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CIRCULAR ECONOMY AND COST MANAGEMENT



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



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WIRC REGIONAL STUDENT'S COST CONVENTION
2025 | 23-24 JAN | BARODA
Festival of Knowledge and Infinite Opportunities

WESTERN INDIA REGIONAL COUNCIL

THEME

"Learning for a Better Tomorrow: Spirit of learning, Ethics, Innovation, Excellence & Infinite Opportunities"

Date

23rd & 24th January,
2025



Venue

Pandit Dindayal Upadhyay
Nagar Gruh Auditorium
Ajwa, Baroda

Hosted By:

ICMAI- Baroda Chapter

242, Phonix Complex, Near Suraj Plaza, Sayajigunj, Vadodara, Gujarat - 390020.

STUDENT'S DELEGATE FEES : RS. 600/-

Programme Schedule

Thursday, 23rd January, 2025

From	To	Details
09.30 a.m.	10.30 a.m.	Registration
10.30 a.m.	12.00 noon	Inauguration Session
12.00 noon	01.00 p.m.	Technical Session
01.00 p.m.	02.00 p.m.	Lunch
02.00 p.m.	04.00 p.m.	Competition 1: PPT Presentation
04.00 p.m.	04.10 p.m.	High Tea
04.10 p.m.	06.30 p.m.	Competition 2: Mock Parliament
06.30 p.m.	10.00 p.m.	Cultural Programme
10.00 p.m.	-	Convention Dinner

Friday, 24th January, 2025

From	To	Details
08.00 a.m.	09.00 a.m.	High Tea
09.00 a.m.	11.00 a.m.	Competition 3: "STARTUP" CMA Next Gen pitch
11.00 a.m.	12.00 p.m.	Motivational Session: Pujya Dr. Gnanvatsal Swami, Life Coach & Eminent Speaker, BAPS Swaminarayan Sanstha
12.00 p.m.	01.00 p.m.	Prize Distribution & Valedictory Session
01.00 p.m.	-	Lunch

Payment Details

For Cheque or DD

Cheque/DD should be in the favour of "The Institute of Cost Accountants of India- WIRC"

Details of NEFT Payment

Account Name: The Institute of Cost Accountants of India- WIRC
Bank: Bank of Baroda.
SB Account No: 27940100022156.
Branch: Horniman Circle, Mumbai
IFSC Code: BARB0PBBMUM. (Fifth Character is ZERO)
MICR Code: 400012111. PAN: AAATT9744L
GSTIN No.: 27AAATT9744L12S

Competitions

Competition 1: PPT Competition



Competition 2: Mock Parliament



Competition 3: STARTUP - CMA Next Gen Pitch



For Registration please contact

Western India Regional Council of ICMAI

Rohit Chambers, 4th Floor, Janmabhoomi Marg, Fort, Mumbai 400 001.
Mob: 9076020355 / 8828061444 • Email: wirc.admin@icmai.in

ICMAI-Baroda Chapter

242, Phonix Complex, Near Suraj Plaza, Sayajigunj, Vadodara, Gujarat - 390020
Tel.: 0265 - 2363267 / 2226214 • Email: baroda@icmai.in

"Behind every successful Business Decision, there is always a CMA"



WESTERN INDIA REGIONAL COUNCIL
is pleased to announce
REGIONAL COST CONVENTION 2025

Theme

**VIKSIT BHARAT 2047:
Strategic Cost Management for a Developed India**

Dates:

Friday & Saturday
21st - 22nd Feb 2025

Venue:

Yashvantrao Chavan Pratishthan
General Jagannath Bhonsle Rd, Nariman Point, Mumbai 400021

PROGRAMME SCHEDULE

Friday, 21st February 2025		
From	To	Details
09.00 AM	10.00 AM	Registration & High Tea
10.00 AM	12.00 PM	Inauguration Session
12.00 PM	01.30 PM	Technical Session 1
01.30 PM	02.30 PM	Lunch Break
02.30 PM	04.00 PM	Technical Session 2
04.00 PM	04.30 PM	Tea / Coffee Break
04.30 PM	06.00 PM	Technical Session 3
6.30 pm Onwards		Cultural Programme followed by Convention Dinner
Saturday, 22nd February 2025		
From	To	Details
09.00 AM	10.00 AM	High Tea
10.00 AM	12.00 PM	Technical Session 4
12.00 PM	01.00 PM	Valedictory Session
01.00 pm Onwards		Networking Lunch



DELEGATE FEES

Delegate Categories	Amount
Self-Sponsored Members -	2500/-
Corporate Delegates	3500/-
Students	500/-
Accompany Spouse	1500/-
(Plus 18% of GST)	

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Souvenir Imprint	Amount
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Full Page Colour	20,000/-
Half Page Colour	15,000/-
Full Page (B/W)	15,000/-
Half Page (B/W)	7,500/-
(Plus 5% of GST)	

*6 CEP
Credit Hours
will be
provided

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Plus 18% GST - (GST Payable under RCM by the Sponsor)

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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-sponsor	75,000/-	2	NA	Full Page (B/W)

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NEFT Details

Bank of Baroda, Horniman Circle, Mumbai
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For Registration please contact

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"Behind every successful Business Decision, there is always a CMA"

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Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."



Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."



FROM THE DESK OF THE CHAIRMAN

CMA ARINDAM GOSWAMI
Chairman, ICMAI-WIRC



Greetings to all esteemed members and students of the CMA fraternity!

As 2024 draws to a close, we have a chance to take stock, acknowledge our accomplishments, and get ready for an even more promising future. I am excited to get in touch with you via the WIRC Bulletin's December 2024 issue. "Circular Economy and Cost Management," this month's theme, highlights the crucial nexus between strategic cost management and sustainability, an area in which CMAs are well-positioned to take the lead.

Achieving long-term economic and environmental stability requires the circular economy, which emphasizes waste reduction, resource reuse, and sustainability. It replaces the conventional take-make-dispose method with a restorative system that encourages creativity and sustainability. By increasing resource efficiency, streamlining supply chains, and implementing cutting-edge cost management techniques, CMAs play a pivotal role in enabling this change. Our knowledge helps businesses find ways to cut costs while maintaining sustainable practices, guaranteeing both ecological responsibility and financial stability.

Industries have been adopting circular models more and more in recent years. As strategic advisors, CMAs can help with lifecycle cost analysis, sustainability metrics measurement, and circular principle implementation, which not only improves profitability but also supports the country's commitment to a greener future. Together, let us support this movement and position ourselves as influential figures in the sustainability space.

Key Upcoming Events:

Regional Tax Conclave – 14th December 2024, Surat

Attending the Regional Tax Conclave with the theme "Navigating the Taxation Landscape – Opportunities and Challenges" is highly recommended. Discussions on current events, difficulties with compliance, and new prospects in the taxation field will be covered at the conclave. Those who want to stay ahead of the constantly changing tax landscape should not miss this event.

First-Ever WIRC Sports Day – 22nd December 2024

For the first time, WIRC has declared the 4th Sunday of December as Sports Day across the Western Region. It is requested that all chapters enthusiastically commemorate this day and host athletic events on December 22, 2024. In addition to encouraging members and students to be healthy and fit, this program seeks to strengthen the sense of community. I encourage everyone to fully engage in this celebration of health and friendship.

Students' Regional Cost Convention – 23rd & 24th January 2025, Baroda

With the theme "Learning for a Better Tomorrow – Spirit of Learning, Ethics, Innovation, Excellence, and Infinite Opportunities," the Students' Regional Cost Convention will honor the value of creativity and knowledge. In order to encourage students' creativity and excellence, we have planned a number of competitions. I urge every student to actively participate; the comprehensive brochure is accessible on the WIRC website. As we raise the next generation of professionals, let us make this convention a huge success.

WIRC Regional Cost Convention – 21st & 22nd February 2025, Mumbai

The Y. B. Chavan Center in Mumbai will host the WIRC Regional Cost Convention, which will have as its theme "Viksit Bharat 2047 – Strategic Cost Management for a Developed India." The purpose of this convention is to examine and discuss the strategic role that CMAs can play in advancing India's goal of becoming a developed country by 2047. To ensure that this event is remembered, I ask all members to reserve these dates and attend in large numbers. Let us unite to network, exchange ideas, and support this revolutionary vision.

Best wishes for Students for upcoming December 2024 term of Examination:

As students get ready for their impending tests, I urge them all to stay focused and resolute. Those who combine diligence with astute planning will succeed. Keep in mind that obstacles are only necessary for success. Have faith in your ability to achieve the best outcomes and believe in yourself. I wish every student the best of luck on their exams and urge them to remain upbeat and focused on their work.

WIRC Last Month Activities:

Crash Course for Students: All Foundation, Intermediate, and Final level crash courses were successfully completed by the WIRC Students Coordination Committee. These rigorous classes were carefully planned to help students strengthen their knowledge and increase their self-assurance in preparation for the CMA exams in December 2024. I have no doubt that the abilities and information our students acquire from these sessions will enable them to succeed and accomplish their objectives with distinction.

Professional Development Highlights: To improve professional knowledge, WIRC's Professional Development Committee keeps hosting a variety of webinars and seminars. Last month, a number of noteworthy programs, including:

5th November 2024: New GST Amnesty Scheme

8th November 2024: Role of Cost Management in Effective Financial Management for SME Owners

21st November 2024: Emerging Critical Strategies in Enterprise Risk Management, Corporate Governance & ESG

29th November 2024: Balanced Scorecard (BSC) System and Controlling Techniques

30th November 2024: Overview of Transfer Pricing Regulation in India (jointly with the Task Force for Women Empowerment).

3rd December 2024: SAP S/4 Hana Cost Center Budgeting Functionality

6th December 2024: Cost- Effective Wonders of ISRO: A Journey of Innovation and Efficiency

Our members have gained knowledge about current issues as a result of these sessions. I encourage everyone to keep taking advantage of these chances for career advancement.

I send you and your families my best wishes for Christmas and a happy new year in 2025 as we celebrate the holiday season. Let us take stock of this year's accomplishments and anticipate new prospects in the years to come.

"The best way to predict the future is to create it." – Peter Drucker

Together, let us keep building a future that is full of opportunities, development, and prosperity for both the country and our profession.

With Warm regards,

CMA Arindam Goswami

Chairman,

Western India Regional Council of

The Institute of Cost Accountants of India

“

Visionary Leadership

Visionary leadership transforms aspirations into achievements. Great leaders possess strategic foresight, inspire innovation, and guide teams toward success. They see opportunities where others see challenges and turn dreams into lasting realities through clarity, purpose, and unwavering determination.



FROM THE DESK OF CHIEF EDITOR

CMA MIHIR NARAYAN VYAS
Vice Chairman ICMAI –WIRC &
Chief Editor, WIRC Bulletin



Dear Professional Colleagues and CMA Students,

As we wrap up another fruitful year, I am delighted to present the December issue of the WIRC Bulletin, themed "Circular Economy and Cost Management." This edition explores how cost and management accountants (CMAs) can play a pivotal role in fostering sustainability through innovative cost strategies and efficient resource utilization. The insightful articles on this theme make this bulletin a knowledge-packed resource, reflecting the rich intellect of our members and contributors.

The concept of a circular economy, aimed at reducing waste and promoting sustainability, is gaining global traction. CMAs are uniquely positioned to drive this transformation by designing cost-effective, sustainable business models, optimizing resource usage, and ensuring value creation at every stage of the economic cycle. This bulletin delves into these aspects, reinforcing our profession's relevance in building a sustainable future.

Mark your calendars for the **Regional Tax Conclave** on 14th December 2024, at Surat, themed "Navigating the Taxation Landscape – Opportunities and Challenges." This conclave promises to be an enlightening forum addressing emerging taxation trends and challenges. I urge all members to participate and gain insights from industry stalwarts.

WIRC is thrilled to announce the **Students' Regional Cost Convention** on 23rd & 24th January 2024 at Baroda. The theme of the convention is "Learning for a Better Tomorrow – Spirit of Learning, Ethics, Innovation, Excellence, & Infinite Opportunities" reflects our commitment to fostering holistic development among students.

The convention will include a variety of exciting activities:

- **Competitions** such as PPT Presentations, Mock Parliament, and the innovative Startup – CMA New Gen Pitch to spark creativity and critical thinking.
- **Motivational Sessions** with inspiring speakers to ignite ambition and determination.
- **Technical Sessions** on cutting-edge topics led by experts, enhancing participants' knowledge and skills.
- **A Cultural Evening** where students can showcase their artistic talents and creativity.

I urge all students to participate in large numbers and take advantage of this incredible learning and networking opportunity. Let us together create a legacy of excellence and innovation!

The much-awaited **WIRC Regional Cost Convention** will be held on 21st & 22nd February 2025, at Y. B. Chavan Center, Nariman Point, Mumbai, under the theme "**Viksit Bharat 2047 – Strategic Cost Management for a Developed India.**" This convention will spotlight the role of Cost Management in India's growth journey. Block your dates and join us in large numbers.

Students Coordination Committee Activities:

Crash Course for December 2024 Examination

To support students preparing for the upcoming December 2024 examinations, the Students Coordination Committee successfully organized Crash Courses for Foundation, Intermediate, and Final levels. I extend my heartfelt gratitude to our esteemed faculties for their invaluable insights and expertise, which have undoubtedly enhanced students' confidence and preparation. I wish all students the very best for their exams and encourage them to strive for excellence. Remember, success is a journey, not a destination!

Webinar: "Evening Talk – How to Crack Examinations with Flying Colours"

The Students Coordination Committee, in collaboration with the Taskforce for Empowering Young CMAs, recently hosted an impactful webinar titled "Evening Talk: How to Crack Examinations with Flying Colours."

The session featured recently qualified CMAs who shared their strategies, practical tips, and personal journeys, providing invaluable guidance to students. The interactive panel discussion and open forum allowed students to resolve their queries and gain clarity on tackling exams effectively. The overwhelming response and participation reaffirmed the importance of such initiatives. Such initiatives aim to motivate and guide students on their journey to success.

Best Wishes for upcoming Dec 2024 Term of Examination:

To all our students preparing for the December 2024 examinations, I extend my heartfelt best wishes for your examinations. Your hard work, dedication, and determination are the foundations of your success. I encourage you to make full use of the resources provided by the institute, including the MCQ Corner, revisionary batches, and guidance from your mentors and peers. Stay positive, stay disciplined, and remember that every effort you make today is a step closer to achieving your dreams. Believe in yourself and your preparation, and approach each paper with confidence and clarity.

Professional Development Activities

The Professional Development Committee has been actively organizing various webinars and seminars on a wide range of topics, such as New GST Amnesty Scheme, Role of Cost Management in Effective Financial Management – for SME Owners, Enterprise Risk Management Intelligence, Corporate Governance & ESG, Balanced Score Card (BSC) System and Controlling Techniques, Webinar on Transfer Pricing Regulation (in collaboration with the Task Force for Women Empowerment), SAP S/4 Hana Cost Center Budgeting Functionality, Effective Wonders of ISRO: A Journey of Innovation & Efficiency. These programs aim to empower our members with cutting-edge knowledge and practical skills to excel in their professional journeys.

I extend my heartfelt gratitude to all contributors who have shared their insightful articles, enriching this publication with diverse perspectives and expertise. I encourage all members to actively participate in these initiatives and contribute your ideas, articles, and suggestions for the bulletin. Together, let us make this platform more vibrant and impactful.

As we approach the festive season, I extend my warm wishes to all of you for Christmas, New Year, and Makar Sankranti. May the spirit of these festivals fill your hearts with joy, hope, and positivity.

To inspire your journey, let me share this thought:

"Learning is not attained by chance, it must be sought with ardor and attended to with diligence." – Abigail Adams

Let us continue to learn, grow, and contribute to our institute and society with integrity and commitment.

With Warm Regards,

CMA Mihir Narayan Vyas

Vice Chairman &

Chief Editor – WIRC Bulletin

Western India Regional Council of

The Institute of Cost Accountants of India

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Editorial Insight:

Words hold the incredible power to inspire, inform, and ignite profound change in every reader's heart. They transcend boundaries, spark curiosity, and awaken dreams. With each sentence, they shape perspectives, fuel action, and leave a lasting impact on the world. Every phrase, they leave an imprint on the reader's heart, shaping perspectives and transforming the world around us.



CIRCULAR ECONOMY AND COST MANAGEMENT: A STRATEGIC PATHWAY TO SUSTAINABLE PROFITABILITY

written by,

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Mob. 8918860947

E.mail – cmaarjyapriyasinha13@gmail.com



Abstract:

As businesses navigate an era characterized by rapid transformation and finite resources, they are increasingly compelled to adopt sustainable practices. The Circular Economy (CE) emerges as a transformative model, challenging the traditional "take-make-dispose" approach that often leads to waste and inefficiency. However, achieving a truly circular system extends beyond environmental responsibility; it also presents significant opportunities for Cost Management, enabling companies to optimize resources, reduce costs, and enhance profitability. This article explores the dynamic relationship between Circular Economy and Cost Management, focusing on strategies that drive sustainable growth while delivering financial gains. Through industry-leading practices, real-world case studies, and actionable frameworks, this comprehensive guide empowers professionals to reimagine their business models for greater resilience and long-term success.

Introduction: The Shift from Linear to Circular

For decades, the **linear economic model** has dominated global production systems, characterized by a straightforward "take-make-dispose" trajectory. This model relies heavily on the extraction of finite resources, leading to waste accumulation and environmental degradation. According to the **World Economic Forum**, the linear economy is responsible for generating over **2.1 billion tons of waste annually**, a figure expected to double by 2050 if current practices continue.

Enter the **Circular Economy (CE)** – a transformative model designed to "close the loop" by keeping products, materials, and resources in use for as long as possible. The goal is not only to reduce waste but also to create value through regeneration, reuse, and recycling. By integrating CE principles into their cost management strategies, businesses can unlock new efficiencies, reduce costs, and enhance sustainability, turning a potential threat into a competitive advantage.

Circular Economy: The Principles Driving Change

Breaking Down the Fundamentals

The Circular Economy is guided by three core principles:

1. Eliminate Waste and Pollution:

Instead of managing waste, CE focuses on designing it out from the start. Think of it as "**prevention by design**", where products are engineered for durability, repairability, and recyclability. A case in point is **Patagonia**, which uses recycled fabrics and offers repair services to extend the life of its garments.

2. Circulate Products and Materials:

The mantra here is "reuse, refurbish, recycle." Companies like Dell are leading the way by designing computers that can be easily disassembled for parts reuse, reducing electronic waste significantly.

3. Regenerate Natural Systems:

CE not only seeks to do less harm but to create positive impacts. For example, using organic materials that regenerate soil health or investing in regenerative agriculture practices can enhance ecosystem resilience.

Why Businesses Are Embracing Circular Models

- According to the **Ellen MacArthur Foundation**, shifting to circular models could unlock **\$4.5 trillion** in economic value by 2030.
- By extending product lifecycles and using resources more efficiently, companies can reduce costs by up to **30%** on materials and waste management, according to a **McKinsey & Company** study.

The Role of Cost Management in a Circular Framework

Transforming Cost Structures

Traditional cost management focuses on short-term gains, often overlooking the hidden costs of waste, resource inefficiency, and regulatory risks. However, adopting circular principles transforms the cost structure by focusing on long-term value creation. Here's how:

1. Reducing Material Costs:

Using recycled materials or by-products from other industries can significantly cut down raw material expenses. Nespresso, for example, uses recycled aluminum for its coffee capsules, saving both costs and emissions.

2. Minimizing Waste Management Expenses:

Waste is not just an environmental concern but a financial one. Implementing zero-waste strategies or waste-to-energy solutions can turn a cost center into a revenue stream. General Motors achieved \$1 billion in annual savings by repurposing waste materials.

3. Optimizing Asset Utilization:

The shift from ownership to Product-as-a-Service (PaaS) models helps optimize asset utilization, reducing idle time and increasing revenue per unit. For instance, Rolls-Royce's "Power by the Hour" program charges customers based on engine usage rather than ownership, driving both cost efficiency and customer loyalty.

Strategic Cost Management Tools for a Circular Economy

To maximize the benefits of circularity, companies can leverage the following cost management tools:

- **Life Cycle Costing (LCC):** Instead of focusing only on upfront costs, LCC evaluates expenses over the entire lifecycle of a product. This is particularly useful for durable goods where maintenance and disposal costs are significant.
- **Activity-Based Costing (ABC):** By analyzing costs based on activities, ABC identifies inefficiencies and highlights opportunities for circular interventions. This method has been adopted by **Interface**, a global flooring company, to track and reduce waste in their production processes.
- **Value Chain Analysis:** Mapping out the entire value chain helps identify circular opportunities, such as converting waste into raw materials for new products.

Real-World Applications: Circular Economy Success Stories

1. IKEA: The Circular Innovator

IKEA's ambitious goal to become fully circular by 2030 is not just a sustainability pledge but a strategic cost-saving initiative. By implementing the "Buy Back & Resell" program, IKEA encourages customers to return used furniture, which the company refurbishes and resells at a profit. This initiative has already led to significant reductions in waste and raw material costs.

2. Philips: Lighting Up the Circular Path

Philips has transformed its lighting business by adopting a "Lighting as a Service" model. Instead of selling light bulbs, Philips installs and maintains lighting systems, charging clients for the light they use. This shift has reduced material waste by 40% while also cutting costs for customers.

3. Renault: Pioneering Circular Manufacturing

Renault has been a leader in integrating circular practices within its manufacturing processes. By using remanufactured components, the company saves up to 80% on energy costs and 30% on materials.

Benefits of Merging Circular Economy with Cost Management

1. **Profit Boost:** Companies can increase their profit margins by lowering input costs, reducing waste, and optimizing resource use.
2. **Regulatory Readiness:** As governments worldwide push for stricter environmental regulations, adopting circular practices can help companies stay ahead of compliance requirements.
3. **Resilient Supply Chains:** Circular models reduce dependence on raw materials, making supply chains more resilient to disruptions like price volatility or geopolitical tensions.

4. **Enhanced Brand Equity:** A commitment to sustainability can strengthen brand reputation, attract eco-conscious consumers, and open up new market opportunities.

Overcoming Challenges: A Roadmap for Circular Transformation

Common Barriers

- **High Initial Costs:** Transitioning to a circular model may require substantial upfront investments in technology, infrastructure, and training.
- **Complex Value Chains:** Coordinating circular practices across global supply chains can be challenging due to varying regulations and standards.
- **Cultural Resistance:** A shift from linear to circular requires a change in mindset at all levels of the organization.

Solutions and Strategies

- **Leverage Green Financing:** Companies can access funds through green bonds or sustainability-linked loans to support circular initiatives.
- **Collaborative Ecosystems:** Partnering with suppliers, customers, and even competitors can enhance circular value chains. For instance, the “Circular Economy 100” program by the Ellen MacArthur Foundation fosters collaboration among businesses to accelerate circular solutions.
- **Digital Innovations:** Technologies like IoT, AI, and blockchain can optimize circular processes, from predictive maintenance to transparent supply chains.

Conclusion: The Future is Circular

As the world grapples with the challenges of resource scarcity and environmental degradation, the integration of Circular Economy principles with Cost Management is not just a trend but a necessity for long-term survival. Businesses that embrace this dual strategy will not only achieve cost efficiencies but also position themselves as leaders in sustainability, paving the way for a resilient and profitable future.

The transition to a Circular Economy is more than just an ethical imperative; it's a smart business move that aligns profitability with sustainability. By rethinking cost structures and embracing circular practices, companies can turn today's challenges into tomorrow's opportunities.

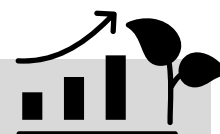
References

1. World Economic Forum. (2023). "Global Waste Report: Tackling the Waste Crisis."
2. Ellen MacArthur Foundation. (2022). "The Circular Economy Handbook: Unlocking a Trillion-Dollar Opportunity."
3. McKinsey & Company. (2023). "The Business Case for Circularity."
4. IKEA. (2024). "Sustainability Report: Leading the Way to a Circular Future."
5. Philips. (2023). "Lighting as a Service: Innovating for a Sustainable Tomorrow."
6. Renault. (2023). "Circular Manufacturing: The Future of Sustainable Mobility."
7. Interface. (2022). "Adopting Activity-Based Costing for Circular Economy."
8. UN Environment Programme. (2024). "Green Bonds and Circular Investments."

“

Sustainability Strategy:

Sustainable profitability thrives on circular economy and innovative cost strategies.



LEAN IN GREEN: COORDINATING LEAN MANAGEMENT WITH CIRCULAR ECONOMY

written by,

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SYNOPLSIS:

1. WHAT IS CIRCULAR ECONOMY:
2. PRINCIPLES OF CIRCULAR ECONOMY:
3. WHAT IS LEAN MANAGEMENT
4. HISTORY OF LEAN MANAGEMENT
5. PRINCIPLES OF LEAN MANAGEMENT
6. BENEFITS OF LEAN MANAGEMENT
7. TOOLS AND TECHNIQUES OF LEAN MANAGEMENT
8. CORDINATING LEAN WITH GREEN
9. CONCLUSION

WHAT IS CIRCULAR ECONOMY:

The circular economy is a system where materials never become waste and nature is regenerated. In a circular economy, products and materials are kept in circulation through processes like maintenance, reuse, refurbishment, remanufacture, recycling, and composting. The circular economy tackles climate change and other global challenges, like biodiversity loss, waste, and pollution, by decoupling economic activity from the consumption of finite resources.

“In a circular economy, things are made and consumed in a way that minimizes our use of the world’s resources, cuts waste and reduces carbon emissions. Products are kept in use for as long as possible, through repairing, recycling and redesign – so they can be used again and again. At the end of a product’s life, the materials used to make it are kept in the economy and reused wherever possible”, the European Parliament explains.

UNIDO defines it as n a circular economy, however, products are designed for durability, reuse and recyclability, and materials for new products come from old products. As much as possible, everything is reused, remanufactured, recycled back into a raw material, used as a source of energy, or as a last resort, disposed of.” It further says that, at the country and regional level, in 2008 China was among the first to adopt a circular economy law promoting the recovery of resources from waste. In that same year, the G8 environment ministers agreed on an action plan for the 3Rs: reduce, reuse and recycle. Following on that, the 2015 G7 Summit Leaders’ Declaration underscored the need for “sustainable supply chains” that protect workers and the environment. Then, in late 2015, the European Union adopted an ambitious Circular Economy Package, including goals for food, water and plastics reuse. “The message is that while you are protecting the environment you can boost your economic development and provide new growth and new jobs,” said the then European Commissioner for Environment Janez Potočnik in support of the EU Circular Economy Package in 2014.



2. PRINCIPLES OF CIRCULAR ECONOMY:

The major Rs of the Circular Economy are as follows:

- 2.1 Refuse:** This says that we need to refuse to have unnecessary and unsustainable products through solutions that maximize the usage of fewer goods.
- 2.2 Rethink:** Every product and every system needs to be rethought with a focus on how to reduce its environmental impact.
- 2.3 Reduce:** The central idea of a circular economy is dematerialisation or “doing more with less”. To achieve this we need to use and manufacture products in smarter ways. Amongst many others, we have seen opportunities in carbon fibres, bio-plastics, bio-based chemicals, low-impact steel and aluminium processes that could benefit a range of industries. US company Eastman Chemicals, for example, offers smart solutions for everyday products. Last year, it began commercial-scale recycling for a range of waste plastics that would otherwise be put in landfill.
- 2.4 Reuse:** To achieve zero-waste and reduce carbon emissions, we must look beyond the traditional take-make-waste extractive industrial model.
- 2.5 Repair:** Planned obsolescence and a throwaway culture is a grim reality of today’s society. Every year some 50 million tonnes of e-waste is discarded – heavier than all of the commercial airliners ever made. Against this, the “right to repair” movement is growing, demanding affordable repair solutions and better product manufacture. In October 2019, the EU adopted an eco-design law which means manufacturers of phones, tablets and laptops will be obliged to make their products easier to repair.
- 2.6 Refurbish:** Refurbishing is the process of restoring an old or discarded product and bringing it up to date to serve its initial function. Damaged components are replaced resulting in an overall update while the product looks brand new. Enhancing the refurbishment of products can decrease the need for new materials, resulting in a reduction of waste and carbon emissions. Two platforms specialised in e-waste offer solutions: the French Black Market and the Austrian Refurbed.
- 2.7 Remanufacture:** Remanufacture, or reconditioning, involves refurbishing and re-using parts of a discarded product in a new product with the same function. Amongst the many areas in which items are remanufactured are aircraft components, engines, office furniture and medical equipment. Canon, for instance, has been remanufacturing devices with more than one function since 1992, echoing its ethos to maximise resource efficiency.
- 2.8 Repurpose:** What if an old ladder could be turned into a brand new bookshelf? Upcycling – repurposing a discarded product into a new one with a different function – is a growing trend. And the fashion industry is leading the way. Swiss brand Freitag transforms used truck tarps into highly functional, iconic bags. Airline Lufthansa has launched its Lufthansa Upcycling Collection, working with renowned designers to upcycle parts of its Airbus A340-600 D-AIHO into a home and accessories collection.
- 2.9 Recycle:** Today, only 9% of our used materials are recycled. Could we increase this number for less than it would cost to source the equivalent virgin materials? As public opinion moves increasingly against single use plastics, companies are looking to capitalise. For instance, in Australia, the cellulose used to bind roads together is made from paper, plastic and lids that were meant for landfill. And the UK has recently seen the launch of Loop, an online shopping service which delivers products in reusable packaging.
- 2.10 Recover:** What if waste wasn’t waste? Through anaerobic digestion, microorganisms can break down biodegradable waste into materials we can use to generate energy, as well as reduce pollution, water acidification and carbon emissions. Europe is a leader in the practice, with the biggest biomethane plant located in the Valdemingómez technological park in Madrid. While there are many benefits to this process, it is vital to ensure that bio-waste is sustainably sourced and is the last resort after all other “10R” options of the circular economy have been exhausted.

3. WHAT IS LEAN MANAGEMENT?

Lean management is an approach to managing an organization that supports the concept of continuous improvement, a long-term approach to work that systematically seeks to achieve small, incremental changes in processes to improve efficiency and quality. The primary purpose of lean management is to produce value for the customer by optimizing resources and creating a steady workflow based on real customer demands. It seeks to eliminate any waste of time, effort or money by identifying each step in a business process and then revising or cutting out steps that do not create value. The philosophy has its roots in manufacturing.

Lean management focuses on the following:

- Defining value from the standpoint of the end customer.
- Eliminating all waste in the business processes.
- Continuously improving all work processes, purposes and people.

Lean management facilitates shared leadership and responsibility; continuous improvement ensures that every employee contributes to the improvement process. The management method acts as a guide to building a successful and solid organization that is constantly progressing, identifying real problems and resolving them. Lean management is based on the Toyota production system which was established in the late 1940s. Toyota put into practice the five principles of lean management with the goal being to decrease the amount of processes that were not producing value; this became known as the Toyota Way. By implementing the five principles, they found that significant improvements were made in efficiency, productivity, cost efficiency and cycle time.

4. HISTORY OF LEAN MANAGEMENT:

In order to understand the history of Lean, we must go back to the start of modern manufacturing. Henry Ford was the first to truly integrate a production system called 'mass-production', which manufactures large quantities of standardized products. Ford created what he called a flow production, which involves continuous movement of elements through the production process. Ford used mass production to fabricate and assemble the components of his vehicles within a few minutes rather than hours or days. Unlike craft production, the mass production system delivered perfectly fitted components that are interchangeable. This process was very successful and allowed the Ford Motor Company to produce over 15 million Model T cars between 1908 and 1927. During World War II, the US military adopted Ford's mass production system.

In 1926, Sakichi Toyoda founded the Toyoda Automatic Loom Works. Several years later, the company changed its name to Toyota when it began producing automobiles. In 1950, Eiji Toyoda, the nephew of Sakichi, participated in a three-month visit to the Rouge plant of Ford in Dearborn, Michigan. At the time, the Dearborn facility was Ford's most complex and largest manufacturing facility. It produced nearly 8000 cars per day while Toyota only produced 2500 cars each year.

After studying Ford's production system, Eiji Toyoda understood that the mass production system employed by Ford cannot be used by Toyota. The Japanese market was too small and diverse for mass production. The customer's requirements ranged from compact cars to the most luxurious vehicles. Ford's mass-production system focused on the amount of production instead of the customer's voice. Toyota collaborated with Taiichi Ohno to develop a new means of production. They concluded that through right-sizing machines for the actual required volume and introducing self-monitoring machines, they can make products faster, lower in cost, higher in quality, and most importantly higher in variety! Ohno faced the challenge of trading off between productivity and quality. His experiments led to developing several novel ideas that became known as the 'Toyota Production System'.

5. PRINCIPLES OF LEAN MANAGEMENT

Lean management incorporates five guiding principles that are used by managers within an organization as the guidelines to the lean methodology. The five principles are the following:

- a. Identify value,
- b. Value stream mapping,
- c. Create a continuous workflow,
- d. Establish a pull system,
- e. Facilitate continuous improvement.

Identifying value, the first step in lean management, means finding the problem that the customer needs solved and making the product the solution. Specifically, the product must be the part of the solution that the customer will readily pay for. Any process or activity that does not add value -- meaning it does not add usefulness, importance or worth -- to the final product is considered waste and should be eliminated.



Value stream mapping refers to the process of mapping out the company's workflow, including all actions and people who contribute to the process of creating and delivering the end product to the consumer. Value stream mapping helps managers visualize which processes are led by what teams and identify the people responsible for measuring, evaluating and improving the process. This visualization helps managers determine which parts of the system do not bring value to the workflow.

Creating a continuous workflow means ensuring each team's workflow progresses smoothly and preventing any interruptions or bottlenecks that may occur with cross-functional teamwork. Kanban, a lean management technique that utilizes a visual cue to trigger action, is used to enable easy communication between teams so they can address what needs to be done and when it needs to be done by. Breaking the total work process into a collection of smaller parts and visualizing the workflow facilitates removing process interruptions and roadblocks.

Developing a pull system ensures that the continuous workflow remains stable and guarantees that the teams deliver work assignments faster and with less effort. A pull system is a specific lean technique that decreases the waste of any production process. It ensures that new work is only started if there is a demand for it, thus providing the advantage of minimizing overhead and optimizing storage costs.

These four principles build the lean management system. However, the last principle -- continuous improvement -- is the most important step in the lean management method.

Facilitating continuous improvement refers to a variety of techniques that are used to identify what an organization has done, what it needs to do, any possible obstacles that may arise and how all members of the organization can make their work processes better. The lean management system is neither isolated nor unchanging and, therefore, issues may occur within any of the other four steps. Ensuring all employees contribute to the continuous improvement of the workflow protects the organization whenever problems emerge.

Examples of lean management

The lean management principles can be used as a universal management tool to improve companies' overall performance.

Some examples of specific business and production processes that are based on the lean management concept include:

- Lean manufacturing
- Lean software development
- Lean six sigma
- Lean startup
- Value-based healthcare

6. BENEFITS OF LEAN MANAGEMENT

Lean management benefits organizations by focusing on improving all parts of the work process throughout every level of the company's hierarchy. Specifically, managers benefit from advantages such as:

- 6.1 A more intelligent business process. The pull system ensures work is only carried out when there is an actual demand and need for it.
- 6.2 Improved use of resources. The pull system also ensures the organization is only using resources when they are needed since it operates based on real customer demand. Improved focus.
- 6.3 Lean management decreases the number of wasteful activities, therefore allowing the workforce to increase their focus on tasks that produce value.
- 6.4 Enhanced productivity and efficiency. Improved focus leads to a more productive and efficient workforce since attention is not given to unnecessary activities.

These major benefits work together to create a company that is more flexible and has the ability to address customer requirements in an improved and faster manner. Overall, the lean management system creates a solid production system that has a higher chance of improving a company's total performance.

7. TOOLS AND TECHNIQUES OF LEAN MANAGEMENT:

THERE ARE MORE THAN 20 LEAN TOOLS AND TECHNIQUES, Some of them are mentioned below:

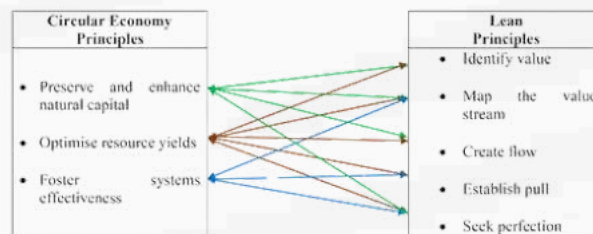
- a. Kaizen – a philosophy of continuously making changes and improvements through small steps. The recurring activities that make up the handling of a particular sphere of the organisation's activities are analysed;
- b. Kanban – a method of controlling production by events occurring directly on production. It ensures short processing times, low inventory, timely delivery and quality control at all stages of production;
- c. SMED (Single-Minute Exchange of Die) – sets a target of reducing changeover times to 10 minutes or less. It serves to reduce machine changeover times;
- d. 5S – a tool to help analyse workplace processes.

5S organizes the work area:

 - Sort: eliminate that which is not needed
 - Straighten: organize remaining items
 - Shine: clean and inspect work area
 - Standardize: write standards for above
 - Sustain: regularly apply the standards It results in an efficient organization of the workplace, simplification of the working environment, elimination of losses due to shortages and breakdowns, improvement of quality and safety;
- e. JIT (Just In Time) – a concept in production and delivery strategy based on synchronising inventory replenishment with demand in the system. This results in improved workflow and production efficiency which promotes liquidity and minimizes risk;
- f. TPM (Total Productive Maintenance) – comprehensive maintenance of productivity as a result of activating all employees working at different levels so as to maximize the total efficiency of resources;
- g. VSA (Value Stream Analysis) – allows the visualisation of the information flow and manufacturing process for selected products. With its use, waste can be identified and a plan for transformation based on the suction system of production can be created;
- h. OPF (One Piece Flow) – a production method where products are manufactured and transferred to the next stage of the process one at a time. Materials, semi-finished goods and products are transferred from one station to another in a structured, constant and uninterrupted manner – at a specific rate and without stoppages with maximum unit inventory between stations, processes or operations;
- i. Heijunka – a tool for balancing production. It involves balancing the product range being produced so as to meet customer demands on the one hand and minimize inventory on the other;
- j. KPIs (Key Performance Indicators): KPIs are metrics designed to track and encourage progress towards critical goals of the organization. Strongly promoted KPIs can be extremely powerful drivers of behavior – so it is important to carefully select KPIs that will drive desired behavior.
- k. Muda (Waste): Muda is anything in the manufacturing process that does not add value from the customer's perspective. Muda means 'waste'. The elimination of muda (waste) is the primary focus of lean manufacturing.
- l. SMART Goals: Specific, Measurable, Attainable, Relevant, and Time-Specific are smart goals.
- m. Takt Time : Takt Time is the pace of production (e.g., manufacturing one piece every 34 seconds) that aligns production with customer demand. Calculated as $\text{Planned Production Time} / \text{Customer Demand}$. Takt Time provides a simple, consistent, and intuitive method of pacing production. Is easily extended to provide an efficiency goal for the plant floor ($\text{Actual Pieces} / \text{Target Pieces}$).

8. APPLYING LEAN TECHNIQUES TO ADOPT AND OPTIMISE CIRCULAR ECONOMY:

According to a recently published Circularity Gap Report, a mere 7.2% of the world’s economy operates within a circular framework. This limited progress in the implementation of CE has been attributed to the lack of comprehensive business models and methodologies/frameworks with practical steps to analytically assess the company’s activities and guide them to effectively implement CE. Lean is a well-established operations management approach that has provided effective results to organizations in various industrial sectors. The following figure indicates the interrelatedness of Circular Economy and Lean Principles:



The following table is an excellent example of uses of principles of the Lean Management in different aspects of Circular Economy

CE Assumptions	Lean Management Tools
1 Reducing the amount of waste generated	5S, kaizen, Poka-Yoke, VSM, DFMA
2 Cost reduction (including production cost)	Kaizen costing, target costing, activity based costing
3 Eliminating all waste (cost reduction)	Kaizen, 5S, Just-in-Time, Poka-Yoke, VSM
4 Increasing the efficiency of production processes	Kaizen, activity-based costing, 5S, VSM, OPF
5 Reuse of resources	DFMA
Design for Disassembly Promoting savings	Kaizen
6 Resource recovery	VSM
7 Preserving the greatest possible value of resources, products, components	5S, kaizen, Poka-Yoke, VSM
8 Creating a system to ensure long product life	TPM, SMED, Kanban, Heijunka
9 Maintenance, regeneration and recycling	TPM, SMED, 5S, ISO
10 Reduced consumption of raw materials	Lean Design, Kanban, Heijunka
11 Reuse, repair, replacement, upgrading, refurbishment	DFMA, Design for Disassembly, Lean Design
12 Activities to maximise the added value of raw materials/resources, materials and products	Heijunka, kaizen, activity-based costing
13 Development of innovation	Kaizen, VSM
14 Promoting technological development	Kaizen, VSM
15 Extending product life cycles	LCA, Poka-Yoke, Jidoka
16 Improvement of the quality of the environment and nature conservation	Kaizen, 5S, VSM, LCA, Lean Design, Poka-Yoke, Jidoka

Source: article published in European Research Studies Journal, Article topic” Application of Lean Management Tools in a Circular Economy Model from the Perspective of Financial Security of SMEs”, Authors’ names: Monika Szczerbak, Małgorzata Oziębło ; the researches concluded this on the basis of self- studies and experience.

9. CONCLUSION:

The circular economy is attracting growing interest from governments, individuals and organizations. This economic model is appealing due to its ability to reconcile current environmental and economic challenges. On top of helping to preserve natural resources and to reduce pollution and overall environmental impact, it enables smart savings and strengthens the competitiveness of regions. There are many hurdles in the way of practicing and optimizing Circular Economy but e.g. Financial Limitation, Skill limitations. Technical limitations etc. Lean Management seems, in this adolescence stage of EC, a good and viable tool to be adopted.

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PRODUCT SERVICES COST MANAGEMENT IN CIRCULAR ECONOMY

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Background:

The typical CMA approach for determining costs, price, and Value (including Volume to arrive at the Break Even Point) has been with the main objective of Cost Control and Cost Reduction in a framework of product services being made available to the consumer(s) at a reasonable price and providing for reward to the shareholder through profits after paying the due share of profits to the revenue authorities through taxes, duties, cess etc. However this CMA approach rests on reference to the Linear economy with scant regard for the Sustainability from a stakeholder perspective in terms of People and Planet apart from Profits. This orientation of the production function and the operations in a framework of linear economy is geared towards the utilization of the resources effectively and efficiently with the objective of maximizing profits/wealth for the shareholders. The Linear Economy model is based on a traditional view of Production and Consumption, which is technically referred to as Cradle-to-Grave.

The way businesses and operations are being managed in a Linear Economy led to several Sustainability risks to People and Planet and its existence as follows:

- Destruction and Depletion of natural resources;
- Generation and Disposal of Waste resulting in ecological imbalances;
- Increase in the gap between the haves and the have-nots;
- Deforestation impacts leading to soil erosion, conversion of fertile land into barren land, destruction of human and animal habitat as also increased occurrence of natural disasters and
- Increased Air, Water and Soil Pollution with its associated adverse impacts on mankind as well as floras and faunas.

Linear Economy extension to Recycling Economy:

The recycling economy differs from the linear economy in the sense that input materials / resources are recycled a few times before their quality declines, and they are used until such a stage that they can no longer be re-used or recycled. This is a limited extension of the Linear Economy from a Cost Management perspective wherein the waste management is slightly better without any change in the principal object of Profit Maximisation by minimising / recovery of the cost. The environmental impact of a Recycling Economy is only slightly less adverse compared to that of a Linear Economy. Thus, the Sustainability risks to People and Planet continued to be ignored in the extended Linear Economy i.e., Recycling Economy.

The typical approach of a manufacturing enterprise is "Define, Design the products, Draw the resources, Convert the inputs into final products as conceived, and finally dispose of – either consumed or waste" thus following vertical chains which ends with final consumption by the end consumers. The implied fall out in this process is the tracking of products only till it is consumed and the residual waste not being of any economic use to the enterprise is just disposed of. This approach to disposal of waste both in the Linear Economy as well as in the Recycling Economy has contributed to adverse environmental impacts.

Over the years, unattended damages have been caused to the ecological balance by the adoption of unhealthy practices by many business enterprises driven purely by the motive of making profits to exclusively reward enterprise and completely neglecting the adverse impact on environment. The Cost Management approaches did not respond to this crisis, instead remained as a silent part of this sub-system in a linear economy. Now, with the growing awareness about Circular Economy, there is a strong need as well as an unprecedented opportunity for the CMA profession to make its presence felt not only because there is a gap to be filled but also because CMA's are best fitted to fill this huge void through their conceptual mastery for enabling efficient and effective utilisation of resources.

Evolution of Linear Economy into a Circular Economy:

Imagine an economy where resources get used but not used up; new business strategies keep products, components, and materials in the system – during and after use – and where dangerous, dirty waste is at an absolute minimum.

You have imagined the Circular Economy.

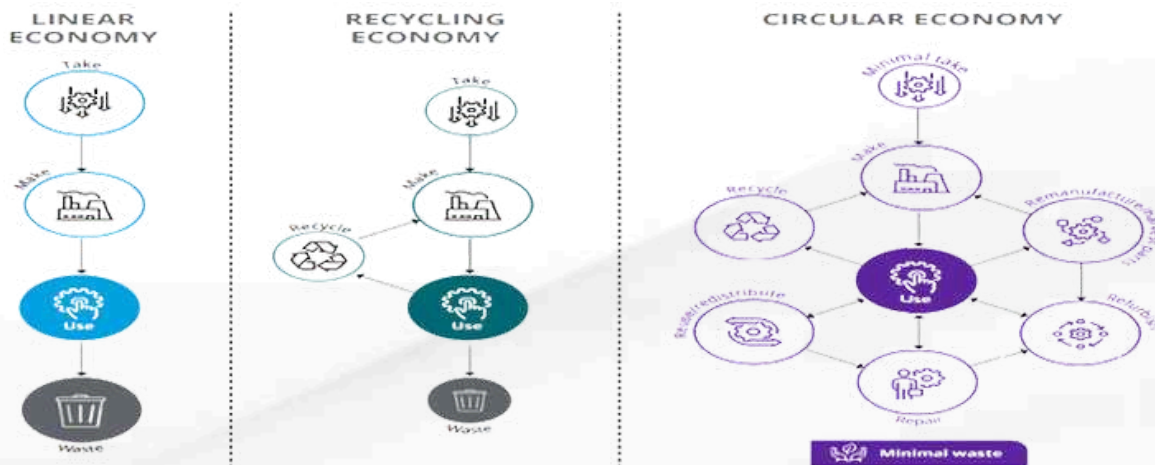
The evolution of Linear Economy into a Circular economy can be explained with reference to three terms as under: -

Cradle-to-Gate: measures the impacts from the raw material extraction to the manufacturer's gate – Linear Economy focus

Cradle-to-Grave: measures the impacts from the raw material extraction to the end of the product's life. More comprehensive as it includes the use/maintenance and the disposal phase of the product. – Recycling Economy focus

Cradle-to-Cradle: measures the impact from the raw material extraction to when the product is recycled or reused and starts a new life cycle. It is the most comprehensive assessment of all the stages of a product's life cycle as it promotes the concepts of circularity, recyclability, and reuse. – Circular Economy focus.

If this imagination of Circular Economy (CE) is to be translated into action, it is necessary for transitioning from linear economy to CE keeping in mind the **13-R philosophy** as mentioned in the following paragraph for the Sustainability of Product Services and its impact on Environment and in transition also managing the resources in more meaningful and responsible ways and thereby managing the costs at each stages of its operation right from the input sourcing stage to the end of life/useability /extended life of the Product Service.



Think tank people in the company holding strategic position should rethink about existing products and / or new products in pipeline from not only operation, profit/wealth maximisation point of view but also have a sustainability view for the products irrespective of the fact that whether they are in stage of –cradle-to- gate, cradle-to-grave or cradle-to-cradle. This thought process should be applied from sourcing to production including primary and secondary packing to their final destination in the form of consumption to disposal as waste or any other further use. The cost management approach needs to be changed drastically considering the complex web of operations and transactions keeping an eagle eye on sustainability impacts on people and planet. For example, consider the impact of Packaged water creating environment hazard . So, in such cases, factors to be considered while choosing between tap water and bottled water are safety of the water, its flavour, the cost and availability, and its impact on the environment. A circular economy aims to keep products and materials in use without degrading their quality or downcycling into lower valued products. In a circular economy, businesses redesign their products, services, and business models to use resources more efficiently, reduce waste, and minimize environmental impact and thereby contributing to ensuring the well-being of all the stakeholders in a balanced manner.

R0	Refuse: Identify the product that is reaching the redundant stage and either giving up some function or adding up some new functionalities or radically different product.
R1	RE-think: the product and its functions/usability. For example, the product may be used more efficiently.
R2	RE-duce: energy, material consumption and socioeconomic impacts throughout a product's life cycle
R3	RE-pair: Make the product easily repairable or having in place interchangeable modules
R4	RE-place: harmful substances with safer alternatives substances
R5	RE-use. Design the product for disassembly such that parts can be reused
R6	RE-cycle. Select materials that can be recycled
R7	Re-manufacture: Use parts of discarded product in new product/s with the same function.
R8	Re-function: Use discarded product or parts of it in new product/s with a different function.
R9	Re-purpose : Use discarded product or parts of it in a new products/s
R10	Re-furbished : Restore an old product and bring it up to date.
R11	Re-visit Quality features : Process materials to the same (high-grade) or lower (low grade) quality
R12	Re-cover: Incineration of materials with energy recovery.
R13	Landfill: to be avoided to prevent adverse impact on Environment

Cost Management Approach in a CE

In the transition to build a Circular economy (CE) and have in place a sustainable environment, one needs to have holistic approach for economic assessment to meet the requirement of product services cost management keeping in mind the existing life cycle of products services. One needs to adopt or develop the concept or module/s considering the following:-

1. Holistic Investigation of the existing Linear or somewhat circular economy
2. Comprehensive review of scarcity of resources ,waste generation and economic advantages and disadvantages as well as impact on environment
3. Providing framework for practical implementation of strategy that will help in effective and efficient utilisation of resources for regenerative and sustainable economy and its impact on people and planet.
4. Development of Products contributing to value chain by itself or as a subset of composite components and having different varied multiple use function, multiple lifespan ,alternative uses, remanufacturing , reuse, repairs and all those 13 R as mentioned above and thereby reducing landfills leading to restricting adverse impact on sustainability.

Thus, there is a need to revisit costing methods and techniques and the whole gamut of cost accounting and cost management by using the existing manufacturing systems or modern manufacturing system by implementing new AI technology, Information technology , Internet of Things(IOT), Cyber physical System etc. that maximises output using minimum inputs by efficient and effective utilisation of virgin resources as well as recycled resourceand achieving sustainable society.

Towards Circular Life Cycle Costing

It can be seen that additional efforts are required to develop the comprehensive approach that will be useful to assess the Operational value, environmental and economic performance.

To be able to assess products for a circular economy, a number of key properties have to be considered.

First, in a CE, Value proposition for – offering of products services designed for repair, reuse, upgradability, disassembly and recycling

Secondly Value delivered : Components and parts of a product will most likely be exchanged at a different rate to increase the overall lifespan of the product. Therefore, products should be treated as composites of components and parts with different, and multiple use cycles ie **Re-manufacture, Re-function: Re-purpose, Re-furbished**

Thirdly value retention processes (VRPs) will take place to extend the lifespan of products that should be included in the assessment.– **Re-visit Quality features & Re-cover**

Landfill: The cost to be avoided/excluded from the value chain.

Cost Management Issues in a CE and overcoming them

Though the perspective of cost management shifts from shareholder to stakeholder and the objective of Profit Maximisation expands to Sustainability, transition to a CE poses many challenges, which makes Cost Management in a CE framework more complex. Some of these challenges are enumerated here:

Transition costs: The transition to a circular economy can be costly and time-consuming.

Collection of data and related costs: It can be difficult and costly to collect data of used products, recycling/refurbishing cost before the products are produced and sold /consumed/disposed for their final destination.

Supply chain infrastructure: The current supply chain infrastructure may not be well-equipped for recycling.

Public participation: Public participation may be limited.

Recovery value: The recovery value of a product may be less than the cost of collecting and recycling it.

Unclear legislation: Unclear legislation can be a barrier to adopting a circular economy.

Recycling costs: The cost of recycling materials may be high.

The Cost Management function should carry out a detailed Cost Benefit Analysis of every discretionary CE related initiative with a Sustainability point of view from a stakeholder perspective. If the benefits exceed costs, the initiative should be implemented in a well-planned manner by adopting a combination of top-down and bottom-up management approaches in a cohesive manner, so that the intended benefits are actually realised.

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JOB POST

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Please Visit our website <https://www.icmai-wirc.in>

CIRCULAR ECONOMY AND COST MANAGEMENT

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Linear Economy has given rise to Circular Economy due to its inherent advantages over Linear Economy

Linear Economy refers to a model of Production and Consumption which involves

Inputs (Raw Material / Energy) etc

Its Use / consumption

Resultant Production / Manufacture

Dispose the Product at the end of its Product Life Cycle

Dispose the waste generated from / during manufacture

Circular Economy refers to a model of Production and consumption which inter alia include

Reusing the Inputs as long as possible through its recovery and putting back into process

Repairing and using the product instead of using the fresh product

Reducing the Input content of the Product (Material , Energy) etc

This calls for Robust Research & Development Functions

This calls for modification / replacement of existing equipments after proper cost benefits analysis

Recycling the product / waste as long as possible

Thus it can be seen that Circular Economy paves the way for building culture for cost management / cost savings as well as conservation of environment with less / reduced air pollution, water pollution and solid waste

Illustrative Pre-requisites for Circular Economy

1. Before the start of the year, a note should be issued from the office of the MD to all HODs to provide their views and comments for preparation of Vision and Mission Statement of various tenets of Circular Economy which may be followed / achieved during the year along with likely cost savings and resultant saving / protection of environment
2. These views and comments should be compiled by office of MD and there after meeting of all HODs should be called to discuss Various tenets of circular economy to be followed
Their likely cost savings
Their positive impact on environment

3. With respect to Reducing the Input Content – Raw Materials, Energy
 Various alternatives may be explored like
 Expanding the vendor base
 Buying Raw Material of superior quality at higher procurement rate with resultant reduced net input requirement and resultant net saving to the company
 Specific consumption of Raw Material can also be reduced through well laid down R & D Activities which may also include process modification
 This may necessitate strong Research & Development activities duly staffed by qualified and trained staff
 Replacing / modifying the existing plant and machinery with less energy intensive machinery after carrying out proper cost benefits analysis
 4. Vision n Mission Statement should clearly spell out which traits / ingredients of Curclur Economy it wants to follow
 Reusing the Input
 Reducing the Input
 Repairing the Product
 Reclying the Product

 This Misson n Vision Statement should be approved by Board of Directors and should be prominently displayed at various places in Company Premises
 5. For reusing the Input, proper recovery system should be installed
 6. Reusing, Reducing, Repairing and Recycling shall also enable conservation of natural resources with less pollution (water, air and solid)
 7. All executives should be provided with Mission and Vision Diary which they should carry with them all the times
 8. Calendars for Vision and Mission Statement should also be kept in the offices of all the executives
 9. KPI of KMP should include related facets of circular economy to give further push to it
 10. Revenue Budgets should include reduced consumption of Raw Material Input / Energy Input
 11. Periodic Meetings of HODs (preferably Quarterly) should be held to review progress of Vision n Mission Statement with reference to Circular Economy and should be reported to BOD and should also be discussed by BOD
 12. Company's notice board should display vital statistics with respect to achievement of Circular Economy like
 Decrease in Input
 Decrease in Waste
 Reusing of Input
 Recycling of Product
 Resultant Cost Advantage / saving (in monetary terms)
 This shall enable maintain awareness about various facets to be pursued / achieved with respect to Circular Economy
 13. Decrease in waste will result in less associated cost like storage, handling, disposal etc
 14. Resultant Cost Advantage / savings (in monetary terms) shall further motivate the staff to do even better
 15. A suitable suggestion scheme should also be initiated whereby each and every employee is encouraged to participate for suitable suggestion and suitable suggestion can be suitably rewarded
 16. A competition can also be started which can be held at regular intervals.
 1st 3 best suggestions can be given certificates and monetary rewards also
 This competition can be held for different categories like
 Reusing
 Reducing
 Repairing
 Recycling
-

17. A sub committee may also be formed consisting of representatives of various departments which may meet once in a month, discuss, brain storm various points which may be circulated to HODs to discuss and fine tune further which may eventually be put up to MD after due filtration which finally finds its way to being discussed and approved by BOD.
18. Company may also explore creating of separate cells / divisions / departments separately for the following
- Reusing the Input
 - Reducing the Input
 - Repairing the Product
 - Recycling the Product
- As each cell / division / department shall have specific activities to look after, they shall be able to focus and contribute better
- Apart from cost management / cost savings, this shall also lead to complying with ESG requirement / addressing ESG concerns
19. Company should have garden / plantation of trees.
On various trees, wooden banners shall be kept with the words
- Reusing
 - Reducing
 - Repairing
 - Recycling
 - Written over wooden banners
20. Suitable funds can be allocated to each category and sub category
- Reusing
 - Reducing
 - Repairing
 - Recycling
- Where benefits (both tangible n intangible) shall far exceed the funds so allocated
21. Inter department competition should be encouraged which may provide out of the box suggestions
22. A PERT Chart can also be encouraged with time lines for different activities
23. During festivals, rangoli competition can also be encouraged with theme areas being
- Reusing
 - Reducing
 - Repairing
 - Recycling
24. Spirit of circular economy should be instilled as a continuous process and not as a one time activity
25. A manual should be prepared depicting the journey towards Circular Economy which isto be updated regularly. It shall be useful as ready reference.
26. This manual may also be given to Internal Auditors , not for Audit , but to have their valuable views, if any

(Views Expressed are personal views of Author)

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Circular Economy Essentials:

Embrace reuse, reduce waste, and rethink choices to build a greener future. These small steps foster sustainable growth, protect the planet, and inspire a collective commitment to a more harmonious world.



IMPACT OF GST ON LOGISTICS INDUSTRY

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Abstract:

Logistics industry has a critical role to play in the manufacturing industry and trading activities. It is considered as backbone of the economy. In simple words logistics can be considered as movement of goods from point of origin to point of consumption. After raw materials cost, transportation cost is major one to play critical role in fixing the price. Logistics activities involve loading, unloading, packing, storage, warehousing and transportation.



The new tax reform GST reduces the transportation cycle times, enhance supply chain & turnaround time, lead to consolidation of warehouses, etc. Removal of inter-state check posts is most advantageous to the industry to improve the efficiency in terms of transportation and reaching destination. It has already been 7 years since the introduction of GST in India. This article will be addressed the critical issues being faced by the Logistics Industry under GST regime in India.

Cost elements for trip	% of cost (100)
Diesel	45-50
Direct Manpower driver & cleaner salary, food, boarding	15-20
Toll Charges	10
Depreciation, Spares, Maintenance of vehicle	15
office overheads	3
Any other expenditure	2

For better understanding approximate cost elements or breakup of cost involved for one trip of transportation are as follows (capacity 45MT taken as base) :-

Historical Background: The Tax before GST-

Prior to the implementation of GST, the tax structure in India was a maze of indirect taxes such as excise duty, service tax, value-added tax (VAT), and more. This created an environment of inefficiency and increased costs in the supply chain.

The multi-layered tax structure led to the 'cascading effect of taxes,' whereby the end consumer paid tax on already taxed goods, raising overall costs.

Simplification of Tax Structure

GST replaces multiple indirect taxes with a single tax, thus simplifying the tax collection process. This has a ripple effect on SCM as organizations can now streamline their operations for better efficiency.

Taxability of transportation services under GST are as follows:-

Sr No	Services	GST Rate	ITC
1	Transportation of goods by rail	5%	ITC on goods can't be utilised
2	Transport of goods in containers by rail by any person other than Indian Railways	12%	ITC can be availed
3	Transportation of goods by vessel	5%	No ITC on goods
4	Transportation of goods by road where consignment note is issued (i.e. GTA services)	(RCM) 5%	No ITC on goods and services
5	Transportation of goods by road where consignment note is issued (i.e. GTA services)	(Forward Charge) 12%	ITC eligible
6	Multimodal transportation of goods	12%	ITC eligible
7	Loading, unloading, storage and warehousing/cargo handling services if Separate Invoice	18%	ITC eligible

Various exemptions available to transportation industry are as follows:-

- a. Nature of service Transportation of specified goods by rail like agriculture produce, milk, salt and food grain including flours, pulses and rice Transportation of specified goods by GTA like agriculture produce, milk, salt and food grain including flours, pulses and rice.
- b. Hiring of motor vehicle to GTA as means for transportation of goods. Transportation of goods by road where consignment note is not issued.
- c. Services by way of transportation of goods by a vessel from India to Foreign Country, Transportation of goods by an aircraft or vessel from custom station of clearance in India to a place outside India.
- d. Services by way of transportation of goods by an aircraft from a place outside India upto the customs station of clearance in India.
- e. Specific exemptions in relation to loading, unloading, storage and warehousing of rice & storage & warehousing of cereals, pulses, fruits, nuts, vegetables, etc.
- f. Services provided by a goods transport agency to an unregistered person other than specified category like factory, Body corporate, etc.
- g. GTA services provided to Government and its departments.

Impact of GST on the logistics industry-

1. **Minimization of transportation time** – The most positive impact of GST on the logistics sector is the significant reduction of transportation time. If we go through the pre-GST period, by and large, a truck used to spend around 20% of its run time at inter-state check posts. Post-GST compliance time at the inter-state check post is reduced. Resultantly, such reduced compliance at the inter-state check posts enables minimizing transportation time. If we look into the broader perspective of the same, minimization of transportation time will lead to low delivery costs ultimately which may result into a reduction of the final price of the goods.
 2. **Trouble-free supply of goods** – Sub-summing various taxes like VAT, Octroi, CST etc. into one single tax i.e. Goods and Services Tax (GST) has ensured a smooth supply of goods. Further, post implementation of an e-way bills under GST has also enabled a trouble-free supply of goods.
 3. **Reduction in paperwork** – Due to a unified tax structure and complete digitization, there is a noteworthy reduction in paperwork. In the pre-GST tax regime, lot number of documents were required to be accompanied with the transport vehicle. However, post-GST, the said purpose can be solved by majorly one single document i.e. e-way bill.
 4. **Centralized Warehousing** – In the earlier tax regime, due to the specific tax structure, it created the requirement of setting up a separate warehouse in each operational state. However, with the implementation of GST, the said requirement is eliminated. Post GST, there is no requirement of having warehouses in each state, the reason being there is no separate tax regime for different states. Accordingly, it enables easy and effective inventory management.
 5. **Enhanced Transparency and Compliance** – GST's streamlined approach fosters better compliance and transparency. With digitized GST Returns Filing Process and real-time tracking, anomalies can be quickly identified and rectified, thereby improving the overall efficiency and integrity of the supply chain.
 6. **Smooth Cross-Border Transactions** – Under the GST regime, the complexity of interstate transactions has been significantly reduced. With the elimination of entry taxes and local taxes, the movement of goods has become smoother and quicker, positively impacting the supply chain.
 7. **Reduction in Operational Costs** –The simplification of tax structure and centralized warehousing can lead to a reduction in operational costs, which can be passed on to the end consumer in the form of lower prices.
 8. **Transitional Costs** – However, businesses also face transitional costs, such as the cost of GST-compliant software systems, which can be a financial burden in the short term.
-

9. **Cascading effect** – Major raw material for the logistic industry is petrol and diesel. Taxes (i.e. ED, VAT and CST) being paid on petrol and diesel is becoming cost to the industry as those are out of the purview of GST. Both the State & Central Governments despite crude oil prices reduced drastically, increasing the both VAT & Excise Duty on petrol & diesel enormously to augment revenue. Either the Governments should reduce VAT & Excise Duty on petrol & diesel considering the reduction in Oil prices or should bring the petroleum products into GST net. This will reduce lot of burden on this industry and saves some cash flows to industry.

Recently GST officers started the investigation on levy of GST on life taxes, all India permits, and other permits paid by transporters to Government. This is also leading to huge cascading effect.

10. Impact on GTA/Issues facing by GTA –

- a. Enforcement authorities treating every transportation as GTA services ignoring the 'GTA' definition in GST Law and demanding the GST. It is clear in GST Law that wherever consignment note is not required to be issued as per Industry practice or where consignment is not issued such transportation is not liable for GST.
- b. GTA service is covered under reverse charge, thereby service provider is not eligible for credits due to deeming fiction in draconian definition of 'exempt service' in Section 17 of GST Act, 2017. On one hand Government is levying GST on the GTA service though under RCM on the other hand denying the credit to supplier. Service providers incurring lot of GST on purchase of vehicle, spare parts, insurance, repair & maintenance services and other office overheads. This is leading to huge cascading effect.
- c. Typically, all service providers in this industry would involve in providing small portion of exempted supplies (i.e. transportation of goods without issuing consignment note, transportation of agriculture produce. etc). GTA service @5% itself is treated as exempted service in GST. Resultantly ITC availed on goods and services would become common ITC and compliance of Rule-42 & 43 will arise. Compliance with Rule-43 would be needed much efforts, beyond competence of average intelligence person and time consuming.
- d. There is an option for transportation service provider to charge GST @12% for all his transportation services & avail the ITC. Since some of industries like liquor, power & petroleum products not been covered in GST, these buyers are not allowing the transporters to charge GST @12% accordingly transporters who opted for 12% rate, they are losing the business opportunities. The Government should identify some solution for this problem. Solution could be lesser rate of tax say 5% for transportation services provided to above sectors.
- e. GTA opting for GST rate of 5% under RCM for transportation services do not absolve the GST liability on sale of used trucks. However, with respect to sale of old trucks concessional rates prescribed under notification no 08/2018-CGST (Rate).
- f. Vehicles taken from other transporters for temporary purposes but normally the trade practice does not entail maintenance of any agreement/contract between the parties. There is always interpretational issues as to whether vehicles supplies by such other transporter is covered under exempted services "services by way of giving on hire to a GTA, a means of transportation of goods" or "services of transportation of goods by road except the services of GTA" (covered under entry no. 22 and 18 of exemption notification respectively). Considering the prevalent trade practice in the unorganised sector, blanket exemption should be provided for providing vehicles by any mode between two transporters so that there is no need to determine RCM liability for recipient in all cases.
- g. Circular No. 234/28/2024-GST has clarified that ancillary or incidental services provided by GTA in the course of transportation of goods by road, such as loading/unloading, packing/unpacking, transshipment, temporary warehousing etc. will be treated as composite supply of transport of goods. The method of invoicing used by GTAs will not generally alter the nature of the composite supply of service. However, if such services are not provided in the course of transportation of goods and are invoiced separately, then these services will not be treated as composite supply of transport of goods. Such clarification has again make some complexity that GTA has to be paid GST on these services and ITC eligibility as per provision of Rule 43&44. This will increase compliance cost for GTA.



GST & Logistics:

GST reshapes logistics, driving efficiency and revolutionizing economic connectivity.



11. Transporters engaged in providing services from multiple States face challenges as to the location from where invoices should be raised. They should be provided option to raise invoice from single State as there are divergent practices followed across industry as to choosing States for raising invoice and sometime the selection is made at their convenience.
12. The definition of agricultural produce is very vague under GST law and subject to interpretation. It may not be accepted from the transporters to understand the complexity of the definition. Error in understanding the definition could have serious consequences for transporters especially paying tax under FCM.
13. The Government through their enforcement is milking more revenue from those service providers who are paying the full tax honestly to Government. There are transporters availing the full ITC and charging GST @12% to customers. Whenever the ITC exhausts, such transporters are issuing the invoices showing liability under reverse charge. This is complete disregard of legislative provisions. With this, honest transporters who are complying the law are losing the business and it is affecting their economic standing and throughout from business due to high competitive marketing.
14. Place of supply for Storage services would be as per Section 12 (2) of IGST Act and not as per Section 12 (3) of IGST Act i.e. Storage service can't be treated as a service which has direct relationship with immovable property.
15. Once the transporter chooses to charge tax @ 12%, he is not allowed to charge tax @ 5% for future supplies. There could be many instances where the customers could be different where some of those could prefer supply @ 12% whereas others could be willing to pay tax under RCM @ 5%. Transporter should be given freedom to charge tax at either rate based on the customer requirement on case to case basis instead of blanket requirement of charging only at single rate. Reversal of ITC could be made under Rule 42/43 w.r.t. supplies made under RCM.

This transportation industry is facing operational difficulties like high unskilled labour turnover, inconsistency in diesel/fuel pricing, continuous increase in toll charges, excessing regulations & heavy penalties by Motor Vehicle Authorities, pathetic conditions of roads in India leads to high maintenance cost. This transportation industry is providing lot of employment in the unorganized sector. Also contributing to Government huge quantum of taxes in form of procurement of diesel and GST on vehicles etc. Hence, we can be concluded that there are lot grey area in GST for logistic sector which have impacted on sector and such needs to be simplified by GST. Off course some positive outcomes of GST can't be neglected from other side.

Exciting News

Scholarship Scheme for the Meritorious Students

Objectives of the scheme:

1. To promote the education of Cost & Management Accountancy.
2. To encourage academic excellence and provide financial support to deserving students in their pursuit of the CMA course
3. To identify and enrich the intellectual capital of such meritorious students, so as to fulfill their desire to be equipped with professional education.
4. To promote women-empowerment through professional education

Scholarship Scheme to Students for (WIRC Oral Admission)

Course	Eligibility	Amount
FOUNDATION	75% & above marks in 12th Board Examination	Rs. 500/-
INTERMEDIATE	Through Foundation: 75% & above marks in the aggregate in the Foundation Course Examination	Rs. 1,000/-
	Through Graduation: CGPA 8 & above marks	
FINAL	Intermediate Rank Holders	Rs. 1,500/-

MATERIAL FLOW COST ACCOUNTING: AN EFFECTIVE TOOL FOR A CIRCULAR ECONOMY

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The Perspective

Many studies have found that the industrial economy has greatly damaged the environment over the past several decades. Inefficient processes consume too many natural resources, create waste, and pollute the environment. Many businesses use natural capital from oil, wood, minerals, or natural gas and return it to nature as waste, most of which is non-biodegradable and cannot be reused. Our current linear economic system is based on a take-make-waste model which relies on resource extraction and depletes natural capital. Such practices severely worsen the global challenges of climate change, biodiversity loss, and pollution, and resource use is estimated to double by 2050 under a business-as-usual scenario. The transition to a circular economy plays a vital role in achieving the UN Sustainable Development Goals and the Paris Climate Agreement. By adopting circular principles, companies can create value for their stakeholders while contributing to the global effort to achieve the UN Sustainable Development Goals and the goals of the Paris Climate Agreement. In recent years, circular economy (CE) and resource efficiency (RE) have become central to the G7 / G20 process and the sustainable development agenda, as well as the response to climate change.

The theoretical framework of circular economy

There are many ways to understand and define the Circular economy (CE). One such definition defines the CE as a production and consumption model that involves sharing, borrowing, reusing, repairing, refurbishing, and recycling existing materials and products for as long as possible. This extends the product life cycle. In practice, this means minimizing waste. CE is an economic concept in which products, materials, and raw materials should remain in the economy if possible, and the generation of waste should be minimized as much as possible. This idea considers all stages of the product life cycle, starting from its design, through production, consumption, and collection as waste, to its management. CE is a model of economic development in which—while maintaining the condition of efficiency—the following basic assumptions are met: the added value of raw materials/resources, materials, and products is maximized or the amount of waste generated is minimized, and the resulting waste is managed by the hierarchy of waste management methods (waste prevention, preparation for re-use, recycling, other recovery methods, disposal)

The circular economy adds value to businesses, reduces resource exploitation, reduces waste treatment costs, and minimizes environmental pollution. A circular economy involves turning the waste output of one industry into an input resource for another industry or circulating within the business itself. In the current era of heightened environmental awareness, the role of the circular economy is fundamental to improving operational efficiency and enhancing the sustainable development of businesses.

The circular economy has the following three principles:

- Preserve and enhance natural capital by controlling finite stocks and balancing renewable resource flows;
- Optimize resource yields by circulating products, components, and materials at the highest utility at all times in both technical and biological cycles; and
- Foster system effectiveness by revealing and designing out negative externalities.

Resource efficiency and circular economy

Efficient use of resources benefits society and the economy in the long term by protecting the world we live in and reducing dependency on natural resources the economy depends on. Ecosystems provide society with food, materials, clean air, and water, aesthetic and recreational pleasure, and assimilate air emissions and wastes. Resource efficiency helps avoid depletion, degradation, or a collapse of ecosystems. It can also bring immediate economic benefits through reduced input costs and less dependence on volatile commodity prices. Waste and resource management should aim for a sustainable yield of renewable resources, substitution of finite resources for renewable resources, and absolute limits to environmental impacts.

A more resource-efficient and circular economy can support the aim of decoupling global economic growth from natural resource use and help to decrease environmental degradation and improve energy efficiency. In the transition toward a more resource-efficient and circular economy, resources used to produce goods are minimized and kept in use as long as efficiently possible and waste is diminished. Greater circularity can also contribute to decoupling economic growth from the consumption of finite resources. One of the main global benefits of the transition to a resource-efficient and circular economy is an expected reduction in environmental pressures, including less reliance on primary resources and more efficient energy use.

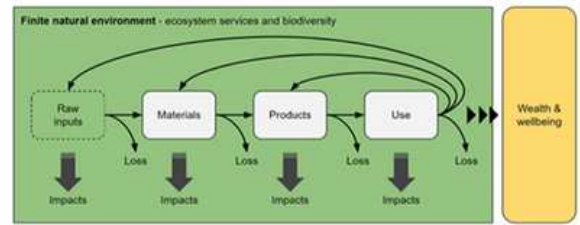


Figure 1 – Resource efficiency and the circular economy (Van Ewijk 2018).

A perfectly circular economy cannot exist due to the limited availability of materials for circulation, growing or changing material demand, and inherent process losses. Circular use of materials requires energy and causes environmental impacts. A more efficient use of materials can also create a rebound when cost savings on raw material inputs lead to lower prices and increased consumption.

A very challenging issue with resource efficiency and the circular economy concerns the trade-off between economic and environmental impacts. Not every strategy that looks good in terms of economics is also good for the environment. Ideally, public policy promotes resource efficiency developments that are good for growth, good for jobs, and reduce not only material consumption but also improve or protect environmental quality. But often a trade-off between environmental and economic benefits is inevitable.

Material flow cost accounting.

The contemporary business environment is witnessing rapid changes in all economic, social, environmental, and technological fields, which has led to increasing depletion of natural resources, increased environmental degradation, pollution (air, soil, and water), and large consumption of energy during the production processes of economic units, which prompted environmental organizations and government agencies to work on the need to raise awareness. The environment of individuals and society, as it has become necessary for economic units to improve their methods, methods, and production techniques to reduce the depletion of natural resources and energy consumption, reduce the amount of waste generated, sustain products, and reduce the environmental risks and impacts of their production activities. It has become necessary to manufacture sustainable products characterized by their low cost as well as their high quality, and for the economic units to be able to achieve this, contemporary technologies should be used, foremost of which is the Material Flow Cost Accounting technology, as it is one of the contemporary technologies capable of facing the challenges of competition and responding to aspirations.

Material Flow Cost Accounting (MFCA) is an environmental management accounting method that allocates costs to material and energy flows through a process, thereby enabling a simultaneous reduction in environmental impacts alongside an improvement in business and economic efficiency. Material Flow Cost Accounting (MFCA) is an extension of Material Flow Accounting (MFA) which traces material and energy flows through a process, improving the transparency of material and energy use practices. By associating these material and energy flows with costs, MFCA can identify the costs of material losses at each process step, which in turn assists in reducing environmental impacts and improving overall business efficiency.

MFCA promotes increased transparency of material use practices through the development of a material flow model that traces and quantifies the flows and stocks of materials within an organization in physical and monetary units. This data can be used to seek opportunities to reduce material use and/or material losses, improve efficient uses of material and energy, and reduce adverse environmental impacts and associated costs. The objective of Material Flow Cost Accounting (MFCA) is to identify the potential for monetary savings by avoiding unnecessary wastes, residual substances, and emissions. In general all non-productive energy and material flows. MFCA has been developed to assess material flows within institutions, making ecologically efficient decisions and enhancing resource efficiency to improve the economic and environmental performance of organizations. Therefore, MFCA serves as a tool for ecological cost accounting, conducting cost calculations from an engineering perspective.

Objectives of MFCA

The objectives of MFCA are to motivate and support the efforts of organizations to enhance both environmental and financial performance through improved material and energy use using:

- Improving the transparency of material flows and energy consumptions as well as related costs and environmental aspects;
- support of decisions within organizations in fields of process technology, production planning, quality management, and supply chain management;
- Improving the coordination and communication regarding material as well as energy consumption within the organization.

MFCA establishes a link between accounting and management as a control mechanism, facilitating the identification of inefficient points. By accurately calculating the cost of waste in monetary terms, MFCA enhances the transparency of environmental costs, providing managers with opportunities to explore different options to reduce costs. Consequently, managers make more accurate investment decisions and can evaluate the benefits brought by cleaner production technologies. The objective of MFCA is to motivate and support the efforts of organizations to enhance both environmental and financial performance through improved material and energy use: improving the transparency of material flows and energy consumptions as well as related costs and environmental aspects; support of decisions within organizations in fields of process technology, production planning, quality management, and supply chain management; and improving the coordination and communication regarding material as well as energy consumptions within the organization.

MFCA facilitates waste reduction

MFCA is one of the major tools for environmental management accounting and promotes increased transparency of material use practices through the development of a material flow model that traces and quantifies the flows and stocks of materials within an organization in physical and monetary units. It is a method of environmental management accounting that simultaneously achieves "reduced environmental impacts" and "improved business efficiency." MFCA applies to all industries that use materials and energy, of any type and scale, with or without environmental management systems in place. It can be seen as one alternative for organizations to consider environmental matters, including material scarcity, climate change, and increasingly stringent environmental regulations for any business decision and achieve sustainable development.

Organizations are required to consider the environmental impact of their operations in every phase of said operations. Recycling, reusing, and reducing have been actively promoted in recent years and recycling has especially gained support among organizations trying to reduce the consumption of raw materials and their environmental impact. Although waste recycling is an effective measure for resource use, it is not always cost-effective as substantial inputs of energy and other expenses are often required. From an MFCA perspective, it is essential to reduce waste generation itself to increase resource use and cost efficiency. MFCA identifies quantities of each material and its costs (including material, processing, and waste treatment costs). This enables us to look at each of the sources of waste generation separately and identify improvement opportunities that could lead to the reduction of waste generation itself.

Reduction of waste generation leads to enhanced environmental performance in manufacturing processes by highlighting the importance of reducing inputs of raw materials. Hence, MFCA becomes a tool that allows organizations to establish a link between the need to reduce resource procurement to increase process efficiency of the operations and the need to reduce environmental impact at the same time. Therefore, MFCA serves not only as a tool for environmental purposes but also as a general management tool that helps organizations find ways to reduce their environmental impact while increasing profitability through cost reductions.

Key Elements of Material Flow Cost Accounting

Material flow cost accounting (MFCA) is a tool for quantifying the flows and stocks of materials in processes in production lines in both physical and monetary units. MFCA is a powerful method for identifying and quantifying ALL wastage and inefficiency in a production process. MFCA can be applied on its own or, more powerfully, in combination with Environmental Management Accounting, and Resource Efficiency and Cleaner Production. MFCA can also be linked to carbon and water footprinting. It also provides information for sustainability and integrated reporting. The following are the key elements of Material Flow Cost Accounting:

1. **Cost Accounting:** The Material Flow Cost Accounting System (MFCA) tracks and quantifies material flows and stocks within an economic unit in physical units, such as mass and volume. It then assigns associated costs, which are broken down into four categories: materials, system, energy, and waste management costs. Moreover, each expense is calculated as follows:
 - a. The cost of materials is stated quantitatively (using output measurements and outputs for MFCA analysis as units of measurement). Additionally, the purchase price serves as the material cost.
 - b. Energy sources include gasoline, electricity, compressed air, steam, and heat. This is represented by the term (energy cost).
 - c. System cost: the price paid for the internal material flow processes, excluding the price of materials, energy, and waste disposal.
 - d. The cost of waste management: represents the cost of processing material losses.
2. **Flow:** The following equation is used by MFCA to track all input materials that flow during manufacturing operations and to quantify products and material loss (waste) in physical units: $\text{Inputs} = \text{products} + \text{material loss (waste)}$
3. **Materials:** Materials are any raw or auxiliary materials utilized in the manufacturing process; materials that are not used in the finished product constitute a material loss. During the production process, waste and resource loss occur, including:

- a. Resources lost during production, faulty goods, and contaminants.
- b. Loss of residual materials in the manufacturing equipment after the preparation processes.
- c. Auxiliary substances such as solvents and detergents for washing equipment and water.

Core principles of MFCA methodology

MFCA can be used to increase the transparency of material flows and energy use, along with the associated costs and environmental impacts, and to support organizational decisions through information obtained through MFCA. This can be achieved by following the four core principles of MFCA methodology.

1. **Understand material flow and energy use:** The flow of all materials and energy use for each quantity center should be traced to understand how materials are used and transformed throughout the whole process.
2. **Link physical and monetary data Through MFCA:** the environmental-related decision-making process can be linked to financial information via the material flow model, which provides a better understanding of the real costs of material and energy use and results in an improved decision-making process.
3. **Ensure accuracy, completeness, and comparability of physical data:** MFCA requires that all data be verified and that all inputs and outputs be identified and quantified. It is recommended that all data be converted to a common unit. Using accurate and complete data is critical to identify the cause and source of any gap between inputs and outputs.
4. **Estimate and assign costs to material losses:** Real costs should be assigned to all material losses and products. When exact information is not available, the cost allocation should be as accurate and practical as possible. In MFCA, the information on costs attributed to material losses represents one of the main incentives for process improvement.

Make better, sustainable decisions.

For individuals and organizations with an interest in sustainability and environmental management, the rewards of cutting material loss and waste seem intuitive. The power of the MFCA tool is that it can assist this group in making better resource management decisions, but also engage those who are less attuned to the benefits of sustainable practice. By coupling physical and monetary losses, MFCA software can show the latter how optimizing resource efficiency is also effective in cutting operational costs. In other words, building a more sustainable practice model simply makes good business sense. Reducing resource consumption provides obvious environmental benefits, but the crucial aspect of MFCA is that it quantifies the effect of these material losses in monetary units. This provides the necessary incentive for an organization to take action because ultimately it affects its bottom line. In a lot of cases, standard accounting and management systems fail to include or underestimate the level of associated costs for material losses. In MFCA, once the flow model of material usage has been developed, costs can be assigned to the losses that occur throughout the full value chain—this allows organizations to more effectively understand and target the areas in which they can make the greatest savings.

While MFCA and traditional cost accounting often draw information from the same sources, they produce different outcomes due to structural differences. In traditional cost accounting, waste, a normal outcome of production, is included in the product cost, whereas in MFCA, wastes are reported as a separate output. The aim here is to emphasize the environmental damage of waste quantitatively and the net loss to the company financially. Hence, costs calculated in MFCA differ from those in traditional cost accounting. MFCA extracts a realistic projection of internal processes within the company. Material and energy flows are transparently reported, enabling better observation of material and energy usage. MFCA establishes a link between accounting and management as a control mechanism, facilitating the identification of inefficient points. By accurately calculating the cost of waste in monetary terms, MFCA enhances the transparency of environmental costs, providing managers with opportunities to explore different options to reduce costs. Consequently, managers make more accurate investment decisions and can evaluate the benefits brought by cleaner production technologies.

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WIRC WELCOMES NEW ASSOCIATE MEMBERS - NOVEMBER2024

Sr.No.	Member No.	Name	City
1	56381	Ujjwal Rajendrakumar Sheth	Ahmedabad
2	56321	Bharat Nandkumar Zanvar	Ahmednagar
3	56353	Vaishnavi Gopikishan Chandak	Aurangabad
4	56343	Shikha Singh	Bhilai
5	56395	Rajiv Jajoo	Bhilai
6	56409	E R Rikhita	Bhilai
7	56359	Ashish Rajput	Bhopal
8	56284	Dhruvin Prabhulalbai Thacker	Bhuj
9	56373	Oraj Prakash Samant	Dombivli
10	56355	Rupali Ramesh Gaikwad	Mumbai
11	56370	Rahil Sampat Sharma	Mumbai
12	56323	Suman Parihar	Nagpur
13	56400	Prosanjeet Ghosh	Nagpur
14	56405	Rashmi Agrawal	Navi Mumbai
15	56375	Neha Manoj Kalrao	Pimpri Chinchwad
16	56301	Prathamesh Ravindra	Pune
17	56367	Atul Joshi	Pune
18	56391	Akshay Gangadhar Solanke	Pune
19	56304	Vipul Manojkumar Mundhra	Surat
20	56346	Akshita Viralkumar Bandhara	Vadodara

CHAPTER NEWS

AHMEDABAD

Valedictory Session of CAT Batch – 08/11/2024

Chapter has organized Valedictory session of CAT Batch on 8th November 2024. CMA Mitesh Prajapati, briefed about the CAT course and felicitate Col. Mansoor Ahmed with memento. Chief Guest Col. Mansoor Ahmed also shared his views and important of course. Large numbers of participants were present in the session. CMA Mitesh Prajapati, Secretary proposed vote of thanks.

Diwali Get-together

Chapter has organized Diwali Get-together program at Shakamba Party Plot, Memnagar on 16th November 2024. CMA Uttam Bhandari, Chairman welcomed members, faculties, students and office staff on this occasion. The event includes the Garba function. Large number of members and students participated in program. The program was followed by dinner.

Test Series for Foundation Students

CMA Mitesh Prajapati, Chairman of the Oral Coaching Committee, has organized a comprehensive Test Series for CMA Foundation students. This initiative aims to provide students with a platform to assess their knowledge, identify areas for improvement, and refine their exam-taking skills.

The test series witnessed an overwhelming response, with a large number of students participating enthusiastically. This endeavour demonstrates the committee's commitment to supporting students in their academic journey and preparing them for success in their upcoming exams.

BARODA

CMA Get Together

Chapter arranged "CMA GET TOGETHER-2024" at Fairfield by Marriott, Vadodara on 9th November 2024. Near About 120 Members with their Family actively participate in this function.

E-filling Training for CMA Intermediate Students

For the students who are appearing December, 2024 intermediate exam, Baroda chapter organized The E-filling training from 07/11/2024 onwards on online mode. The students are getting the skillful knowledge from the very qualified faculty.

Meeting with Shri Gyanvatsal Swami for Inviting in SRCC-2025.

The committee members the Chapter alongwith CMA Mihir Vyas, Vice-Chairman of WIRC met Shri Gyanvatsal Swami from BAPS Swaminarayan Temple Atladara Vadodara for inviting him for SRCC-2025 event to be held on 24th January, 2025 and provide motivation to our students.

Scholarship Announcement for CMA Final Course Students

We are delighted to announce that our ICMAI Baroda Chapter Committee has introduced scholarships for two deserving students pursuing admission to the CMA Final Course.

These scholarships aim to recognize outstanding academic achievements & Provide financial assistance to students in need

Generous Contributors

We extend our heartfelt gratitude to our members:

- CMA Krishnavadan Shah
- CMA Priyank Zala
- Shri Nirmalaben Trambaklal Desai Trust

Their generous contributions have made this initiative possible, empowering us to make a meaningful difference in the lives of our students.

This scholarship program reinforces our Chapter's ongoing commitment to Fostering academic excellence, supporting community development. We believe that education is a powerful catalyst for growth, and we're dedicated to helping our students achieve their goals.

Once again, we thank our generous contributors for their support and look forward to empowering our students through this scholarship program.

CPE on “Chanakya Business Strategies”

Chapter organised CPE on “Chanakya Business Strategies” on 23rd November 2024. Dr. Manoj Shukla was the speaker. 31 Members attended the session.

Activity of Placement & Training

Chapter, organised Various Activities regarding Placement & Training, Large number of Members & Students take benefit of this placement.

INDORE-DEWAS

CAT COURSE

The second batch of CAT course was started on 12th November 2024 at Indore. Lt. Col. Priyank Srivastava, Joint Director DRZ (Central), Directorate General of Resettlement (DGR), was the Chief Guest for the program. It was attended by all candidates of CAT Course and Managing Committee members of Indore–Dewas Chapter. The Chief Guest praised the initiative taken by ICAI and said the course for the soldiers will show then a new path in the accounting field. This step will not only give a new dimension to their career but will also lead them towards economic self–reliance.

The welcome address was given by Chapter Chairman CMA Neeraj Maheshwari and vote of thanks was given by Hon. Secretary CMA Pankaj Kumar Raizada.

The duration of this course is from November 24 to April 25. There are 45 candidates in this batch – 20 from Army, 13 from Navy and 12 from Air Force. There were 30 participants in the first batch which was conducted at Indore last year.

NAGPUR

Workshop on "Cost Control through Strategic HR Management"

Chapter had organized a workshop at Chapter premises on Cost Control through Strategic HR Management

Chairman CMA P S Patil welcomed the guest speaker Dr Shantanu Jog, Advocate Company Secretary and HR consultant. The programme commenced with the tradition of lighting of lamp and floral welcome of the guest speaker

Dr Shantanu Jog, Advocate Company Secretary and HR consultant presentation on the topic of "Cost Control through Strategic HR Management"

CMA G R Paliwal, CMA K M Rao, CMA Pushparaj Kulkarni, CMA Kiran Badve, CMA Dayashankar Sharma, CMA Anil B Verma, CMA Pravin Nemad, CMA Pankaj Bhusari and other members of the chapter were present on the occasion.

CMA Renu Kulkarni conducted the proceedings and CMA Manish Pandey, Secretary proposed formal vote of thanks.

Workshop of NCCA on "Inventory Audit – Tool for Management"

Chapter had organized a workshop at its Chapter premises on "Inventory Audit – Tool for Management"

Chairman CMA P S Patil welcomed the guest speaker CMA Jyotsna Rajpal The programme commenced with the tradition of lighting of lamp and floral welcome of the guest speaker

Prominently present in the workshop, CMA G R Paliwal, CMA K M Rao, CMA Pushparaj Kulkarni, CMA Kiran Badve, CMA Dayashankar Sharma, CMA S N Mahankaliwar, CMA A R Sahasrabuddhe and others members of the chapter.

CMA Renu Kulkarni conducted the proceedings and CMA S Rajat Naidu Vice Chairman proposed formal vote of thanks.

NAVI MUMBAI

Webinar on “Path to Financial Independence

Chapter conducted a webinar on “Path to Financial Independence” on 24th November 2024. Mr. Jitendra Ahuja was the speaker. CMA Remesh Babu Vice Chairman of the Chapter welcomed the speaker. CMA Vaidyanathan Iyer, Past Chairman of the Chapter welcomed the participants.

The speaker deliberated on the various methodologies of achieving financial independence through systematic investments namely by building an Emergency Fund, Term and Mediclaim Insurance, repayment of high cost Debt, identifying one’s Goals, starting Investment to achieve goals. He delved deep into the various strategies of investing to achieve financial independence over a stipulated time horizon. The audience numbering 26 were listening with rapt attention and were deeply enlightened with the facts. CMA B.N Sapkal, Chairman of the Chapter thanked the speaker and participants for such a detailed and interactive program and proposed the vote of thanks.

16th Foundation day of the Chapter

Chapter turned 16 on 15th October 2024 and celebrated its 16th Foundation day on 19th October 2024 at Konkan Railway Corporation Executive Club, The programme commenced with the Chairman of the Chapter CMA B.N Sapkal welcoming the dignitaries ranging from Founder member CMA K.R. Jethani, Past CCM CMA Debasish Mitra, Past Chairman CMA Vaidyanathan Iyer, CMA Remesh Babu, Vice Chairman, CMA Manoj Panda, Treasurer, P.D Committee Chairman & Secretary CMA Arup Bagui, CMA Vinod Jadhvani MCM and CMA Anil Jha MCM.

Past Chairman CMA Vaidyanathan Iyer welcomed all the participants namely Faculties, Students and Members.

Founder Chairman CMA K.R. Jethani briefed the students and other members present, on the Oral Coaching classes being conducted by the Chapter for the benefit of the students residing in Navi Mumbai region. He further explained the struggles in setting up the Chapter and emphasised on the importance of attending the sessions and not to miss any classes so that the students can cope up well in the successful completion of the CMA course. Past CCM, CMA Debasish Mitra briefed the students on the Campus placements conducted by HQ with a very good salary package for Fresh CMAs and motivated the students to develop a positive attitude and achieve success in the CMA exams.

Past Chairman CMA Vaidyanathan Iyer then gave a pep talk to the students on the roles of future CMA’s and explained Operational excellence right from the grassroots level to the global level covering value addition and cost reduction techniques. CMA Arup Bagui, PD Committee Chairman & Secretary, Vice Chairman CMA Remesh Babu and Treasurer CMA Manoj Panda motivated the students and guided them in achieving their goals and also mentioned that CMA course is one of the best professional courses and the role of CMA is growing rapidly in this fast paced world. Faculties CMA Anil Joshi and CMA Anil Mishra motivated the students to attend the sessions and make it interactive via a two-way communication process by asking questions and clearing their doubts.

CMA B.N Sapkal Chairman of the Chapter in his address urged the students to study well and complete the CMA Course to reap maximum benefits.

CMA Remesh Babu Vice Chairman proposed the vote of thanks.

NYCO Banner Display

In accordance with HQ guidelines and in reference to the promotion of the NYCO 2024 to garner maximum participation from students from Navi Mumbai Region, Chapter printed and displayed the flex at various prestigious institutions in Navi Mumbai Region.

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CMA professionals empower businesses by providing clarity, strategic insights, and financial expertise. Their ability to streamline processes, enhance decision-making, and ensure financial excellence enables organizations to thrive and achieve long-term success.



SURAT SOUTH GUJARAT

Rangoli Competition

Chapter organized Rangoli Competition at the Chapter's campus on 26th October 2024. Students from Intermediate participated in the competition. CMA Nanty Shah- Hon. Secretary-WIRC-ICMAI, CMA Kishor Vaghela- Vice-Chairman, CMA Deepali Lakdawala- Secretary, CMA Vipinkumar Patel-Treasurer, CMA Mahesh Bhalala & CMA Ashvin Ambaliya-Managing Committee Member felicitated the participants and also appreciated their work. The Chapter office was aptly decorated for the festival with the lightings and traditional Rangoli.

CPE & Diwali Celebration

Chapter organized CPE & Diwali Celebration at Chapter office, on 27th October 2024 on the theme "Recent Amendments in GST". The CPE featured Shri Sanjay Saraswat as the keynote speaker. CMA Nanty Shah- Hon. Secretary-WIRC-ICMAI, CMA Kishor Vaghela- Vice-Chairman, CMA Deepali Lakdawala- Secretary, CMA Vipinkumar Patel-Treasurer, CMA Mahesh Bhalala M C Member & CMA Ashvin Ambaliya-MC Member felicitated Shri Sanjay Saraswat (Speaker). Around 45 participants were in attendance, benefiting greatly from the insightful session.

WIRC Activities

During the month Professional Development Committee of Western India Regional Council of ICMAI organised following programmes.

Date	Faculty	Topic	Venue
21st November 2024	CMA Delzad Jivaasha Deputy Vice President – ICICI Lombard General Insurance Company Limited	Forward Looking and Emerging Critical Strategies in Enterprise Risk Management Intelligence, Corporate Governance & ESG	WIRC Office
29th November 2024	CMA Prashant Murkar, Head of Finance - Custom Capsules Private Limited	Balanced Score Card (BSC) System and Controlling Techniques	WIRC Office
30th November 2024	CMA Ritu Dash Choudhury	Overview of Transfer Pricing Regulation in India (jointly organised with Task Force for Women Empowerment)	Webinar
3 rd December 2024	CMA Chaitanya Mohrir	SAP S/4 Hana Cost Center Budgeting Functionality	WIRC Office
6 th December 2024	Shri M.V. Dhekane, Retired Scientist, ISRO	Cost- Effective Wonders of ISRO: A Journey of Innovation and Efficiency	Webinar

Crash Course for December 2024 Examination

The Students Coordination Committee of WIRC has organised Crash Courses for Foundation, Intermediate, and Final Students. Eminent faculties CMA Vikita Subudhi, Prof Rohit Gupta, Prof S H Astrawalkar, Prof. Dhara Shah, CMA Swati Pendse, CMA Ravi Rajput, CMA Dhaval Shah, CMA Vikita Subudhi, CMA Nishesh Vilekar, CMA Sushma Singh, CMA Bhagwant Bhargave, CMA Murali Raman, CMA Rashmi Mudgal, and CMA Arijit Bandyopadhyay guided the students for the upcoming December 2024 examinations.

"Evening Talk – How to Crack Examinations with Flying Colours"

The Students Coordination Committee in collaboration with the Taskforce for Empowering Young CMAs of WIRC, has organised webinar on "Evening Talk: How to Crack Examinations with Flying Colours." In the session recently qualified CMAs shared their strategies, practical tips, and personal journeys, providing invaluable guidance to students.

In the interactive panel discussion, students resolve their queries and gain clarity on tackling exams effectively. Panellist were Om Potalwad, Pratham Mehta, Drashti Parekh, Harish Jangir, and Abhishek Jangid. CMA Suraj Lahoti and CMA Santosh Brahmankar, Members, Task Force for Empowering Young CMAs were moderator of the session.



CMA Saswata Banerjee felicitating CMA Chaitanya Mohrir, Speaker during CPE on SAP S/4 Hana Cost Center Budgeting Functionality organised by WIRC on 3rd December 2024. Also seen CMA Nanty Shah, Hon. Secretary, WIRC



CMA Delzad Jivaasha, speaker interacting with participants during CPE on Enterprise Risk Management, Corporate Governance & ESG organised by WIRC on 21st November 2024.



CMA Umesh Kakule felicitating CMA Prashant Murkar, speaker during CPE on Balanced Score Card (BSC) System and Controlling Techniques organised by WIRC on 29th November 2024



The Chief Guest Col. Mansoor Ahmed felicitated with memento by CMA Mitesh Prajapati during Valedictory Session of CAT Batch held at Ahmedabad Chapter on 8th November 2024



CAT Course participants and Managing Committee members of Indore-Dewas Chapter during inauguration session of CAT course started on 12th November 2024 at Indore.



CMA Manisha Agrawal, CMA Manish Pandey, Secretary, CMA P S Patil, Speaker Dr Shantanu Jog, CMA Nitin Alshi, CMA Shriram Mahankaliwar during Workshop on Cost Control through Strategic HR Management organised by Nagpur Chapter.



CMA Renu Kulkarni, CMA Jyotsna Rajpal (Speaker) CMA Shriram Mahankaliwar, CMA P S Patil, CMA Nitin Alshi and CMA S Rajat Naidu during Workshop on "Inventory Audit - Tool for Management" organised by Nagpur Chapter.



Dignitaries alongwith students during 16th Foundation Day Celebration of Navi Mumbai Chapter held on 19th October 2024.



Felicitation of Shri Sanjay Saraswat, speaker during CPE organised by Surat South Gujarat Chapter on 27th October 2024. Also seen CMA Nanty Shah- Hon. Secretary-WIRC and Office Bearers of Chapter.



CMA Arindam Goswami, Chairman WIRC, CMA Nanty Shah, Hon. Secretary WIRC and CMA Chaitanya Mohrir, Treasurer WIRC met CMA Sanjeev Singhal, Director Finance, Mazagon Dock Shipbuilders Limited



CMA Arindam Goswami, Chairman WIRC and CMA Chaitanya Mohrir, Treasurer WIRC met Shri Nandan Kumar Chaurasia, Sr. Manager - F & A, MSTC Ltd.

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Criteria	Graduate + CMA Qualified (experienced / fresher)
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Period of contract	24 months
Job Role	Product Costing, maintenance of cost records and support in implementing SAP
Job Description	<ul style="list-style-type: none">Product/process costingInventory valuationMaterial consumption variance analysisOverhead calculationVariance analysisPreparation of Cost Audit Annexures
Functional competencies	<ul style="list-style-type: none">Fresher / 1-2 years of relevant experience of costing processes in a manufacturing company.Proficiency in MS Office (Specially Excel) is a must for this role.Knowledge of ERP system(s)-Oracle / SAP will be added expectation.
Language Skills	Good verbal & written communication
CTC	Negotiable as per experience and industry norms

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