as a democracy. Security, which is a fundamental part of a blockchain^[3].

Imagine that a company owns a server farm with 10,000 computers used to maintain a database holding all of its client's account information. This company owns a warehouse building that contains all of these computers under one roof and has full control of each of these computers and all of the information contained within them. This, however, provides a single point of failure. What happens if the electricity at that location goes out? What if its Internet connection is severed? What if it burns to the ground? What if a bad actor erases everything with a single keystroke? In any case, the data is lost or corrupted^[4].

What a blockchain does is to allow the data held in that

database to be spread out among several network nodes at various locations. This not only creates redundancy but also maintains the fidelity of the data stored therein — if somebody tries to alter a record at one instance of the database, the other nodes would not be altered and thus would prevent a bad actor from doing so. If one user tampers with Bitcoin's record of transactions, all other nodes would cross-reference each other and easily pinpoint the node with the incorrect information. This system helps to establish an exact and transparent order of events. This way, no single node within the network can alter information held within it^[4].

Because of this, the information and history (such as of transactions of a cryptocurrency) are irreversible. Such a record could be a list of transactions (such as with a cryptocurrency), but it also is possible for a blockchain to hold a variety of other information like legal contracts, state identifications, or a company's product inventory^[4].

- Cryptography is the method that secures data from unauthorized access by the use of encryption techniques. Most of the claims that blockchain makes, like privacy and immutability, are enabled through cryptography^[3]. Cryptography is the way of securing important data from unauthorized access. In the blockchain, cryptographic techniques are a part of security protocols. It secures a transaction taking place between two nodes in a blockchain network.^[5]

The word cryptography can be broken into two parts; Crypto meaning “hidden” and Graphy meaning “writing”. Therefore, cryptography is a method of converting plaintext into unreadable coded text [5]. Two main concepts behind cryptography are Encryption and Decryption. Encryption is coding information in such a way that you and I cannot understand what it means just by looking at it. Decryption is the reverse of encryption, i.e. decoding of the coded information^[5]. The encrypted text or information is also known as ciphertext^[5]. And this ciphertext is deciphered through specific techniques known as a cipher (steps of encoding)^[5]. Therefore, cryptography is a security method that secures a transition or exchange of information between two nodes and prevents it from third-party intervention^[5].

3. A Brief Background^{[3],[4],[5]}:

- The roots of cryptocurrency technology can be traced back to the 1980s with the invention of what is called a “blinding algorithm”. The algorithm is all about secure and immutable digital transactions. It remains fundamental to the modern-day digital currency. In 2008, a group of people (currently known under the pseudonym Satoshi Nakamoto) created the guiding principles of the first and leading cryptocurrency in the market today, Bitcoin. In 2009, Bitcoin was launched to the world. But it would be years before it was formally recognized as a means of payment among leading merchants, starting with WordPress in 2012.
- First proposed as a research project in 1991, the blockchain concept predated its first widespread

application in use: Bitcoin, in 2009[4]. In the years since, the use of blockchains has exploded via the creation of various cryptocurrencies, decentralized finance (DeFi) applications, non-fungible tokens (NFTs), and smart contracts^[4]. The underlying blockchain technology is today used in banking, insurance, and other business sectors^[3]. Growing at a compounded annual growth rate of 12.8% since 2021, the cryptocurrency market is estimated to reach \$4.94 billion by 2030, thanks to the need to improve the efficiency of today's payment systems, rise in global remittances and increased need to secure data^[3].

- The tale of cryptography traces back to ancient times. One of the earliest signs of using cryptographic methods was seen in ancient Egypt to exchange important information. During that time, generals of the Roman empire used a popular cryptographic technique; “Caesar cipher”^[5]. Then came the age of encryption methods in cryptography which was around the 16th century. This method of key encryption codes a message into a single keyword. The receiving party then decrypts the message using the key. This method was popularly known as “Vigenere cipher”. Later in the 20th century came the age of rotor driven encryption machines like the Enigma machine used by the Germans during World War II. These machines would generate a ciphertext by making particular settings for the multiple rotors present in it. For a significant time, this method of cryptography was considered successful and unhackable. But, in 1932 Polish and British armies (with the help of the famous Alan Turing) found the hack to this method and was able to decrypt the messages encrypted by Enigma code. With the war phase receding came the computer age where the need for more robust cryptographic techniques arose. During this time, there was a realization that we can use cryptography not only in war but in other crucial domains such as business and commerce as well. So, in the 1970s IBM created a cryptographic algorithm named “Data Encryption Standards” (DES) to encrypt important data. But soon it became obsolete as it was easy to hack or brute force this algorithm. After DES, in 2000 came the Advanced Encryption Standard (AES).

Apart from cryptography existing in our lives on a day-to-day basis such as in Emails, messages, Login IDs and passwords, etc. it is especially useful in the operation of cryptocurrency systems like Bitcoin. In these, cryptographic techniques are mainly used for hashing and key encryption or digital signatures in order to keep the data safe^[5].

4. Examples of Crypto Currency^{[6][7]}:

There are thousands of cryptocurrencies. Some of the best known include:

- 4.1 **Bitcoin:** Founded in 2009, Bitcoin was the first cryptocurrency and is still the most commonly traded. The currency was developed by Satoshi Nakamoto – widely believed to be a pseudonym for an individual or group of people whose precise identity remains unknown. How does Bitcoin work? Using blockchain technology, Bitcoin allows users to make transparent

peer-to-peer transactions. All users can view these transactions; however, they are secured through the algorithm within the blockchain. While everyone can see the transaction, only the owner of that Bitcoin can decrypt it with a “private key” that is given to each owner. Unlike a bank, there is no central authority figure in the Bitcoin. Bitcoin users control the sending and receiving of money, which allows for anonymous transactions to take place throughout the world.

- 4.2 **Ethereum:** Developed in 2015, Ethereum is a blockchain platform with its own cryptocurrency, called Ether (ETH) or Ethereum. While tracking ownership of digital currency transactions, Ethereum blockchain also focuses on running the programming code of any decentralized application, allowing it to be used by application developers to pay for transaction fees and services on the Ethereum network. It is the most popular cryptocurrency after Bitcoin.
- 4.3 **Litecoin:** Litecoin was launched in 2011 as an alternative to Bitcoin. Like other cryptocurrencies, Litecoin is an open-source, global payment network that is completely decentralized, meaning there are no central authorities.

What’s the difference between Bitcoin and Litecoin?

Here are a few differences between these digital currencies:

Litecoin is believed to feature faster transaction times. The coin limit for Bitcoin is 21 million and Litecoin is 84 million. They operate on different algorithms, Litecoin’s being “scrypt” and Bitcoin’s is “SHA-256.” This currency is most similar to bitcoin but has moved more quickly to develop new innovations, including faster payments and processes to allow more transactions.

- 4.4 **Ripple:** Ripple is a distributed ledger system that was founded in 2012. Ripple can be used to track different kinds of transactions, not just cryptocurrency. The company behind it has worked with various banks and financial institutions.
- 4.5 **ZEC (ZCash) :** Zcash is a digital currency that was built on the original Bitcoin code base. Conceived by scientists at MIT, Johns Hopkins and other respected academic and scientific institutions, it was built on a decentralized blockchain. A core feature and differentiation of Zcash is an emphasis on privacy. While not a function available to investors on Equity Trust’s platform, users can send and receive Zcash without disclosing the sender, receiver, or the amount transacted.
- 4.6 **Stellar lumen:** This is an intermediary currency that facilitates currency exchange. Stellar allows a user to send any currency they own to someone else in a different currency. Jed McCaleb founded the open-source network Stellar and created the network’s native currency in 2014.
- 4.7 **Chain Link :** Launched in June 2017, the Chainlink was designed to incentivize a global network of computers to provide needed external data to smart contracts (agreements programmed to execute when certain conditions are met) running on top of blockchains.

Non-Bitcoin cryptocurrencies are collectively known as “altcoins” to distinguish them from the original.

5. How does it work^{[1],[8]}:

Cryptocurrencies run on a distributed public ledger called blockchain, a record of all transactions updated and held by currency holders. The majority of cryptocurrencies function without the backing of a central bank or government. Instead of relying on government guarantees, decentralized technology called blockchain underpins the operation of cryptocurrencies. Units of cryptocurrency are created through a process called mining, which involves using computer power to solve complicated mathematical problems that generate coins. Users can also buy the currencies from brokers, then store and spend them using cryptographic wallets. If you own cryptocurrency, you don’t own anything tangible. What you own is a key that allows you to move a record or a unit of measure from one person to another without a trusted third party. Cryptocurrencies do not exist as a stack of notes or coins. Instead, they live only on the internet. Consider them virtual tokens, the value of which is decided by market forces created by those seeking to purchase or sell them.

6. What Can be bought with Crypto Currency^[9]:

there are more ways to spend crypto than you can count. From groceries to Lamborghinis, we’ve created a complete list of what you can buy with crypto today. Start spending and living on crypto.

Some examples are

Air tickets,

Anything in Amazon

Boats and Yachts,

Books and Literature

Cars and Motor vehicles

Cell Phones

Clothes and Fashion Accessories

Computers, Laptops

Coffee

Insurance

Diamond Jewellery

Domain Name, Web Hosting

Donations to charities etc.

7. Pros and cons of cryptocurrency^[10]:

Cryptocurrency inspires passionate opinions across the spectrum of investors. Here are a few reasons that some people believe it is a transformational technology, while others worry it’s a fad.

- 7.1 Cryptocurrency has several potential advantages, including:
- 7.1.1 Global and easy to send: Transactions can be made 24/7, and because they’re digital, there are no cross-border issues or fees. An investor can always find a platform to sell or exchange their coins if there is an available internet connection.

- 7.1.2 Decentralization:** Cryptocurrency is not subject to government or financial institution control. At the same time, they are available in many countries, which makes them easy and comfortable to possess.
- 7.1.3 Private and secure:** Transactions made with cryptocurrency are generally irreversible, which protects sellers from fraud. In addition, personal information is not required to make a transaction, further increasing security. Many people value this anonymity and prefer digital coins over any other payment method.
- 7.1.4 Low transaction fees:** Because there are no intermediaries, such as banks or credit card companies, cryptocurrency transactions have very low fees. This is a big advantage over traditional methods, such as wire transfer, which can have high fees (sometimes up to 10%) or more.
- 7.1.5 It might be the currency of the future:** With the development of technology, it is possible that cryptocurrencies will replace traditional fiat currencies in the future. If this happens, it could mean big profits for investors who get early.
- 7.2 Cryptocurrency also has several potential disadvantages, including:**
- 7.2.1 Volatility:** The prices of cryptocurrencies are highly volatile and can fluctuate widely. This means that investors could potentially lose all of their investment, or even see it increase significantly. However, this is true for many types of investments so, it is not something that is inherent only to cryptos.
- 7.2.2 No regulation:** Cryptocurrencies are not currently regulated by any government or financial institution. This could change in the future, but for now, it means that there is little protection for investors if something goes wrong.
- 7.2.3 It is still new:** Cryptocurrencies are a relatively new asset class, and as such, they are not well understood by the general public. This lack of understanding could make it difficult to find buyers or sellers when the time comes to sell.
- 7.2.4 It is not always accepted:** While some businesses do accept cryptocurrencies, many do not. This means that investors may have to convert their coins back to fiat currency in order to make a purchase. This conversion process can be time-consuming and expensive.
- 7.2.5 Negative impact on the environment:** Cryptocurrency mining consumes a lot of energy. For example, Bitcoin mining is estimated to use as much electricity in a year as the entire country of Argentina. If cryptocurrencies continue to grow in popularity, this could have a negative impact on the environment.
- 7.2.6 New assets are untested:** When new assets are introduced, they are untested and unproven. This means that there is a higher risk that they will not succeed. This is why it is important to do your research and invest in assets that you believe have great potential.

8. Is it safe^[1] ?

Cryptocurrencies are usually built using blockchain technology. Blockchain describes the way transactions

are recorded into “blocks” and time stamped. It’s a fairly complex, technical process, but the result is a digital ledger of cryptocurrency transactions that’s hard for hackers to tamper with. In addition, transactions require a two-factor authentication process. For instance, you might be asked to enter a username and password to start a transaction. Then, you might have to enter an authentication code sent via text to your personal cell phone. While securities are in place, that does not mean cryptocurrencies are un-hackable. Several high-dollar hacks have cost cryptocurrency start-ups heavily. Hackers hit Coincheck to the tune of \$534 million and BitGrail for \$195 million, making them two of the biggest cryptocurrency hacks of 2018. Unlike government-backed money, the value of virtual currencies is driven entirely by supply and demand. This can create wild swings that produce significant gains for investors or big losses. And cryptocurrency investments are subject to far less regulatory protection than traditional financial products like stocks, bonds, and mutual funds.

9. Is it legal^[11]?

The legal status of cryptocurrencies varies substantially from one jurisdiction to another, and is still undefined or changing in many of them.[1] Whereas, in the majority of countries the usage of cryptocurrency isn’t in itself illegal, its status and usability as a means of payment (or a commodity) varies, with differing regulatory implications. While some states have explicitly allowed its use and trade, others have banned or restricted it. Likewise, various government agencies, departments, and courts have classified cryptocurrencies differently.

10. Crypto Currency in India?^[12] :

Cryptocurrencies are unregulated in India but in Budget 2022, the government announced a flat 30 per cent tax on gains from cryptocurrency transactions as well as a tax deducted source (TDS) of 1 per cent. “RBI is of the view that it should be banned. It has made its stand clear. The government believes that till legislation is formed around it, it should be taxed. Taxation should not be given up, which is why the Budget announced the taxes. The FSB report would help in addressing this issue, whether or not crypto should be banned. And that needs international regulations. Banning it just in India would keep the grounds open for transactions through wallets which are cross-border in nature,” the official said.

What about the imposition of goods and services tax (GST) that has also been in discussion? “Once a view is taken on the legal aspect of crypto, the next step would naturally be imposing GST. For imposing GST, it has to be first classified as to what kind of an asset is it — is it a commodity or is it a service. We are expecting that the report would help address these questions. Those deliberations are largely ongoing and depend on whether we are looking to legalise it not,” the official said.

RBI’s Stance: RBI has been vehemently opposing cryptocurrencies. Governor Shaktikanta Das has on

more than one occasion maintained that cryptocurrencies are a danger to the country and that anything whose value is derived solely from conjecture is speculative in nature. The central bank identified a number of risks related to the cryptocurrency asset markets, including connections between such markets and the regulated banking system. “Identification and quantification of risks posed by crypto-assets face data gap challenges,” the RBI has said in the past.

In a written reply to Lok Sabha, finance minister Nirmala Sitharaman had said that RBI is in favour of banning cryptocurrencies and that it has conveyed to the ministry that it cannot be considered as a legal tender since they are not issued by the RBI. “In view of the concerns expressed by the RBI on the destabilising effect of cryptocurrencies on the monetary and fiscal stability of a country, the RBI has recommended for framing of legislation on this sector. The RBI is of the view that cryptocurrencies should be prohibited,” Sitharaman’s reply to the Lok Sabha says.

11. **Conclusion:** Government’s interference and regulations have always been an obstacle to the free bee financiers. Crypto Currency is evolved by some of such rebellions and off course it facilitates good opportunity in financial transactions. One can buy domain names, pay for web hosting, maintain servers, and leverage VPNs all with people’s preferred cryptocurrency and wallet. Bit Pay partners with Name Cheap, Express VPN, HOSTKEY, Nexusguard, and many other providers to give people the freedom of paying for their web services with

crypto. One can buy fashion accessories, anything from amazon, bears etc. Not only that one can donate crypto currencies. It is getting popularity as well but without being monitored by an authentic regulatory authority it cannot be assessed legal and hence adaptable. But if the regulations are made effectively and cohesively the crypto currency would be the choicest wallet in future.

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SME Manufacturers & Exporters Summit

WIRC in association with the SME Chamber of India organized the SME Manufacturers & Exporters Summit on 19th November, 2022 at Enrise by Sayaji, Nashik.

Inaugural sessions was Chaired by E. Mr. Kong Xianhua, Consul General - People’s Republic of China, Shri Chandrakant Salunkhe, Founder and President - SME Chamber of India and Maharashtra Industry Development Association, Mrs. Mary Sagaya, General Manager– State Bank of India & CMA Shriram Mahankaliwar, Chairman WIRC of ICAI. During the Inaugural session CMA Shriram Mahankaliwar, Made a Power point Presentation to make aware the MSME entrepreneurs about the the Various Services being provided by The National Small Industries Corporation Ltd, Under the Ministry of MSME, for the benefit of of MSME Sector with regard to Single Point Registration, MSME Global Mart, Consortia & Tender Marketing, Raw Materials Assistance (RMA), SRI (Self Reliant India) Fund, Bill Discounting and Exhibitions / Trade Delegations etc.

1st Technical session was on “Supporting SMEs and Manufacturers for better Business Growth”. Mr. Jigar Desai, Area Channel Manager - Maharashtra & Goa, SBI General Insurance, Mr. Nitesh Jain, Business Head – Commercial, Direct to Consumer Business - TransUnion CIBIL Limited, Mr. Ajit Kumar, Head - Machinery and Equipment - U GRO Capital Ltd and Mr. TapanKashyap, AVP – FX Retail, Clearing Corporation of India Ltd. were the speakers.

2nd Technical session was on Transforming SMEs for better business growth - Strategies and Initiatives. Mr. Abhishek Ambekar – Area Head – Nashik - Aditya Birla Sun Life Insurance, Mr. Satish Gadale, SMB Sales Manager- RoMH + GoA – AWS, Mr. Rajiv Manalal Gupta, MD & Founder - worxpertise group & Mr. Kaushiik Chandra, Business Coach - AtKonnnectRedefiningg Businesses were the speakers.

3rd Technical session was on Emerging Business and Export Opportunities. Mr. Michael Brown, Deputy Consul General, Australian Consulate - Mumbai, CMA Pradnya Chandorkar - Practicing Cost Accountant, Committee Member of National Advisory Board of Women Entrepreneurs Development Council, CMA Dipak N. Joshi - Practicing Cost Accountant, Mr. Ajit Shah, Director – Universal Connections were the speakers.

CMA Vinayak Kulkarni, Vice Chairman WIRC & CMA Ashish Bhavsar, Hon. Secretary, WIRC were also present on the occasion. Large number of MSME entrepreneurs & members from Nashik Chapter attended the summit.

FTX Crash : How it all happened ?

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FTX is a centralised crypto exchange co-founded by Sam Bankman - Fried (SBF) and Gary Wang in 2019. The company is based out of the Bahamas and for the past couple of years, it has been one of the frontrunners in the crypto space. In 2019, during its funding round, FTX received financing from many venture capital firms, including another crypto exchange, Binance.

After acquiring funds from multiple sources and seven funding rounds, it managed to raise \$1.8 billion initially and, in March 2022, was valued at \$32 billion. FTX didn't waste a lot of time trying to grab eyeballs across the globe with ad spending and even going on to buy the naming rights for esports giant TSM for \$210 million.

A considerable amount was spent to make FTX a celebrity in the 'Cryptoverse'. In 2021, FTX decided that it was done being in the shadows of Binance and managed to buy Binance's stake in the company for \$2.1 billion, which it managed to settle in BUSD (Binance stablecoin) and FTT (FTX native token).

In early 2022, SBF's net worth was at its peak, close to \$26.5 billion. Little did SBF know that he'd be worth a lot less in just a few months and his company would be done for. Binance, which is another major crypto exchange, has considerable clout in the industry. CZ Zhao, who is the top hat there, has been calling the shots ever since the company was formed in 2017. SBF and CZ had cordial relations during the early days of both companies, but things went a little sour between the two after SBF bought FTX's stake from Binance.

Rumours are that since 2020, SBF was lobbying regulators against Binance and even went to the limits of funding an anti-Binance narrative in the media. There has been a series of Reuters articles in the media that went after CZ highlighting his connection with China and how that could have a plausible impact on the investors of Binance.

The articles at times even targeted CZ's family. Though it hasn't been proven that SBF or FTX had any connections with these articles, it is alleged that people close to SBF who had a vested interest in his company funded these articles against Binance. Obviously, this pissed CZ off.

Also, in a Reuters exclusive, it was detailed that SBF had transferred \$4 billion (including customer funds) into Alameda Research and that raised suspicion amid the crypto community. It's sacrilegious to use customer funds for company operations and that's one of the biggest reasons that FTX landed itself in this situation.

On 2 November, an article on CoinDesk revealed leaked details of Alameda Research, another company owned by SBF. The article highlights how a considerable amount of Alameda's assets were illiquid altcoins and FTT, which is the native token of FTX. These tokens could have been collateral that Alameda used to take out loans in other stablecoins or maybe even fiat. At that time, the total market cap of FTT was \$3.5 billion with a diluted market cap close to around \$8.8 billion. Since

most of Alameda's assets were FTT tokens, a drop in its value meant that the company would also lose valuation. Almost immediately after CZ's tweet to sell all FTT, the CEO of Alameda, Caroline Ellison, replied to CZ that Alameda would be willing to buy Binance's FTT holding for \$22 per token. This was the catalyst that led to people shorting FTT tokens and major withdrawals started to take place at FTX. However, by that time it was quite clear that FTX didn't have enough liquidity to address these withdrawals and that only made things worse. SBF did go on to say that the "shitshow" had only affected FTX International and that funds at FTX US were safe and they were 100 percent liquid.

By 8 November, the Wall Street Journal had reported that FTX had seen approximately \$6 billion withdrawn from its exchange and this sent SBF rushing to the market looking for rescue funds. There are reports that he even reached out to the 'Dogefather' (Elon Musk) but sadly, the FTX co-founder's cry for help fell on deaf ears.

The anticlimax

When it all seemed lost for SBF, his 'old friend', CZ Zhao, decided to rescue the beleaguered crypto exchange by signing an LOI (Letter of Intent) to buy FTX for an undisclosed amount. CZ tweeted that the decision to buy FTX was to protect investors and also said that FTX going down would affect the industry overall. Not even 48 hours had passed since the announcement was made that CZ tweeted that he was backing out of the deal stating that issues at FTX were "beyond our (Binance) control and ability to help".

All over for FTX?

As things stand, FTX has liabilities worth \$8.8 billion and I don't think anyone else is coming to bail it out. California regulators have decided to investigate the FTX collapse and it has also halted trading on its platform with investors being urged to close and settle all their accounts as quickly as possible.

The company's assets have been frozen by the Bahamian authorities and there are reports that all employees at Alameda Research quit collectively on 11 November. The very same day, FTX said that the roughly 130 companies in the FTX Group had started proceeding to file for bankruptcy in the US and SBF resigned from his position to be succeeded by John Jay Ray.

It is believed that SBF along with co-founder Gary Wang and director of engineering Nishad Singh are in the Bahamas "under supervision" of local authorities.

There is an air of uncertainty around what's in store for FTX, its investors and the company representatives. Netizens are livid with what's transpired and faith in crypto seems to be dwindling at the moment. This is indeed a major setback for crypto and one that will take months to recover from. ■

SAP T-Code : MIRO / MIR7 & MIR6



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Used in SAP FICO

MIRO, MIR7 & MIR6 T-code used to book Invoices, Credit Memo, Subsequent Debit, Subsequent Credit.

Difference between MIRO & MIR7/MIR6-

MIRO	MIR7 & MIR6
Direct Posting- In MIRO T-code, User can post Invoice, Credit memo without parking	Two Stage Processing- MIR7- This T-code is used to park Invoice, Credit Memo MIR6- Document parked using MIR7 will be post using MIR6
Control of maker-checker system is not available due to direct posting in this T-code series	Control of maker-checker system is available in this T-code series

What is use of MIRO/MIR7 & MIR6-

- 1) Parking of Invoice, Credit Memo, Subsequent Debit/ Credit using of MIR7
- 2) Posting of Invoice parked using T-code MIR7, also direct posting using T-code MIRO
- 3) User can give debit/credit to vendor while booking the Invoice using GL tab.

MIRO/MIR6 options-

Invoice - User can booked invoice using this option

Credit Memo- This option use to raise credit memo, User can affect quantity of materials using this option. E.g. If material return then user should used this option to raise credit memo which will affect on stock quantity.

Subsequent Debit/Credit - Stock quantity will reduce in credit memo but stock will not affect in subsequent debit/ credit.

Process of MIRO/MIR7/MIR6-

Enter MIRO/MIR7/MIR6 in command tab-

When user parking Invoice/credit memo using this t-code, below screen will appear. Invoice, credit memo, Subsequent Debit, Subsequent Credit will be display on screen, User has to select option accordingly.

Basic Data Tab -

Invoice date/Invoice No - Date of vendor invoice and Invoice number should enter here.

Posting Date- This date is very important for statutory point of view, All statutory liability like as TDS will create on date of posting.

Calculate tax Check box- After check of this box, SAP will calculate all taxes applied to transaction

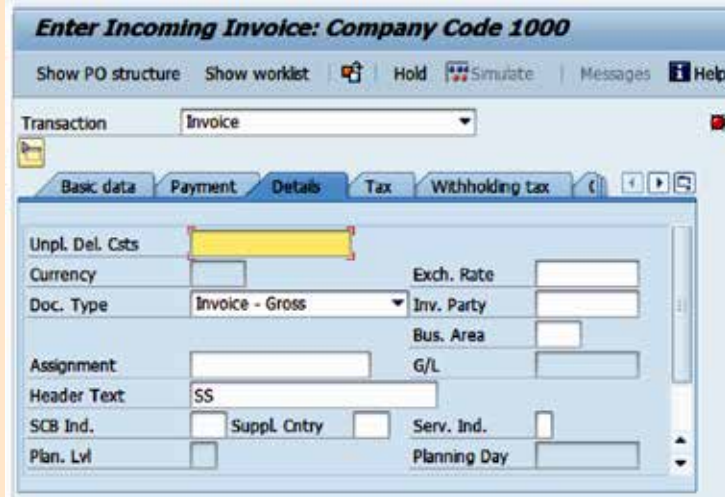
Payment Tab -

Baseline date, Due on, Payment term, Payment block, Payment method etc field to be field by user.

Payment block - Payment will not be done till payment block will not open.

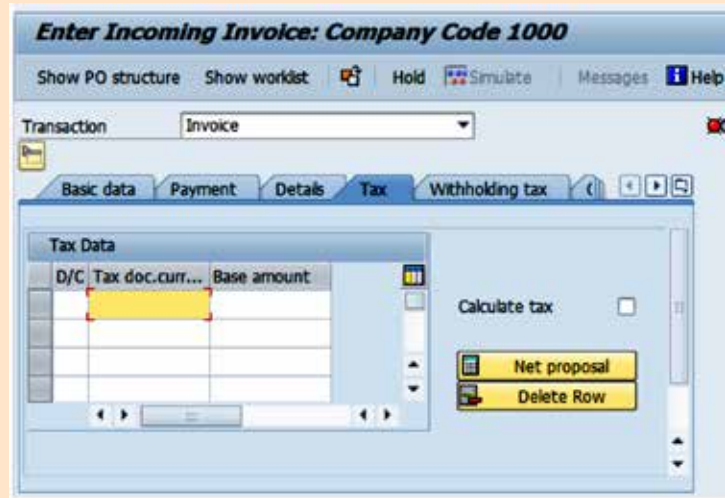
Details tab -

Header text is important field for further processing of Invoice/Credit Memo



Tax Tab -

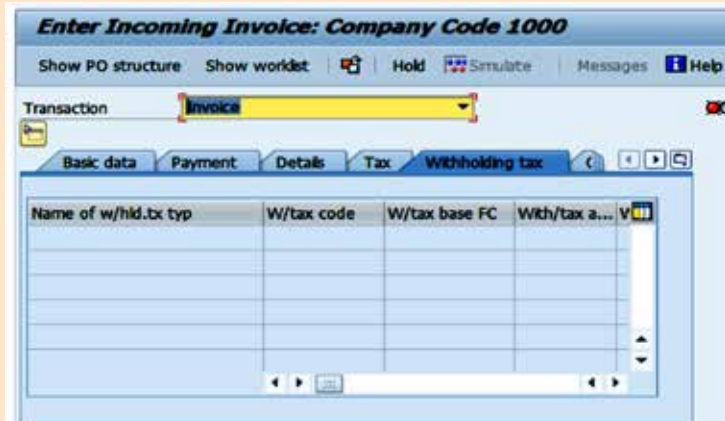
In tax tab, base amount /assessable value, tax amount, tax code used will be display. Tax code use to each line item billed under the invoice will be summarised in this tab. User can verify this amount while booking the invoice.



Withholding Tax tab -

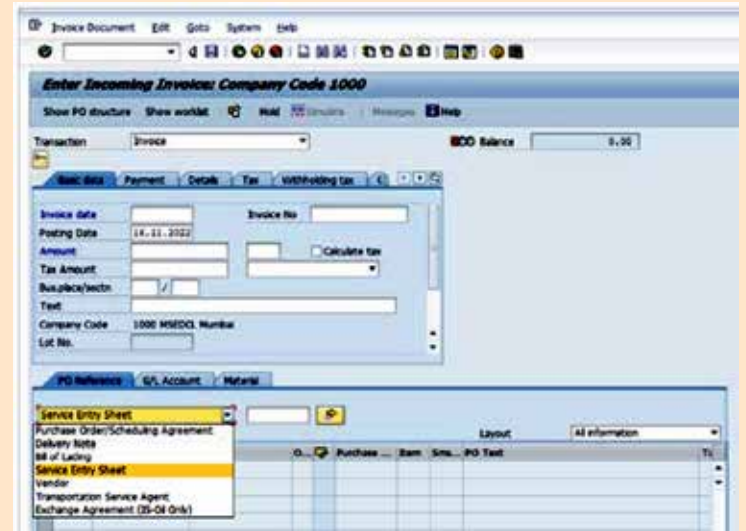
User can deduct income tax TDS, GST TDS as applicable to transaction in this tab using withholding tax code.

User can enter, verify base amount on which TDS is to be deducted.

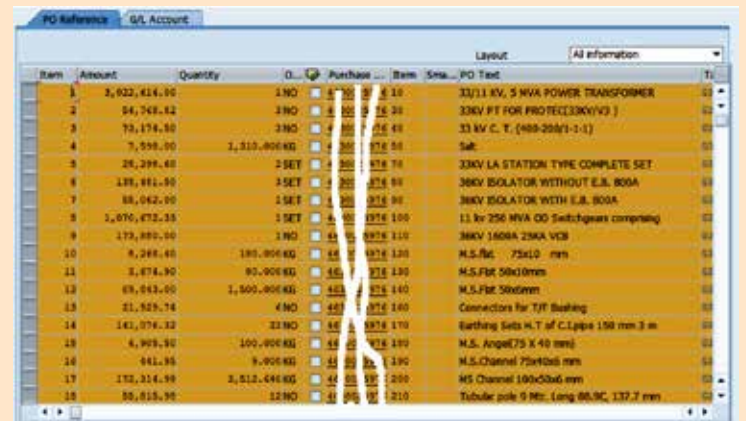


PO Reference Tab -

If user is booking invoice on the basis of service entry sheet then user has to select option of SES or Purchase order number to fetch particular PO line items under SES.



Materials/Service/Expenses items billed under the invoice will be shown under this tab with other details as shown in below -



G/L Account Tab -

User can use this tab to give credit/debit effect to vendor using G/L code. E.g. If Positive Price variation is to be booked with Invoice then user should debit to PV GL.



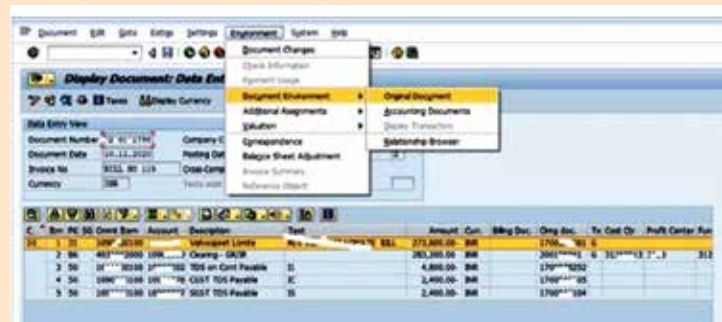
How to find accounting documents after posting-

User can display accounting document after posting using Goto tab-Follow-on documents-



How to open original MIRO documents from Finance Documents-

Open Finance documents using T-code FB03, Click on “Environment Tab> Documents Environment>Original Document”



Reversal of MIRO- User can reversed MIRO documents using T-code “MR8M”. In brief, MIRO, MIR7, MIR6 t-code for booking liability in SAP. User can see posted documents of MIR6/MIRO in sap by using MIR4.



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1st December 2022

NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute at its 337th Meeting held on 11th September, 19th October and 27th November 2022 by virtue of power conferred therein has decided to change the name of “The Institute of Cost Accountants of India, Nashik-Ojhar Chapter” to “The Institute of Cost Accountants of India, Nashik Chapter”.

The Institute of Cost Accountants of India -Nashik Chapter
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CMA Kaushik Banerjee

Secretary

KPIs: A New Avenue (Part 1/3)



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Securities and Exchange Board of India (SEBI) dated 21st November 2022 issued notification amending Issue of Capital and Disclosure Requirements (ICDR) Regulations Fourth Amendment which is going to change the way companies enter into capital market. In the recent past many of the Initial Public Officer has seen fall of prices over a period of time and it has triggered a need to give strong reasons for 'Issue Price'. This Fourth Amendment started with SEBI releasing Consultation Paper in May 2022 and later on stakeholders' consultation. The Institute of Cost Accountants of India was also invited to give its comments. Institute Team met SEBI officials earlier and recently to SEBI Chairperson and gave its comments on KPIs in Offer Documents. While we also see other elements of Fourth Amendment our focus will be on KPIs and it is expected that Institute will publish Technical Guide or Guidance Notes or similar on the topic. I will continue this series in 3 parts to discuss matters related to Fourth Amendment and KPIs. The Fourth Amendment can be mainly divided into 3 headings other than some other issues dealt in the same.

I. Option of Pre Filing of Offer Document for IPO on Main Board of Stock Exchanges:

This pre filing option will be available to all Issuers Companies who wants to list their shares on Main Board of Stock Exchanges and the same can be exercise by the issuer companies who wants to issue Draft Offer Documents intended to be filed with SEBI after 23rd November 2022. As of today such filing are yet to happen as all filing are revised filing as on date on SEBI website. This filing is Confidential Filing and no marketing of such filing can be made except few conditions. SEBI is bound to give the observations on such filings within 30 days after counting such 30 days as per given conditions. These conditions are "(1) filing of the Pre-Filed DRHP; (2) the date of reply from the lead manager, where SEBI has sought the same; (3) date of receipt of clarification or information from any regulator or agency, where SEBI has sought the same; (4) date of receipt of in-principle approval from the Stock Exchanges; (5) date of intimation to SEBI of completion of interaction with QIBs; (6) date of intimation to the Board on conversion of outstanding convertible securities/exercise of rights to receive equity shares of the issuer."

There are certain conditions prescribed for Re-Filing Pre Filed Draft Offer Document similar to current refiling norms by inserting Schedule XVI-A. These conditions includes, "(i) Change in the promoter of the issuer. (ii) Change in more than half of the board of directors of the issuer. (iii) Change in the main objects clause of the issuer. (iv) Any addition to the objects of the issue resulting in an increase in the estimated issue size or estimated means of finance by more than fifty per cent. (v) If there are grounds to believe that there is an exacerbation of risk on account

of deletion of an object resulting in a decrease in issue size by more than fifty per cent. (vi) In case of a fresh issue, any increase or decrease in the estimated issue size by more than fifty percent. (vii) In case of an offer for sale, any increase or decrease in the number of shares offered for sale or the estimated issue size, by more than fifty percent. (viii) In case of an issue comprising of both fresh issue and offer for sale, any increase or decrease in the respective limits as specified in clause (vi) and clause (vii). (ix) Any increase in estimated deployment in any of the objects of the issue by more than twenty per cent."

Hence Pre Filing of Offer Document in Confidential Mode has increased the length of IPOs by some more time.

II. Monitoring of Utilization of Issue Proceeds raised through Qualified Institutional Placements (QIP) and through Preferential Issue:

In part II of the regulations under the heading 'Conditions for Preferential Issue' Regulation 162A has been added for Monitoring Agency. The Role of Monitoring agency has been shifted to Credit Rating Agency registered with SEBI and other changes like Monitoring until 100% of issue proceeds are used or some changes in format etc. The relevant changes are reproduced here: "(1) If the issue size, excluding the size of offer for sale by selling shareholders, exceeds one hundred crore rupees, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by a credit rating agency registered with the Board: Provided that nothing contained in this clause shall apply to an issue of specified securities made by a bank or public financial institution or an insurance company. (2) The monitoring agency shall submit its report to the issuer in the format specified in Schedule

XI on a quarterly basis, till hundred percent of the proceeds of the issue have been utilised.

(3) The board of directors and the management of the issuer shall provide their comments on the findings of the monitoring agency as specified in Schedule XI. (4) The issuer shall, within forty five days from the end of each quarter, upload the report of the monitoring agency on its website and also submit the same to the stock exchange(s) on which its equity shares are listed."

III. Disclosing various KPIs as base to Issue Price based on past experience of the issuer company:

The main intention of writing this article is to discuss changes in reporting of various KPIs mandated by SEBI. This has opened up an Avenue for Practicing Cost Accountants along with Chartered Accountants. The certification is allotted to Peer Reviewed Firms of Chartered Accountants or Cost Accountants along with Statutory Auditors. This certification is also included

in material documents for inspection. This disclosure is needed at least a Year after listing or until all the issue proceeds have been utilized. Part A of Schedule VI Paragraph 9 which includes heading K as 'Basis for Issue Price' is added with Clause 3 namely:

“(a) KPIs disclosed in the offer document and the terms used in KPIs shall be defined consistently and precisely in the Definitions and Abbreviations section of the offer document using simple English terms /phrases so as to enable easy understanding of the contents. Technical terms, if any, used in explaining the KPIs shall be further clarified in simple terms.

(b) KPIs disclosed in the offer document shall be approved by the Audit Committee of the Issuer Company.

(c) KPIs disclosed in the offer document shall be certified by the statutory auditor(s) or Chartered Accountants or firm of Chartered Accountants, holding a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India or by Cost Accountants, holding a valid certificate issued by the Peer Review Board of the Institute of Cost Accountants of India.

(d) Certificate issued with respect to KPIs shall be included in the list of material documents for inspection.

(e) For each KPI being disclosed in the offer document, the details thereof shall be provided for period which will be co-terminus with the period for which the restated financial information is disclosed in the offer document.

(f) KPIs disclosed in the offer document should be comprehensive and explanation shall be provided on how these KPIs have been used by the management historically to analyse, track or monitor the operational and/or financial performance of the Issuer Company.

(g) Comparison of KPIs over time shall be explained based on additions or dispositions to the business, if any. For e.g. in case the Issuer Company has undertaken a material acquisition or disposition of assets / business for the periods that are covered by the KPIs, the KPIs shall reflect and explain the same.

(h) For Basis for Issue Price' section, the following disclosures shall be made:

(i) Disclosure of all the KPIs pertaining to the Issuer Company that have been disclosed to its investors at any point of time during the three years preceding to the date of filing of the DRHP / RHP.

(ii) Confirmation by the Audit Committee of the Issuer Company that verified and audited details for all the KPIs pertaining to the Issuer Company that have been disclosed to the earlier investors at any point of time during the three years period prior to the date of filing of the DRHP / RHP are disclosed under 'Basis for Issue Price' section of the offer document.

(iii) Issuer Company in consultation with the lead merchant banker may make disclosure of any other relevant and material KPIs of the business of the Issuer Company as it deems appropriate that have a bearing for arriving at the basis for issue price.

(iv) Cross reference of KPIs disclosed in other sections of the offer document to be provided in the Basis for Issue Price' section of the offer document.

(v) For the KPIs disclosed under the 'Basis for Issue Price' section, disclosure of the comparison with Indian listed

peer companies and/ or global listed peer companies, as the case may be (wherever available). The set of peer companies shall include companies of comparable size, from the same industry and with similar business model (if one to one comparison is not possible, appropriate notes to explain the differences may be included).

- (i) The Issuer Company shall continue to disclose the KPIs which were disclosed in the Basis for Issue Price' section of the offer document, on a periodic basis, at least once in a year (or for any lesser period as determined by the Issuer Company), for a duration that is at least the later of (i) one year after the listing date or period specified by the Board; or (ii) till the utilization of the issue proceeds as per the disclosure made in the objects of the issue section of the prospectus. Any change in these KPIs, during the aforementioned period, shall be explained by the Issuer Company. The on-going KPIs shall continue to be certified by a member of an expert body as per clause 3(c).”

The Institute of Cost Accountants of India will come up with Technical Guide or Guidance Notes on the above how to certify those KPIs and various documents or due diligence is needed for the same. We will focus on broad headings of such KPIs and in next 2 articles we can further elaborate on the same. KPIs are essentially be the performance indicators and expected not to be part of Financial Statements. These are mainly operational measures and are reported to Management from time to time. The philosophy of new age Tech Companies is more like 'Burn today and Earn Tomorrow' which manufacturing companies does for number of years before coming to Money Market. However even financial measures are also reported to management from time to time hence these can also be included in KPIs. Broadly these can be divided into:

- I. Financial Indicators (Fin)
- II. Customer Indicators (Cus)
- III. Internal Business Processes Indicators (IB)
- IV. Organizational Capacity Indicators (OC)
- V. Environment, Sustainability and Governance Indicators (ESG)

The organizations currently operate on principles of Strategy and its implementation. A clear vision and mission statement converted into KPIs helps companies to achieve the goals. The above segregation will help companies to report KPIs to SEBI and stock exchanges for their approval and they should find it easier as it is continuously monitored as well. All of the above categories of KPIs are self-explanatory and needs only elaboration in the terms of various KPIs which can be fit into the same. In next 2 articles we will see some of the KPIs which can be fit into these headings and certification techniques for these KPIs. It is pertinent to note here that this exercise is not only for companies entering into capital markets but those who are having clear vision to enter in capital markets at later date can still start tracing those KPIs. It will be easier for them once they decide to file Offer Document/ DRHP or Pre DHRP etc. In case of any suggestions please feel free to contact on email ID provided in the article.

Profit Optimisation Through MIS Reports



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• Process of Profit Optimisation enables the Company to Survive / Grow.

Usually mentioned below are chief / principal determinants of Profitability among others.

1) Explore New Vendors

- Following will explain the necessity to explore New Vendors :
- Sometimes Company may have 1 or 2 approved vendors over a period of time.
- If Company has 1 or 2 approved Vendors and should something happen to this Vendor / Vendors, Company may find itself in tight situation to Procure the Desired Raw Materials which ultimately may affect its Production and Delivery Commitment.
- Development of New Vendor may result in following benefits to the Company :
- Availability of same material at reduced rate or better material at same rate.
- Less Cost and effort for Quality Assurance and Material Inspection
- Reduce time for follow up
- Regular and assured supply
- Assured availability of material of required specification

MIS REPORT FOR NEW VENDOR DEVELOPMENT PROCUREMENT OF RAW MATERIAL X FOR PRODUCT Y

PARTICULARS	EXISTING VENDORS		NEW VENDORS	
	A	B	C	D
PURITY OF RM X REQUIRED	90 %	90 %	90 %	90 %
PURITY OFFERED	97 %	97 %	90 %	90 %
	NOT REQUIRED			
SP OF PRODUCT (SAME)	S	S	S	S
RM RATE OF X	R + 10 %	R + 10 %	R	R
LOSS OF CONTRIBUTION	(+ 10 %)	(+ 10 %)		

• UTILITY OF THIS MIS REPORT:

- Company has main Product Y for which its Main Raw Material is X
- Purity of RM X required is 90% whereas existing Vendors can provide RM X with 97 % purity.
- For This additional purity of 7 % (which is not market requirement), it is not possible to fetch additional SP from the market.
- So this may force the company to look for new vendors which can provide RM Material X with 90 % purity.
- So company can have additional contribution by paying price for 90 % putity instead of 97 % purity.

2) INTERNAL BENCH MARKING

In simple terminology, Bench Marking consists of finding the best practices, where ever they exist, and to incorporate them in one's own operations after proper modification, if so required, to achieve Superior Performance.

- o Internal Bench Marking is possible under following situation:

When same product / products are made in 2 different plants at the same location or at 2 different locations (See Annexure 1)

What should be or can be Bench Marked ?

- Following should be or can be Bench Marked:
 - 1) Consumption of Key Raw Material per MT of Finished Product.
(MT / MT)
 - 2) Procurement Rates of Key Raw Materials
 - 3) Consumption of Electricity (Kwh / MT)
 - 4) Consumption of Steam (MT / MT)
 - 5) No of Employees
 - 6) Expenses on Stores & Repairs

When the above mentioned areas are continuously Bench Marked supported by timely appropriate corrective actions, then it will result in Optimisation of the Profitability of the Company.

Annexure 1 – FOR PRODUCT 1 (WHICH CONSTITUTES 75 % OF TOTAL REVENUE)							
PRODUCT-1 – LOCATION -1 LOCATION-2							
Sr.No.	PARTICULARS Production:	ACTUAL FOR CY			ACTUAL FOR CY		
		Rs Lacs	Rs / MT	%	Rs Lacs	Rs / MT	%
(A)	VARIABLE COST						
1	Raw Material Consumption						
2	Electricity Charges						
3	Water						
4	Fuel						
5	Natural Gas						
6	Packing Material Consumption						
7	Total Variable Cost						
(B)	Fixed Cost						
1	Stores Expenses						
2	Repairs Expenses						
3	Employee Cost						
4	Interest						
5	Depreciation						
6	Other Overheads						
7	Total Fixed Cost						
(C)	Total Cost (A+B)						
(D)	Less: By Product Sales						
(E)	Total Net Cost						

3) INVENTORY MANAGEMENT AND CONTROL

INVENTORY STATUS REPORT OF MAJOR RAW MATERIALS

F.Y. MAJOR RAW MATERIALS	STOCK EQUAL TO NO OF DAYS OF CONSUMPTION							INVENTORY IN DAYS	
	UNITS	APR	MAY	JUN	JUL	AUG	SEP	MINIMUM	MAXIMUM
A									
B									
C									
D									
E									
F									

Adequacy of Major Raw Materials Inventory is essential to ensure uninterrupted Production of Finished Products to meet Sales Targets. This MIS Report would facilitate this adequacy.

This MIS Report is useful for monitoring of Major Raw Materials Inventory on regular basis.

- This Report will enable the Purchase Department to Initiate Purchase of Raw Materials keeping in view:
 - 1) Minimum Inventory
 - 2) Maximum Inventory
 - 3) Lead Time in procuring the Inventory after the Purchase Order is placed.
 - This will enable the Purchase Department to maintain Inventory of Key Raw Materials which is:
 - 1) Neither Too Less to interrupt the Production
 - 2) Nor Too huge to result in Blocking of Funds
- 3) But is Just enough to smooth functioning.
- MIS Report Showing Ageing Analysis of Key Finished Products
 - **Utilities of this Report:**
 - 1) It may be due to poor quality not acceptable to customer. Reasons for poor quality should be found out to
 - 2) avoid its recurrence.

Possibility needs to be explored to:

- Either reprocess it to make it fit for the customer or
- Sale it in market at price adequate enough to provide contribution

• **Poor Quality may result from:**

- Purchase of Cheaper Materials of Lower Quality

Quality requirement of Customer should be kept in view at the time of deciding to use Cheaper Materials of Lower Quality

- Poor performance of Plant & Machinery

Plant & Machinery should be kept in proper condition

- Results of Company QC Test differs from Customer QC Test

Make QC well equipped

3) It may be due to lack of coordination between production and sale department.

This necessitates better coordination between them.

4) Possibility should be explored to convert it in any other product which has ready market

It may please be noted that Ageing period mentioned in Annexure 1 is only illustrative in nature.

An organisation can choose any different Ageing Period which will suit its requirement

Annexure - 1 – Ageing Analysis of Key Finished Products (In Stock For)

FINISHED PRODUCTS	INVENTORY (MT)	30 to 60 days	61 to 90 days	More than 90 days
1				
2				
3				
4				
5				
6				
7				

- **MIS Report Showing Inventory of Key Finished Products as Days cover of Sales**

- **Utilities of this Report:**

- 1) To ensure adequacy of Inventory of Key Finished Products to avoid any Under Stocking or Over Stocking of the said Finished Products.
- 2) Both Under Stocking or Over Stocking may indicate lack of Co-ordination between Production Department and Marketing Department which needs to be corrected.
- 3) This is because Production Requirements is driven by Marketing Requirements.
- 4) This Report should be continuously discussed between Heads of Production Department and Marketing Department to make them aware of Current Inventory Levels vis – a- vis their requirements.

Annexure - 1 – Inventory of Key Finished Products as days cover of Sales

FINISHED PRODUCTS	YEARLY SALES (MT)	AVERAGE SALES PER DAY (MT)	INVENTORY (MT)	INVENTORY AS DAYS COVER OF SALES
1				
2				
3				
4				
5				
6				
7				

4) CONCLUDING PART

MIS Report Showing product wise Sales Realisation, Gross Margin, Contribution and Profitability (As per Annexure I Below)

Effect of Management Actions taken for Developing / Exploring New Vendors, Internal Bench Marking and Inventory Control & Management will be reflected in ANNEXURE I Below.

ANNEXURE I – MIS Report showing product wise Sales, Contribution and Margin

PRODUCTS	SALES VALUE	RAW MATERISL COST	GROSS MARGIN	OTHER VARIABLE COST	CONTRI-BUTION	FIXED COST	MARGIN
	RS MT	RS MT	RS MT	RS MT	RS MT	RS MT	RS MT
1	2	3	4=2-3	5	6=4-5	7	8=6-7
PRODUCT 1							
PRODUCT 2							
PRODUCT 3							
PRODUCT 4							
PRODUCT 5							
PRODUCT 6							
PRODUCT 7							



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Full Day Seminar on

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Date: Saturday, 17th Dec. 2022 • Time: 9.00 a.m. to 5.15 p.m.

Venue: MCCIA Trade Tower, 5th Fr., Senapati Bapat Road, Pune 411 016.

Worldwide, Industry 4.0 is fuelling the emergence of smart factories across diverse industry verticals, including FMCG, automotive, healthcare, aerospace, defence, etc. The adoption of connected and intelligent digital technologies further enables smart factories to enhance productivity, profitability, compliance, and customer delight. This would help companies to achieve competitive edge. The digital manufacturing industry is growing and is expected to reach \$767.82 billion by 2025. India, among other countries, views manufacturing as vital to the country's digital transformation strategy. With smart factories re-imagining manufacturing jobs, there is a growing need for professional's savvy with emerging technologies to lead the digital transformation in the sector

This seminar is specifically designed for the Engineering and Automobile Industry. This seminar will help you to understand the Impact of Manufacturing 4.0 on value creation, how to evaluate your manufacturing Value Chain, Digital Transformation and Many more ...

Leaders from Industry will share their thoughts and provide practical tips hence we are confident Seminar will address practical issues and throw light on basis for your decision making and give inputs for operating staff.

Schedule	
09.00 a.m. to 09.30 a.m.	Registration and High Tea
09.30 a.m. to 10.30 a.m.	Inaugural Session
10.30 a.m. to 10.45 a.m.	Break
10.45 a.m. to 12.45 p.m.	Technical Session 1- Technology and Digitisation
12.45 p.m. to 01.30 p.m.	Lunch Break
01.30 p.m. to 03.30 p.m.	Technical Session 2 - Core Manufacturing
03.30 p.m. to 03.45 p.m.	Break
03.45 p.m. to 05.15 p.m.	Technical Session 3 - Finance and ESG

Limited Seats

Delegate Fees - Rs. 500 + GST

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ICAI – Pune Chapter

CMA Bhawan” Sr.No.22, HissaNo1+2/2B, CTS No.323, Lane No 2, Canal Road, Near Vikas Mitra Mandal Chowk, Karve Nagar, Pune 411052.

Tel. No: +91 020-25479792, +91 020-25479793 • E-mail: pune.admin@icmai.in

CHAPTER NEWS

AHMEDABAD

Diwali Get-together

Chapter has organized Diwali Get-together program at Silver Cloud Hotel, Ashram Road, on 5th November 2022. CMA Malhar Dalwadi, Chairman of Chapter welcomed members, faculties, students and office staff on this occasion. Various games organized for members and students. Large number of members and students participated in program. Winner was felicitated by CCM CMA A.G. Dalwadi, RCM CMA Ashish Bhavsar, & office bearers by offering gift pack. The vote of thanks proposed by CMA Mitesh Prajapati, Secretary of Chapter. The program was followed by dinner.

IOTP for Final Students

Chapter has organized Industry Orientation Program for final students during 23 to 29th November 2022. CMA Malhar Dalwadi, Chairman of Chapter inaugurated the program. Eminent faculties have delivered lectures on various topics.

CEP on Area of Practice: US Accounting & Taxation

Chapter had organized CEP on “Area of Practice – US Accounting & Taxation on 25th November 2022. CMA Malhar Dalwadi Chairman of Chapter welcomed & introduced speaker Mr. Vivek Shah. Speaker gave detailed presentation and explained on subject in very lucid manner. Large number of members participated in the program. CMA Malhar Dalwadi, Chairman of Chapter proposed vote of thanks.

BARODA

MEGA Industrial Events

Chapter & District Industries Centre (DIC) Vadodara Jointly organized MEGA Industrial Events to be held in the presence of Hon'ble Prime Minister Shri Narendra Modi & Hon'ble Chief Minister of Gujarat Shri Bhupendra Patel on 30th October 2022 at Leprosy Ground, Ajwa Road, Vadodara. Many numbers of Members participated in this Mega Industrial Events.

Diwali Get Together

Chapter organized Diwali Get Together at LVP Banquets & Conventions (Lukshmi Vilas Palace), Vadodara on 5th November 2022. About 200 members with their Family actively participate in this function.

Rewiring Our Brain to Live To The Fullest Potential

Chapter jointly with Vadodara Branch of ICAI & ICSI and with supported by Ramakrishna Mission Vivekananda Memorial Speaker Dr.Usha Vasthare on the subject “Rewiring Our Brain to Live to the Fullest Potential on 11th November 2022 at ICAI Bhawan, Vadodara. Large number of Members attended the session.

NASHIK

CEP Webinar - Power Query and Power Pivot

Under the task force for “Empowering Young CMAs”,

Chapter has conducted the webinar series for skills development for CMA Professionals. On 13th and 14th November 2022 Chapter organised webinar on Power Query and Power Pivot. CMA Bhushan Pagere Chairman Nashik Ojhar Chapter welcomed all the participants and guest speakers. He introduced the Eminent Speaker CMA Amol Sonawane, Chief Information Officer – Finance, Thermax Limited. He shared his precious knowledge & guided the participants. CMA Tejashree Sarode proposed vote of thanks. More than 125 members attended the webinar, it was also made live on LinkedIn. This is available at Chapter LinkedIn handle @ ICAI – Nashik Chapter.

Under this series Nashik Chapter had conducted sessions for Basic & Advanced Excel in earlier months as well.

Round Table Conference at Dainik Bhaskar's Divya Marathi

The Round Table conference was held at Divya Marathi on 26th November. 2022. Senior CMA members along with committee members were present for the conference.

CMA Bhushan U Pagere, Chairman of Chapter, had briefed about the inception of Institute established and expansion, scope, educational as well as social activities, structure etc. He briefed about Nashik Chapter which comes under Western India Regional Council (WIRC). Till date approximately 1,200 CMAs are passed & well established from chapter. Chapter is conducting coaching, various training to students as well as members. Also conducting conferences at Nashik Chapter. On behalf of Nashik Chapter, CMA Vittaldas Shenoy, CMA Rammohan Bhawe, CMA Amit Jadhav, CMA Ashish Talikot, CMA Prashant Yeole, CMA R.K. Deodhar, CMA Dipak Joshi, CMA Dhananjay Jadhav, CMA Rajendra Shirsat, CMA Devendra Deore & CMA Nilesh Ghuge shared their views and experience with the Editor.

Career Programs.

On 9th Nov. 2022, program was conducted at D J Malpani Commerce and B N Sarda Science College, Sangamner, Ahmednagar. CMA Deepak Joshi, Former Chairman & Managing Committee member of Nashik Chapter guided the students under this program.

On 12th November 2022 at G.M.D. College, Sinnar. CMA Dipak Joshi, CMA Mayur Nikam, Treasurer of Nashik Chapter and CMA Vijay Pawar member of the Nashik Chapter has guided the students and solve their queries.

On 17th November 2022 at K.K. Wagh Commerce, Arts and Science college, Nashik on. CMA Dipak Joshi explained about the new syllabus 2022 and also how the CMA Course benefited students for their professional career.

On 19th November 2022, a Career workshop was arranged at Gokhale Education Society's, HAL College of Science and Commerce, Ojhar, Nashik. CMA Dipak Joshi guided the students and also explained about the new syllabus 2022.

More than 700 students benefited from this program. CMA Bhushan Pagere, Chairman, Nashik Chapter thanked all the College Principals for conducting such programs at their colleges.

NAVI MUMBAI

CEP on DESH Bill 2022

Chapter conducted an Offline CEP programme on “Development of Enterprise and Services Hub (DESH) Bill 2022” on 25th September 2022 at K.B Patil College, Vashi, Navi Mumbai. CMA Amit Sarker Partner, Deloitte Touche Tomhatsu India LLP was the speaker. CMA Vivek Bhalerao PD Committee Chairman of the Chapter welcomed the audience and introduced the speaker and emphasized on knowing the provisions of DESH Bill 2022 which is a Draft bill for replacing the SEZ Act

The speaker deliberated on the various aspects of DESH Bill covering areas Key proposals in the Draft DESH Bill, Major differences between the current SEZ Bill and the proposed DESH Bill, Various provisions and its analysis and impact, Way forward with DESH Bill

The lucid presentation & the interactive workshop came to an end with the esteemed speaker being felicitated by the Chairman of the Chapter CMA Vaidyanathan Iyer and the vote of thanks being proposed by CMA Debasish Mitra CCM of the Chapter.

PIMPRI-CHINCHWAD-AKURDI

Webinar on ‘Power Communication - The Pathway to High Performance’

Chapter conducted webinar on ‘Power Communication - The Pathway to High Performance’ on 29th October 2022.

CMA Dhananjay Kumar Vatsyayan, Chairman of PCA Chapter welcomed and introduced the speakers, CMA Jaydev Mishra, Moderator. DTM Ajay Shirasker, DTM Aditya Saxena and their team members, DTM Sachin Gurav & DTM Parikshit Limkar, DTM Neha were present for the program.

Webinar on ‘Agro Finance: Need of the Hour’

Chapter conducted webinar on ‘Agro Finance: Need of the Hour’ on 5th November 2022. CMA Pradeep Deshpande, Vice-Chairman of PCA Chapter welcomed and introduced Speaker CMA Vinod Shete, Chief Finance Officer (CFO), Chandu Kaka Saraf and Sons Pvt. Ltd., Pune.

Question-Answer session was conducted during the session. The session was well interactive. There was overwhelming response from practicing members, members from the industries, professionals and students.

Webinar on ‘Cost Control and Cost Savings: Infra Project’

Chapter conducted webinar on ‘Cost Control and Cost Savings – Infra Project’ on 12th November 2022. CMA Dhananjay Kumar Vatsyayan, Chairman has welcomed the speaker CMA CS N. Rajaraman. CMA Pradeep Deshpande, Vice-Chairman of PCA Chapter introduced the speaker.

Career Counselling Program in November 2022

Chapter has conducted Career Counseling Program on in the month of November 2022

10th November 2022 - Dr. D Y Patil College of Arts, Science & Commerce College at Akurdi.

11th November 2022 - Dr. Arvind Telang College of Arts, Science & Commerce College at Akurdi.

14th November 2022 - Dr. D Y Patil College of Arts, Science & Commerce College at Pimpri.

CMA Lalitha Deepak delivered lecture informing students about Foundation, Intermediate and Final levels of the course. She informed students about large employment opportunities in Govt. and Private sector after completing the CMA Course.

PUNE

Pre-Placement Orientation Training Programme

Offline session for Pre-Placement Orientation Training Programme conducted from 31st October to 10th November 2022 at CMA Bhawan, Karvenagar.

On 1st session of PPOTP CMA Chaitanya Mohrir, RCM, WIRC of ICAI, CMA Nilesh Kekan, Treasurer, CMA Rahul Chincholkar, Managing Committee Member of ICAI-Pune Chapter were present.

CMA Nilesh Kekan, Treasurer, ICAI-Pune Chapter welcomed & introduced the Guest to the participants. Faculty for the first session was CMA Raghvendra Chilveri. CMA Chaitanya Mohrir, RCM, WIRC of ICAI congratulated newly qualified CMA students and offered his best wishes for future prospects.

Total 32 students from various states participated in the training programme.

Renowned faculties like CMD, CFO, CEO, HR Heads, Director Finance, General Manager, from various industry houses, organizations guided to the students. A professional IT expert especially in the advanced excel /having working knowledge in ERP explained the importance of technology while working in industry.

Valedictory Session

Valedictory Session was arranged on 10th November 2022 at CMA Bhawan, Karvenagar. CMA Dr. Sanjay R. Bhargave, Advisor, Pune Chapter, CMA Meena Vaidya, Advisor, Pune Chapter, CMA Abhay Deodhar, Managing Committee Member, CMA Nilesh Kekan, Treasurer, CMA Rahul Chincholkar, Managing Committee Member of the Chapter were present for Valedictory session.

Welcome address delivered by CMA Meena Vaidya. She congratulated the participants for their success & told them to be ready for future endeavour.

CMA Rahul Chincholkar, Managing Committee Member ICAI-Pune Chapter congratulated newly qualified CMA students. He advised the participants to be prepare for interviews. He also explained the students that you have opportunity to practice as a Cost Accountant, stay connected with the Institute & attend the CEP programs for keep updating yourself.

CMA Abhay Deodhar guided the students to keep learning, getting more knowledge from various fields, analyse critically & say precisely.

CMA (Dr.) Sanjay R. Bhargave in his speech congratulated the newly qualified CMA students. He explained about how to acquire knowledge. He talked about performance which is very important, keep updated knowledge & vocabulary improvement. He also guided the students for preparation of CV.



CMA Raju P Iyer, President ICAI, CMA Vijender Sharma, Vice President ICAI, CMA Chittaranjan Chattopadhyay, CCM-ICAI, CMA Debasish Mitra, Chairman Members in Industry & Placement Committee, ICAI, CMA Vinayak Kulkarni, Vice Chairman WIRC alongwith Fresh CMAs and Company representatives.



CMA Raju P Iyer, President, ICAI alongwith CMA Chittaranjan Chattopadhyay, CCM-ICAI, CMA (Dr.) Ashish Thatte, CCM-ICAI & CMA Vijender Sharma, Vice President ICAI extending greetings to Ms. Madhabi Puri Buch, Chairperson SEBI on 1st December 2022



Prize distribution to winners by CMA A.G. Dalwadi, CCM-ICAI, CMA Ashish Bhavsar, Hon. Secretary WIRC during Diwali Get-together organised by Ahmedabad Chapter on 5th November 2022.



Felicitating of Mr. Vivek Shah , Speaker by CMA Malhar Dalwadi, Chairman of Ahmedabad Chapter during CEP on Area of Practice organised by Ahmedabad Chapter on 25th November 2022.



CMA Vaidyanathan Iyer, Chairman of Navi Mumbai Chapter felicitating speaker CMA Amit Sarker during CEP Development of Enterprise and Services Hub (DESH) Bill 2022 organised by Navi Mumbai Chapter on 25th September 2022



CMA Dinesh Kumar Birla, RCM-WIRC, CMA Chaitanya L. Mohrir, Treasurer, WIRC, CMA Shriram N. Mahankaliwar, Chairman, WIRC, CMA Vinayak B. Kulkarni, Vice Chairman WIRC, CMA Ashishkumar S. Bhavsar, Hon. Secretary, WIRC were felicitated by Pune Chapter on 7th October 2022



CMA Nagesh Bhagane, Secretary CMA Abhay Deodhar, Managing committee member, CMA Prasad Joshi, Chairman of Pune Chapter, Chief Guest for the program CMA Dr. Narhar Nimkar, CMA Chaitanya Mohrir, Treasurer, WIRC, CMA Nilesh Kekan, Chairman-Students Co-ordination Committee, Pune Chapter during Inaugural session of Students' Day programme celebrated by ICAI-Pune Chapter on 20th November 2022



CMA Abhay Deodhar felicitating CMA Dr. Sanjay Bhargave, Chief Guest for the Pre- Placement Orientation Training Valedictory Session organised by Pune Chapter on 10th November 2022.

SME Manufacturers & Exporters Summit held at Nashik on 19th November 2022.



CMA Shriram Mahankaliwar, Chairman WIRC lighting the lamp. Also seen Mr. Ajit Shah, Director – Universal Connections, Mr. Michael Brown, Deputy Consul General, Australian Consulate - Mumbai, H.E. Mr. Kong Xianhua, Consul General - People's Republic of China, Shri Chandrakant Salunkhe, Founder and President - SME Chamber of India and Maharashtra Industry Development Association, Mrs. Mary Sagaya, General Manager– State Bank of India and CMA Pradnya Chandorkar - Practicing Cost Accountant, Committee Member of National Advisory Board of Women Entrepreneurs Development Council



Shri Chandrakant Salunkhe, Founder and President - SME Chamber of India and Maharashtra Industry Development Association felicitating CMA Shriram Mahankaliwar, Chairman WIRC.



CMA Dipak N. Joshi, Practicing Cost Accountant addressing the participants



CMA Pradnya Chandorkar - Practicing Cost Accountant addressing the participants

To,



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