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❑ to develop the Cost and Management Accountancy profession ❑ to develop the body of members and properly equip them for functions ❑ to ensure sound professional ethics ❑ to keep abreast of new developments.

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"ICWAI 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."

VISION STATEMENT

"ICWAI would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

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The views expressed by the authors are personal and do not necessarily represent the views and should not be attributed to ICWAI.

It is very heartening to note that former President of India, His Excellency Dr A.P.J Abdul Kalam has been conferred the "HOOVER MEDAL" for his contributions to Engineering and Science. He thus becomes the first Asian to be honored with the prestigious award. The award was presented to him on April 28, 2009 at USA. Readers will recall his inspiring speech on "Promote growth with integrity and profit with integrity" delivered at the Institute's National Convention held at Pune in January 2009. On this proud occasion ICWAI salutes a lion of a man, who is a role model for thousands of Indians and offers him heartiest congratulations.

It is IT

Most consider that the greatest invention in mankind has been the invention of the wheel. The wheel set in motion the unending cycle of discoveries and innovations, it laid the foundation for the never ending path towards more progress. The innovation that next comes closest to the invention of the wheel in terms of its impact on mankind is that of the computer. Speed, accuracy, consistency, the inexhaustible ability to process and store large amounts of data of different types; these are some of the characteristics of the computer that have reshaped mankind.

To know when the computer was invented depends upon how we define a computer. In its earliest avatar, computers were mechanical devices that were used as counting sticks and used as early as 35000 BC! They re- emerged upon discovery by Charles Babbage in 1822 as 'difference engines', capable of performing complex mathematical sums. The first real functioning binary computer was invented by a German, Karl Zuse during World War II and was used to explore several ground-breaking technologies in calculator development: floating-point arithmetic, high-capacity memory and modules or relays.

Since then advancement in this field has been very rapid. While initially the application of computer was limited to military and technical functions, today the use of computers is all pervading, an integral part of our lives. The world today is at the tip of one's fingers at the click of a mouse. Education, health, finance, medicine, sports & entertainment, day-to- day administration, commerce, communication, science; there is no area that is untouched by the magic of the computer. Computer skills today are even replacing social and human needs like social and professional networking, rediscovering friends after a long time, etc. One landmark development of computer technology has been the internet. A storehouse of knowledge and a communication platform, the internet has lent credence to the adage" (with the power of the internet) the world has become my oyster".

However as with all things nice, there are a few ill effects. Computer security is a very relevant issue as hacking, virus, bugs can threaten to destroy/ modify/ distort information and thus is a major source of systems risk. Today such is the over dependence on the computer, life comes to a standstill in the event of any disruption to this service. People are losing their basic computing and language skills owing to this over reliance and natural cognitive abilities are being lost to the mechanized superiority of the computer. Increasing dependence on the virtual world of internet pulls away people from the real world, chat sessions replace conversations with family and friends, human emotions get replaced by emoticons ('emotional icons' used to portray feelings through the medium of computer) as people spend more time with the computer machine than with fellow human beings. Orthopedic and visual problems are on the rise due to spending long hours before the computer screen. Increasing usage of computers also has moral issues owing to the easy availability of all types of information. Also because of the speed and the vastness of the networked structure, it is difficult to contain any damage by way of malicious information, rumours, frauds, money laundering, terrorism etc.

The June issue of the Management Accountant highlights a few innovative applications of the computer. They are an eye opener to the immense possibilities of this wonderful device for the betterment of society, economy, trade and commerce. What perhaps needs to be remembered is that it is time we move away from the thinking that the computer is the master of the universe and that we are slaves to it. It should best be treated as a strength that should be harnessed for making our lives better, faster, efficient and more peaceful. If we fail to recognise it any faster, we will soon be facing a Frankenstein that we may have given birth to but will soon be regretting having created.

• President's Communique •

My dear Professional Colleagues,

With the election of the new government, stability and growth are assured for the next five years. On behalf of the Institute I extend our heartiest congratulation to Dr. Manmohan Singh, Hon'ble Prime Minister for constituting a vibrant and energetic team of Ministers to lead the country on its growth path. I also extend our heartiest congratulation to Shri Salman Khursheed, Hon'ble Minister for Corporate Affairs & Minority Affairs and we look forward to the guidance of the Hon'ble Minister for Corporate Affairs to further accelerate the growth of the profession of cost and management accountancy and enable it to continue to play its proactive role in the development of the country.

The slowdown of the economic reforms due to various factors will now be pursued with more rigors that put India on a different pedestal. Finance Minister's statement that the next round of stimulus package would be through reforms and investment into infrastructure is a welcome step which will boost the economy. Fiscal reforms, financial innovation, convergence with international best practices, world-class infrastructural support through investment into roads and energy, agriculture and rural development, cutting edge R&D; these are areas that require immediate attention. Education and Health sector need immediate attention to sustain the growth and balance the socio- economic causes. To sustain and improve the growth rate, there are many challenges. Effective resource management is the key to accelerated economic growth. The return on investment has to be higher than the resources invested and this can happen through improved productivity and using good managerial practices, which is the domain of Management accountants. Apart from government action and initiative, we at ICWAI also have to play our role in carrying the reform process further and extend our helping hand through our professional expertise to the cause of building an economically stronger country.

As you may be aware, the enactment of the Cost and Works Accountants Act 1959 completed 50 years on May 19, 2009. To commemorate this event a function was organized at Kolkata on that day. I place on record the great efforts, sacrifices and contributions, made by successive Councils, for upholding the prestige of this great Institution, and also simultaneously striving hard for its growth, which has resulted in ICWAI being considered a force to reckon with today in imparting knowledge on Cost & Management Accountancy in India and abroad. This would not have been possible, but for the efforts of the leaders in the past, who had a clear vision and executed the same, with zeal and mission, to reach the pinnacle of glory, which it has attained by completing 50 years after the Act was born on 19th May 1959. The contributions of the past leaders have been immense which has to be acknowledged by one and all. No history will be complete without acknowledging the contributions of all those who strived hard to make it a success, especially all the senior members and past presidents who are no more with us.

The Board Meeting and other committee meetings of SAFA were held at Dhaka on May 8, 2009. SAFA has been taking a number of initiatives for the development of the profession in the SAARC region and a number of action plans were drawn up to this effect. The Institute of Cost and Management Accountants of Bangladesh organized an International Seminar on May 10, 2009 on Cost Audit and I had the privilege of addressing the conference on "Cost Audit in India – Past and Future".

The Northern India Regional Council of ICWAI organized a Workshop at New Delhi on May 12, 2009 to discuss the recommendations of the Expert Group. The meeting was attended by a large number of CFOs and Heads of Finance of different public and private sector organizations as well as the members of the Expert Group.

• President's Communique •

As informed through these pages earlier, ICWAI has been actively coordinating with different Regulators and the Banking Sector. I had the privilege of meeting Shri C. R. Bhave, Chairman and Dr. K. M. Abraham, Whole Time Member, Securities and Exchange Board of India along with Shri A. S. Durga Prasad, Vice President and Shri A. N. Raman. The meeting was very fruitful where we could share views and proposals of the Institute in the area of enterprise governance and the role of our profession.

The Southern India Regional Council organized a Practice Enrichment seminar at Kochi on May 23-24, 2009. My congratulations to the SIRC team for taking the initiative of an introspective session of interactive discussion amongst the practitioners. The seminar has kick started the process of wider consultation amongst the practitioners in the Region. I am sure other Regions will also organize such seminars and discussion sessions.

I had a very fruitful meeting with Mr. Andrew Harding, Director, CIMA in Mumbai. We have also initiated discussion to formalize a system of recognizing the CPE Hours on reciprocal basis granted by ICWAI and CIMA for giving credit to the members of the respective bodies.

As you are aware, the Limited Liability Partnership Act has been a major initiative of the Ministry of Corporate Affairs and the Act has opened new ways of doing business. Ms. Renuka Kumar, IAS, Joint Secretary, Ministry of Corporate Affairs (MCA) had a meeting with the office bearers of ICWAI, ICAI and ICSI along with Mr. Sajjan Singh Yadav, IAS, Deputy Secretary, MCA and Mr. Jaikant Singh, Director, MCA on May 26, 2009 at New Delhi. There is need of wide dissemination of information regarding the LLP Act and the e-portal developed for LLP registration. It has been decided that all the three professional Institutes would organize programs at its various Regional Councils and Chapters in collaboration with MCA and NIC. National level Master Trainers Workshops would also be organized in major cities where the faculty of NIC would train a small group of our people who would in turn train the participants at different programs. I have already requested the Regions and Chapters to take necessary steps in this regard and I am sure our members will be benefited by attending the programmes.

I have been requesting our members to critically examine the Expert Group Report and send us their observations and suggestions. The response of the Council of the Institute must be sent to the Ministry by June 24, 2009. I request all members, who are desirous of sending their comments and observations, to send their views to the Technical Directorate of the Institute at New Delhi by June 15, 2009 to enable us to send a consolidated view to the Ministry.

The current issue of the journal highlights new applications of Information Technology. I am sure readers will benefit from the articles.

With warm regards

Yours sincerely,

Kunal Banerjee
President

e-Banking : A Tool for Prosperity

Dr. A. Subbiah*

M. Selvakumar**

Introduction

India has always placed a high value on knowledge. Our ancient philosophic traditions hold that or knowledge is one of the three main paths to salvation. We have also believed that knowledge should not be the preserve of a few, but should be shared with all who can benefit. Converting knowledge into income and wealth through technology and commercialization of knowledge are relatively new to us. However, we have begun the process of adjusting to this new reality.

The information technology has revolutionized various aspects of our life. The world at large is rapidly entering into the 'Net Age'. Internet is an inter connection of computer communication networks covering the whole world. The growth and expansion of Internet and information technology have facilitated the emergence of E-commerce.

When the business and commerce tend to be on the electronic modes, banking can never remain isolated. When E-commerce refers to carrying on business transactions electronically, it covers any form of business including banking. Hence, E-banking implies performing basic banking transactions by customers round the clock globally through Electronic Media. Modern banks have to be well versed in information technology - its users and application.

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Today's banking is virtual Banking. Virtual banking denotes the provision of banking and other related services through the extensive use of IT, without direct resource to the bank by customers. The principal types of virtual banking service include Automated Teller Machines (ATMs), shared ATM networks, Electronic Funds Transfer at point of sale, smart cards, stored value cards, phone banking, home banking, internet and intranet banking.

In this background, it is important to analyze some aspects of E-Banking i.e. banking on the Internet. This paper primarily discusses about e - banking from the perspective of the services or products provided to customers.

E-Banking - Definition

E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone. While the risks and controls are similar for the various e-banking access channels, this paper focuses specifically on Internet-based services due to the Internet's widely accessible public network.

Banking transactions can range from something as basic as a retail account balance inquiry to a large business-to-business funds transfer. E-banking services, like those delivered through other delivery channels, are typically classified based on the type of customer they support. The following table lists some of the common retail and wholesale e-banking services offered by financial institutions.

E-Banking Support Services

In addition to traditional banking products and services, financial institutions can provide a variety of services that have been designed or adapted to support e-commerce. Management should understand these services and the risks they pose to the institution. This section discusses some of the most common support services: web linking, account aggregation, electronic authentication, website

Common E-Banking Services

Retail Services	Wholesale Services
Account management	Account management
Bill payment and presentment	Cash management
New account opening	Small business loan applications,
Consumer wire transfers	approvals, or advances
Investment/Brokerage services	Commercial wire transfers
Loan application and approval	Business-to-business payments
Account aggregation	Employee benefits/pension administration

hosting, payments for e-commerce, and wireless banking activities.

Weblinking

A large number of financial institutions maintain sites on the World Wide Web. Some websites are strictly informational, while others also offer customers the ability to perform financial transactions, such as paying bills or transferring funds between accounts.

Virtually every website contains "weblinks." A weblink is a word, phrase, or image on a web page that contains coding that will transport the viewer to a different part of the website or a completely different website by just clicking the mouse. While weblinks are a convenient and accepted tool in website design, their use can present certain risks. Generally, the primary risk posed by weblinking is that viewers can become confused about whose website they are viewing and who is responsible for the information, products, and services available through that website. There are a variety of risk management techniques institutions should consider using to mitigate these risks. These risk management techniques are for those institutions that develop and maintain their own websites, as well as institutions that use third-party service providers for this function.

Account Aggregation

Account aggregation is a service that gathers information from many websites, presents that information to the customer in a consolidated format, and, in some cases, may allow the customer to initiate activity on the aggregated accounts. The information gathered or aggregated can range from publicly available information to personal account information (e.g., credit card, brokerage, and banking data). Aggregation services can improve customer convenience by avoiding multiple log-ins and providing access to tools that help customers analyze and manage their various account portfolios. Some aggregators use the customer-provided user IDs and passwords to sign in as the customer. Once the customer's account is accessed, the aggregator copies the personal account information from the website for representation on the aggregator's site (i.e., "screen scraping"). Other aggregators use direct data-feed arrangements with website operators or other firms to obtain the customer's information. Generally, direct data feeds are thought to provide greater legal protection to the aggregator than does screen scraping.

Electronic Authentication

Verifying the identities of customers and authorizing e-banking activities are integral parts of e-banking financial services. Since traditional paper-based and in-person identity authentication methods reduce the speed and efficiency of electronic transactions, financial institutions have adopted alternative authentication methods, including:

- Passwords and personal identification numbers (Pins),
- Digital certificates using a public key infrastructure (PKI),
- Microchip-based devices such as smart cards or other types of tokens,
- Database comparisons (e.g., fraud-screening applications), and
- Biometric identifiers.

The authentication methods listed above vary in the level of security and reliability they provide and in the cost and complexity of their underlying infrastructures. As such, the choice of which technique(s) to use should be commensurate with the risks in the products and services for which they control access

The Electronic Signatures in Global and National Commerce (E-Sign) Act establishes some uniform federal rules concerning the legal status of electronic signatures and records in commercial and consumer transactions so as to provide more legal certainty and promote the growth of electronic commerce. The development of secure digital signatures continues to evolve with some financial institutions either acting as the certification authority for digital signatures or providing repository services for digital certificates

Website Hosting

Some financial institutions host websites for both themselves as well as for other businesses. Financial institutions that host a business customer's website usually store, or arrange for the storage of, the electronic files that make up the website. These files are stored on one or more servers that may be located on the hosting financial institution's premises. Website hosting services require strong skills in networking, security, and programming. The technology and software change rapidly. Institutions developing websites should monitor the need to adopt new interoperability standards and protocols such as Extensible Mark-Up Language (XML) to facilitate data exchange among the diverse population of Internet users.

Payments For E-Commerce

Many businesses accept various forms of electronic payments for their products and services. Financial institutions play an important role in electronic payment systems by creating and distributing a variety of electronic payment instruments, accepting a similar variety of instruments, processing those payments, and participating in clearing and settlement systems. However, increasingly, financial institutions are competing with third parties to provide support services for e-commerce payment systems. Among the electronic payments mechanisms that financial institutions provide for e-commerce are automated clearing house (ACH) debits and credits through the Internet, electronic bill payment and presentment, electronic checks, e-mail money, and electronic credit card payments.

Most financial institutions permit intrabank transfers between a customer's accounts as part of their basic transactional e-banking services. However, third-party transfers - with their heightened risk for fraud - often require additional security safeguards in the form of additional authentication and payment confirmation

Bill Payment and Presentment

Bill payment services permit customers to electronically instruct their financial institution to transfer funds to a business's account at some future specified date. Customers can make payments on a one-time or recurring basis, with fees typically assessed as a "per item" or monthly charge. In response to the customer's electronic payment instructions, the financial institution (or its bill payment provider) generates an electronic transaction - usually an Automated Clearing House (ACH) credit - or mails a paper check to the business on the customer's behalf. To allow for the possibility of a paper-based transfer, financial institutions typically advise customers to make payments effective 3 to 7 days before the bill's due date.

Internet-based cash management is the commercial version of retail bill payment. Business customers use the system to initiate third-party payments or to transfer money between company accounts. Cash management services also include minimum balance maintenance, recurring transfers between accounts and on-line account reconciliation. Businesses typically require stronger controls, including the ability to administer security and transaction controls among several users within the business.

Financial institutions can offer bill payment as a stand-alone service or in combination with bill presentment. Bill presentment arrangements permit a business to submit a customer's bill in electronic form to the customer's financial institution. Customers can view their bills by clicking on links on their account's e-banking screen or menu. After viewing a bill, the customer can initiate bill payment instructions or elect to pay the bill through a different payment channel.

In addition, some businesses have begun offering electronic bill presentment directly from their own websites rather than through links on the e-banking screens of a financial institution. Under such arrangements, customers can log on to the business's website to view their periodic bills. Then, if so desired, they can electronically authorize the business to "take" the payment from their account. The payment then occurs as an ACH debit originated by the business's financial institution as compared to the ACH credit originated by the customer's financial institution in the bill payment scenario described above. Institutions should ensure proper approval of businesses allowed to use ACH payment technology to initiate payments from customer accounts.

Person-to-Person Payments

Electronic person-to-person payments, also known as e-mail money, permit consumers to send "money" to any person or business with an e-mail address. Under this scenario, a consumer electronically instructs the person-to-person payment service to transfer funds to another individual. The payment service then sends an e-mail notifying the individual that the funds are available and informs him or her of the methods available to access the funds including requesting a check, transferring the funds to an account at an insured financial institution, or retransmitting the funds to someone else. Person-to-person payments are typically funded by credit card charges or by an ACH transfer from the consumer's account at a financial institution. Since neither the payee nor the payer in the transaction has to have an account with the payment service, such services may be offered by an insured financial institution, but are frequently offered by other businesses as well.

Wireless E-Banking

Wireless banking is a delivery channel that can extend the reach and enhance the convenience of Internet banking products and services. Wireless banking occurs when customers access a financial institution's network(s) using cellular phones, pagers, and personal digital assistants (or similar devices) through telecommunication companies' wireless networks. Wireless banking services in the United States typically supplement a financial institution's e-banking products and services.

Conclusion

E- banking is becoming immensely popular globally and India is no exception to it. The declining Internet rates, falling PCs prices, broadband with access through cable and digital subscriber lines, accessing the NET through cable TV etc. would definitely encourage the boom in E-Banking in India. With the globalization of business and services, our country cannot lag behind in niche areas of Electronic banking. In the new global era of multicurrency, multi- legal and multiple regulatory systems, with the freedom of E-commerce, banks have to operate like multinational corporations to grow and survive by adopting E-banking. ❑

Computer Operation - Problems & Solutions

Dr. B. D. Agarwal*

Computer plays a vital role in our day to day activity & extensively used for data collection, classification, processing, presentation and decision making. Unfortunately we are unaware or careless as regards various control measures which should be adhered strictly otherwise we have to suffer a lot. Hence computer system problem should be reckoned with their solutions so that we can minimize the cost & maximize the profit for the users. Unfortunately those who suffered often are those who can least afford to suffer, for example low income earner.

Data Loss:- Data are critical resources, they give ability to adopt & survive in a changing environment. If they lost, the organization can incur substantial losses for example if organization lost its accounts payable file then it will be unable to pay its debts on time, as a result it could suffer a loss of credit rating. Such losses occur when existing control are lax.

Incorrect decision making: - Quality of decision depends on the quality of data available in computer base information system. If data are not updated & correct then decision based on that data gives loss to every person using that data for example organization, government, Investor, etc. Quantum of loss depends up on the type of decision for example calculation of depreciation on low value assets incurred minor loss, interest paid by bank to customer incurred huge losses if data are incorrect.

Computer Abuse: - It defines as "Any incident associated with computer technology in which a victim suffered or could suffered loss and a perpetrator by intension made or could have made gain. " Following are the types of computer abuse:-

- Hacking: - A person gain unauthorized access to a computer system to read, modify, delete or disrupt programs and services.
- Viruses:- self executable files that damage the data & programs and deliver a pay load that causes disruption of same kind.
- Illegal physical assess:- Cause physical damage to hardware or make unauthorized copies of programs or data.
- Abuse of privileges: - Make unauthorized copies of sensitive data for which they are permitting to access.
- Destruction & theft & modification of assets: - Hardware, software & data can be destroyed or illegally removed or modified.
- Privacy violation:- Privacy of data pertaining to a person or an organization can be compromised.
- Disruption of operation: - Day to day operation of information system function can cease temporarily.
- Physical harm to personnel: - Personnel can suffer physical harm.

Value of computer hardware, software and personnel:- They are critical resources for any organization. Organization invest huge amount on them e.g. insurance, training to personnel. Hardware & software failure and outdated risks are always present with computer based information system

PROBLEMS IN COMPUTER OPERATION :-

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High cost of computer error:- Computer now automatically performs many critical function e.g. monitor the condition of patients surgery, control a nuclear reactor, perform real time processing etc.. Consequently the cost of a computer error in terms of loss of life, damage to environment, excess payment to suppliers can be high.

Privacy leakage:- Lots of data are colleted from individual e.g. taxation , credit, medical, education, employment, residence and so on. It creates threats whether the same can be used by computer professional for intended purposes only. For example collecting the human genome data bank for identifying the origin of the people can miss utilized by data collector by giving the same information to the insurance company which helps them to take decision whether to give insurance cover to specific person or not to give.

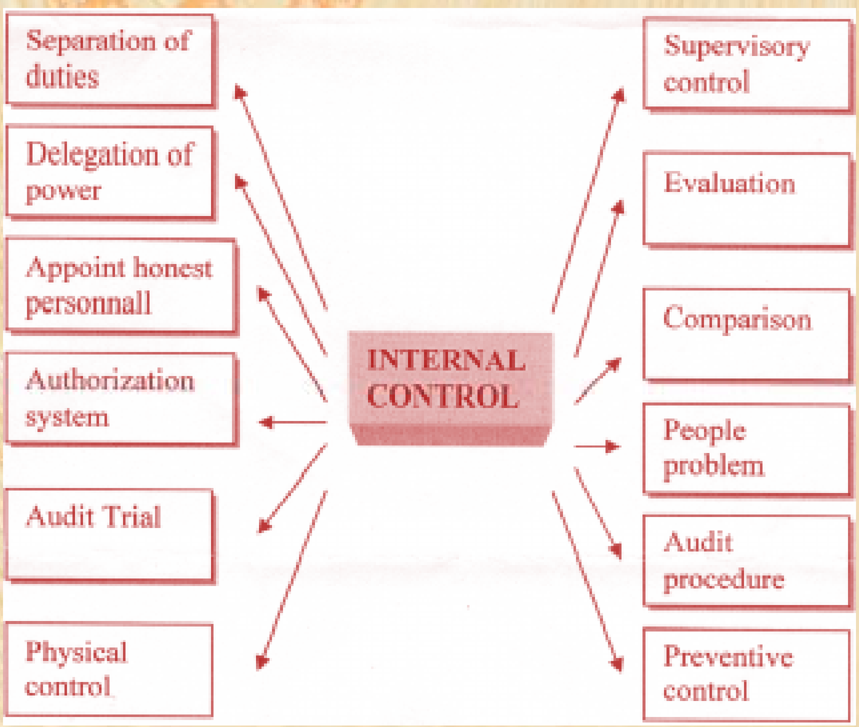
Controlled evolution of computer use:- The reliability of computer system usually can not be guaranteed by any one , so organization should monitor & evaluate that how to deploy computer system.

Solutions which should be implemented:-

Internal control:-

Organization management should sets up a system of internal control so that risk associated with computer operation can be reduced. Following are the major areas of internal control:-

- ✓ Separation of duties must exist in a different form. For example when management determined that the program executes correctly, the capabilities to run the program in production mode and capability to change the program must be separated.
- ✓ A clear line of delegation of authorities and responsibility should be present.
- ✓ Appoint competent and trust worthy personal for development & implementation of computer based information system due to it is very difficult to identify the abuse done by technical person.
- ✓ Organization should have two types of authorization system, first for general authorization for establish polices for the organization to follow and second for specific authorization e.g. acquisition of major capital assets should be approved by board of director.
- ✓ System should have audit trial facilities i.e. maintain a record of all events, adequate access control, logging facilities.
- ✓ Appropriate physical control over assets & records.
- ✓ Adequate supervisory control must be built into the computer system e,g, manager must periodically access the audit trial of employee activities and examine unauthorized action.
- ✓ Evaluate the controls established for program development, modification, operation and maintenance.
- ✓ Periodically compare the data & assets to determine whether inaccuracies in the data exist or whether shortage or excesses in the assets have occurred.
- ✓ Used behavior science technique while designing the system i.e. understanding the people problem that can arise within organization.
- ✓ Outline the audit procedure that if they had been used should have detected the fraud.
- ✓ Organization should have strong preventive & detective controls, to enable an unauthorized activity to be identified quickly.

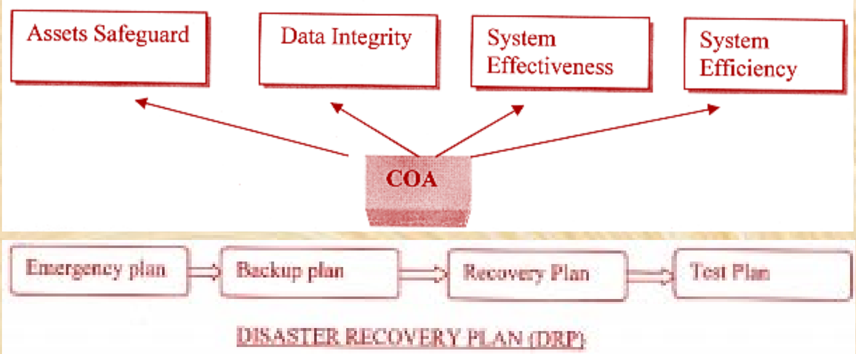


Computer operation audit (COA):- Organization should conduct CQA periodically. It is the process of collecting and evaluating evidence to determine whether a computer system safeguard assets, maintain data integrity, allows organization goals to be achieved effectively and uses resources efficiently.

- Assets safeguard:- It means protection of assets (i.e. hardware, software, people, system, documentation) through internal control system.
- Data integrity:- It means completeness, soundness, purity and veracity of data.
- System effectiveness:- It means whether system achieve its stated goal.
- System efficiency:- It means system should consume minimum resources to achieve its required objective.

Disaster recovery plan (DRP):- In spite of safe guard that might be implemented the information system function still could suffer a disaster. In this situation organization should form disaster recovery plan.

Object of this plan is to enable the information system function (ISF) to restore operation in the event of some type of disaster. The plan lays down Ihe policies, guideline and procedure for all personnel who have responsible for ISF to follow. It comprises four parts:-



1. Emergency plan:- Specifies the action to be undertaken immediately when a disaster occurs. The action to be initiated can vary depending on the nature of disaster i.e. fire, flood, terrorist attack, earthquake. Plan must show following:-
   - Who is to be informed immediately when he disaster occurs e.g. police, fire department, management, medicos.
   - Action to be undertaken e.g shouts down of equipment.
   - Evacuation procedure
   - Return procedure e.g. condition that must be met before site is considered safe.
2. Backup plan :- It should be continuously up date as changes occurs. It should specify the type of back to be kept, the frequency of back up to be undertaken, procedure for making backup, location of backup resources, the site where these resources can be assembled and operation restarted.

   The back up plan should ensure that all critical resources are backed up. The following must be considered:-
   - Personnel:- Training & rotation of duties of staff so they can take the place of others.
   - Hardware :- arrangement with another company or at other site.
   - Data & Software:- files stored securely on site and off site.
   - Suppliers :- list of venders & customer should be stored securely on site or off site.
3. Recovery plan:- It set out the procedure to restore full information system capabilities. Plan depends upon the circumstances of the disaster e.g. whether the disaster is global or localized. Plan should identify a recovery committee that will be responsible for working out the specifics of the recovery to be undertaken. It should specify the responsibility of the committee and guideline on priorities to be followed.
4. Test plan:- the object is to identify deficiencies in the emergency , backup or recovery plans and preparedness of an organization and its personnel in the events of a disaster. Periodically test plan should be invoked. Firstly it should tested by desk checking & inspection. Then a disaster can be simulated at convenient time by giving prior notice of the test or by without giving prior notice of the test.

Conclusion :- Wide use of personnel computer in computing the information gives various types of facilities to the users but in the same way computer related problems are also increase. Any types of system can not gives 100% security to computer base system, so users can only reduced the associated risk by implement proper control.❑

e-Governance: A New Revolution

Governance is the mother of all businesses, and it is easy for every e-governance application to want to be the mother of all applications, encompassing everything possible. E-governance, however, is not really the use of it in governance but as a tool to ensure good governance. E-governance does not mean proliferation of computers and accessories; it is basically a political decision which calls for discipline, attitudinal change in officers and employees, and massive government process re-engineering. E-governance is not just about government web site and e-mail. It will change how citizens relate to governments as much as it changes how citizens relate to each other. It will bring forth, new concepts of citizenship, both in terms of needs and responsibilities.

D.Muthamizh Vendan Murugavel*

Imagine a situation in which all interaction with the government can be done through one Counter, 24 hours a day, 7 days a week, without waiting in lines at government offices.

In the near future this is possible if governments are willing to decentralise responsibilities and processes and they start to use electronic means such as the Internet. Each citizen can then make contact with the government through a website where all forms, legislation, news and other information will be available 24/7. By using the internet and other modern communication technology, governments can hope to reach out to the populace in larger numbers.

E-Governance-An Introduction

E-Governance is defined as the application of electronic means in (1) the interaction between government and citizens and government and businesses, as well as (2) in internal government operations to simplify and improve democratic, government and business aspects of Governance. Electronic means include internet and other ICT (Information and Communication Technologies) applications.

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E-Governance is the use of IT to improve the ability of Government to address the needs of society. It includes the publishing of policy and programme related information to transact with citizens. It extends beyond provision of on-line services and covers the use of IT for strategic planning and reaching development goals of the government.

The mere thought of going to a government office brings visions of total chaos, crowds, files, bundles of paper, never ending queues, not to mention the unapproachable officials and the very approachable touts. The other phenomenon is computers new, unused ones kept in these offices. This is due to the implementation of the much misunderstood e-governance programme which is wrongly comprehended as computerisation by most people. This inspires procurement of computers and other hardware to implement the programme. However, change is in the air with the gradual realisation that e-governance is not synonymous with mere electronic governance, but that it is something much more. It is effective governance, efficient government that is service-oriented, transparent, corruption free and citizen friendly.

Evolution of E-Governance

Global shifts towards increased deployment of IT by governments emerged in the nineties, with the advent of the World Wide Web. The technology as well as e-governance initiatives have come a long way since then. With the increase in Internet and mobile connections, the citizens are learning to exploit their new mode of access in wide ranging ways. They have started expecting more and more information and services online from governments and corporate organizations to further their civic, professional and personal lives, thus creating abundant evidence that the new “e-citizenship” is taking hold.

The concept of e-governance has its origins in India during the seventies with a focus on development of in-house government applications in the areas of defense, economic monitoring, planning and the deployment of IT to manage data intensive functions related to elections, census, tax administration etc. The efforts of the National Informatics Center (NIC) to connect all the district headquarters during the eighties was a very significant development.

From the early nineties, IT technologies were supplemented by ICT technologies to extend its use for wider sectoral applications with policy emphasis on reaching out to rural areas and taking in greater inputs from NGOs and private sector as well. There has been an increasing involvement of international donor agencies under the framework of e-governance for development to catalyze the development of e-governance laws and technologies in developing countries.

While the emphasis has been primarily on automation and computerization, state governments have also endeavored to use ICT tools into connectivity, networking, setting up systems for processing information and delivering services. At a micro level, this has ranged from IT automation in individual departments, electronic file handling and workflow systems, access to entitlements, public grievance systems, service delivery for high volume routine transactions such as payment of bills, tax dues to meeting poverty alleviation goals through the promotion of entrepreneurial models and provision of market information. The thrust has varied across initiatives, with some focusing on enabling the citizen-state interface for various government services, and others focusing on bettering livelihoods. Every state government has taken the initiative to form an IT task force to outline IT policy document for the state and the citizen charters have started appearing on govt. websites.

For governments, the more overt motivation to shift from manual processes to IT-enabled processes may be increased efficiency in administration and service delivery, but this shift can be conceived as a worthwhile investment with potential for returns.

Why E-Governance?

Government cannot exist or function in isolation. For a government to operate effectively, a government-community-citizen infrastructure should be in place. This would result in a sturdy and meaningful information flow between the government and citizens of a nation.

A close-knit infrastructure would yield two fold benefits, which would save time and money for all concerned. First, citizens can enjoy faster, effective and timely government services. This would also evolve a culture of self-service wherein citizens can help themselves wherever and whenever required. Secondly, government can become more integrated into the Community itself. Also government can focus its resources where they are needed the most.

Objectives of E-Governance

- The main & strategic objective of e-governance is to support and simplify and connect governance for all parties- government, citizens and businesses. The use of ICTs can connect all three parties and support processes and activities. In other words, e-governance uses electronic means to support and stimulate good governance. Therefore the objectives of e-governance are similar to the objectives of good governance. Good governance can be seen as an exercise of economic, political, and administrative authority to better manage affairs of a country at all levels, national and local. Other objectives are:
- Improve delivery of services and empowerment of people through information.
- Efficient transactions and latest information to business about global and domestic markets.
- All time availability of information and knowledge to policy makers for taking correct and speedy decisions related to grass root developments
- Overall enhancement of efficiency and effectiveness of government processes
- Adopting bottom up, low cost solutions for effective implementation

Advantages of having E-Governance

- It makes the government effective and efficient, by doing away with unnecessary, non-value adding work, simplifying processes, and automating routine works.
- This makes the processes easily understandable and transparent.
- Builds-in accountability in the government.
- Centralises and Integrates data for better analysis.
- Removes discretion.
- Prevents Corruption.

E-Governance: A Re-Engineering Process

Today India is a free country with a vibrant economy endowed with a great growth rate. The Gross Domestic Product (GDP) has grown considerably and we now have a strong trade balance. India is now a global player and emerging as one of the most powerful nations. From a time when the number of telephones in India could be counted on your finger tips, to a time where almost every one including your gardener and neighbourhood paanwala is accessible on mobile phone. Computers have become affordable and even primary school Children learn to use computers. Considering the scale and magnitude of change, it is impossible to govern a country with processes designed for an earlier era.

What needs to be done now is to have a hard re-look at the government's processes, redesign them, and even obliterate processes that do not add value. This is called re-engineering. When the processes are re-engineered care is taken to make them effective, efficient and transparent, while keeping them simple.

These re-engineered processes are then implemented using Information Technology (IT). IT is used merely as an enabler, a tool. IT uses computers, hardware and software to automate work-flow (moving of documents from one person to another), store large amounts of data on very small disks and process extensive data in seconds.

Having re-engineered the process and put in place the requisite IT solution is not enough to implement the new process. Apart from re-engineering and IT, another tool known as **"Change Management"** is essential to implement the new processes and is a tool that helps to change the mindset of the government's officials.

It is a tool that helps to change form the old "way of working to the new way of working". It involves helping them understand the needs of the customers (citizens in this case), empathise with them and serve them. This really requires immense training, counseling and undertaking campaigns to bring about a paradigm shift, that the government exists for the convenience of the people and to serve them and not to "rule" over them.

E-governance in other words is re-engineering the existing governance process, using IT as an enabler and **"change management"** to bring about the change in mindset and install the redesigned processes.

The ratio of these three initiatives is approximately 35:20:45. It can be seen that, contrary to popular belief, IT is the smallest component of e governance, change and managing change being the largest with re-engineering playing a very prominent role.

Implementation areas of E-Governance

- **E-administration-** refers to improving of government processes and of the internal workings of the public sector with new ICT-executed information processes.
- **E-services-** refers to improved delivery of public services to citizens. Some examples of interactive services are: requests for public documents, requests for legal documents and certificates, issuing permits and licenses.
- **E-democracy-** implies greater and more active citizen participation and involvement enabled by ICTs in the decision-making process.

E-Governance: A Swot-analysis

The SWOTs are kept at a high level. Going into detail would be a problem because situations vary for each country, for each moment and for each e-governance solution. Four SWOT analyses are presented, with a focus on the following aspects of e-governance:

- Political
- Social
- Economic
- Technological

Political Aspects

Political aspects related to e-governance are the formulated strategy and policy, laws and legislation, leadership, decision making processes, funding issues, international affairs, and political stability.

Political aspects - Implementation and maintaining of e-governance solutions.

Social aspects

Examples of some of the social aspects related to e-governance are people, (level of) education, employment, income, digital divide, rural areas vs. cities, rich vs. poor, literacy, IT skills.

Social aspects - Implementation and maintaining e-governance solutions:

Economic aspects:

Economical aspects related to e-governance are funding, cost-savings, business models, e-commerce, and spin-offs of e-governance.

Economic - Implementation and main-taining e-governance solutions.

Technological Aspects:

Technology will be a bottleneck for e-governance in developing countries. Technological aspects involve software, hardware, infrastructure, Telecom. IT skilled people, maintenance, safety and security issues.

Technological aspects - Implemen-

Strengths	Weaknesses	Opportunities	Threats
1. Combination with democratisation reforms 2. Internet as pull factor 3. Modern image	1. Budget 2. Cyber laws not available 3. No problem owner within government 4. No expertise about technology 5. Slow decision making process 6. Hierarchy in organisations 7. Short term approach due to elections 8. Integration and reform	1. Raise external funding 2. Show competitive edge 3. Transparency causes natural change of processes 4. Reinvent government	1 .Bureaucracy 2. Piracy 3. Misuse 4. Corruption 5. Maintaining disorder 6.No transparency 7. Political instability 8. Resistance

Strengths	Weaknesses	Opportunities	Threats
1. People eager to learn IT skills 2. Skilled people Possible export product	I.Basic education poor 2. Trainers needed 3.No IT literacy 4. Low literacy 5. Different languages 6.Public acceptance of self-service models T.Skill shortage: competition with private sector	1. Employment increases 2. Education system improve 3. People learn structural job 4.Cheap manpower widely available 5. Promotion of internet 6.Better healthcare	1. Brain drain IT skilled people after training 2. Resistance of people 3. Digital divide 4. Privacy

tation and maintaining e-governance solutions.

E-governance - The Present Scenario

According to the WEF Global Information Technology Report. India ranks 44 out of 122 countries in global e-Governance rankings and ahead of us are countries like Barbados, Latvia, Tunisia, Thailand and the Slovak Republic. India's low position in global e-Governance rankings called upon the government to institutionalise e-governance. Though there is tremendous potential for e-Governance to benefit citizens exponentially and maximise return on government investments, there is also a need to catalyse policy decisions to improve e-Governance in India. For instance, India's per capita public sector IT spend is $1.29, compared to $199 in New Zealand and $153 in Singapore. The current scenario is such that each department is an island and holds information refusing to share the same with other departments. E-governance is about linking such islands of digital information across various departments and bringing them online whenever necessary to serve the Citizen, business entity or other departments. The legal frameworks of such governing process should be so placed that it facilitates better cooperation between governmental bodies and other departments, rather than dictating to others and one beating off the other. When e-governance is in place that will proactively encourage businesses and consumer confidence to go online

Success Factors for E-Governance

- Political stability (elections, democracy or dictatorial regime)
- Level of trust in Government (perception of service levels)
- The importance of Government identity (fragmentation or integration)
- Economic structure (education, agriculture, industry or service)
- Government structure (centralised or decentralised)
- Different levels of maturity (weakest part of the chain determines speed)
- Constituent demand (push or pull)

Requirements for Implementing Successful E-Governance

- E-Governance framework across the nation with enough bandwidth to service a population of more than one billion.
- Connectivity frameworks for making the services reach rural areas of the country or development of alternative means of services such as E-Governance kiosks in regional languages.
- National Citizen Database which is the primary unit of data for all governance vertical and horizontal applications across the state and central governments.
- E-Governance and interoperability standards for the exchange of secure information with non-repudiation, across the state and central government departments seamlessly.
- A secure delivery framework by means of virtual private network connecting across the state and central government departments.
- Data-centers in centre and states to handle the departmental workflow automation, collaboration, interaction, exchange of information with authentication.

E-Governance in International Context

Connecting all schools and public libraries like in Canada is a great initiative by which the department of education can bring eGovernance to the academic levels. Filing of Income tax in Australia is completely web enabled and gaining wild popularity as a more easy and efficient process for interacting with government. In Europe and the USA, commercial banks already work according to this concept. Only in a few very special situations one has to go to a physical counter. Most transactions can be done at either an ATM, by mail or by the Internet, which has saved banks an enormous amount of costs. In other words, they do more work, with less people, in less time and with less and smaller offices as they use the Internet. In OECD (Organisation for Economic Co-Operation and Development)countries, a growing number of people have access to the Internet, but there are still large

Strengths	Weaknesses	Opportunities	Threats
l. E-governance good argument for external funding 2. Transparency for businesses (procurement)	1. Investors 2. Budget control	1 .Cost efficiency through e-governance 2. New business 3. More efficiency tax revenues	1 .Corruption

Strengths	Weaknesses	Opportunities	Threats
1 .Everything is new; no negative legacy 2. Leapfrogging possible Internet as driving (pull) factor 3. Lack of IT standards?	1. Shortage IT skilled people 2. High cost of internet 3. Heterogeneous data 4. Lack of IT standards 5. Costs of software licenses	1.2nd hand hardware available 2. Use one standard	1. Dependency of technology

numbers of people who do not. OECD governments are aware of the need for a framework to provide for enforceable electronic transactions, both in the e-government sphere and for electronic commerce, and have taken action.

E-governance Challenges Specific to India

- **Lack of Integrated Services:** Most of the eGovernance Services being offered by state or central governments are not integrated. This can mainly be attributed to **lack of communication between different departments.** So the information that resides with one department has no or very little meaning to some other department of Government.
- **Lack of Key Persons:** EGovernance projects lack key persons, not only from technological aspect, but from other aspects as well.
- **Population:** This is probably the biggest challenge. Apart from being an asset to the country it offers some unique issues, an important one being **Establishing Person Identities.** There is no unique identity of a person in India. Apart from this, measuring the population, keeping the database of all Indian nationals & keeping it updated are some other related challenges.
- **Different Languages:** A challenge due to the diversity of the country. It enforces need to do governance (upto certain level), in local languages. Ensuring eGovernance in local language is a big task to achieve.
- According to an officer from NIC (National Informatics Centre), success factors of e-Gov projects -

o 10% Technology
o 60% Process
o 20% Change Management
o Rest is luck

Conclusion

E-Governance will become more and more present around the world in the next few years. Internationally most countries are in the early stages of e-governance. A good start has been made in Europe, USA and in other Westernised countries such as Australia and Singapore. Over the coming years also developing countries and their citizens can also benefit from e-governance. If implemented properly, e-Governance can be an asset for the un-served and under-served areas in India and drive new efficiency gains nationwide. To make e-governance more comprehensive, it has to be developed into an institutional framework. Good governance, being an important goal of countries across the globe, has taken up initiatives for open and participatory governments. Freedom of information is being redefined and the Internet revolution has proved to be a powerful tool for good governance initiatives.

E-governance has to be citizen friendly and based on the demand of citizens. Delivery of services to citizens is considered as a primary function of the government. Particularly in a country like India, where the citizens are out of reach of government services because of diversity in many ways, e-governance should enable seamless access to information and seamless flow of information in any type of political state setup.

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Revisiting FRBM Act after the target date

Dr. V M Govilkar*

While presenting the budget on 28.02.08, the Finance Minister assured the parliament that the government's revenue deficit will come down to 1% (though it should have been 'Nil' as per the target of FRBM Act) and the fiscal deficit to 2.5% of GDP by 31.03.09. However in the Interim Budget for 2009-10 the figures of deficit for the fiscal year ending on 31.03.09 are estimated to be 4.4% and 6% respectively. The Finance Minister further estimated these figures for the fiscal year 2009-10 as 4% and 5.5% of GDP respy. He said "….. conditions in the year ahead are not likely to be normal and therefore the high fiscal deficit is inevitable. We will return to FRBM targets once the economy is restored to its recent trend growth path."

As the targets set out by Fiscal Responsibility and Budget Management Act (FRBM) could not be achieved by the dates , it is necessary to revisit the Act with reference to its premise, targets, achievements and limitations, if any.

The premise of FRBM Act

The legislative route of fiscal consolidation is based on the premise that generally politicians in the government tend to spend more and are reluctant to raise more revenue for the government as dictated by their self interests.

The Public Choice Theorists, the proponents of this sort of legislative control, also consider that the Keynesian economics, like pump priming strategy, provides the rationale for such political behaviour. Therefore, a legislative compulsion to balance the budget should force the politicians to reduce public expenditure to the current level of public revenue and minimize the government borrowings.

The FRBM Act is unusual. Generally the Acts prescribe the law to be followed by the public, or a class of persons or by the government in its dealings with the public at large or a section of it. This Act , on the other hand, is aiming solely to the things to be done by the government itself. In India the fiscal situation started deteriorating from 1980s.The revenue and fiscal deficits which were o.23% and 2.72% of GDP respectively in 1981-82 continuously increased and they were as high as 3.8% and 5.43% respectively in 2002-03. The ratio of interest on loan to revenue receipts was about 50% and the debt service ratio to revenue receipts was about 109%. The revised estimates of 2003-04 rang the warning bell of debt trap as 94.3% of the year's borrowings (and 66% of tax revenue of the year) was used for payment of interest.

In order to bring in fiscal discipline, the Parliament passed FRBM Act on 7 th May 2003 after a long debate of about 30 months during the tenure of NDA government. The UPA government notified the Act on 5 th July 2004 after adopting the Rules fettering the Centre itself from doing things that Parliament does not want it to do. The government itself is legally bound by the Act. The rules are even more unusual; the Centre is to issue them in order to constrain itself.

The significance of FRBM Act can be seen from another angle. Wagner's hypothesis that public expenditure will increase with increase in GDP indicates two things: the ability of the rising GDP to absorb increased expenditure and more priority sector expenditure that would ensure its quality and quantity. Here the FRBM Act holds special consideration because the expenditure-GDP ratio is to be increased, but the deficit is to be brought down to the desired / decided level. And this is to be accomplished amidst lowering of tax rates and a consequent reduction in the tax revenue.

The targets set by the Act and the Rules

The Act and the Rules have specified four fiscal indicators to be projected in the medium term fiscal policy statement. These are, revenue deficit as a percentage of GDP, fiscal deficit as a percentage of GDP, tax revenue as percentage of GDP and total outstanding liabilities as percentage of GDP. The details of the requirements can be briefly stated as under—

1. Reduction of revenue deficit by an amount equivalent of 0.5 per cent or more of the GDP at the end of each financial year, beginning with 2004-05 and bringing it down to Nil by 31.03.2009.
2. Reduction of fiscal deficit by an amount equivalent of 0.3 per cent or more of the GDP at the end of each financial year, beginning with 2004-05. and bringing it down to 3% of GDP by 31.03.2009
3. No assumption of additional liabilities (including external debt at current exchange rate) in excess of 9 per cent of GDP for the financial year 2004-05 and progressive reduction of this limit by at least one percentage point of GDP in each subsequent year.
4. No guarantees in excess of 0.5 per cent of GDP in any financial year, beginning with 2004-05.
5. For greater transparency in the budgetary process, the Rules mandate the Central Government to disclose changes, if any, in accounting standards, policies and practices that have a bearing on the fiscal indicators. The Government is also mandated to submit statements of receivables and guarantees and a statement of assets, at the time of presenting the annual financial statement.

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6. The Rules prescribe the form for the quarterly review of the trends of receipts and expenditures. The Rules mandate the Central Government to take appropriate corrective action in case of revenue and fiscal deficits exceeding 45 per cent of the budget estimates, or total non-debt receipts falling short of 40 per cent of the budget estimates at the end of first half of the financial year. Further, the Union Government should place three documents along with the budget, namely, the Macroeconomic Framework Statement, the Medium Term Fiscal Policy Statement and the Fiscal Policy Strategy Statement. In addition, the Finance Minister will have to make a statement at the end of the second quarter on the trend of fiscal indicators and corrective measures if they deviate from the budget estimates beyond the extent stipulated in the FRBM.

The results

The logic behind the enactment was that unless the central government was forced to curtail it's ' unproductive' revenue spending, it would invariably end up borrowing more thereby reducing 'productive expenditure'. The FRBM Act expressly prohibits the government from RBI for financing its deficit, except in the form of ' temporary cash advances' and in extreme and emergency like situations.

It is interesting, on this background, to see the results. The Act has been implemented by the Centre for last almost five years and one can certainly say that it has contributed good results. These results can be verified on the basis of certain parameters given below –

1. **The deficits**

Reduction in revenue and fiscal deficits was one of the primary aims of the Act. One can see the figures of deficits for last five years to understand the impact of the Act on the same.

The revenue deficit which was 4.38 % of GDP for 2002-03 came down consistently and actually it was 1.1 % only in the fiscal year 2007-08. The budgeted deficit for the year 2008-09 was 1.0 %. Though it should have been nil. Similar is the trend for fiscal deficit. It came down every year and for the year 2008-09 it was budgeted at the targeted figure of 2.5 % of GDP.

2.The ratio of tax revenue to GDP

Another parameter can be the ratio of tax revenue to GDP. The rising trend in this ratio is apparent from the following table.

3. The ratio of liabilities to GDP

The FRBM Act wanted a reduction in the ratio of total outstanding liabilities (domestic and external) of the government to GDP. The following table no. 3 indicates that the ratio has come down to 57.75 % in the year 2008-09.

The FRBM strategy yielded substantial results. India pulled back from the brink. The central and consolidated deficit dropped sharply. Some improvements in the debt/GDP ratio and in debt dynamics were obtained.

The FRBM Act has also some qualitative fall out. It helped encourage long-term thinking on the part of policy makers. By showing the private sector that government operated under rules rather than discretion, it increased confidence on the part of the private sector. The reduction of the consolidated deficit helped to free up resources for private investment which played a key role in accelerating GDP growth.

Further the availability of three background documents of the budget and the medium term review has helped to critically study the budget proposals and projections while enabling continued debate on fiscal management through out the year. This has improved accountability and has facilitated better fiscal management.

Table 2

Year	Tax Revenue As %age of GDP
2004-05	7.14 %
2005-06	7.55 %
2006-07	8.47 %
2007-08	9.16 %
2008-09 (B.E.)	9.56%

Source-*Handbook of statistics on Indian Economy 2007-08, RBI, Table no.245*

Table 3

Outstanding liabilities to GDP

Year	Amount Rs. Crores	% age of GDP
2004-05	1994421	63.33 %
2005-06	2260145	63.13 %
2006-07	2538596	61.23 %
2007-08	2897038	61.47 %
2008-09 (B.E.)	3062913	57.75 %

Source-*Handbook of statistics on Indian Economy 2007-08, RBI, Table no.247*

Issues in fiscal management within and beyond the FRBM Act

The intentions of the FRBM Act cannot be challenged. The results in last 4/5 years have been encouraging.

Table 1

Year	Revenue deficit As %age of GDP	Fiscal deficit As %age of GDP
2004-05	2.49 %	4.01 %
2005-06	2.58 %	4.07 %
2006-07	1.94 %	3.65 %
2007-08	1.35 % (Actual 1.1 %)	2.92 % (Actual 2.7 %)
2008-09 (B.E.)	1.00 %	2.5 %
2008-094(R.E.)	4.4 %	6.0 %

Source-*Handbook of statistics on Indian Economy 2007-08, RBI, Table no.244 and The Interim Budget 2009-10 presented on 16.02.09*

However, since the targets are not achieved, some issues have come on the surface. Similarly on the basis of experience gained in implementation of the Act, some issues can be thought of. They have been presented below-

1 .How effective has been the legislative curb ?

i. The Act had set one firm, welcome and uncontroversial aim of eliminating revenue deficit by 31.03.08. However the Finance Ministry amended the Act within three days of the Act coming into force to postpone the target date by one year i.e. 31.03.09. In spite of this, the budget of 2008-09 did not show 'nil' revenue deficit (it was 1%) and now the revised estimated revenue deficit is 4.4% The target has not been adhered to by none other than the Centre. The oil crisis, international rising prices initially and global recession now well have qualified as 'other exceptional circumstances' and the hard provision of the Act-'prohibition of revenue deficit' has been lifted.

ii. The Act has used the word' reduce' for fiscal deficit. How is the ratio 2.5% or 3% of GDP is decided as target figure? If the target is found unrealistic, a notification from the Finance Ministry can change it to any level. If more guarantees are required to be issued, the target can be raised to the required levels, at least may be ignored as is done now.

Hence the legal effect seems to be largely cosmetic. The government itself has amended the Act and the Rules and there is a possibility that FRBM Act is amended routinely (or whenever politically required) by simply adding a clause to the Finance Act. If it so happens, the whole purpose is defeated. If the fiscal or revenue deficit is to be substantially reduced, there is no substitute for political will; if the government of the day wants a high deficit, the Act will not stop it.

2. Will the cost of government borrowings increase?

Even before the Act came into force, it had been criticised on the ground that it would, in effect, force the government to undertake market borrowings at relatively higher rates of interest that, in turn, would increase revenue expenditures. Left-wing economists like C.P. Chandrashekhar and Jayati Ghosh said the Act ruled out a cheap source of borrowing for the government and further contended that there was no link between deficit financing and higher inflation. They argued that inflation control did not depend on controlling the Central government's direct borrowing from the RBI and that by raising interest costs and revenue expenditures, the Act "perversely" makes it harder for the government to achieve the revenue deficit targets. This issue also needs attention now.

3. What about off budget outgo ?

The government's deficit figures do not include its "off-budget" outgo on account of issuance of bonds to oil and fertiliser companies. Rather, that has been a regular practice of the government to window dress the figures of deficits in the budget. The FRBM tolerated off balance sheet items such as borrowings by PSUs. The combination of rules governing fiscal deficits and the lack of rules governing off balance sheet items may have even encouraged placing deficits off balance sheet. This is a loophole that needs to be closed. Subsidies on account of food, fuel and fertilisers have skyrocketed through a combination of a rise in world prices and bad decision making on administered prices. These liabilities, which the Prime Minister's Economic Advisory Council had in July 08 pegged at around 2 per cent of GDP, are cause for worry. What is worse, these problems have been hidden off balance sheet, which has helped reduce the credibility of Indian public finance data. The optimism of India smoothly progressing towards fiscal stability with the FRBM Act seems to have lost.

4. Who are buying the bonds?

The FRBM Act requires that deficit is to be financed by the government by borrowing from the market and not by the borrowing from RBI. Force feeding financial firms with government bonds is a loophole. India's fiscal framework must have all government bonds being voluntarily purchased by well-motivated actors instead of government compelling them to buy the bonds in one way or the other. Moreover investment grade rating of these bonds needs to be done.

5. Can there be a penalty for violation ?

There is no penalty for the central government for its failure to live within fiscal rules. For fiscal rules to have credibility now, credible sanctions are needed against violations by the Centre. This is particularly required when sanctions of some kind are introduced for state governments for similar defaults.

6. Should the business cycles be taken into account?

The target set in the present FRBM Act does not consider the needs of business cycles. To that extent it does not have the required flexibility. Fiscal rules must take the business cycle into account. The framework should be one where surpluses are run up in good times, which turn into deficits in bad times.

Conclusion

The FRBM strategy was a valuable one; it helped in pulling India back from the brink. While it yielded results for some years, fiscal stability is now once again in question. To move forward, progress needs to be made in addressing the above issues of the FRBM strategy: effectiveness of legislative curbs, cost of government borrowing, closing the loophole of off-budget items, closing the loophole of financial repression, setting more ambitious goals so that India can be well into an investment grade rating, having credible sanctions against a non-compliant central government, bringing in business cycle sophistication. An improved FRBM strategy and Act , on the basis of the experience gained so far, will help India become an economic super power in years to come.❑

Fiscal Finance :

Public Expenditure and Financial Accountability

Prof. Dr. Khawaja Amjad Saeed*

Prelude

Traditionally speaking, the study of economics was divided into five constituents namely; Consumption, Production, Exchange, Distribution and Public Finance. In recent years, public finance has sprung into prominence. Resource mobilization has assumed a high importance. Its utilization has become a critical factor in developing countries which are generally faced with the problem of deficit finance. Consequently, reliance on foreign loans has been growing. Today's world is caught up in financial crisis and the whole world is in search of a new financial architecture which may provide financial defence. Accordingly, need for developing a sound system for public expenditure and financial accountability is the crying need of today. Therefore, this paper addresses basic issues in respect of the above subject.

Constituents

This piece has been divided into the following three parts:

Part – I: Rationale for having a clean Government.

Part – II: Public Financial Management with focus on public expenditure.

Part – III: Financial Accountability.

Each of the above are now explained below:

Part–I: Rationale for having a Clean Government

Today's outcry is to have a clean Government. The term Good Governance is in great currency. Global financial institutions are stressing hard for ensuring a sound and stable system of Good Governance in the governments. We hope that their message will be well understood and all Governments will implement the spirit of this message to usher in an era of prosperity on a wider scale. The earlier this message is comprehended and sincerely complied with, the better. It will be in the interest of the society and its social stability, failing which the de-stabilization will continue to the detriment of the country and its people.

The rationale supporting clean government is that it promotes Good Governance. It minimizes corruption. It mitigates frauds, reduces wastages and abuse in the use of public finances. It highlights the breakdown in the rule of law to alleviate poverty. It serves as an effective public financial accountability. It ensures transparent decision-making. It facilitates stakeholders participation. It encourages ethical practices.

Part–II: Public Financial Management with focus on Public Expenditure

The traditional game of financial management consists of three parts namely; resource mobilization, resource utilization and resource protection. However, the current thinking on financial management consists of only two elements namely; maximizing returns and minimizing risks. This piece focuses attention in respect of various innovations which have been tried in the optimal utilization of public expenditures. In this respect, Governments are involved in a diagnostic processing. A more integrated and coordinated assignment is being made in respect of public expenditure for operationalizing appropriate controls. There is a greater support for integrated and consequential action plan. Better understanding of the impact of Governance and Incentives on the performance and reforms of public financial management system is growing.

Moreover, three tenants are being implemented to achieve the above goals. These includes: emphasis on domestic accountability arrangement. However, it must be noted that donors can only support these efforts but it is not a substitute. The challenges are with the Governments rather than with the donors. However, capacity enhancement and performance of public financial management continues to be improved in terms of institutional arrangement, managerial aspects and technical dimensions. Moreover, monitoring and evaluation on accomplishment continues to be made from time to time.

Five basic issues have been identified in respect of sound public financial management relating to public expenditure. This includes the following:

1) Budget Formulation and Execution.
2) Procurement.
3) Accounting.
4) Auditing.
5) Internal and External Controls.

There is a growing emphasis on user friendliness and quality of information. There is a freedom to participate in the discussion as part of transparency. Oversight bodies have been established in the Parliament and civil society constituents and public at large.

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Challenges have been identified to accomplish the above goals. These include:

1) Imaginative approach.
2) Change management.
3) Good and clean government.
4) Good governance.
5) Stewardship function through value of money.
6) Productive and positive role of Governments.
7) Strengthening Internal Audit, External Audit and Internal Controls.
8) Public Policy Debate.

Part–III: Financial Accountability

The contents of financial accountability are determined by users group e.g. Policy Makers, Legislatures, Investors, Academics and general public etc.

The traditional contents for financial accountability include: Review of Budget, Scrutiny of Audited Annual Accounts and intra-fiscal year indication of the fiscal accounts.

More recently, greater emphasis has been focused on the following four areas:

1) Quality of Public Finance
2) Sound approach to Policy-making
3) Meaningful contents of public expenditures
4) Continuing reforms and adjustment efforts and study of their impact

Information needs to be generated relating to structure and policy sphere, fiscal management through clarity of objectives, analysis of consolidated budget, developing sound macro-economic framework governing annual budget, announcement of annual policy, informative disclosure to debt position, development of performance orientation, pursuit of efficiency and effectiveness and supporting changes to be introduced in administrative infrastructure.

Five areas have acquired attention to constant implementation of budget. These include: release of funds, cash management, proper award of contracts, coordination between budgetary amounts and outcomes and operationalizing performance measures.

Other areas which have attained importance for implementing the spirit of financial accountability include: accounting and reporting, evaluation, audit, implementation of independent International Accounting Standards and Legislative Review.

Financial accountability in general consists of three types namely; General Accountability (accountability for action, sanction, public scrutiny and citizens participation), Fiscal Accountability (approval and no impairment on fiscal capacity of community) and Managerial Accountability (appropriate rules, risks within the delegated persons, services delivered relating to Cost, Quality and Time Schedules and observance of three E's namely; Economy, Efficiency and Effectiveness).

Conclusion

It is high time that all Governments may address the foregoing issues so that the basic objective of clean Government is achieved. Optimal utilization of public resources in the interest of the society and the country is undertaken and finally a sound framework for financial accountability is not only developed but implemented to the advantage of the country and its stability for the benefit of society.❑

A case study on the position of payment options available for purchase of merchandise by a company is given below. Readers and members of the Institute are requested to forwarded their response after goring through the case study.

A business entity is engaged in purchase and sale of power. It always faces severe liquidity problems and depends heavily on cash credit /borrowed funds for its working capital needs. The following payment options are open to it in a transaction for purchase of power :-

Terms of purchase and settlement of payment	**Option-I**	**Option-II**
A. Value of power purchased during April 2008.	Rs.100 crore	Rs.100 crore
B. Cash Credit interest	12%	12%
C. Payment due on	Date of receipt of invoice 1st 2008.	Date of receipt of invoice 1st 2008.
D.Rebate eligible	2% of the bill amount (on 'A') if paid on 1st may 2008 i.e on the date of receipt of invoice.	1% of the bill amount (on 'A') if paid on 30th may 2008 i.e after availing 29 days credit

Query :-

1. Which of the above payment option is beneficial to the entity?
2. Will the relative benefits under the above option vary with reference to increase/decrease in the CC interest rates? If so, what is the BEP?

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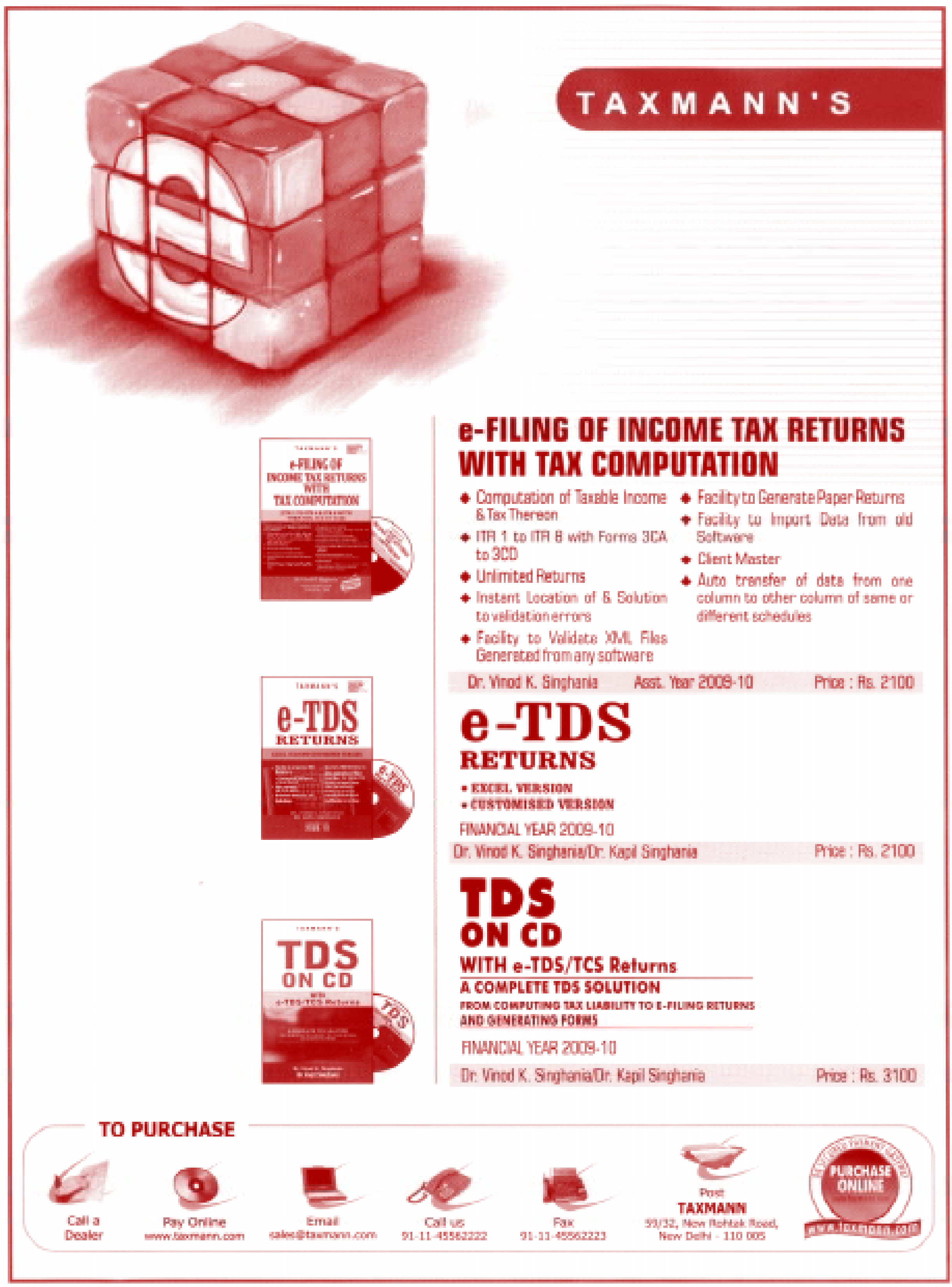
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IAS 19, Employee Benefits –A Closer Look

K.S.Muthupandian*

International Accounting Standard (IAS) 19, *Employee Benefits*, prescribes the accounting and disclosure for employee benefits. In April 1980, the International Accounting Standards Committee (IASC) issued the Exposure Draft E16, *Accounting for Retirement Benefits in Financial Statements of Employers*. In January 1983, the IASC issued IAS 19, *Accounting for Retirement Benefits in Financial Statements of Employers*, effective from January 1, 1985. In December 1992, the IASC issued Exposure Draft E47, *Retirement Benefit Costs*. In December 1993, the IASC issued revised IAS 19, *Retirement Benefit Costs*, as part of the 'Comparability of Financial Statements' project based on E32. IAS 19 (1993) becomes operative for financial statements covering periods beginning on or after January 1, 1995. In October 1996, the IASC issued Exposure Draft E54, *Employee Benefits*. In February 1998, the IASC issued IAS 19, *Employee Benefits*, effective from January 1, 1999. In October 2000, the IASC issued limited versions to IAS 19, effective from January 1, 2001. In May 2002, the International Accounting Standards Board (IASB) issued 'Asset Ceiling' amendment to IAS 19 (2000), effective from May 31, 2002. On December 5, 2002, the IASB proposed amendments to IAS 19 as part of the project on 'Share-based Payment'. In February 2004, paragraphs 144-152 of IAS 19 on equity compensation benefits are replaced by International Financial Reporting Standard (IFRS) 2, *Share-based Payment*. On April 29, 2004, the IASB issued the Exposure Draft of *Proposed Amendments to IAS 19* and adopted the amendments on December 16, 2004. On May 22, 2008, IAS 19 amended for 'Annual Improvements to IFRSs 2008', effective from January 1, 2009.

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Objective

The objective of IAS 19 is to prescribe the accounting and disclosure for employee benefits (that is, all forms of consideration given by an enterprise in exchange for service rendered by employees). The basic principle underlying all of the detailed requirements of the Standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable. IAS 19 prescribes recognition, measurement and disclosure rules for expenses, liabilities and assets (for defined benefit funds only) relating to employee benefits.

Scope and Application

IAS 19 applies to the employer's accounting for all employee benefits but does not apply to share-based payments (refer to IFRS 2). IAS 19 applies to (among other kinds of employee benefits):

- wages and salaries
- compensated absences (paid vacation and sick leave)
- profit sharing plans
- bonuses
- medical and life insurance benefits during employment
- housing benefits
- free or subsidised goods or services given to employees
- pension benefits
- post-employment medical and life insurance benefits
- long-service or sabbatical leave
- 'jubilee' benefits
- deferred compensation programmes
- termination benefits.

Key Definitions

Actuarial gains and losses are the effects of differences between the previous actuarial assumptions and what has actually occurred, and the effects of changes in actuarial assumptions.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Interest cost is the increase during a period in the present value (PV) of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.

Past service cost is the increase in the PV of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Plan assets are assets held by a long-term employee benefit fund and qualifying insurance policies.

The **present value of a defined benefit obligation** is the PV, without deducting any plan assets, of expected future payments required to settle the obligations resulting from employee service in the current and prior periods.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.

Return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date
- an employee's decision to accept voluntary redundancy in exchange for those benefits

Vested employee benefits are employee benefits that are not conditional on future employment.

Prescribed Accounting Treatment

Types of Employee Benefits

IAS 19 deals with the following employee benefits:

- short- term benefits (e.g. wages)
- post-employment benefits (e.g. post-employment medical care)
- other long term benefits (e.g. long service leave)
- termination benefits

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the amount of the associated employee benefit cost as an expense unless the cost is included in the cost of another asset such as inventories or property, plant and equipment. An associated liability is recognised to the extent that any amount of employee benefit remains unpaid to the employee.

Measurement

All short-term employee benefits, and termination benefits payable within 12 months of reporting date, are recognised at undiscounted amounts, with all other benefits being recognised at PV. The measurement takes account of legal and constructive obligations to employees, and uses the amounts expected to be paid in respect of the service.

Discounted amounts — discount rate

For discounted amounts, the discount rate used is that for high quality corporate bonds matching the currency and term of the liability. If there is no deep market, the rate used is the government bond rate, also matching the currency and term of the liability.

Short-term employee benefits

Short-term employee benefits include wages and salaries, and payment for short-term compensated absences such as sick leave and annual leave, where the absences are expected to occur within 12 months after the end of the period in which the employees render the related service. It also includes profit-sharing and bonuses payable in the same 12 month timeframe, and non-monetary benefits (e.g. medical care, housing and free or subsidised goods) for current employees. For short-term employee benefits the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period should be recognised in that period. The expected cost of short-term compensated absences should be recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur.

Profit-sharing and Bonus Payments

The enterprise should recognise the expected cost of profit-sharing and bonus payments when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected cost can be made.

Post-employment Benefit Plans

The accounting treatment for a post-employment benefit plan will be determined according to whether the plan is a defined contribution or a defined benefit plan:

Under a defined contribution plan, the enterprise pays fixed contributions into a fund but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. These would include both formal plans and those informal practices that create a constructive obligation to the enterprise's employees.

Defined Contribution Plans

For defined contribution plans (including multi-employer plans, state plans and insured schemes where the obligations of the employer are similar to those arising in relation to defined contribution plans), the cost to be recognised in the period is the contribution payable in exchange for service rendered by employees during the period. No actuarial assumptions are required. The entity shall recognise the contribution payable to a defined contribution plan in exchange for the service as follows: (a) as a liability after deducting paid contributions and where there is a prepaid expense an asset shall be recognised; and (b) as an expense unless another standard permits the inclusion of the contribution as an asset.

If contributions to a defined contribution plan do not fall due within 12 months after the end of the period in which the employee renders the service, they should be discounted to their present value.

Defined Benefit Plans

At the reporting date, the entity recognises a defined benefit liability comprising:

- the PV of the defined benefit obligation
- plus any actuarial gains (less any actuarial losses) not recognised
- minus any past service cost not yet recognised
- minus the fair value (FV) of any plan assets out of which the obligations are to be settled directly

The PV of the defined benefit obligation should be determined using the Projected Unit Credit Method. Valuations should be carried out with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from those that would be determined at the reporting date. The assumptions used for the purposes of such valuations should be unbiased and mutually compatible. The rate used to discount estimated cash flows should be determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Actuarial gains and losses arise from unanticipated changes in, or changes in assumptions underlying, either the PV of the defined benefit obligation or the FV of any related plan assets. Causes of actuarial gains and losses include:

- changes in the discount rate
- current period employee turnover retirement and mortality rates differing from those expected
- changes in expectations about future period employee turnover retirement and mortality rates and salary levels
- the actual return on plan assets differing from expectations.

On an ongoing basis, actuarial gains and losses arise that comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In the long-term, actuarial gains and losses may offset one another and, as a result, the enterprise is not required to recognise all such gains and losses immediately. IAS 19 specifies that if the accumulated unrecognised actuarial gains and losses exceed 10% of the greater of the defined benefit obligation or the fair value of plan assets, a portion of that net gain or loss is required to be recognised immediately as income or expense. The portion recognised is the excess divided by the expected average remaining working lives of the participating employees. Actuarial gains and losses that do not breach the 10% limits described above (the 'corridor') need not be recognised - although the enterprise may choose to do so.

Over the life of the plan, changes in benefits under the plan will result in increases or decreases in the enterprise's obligation.

Past service cost is the term used to describe the change in the obligation for employee service in prior periods, arising as a result of changes to plan arrangements in the current period. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced). Past service cost should be recognised immediately to the extent that it relates to former employees or to active employees already vested. Otherwise, it should be amortised on a straight-line basis over the average period until the amended benefits become vested.

If the calculation of the balance sheet amount as set out above results in an asset, the amount recognised should be limited to the net total of unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The entity recognises income or expense on a net or gross basis comprising:

- current service cost
- interest cost
- expected return on plan assets and reimbursement rights
- actuarial gains and losses
- past service cost recognised during the period

Current service cost is the increase in the PV of the defined benefit obligation resulting from employee service in the current period.

Expected return on plan assets is calculated by multiplying the plan assets at the start of the reporting period by the expected rate of return on them for the reporting period.

Termination benefits

For termination benefits, IAS 19 specifies that amounts payable should be recognised when, and only when, the enterprise is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The enterprise will be demonstrably committed to a termination when, and only when, it has a detailed formal plan for the termination and is without realistic possibility of withdrawal from that plan. Where termination benefits fall due after more than 12 months after the balance sheet date, they should be discounted.

19 Employee benefits

Prescribed Disclosures

Extensive disclosures are required for defined benefits plans and include reconciliations of the present value of the defined benefit obligation, the fair value of plan assets and the total expenses recognised. It is important to note that an asset related to one plan cannot be set-off against a liability related to a separate plan unless there is a legally enforceable right to use a surplus in one plan to settle obligations under the other plan. This is consistent with IAS 1, *Presentation of Financial Statements*' requirement not to offset assets against liabilities of a similar nature. Disclosures for other employee benefits covered by IAS 19 may be required by IAS 1, IAS 24, *Related Party Disclosures* and IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.**19 Employee benefits**

2002 Amendment - 'Asset Ceiling'

The final 'asset ceiling' amendment issued in May 2002 prevents the recognition of gains solely as a result of deferral of actuarial losses or past service cost, and prohibits the recognition of losses solely as a result of deferral of actuarial gains. This can happen if an entity has a surplus in a defined benefit plan and cannot, based on the current terms of the plan, recover that surplus fully through refunds or reductions in future contributions. In such cases, deferral of past service cost and actuarial losses that arise in the period will increase the cumulative unrecognised net actuarial losses and past service cost. If that increase does not result in a refund to the entity or a reduction in future contributions to the pension fund, a gain would have been recognised under IAS 19 prior to this amendment. This amendment, however, prohibits recognising a gain in these circumstances. The opposite effect arises with deferred actuarial gains that arise in the period. This amendment prohibits recognising a loss in these circumstances.

2004 Amendment Concerning Reporting Actuarial Gains and Losses

On April 29, 2004, the IASB issued the Exposure Draft of *Proposed Amendments to IAS 19, Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures*. On December 16, 2004, the IASB finalised an amendment to IAS 19 to allow the option of recognising actuarial gains and losses in full in the period in which they occur, outside profit or loss, in a statement of recognised income and expense. This option is similar to the requirements of the UK standard, FRS 17, *Retirement Benefits*. The Board concluded that, pending further work on post-employment benefits and on reporting comprehensive income, the approach in FRS 17 should be available as an option to preparers of financial statements using IFRSs. The amendment also provides guidance on allocating the cost of a group defined benefit plan to the entities in the group.

2008 Amendment – Improvements to IAS 19

The IASB published on May 22, 2008, "Improvements to IFRSs 2008". IAS 19 was amended based on this project in the following areas:

Curtailments and negative past service cost: Clarification that:

- when a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- a curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

In addition, references to 'materiality' have been replaced with 'significant' in paragraph 111 of IAS 19.

Plan administration costs: Amendment of the definition of 'return on plan assets' to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

Replacement of term 'fall due': Amendment of the definitions of 'short-term employee benefits' and 'other long-term employee benefits' to refer to when the benefits are 'due to be settled', rather than when they 'fall due'. The final Standard refers to when employee benefits are 'due to be settled' whereas the Exposure Draft referred to when the employee becomes entitled to the benefits.

Guidance on contingent liabilities: Removal of the reference to 'recognition' in relation to contingent liabilities as it was inconsistent with IAS 37, which states that an entity should not recognise a contingent liability.

IFRIC Interpretation

The International Financial Reporting Interpretations Committee (IFRIC) of the IASB has issued the following Interpretation relating to IAS 19:

- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (issued on July 4, 2007, effective from January 1, 2008)

IFRIC 14 addresses three issues:

- when refunds or reductions in future contributions should be regarded as 'available' in the context of paragraph 58 of IAS 19;
- how a minimum funding requirement might affect the availability of reductions in future contributions; and
- when a minimum funding requirement might give rise to a liability.

IFRIC 14 applies to all post-employment defined benefits and other long-term employee defined benefits. Minimum funding requirements are defined as "any requirement to fund a post-employment or other long-term defined benefit plan" and would therefore include both statutory and contractual requirements. Paragraph 58 of IAS 19 (the so-called 'asset-ceiling test') limits the measurement of a defined benefit asset to the total of any cumulative unrecognised net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

In many countries, laws or contractual terms require employers to make minimum funding payments for their pension or other employee benefit plans. This enhances the security of the retirement benefit promise made to members of an employee benefit plan. Normally, such statutory or contractual funding requirements would not affect the measurement of the defined benefit asset or liability. This is because the contributions, once paid, become plan assets and the additional net liability would be nil. However, paragraph 58 of IAS 19 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' IFRIC 14 addresses the interaction between a minimum funding requirement and the limit placed by IAS 19.58 on the measurement of the defined benefit asset or liability.

When determining the limit on a defined benefit asset in accordance with IAS 19.58, under IFRIC 14 entities are required to measure any economic benefits available to them in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan. The entity's intentions on how to use a surplus (for instance, whether the entity intends to improve benefits rather than reduce contributions or get a refund) must be disregarded. Such economic benefits are regarded as available to an entity if the entity has an unconditional right to realise them at some point during the life of the plan or when the plan is settled, even if they are not realisable immediately at the reporting date. Such an unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the entity's control (for example, approval by third parties such as plan trustees). To the extent the right is contingent, no asset would be recognised.

At the January 2009 IASB Meeting, the staff presented a proposed amendment to IFRIC 14 to clarify the accounting where an entity makes voluntary prepaid contributions and there is a minimum funding requirement. The staff recommended an approach that would treat the prepayment as partially recoverable. However, many Board members felt that the whole of the prepayment is recoverable and, hence, full recognition of the prepayment was appropriate. The chairman took the vote and the Board agreed to full recognition. The amendment is to be exposed in due course.

Discussion Paper on Employee Benefits

On March 27, 2008, the IASB published for comment a Discussion Paper (DP) - *Preliminary Views on Amendments to IAS 19, Employee Benefits*. The DP represents the first step in a comprehensive project on the accounting for post-employment benefit promises. This step is limited in scope to the following issues:

- The deferred recognition of some gains and losses arising from defined benefit plans (currently IAS 19 allows multiple options for deferring recognition)
- Presentation of defined benefit liabilities
- Accounting for benefits that are based on contributions and a promised return
- Accounting for benefit promises with a 'higher of' option

Therefore, the DP focuses on improvements to IAS 19. In the longer term, the IASB intends to work with the US Financial Accounting Standard Board (FASB) towards a common standard on post-employment benefit promises. Because that project will take many years to complete, the IASB concluded that short-term improvements are needed to provide users with better information about post-employment obligations.

Among the IASB's preliminary views are the following:

- Recognise all changes in the value of plan assets and in the post-employment benefit obligation in the financial statements in the period in which they occur. This means, among other things, removing the options for deferred recognition of gains and losses in defined benefit plans.
- Classify benefit promises into defined benefit promises and contribution-based promises.
- Measure contribution-based promises (which include cash-balance plans), as follows:

  The measurement of the entity's liability for a contribution-based promise should be based on current best estimates, unbiased, probability-weighted amounts, and observable market values where they exist. Also, the entity should assume that the benefit promise does not change. The IASB believes that the measurement attribute *fair value assuming that the benefit promise does not change* best expresses this approach.

- Recognise unvested past service cost in the period of a plan amendment.
- Recognise both vested and unvested contribution-based promises as a liability.

  Allocate the benefits earned under a contribution-based promise to periods

Contd. on Page 456

One Person Company (OPC) under the new Companies Bill 2008- To be or Not To be!!!

S.Bhasker*

The Ministry of Corporate Affairs has to be appreciated for bringing in new generation reforms in the corporate sector by introducing e-Governance coupled with pro-active legislations like LLP Act and the new Companies Bill 2008. The new bill may hopefully replace the existing (voluminous) Companies Act 1956 and the author hopes that with UPA once again winning the popular mandate, the Companies Bill 2008 may soon become a legislation. In this article due to constraint of space, author wants to analyse the concept of One Person Company (OPC) introduced for the first time in the new Companies Bill 2008 based on Dr. J J Irani committee recommendations. In the words of Government of India "a new entity in the form of One-Person Company (OPC) while empowering Government to provide a simpler compliance regime for small companies" has been introduced for the first time in the country.

As per clause 2(*zzk*) "One Person Company" means a company which has only one person as a member. This definition needs to be examined with reference to the meaning given in the English (U.K.) Thesaurus- *"Company means corporation, business, concern, group,band, party ,set, circle, crowd, friendship, companionship, visitors, guests, people etc.,"* Antonyms of the word *"Company"* being *"individual and isolation"*, the usage of 'one person company' in the legislation may not be legally prudent. Further it is anybody's guess on the fate of the doctrine of "Lifting the Corporate Veil" in case of OPCs! It is highly debatable whether OPCs could bring in much needed relief to the small businesses in the country. As was stated earlier the objective behind introduction of OPC could be, to ensure lesser regulation for the small businessmen and more freedom from the rigours of the existing legislation. However one has to wait and see for its fulfilment!

As per clause 132(*1*)(a)Every company shall have a Board of Directors consisting of only individuals as directors and shall have —one director in the case of a One Person Company. It effectively means the One Person Company will have a minimum of one Director only and the Board meetings will be conducted with himself and whatever he has in his mind could be written as minutes!

Let us examine how OPCs could be formed under the new Companies Bill.- As per Clause 3. (*1*) A company may be formed for any lawful purpose by any—

(*c*) one person, where the company to be formed is to be a One Person Company, by subscribing his name to a memorandum in the manner prescribed and complying with the requirements of this Act in respect of registration:

Provided that the memorandum of a One Person Company shall indicate the name of the person who shall, in the event of the subscriber's death, disability or otherwise, become the member of the company:

Provided further that it shall be the duty of the member of a One Person Company to intimate the Registrar the change, if any, in the name of the person referred to in the preceding proviso and indicated in the memorandum within such time and in such form as may be prescribed, and any such change shall not be deemed to be an alteration of the memorandum.

Thus OPC formed above could be a company limited by shares or, a company limited by guarantee, or an unlimited Company.

As per clause 5 (*1*) The memorandum of a company shall state—the last letters and word "OPC Limited" in the case of a One Person limited company.

As per clause 13 a company may, by a special resolution, alter its articles including alterations having the effect of conversion of —

(*a*) a private company into a public company or a One Person Company, or

(*b*) a public company into a private company or a One Person Company, or

(*c*) a One Person Company into a public company or a private company

However above alteration shall not take effect except with the approval of the National Company Law Tribunal (formed under Section 369) which shall make such order as it may deem fit.

The Companies Bill 2008 has some special provisions relating to OPCs in respect of their contracts. They are codified in clause 171 as below:

Clause 171 seeks to provide for the manner in which certain transactions or contracts are entered between a one person company and its sole member. It seeks to provide that where a One

*The author is a Fellow Member of ICSI based at Delhi and the views are personal.

Person Company Limited by shares or by guarantee enters into a contract with the sole member of the company who is also director, the company shall, unless the contract is in writing, ensure that the terms of the contract or offer are contained in a memorandum or are recorded in the minutes of the first Board meeting held after entering into the contract and every such contract shall be informed to the Registrar.

The provisions are:

Clause 171 (*1*) Where a One Person Company limited by shares or by guarantee enters into a contract with the sole member of the company who is also director of the company, the company shall, unless the contract is in writing, ensure that the terms of the contract or offer are contained in a memorandum or are recorded in the minutes of the first meeting of the Board of Directors of the company held next after the entering into the contract:

Provided that nothing in this sub-section shall apply to contracts entered into by the company in the ordinary course of its business.

(2) The company shall inform the Registrar about every contract entered into by the company and recorded in the minutes of the meeting of its Board of Directors under subsection (*1*) within fifteen days of the date of approval by the Board of Directors with such fee as may be prescribed, or with such additional fee as may be prescribed within the time specified, under section 364.

(3) Where the company fails to inform the Registrar under sub-section (*2*) before the expiry of the period specified under section 364*(i.e., 270+15=285 days)* with additional fee, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

It is worth mentioning that it is the only clause which contains elaborate provisions in respect of OPCs.

Exemption from compliance of various provisions of the Bill for OPCs: Clause 421 contains these provisions—this clause seeks to provide that in case of one Person Company, the Central Government may by notification exempt the compliance of certain provisions. They are- those contained in Chapter III – Prospectus and allotment of securities, Chapter IV- Share Capital and Debentures, Chapter VII-Management and Administration, Chapter IX-Accounts of Companies, Chapter X-Audit and Auditors, Chapter XI-Appointment and Qualification of Directors, Chapter XII-Meetings of Board and its Powers, and Chapter XIII-Appointment and remuneration of managerial personnel. However, a copy of draft notification shall be laid before both the House of Parliament.

If OPCs in the country become a success, professionals across the country and external stakeholders would equally be benefited and the Government may have more time for ensuring better Governance of the other major companies.❑

Contd. from Page 454

of service in accordance with the benefit formula.

The IASB does not express a preliminary view on the presentation of the components of post-employment benefit cost in comprehensive income (within or outside of profit and loss). Instead, several alternatives are discussed and comments invited by September 26, 2008.

At the February 2009 IASB Meeting, the staff presented the most recent proposed project timetable for the post-employment benefits project. The plan provides for an exposure draft to be published in November 2009 with a 120-day comment period and a final IFRS in the first half of 2011.

Comparative Indian Standard

The Accounting Standard issued by the Institute of Chartered Accountants of India (ICAI) comparative to IAS 19 is AS 15, *Employee Benefits.* AS 15 is based on the current IAS 19.

The major differences between IAS 19 and AS 15 are:

Difference due to removal of alternatives: Unlike IAS 19, AS 15 does not provide any option with regard to recognition of actuarial gains and losses. It requires such gains and losses to be recognised immediately in the statement of profit and loss.

Conceptual Difference: Regarding recognition of termination benefits as a liability, it is felt that merely on the basis of a detailed formal plan, it would not be appropriate to recognise a provision since a liability cannot be considered to be crystallised at this stage. Accordingly, AS 15 provides criteria for recognition of a provision for liability in respect of termination benefits on the basis of the general criteria for recognition of provision as per AS 29, *Provisions, Contingent Liabilities and Contingent Assets* (corresponding to IAS 37).

Conclusion

As the first phase of the project, the IASB issued the DP to reconsider accounting for some post-employment employee benefits, including Pensions. The second phase of the project will aim for a comprehensive review of all post-employment employee benefits. The final IFRS to be issued in 2011 would significantly improve the Pension Accounting.❑

Is Indian Corporate Governance Equitable?

Rakesh Kumar Pandey*

This paper focuses the legitimacy of corporate governance practising in India. It also analyses the important rules & principles of corporate governance in a keen competitive phase of economy due to globalization. It discusses the true meaning of corporate governance in the context of present economic meltdown which needs proper governance of companies to safeguard the interest of all stakeholders. It analyses the rules of corporate governance and its implications made on financial health of equity shareholders in the changed economic scenario. Comparison of Indian corporate governance and developed countries' corporate governance is the prime moto of this article.

Corporate Governance: Its meaning & Concept:

A Company is the largest form of business organization. Its dimension may be global. There are a lot of stakeholders in a corporate body. The company's philosophy on corporate governance is to attain the highest level of transparency, accountability and integrity. This objective extends, not merely with statutory requirements but also to be beyond then putting into place. Procedures and systems which are in accordance with best practices for governance. The true meaning of corporate governance is to satisfy the aspirations of all stakeholders customers, suppliers, lenders, employees, the share holders and expectations of the society. The Board of Directors supports the broad principles of corporate governance and lays string emphasis on its trusteeship role to align and direct the actions of the organization to achieve its a vowed objectives of transparency, accountability and integrity.

The focus on corporate governance arises out of the large dependence of companies on financial markets as the preeminent source of capital. The quality of corporate governance shapes the future and the growth of the capital market, Strong corporate governance is essential to resilient and vibrant capital market. But capital markets and financial markets in general can function properly if individual have access to accurate basic information about the companies they invest. The link between a company's management, Board and its financial reporting system is crucial. In the present context of globalization, capital is likely to flow to markets which are well regulated and practice high standards of transparency, efficiency and honesty.

In order to protect and safeguard the interest of all stakeholders, corporate governance should compass full systems and processes. System comprises structure of Board of Directors, their optimum size, compositions, qualifications, role and competencies, frequency of change of board members and nominee directors. The formulation of different committees by Board members such as Management Committee, Share Transfer Committee, Executive nomination and Compensation Committee, Investment Committee, Audit Committee etc. forms an integral part of the system for sound corporate governance. The board along with different committees and chief executive officer (C.E.O.) play a vital role to govern company's' affairs. Different types of internal audit and audit checks are the crucial part of corporate governance. The success of corporate governance depends upon these sound system of operation of company's affairs.

Corporate Governance in India : Needs of Reforms:

The Satyam scandal came into light on 16th December 2008 is really unique in many angles. The fourth largest software and B.P.O. company in India, Satyam Computer Services Ltd. is now crippling on account of seven years continuous financial rigging by its Ex-Chairman and promotor Ramalinga Raju. Raju has confessed frankly Rs.7000 crores cash scandal and several major economic crimes committed by him since very long time. The fact that Satyam was awarded the Golden Peacock Award in Corporate governance in Sept. 2008 brings in both hubris and Complacency.

This scandal has generated a significant decline in general peoples' trust in Indian corporate governance. It played a vital role in crashing the index of Indian stock market in prevailing economic recession. A survey of 200 opinion leaders in select metros of India during Nov. - Dec. 2008 showed a declining trend in trust in all private as well public business institutions. Business trust decline was the highest which is what this paper takes a look at, explores lack of good corporate governance and therefore suggestion in this regards is forwarded.

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Despite government's arguments Satyam is not a stand alone case. There has been similar cases in the past, such as the Dharma Teja in India and Enron or World Com. in the U. S. A lot of our big corporate houses are exposed greatly in enterprises abroad which are facing a financial crisises. Shares have been playing to raise further loans to put into other group companies which are bordering on the verge of sickness. In recent month company's like TCS, Tata Motor, TTML, Ispat industries, Jay Prakash Hydro etc. have pledged their 25% -50% promoter's stake to take loan. Promoters of 440 companies pledged shared a whopping Rs.50,474 crores i.e. 10 billion Dollars in past two months. Now the popular dictum " *When chips are down, busniess crimes have a tendency to go up*" have become practical in every sphere. One Satyam fiasco has proved that Indian corporate governance suffers from dubious character. In order to raise the bar for corporate governance standards, following steps must be taken into account:

(a) **Role of independent Directors (IDs) :**

Due to the Satyam debacle, more necessary focus has been on the role of independent Directors as they were found sleeping. IDs are responsible for two things:- Overseeing strategy and overseeing financial propriety and legal compliances. But to-day, their role is compromised by the fact that they do not have time to see the happenings in an enterprise. They are found as a blind in a company's/organization's despite getting handsome emoluments. Remuneration to IDs needs to be regulated in a manner that will ensure that they adhere to their cordinal responsibility without fear or favour. Simultaneously, they should be protected from any liability, so that they are empowered to discharge their responsibilities.

(b) **Role of Whistle-Blowers :**

In a corporate body the whistle-blowers mechanism needs to be encouraged and institionalised. The media and regulators are two important external whistle-blowers often acting on suspicious ways in the Company, while employees are internal ones. The Enron fiasco was unveiled by one of its employees Sherron Watkins, while the Worldcom skeleton came out of the cupbard, when its employees Eynthia Cooper spilled the beans.

(c) **Role of Auditors :**

Auditors are required to check the books of accounts honestly, yet they fail to do so. In the Satyam case itself, the global firm PWC had to hauled up and its partners who were signing the fabricated balance sheets have been put in jail. PWC has long been Satyam's auditors and thus would have developed cosy relationship with the management. Companys are also required to appoint internal auditors, but that too seem to have failed in this other similar cases. Therefore, rotation of auditors should be mandatory after every three years.

(d) **Promoters and Management :**

The Indian corporate governance is peculiar as compared to several western countries. Most companies in India are managed by promoters as against the ones in western economies. Hence we need home grown solutions to tackle this type of problem. For vanishing companies the Company's Act already prescribes barriers that such promoters will be barred from raising further capital in the market and their names are enter on the Govts. web-site etc. It is suggested that promoters should be barred from holding management positions after some times. How far this can work in India and professionals can be also fully relied upon to provide fair and genuine management to a company is doubtful. But at least when promoters' management are caught in a crime and their punishment should be exemplary and the trial must be conducted on a day-to-day basis with a time limitation.

At last on the basis of above discussion we conclude that the cooperate governance of India needs to be overwhelmed. The indian Company' Act is further to be amended. Regulatory body like SEBI, RBI, TRAI, etc, should be more empowered and tighten to take quick and prompt action against the guilty entity. The concept of corporate governance hinges on complete transparency. For this, several restructuring measures in Company's regulations are to be made.

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"Don't let the crisis be wasted"

K.A. Felix*

With gloom and doom dominating news and sentiments, it is hard to see anything but pain in the present business scenario in many verticals. The excitement of the boom period has given way to hard-hitting realities. The board rooms swapped the papers of market expansion and employee welfare schemes with programmes for aggressive cost reduction. This situation leaves the business managers in a perplexed situation. Adversities are many and so are the expectations. One thing is for sure-these exceptional circumstances warrant exceptional actions. These days of blues can be a great opportunity to all the Cost Accountants across the country.

Right time to take the driver seat

A dedicated and imaginative cost management accountant can help the enterprise of which he is a part to tide over the turbulent waters and to fortify it against the impending storm.

During the boom time, the top flying executives from the marketing used to be the uncrowned heroes with even 'veto' powers in the company, as they appear to be the 'profit gods'. During recession, it appears that the magic wand of profit generation in their hand has suddenly lost its powers. At this point, the Cost and Management Accountant-whether he is in service or in practice-should leave their comfort zone and move to the challenge zone, so as to control the steering wheel of the enterprise.

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A shift in perspective

Economic slowdown is the time to separate the wheat from the chaff. In the heydays of economy,'good'looks 'great' and 'great' looks 'demigods'. During a downturn, the prevailing ills in the organization, deficiencies and inaccuracies in planning, bottlenecks in the system will become all the more visible. The consumer no longer buys 'nice to have 'goods or services; rather they opt for 'must haves'.

In these trying times, companies need to look beyond traditional forecasting and budgeting systems, which may prove to be inadequate. What is needed is 'scenario planning' where companies stress-test their strategies and processes against a wide range of future scenarios to identify their vulnerabilities. Companies need to move from process driven approach to purpose driven approach, wherein the value addition capacity of each every activity is re-evaluated. Who else other than the Cost and Management Accountant can shoulder this responsibility efficiently?

It's not only about plucking the low-hanging fruits, but a CMA needs to dig deep like a mine worker in the gold mine to extract the invisible value.

Companies need to give a hard look at the cost structure to optimize the same to achieve long term benefits of Cost Management. A detailed multi-slice scanning to be performed for diagnosis at the enterprise level followed by a time-bound action plan with specific targets and accountability at different levels. If a business is unable to optimize its cost base, it may need to think more radically and change the way the business operates in order to unlock value.

New Roles for a CMA

A Cost and Management Accountant should come forward as a leader and key decision maker in the organisation. CMA should assume the responsibilities of operations performance management and ensure enterprise governance in the organisation. He need to think less like an accountant and more like a business manager, operations controller, efficiency auditor, performance score board keeper and finally as an entrepreneur.

We don't have precise road maps before us and the situation vary from industry to industry.yet, being a part of the system; we can sense how things are evolving and identify early symptoms of negative institutional inertia. Then we will have to introspect and re-evaluate the strengths and weaknesses of the organization. A Gravity Diagnostics of the organisation to be conducted before thinking of a change management.

Be ready to go the extra mile

For the Cost and Management Accountants in service-whatever be the post you are holding-it is time to find an extra hour everyday to spend for non-transactional but value adding activities. Like the Edward De Bono's six hat method of creative thinking, where each person involved in the thought process is assuming various roles as the colour of the cap changes, you need to spend that one hour in 'different coloured hats 'to identify the obvious and invisible inefficiencies pertaining and the opportunities for cost improvement. CMA need to stop over-analyzing and start experimenting as an entrepreneur.

Segregating value added and non value added costs

Cost reduction programs are like double edged sword. If not utilized properly, you will be cutting the tree branch on which you will be sitting.

The extra hour spent can be utilized for giving a re-look at each and every activity of the organization so as to identify inefficient, on-value adding and avoidable activities. When we weigh costs and the associated benefits, we may see that many conventional activities followed in the organization are not at all adding any value to the organization. Such costs are to be segregated from the value adding and inevitable activities.

Frantic attempts to cut costs may lead to a holistic approach affecting vital sectors such as product innovation, training to employees, marketing campaign etc.such pruning may hinder the future prospects of the company by obstructing opportunities to penetrate the market and strengthen its foundation. So it is very clear that the segregation of value added and non value added activities has a prominent role to play, from this detailed analysis, enterprise can decide where to cut to what extent.

Bench marking of costs and charting a Cost Reduction program

The next step is to set a reasonable standard for every cost. Such an attempt will motivate to avoid overspends and will act as a measure of future performance. Every penny saved is valuable and this accumulated wealth can be re-channalised towards future oriented activities. Both tactical and strategic options of cost management and cost reduction have to be explored for implementation.

Tactical Cost Management (TCM) refers to actions which bring in immediate and incremental benefits by focus on discretionary spending areas. TCM focus on elimination of very obvious wastages and avoidance of apparently high overheads. This approach will focus more on Selling General & Administrative (SG&A) areas for cost performance improvement. This method is comparatively easy to implement at a shorter time frame with less resources. The benefits also shall be short term in nature. Strategic Cost Management carries out cost reductions that aim to be optimal and sustainable for the company. It reviews processes from beginning to end to identify cost drivers and to optimize the value from the costs incurred.

Strategic Cost Management (SCM) is sustainable efforts perfectly aligned with the long term corporate strategy of the enterprise. SCM evaluates each and every processes and activities to gain long term cost savings through optimization, rationalization, and simplification of procedures and practices. SCM introduce structural changes in different activities after a detailed analysis of value addition of each activity. This method needs lot of in-depth thinking and before it is launched. This method can be more resource hungry than the Tactical Cost Management and requires longer time lines for its successful implementation. SCM also assesses the impacts, risks and sustainability of potential cost reduction actions and identifies those that make strategic sense.

Prepare an action plan

Based on the above critical examination, and with the support of all other major sections in the enterprise, a detailed action plan with milestones for each activity and the accountability can be chartered out. CMA needs to address the issues relating to 'Execution Gap' specifically to ensure the success of the program. Execution Gap is the deviation from original plan to actual implementation. In many organisations, the issue is not the dearth of action plans or programs, but the Execution Gap is the issue. CMAs need to identify the potential road blocks, motivational issues, conflicts, communication gaps and disputes which may hinder the smooth implementation of the plan. He should be successful in getting a buy-in for his plan from the top management and the critical team members before the roll out.

Don't let the crises be wasted

You no longer belong to the class of employees perceived as 'cost to be minimized'; rather a manager thinks about 'Cost Performance Improvement'. Today, enterprises are longing for persons with a little alertness and a knack to gauge business possibilities. You can rose to such a top position in the hierarchy, where you will meet no other predecessor cost accountant. The extent of satisfaction and pride that one feels, when he does something extra is much more valuable than any material achievement and recognition associated. Certainly these gloom days are the best time for any Cost and Management Accountant to create a history in his organisation. Let's chart out an action plan for a sustained and comprehensive enter. Don't let the crisis be wasted.❑

ICWAI Going Global Way - A Head Start in Global Management Accounting Career

S. J. Kumar*

The post industrial revolution era abounds with witnessing of technological innovations which have been the core of economic development and social change. The last decade of the 20th century has experienced dramatic changes in the world's economy. During the last 5 years, leading economists and organizations of the world have discovered the value of this resource, as is evident from the hiring of Indian Finance & Accounting professionals and software professionals in large numbers by MNCs.

You may perhaps agree that with liberalization and globalization, the finance and accounting sector has undergone rapid change and has thrown up numerous avenues for finance professionals. Currently, while large number of MNCs are eyeing their greener pastures in the length and breadth of India, finance and accounting professionals are sought after by every sector and they are being treated as hotcakes by those MNCs and also by Knowledge Process Outsourcing industry.

The global economic recession and day-to-day increased business regulatory compliance have created an increased demand for highly specialized Management Accountants with a broad range of competencies.

In the context of such changing scenario, the news that the Ministry of Corporate Affairs have already cleared the pact of ICWAI signing an MOU with the institute of Management Accountants (IMA), USA, which will pave the way to ICWAI members for direct reciprocal arrangement of granting IMA membership is a welcome sign.

Changing Role of Management Accountants within the Corporation.

As the roles of middle and top level managements are changing nowadays to adapt themselves in the global economic recession, management accountants in corporate sector across the world are also experiencing dual reporting relationship. As a strategic partner and provider of decision based financial and operational information, management accountants are now responsible for managing the business team and at the same time having reporting relationships and responsibilities to the CEOs and CFOs.

With proposals of IFRS adoption uniformly by all business houses globally by 2011, the management accountants are now expected of possessing knowledge base inclusive of formulating strategies in the changing scenario, forecasting, planning and constructing business activities, optimal use of resources through performing variance analysis, reviewing and monitoring costs inherent in the business that have dual accountability to both finance and the business team. Sp?o;Mc task areas, where accountability may be more meaningful to the business management team vs. the corporate finance team, are the development of new product costing, operations research, business driver metrics, sales management scorecarding, and client profitability analysis and plans for safeguarding assets of corporate bodies.

All along, the role of a Financial Accountant is mainly to prepare certain financial reports, reconciliations of financial data and regulatory reporting which has been more useful to the corporate bodies in meeting their statutory obligations. Consequent to the changing economic scenario, CEOs and CFOs of many MNCs admit that the progression of the accounting and finance career path is that financial accounting is a stepping stone to management accounting.

Consistent with the reasonable and acceptable levels of value addition / creation, management accountants help drive the success of the business while strict financial accounting is more of a statutory compliance and historical endeavor basis.

Need for a global Professional Certification in Management Accounting:

To meet these growing requirements and compete with others, a person should be having that competency within him. Having a Professional Certification is always rewarding. A globally accredited Certification will lead to have a faster career growth than those who do not have. The Certified Management Accountant (CMA) designation provides corporate management and individual Members with an objective measure of knowledge and competence in the field of Management Accounting. The CMA designation offered by the Institute of

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Management Accountants (IMA), USA has got international accreditation and IMA has a network of over 60000 Management Accountants worldwide.

The Institute of Certified Management Accountants (ICMA) USA, state "A management accountant applies his or her professional knowledge and skill in the preparation and presentation of financial and other decision oriented information in such a way as to assist management in the formulation of policies and in the planning and control of the operation of the undertaking. Management Accountants, therefore, are seen as the "value-creators" amongst the accountants. They are much more interested in forward looking and taking decisions that will accelerate the future growth of the organization, than in the historical recording and compliance scorekeeping aspects of the profession. Management accounting knowledge and experience can, therefore, be obtained from varied fields and functions within an organization, such as information management, treasury, efficiency auditing, marketing, valuation, pricing, logistics, etc." (Visit IMA at http://www.imanet.org)

Qualified CMAs have opportunities to enter into a spectrum of positions. Some common job titles for management accountants in organizations of all sizes and structure include, Staff Accountant, Cost Accountant, Senior Accountant, Corporate or Division Planner, Financial Analyst, Budget Analyst, Internal Auditor, Finance Manager, Controller, Vice President(Finance), Treasurer, Chief Financial Officer (CFO) ,Chief Executive Officer (CEO).

Students / Qualified professional Accountants, Graduates / Post Graduates in the fields of Finance, Accounting, Commerce & Management of any of the above said programs are eligible to join the CMA program.

(Salary per Annum for CMAs in USS)

Year	Mean	Median	20th percent! le	80th percent! le
2007	101,805	92,000	67,500	125,500
2006	95,268	86,831	65,000	120,000
2005	92,746	84,550	60,500	116,450
2004	91,054	83,000	62,250	114,000
2003	87,108	79,900	58,900	107,000

Salary Survey 2007 - (Courtesy :IMA)

Candidates with a minimum score in the 50th percentile or higher on either the Graduate Management Admission Test (GMAT) or the Graduate Record Examination (GRE) are also eligible.

The CMA program consists of four parts of online exam which can be taken up throughout the year in ICMA's authorized testing centres across the world subject to certain conditions. Professional Accountants as approved by IMA are eligible for Part 1 waiver.

Part 1 of the CMA exam is waived for qualified CWAs as per arrangement of 1C WAI with IMA. More so, students in any stage of 1CWA can pursue Parts 2 & 3 simultaneously and be ready to avail the Part 1 waiver immediately on becoming qualified CWAs. This is due to the flexibility of taking first three parts in any order as per IMA. Part 4 can be done thereafter which would quicken the attaining of the global CMA designation. The ICMA exams are available online throughout the year subject to certain conditions.

The CMA Designation will be finally accorded by the Institute of Management Accountants, New Jersey, USA and CMA holders will have the privileged opportunities of working in multinational companies across the world."

The CMA Value

The CMA certification span practical business knowledge from professional group interaction, business ethics, and information technology to everyday accounting and finance knowledge, including financial analysis, budgeting and forecasting, and cost accounting. The knowledge obtained from the CMA certification will lend itself to professional leadership, strategic business partnerships, and a bright future in management accounting.

CMA certification will

a) Confirms proficiency in the chosen field;

b) Allows to join an elite group of business professionals;

c) Confirms business competency and management skills;

d) Demonstrates commitment to professional ethics and continuous updation of current development in the chosen field; and

e) Charts route to the top.

The opportunities available for CMAs in selected countries are summarized below:

Global careers for CM As

USA	703
India	204
Italy	170
UK	1364
Singapore	131
Germany	1563
Dubai	21
Australia	184
HongKong	14
Japan	129
Switzerland	68

(Positions during March,2009)

Exchange Traded Funds - the cardinal investment option in turbulent times

The global meltdown, international repute firms going bankrupt, fudging of accounting numbers and dubious corporate governance have made equity investing more challenging then ever before. The investors are constantly on a look out for secure and promising bets. Stock picking is not easy as it looks and therefore construction of equity portfolio is imperative. The premise that diversification reduces the risk is beyond doubt. Diversification entails scouting of investment avenues in terms of risk and return. It calls for developing a portfolio of assets or securities in such a way to minimize the risk. The institutional investors like FIIs, FIs, insurance companies, hedge funds and pension funds do have the wherewithal to diversify their investments. The individual investors hardly can match up to the institutional investors in terms of the expertise and also majority of them are not market savvy. In this context, Exchange traded funds (ETFs) come in handy to help out the individual investors in the stock market. ETFs are the safe bets and provide scrupulous diversification. In fact in the developed markets ETFs are the most sought after means of investing in the equities. In India ETFs are yet to catch up the attention of the investors. The National Stock Exchange [NSE] is the first exchange in India to introduce ETFs. The present work discusses the concept of ETFs in totality so as to educate individual investors. The study also seeks to establish / demonstrate the fact as to how ETFs guarantee scrupulous diversification.

Dr. Batni Raghavendra Rao*

Introduction

Investing in equity asset class is risky and complicated. The equity's risk reward proposition varies depending on the market trend. It is more complicated to predict single stock performance over a period of time than drawing judgment on the market as a whole. Therefore, investors do well if they invest in a portfolio of stocks. Diversify or perish is the maxim in the world of finance. However, the individual investors find it hard to understand and practice the portfolio approach to the equity investment. More over, a portfolio which is well diversified becomes obsolete and redundant as time passes by. There is a way out for the individual investors. What is the way out? Here comes the concept, ETFs, the acronym for Exchange Traded Funds.

What is an Exchange Traded Fund?

An **ETF** is an amalgam financial product, a cross between a stock and a mutual fund. ETF is a portfolio or basket of securities that replicates the composition of indices like Nifty, Sensex, NASDAQ 100 etc. Essentially, ETF keeps the track of market indices and hence it is well diversified all the time. ETFs are passively managed index tracking funds listed on stock exchanges. ETF is not a stock or security by itself. It is managed as mutual fund but traded as stock. In fact it derives its value from the value of the underlying stocks comprising the index. As a corollary, the price of ETF depends on the prices of the stocks that are contained in the underlying index.

Index tracking has been widely acclaimed in practice and in theory as a winning strategy for long term investing. It has been the experience that globally, a majority of actively managed funds have under performed their respective benchmarks over a long period of time. In the US, in the last 20 years, an estimated 65-80% of the fund managers have under performed the S&P 500[1].

William Sharpe[2], a Nobel laureate in Economics, believes that all active fund managers together can never outperform the market. Consequently, all classes of investors viz. institutional and retail are increasingly moving towards investing in well-defined indices, which are professionally managed. In fact the largest mutual fund scheme today is an index fund on the S&P 500 managed by Vanguard[3].

ETFs first came into existence in USA in 1993 with the dawn of SPDRs. Currently around USD 720 billion is invested in more than 1100 ETFs globally. The important ones are SPDRs [tracks S&P 500 index], QQQQs [tracks NASDAQ 100 index], iShares [tracks MSCI], TRAHK [tracks Hang Seng Index], Diamonds [tracks DJIA, Dow Jones Industrial Average], Streettrack [ETF owned by the World Gold Council & is listed on the NYSE] etc. The growth of ETF in the global context is given below in the chart 1.

Indian Context:

In India we have eight equity ETFs

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[1] http://www.nse-india.com/content/products/prod_itracking.htm

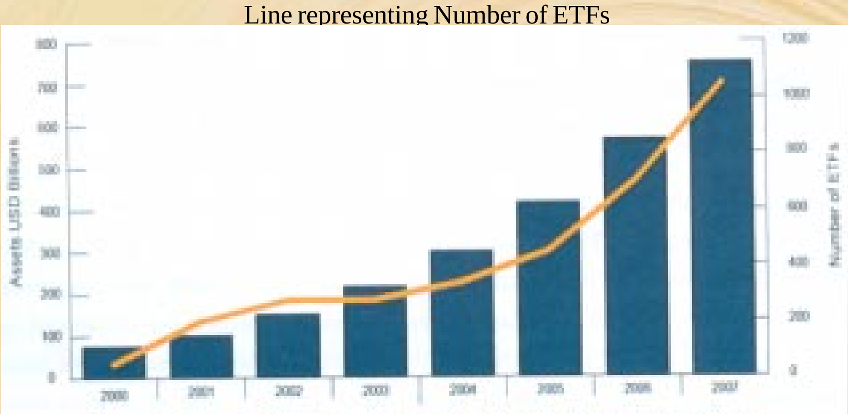
[2] www.funds-sp.com, cited in Benchmark Mutual Fund's Nifty Benchmark Exchange Traded Scheme, FAQs

[3] Ibid

Chart 1: Global Listed ETF Growth

Rectangular Bars represent ETFs Asset

Line representing Number of ETFs



Source: Morgan Stanley Investment Strategies/Bloomberg, Q3 2007

Table 1: ETFs Launched on National Stock Exchange[4]

ETFs	Benchmarks	Maintained by	Trading Begun
NIFTY BEES	Nifty	Benchmark MF	Jan 8th 02
JUNIOR BEES	Nifty Junior	Benchmark MF	Feb 21st 03
UTI SUNDER	Nifty	UTI MF	July 16th 03
BANK BEES	CNX Bank Index	Benchmark MF	May 26th 04
PSUBNK BEES	CNX PSU Bank Index	Benchmark MF	Nov 1st 07
KOTAK PSU BANK	CNX PSU Bank Index	Kotak MF	Nov 16th 07
RELIANCE BANK	CNX Bank Index	Reliance MF	June 27th 08
QNIFTY	Nifty	Quantum Asset Management Pvt Ltd	July 18th 08

Source: Compiled from NSE **India website, www.nseindia.com**

on National Stock Exchange. The various ETFs available for trading in India are tabulated in the following table.

Nifty BEES is the first ETF to hit the Indian capital market. It is the most popular ETF. Nifty BEES won the Golden Peacock Award[5] in the 'Most Innovative Financial Product in 2002-03 Category' given by the Institute of Directors (IOD), Delhi. It also got 'Best Performing Mutual Fund of the Year 2007 award in the Index Fund Category' at the CNBC - TV 18 - Crisil Mutual Fund of the Year Award 2007[6]. It is managed by the Benchmark Asset Management Company (BAMC). Incidentally, with this listing, India has become the first emerging economy in Asia to launch an ETF. BAMC made a maiden public issue [December 2001] for Nifty BEES and collected Rs 21 crores. Nifty BEES's bench mark is the Nifty index and hence the investment in Nifty BEES is as good as investing in the nifty constituent (50) companies. Nifty BEES ensures investment in well diversified and large cap blue chip companies from across over 20 industries. UTI SUNDER and QNIFTY also bring in the same diversification as the benchmark is the Nifty index. Junior BEES is benchmarked to the Nifty Junior index which contains midcap, promising and growth potential companies from across various sectors. Bank BEES, PSU Bank BEES, Kotak PSU Bank BEES and Reliance Bank BEES are sector specific ETFs.

Concept and operation of ETFs:

The fund or the sponsor conceives the idea of ETF and launches by offering the units against the basket of shares of the underlying index. The creation of units in kind [by exchanging equivalent amount of the underlying securities/shares] and the redemption of creation units are done at the institutional level. The trading of ETF units is carried via stock exchange. The working mechanics is captured in the following chart.

Why ETFs?

1. Risk Containment: Unsystematic risk almost reduces to zero because of luminous diversification. Especially in case of Nifty BEES/UTI SUNDER/ QNIFTY, the investment goes among top 50 companies spreading across over 20 industries. In comparison to a stock, an investment in an ETF index product provides a diversified exposure to the market. Depending on the index, investors may obtain exposure to countries/ markets or sectors. For example, if the investor is looking for exposure in quality banking stocks, he/ she may invest in Bank BEES. On the other hand, if the mid cap stocks are to be bought, then go for Junior BEES. As per the findings[7] of the "India Household Investors Survey-2004", the mutual fund industry has shifted its focus towards corporate investors and high net worth individuals and stay away from individual investors. Therefore, for the individual investors, so far as diversification is concerned, the way out is ETFs.

2. Versus Futures: Another advantage[8] of ETFs in comparison to

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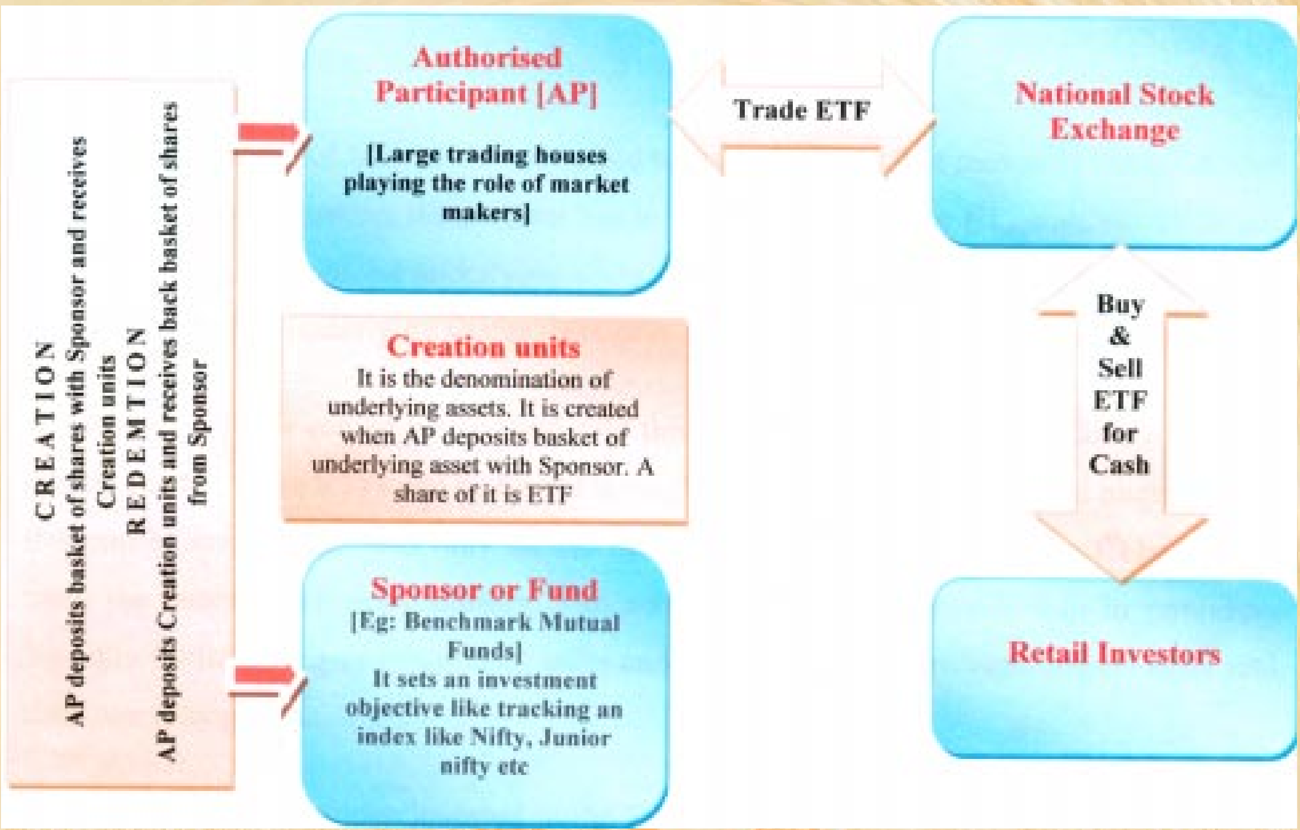
[4] The table contains only equity ETFs and does not contain commodity ETFs like Gold ETFs and money market ETF like Liquid BEES as the scope of the article is equity related ETFs. On NSE, the listed Gold ETFs are: Gold BEES, Gold Share, Kotak Gold, Reliance Gold & Quantum Gold.

[5] http://www.benchmarkrunds.com/ niftybees.cgi

[6] Ibid

[7] Mutual Funds 2005 Special, "Why Mutual Funds are Nobody's Favorite", *Chartered Financial Analyst*, June 2005, p.65

Chart 2 : Concept and operation of ETFs



futures is that the trading lots are smaller than that in the case of futures where the minimum contract size is in the range of Rs. 50,000 to Rs. 2,00,000 (Depending on the market price of the underlying and on mini or normal size of futures contracts). More over there is a need to keep track of all the margins (maintenance and additional) which an investor has to pay in case of futures contracts.

3. Arbitrage: Price of ETF is always linked to its underlying & it moves in the same way as its underlying. However the investor has to note the fact that the ETF unit's NAV is not the same as the price of the underlying share although the liquidity of the ETF is related to the liquidity of the underlying shares. Investors can actually arbitrage between the two.

4. Liquidity: ETFs can be bought and sold throughout the trading day unlike the units of mutual funds. Since ETFs can be traded through the day - unlike open ended mutual funds that can be bought and sold only on the basis of the day's closing NAV - ETFs tend to track the index much more closely. The authorised participants also help in providing liquidity by involving in creation of units and cash. Designated market-makers offer real time two-way prices.

5. Transparency: A rupee invested in the ETF can be tracked easily and there is no hide and seek. The fund managers provide the list of securities that make up the index. The market prices can be racked on real basis as the ETFs are listed on stock exchanges. The NAV of the fund is available on real time basis.

6. Low tracking error[9]: In case of a normal index fund a proportion of assets must be held in cash to meet redemptions. But in case of ETFs, this is not the case as the redemption is in kind. Authorised Participants can exchange their units for a basket of index shares instead of cash for units redeemed. Consequently, ETFs enjoy low tracking error compared to open-end index funds. As per the Benchmark Funds report[10], tracking error in case of Nifty BEES is the lowest. This is evident from the following chart.

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[8] Janaki Krishnan & Nikhil Lohade, "Futures wary? Turn to ETFs", http: www.business-standard.com/search/ storypage_ new. php? leftnm= Imnu6 & leftindx=6&Iselect=9&autono=153649

[9] Tracking error is the difference in total return between n ETFs net asset value (NAV) and its underlying index for the period.

[10] Benchmark Fund Report on Nifty BEES, P. 6

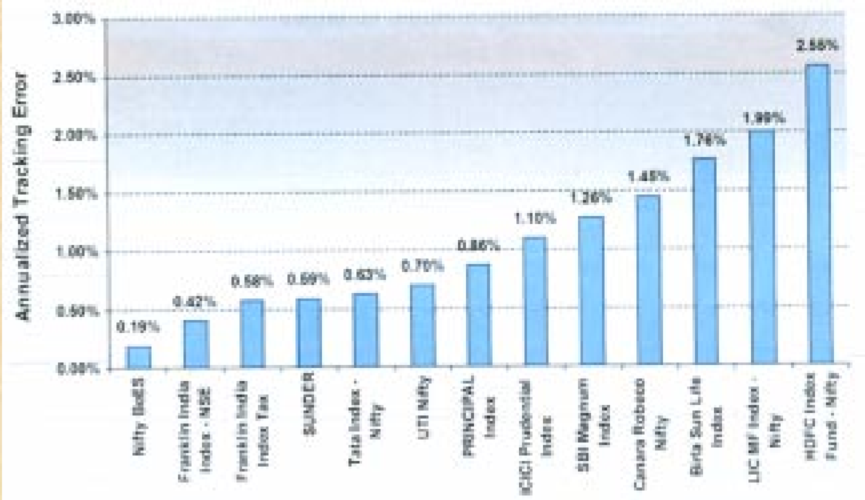
7. Versus Open ended mutual funds [OPMF]: Prices of ETFs are available on real time basis unlike OPMF, where the prices are announced on daily basis. Similarly, the portfolio disclosure is on real time basis but not on monthly basis. Intra day trading is not possible in case of OPMF and very much possible in case of ETFs. More or less the story is same for the closed ended mutual funds also and hence ETFs score over both types of mutual funds.

8. No Bias and Passive approach: In case of ETFs, the fear of "Fund Manager Bias" is totally absent as the ETFs are passively managed. Therefore, ETFs provide objective approach to the investment. In US, all relevant fiduciary standards (the 1974 Employee Retirement Income Security Act, the 1994 Uniform Prudent Investor Act, the 1997 Uniform Management of Public Employee Retirement Systems Act, the 2006 Uniform Prudent Management of Institutional Funds Act, etc) have embedded language suggesting that passive investment strategy as the appropriate implementation of a fund's investment policy[11].

9. Expense ratio: It is the out of pocket expense or management fees of fund houses. The expense ratio is the lowest in case of ETFs. In case Nifty BEES, it is just 0.5 % p.a[12]. The following Morgan Stanley report provides the comparative statistics as regards expenses ratio across products.

10. Auto Adjustment and refinement: When there is change in the constituents of the index, immediately the ETF benchmark will get automatically adjusted. And thereby, the quality stocks come in and non-performing stocks exit ensuring continuous refinement of the benchmark. The recent example is Satyam Computers, which exited the Nifty index making way for Reliance Capital.

Chart 3: Tracking Error across the products



Source: Mutual Funds India Explorer, cited in Benchmark Fund Report dated 31/8/08

Table 2: Total Expense Ratio

Funds Type	Straight Mean Average	Weighted Average
Actively Managed	2.11%	1.75%
Index tracking	1.16%	0.96%
ETFs	0.51%	0.41%

Source: Morgan Stanley Report

11. Insulates long term investors from short term trading activity: Unlike open-ended mutual funds, ETFs ensure the long term investors do not bear the short term trading costs. This is due to the fact that in ETFs the individual investors buy or sell ETF shares at the market price from the exchange and not from the fund directly. The authorised participants transact with the fund in 'in-kind' form called as creation units. The authorised participants resort to arbitrage when the market price of ETFs move away from their NAV and this ensures that the market price and the NAV of the ETFs move in tandem.

Wrap up: In the present day context, equity as an asset class is posing all the challenges to the investors. The investment climate is characterized by corporate fiascos, fudging of accounting figures, poor corporate governance standards and lack of investor confidence. Having said that, the equity as an asset class can outperform in the long run. There is no fool proof mechanism by which individual corporate houses can rightfully be appraised for making investment. The maxim, don't put all eggs in one basket is more relevant now than before. Diversification is the remedy. But the individual investors are ill organized and not decisive. In this backdrop, the ETFs come in handy.❑

[11] Armstrong III, Frank, 'The Fiduciary's Default Investment Choice', *CPA Journal*, Nov 2008, Volume 58 Issue ll,p46-47, 2p

[12] Benchmark Fund Report on Nifty BBBS, P-6

Business of Today and Business Intelligence

"Competing in the flat world"

Enterprises across the globe, irrespective of the industry in which the operate, are all under going major transformations due to impact of several major disruptions that are happening across all the facets of an organization's endeavor. Advancement in Information Technologies is providing the necessary capabilities and promises to enterprises for meeting these challenges. In this concluding and second part of series on Business of Today, two other key reason of disruptions viz., Performance Measurements and Conformance Management are described.

Sarma M.V.K*

Introduction

Today enterprises are at the threshold of dramatic shift in the way businesses are organized, operate, innovate and create value. Due to changes in the business environment, management thinking and information technology, there are distinct shifts in the working of companies and how they are surviving and growing. The key disruptions, which are making many of the current assumptions invalid, are:

- The trends in globalization, which is leading us to a "borderless world"
- With fickle brand loyalties and wafer thin margins, enterprises need to constantly need to bring in sophistication in measuring their performances both in tangible and non tangible areas
- With corporate scandals on rise, Governments and regulatory bodies including communities are imposing stricter regulations for companies to comply with, which companies need to take it seriously if they need to survive and grow.
- What is constant is "change". What is more alarming now is the rate of change. Across all industries both the external and internal business environment the rate of change is extreme, which is forcing companies to constantly bring in changes to their operations to bring in alignment across people, process and technologies.

The stresses and strains that every company is undergoing today can be attributed the following categories of disruptions viz., Globalization, Performance Management, Conformance Management and Business environment. This article focuses on Performance Measurements and Conformance Management, the other two already covered in the May 2009 issue.

Disruption 3: Performance Measurements

The use of performance measures in business is hardly new. Companies have been measuring costs, quality, quantity, cycle time, efficiency, productivity, etc., of products, services, and processes as long as ways to measure those things have existed. What is new to some extent is having those who the work determine some of what should be measured in order that they might better control, understand, and improve what they do.

Performance measurement is primarily managing outcome, and one of its main purposes is to reduce or eliminate overall variation in the work product or process. The goal is to arrive at sound decisions about actions affecting the product or process and its output. Performance Measurement can be best understood through considering the definitions of the words 'performance' and 'measurement' according to the Baldrige Criteria:

- Performance refers to output results and their outcomes obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance can be expressed in non-financial and financial terms.
- Measurement refers to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Performance measures might be simple (derived from one measurement) or composite

Thus simply stated, performance measurement is about measuring results. It is the process of seeking "real-time" answers to the question: "Are we getting what we expect at an acceptable cost?" The reason why we measure is to learn what is happening, in order to identify problems, make corrections, and demonstrate successes internally as well as externally. The key benefits of doing measurements are to:

- Set benchmarks for improvements
- Forms the basis for reward, recognition and promotions
- Forms the basis of deciding on the learning programs
- Basis of evaluating the efforts put in.

The following are the key reasons why conventional performance measurements fail:

- In the traditional monthly operations review, senior management spends an inordinate amount of time discussing the financial results for the previous month or quarter.
- In addition, there is usually a lengthy review of the budget versus actual expenditures.
- What's more, managers at different levels are expected to answer questions about variances and shortfalls, even though many such explanations end up being pure guesswork.

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- Traditionally, monthly operations reviews rarely result in systematically changing the company's future performance because the operations review process does not connect and coordinate strategy with operations and achieve lasting cost improvement results.
- In many a case the managers are seeking to satisfy standards that fail to incorporate all of the real drivers of business success. Business process improvement is sacrificed because the performance measurement system does not work effectively.
- As rightly identified and observed by Robert Kaplan and David Norton , the authors of the famous "Balanced Scorecard" methodology, companies are too narrowly focused towards short terms financial goals and losing sight of the long terms growth levers.

  With the rise of intense and fierce competition companies need to measure, monitor organization performance beyond the traditional measure. They key changes recommended are:
- Focus needs to on intangibles and not just tangibles. Intangibles like customer loyalty, employee morale play a far more significant role in improving the successes of company are getting more important.
- Organizations need long term growth as well as short term financial goals simultaneously
- There needs to be a more structured and formalized methodologies like Balanced Scorecard etc. for performance measurements.
- Senior Management must audit the performance measures not for accounting accuracy, but for usefulness, logic, and value in understanding performance.
- Ensure there is a tight logical linkage between the strategic and operational success of the enterprise and the measures that get attention from senior management and the board.

Disruption 4: Conformance Management

As described by Dan Tapscott in his book on "Naked Corporations", there is a very powerful and silent force that is building up which is called "transparency", which is just not limited to financial information. People today have unprecedented access to corporate behavior, operations and performance. Armed with IT and tools people can get any kind of information about a company. Organizations are getting stripped ..."NAKED". The key trends are:

- Customers are getting more discerned / choosy and are deciding the worth before making payments
- Employees share all the information about the company strategy, policies, products etc with other more freely than ever.
- Companies need to share intimate knowledge with partners for ensuring success.
- Investors today who own majority of the enterprises have an x-RAY vision on the investments they have made and demanding the same from companies
- Instant communications is making news spread very fast, with the whistleblowers, communities, government demanding more from companies.

Thus companies now have no choice but to rethink on their values and behavior. Companies need to be honest, accountable and be more open.

The other important business compulsion that is arising is the number of regulatory compliance procedures that organizations need to be comply with. With the debacles of Enron, and WorldCom, countries like the USA have passed stringent regulatory laws like the Sarbanes Oxley Act, which mandates that companies are more careful and responsible in financial reporting. Other countries are also following the suit in tightening the regulatory needs.

Companies need to not only comply to the regulatory needs but also need to comply to various other specific regulatory compliances as imposed by state & federal agencies. Thus conformance management is becoming an important issue to tackled right from the top management

Conclusion and Summary:

All of the disruptions discussed thus far viz., Globalization, Business Environment, Performance Measurements and Conformance Management do have a profound impact on the way business operate, perform and add value. In this climate, companies that work "smarter" have a competitive advantage. Rather than react to crises and opportunities, these organizations anticipate them. They also see and capitalize on opportunities before the competition; identify and resolve problems before they escalate into crises; and reengineer internal processes, products, and services to enhance customer satisfaction and loyalty.

The common underlying factor that can enable companies to be "smarter" is "Information technology". The advancements in the computing power, software, and communications have made great in roads into the working nature of every professional and hence every task that a company performs. This leads to understand that primarily business to succeed need to work on three important flows viz., the material and or service, money flow and information flow. Of these three flows, the most important and common flow is obviously the information flow. Companies to succeed in this hyperactive business scenario need to have a cogent strategy to capture, analyze and leverage on information. Companies are getting more and more linked and dependent on their fundamental abilities to collect, analyze and decide on information for their sustenance and success. Companies desperately need what is called as "single version of truth".

Today there exists a separate class of enterprise applications called "Business Intelligence applications "which can help companies become "smarter".❑

Management of Non-performing Assets of Commercial Banks in India

Dr. Jaynal Ud-din Ahmed*

Introduction:

The Non-Performing Assets (NPAs) of banks is a brought forward legacy accumulated over the past decades, when prudent norms of banking were unoccupied relaxing by the radiance of security provided by government ownership. It is not wrong to have pursued social goals, but this does not justify relegating banking goals and fiscal discipline to the background. But despite this extravagance the malaise remained invisible to the public eyes due to the practice of not following transparent accounting standards, but keeping the balance sheets vague. In the milieu of the complex changes when the dilemma of bank's NPA was gradually recognised for the first time at its peak velocity during 1992-93, there was resultant uproar and confusion. As the problems in large magnitude exploded unexpectedly commercial banks were unable to analyze and make a realistic or complete assessment of the prevailing situation. The partial perceptions and hasty judgments led to a policy of ad-hoc-ism, which characterised the approach of the authorities during the last two-decades towards finding solutions to banking ailments and dismantling recovery impediments. Repeated correctional efforts were executed, but positive results were evading. The problem was challenging a positive solution.

The level of NPAs of the Indian banking system are now comparable to several advanced economies and significantly lower than several economies in the Asian region. RBI rates reduction in NPAs is one of the major achievements of the Indian banking sector in recent year. But still the Indian banking sector is facing a serious problem of mounting quantum of NPAs which are to the tune of Rs. 38,974 crores in March 2007. The earning capacity and profitability of many banks and financial institutions has been adversely affected by the high level of NPAs. The reduction of NPAs in banks is posing the biggest challenges in the Indian economy. It affects the liquidity, profitability and equity. The gross NPAs in Indian banking sector have declined sharply close to 3.0 per cent and the net NPAs of the banking sector are now at close to one per cent and the gap between the gross and net NPAs has narrowed over the years. The recovery of dues is also more than the fresh slippages.

The decline in NPAs is particularly significant as income recognition, asset classification and provisioning norms were tightened over the years. For instance, banks now follow 90-day delinquency norm as against 180-day earlier. An asset is now treated as doubtful if it remains unpaid for more than 120 days instead of 180 revised days earlier. The banks are also required to make general provisioning (0.40 per cent) for standard advances, barring banks direct advances to agricultural and small and medium sector. The general provisioning requirement is 1.0 per cent for certain sensitive sectors.

According to Reserve Bank of India, improved profitability, underpinned by robust macro-economic environment and upturn in interest rate cycle, has enabled banks to reduce the backlog of NPAs. Although asset quality in the banking system has improved considerably over the years, commercial banks need to guard against any deterioration of credit quality, particularly in the wake of significant expansion of credit. RBI feels that banks need to have a comprehensive system in which the process of risk monitoring is combined with proper risk assessment. This would entail creation and maintenance of an appropriate data base on risk assessment and credit extended, which would be required to be updated periodically. With this backdrop, an attempt has been made in this article to examine the management of NPAs by commercial banks in India.

Studies Reviewed:

There exists some cross country studies on asset quality and NPAs of commercial banks. Shu (2002)[1] observed that bad loans as a proportion to total loans of banks decrease with high economic growth in Hong Kong. Gambera (2000)[2] used a bivariate VAR technique and found that firm income and state annual product have significant influence on bank loan quality in US. Recently some studies investigated the feedback effect from the banks to the real economy. Marcucci and Quagliariello (2005)[3] validated the cyclicality of write-offs to total loans for Italian banks. Hoggarth, Sorensen and Zicchino (2005)[4] observed cyclicality of aggregate write-offs in UK banks. Baboucek and Jancar

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(2005)[5] found no corroboration of the cyclicality of NPAs but conform pro-cyclicality for banks in Czech economy.

In Indian milieu, there have been large empirical literatures on the causes of NPAs in Indian banking sector. However some studies relating to NPAs are mentioned to pinpoint the importance of the study. Rangarajan (1991)[6] pointed out that improving the quality of loan assets is the true test of improved efficiency of banking system. Taori (2000)[7] dealt with the NPA management of banks and stated that surest way of containing NPAs is to prevent their occurrences. He suggested proper risk management, strong and effective credit monitoring, co-operative working relationship between banks and borrowers etc should be tenets of NPA management policy. The similar opinion has been echoed in more recent work by Battacharya (2002)[8]. In order to root out the NPA problem, Banmali (2001)[9] suggested a multi-frontal attack to the problem involving all the concerns staff members in the field up to the grass root level as well as in the controlling points. A number of studies viz, Ranjan and Dhal (2003)[10], Harpreet and Parricha (2004)[11], Ramkrishna and Bhargavi (2004)[12], Singh (2007)[13] etc agreed that the asset quality of commercial banks has improved considerably due to reform package. Raul (2004)[14] suggested that an appropriate set of substantial financial sector regulation clarity including changes in tax laws is imperative for the banking system to get rid off NPAs as well as QIBs to look forward to the investment opportunity. Ghosh (2006)[15] studied the management of NPAs with reference to Mugberia Central Co-operative Banks and Tamluk Ghatal Central Co-operative Bank Ltd. They found that these banks were not successful in restricting the level of NPAs and suggested for changing the character from NPAs to Performing Assets. Rajender and Suresh (2007)[16] in a case study examined the quality of loan assets of Indian banking and suggested some of the practical strategies to make Indian banks more viable by managing the level of NPAs. An assessment on the causes and consequences of NPAs of commercial banks, by Rajesham and Rajender (2007)[17], concluded that a strong political will only be able to find satisfactory solution to the problem of mounting NPAs.

Objective of the Study:

The objective of the proposed study is to examine the management of NPAs of the commercial banks in Indian context. The specific objectives are as under-

1. to study the nature and growth of NPAs of commercial banks over the years.
2. to study the asset portfolio and NPA composition of bank groups.
3. to study the recovery and provisions of NPAs of commercial banks.
4. to suggest strategies for better management of NPAs of banks on the basis of the analysis.

For this purpose bank group-wise scheduled commercial banks operating in India viz, PSBs, private sector banks and foreign banks, have been considered. An attempt has also been made to cross-section analysis of NPAs of bank groups. The relevant data have been collected from secondary sources only. The sources of secondary data are financial statements compiled by the banks, RBI Bulletins, Report on Trend and Progress of Banking in India, Report on Currency and Finance, RBI Annual Reports and various surveys. The statistical and financial techniques have been used to examine the management of NPAs of banks.

Magnitude of NPAs of commercial banks:

Commercial banks in India in general suffer a tendency to minimize their NPA figures. There is the practice of 'ever-greening' of advances through understated techniques. It has been reported that the banking industry has under-estimated its non-performing assets by whopping Rs. 3,862.1 crores as on March 1997. The industry is also estimated to have under-provided to the extent of Rs 1,412.29 crores. The nationalized banks along-with the state bank of India and its associate banks have underestimated their NPAs by Rs 3,029.29 crores. Such deception of NPA statistics is executed through various ways. Among these, non-identification of NPAs as per stipulated guidelines eg, `sub-standard' assets classified as `standard', wrong classification of NPAs eg, classifying a `loss' asset as a `doubtful' or `doubtful' asset as a `sub-standard' asset, avoiding prudential norms etc.

Thus, the high level of NPAs is prevalent to the Indian financial sector and reflects country's poor bankruptcy laws. The gross NPA of the banking system amounted to Rs. 60,841 crores for 2000-01, a little over 16 per cent of the total assets of nationalized banks. During 2001-02 nationalized banks have recorded a collective growth of 130 per cent in net profits besides fresh NPAs added during the year more than double of those added in the previous fiscal. The gross NPAs of scheduled commercial banks in absolute term reduced to Rs. 50,486 crores in March 2007 from Rs. 50,519 crores in March 2006. The net NPAs of banks in 2006-07 stood at Rs. 20,100 crores compared to Rs. 18,265 crores in 2005-06 and Rs. 17,435 crores in 1999-00. This has been largely possible because of the huge provisioning that most of these banks could make as a result of growth in treasury income and, therefore profits. The table-1 exhibiting net NPA as a percentage of net advances reveals that though NPAs maintained a declined trend across all segments of banking sector but PSBs are clearly worse off as compared to private and foreign banks. The reasons of decline of NPAs to total assets may be attributed to change in the composition of assets in favour of investment in government and other approved securities and the banks unwillingness or inability to assume higher exposure to small and medium enterprises.

It may not be possible to track exposure to this category as RBI has clubbed the sectoral deployment of credit to small and medium enterprises with large ones. The RBI Annual Reports (2000-01)[1] , revealed the bank's exposure which was 14 per cent in non-food gross bank credit in 2000, compared to the sectors share in industrial output of 40 per cent. This indicates that with more banks' exposure in respect of volume of business, the magnitude of NPA is increasing that has warranted an efficient management of bank's NPAs. The magnitude of NPAs have a direct impact on banks profitability as legally they are not allowed to book income on such accounts and at the same time banks are forced to make provision on such assets as per RBI guidelines.

The Composition of NPAs of Commercial Banks:

The problem of high level of NPAs eroding the profitability of banks is not confined to PSBs alone, but it is equally present in the private sector banks and foreign banks too. The problem is multidimensional and unless the same is checked and the NPA level is brought down to the international standards, it is bound to weaken the banking system. A major stumbling block for the banks to reduce their NPAs has been the prevailing legal system in the country. The following paragraphs present asset classification of bank-groups viz., PSBs, private sector banks and foreign banks.

Asset Classification of Public Sector Banks:

The following table -2 demonstrates the position of NPAs of Public Sector Banks (PSBs) during 2000-2007. The table unfolds that the proportion of total NPAs to total advances declined to 2.7 per cent in March 2007 from 14.0 per cent in March 2000. During the same period, the proportion of doubtful assets declined from 8.0 per cent to 1.4 per cent, sub-standard assets from 4.3 per cent to 1.0 per cent, loss assets from 1.7 per cent to 0.3 per cent. The rate of decline was significant in case of doubtful assets during the period under consideration. However, the standard assets as per cent of total advances increased to 97.5 per cent in March 2007 from 84.1 per cent in March 2000.

It has been observed that the doubtful assets are the biggest contributor to the quantum of NPAs of PSBs, although the rate of NPA reduction was prominent, during the period under consideration.

Asset Classification of Private Sector Banks:

An attempt has been made hereunder to examine the position of NPAs of private sector banks in India. For this purpose only old private sector banks has been considered. The table-3 demonstrates the position of asset classifications of old private sector banks during 2004-2007. The table clarifies that the proportion of total NPAs to total advances declined to 3.1 per cent in March 2007 from 7.6 per cent in March 2004. During the same period, the proportion of doubtful assets declined from 4.7 per cent to 1.9 per cent, sub-standard assets from 2.0 per cent to 0.8 per cent, loss assets from 0.9 per cent to 0.4 per cent. However, the standard assets as per cent of total advances increased to 96.9 per cent in March 2007 from 92.4 per cent in March 2004. The doubtful assets are remained as the biggest contributor to total NPAs of private sector banks during the period under consideration.

Asset Classification of Foreign Banks:

The table–4 exhibits the position of asset classifications of foreign banks operating in India during the period 2004-2007. The table elucidates that the proportion of total NPAs to total advances declined to 1.9 per cent in March 2007 from 4.8 per cent in March 2004. During the same period, the proportion of doubtful assets declined from 1.8 per cent to 0.5 per cent, sub-standard assets from 1.6 per cent to 1.1 per cent, loss assets from 1.5 per cent to 0.3 per cent. However, the quantum and percentage share to total advances of performing assets viz, standard assets has been increased in case of foreign banks. It may be inferred that the foreign banks are doing well in managing their level of NPAs in the reform regime. The fact has been clear from their loan exposure to priority sector (33.4 per cent of net bank credit in March 2007), credit deposit ratio, return on assets, capital adequacy ratio (12.4 per cent in March 2007) etc.

The profile of assets portfolio and the extent of NPAs of commercial banks have improved during 2000-2007. The supervisory strategy of the banks has undergone a change during this period,

Table-1

NET NPA AS PERCENT OF NET ADVANCES

As on March	Scheduled Commercial banks	Public Sector banks	Private Sector banks	Foreign banks
1997	8.1	9.2	5.4	1.9
1998	7.3	8.2	5.3	2.3
1999	7.6	8.1	7.4	2.9
2000	6.8	7.4	5.4	2.4
2001	6.2	6.7	5.4	1.9
2002	5.5	5.8	5.7	1.9
2003	4.4	4.5	5.0	1.8
2004	2.9	3.0	2.8	1.5
2005	2.0	2.1	1.9	0.9
2006	1.2	1.3	1.0	0.8
2007	1.0	1.1	1.0	0.7
Covariance	5.44	6.92	3.51	0.37

Source: *Report on Trend and Progress of Banking in India 2006-07*

Table-2

ASSET CLASSIFICATION OF PUBLIC SECTOR BANKS AS ON END MARCH

Categories.	2000	2001	2002	2003	2004	2005	2006	2007
1.Total advances	3,80,077 (100)	4,42,137 (100)	5,09,368 (100)	5,77,812 (100)	6,61,975 (100)	8,70,851 (100)	11,34,724 (100)	14,64,493 (100)
A. Total standard assets	3,26,783 (84.1)	3,87,360 (86.0)	4,52,862 (88.9)	5,23,724 (90.6)	6,10,435 (92.2)	8,24,253 (94.6)	10,92,607 (96.3)	14,25,519 (97.5)
B. Total NPA	**5,3291 (14.0)**	**54717 (12.3)**	**56507 (11.1)**	**54089 (9.4)**	**51541 (7.8)**	**46597 (5.4)**	**42117 (3.7)**	**38,974 (2.7)**
(a)Sub standard assets	16361	16405	15788	14909	16909	10838	11453	14275
(b)Doubtful assets	(4.3)	(3.7)	(3.1)	(2.6)	(2.6)	(1.2)	(1.0)	(1.0)
	30535	31535	33658	32340	28756	29988	25028	19673
(c) Loss assets	(8.0)	(7.1)	(6.6)	(5.6)	(4.3)	(3.4)	(2.2)	(1.4)
	6398	6837	7061	6840	5876	5771	5636	4826
d) Advances with	(1.7)	(1.50	(1.4)	(1.2)	(0.9)	(0.7)	(0.5)	(0.3)
balances less than Rs. 25,000	NA	NA.	NA	NA	NA	NA	NA	NA

Note : [(i) *Figures in the parenthesis indicate percentage to total advances.* (ii) *NA = Not available*]

Source: *Report on Trend and Progress of Banking in India 1999-2000, 2006-07.*

moving from opacity towards transparency. A positive externality of the reform process has been building up the institutional architecture in terms of market, and creation of enabling environment through technological and legal infrastructure and improving managerial competence etc.

Frequency Distribution of NPAs of Commercial Banks:

A comparative chart of frequency distribution of net NPAs of PSBs vis-à-vis other private sector banks and foreign banks is presented in table –5. The table revealed that in 1995, 10 out of 27 PSBs had accounted net NPAs of more than 20 per cent of their advances. While other 2 placed in below 10 per cent and 15 banks were within 10- 20 per cent net NPA category. The position, however, had undergone a sea change in the later period where in all PSBs ie, 27 banks achieved the target of net NPAs less than 10 per cent and none of the PSBs found within the category of above 10 per cent of net NPAs during 2007.

The position of private sector banks in this context is better as there are no banks found in the category of above 20 per cent net NPAs of their advances except only one old private bank out of 31 private banks had NPAs more than 20 per cent of its net advances during 2001-03. During 1995-2007, no new private banks had NPAs above 10 per cent whereas considerable number of foreign banks attained net NPAs above 20 per cent of their advances.

Table-3

ASSET CLASSIFICATION OF OLD PRIVATE SECTOR BANKS AS ON MARCH

Asset Classification	2004	2005	2006	2007
1. Total Advances	57,908 (100)	70,413 (100)	85,154 (100)	94,872 (100)
2. Total NPAs	**4,392 (7.6)**	**4,201 (6.0)**	**3,740 (4.4)**	**2,969 (3.1)**
A. Standard Assets	53,516 (92.4)	66,212 (94.0)	81,414 (95.6)	91,903 (96.9)
B. Sub-standard Assets	1,161 (2.0)	784 (1.1)	710 (0.8)	760 (0.8)
C. Doubtful Assets	2,727 (4.7)	2,868 (4.0)	2,551 (3.0)	1,783 (1.9)
D. Loss Assets	504 (0.9)	549 (0.8)	479 (0.6)	425 (0.4)

Figures in the parentheses indicate percentage to total advances

Source: *DBS Returns (BSA) submitted by respective banks.*

Table- 4

ASSET CLASSIFICATION OF FOREIGN BANKS AS ON MARCH

(Amount Rs in crores)

Asset Classification	2004	2005	2006	2007
1. Total Advances	62,632 (100)	77,025 (100)	98,965 (100)	1,27,872 (100)
2. Total NPAs	3,013 (4.8)	2,320 (3.0)	2,057 (2.0)	2,419 (1.9)
A. Standard Assets	59,619 (95.1)	74,705 (97.0)	96,907 (98.0)	1,25,453 (98.1)
B. Sub-standard Assets	990 (1.6)	715 (1.0)	946 (1.0)	1,367 (1.1)
C. Doubtful Assets	1,099 (1.8)	1,035 (1.3)	670 (0.7)	605 (0.5)
D. Loss Assets	924 (1.5)	570 (0.7)	441 (0.5)	447 (0.3)

Figures in the parentheses indicate percentage to total advances

Source: *DBS Returns (BSA) submitted by respective banks.*

It could be inferred from the analysis that the PSBs are continuously improving their operation in the reform regime as there is no bank with net NPAs above 20 per cent of their advances during 2007. It is also evident that, by introducing 'net concept', RBI succeeded notably i.e., the number of banks, showed low level of NPAs; however this may not be considered a genuine progress in the financial strength of commercial banks as a whole.

Non-Performing Assets and Priority Sector Lending:

The sector-wise analysis of NPAs of public sector commercial banks revealed that priority sector added up a large proportion about 46.4 per cent (Rs.21, 184) of total non-performing advances in March 1998 and swelled to 59.5 per cent (Rs.22, 954) in March 2007. In the non-priority sector, the same has been reduced to 39.3 per cent (Rs.15, 158) in March 2007 from 50.6 per cent (Rs.23, 107) in March 1998. An extremely negligible fraction of NPAs ie, 1.3 per cent of non-performing advances of PSBs are contributed by public sector throughout the period under consideration.

An analysis relating to the percentage change of NPAs over previous years revealed that the fresh accretion of NPAs in the priority sector is still prevailing. In case of priority sector NPAs, percentage change over previous year becomes positive throughout the period except 2003 to 2005. However, the accumulation of fresh NPAs in non-priority sector advances has been contained. The overall fresh accretion of NPAs of PSBs has been controlled which is reflected from the position of percentage change of NPAs over previous years. In March 1999, the same was 13.26 per cent addition over previous year, has appeared a negative figure of –3.03 per cent in March 2003 and further – 8.70 per cent in March 2007. The table - 6 presents the sector-wise NPAs of banks.

In order to assess the contribution of priority and non priority and public sector advances in the volume of NPAs, we have calculated 'r' between NPAs (a), priority sector advances (b), non-priority sector advances (c) and public sector advances (d). The results are summarized here under–

The analysis explores the existence of positive 'r' values between the variables. The correlation co-efficient (0.312) between NPAs and public sector are not statistically significant at 1 per cent and 5 per cent level of significant at 7 degree of freedom. However, 'r' values for NPAs and priority sector lending, NPAs and non-priority sector lending are statistically significant at 1 per cent and 5 per cent level of significance at their respective degree of freedom. This does not imply that with the increase of priority sector lending, there has been corresponding increase in the volume of NPAs. Thus, it can not be argued that priority sector lending is the sole factor in enhancing the volume of NPAs. Both priority sector and non-priority sector lending are equally responsible for high quantum of NPAs of public sector commercial banks.

The sector wise comparison has been made by employing both linear growth rate (*b*) and compound growth rate (*cgr*) of NPAs. The fact has been demonstrated as under-

The compound growth rate (cgr) of NPAs in non-priority sector is comparatively higher (8.86 per cent). The '*b*' and '*cgr*' became negative in the public sector. This exposes that the nationalized banks have not considered loan to the public sector due to further NPAs menace over the years. Moreover, the overall cgr of NPAs during 1998-2007 of PSBs was 6.24 per cent while non-priority sectors cgr (8.86 per cent) overweighs the priority sector (4.37 per cent). Thus the non-priority sector is also considerably adding fresh NPAs over the years. On the other hand, the higher NPAs in priority sector advances have pushed up the overall proportion of NPAs by three to four percent. The reasons of higher proportion of NPAs in priority sector advances may be attributed to; the directed and pre-approval nature of loans sanctioned under sponsored programmes, lack of effective follow up due to large number of small accounts, non-cost effective legal recovery measures, vitiation of the repayment culture consequent to the loan waiver schemes, willful defaulters and so on.

Table– 5

FREQUENCY DISTRIBUTION OF NET NPAs OF PSBs VIS-À-VIS OTHER BANKS

Year	Public Sector Banks			Old Pvt. Banks			New Pvt. Banks			Foreign banks		
	upto 10%	10 to 20%	above 20%	upto 10%	10 to 20%	above 20%	upto 10%	10 to 20%	above 20%	upto 10%	10 to 20%	above 20%
1995	2	15	10	-	-	-	-	-	-	-	-	-
1996	19	6	2	22	3	-	9	-	-	30	1	-
1997	17	9	1	22	3	-	9	-	-	36	1	2
1998	17	9	1	21	4	-	9	-	-	34	6	2
1999	18	8	1	17	5	-	9	-	-	27	11	3
2000	22	5	-	18	5	-	9	-	-	31	7	4
2001	22	5	-	16	4	1	9	-	-	31	6	5
2002	24	3	-	16	3	1	9	-	-	32	4	6
2003	25	2	-	18	1	1	9	-	-	30	4	7
2004	27	-	-	18	2	-	9	-	-	28	7	5
2005	27	-	-	20	-	-	9	-	-	31	5	6
2006	27	-	-	20	-	-	9	-	-	33	4	5

Source: *RBI, Trend & Progress of Banking in India, various issues.*

Correlations	'r' values	't' value (cal.)	t' value (tab.) 1 per cent	5 per cent
r_{ab}	0.788	3.386	2.998	1.895
r_{ac}	0.973	11.263	2.998	1.895
r_{ad}	0.312	0.851	2.998	1.895

Non Performing Assets: Bank Group-wise Comparison.

A bank group wise comparison of NPAs commercial banks viz., PSBs, private banks and foreign sector banks are presented in table -7. The table depicts that during the period 1997-2007, NPAs as percentage of advances has been declining significantly in case of PSBs. It has slipped to 2.7 per cent in March 2007 from 17.8 per cent in March 1997. The foreign banks and private banks witnessed swelling of NPAs both in percentage and absolute term. The same for private banks reduced from 8.5 pc to 2.5 per cent and for foreign banks 4.3 per cent to 1.8 per cent during the period.

The bank group wise growth of NPAs and advances has been analyzed with the help of compound growth rate (cgr) for the period of 1997 to 2007. For this we have assumed linear regression line *Y= a + bt* (Y = total amount of NPAs/ advances to year (t) origin at 1997. The analysis revealed that the growth of NPAs of PSBs during the period is 20.08 per cent which is 22.45 per cent for private sector banks and 22.19 per cent for foreign banks. One worth nothing point in this respect is that the growth of NPAs of PSBs is higher than the growth of advances where as private banks experienced almost a uniform growth rate of both NPAs and advances. This clearly indicates banks promising task to maintain international standard of percentage of NPAs. This also implies that the banks are continuously improving their assets portfolio as well as their recovery position.

Recovery and Provisions for Non Performing Assets:

The NPA recovery and fresh addition in NPA during 2006-07 may be had from the following table-8. It is clear from the table that the fresh accretion of NPAs is lower than the recovery of NPAs in case of both public and old private sector banks. The new private sector and foreign banks have failed to recover NPAs alike other bank groups rather fresh accretion is more than that of the amount recovered from NPAs. The fresh addition in case of PSBs during 2006 was Rs 19,614 crores while recovery was Rs 22,004. In case of new private and foreign banks recovery is lower (Rs 1,595 crores and Rs 997 crores respectively) than the fresh accretion.

The provisioning of NPAs tends to follow a cyclical pattern. Although gross NPAs in absolute terms declined,

Growth rate	Priority sector	Non-priority sector	Public sector	Total
.b	924.82	1911.3	- 18.03	2854.28
Cgr	4.37	8.86	-1.31	6.24

Table - 6

SECTORWISE NON-PERFORMING ASSETS OF PUBLIC SECTOR BANKS

(Amount Rs. in Crores)

Year (As on March)	Priority Sector		Non-Priority Sector		Public Sector		Total NPA	
	Amount	% change over previous year	Amount	% change over previous year	Amount	% change over previous year	Amount	% change over previous year
1998	21184 (46.4)	-	23107 (50.6)	-	1362 (3.0)	-	45653 (100)	-
1999	22606 (43.7)	6.71	27608 (53.4)	19.4	1496 (2.9)	9.83	51710 (100)	13.26
2000	23715 (44.5)	4.90	28524 (53.5)	3.31	1055 (2.0)	- 29.47	53294 (100)	3.06
2001	24156 (45.4)	1.85	27307 (51.4)	- 4.27	1711 (3.2)	62.08	53174 (100)	- 0.23
2002	25150 (46.2)	4.11	28405 (52.2)	4.02	903 (1.7)	- 47.22	54458 (100)	2.41
2003	24939 (47.2)	- 0.83	26781 (50.7)	- 5.71	1087 (2.1)	20.37	52807 (100)	- 3.03
2004	23841 (47.5)	- 4.40	25698 (51.2)	- 4.04	610 (1.2)	- 43.88	50149 (100)	- 5.03
2005	21926 (48.1)	- 8.03	23249 (51.0)	- 9.53	444 (1.0)	- 27.21	45619 (100)	- 9.03
2006	22374 (54.1)	2.04	18072 (43.7)	- 22.26	341 (2.3)	-23.19	41378 (100)	- 9.29
2007	22954 (59.5)	2.59	15158 (39.3)	-16.12	490 (1.3)	43.69	38602 (100)	-8.70

(Figures in the parentheses indicate percentage to total NPAs)

Source: *RBI, Report on Trend & Progress of Banking in India, Various issues.*

Table – 7
BANK GROUP WISE NON-PERFORMING ASSETS (END MARCH)

(Amount in Rs. crores)

Year	Public Sector Banks			Pvt. Sector Banks			Foreign Banks			All Commercial Banks		
	NPAs Rs.	Advances Rs.	NPA as % to advances	NPAs Rs.	Advan-ces Rs.	NPAs as % to advances	NPAs Rs.	Advances Rs.	NPA as % to advances	NPAs Rs	Advances Rs	NPA as % to advances
1997	43577	244214	17.8	2542	29959	8.5	1181	27525	4.3	473.00	301698	15.7
1998	45653	284971	16.0	3186	36753	8.7	1976	30972	6.4	50815	352696	14.4
1999	51710	325328	15.9	4643	44492	10.4	2201	31433	7.6	58555	401253	14.6
2000	53291	380077	14.0	4761	58249	8.2	2615	37432	7.0	60841	475758	12.8
2001	54774	442134	12.4	6078	71149	8.5	3111	45396	6.9	63963	558679	11.4
2002	56507	509368	11.1	11667	120883	9.7	2780	50618	5.5	70954	680869	10.4
2003	54089	577812	9.4	13333	144953	9.2	2892	53743	5.4	70314	776508	9.1
2004	51541	661975	7.8	10343	177419	5.8	3013	62632	4.8	64897	902026	7.2
2005	46597	870851	5.4	8691	225139	3.9	2257	75220	3.0	57545	1171210	4.9
2006	41358	1134724	3.7	7710	316761	2.4	1928	98965	1.9	51097	1551378	3.3
2007	38968	1464493	2.7	9256	420145	2.5	2263	127872	1.8	50486	2012510	2.2
.b	3003.0	49094.6	-	856.9	10387.2	-	441.3	42193.8	-	4319.2	63719.8	-
Cgr	20.078	15.288	-	22.24	23.738	-	22.19	12.589	-	7.773	15.972	-

Source: *Trend and Progress of Indian Banking, 1998-99, pp-72 and 1995-2006. & RBI, Statistical Tables Relating to Banks in India, 2006-2007.*

net NPAs increased, reflecting higher write back of excess provisioning than the fresh provisioning made during the year. This tends to observe across the bank groups, barring new private and foreign banks. As a result, the cumulative provisions at the end of March 2007 were lower than their respective levels except new private and foreign banks. The cumulative provisions as per cent of gross NPAs was highest for old private banks (66.0 per cent) followed by public sector banks, foreign banks and new private banks. The provisions for NPAs of banks for 2006-07 are presented in table-9.

The Performance of Recovery Channels:

It is revealed from the above discussion that the various recovery channels have been introduced from time to time for expediting the recovery of bad loans of banks. The following table-10 presents the implications of various recovery channels of NPAs of banks. The table indicates that among the several channels of recovery available to banks for dealing with bad loans, the debt recovery tribunals (DRTs) and the SARFAESI Act have been the most effective in terms of amount recovered. The total number of cases referred to DRTs during 2006-07 was 4,028 and out of the total amount Rs 9,156 crores involved in the cases, Rs. 3, 463 crores has been recovered. Likewise out of the amount Rs. 9058 crores, a sum of Rs. 3,749 crores were recovered in case of referred cases in SARFAEST Act. The number of cases referred to the *Lok Adalats* remained the largest but the amount recovered under *Lok Adalats* and DRTs during 2006-07 was lower than the previous year. The recovery rate has been improved In the case of direct agricultural advances while compared with other priority and non-priority sector NPAs. The rate of recovery in case of direct agricultural advances increased to 80.1 per cent for the year-ended June 2006 from 78.6 per cent in the last year (RBI, 2007)[19] .

The Reserve Bank has so far issued certificate of registration to six securitization companies/ reconstruction companies (SCs/ RCs), of which three have commenced their operations. At end-June 2007, the book value of total amount of assets acquired by SCs/ RCs registered with the Reserve Bank

Table – 8
POSITION OF ADDITION AND RECOVERY FROM GROSS NPAS OF BANKS

(Amount Rs. in crores)

Commercial Banks	March 2006			March 2007
	Addition during the year	Recovered during the year	Written off during the year	
1. Public Sector Banks	19,614	22,004	-	38,968
2. Old Private Banks	1,349	1,562	-	2,968
3. New Private Banks	3,830	1,595	-	6,286
4. Foreign Banks	1,417	997	84	2,262
Total of Scheduled Commercial Banks	26,211	26,159	84	50,486

Source: *RBI, Report on Trend and Progress of Banking in India-2006-07, P – 93* stood at Rs.28, 544 crores. The security receipts subscribed to by banks amounted to Rs. 6,894 crores. The security receipts redeemed amounted to Rs.660.

Measures for Recovery of NPAs:

The management is seriously concerned about the growing NPA menace, which is taking its toll on efficiency and profitability. NPAs are serious strain on the profitability because the banks can not book income on such accounts. Further they are required to charge the funding cost and provision requirement to their profits. High level of NPAs adversely affects the financial strength of banks and enforces the government to recapitalize the weak banks from time to time. On the other hand, the banks have failed to conform to stringent international standard. The RBI in this respect proposed prompt corrective action (PCA) mechanism for arresting the menace of NPAs and has introduced various measures like credit risk management models, Compromise Settlement methods, effective use of debt recovery tribunals (DRTs), Asset Reconstruction Companies (ARC) and Recovery of Debts [1], Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SRFAESI) Act-2002[2], Circulation of information on defaulters, Corporate Debt Restructuring (CDR), lokadalats and so on to arrest unbridled virus of NPAs of commercial banks. With a view to provide an additional option and developing a healthy secondary market for NPAs, the guideline relating to sale/ purchase of NPAs were issued in July 2005 covering the procedure for purchase/ sale of NPAs by banks valuation aspects, prudential norms. The guideline were partly modified in May 2007 whereby it was stipulated that atleast 10 per cent of the estimated cash flows should be realised in the first year and atleast 5 per cent in each half year thereafter subject to full recovery within three years.

Major Causes of NPAs in Banks:

There are number of factors responsible in increasing in size of NPAs of commercial banks. A few prominent reasons for assets becoming NPAs are mentioned as under:

- Poor credit appraisal system.
- Lack of vision/ foresightedness while sanctioning/ reviewing or enhancing credit limits.
- Lack of proper monitoring.
- Reckless advances to achieve the budgetary targets.
- Lack of sincere corporate culture.
- Inadequate legal provisions on foreclosure and bankruptcy.
- Change in economic policies/ environment at the macro level.
- Non transparent accounting policy and poor auditing practices.
- Lack of coordination between Banks and their customers.
- Directed / schematic lending to certain sectors.
- The failure on the part of the promoters to bring in their portion of equity from their own sources or public issue due to market turning lukewarm.
- The abolition of license raj and hooting up of competition in the liberalized Indian economy.

Table-9

PROVISIONS FOR NPAs OF COMMERCIAL BANKS IN INDIA

(Amount Rs. in crores)

Provisions for NPAs	Public Sector Banks	Old Private Banks	New Private Banks	Foreign Banks
End - March 2006	25,024	1,992	2,214	994
Add: Provision made during the year	7,289	520	2,110	481
Less: Write-off excess during the year	10,174	553	1,236	320
End - March 2007	22,139	1,959	3,087	1,156
Cumulative provisions to gross NPAs	56.8	66.0	49.1	51.1

Source: *RBI, Report on Trend and Progress of Banking in India-2006-07, P - 93*

Table-10

NPA RECOVERED THROUGH VARIOUS CHANNELS

(Amount Rs in Crores)

Recovery Channels	2005-06			2006-07		
	No. of cases referred	Amount involved	Amount recovered	No. of cases referred	Amount involved	Amount recovered
1. One time Settlement	10,262	772	608	-	-	-
2. Lok Adalats	2,68,090	2,144	265	1,60,368	756	106
3. DRTs	3,534	6,273	4,735	4,028	9,156	3,463
4. SARFAEST Act	41,180	8,517	3,363	60,178	9,058	3,749

Sources: *RBI, Trend and Progress of Banking in India 2006-07, p- 92*

Proposed Suggestions and Strategies:

Having analyzed various lacunas of accumulation of NPAs in the loan portfolio of PSBs, it may be observed that banks have been committed towards the reduction and management of NPAs. The quality of asset portfolio has improved quite impressively over the period under consideration due to reform measures. In order to survive and compete with private and foreign banks, it is crucial for the PSBs to clean up their balance sheets by increasing the equity capital. However, following suggestions are offered for effective management of NPAs.

1. The timely edifice of loan portfolio is indispensable for effective management of NPAs. Keeping in view the present stipulation of sensitive sector where the instability is escalating gradually, the bank should diversify its services into capital market, consultancy, credit card, housing finance and insurance sector etc.
2. In the wake of expansion regime of credit although the asset quality of banking system has improved considerably, banks need to safeguard against any deterioration of credit quality. Banks need to have a comprehensive system in which the process of risk monitoring is combined with proper risk assessment.
3. Prevention is better than cure. It has been observed that there is unprecedented rise in fresh accretion NPAs in some banks. Pre-arrangements must be made to contain the fresh accretion. The surest way containing NPA is to prevent their occurrences. The tenets of this prevention policy lies on-

- Proper risk management system in banks.
- Strong and effective credit monitoring.
- Open and co-operative working relation between banks and borrowers.

4. Internal governing factors of banks are, possibly, responsible for current level of NPAs. The onus, therefore, rests with the banks themselves. The organizational Structuring, Improvement in managerial efficiency, up-gradation of skilled for proper assessment of credit worthiness and a change in the banks attitude towards legal action need to be called for.
5. Supervision and follow-up are two sides of the same coin. The regular monitoring makes the borrowers not to divest the funds for purposes other than the purpose for which the loan is sanctioned. Funds should not be sanctioned and released suddenly or immediately rather it required to be done step by step. A personal enquiry may be conducted over the borrowers whose accounts became NPA.
6. Repayment ethics should be inculcated in the minds of the borrowers by optional utilization of various media ie, television, video films, All India radio and press. The incentives could be offered to the regular payers by financing again or providing bonus or disincentives for the willful defaulters in the form of public crime action or adverse publicity in the news papers.
7. The mounting overdue thwarted the banks' lending in the area under study. No effort is made to improve the recovery performance. The local leaders do not encourage the loanee to pay it back rather they give assurance for exemption of loan repayment. Consequently, loan is not recovered in future; it becomes difficult to pay it back due to heavy amount. Therefore, an immediate action plan in the line of provisions made in the securitization Act. 2002 is necessary to expedite the recovery position.
8. The credit management implies an ethical responsibility on the part of the Lenders to the borrowers to secure their genuine and bonafide interests. Lenders are thus liable to the borrowers to practice clear and transparent policies, to extend need-based finance, to convey timely sanction, and further to effect in-time disbursements. Recovery should be based on pragmatically calculated anticipated cash flows of the borrower concern, while recovery of installments of term loans should be exclusively out of profits and surplus generated and not through recourse to the corpus of working capital of the borrowing concerns.

Concluding Note:

The commercial banks have visualized the utmost reformation in their operation with the introduction of new concepts like income recognition, prudential accounting norms and capital adequacy ratio etc which placed them in a new platform The banks have stepped forward mainly in expansion of bank branches, mobilization of deposits and channelization of credit. Further the paradigm shift of attitude of financial institutions towards the short term financing has also changed the complexion of scheduled commercial banks. The undeniable fact remains that Indian banking has huge quantum of NPAs by international standard.

Non Performing Asset, being an important parameter for assessing financial performance of banks, reduction is necessary to improve the profitability of the banks and comply with capital adequacy norms. The quality appraisal, supervision and proper follow up undoubtedly will assist to solve the problem. In a situation where nature of clientele is bit complicated, the management must ensure that the right amount of credit is given to the right client. The judicial system need to be restored to have a smooth the progress of quick recovery of dues from defaulters. The pre credit and post credit appraisal should be done more objectively. The banking secrecy act must be amended to enable the publication of defaulter's names and willful default has to be treated as criminal offence.

The mounting NPAs of banks deter their financial health in terms of profitability, liquidity and economics of scale of operation. The bank has to take timely action against degradation of performing assets. The management of NPAs has been an immense task before the bankers because it challenges the banks resistance capacity. The occurrences of NPAs may not avoidable entirely but they can be managed effectively. The fresh incidence of NPAs should be avoided but not at the cost of fresh deployment of credit.❑

Activity Based Costing: A Case Study

With globalization, our market is now open and we have to face new types of competition. For that we have to use many strategies for achieving competitive advantages, cost leadership & cost reduction. In this paper the author demonstrates the practical application of ABC.

Dr. Vineet Chouhan*

Traditional cost accounting over the year's Proved their inability and inadequacy to support management decision in a complex business environment science they are aimed at allocation overhead to total cost on the basis of consistency rather than relivence.[1]

Cost has played a key role in business, this concept is now old. Now a new concept came into light that is activity concept. We can say that activity plays a major role in business.

The activity is aggregated of closely related task, which are associated with one another to accomplish a goal [objective].[2] Activity becomes a major part in the organization strategies. Performing activities generates cost. There are big different arises form both the choice of activities & how they are performed. Thus activities are basis unit of competitive advantage.[3]

ABC: The concept

ABC is a simple concept 'resources are consumed by the activities' and 'activities are consumed by the product'[4]. The activities can be associated with output or cost object of the organization[5] the cost objects consume activities is just the same way that activities consume resources.[6]

In ABC the activities are analyzed and than aggregated and than the major process of selection of cost driver are start. Cost Driver is the measurement of consumption. It is the most important to select cost driver as per condition needed it is the basis of allocation in ABC[7].

ABC is two stage allocation process first cost's are traced to activity and than to product. It emphasize on the need to obtain a better understanding of the behavior of overhead cost and thus ascertain what causes overhead cost and how they related to product.

ABC and Management:-

Manager's do not manage cost, they manage activates causes cost[8] ·ABC provide the information for managing activities using ABC Data and other tools to achieve continuous improvement. It allows manager to understand what triggers cost and how to manage them. The main benefit of ABC arises from the quality of managerial decision based on more accurate information, this is the most promising aspect of ABC. ABC, which is now being called Activity Based Management (ABM) [9] used cost information generated by ABC about an activity for controlling the activity itself, rather than just using cost information of the final product[10]. The main aim of management is to control the causes of cost (cost Drivers) directly rather than cost. By managing cost drivers cost will be managed in long term[11]. ABC is also useful in daily in daily operation and controlling over the activities. The focus of the management is taken care by providing information regarding cost of resources supplied and cost of resource used. It brings activity measures as a bridge between the product cost and resources. A micro level understanding of the intermediary transformation has a lot of strategic managerial significance[12].

During our research project we found that the improvement procedure, which is based on various method's like TQM (total quality management), JIT (just in time), Balance Scorecard, etc, cannot be adopted without management focus and attention.

The manager of all industries interviewed have agreed that the information related with overhead provided by the new ABC system is proven valuable which is not provided by the old Traditional system. It was found that the large-scale industries in search area are still using the Direct Labor Hour Rate Method. Companies interviewed included , the large DAP producer in Asia, IL (Instrumental Ltd.), RSMM (Rajasthan State Mines and Mineral's Ltd.), A Chemical unit of Hindustan Lever Group and other large scale manufacturing company which have ISO 9002 and ISI mark. The effort's has been made to prepare the process that can be adopted by all the types of industries.

Process of ABC

The outcome of this came in the form of a process which includes five steps as under:-

1. Analysis of activity
2. Selection of cost
3. Collection cost according to activity
4. Establishment of output measure (Cost Driver)
5. Analysis of cost

Under the above stage all the area of business & Activities deeply considered. Each part of the process is the result of in depth study. I now propose to discuss the application of the technique of ABC in a company.

Description of the company

The company is selected for the purpose of case study is one of the

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largest engineering goods produces company in India. It produce various types of major engineering parts and it has ISO 9000 certificate also it is considering its whole effect on customer satisfaction, customer training and Research & Development. The cost record of the company is made by the help of computer. The company is using Direct Labour rate method and calculating labour rate percentage with the help of a list prepared for calculating services/ contribution percentage. This form is being remits to all the service departments, which gives the information regarding the service provided and the percentage of the services provided. This information is gathered under Annexure-A, which is given below in Table-1.

After gathering the information on the basis of various percentages the overheads are distributed in various departments and finally on factory overheads. For this purpose detailed cost sheet is prepared which have all the Data's regarding payroll, Indirect Material, Stores, Repair and maintenance, etc.

The efforts are made for developing ABC system for the company. First I have identified 12 functional areas in the company, and than according to the functional area an Activity Based Costing model is developed which is shown is Table-2.

Conclusion

The manager's of the company have given their adequate time for preparing ABC model. They agreed that they are not getting proper information. Regarding cost, and agreed that ABC provide better cost information. This is an example of practical application of ABC which suggests that ABC provide better cost information for better decision. It also show that the basic principal of management accounting and decision making do not change with ABC the quality of decision that may improve and that too as much as a

Table 1: List of RCC for Which Service/Contribution Percentage is to be given

S.No.	Name of Shop/Deptt.	RCC No.	% of Service rendered w.e. f.01.04.2......	Basis (is being) adopted
1.	2.	3.	4.	5.
	Intermediate Prod. Shops :			
1.	Wood working shop	3240		
2.	Tool Room	5040		
3.	Machine Shop	6020		
4.	Press Shop	6030		
5.	Plastic Shop	6040		
6.	Die Casting Shop	6041		
7.	Electro-Plating Shop	6050 to 6051		
8.	Painting Shop	6052		
	Final Assembly Shops :			
9.	Telecom Shop	6066		
10.	Assembly Shops (Except Telecom)	6061 to 6080		
11.	Panel Fabri. & Wiring Shops	6091 to 6094		
12.	Gas Analyser	6100		
13.	U.P.S. Shop	6200		
14.	P-3000	6400		
15.	DCS Shop	7000		
	Service Departments :			
1.	Repair & Maint. Mechnical	3200 to 3230		
2.	Repair & Maint. Electrical	3300 to 3330		
3.	Repair & Maint. Civil	3000 to 3130		
4.	Proc. Department	2400 to 2450		
5.	Ancillary Development	2500		
6.	Quality Assurance Divin.	2600 to 2606		
7.	Prodn. Planning & control	2700		
8.	Computer Centre (I.T.C.)	2720		
9.	Stores (Except. P&F/Compl.)	2800 to 2860		
10.	Tech. Engineering	5000 tp 5030		
11.	Pre. Prodn. Card Deptt.	6000 to 6010		
12.	Industrial Enginnering	5500		
13.	Training & Services	6500 to 6530		
14.	Administration :			
	a) Presonnel Deptt.	2200		
	b) F. & A.	2100		
	c) Security	2300		
	d) Ind. Canteen	2231		
	e) Dispensary	2220		
	f) Transport	2210		
15.	P & F/Compl. Store/Billing Sec.	2870		
	Others :			
1.	Commerical Divin.	8000		
2.	Marketing Divin.	9000		
3.	R & D.	1610 to 1700		
4.	Head Qtr.	1000 to 1999		
	Total		**100**	**100**

Table-2: Activity Based Costing model

S. No.	Functional Area	Activities Identified	Cost Drivers
1.	Repair & Maintenance (a) Mechanical (Service Department No. 1)	1. Mechanical maintenance of factory machine 2. Interim inspection 3. Reallocation of Machineries	1. Cost of machine 2. Cost of Instrument 3. No. of machines
	(b) Electrical (Service department No. 2)	1. Factory Electrical Maintenance 2. Guest house electrical Maintenance 3. Colony electrical Maintenance	1.Cost of factory Plant and no. of time. 2. No. of times maintained and cost. 3.No. of time maintained
	(c) Civil (Service department No. 3)	1. Factory civil maintenance 2.Guest house civil maintenance 3. Colony civil maintenance	1. No. of times maintained 2. No. of times maintained 3. No. of times maintained
	(d) Other Repairs	1. Other Repairs & maintenance	1. Value of that item.
2.	Validity and ancillary (Service dep. No. 4&5)	1. Receiving & Distributing Brochure 2. Advertisement in public interest. 3. Conducting recreation Programme 4. Running activities capture power plant 5. Calculation of cost of Purchased power & water 6. Checking & maintenance activating of tools 7. Other ancillary & Development of labour	1. Time Spent 2. Time spent 3. No. of Employees 4. Time 5.Cost of Machine 6.No of Worker's 7.Time spent
3.	Quality (a) Quality Assurance (Service department 6)	1. Receiving Sample 2. Testing all product as per standard 3. Issuing Assurance Certificate 4 Recheck / Random Check	1. No. of Sample received 2. No. of time Tested 3. No. of checked 4. No. of Batch Produced.
4.	Planning & control (S.D. No. 7) (a) Production Planning	1. Preparation of Production & other budget 2. Preparation & analysing the actual figure 3. Preparation of record	1. Time spent 2. No. of Time analysis done 3. No. of records prepared.
	(b) Control	1. Preparation of Report 2. Quality Control	1. No. of Report Prepare 2. No. of checks
5.	Computer Center (S.D. No. 8)	1. Training activities 2 .Installation activities hard ware. 3. Repair & maintenances of hardware 4. Receiving & feeding data 5. Printing activities	1. No. of workers trained. 2. Time spent 3. Time Spent 4. No. of Document received. 5. No. of Copies
6.	Stores and material management(activities related with in service department no. 9)	1. Preparation & Issuing tender or enquiry activities. 2. Negotiation with purchaser 3. Purchase order sending activities 4 Receiving Activities 5. Inspection and material charring activities 6. Issuing /dispatching activities 7. Accounting activities	1. No. of tender 2. No. of Purchase order 3. No. of purchase order. 4. No. of time received 5. No. of Purchase order 6. No. of requisition 7. No. of units handled
7.	Engineering (a) Technical (S.D. No. 10)	1. Analising new technique 2. Accepting & Application New technique 3. Testing and Adopting	1. Time spent 2. Time Spent 3. Time Spen

Table-2: Activity Based Costing model			
S. No.	**Functional Area**	**Activities Identified**	**Cost Drivers**
	b) Industrial (S.D. No. 12)	1. Analyzing the changes 2. Receiving New technique 3. Training activities	1. No. of time change mode. 2. Time spent 3. No. of Trained employees.
8.	Employees Receiving Personnel (a) Records	1. Collecting Records from computer 2. Issuing Cards 3. Card Machine	1. No. of Employees 2. No. of cards issued 3. No. of employees
	(b) Development	1. Social welfare 2. community centre 3. creative expanses 4. employee welfare exp.	1. No. of Employee 2. No. of employee 3. No. of employee 4. No. of employee
9.	Administration (S.D .No.14) (a) Personnel (Service-department No. 13)	1. Training 2. Industrial Relation 3. Recruitment & selection 4. Promotion 5. Handling of disputes	1. No. of employees 2. No. of employees 3. No. of employees 4. No. of employees 5. No. of employees
	(b) Finance and Accounts	1. Salaries accounting 2. wage accounting 3. Assets accounting 4. Purchase accounting 5. Sales accounting 6. dispatch accounting 7. power control 8. Cash transferring 9. Tax accounting - Central excise procedure 10. Sales Tax 11. Export Accounting.	1. No. of staff. 2. No. of People engaged 3. Value of assets 4. Value of Purchase 5. Value of Sales 6. weight carried 7. consumption rate in respective activity 8. Amount of cash handled 9. Cost factor 10. Sales value 11. No. of export order
	(c) Security	1. Gate security (watch) 2. Accounting of visitors 3. Colony security	1. Security Hours 2. No. of Visitors 3. No. of People worked
	(d) Canteen	1. Meal & foods 2. Subsidy and accounting	1. No. of People took meal. 2. No. of People took meal.
	(e) Dispensary	1. Medical facility 2. Dispensary expenses	1. No. of employees Medicated. 2. No. of employee worked
	(f) Transport & Export	1. Self transport 2. Hired transport 3. Preparation of documents 4. Shipment of consignment 5. Follow up for Repeat of order & Exim policy	1. No. of trips traveled. 2. No. of trips traveled 3. Time spent 4. Value of shipment 5. Time spent
	(g) Other Administration	1. Colony Administration 2. Guest house admin. 3. Garden maintenance.	1. No. of Employee 2. No. of guest stayed 3. No. of times maintained.
10.	Commercial & Accounting (other Department No. 1)	1. Preparation of Medical Reimbursement 2. Preparation of Bonus/incentives etc. 3. Treatment of TA claim 4. Staff welfare	1. No. of employees 2. No. of employees 3. No. of employees 4. No. of employees

S. No.	Functional Area	Activities Identified	Cost Drivers
		5. Preparation of monthly account 6. Preparing invoice activity according to customer 7. Cash & Banking transaction	5. Unit produced 6. No. of Customer 7. No. of Unit Produced
	(a) Cost management.	1. material accounting 2. wages allocation 3. Stores accounting 4. Preparation of Business Plan 5. Verification of stores. 6. Analysis of Production & Productivity 7. Establishment of relation between cost drive & activity& finding absorption Rate.	1. Unit of R.M. handled 2. No. of worker's 3. Value of stores. 4. Time spent 5. Value of stores handled. 6. Unit Produced. 7. Unit Produced.
11.	Marketing management (Other cost center No. 2)	1. Generating demand 2. Collection of order 3. Preparation and Advertisement (Including web page design) 4. Customer care 5. Conducting seminar for long term benefit 6. Feedback from sales 7. Conducting training 8. Survey of market need 9. Introduction of companies Product in the market	1. No. of sales Invoice prepared 2. No. of sales order prepared 3. No. of Sales order 4. No. of confirm sales invoice prepared 5. proposed benefit 6. Time spent 7. No. of confirm sales invoice prepared. 8. No. of confirm sales invoice prepared 9. No. of confirm sales invoice prepared.
12.	Research & Development	1. Receiving Ideas from customers 2. Developing new product 3. Test & check the new product 3. Time spent	1. Capitalization value 2. Time spent for development

decision maker wants accept the refinement suggested by ABC.

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The CBDT vide Notification S.O.858(E) dated 25th March, 2009 has substituted new Rules for Rules 30, 31, 31A & 31AA which are to be effective from 1st April, 2009. The important changes made by such substitution are given below:-

1. Payment of TDS amount:

(i) The due date for making payment of taxes remain the same i.e. within one week from the end of the month in which deduction is made.

(ii) The earlier rules provided that where the deduction was made out of amount credited on the last day of the accounting period, the payment of TDS can be made within a period of two months from the end of the month in which the amount is credited by the payer to the account of the payee. Earlier the rule was applicable in respect of payments made under sections specified therein. Now since the provisions apply to all deductions under chapter XVII B, this rule will become applicable to payments under other sections also which were earlier left out. An important area that will now get the benefit of this extended date is payment of salary (Section 192). In case, therefore, salary is credited to an employee on the last date of accounting year - the employer will be able to make payment of tax deducted out of such credit within the extended period of two months.

(iii) The earlier rule provided for relaxation of the time limit for making payment of TDS in special cases. The Assessing Officer was authorized to permit payment quarterly, i.e. on June 15, September 15, December 15 and March 15 if the amount is deducted from Salaries and on July 15, October 15, January 15 and April 15 if the amount is deducted out of interest, insurance commission or commission or brokerage. It has now been provided that no such relaxation shall be granted by the A.O. without the prior approval of the Jt. Commissioner.

2. Mode of Payment :

The earlier rules made it mandatory for Companies and for other persons who are subject to audit u/s. 44AB to make payment of tax electronically. Under the new Rule every deductor shall make payment electronically. For this purpose he will furnish electronically an Income-tax challan in Form No.17 and pay the amount so deducted to the credit of Central Government by electronically remitting it into the Reserve Bank of India, State Bank of India or any authorised bank. For this purpose it has been clarified that the amounts shall be construed as remitted electronically if the same is remitted by way of

(a) Internet banking facility of the Reserve Bank of India or State Bank of India or any authorised bank

(b) Credit or debit card.

3. Furnishing of certificate of deduction at Source:

(i) The earlier rules provided for furnishing of certificate in Form No.16 if the deduction is out of salary u/s. 192 and in form No.16A if the deduction is under any other provision. There was another Form 16AA, which was meant to be given to the persons whose income from salary does not exceed Rs.1,50,000/-. Form No.16AA now stands deleted.

(ii) Time limit has been prescribed for issue of certificate to the Payee which is the same as in earlier rules.

- One week if the tax was paid within extended period of 2 months because of crediting of payment on the last day of the accounting year.
- One month from the end of the financial year in which the payment is made if the deduction is u/s. 192 & 194D.
- If the employer is chosen to pay tax on perquisite u/s. 192(1A) the certificate has to be issued within one month from the end of the financial year.
- Within one month from the end of the month in which deduction is made in all other cases.

(iii) If the deductee has asked for one consolidated certificate in respect of deductions made during the financial year then also the certificate should be furnished within one month of the financial year.

(iv) In case the Assessing Officer, with the approval of Joint Commissioner has permitted quarterly payment, the certificate should be furnished within 14 days from the date of payment of Income-tax.

(v) It has now been specifically provided that the deductor may issue a duplicate certificate in Form No.16 or 16A if the deductee has lost the original certificate. The Assessing Officer in such case will give credit after obtaining an Indemnity Bond from the deductee and after getting the payment certified by the officer, designated in this behalf by the CCIT.

4. Statement of TDS :

(i) A new compliance statement has been prescribed in Form No.24-C. This statement is to be furnished on or before 15th July, 15th October, 15th January and for the last quarter on 15th of June. This statement is to be furnished every quarter electronically. [The statement contains month-wise details separately for deductions under different sections. The details include total expenditure or capital outgo under various heads, amount on which tax was to be deducted and the tax actually deducted].

(ii) For deductions u/s. 192 the quarterly statement continues to be in Form No.24Q. Where the deductee is a non-resident or NOR or a foreign company, the quarterly statement in respect of deduction under other sections is to be furnished in Form No. 27Q. Where the deductees are resident, the form prescribed is 26Q.

(iii) These forms are also to be furnished electronically to the Director General of Income-tax (Systems) or any other persons authorised by the DGIT(Systems).

(iv) An important amendment is made in regard to furnishing of Form No.24Q, 26Q & 27Q. All these forms are now to be submitted only once in a year, i.e. on or before 15th June following the end of the financial year. Earlier these forms were required to be submitted quarterly.

5. Re-designing of Forms :

Form No.16 & 16A have been re-designed. Form 17 which is a challan to be furnished electronically has been designed.

A new column in Form No.16, 16 A and 17 is "UTN" (Unique Transaction Number). This is intended to be a link between challan, TDS certificate and TDS statement. This number will be provided by the Income-tax Department. How and when the number will be provided is yet to be known.

Forms 24Q, 26Q and 27Q have also been suitably amended to conform to the requirement of electronic filing which is made mandatory.

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Notification
Mumbai, The 19th May, 2009

Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009

No. LAD-NRO/GN/2009-10/05/163525. In exercise of the powers conferred by section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities and Exchange Board of India hereby makes the following regulations, namely: -

CHAPTER I
PRELIMINARY

Short title and commencement.

1. (1) These regulations may be called the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009.

(2) They shall come into force on the date of their publication in the Official Gazette.

Definitions.

2. (1) In these regulations, unless the context otherwise requires: -

(a) 'Act' means the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(b) 'Board' means the Securities and Exchange Board of India established under section 3 of the Act;

(c) 'Committee' means the advisory committee constituted under regulation 7 of these regulations;

(d) 'financial year' means the year commencing on the first day of April;

(e) 'Fund' means the Investor Protection and Education Fund created by the Board under section 11 of the Act;

(f) 'investor' means an investor in securities;

(g) 'legal proceedings' means any proceedings before a court or tribunal where one thousand or more investors are affected or likely to be affected by:-

(i) mis-statement, misrepresentation or omission in connection with the issue, sale or purchase of securities;

(ii) non-receipt of securities allotted or refund of application monies paid by them;

(iii) non-payment of dividend;

(iv) default in redemption of securities or in payment of interest in terms of the offer document;

(v) fraudulent and unfair trade practices or market manipulation;

(vi) such other market misconduct which in the opinion of the Board may be deemed appropriate; but does not include any proceeding where the Board is a party or where the Board has initiated any enforcement action;

(h) 'Schedule' means Schedule appended to these regulations.

(2) Words and expressions not defined in these regulations, but defined in or under the Act or the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Depositories Act, 1996 (22 of 1996) or the regulations made thereunder or the Companies Act, 1956 (1 of 1956) or any statutory modification or re-enactment thereof, shall have the same meanings as have been assigned to them by or under those enactments, unless the context requires otherwise.

CHAPTER II

INVESTOR PROTECTION AND EDUCATION FUND

Establishment of Fund.

3. (1) There shall be a Fund to be called the Investor Protection and Education Fund.

(2) The Fund shall be deemed to have been established on 23rd day of July, 2007, by the order made by the Board under section 11 of the Act.

Amounts to be credited to the Fund.

4. The following amounts shall be credited to the Fund:-

(a) contribution as may be made by the Board to the Fund;

(b) grants and donations given to the Fund by the Central Government, State Government or any other entity approved by the Board for this purpose;

(c) proceeds in accordance with the sub-clause (ii) of clause(e) of sub-regulation (12) and the sub- regulation (13)of regulation 28 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

(d) security deposits, if any, held by stock exchanges in respect of public issues and rights issues, in the event of de-recognition of such stock exchanges;

(e) amounts in the Investor Protection Fund and Investor Services Fund of a stock exchange, in the event of de-recognition of such stock exchange;

(f) interest or other income received out of any investments made from the Fund;

(g) such other amount as the Board may specify in the interest of investors.

Utilisation of Fund.

5. (1) The Fund shall be utilised for the purpose of protection of investors and promotion of investor education and awareness in accordance with these regulations.

(2) Without prejudice to the generality of the object in sub-regulation (1), the Fund may be used for the following purposes, namely:-

(a) educational activities including seminars, training, research and publications, aimed at investors;

(b) awareness programmes including through media - print, electronic, aimed at investors;

(c) funding investor education and awareness activities of Investors' Associations recognized by the Board;

(d) aiding investors' associations recognized by the Board to undertake legal proceedings in the interest of investors in securities that are listed or proposed to be listed;

(e) refund of the security deposits which are held by stock exchanges and transferred to the Fund consequent on derecognition of the stock exchange as mentioned in clause (d) of regulation 4, in case the concerned companies apply to the Board and fulfill the conditions for release of the deposit;

(f) expenses on travel of members of the Committee, who are not officials of the Board, and special invitees to the meetings of the Committee, in connection with the work of the Committee;

(g) salary, allowances and other expenses of office of Ombudsman; and

(h) such other purposes as may be specified by the Board.

6. Conditions for Aid.

The aid to investors' associations, as referred to in clause (d) of sub-regulation (2) of regulation 5, shall be given by the Board in accordance with the guidelines made by it and subject to the following conditions:-

(a) that the aid shall not exceed seventy five per cent. of the total expenditure on legal proceedings;

(b) such aid shall not be considered for more than one legal proceeding in a particular matter;

(c) if more than one investors' association applies for seeking legal aid, the investors' association whose application is received first, shall be considered for such aid.

CHAPTER III

ADVISORY COMMITTEE FOR THE FUND

Constitution of the Committee.

7. (1) The Board shall constitute an advisory committee for recommending investor education and protection activities that may be undertaken directly by the Board or through any other agency, for utilisation of the Fund for the purposes referred to in regulation 5.

(2) The Committee shall consist of the following members, namely:-

(a) the Executive Director of the Board in charge of Office of Investor Assistance and Education who shall be the convener of the Committee;

(b) two other officials of the Board;

(c) five other members who have expertise about the securities market and experience in matters of investor grievance redressal or investor education.

(3) (a) The term of office of members referred in clause (c) of sub-regulation (2) of regulation 7 shall be two years, which may be extended for a further period of two years.

(b) Any vacancy arising out of resignation, retirement or death of a member or for any other reason shall be filled by the Board for the remaining period of the term of such member.

(4) The Board may dissolve and reconstitute the Committee if, at any time, the Board is of the opinion that the Committee is unable to discharge the functions and duties imposed on it by or under these regulations.

Functions of the Committee.

8. The Committee shall consider investor education and protection activities keeping in view the purposes mentioned in regulation 5 and the regulation 6 and submit its recommendations thereon to the Board.

Meetings of the Committee.

9. (1) Meetings of the Committee shall be convened at least once in three months by the convener or in his absence, by any member nominated by the convener, on his behalf.

(2) Four members of the Committee shall constitute the quorum for the transaction of business at a meeting of the Committee.

(3) Every member, who is directly or indirectly interested in any matter coming up for consideration at a meeting of the Committee, shall disclose the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the meeting of the Committee and such member shall not take part in any deliberation of the Committee with respect to that matter.

Expenses of the Committee.

10. (1) The expenses including travel and other allowances of members of the Committee, who are officials of the Board, and invitees who are officials of the Board, shall be borne by the Board in accordance with their entitlements.

(2) The expenses including travel and other allowances of members of the Committee, who are not officials of the Board, and invitees who are not officials of the Board, may be borne by the Fund.

CHAPTER IV

INVESTMENT, ACCOUNTS AND AUDIT

Investment, maintenance of accounts and audit of accounts.

11. (1) The Board shall ensure maintenance of proper and separate accounts and other relevant records in relation to the Fund giving therein the details of all receipts to, and, expenditure from, the Fund and other relevant particulars in accordance with the SEBI (Form of Annual Statement of Accounts and Records) Rules, 1994 as far as such rules apply.

(2) The accounts referred to in sub regulation (1) shall be prepared and audited before the expiry of six months from the end of each financial year.

(3) The investment of the Fund may be in the manner of investments of other funds of the Board.

(4) The accounts of the Fund may be audited in the manner of audit of other accounts of the Board.

CHAPTER V

MISCELLANEOUS

Power to relax regulations.

12. If in the opinion of the Board, strict enforcement of any regulation needs to be relaxed to achieve the purpose of investor protection and education, the Board may relax the same.

Delegation of powers.

13. The powers exercisable by the Board under these regulations shall also be exercisable by any member or officer of the Board to whom such powers are delegated by the Board by means of an order made under section 19 of the Act.

Amendments to other Regulation.

14. The regulation mentioned in the Schedule shall be amended in the manner and to the extent specified therein.

SCHEDULE

Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009

[See regulation 14]

Amendments to other regulation

Amendment of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1. In regulation 28,

(a) in sub-regulation (12) , for clause (e) , the following shall be substituted, namely:-

"(e)the entire amount to the merchant banker, in the event of forfeiture for nonfulfillment of any of the obligations under the Regulations, for distribution in the following manner, after deduction of expenses, if any, of the merchant banker and the registrars to the offer, -

(i) one third of the amount to the target company;

(ii) one third of the amount to the Investor Protection and Education Fund established by the Board;

(iii) one third of the amount to be distributed pro-rata among the shareholders who have accepted the offer."

(b) in sub-regulation (13) , for the words "to the regional stock exchange of the target company, for the credit of the Investor Protection Fund or any other similar fund" appearing after the words " proceeds thereof" the words "to the Investor Protection and Education Fund established by the Board" shall be substituted.

C. B. BHAVE
CHAIRMAN

SEBI

CHIEF GENERAL MANAGER

Market Regulation Department

Email: mdrao@sebi.gov.in MRD/DoP/ Cir-05/2009 May 20, 2009

To
The Managing Directors / Chief Executive Officers /
Executive Directors / Officiating Executive Directors
of all the Stock Exchanges,
Registrars to an Issue and Share Transfer Agents

Dear Sir/ Madam,

Sub: PAN requirement for transfer of shares in physical form

1. The Securities and Exchange Board of India (SEBI) vide circular ref. no. MRD/DoP/Cir-05/2007 dated April 27, 2007 made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transaction.
2. In continuation of the aforesaid circular, it is hereby clarified that for securities market transactions and off-market/ private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/RTAs for registration of such transfer of shares.
3. All Stock Exchanges are advised to:-

3.1. implement the above by making necessary amendments to the bye-laws and Listing Agreement, as applicable;

3.2. bring the provisions of this circular to the notice of the listed companies for necessary compliance and also to put the same on their website for easy access to the investors; and

3.3. communicate to SEBI the status of the implementation of the provisions of this circular and the action taken in this regard in the Monthly Development Report.

4. All Registrars to an Issue and Share Transfer Agents are advised to:-

4.1. take necessary steps to implement the above decision.

4.2. disseminate the provisions of this circular on their website.

5. This circular is issued in exercise of powers conferred under section 11 of the Securities and Exchange Board of India Act, 1992, read with section 55A of Companies Act to protect interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

S V MURALI DHAR RAO

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RESERVE BANK OF INDIA

RBI/2008-09/481 RPCD.CO.RRB.BC.No.108 /03.05.33/2008-09 May 22, 2009

All Regional Rural Banks

Dear Sir,

Unclaimed deposits and inoperative / dormant accounts in banks

In view of the increase in the amount of the unclaimed deposits with banks year after year and the inherent risk associated with such deposits, it is felt that banks should play a more pro-active role in finding the whereabouts of the account holders whose accounts have remained inoperative. Further, several complaints have been received in respect of difficulties faced by the customers on account of their accounts having been classified as inoperative. Moreover, there is a feeling that banks are undeservedly enjoying the unclaimed deposits, while paying no interest on it. Keeping these factors in view, it is advised that Regional Rural Banks (RRBs) may follow the instructions detailed below while dealing with inoperative / dormant accounts: (i) RRBs should make an annual review of accounts in which there are no operations (i.e. no credit or debit other than crediting of periodic interest or debiting of service charges) for more than one year. The RRBs may approach the customers and inform them in writing that there has been no operation in their accounts and ascertain the reasons for the same. In case the non-operation in the account is due to shifting of the customers from the locality, they may be asked to provide the details of the new bank accounts to which the balance in the existing account could be transferred. (ii) If the letters are returned undelivered, they may immediately be put on enquiry to find out the whereabouts of customers or their legal heirs in case they are deceased.

(iii) In case the whereabouts of the customers are not traceable, RRBs should consider contacting the persons who had introduced the account holder. They could also consider contacting the employer / or any other person whose details are available with them. They could also consider contacting the account holder telephonically in case his telephone number / Cell number has been furnished to the RRB. In case of Non Resident accounts, the RRB may also contact the account holders through email and obtain their confirmation of

the details of the account. (iv) A savings as well as current account should be treated as inoperative / dormant if there are no transactions in the account for over a period of two years. The accounts which have not been operated upon over a period of two years should be segregated and maintained in separate ledgers. (v) In case any reply is given by the account holder giving the reasons for not operating the account, RRBs should continue classifying the

same as an operative account for one more year within which period the account holder may be requested to operate the account. However, in case the account holder still does not operate the same during the extended period, RRBs should classify the same as

inoperative account after the expiry of the extended period. (vi) For the purpose of classifying an account as 'inoperative' both the type of transactions i.e. debit as well as credit transactions induced at the instance of customers as well as third party should be

considered. However, the service charges levied by the RRB or interest credited by the bank should not be considered.

(vii) Further, the segregation of the inoperative accounts is from the point of view of reducing risk of frauds etc. However, the customer should not be inconvenienced in any way, just because his account has been rendered inoperative. The classification is there only to bring to the attention of dealing staff, the increased risk in the account. The transaction may be monitored at a higher level both from the point of view of preventing fraud and making a Suspicious Transactions Report. However, the entire process should remain un-noticeable by

the customer.

(viii) Operation in such accounts may be allowed after due diligence as per risk category of the customer. Due diligence would mean ensuring genuineness of the transaction, verification of the signature and identity, etc. However, it has to be ensured that the customer is not inconvenienced as a result of extra care taken by the RRB.

(ix) There should not be any charge for activation of inoperative account.

(x) RRBs are also advised to ensure that the amounts lying in inoperative accounts ledger are properly audited by the internal auditors / statutory auditors of the bank.

(xi) Interest on savings bank accounts should be credited on regular basis whether the account is operative or not. If a Fixed Deposit Receipt matures and proceeds are unpaid, the amount left unclaimed with the RRB will attract savings bank rate of interest.

2. RRBs may also consider launching a special drive for finding the whereabouts of the customers / legal heirs in respect of existing accounts which have already been transferred to the separate ledger of 'inoperative accounts'.

Yours faithfully

(B.P.Vijayendra)

Chief General Manager

Rural

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SEBI

General Manager

Division of Foreign Institutional Investors & Custodians

INVESTMENT MANAGEMENT DEPARTMENT

Cir No. IMD/FII & C/ /2009 May 12, 2009

To
All Foreign Institutional Investors
through their designated Custodians of Securities

Dear Madam/Sir

Sub: Allocation methodology of debt investment limits to FIIs

1. Please refer to SEBI circular IMD/FII & C/ 37/2009 dated February 06, 2009 providing the modalities for the allocation methodology for the debt investment limits.
2. It has been decided that the unutilised investment limits for government debt shall also be allocated in similar manner as specified in the circular mentioned above.
3. In partial amendment to clause 3 (h) of the aforesaid circular, no single entity shall be allocated more than Rs.1,000 cr. of the government debt investment limit.
4. A copy of this circular is available at the web page "F.I.I." on our website www.sebi.gov.in. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

Yours faithfully,

Jeevan Sonparote

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GOVERNMENT OF INDIA

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE)

Notification No. 5/2009-Central Excise

New Delhi, the 27th April, 2009

G.S.R. (E). - In exercise of the powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944) read with sub-section (3) of section 111 of the Finance Act, 1998 (21 of 1998), sub-section(3) of section 133 of the Finance Act, 1999 (27 of 1999) and sub-section (3) of section 147 of the Finance Act, 2002 (20 of 2002), the Central Government, hereby makes the following further amendment in the notification of Government of India in the Ministry of Finance (Department of Revenue) No. 29/2002-Central Excise, dated the 13th May 2002, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) *vide* number G.S.R.362 (E), dated the 13th May, 2002, namely:-

In the said notification, in the preamble, for the brackets, letters and words "(b) Bongaigaon Refineries and Petrochemicals Limited, or" , the brackets, letters and words "(b) Indian Oil Corporation Ltd., Bongaigaon Refinery, or" shall be substituted.

[F. No. 354/90/2009-TRU]

(Limatula Yaden)

Deputy Secretary to the Government of India

Note:- The principal notification No. 29/2002-Central Excise, dated the 13th May 2002, was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R.362 (E), dated the 13th May, 2002 and was last amended vide notification No. 34/2002-Central Excise, dated the 21st June, 2002, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 441 (E), dated the 21st June, 2002.

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GOVERNMENT OF INDIA

[TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE)

Notification No. 53/2009- Customs (N.T.)

New Delhi, the 19th May 2009.

G.S.R. (E).- In exercise of the powers conferred by sub-section (1B) of section 129A of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs hereby makes the following further amendment in the notification of the Government of India, Ministry of Finance, Department of Revenue, No. 49/2005-Customs (N.T.) published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R.410(E)dated the17th June, 2005, namely :-

In the said notification, in the Table, against Sl. No. 51 and 52 in Column (2) and Column (3) for the words and figures "Pune II" wherever they occur, the words "Kolhapur" shall respectively be substituted.

[F.No.390/review/89/09-JC]

V. K. SAXENA

Director to the Government of India

Note: The principal notification No. 49/2005-Customs (N.T.), dated the 17th June,2005 was published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section(i) vide number G.S.R. 410(E) dated the 17th June,2005 and was subsequently amended by Notification No.63/2006- Customs (N.T.), dated the 9th June, 2006 vide number G.S.R. 356(E), published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section(i), dated the 9th June, 2006. It was subsequently amended by Notification No.42/2008- Customs (N.T.), dated the 12th May,2008 vide number G.S.R371(E), published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section(i), dated the 12th May,2008. It was subsequently amended by Notification No.42/2009- Customs (N.T.), dated the 21st April,2009 vide number G.S.R 272(E), published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section(i), dated the 21st April 2000

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GOVERNMENT OF INDIA

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Revenue) New Delhi, the May 20, 2009.

Notification No. 15/2009-Service Tax

G.S.R. (E).- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.9/2009-Service Tax, dated the 3rd March, 2009 which was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 146(E), dated the 3rd March, 2009, namely:-

In the said notification,-

(A) in paragraph 1, in the proviso,-

the sub-paragraph (c), the following shall be substituted, namely:-

"(c) the exemption claimed by the developer or units of Special Economic Zone shall be provided by way of refund of service tax paid on the specified services used in relation to the authorised operations in the Special Economic Zone except for services consumed wholly within the Special Economic Zone;"

(2) for sub-paragraph (d), the following shall be substituted, namely:-

"(d) the developer or units of Special Economic Zone claiming the exemption, by way of refund in accordance with clause (c), has actually paid the service tax on the specified services;"

(3) after sub-paragraph (f), the following sub-paragraph shall be inserted, namely:-

"(g) the developer or unit of a Special Economic Zone shall maintain proper account of receipt and utilisation of the taxable services for which exemption is claimed."

(B) in paragraph 2, for the words, "shall be subject to the following conditions", the words, " ,except for services consumed wholly within the Special Economic Zone, shall be subject to the following conditions" shall be substituted.

[F.No.354/163/2006-TRU]

(Unmesh Sharad Wagh)

Under Secretary to the Government of India

Note. - The principal notification was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 146(E), dated the 3rd March, 2009.

For Attention of Practising Members

GUIDELINES FOR RENEWAL OF CERTIFICATE OF PRACTICE

The members of the Institute holding Certificate of Practice having validity upto 30th June, 2009 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. Application for renewal of Certificate of Practice upto 30th June, 2010 has to be made in the prescribed Form 'D' duly filled in and signed on both sides together with Renewal Certificate of Practice fee for Rs. 500/- and all other dues to the Institute on account of annual membership fees and entrance fees. The annual membership for Associate and Fellow Members are Rs. 500/- and Rs. 1000/- respectively with effect from 1st April, 2008. The entrance fee for Associate and Fellow Members are Rs. 600/- and Rs. 500/- respectively payable at a time at the time of application for admission with effect from 1st April, 2008. The fees may be paid by Demand Draft/Pay Order/Cheque payable at Kolkata if remitted by post to the Headquarters of the Institute. In case remittance is made through an outstation cheque, Rs.30/- is to be included towards bank charges. The fees may also be paid directly by cash at the Headquarters or by Cash/Cheque/Demand Draft at the Regional Councils or Chapters of the Institute.

2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, the annual membership fee and Renewal Certificate of Practice fee fall due on 1st April each year.

3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on 30th June each year unless it is renewed on or before the date of expiry in terms of Regulation 10 of the Cost and Works Accountants Regulation, 1959. Therefore, a member signing any document as a practicing Cost Accountant without having his Certificate of Practice renewed on or before the due date, makes the signed document invalid.

4. It may please be noted that mere payment of fees alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form 'D' duly filled in and signed on **both sides is absolute necessary.**

5. It is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practicing member has undertaken any employment or there has been a change in employment:

"Shri..is employed

as (designation)...in (name of

Organisation)...and he is permitted ,

notwithstanding anything contained in the terms of his employment, to engage himself in the practice of profession of Cost Accountancy in his spare time in addition to his regular salaried employment with us.

Signature of Employers

under seal of Organisation"

6. In order to enhance professional competence and evolve a systematic mechanism to update knowledge of members in practice, a scheme of CEP was introduced in the year 2003. The scheme was made optional for the first two years subject to members completing the required number of hours in the third year.

   A partial modification of the said scheme has been made by the Council of the ICWA1.

Therefore, it may please be noted that as per modified scheme, every member in practice is required to accumulate credit of 20 hours for the block of 3 (three) years of CEP within 30th June, 2009 for renewal of Certificate of Practice from 1st July, 2009 onwards. The minimum hours of training in a year are 6 hrs. Any extra hours of training within the block of 3 years shall not be carried forward to next block.

It is clarified in this context that:

I. The members who reside outside India for a part of the year may be exempted from Credit Hours requirement for the same year.

II. The members who are victimized by polio or accident or physically handicapped may be exempted from fulfilling the requirement of CEP hours.

III. The members who could not get credit of required CEP hours for failure in attending the programmes of the Institute due to unavoidable circumstances may be granted relaxation to make up balance CEP Credit hours requirement in the next three year period in addition to the normal requisite CEP hours.

The requirement specified above does not apply to a member in practice who has attained the age of 65 years as on 1st July, 2009.

Hence, all practicing members are requested to send their application for renewal along with other requirements as indicated herein above immediately, in any case so as to reach the Institute Headquarters **not later than** 15th **June, 2009.**

For Attention of Members

Payment for Annual Membership Fee for 2009-2010

The Annual Membership Fee for 2009-2010 for all Associate and Fellow Members of the Institute has become due and payable on 1st April, 2009 at the following rates:

Associate Annual Membership Fee : Rs.500/- (Rs. 100/- for members entitled to pay at reduced rate)

Fellow Annual Membership Fee : Rs.1000/- (Rs. 150/- for members entitled to pay at reduced rate)

All members are requested to pay their respective membership fees along with arrears, if any, immediately and **not later than 30th September, 2009.**

The fees may be paid by Cash/Demand Draft/Cheque at the Headquarters/Regional Council offices/Chapters of the Institute. The Demand Draft/Cheque should be drawn in favour of "The ICWA of India" and payable at Kolkata. In case of outstation cheque Rs.30/- is to be added towards Bank Charges.

NOTE: MEMBERS SHOULD ENSURE TO INDICATE THEIR NAME AND MEMBERSHIP NO. ON THE REVERSE OF CHEQUE/DEMAND DRAFT TO BE DRAWN IN FAVOUR OF "THE ICWA OF INDIA" PAYABLE AT KOLKATA IN CASE PAYMENT IS RENDERED BY CHEQUE/DEMAND DRAFT, IT SHOULD ALSO BE ENSURED NOT TO ENCLOSE ANY OTHER INTIMATION ETC. ALONG WITH THE REMITTANCE OF MEMBERSHIP FEE.

The Institute of Cost And Works Accountants of India

Examination Time Table & Programme – June 2009

CERTIFICATE IN ACCOUNTING TECHNICIANS – FOUNDATION COURSE (ENTRY LEVEL) PART – I EXAMINATION

Day & Date	Time	Foundation Course (Entry Level) Part – I
Thursday, 18th June, 2009	02.00 P.M. to 05.00 P.M.	Organisation and Management Fundamentals
Friday, 19th June, 2009	02.00 P.M. to 05.00 P.M.	Accounting
Saturday, 20th June, 2009	02.00 P.M. to 05.00 P.M.	Economics and Business Fundamentals
Sunday, 21st June, 2009	02.00 P.M. to 05.00 P.M.	Business Mathematics and Statistics Fundamentals

●Examination Fees

	Foundation Course (Entry Level) Part – I
Inland Centres	Rs.700/-

1. Application Forms for Foundation Course (Entry Level) Part – I Examination will be available from Directorate of CAT at "ICWAI Bhawan", 3, Institutional Area, Lodi Road, Delhi – 110 003 on payment of Rs. 30/- per Form.
2. **Last date for receipt of Examination Application Forms without late fees is 16th April, 2009** and with late fees of Rs. 100/- is **25th April, 2009**.
3. Examination Fees to be paid through **Bank Demand Draft** of requisite fees drawn in favour of " ICWAI A/C CAT " payable at New Delhi.
4. Student will send their Examination Application Forms along with the fees to Directorate of CAT at "ICWAI Bhawan", 3, Institutional Area, Lodi Road, Delhi – 110 003.
5. **There are 4 (four) Examination Centres** : **Kolkata, Chennai, Hyderabad & Surat (Gujarat)**
6. **Examination Question Papers will be set in English Language only.**
7. **A candidate who is fulfilling all conditions will only be allowed to appear for examination**.
8. **Probable date of publication of result : 5th August 2009.**

C. Bose
Sr. Director (Examination)

The Institute of Cost and Works Accountants of India

Examination Time Table & Programme – June 2009

	PROGRAMME FOR SYLLABUS 2002		PROGRAMME FOR SYLLABUS 2008 (REVISED)		
Day, Date & Time	**Final** 9.30 A.M. to 12.30 P.M.	**Intermediate** 2.00 P.M. to 5.00 P.M.	**Intermediate–2008** 9.30 A.M. to 12.30 P.M.	**Final – 2008** 2.00 P.M. to 5.00 P.M.	**Foundation** 2.00 P.M. to 5.00 P.M.
Thursday, 18th June, 2009	Operations and Project Management and Control	Cost and Management Accounting	Financial Accounting	Capital Market Analysis & Corporate Laws	Organization and Management Fundamentals
Friday, 19th June, 2009	Advanced Financial Management and International Finance	Information Systems and Technology	___	Financial Management & International Finance	Accounting
Saturday, 20th June, 2009	Strategic Management and Marketing	Business Laws and Communication Skill	Commercial and Industrial Laws and Auditing	Management Accounting – Strategic Management	Economics and Business Fundamentals
Sunday, 21st June, 2009	Strategic Tax Management	Business Taxation	Applied Direct Taxation	Indirect & Direct – Tax Management	Business Mathematics & Statistics Fundamentals
Monday, 22nd June, 2009	Management Accounting – Decision Making	Management Accounting- Performance Management	Cost & Management Accounting	Management Accounting – Enterprise Performance Management	___
Tuesday, 23rd June, 2009	Management Accounting- Financial Strategy and Reporting	Advanced Financial Accounting	___	Advanced Financial Accounting & Reporting	___
Wednesday, 24th June, 2009	Cost Audit and Management Audit	Auditing	Operation Management and Information Systems	Cost Audit & Operational Audit	___
Thursday, 25th June, 2009	Valuations Management and Case Study	Quantitative Methods	Applied Indirect Taxation	Business Valuation Management	___

EXAMINATION FEES

Stage (s)	Final Examination	Intermediate Examination	Foundation Course Examination
One Stage (Inland Centres) (Overseas Centres)	Rs.800/- US $ 100	Rs.700/- US $ 90	Rs.700/- US $ 60
Two Stages (Inland Centres) (Overseas Centres)	Rs.1600/- US $ 100	Rs.1400/- US $ 90	

1.Application Forms for Foundation Course, Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of Rs. 30/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US $ 10 per form.

2. Last date for receipt of Examination Application Forms without late fees is 16th April, 2009 and with late fees of Rs. 200/- is **25 th April, 2009.**

3. Examination fees to be paid through **Bank Demand Draft** of requisite fees drawn in favour of the Institute and payable at Kolkata.

4. Students may submit their Examination Application Forms along with the fees at ICWAI, 12 Sudder Street, Kolkata –700016 or Regional Offices or Chapter Offices. Any query can be sent to Sr. Director (Exam.) at H. Q.

5. For June 2009 term of Examinations questions on the subjects – "Business Taxation" and "Strategic Tax Management" for Syllabus 2002 & "Applied Direct Taxation", "Applied Indirect Taxation" and "Indirect & Direct - Tax Management" will be set considering the Finance Act, 2008 involving Assessment Year : 2009-2010.

6. Examination Centres : Agartala, Ahmedabad, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Bhilai, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Berhampur(Ganjam), Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Neyveli, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Shillong, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Dubai and Muscat.

7. A candidate who is completing all conditions will only be allowed to appear for examination.

8. Probable date of publication of result : Foundation – 5th August 2009 and Inter & Final – 29th August 2009.

C. Bose
Sr. Director (Examination)

NOTIFICATION

Ref. No. DS-3/1/3/09 March 16, 2009

Finance Act 2008 involving Assessment Year 2009-2010 will be applicable for the subjects Business Taxation (Intermediate) and Strategic Tax Management (Final) under Syllabus 2002 for the purpose of June 2009 term of Examination.

(Kaushik Banerjee)
Additional Director-cum-Joint Secretary
& In-Charge of
Directorate of Studies

NOTI FICATION

Ref. No. DS-3/2/3/09 March 16, 2009

Finance Act 2008 involving Assessment Year 2009-2010 will be applicable for the subjects Applied Direct Taxation (Intermediate), Applied Indirect Taxation (Intermediate) and Indirect & Direct - Tax Management (Final) for the purpose of June 2009 term of Examination under Revised Syllabus 2008.

(Kaushik Banerjee)
Additional Director-cum-Joint Secretary
& In-Charge of
Directorate of Studies

CIRCULAR

Ref. No. DS-3/3/4/09 April 21, 2009

Sub: Conduct of Foundation Examination

Further to Circular No. Ceo: Studies: Cir: 09/2008 dated 11th September 2008, it is reiterated for information of all concerned that Foundation Examination of the Institute from December, 2008 term of Examination onwards will be conducted under Revised Syllabus 2008 only.

Those who have completed coaching in Foundation under Syllabus 2002 and having validity will be permitted in Foundation Examination under Revised Syllabus 2008.

(Kaushik Banerjee)
Additional Director-cum-Joint Secretary
& In-Charge of
Directorate of Studies

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
12, SUDDER STREET, KOLKATA - 700 016

Advancement To Fellowship
Date Of Advancement :
16th April 2009

M/10646
Shri Avinash Pundalik Rane,
MCOM, FICWA
Flat No. 103, 'D' Wing,
Neelganga Nagar, Shankarao
Naram Marg, Hanuman Lane,
Lower Parel (W),
Mumbai 400013

M/24000
Shri Saragadam Venkata
Ramana,
MCOM, MBA(FIN), FICWA
General Manager (F&A),
Visakha Dairy, Opp. BHPV,
Mathayyapalem,
Visakhapatnam 530012

M/15379
Shri Debasish Mitra,
BCOM, FICWA
Asstt. General Manager
(Finance), PSL Limited, 615,
Makwana Road, Marol,
Andheri (East),
Mumbai 400059

M/4118
Shri Sukhendu Purkait,
BSC(HONS), FICWA
26, Keyatala Lane,
Kolkata 700029

M/22865
Shri Pasur Srisailam Kesavan,
BSC(MATHS), FICWA
225/4, Natesan Fourth Cross
Street, Virugambakkam,
Chennai 600092

M/20726
Shri Sudhir Kumar Sharma,
BCOM, LLB, FICWA
181-D, Block B-10, Udaigiri
Second, Sector 34,
Noida 201307

M/23243
Shri Manoj Vadher,
BCOM, FICWA
P.O. Sinugra, TA- Anjar,
Kutch 370110

M/19962
Shri Gurmit Singh,
BCOM(HONS), FICWA
15/55, Subhash Nagar,
New Delhi 110027

M/23896
Shri Surendra Kumar Gupta,
BCOM(HONS), FICWA
Assistant Manager (Finance),
Subansiri Lower HE Project,
NHPC Ltd.,
Gerukamukh 787035

M/14621
Shri N. R. Srinivasa Raghavan,
BBM, MA, FCA, FICWA
G-12, 'A' Block, Brigade
Komarla Residency,
Subramanyapura Main Road,
Chikkalasandra, Uttarahalli,
Bangalore 560061

M/23148
Shri Chillakuru Pandurangaiah,
BCOM, FICWA
Flat # C1, Plot # 15, Gomathy
Nagar Ram Nagar Extn.,
Velachery, Chennai 600042

M/12853
Shri Sankaranarayanan
Kannan,
BCOM, FICWA
4/46/15, K.T.C. Nagar, Opp.
Annai Primary School,
Tuticorin 628002

M/23452
Shri Shambhu Nath Roy,
BCOM(HONS), FICWA
Flat 3B, EE 207, Sector-II,
Salt Lake, Kolkata 700091

M/10310
Shri Jeetendra Kumar,
MCOM, FICWA
Dy. Finance Manager,
Mahanadi Coalfields Ltd.,
HQ, S&M Deptt.,
P.O. Jagriti Vihar, Burla,
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M/4843
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M/27652
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Manachanallur-TK
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2/54 Eswar Park,
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M/27687
Shri Sanjib Kumar Nayak,
BCOM, AICWA
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Nuasahi, Nayapally,
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Shri Jayant Prasad,
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301, Bhakti Apartment,
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M/27762
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Shri K. V. Sridhar,
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C/o. K. V. Ramamurthy Flat No. E-201, Mahavir Sadhana, Plot No. 184, Sector-14, Sanpada,
Navi Mumbai 400705

M/27770
Shri Umeshwar Prasad,
BCOM(HONS), AICWA
F-73, Ground Floor, Sector-3, Vaishali, Ghaziabad 201010

M/27771
Shri Buddhadev Mukhopadhyay,
BCOM(HONS), AICWA
4/4, Vivek Nagar, 1st Floor, Santoshpur, Kolkata 700075

M/27772
Shri Bijaya Kumar Prusty,
AICWA,
C/o. Chintamani Senapati At/ P.O. Bharatpur Plot No. 860, P.S. Khandagiri, Dist- Khurda
Bhubaneswar 751003

M/27773
Ms. Anuradha Nayak,
BCOM, AICWA
Qrt. No. C-1-6, A.G. Colony, Unit-4, Bhubaneswar 751001

M/27774
Shri Maddi Siva Kumar,
BCOM, AICWA
H. No. 197, C/o. N.L. Sajji,
Njattumkalayil, Shanthi
Nagar, Alwaye 522201

M/27775
Shri Krishna Mohan
Bojanapalli,
BCOM, AICWA
F-102, Srinivasa Residency,
Adj. Lane to Axis Bank,
Taranaka,
Secunderabad 500017

M/27776
Shri Veeralah Chowdary
Dandamudi,
BCOM, AICWA
Plot No. 232, H. No. 16-3-
173/1, Vasanth Nagar, Kukat
Pally, Hyderabad 500073

M/27777
Shri Phani Kumar Gubbala,
BCOM, AICWA
H. No. 6-643, Ramapuram
Camp, Charlagudipadu Post,
Guntur-MD., Guntur-Dist,
Charlagudipadu 522415

M/27778
Shri Devendu Paul,
BCOM, AICWA
H. No. 1-8-725/B, Flat No.
301, Icon Residency,
Nallakunta,
Hyderabad 500044

M/27779
Shri Srinivasulu Thota,
MCOM, AICWA
H. No. 41/2, 2nd Floor, Appu
Rao Road, Chamarajpet,
Bangalore

M/27780
Shri Hari Shankar
Nagasubramanian,
BCOM, AICWA
7/1238, F-B-Colony,
Nagamalai Pudukottai,
Madurai 625019

M/27781
Shri Vipin Kedia,
BCOM, AICWA
Binjusria Bhawan, Karundia
Road, Jhunjhunu 233001

M/27782
Ms. Prachi Ashok Nadkar,
MCOM, AICWA
C/o. Ashok V Nadkar, C-7,
Nishigandha Apptt., Upnagar,
Off takli Road, Nashik

M/27783
Shri Subhransu Sekhar
Mohanty,
BCOM, AICWA
At- Mallapur, P.O. Kotian,
Via- Kaduapada, Dist-
Jagatsinghpur, Kotian 754106

M/27784
Shri Sarbajit Ray,
BCOM, AICWA
27, A & C Amherst Street,
Kolkata 700009

M/27785
Shri Prashant Madhav Bendre,
BCOM, AICWA
A-1/9, Doodhsagar C H S Ltd.,
CIBA Road, Goregaon (East),
Mumbai 400065

M/27786
Shri Chandan Singh,
MCOM, AICWA
“Budha Bapa”, Plot No. 1162,
Lane-II, Aerodrome Area,
Bhubaneswar 751020

M/27787
Shri Shivarajapura
Ramachandra Rao Shekar,
BCOM, AICWA
No. 156, 3rd Cross, 20th
Main, B T M Layout, 1st Stage,
Bangalore 560068

M/27788
Shri Shahin Akhtar,
BCOM(HONS), AICWA
J-42/1, Fateh Pur Village Road,
Garden Reach,
Kolkata 700024

M/27789
Shri Bhaskar Jyoti Sharma,
BCOM, CMA, AICWA
Baligaon, Rajahowli, P.O.
Korokatoli,
Jorhat 785015

M/27790
Shri Gurdip Singh,
BCOM(HONS), AICWA
41/1 Jan Md. Ghat Road,
Naihati 743165

M/27791
Shri Ranjit Kumar Low, BCOM,
AICWA
14/8, Ashok Avenue, A-Zone,
Durgapur 713204

M/27792
Shri S. Abdul Khaleem,
MCOM, AICWA
D. No. 19-300, Red Cross
Street, Mittoor, Chittoor,
Mittoor 517001

Corrigendum

In the May issue of The Management Accountant, we had missed mentioning the details of our esteemed author Shri K.R.Bharagava, who has written the very illuminating article on the ‘Banyan Tree: The Management Guru’. Shri Bharagava is Chief Commissioner of Customs, Mumbai - Zone -II, Jawaharlal Nehru Custom House, Nhava Seva, Raigad. The error is sincerely regretted.

EASTERN REGION

DURGAPUR CHAPTER

Regional Cost Conference-2009 of EIRC of ICWAI

Organized by: **Durgapur Chapter of Cost Accountants (DCCA)**

The Theme: **Innovation for Accelerated Growth**

Date: 7th & 8th March 2009

The Regional Cost Conference was inaugurated by Mr. Amarjit Vij, Executive Director, Alloy Steel Plant, Durgapur. Sri D.C.Agrawal, Vice-Chairman of the Chapter & General Manager (Finance) of Alloy Steel Plant, Durgapur delivered welcome address. Sri D. Saha, Chairman of EIRC of ICWAI, narrated various activities of EIRC. Sri Shyamal Bhattacharya, Secretary of the Chapter briefed on the various activities of Durgapur Chapter. Sri Kunal Banerjee, President of ICWAI, expressed his happiness and congratulated the Chapter for holding such eventful and colorful Conference. He mentioned that the present global slow down gives not only challenge to Cost Accountants but opportunities as well as increased efficiency. In this context he advised the members to think and act innovatively to show excellence through proper implementation of their innovation to the Corporate World. He praised the Chapter for selecting a logo for the conference keeping in mind the mission and vision of ICWAI (i2i which stands for ***Ideate-Initiate-Implement).*** He also placed before the audience about the Institute, its development and present role in the Indian and Global Economy. In his Keynote address, Swami Balabhadrananda Maharajah, Head of Ramakrishna Mission, Asansol mesmerized the audience with his scholarly speech supported by strong data and various international references on the genesis of Indian Economic Development starting from 300BC to till date. He gave a clarion call to the Cost and Management Accountants of the country to dedicate their knowledge for making India a strongest economic power in the world as enunciated by Swami Vivekanada.

The inaugural session was followed by the four technical sessions:

i) *Global Down turn—Its impact on Indian Economy*

ii) *Effect of global downturn on Core Industries in India—remedial measures Hi) Enterprise Risk Management and Driving through Recession-Banker's perspective*

iv) *Role of Cost and Management Accountant in Indirect Tax under the Global meltdown*

WESTERN REGION

KALYAN AMBERNATH CHAPTER

Kalyan Ambernath Chapter conducted its monthly study circle meeting on 7(March, 2009 at 6.30 p.m. CMA Gaurav Deolalkar. Assistant Manager with B & K Securities P. Ltd. Spoke on **"Valuation of Business".** Mr. R.P.Chhatpar, Executive Secretary of Chapter proposed vote of thanks.

Prize Distribution Function

Chapter organized a Prize Distribution Function on 28th March, 2009 at 6.30 p.m. CMA D.M.Bathija welcomed the Guests. In his welcome address, he said that Chapter's Admissions and Results have gone up substantially. There were 90 Prize Winning Students, and Hall of Chapter was packed to the capacity.

CMA Ashok B. Nawal, Chairman of W.I.R.C. was Chief Guest. He gave away Prizes to the meritorious students.

CMA G. B. Shamnani handled the Prize Distribution Session.

PUNE CHAPTER

Continuous Education Programme

Pune Chapter of Cost Accountants organized a C.E.P. on 28-3-2009 on "Fundamental Technique of Root Cause Analysis with Case Study" at its premises. Shri. Ashish Joshi, B.E in Mech Engg (Pune University) & M.S. in Industrial Engg from Ohio state University-USA, conducted the programme.

Mr. Harshad Deshpande, Managing Committee member, PCCA, introduced the speaker to the gathering. Mr. Pramod Dube, Chairman P.O.Committee of PCCA, felicitated the speaker by offering him a bouquet. Shri. Dhananjay Joshi, Past President of the Institute was also present.

Mr. Ashish Joshi explained the term Root Cause Analysis and its significance in the present state of economy. He explained the concept. Root Cause Analysis is a structured and orderly approach for discovering the systemic sources of operations, problems and their solutions. He pointed out that RCA forms

- the basis of: Continuous Improvement Process (CIP) as a part of Kaizen implementation (Kai = Change, Zen = Good)
- Identifying areas of inadequate business process,
- Management decision process involving: Efficiency Safety Quality and cost-effectiveness of operations
- Allocation and Investment of business resources

He felt that this technique can be used for Any Type of Organization and for any type of system thus having an universal application.

He highlighted the **Steps in a typical RCA** and illustrated with two case studies in practical life.

The programme was attended by our members, students and the faculties. There was a positive feedback about the programme from the audience.

Mr. Neeraj Joshi, Managing Committee Member -PCCA, proposed a vote of thanks.

One Day Lecture -programme For Students

On Indirect Taxes

Pune Chapter of Cost Accountants organized for its Intermediate and Final Students one full day lecture programme on 19th April 2009.

Mr. V.S Datey, our senior member, Chairman of Nasik Chapter and author of many books on Indirect Taxes, was the speaker in the morning session of the day. Mr. N.K. Nimkar Chairman PCCA introduced the speaker to the gathering. Mr. Pramod Dube, Chairman P. D. Committee -PCCA, felicitated him by offering a bouquet.

Shri. Datey explained the various basic concepts under excise such as excisable goods, manufacture, Classification, Valuation, related person, cenvat etc. in a very lucid style by giving practical illustrations.

The afternoon session was conducted by Shri Ashok B. Naval, our senior member, Practicing Cost Accountant and Chairman -WIRC-ICWAI. Mr. N.K. Nimkar Chairman, PCCA introduced the speaker to the gathering. Shri. Amit Apte, Secretary 85 Treasurer-WIRC-ICWAI, felicitated Shri Naval by offering him a bouquet.

Shri Ashok B. Naval covered the topics under Service Tax and Customs Laws. He explained the various terms under Service Tax and Customs in minute detail for the benefit of the students.

The students attended the whole day programme in large number and the feedback from them was very positive.

Mr. Nimkar Chairman PCCA gave a vote of thanks at the end.

NORTHERN REGION

JODHPUR CHAPTER

New Managing Committee

The new Managing Committee of the Chapter for the year 2009-10 is as under :

Shri Devendra Daga	Chairman
Shri S. N. Pareek	Vice-Chairman
Shri K. K. Vyas	Secretary
Shri Virendra Surana	Treasurer

LUCKNOW CHAPTER

Eligibility Tests from 25th, 26th 27th and 28th March 09

Eligibility Tests for Foundation, Intermediate and Final students of LCCA were held from 25th, 26th, 27th and 28th March 09 at ICWAI Bhawan Gomti Nagar and KKC, Charbagh study centre.

Before ETs, students were briefed about requirements under New Syllabus 2008 for completing Eligibility to appear in the main examinations.

Group Discussion, Business Communication Seminar and Power Point Presentations by Students

Three full day programme for conducting Group Discussion and Business Communication Seminar as part of their course for Intermediate students of LCCA and Postal students were organized on 29th March, 30th March and 7th April 09 at Gomti nagar and KKC study centre. All intermediate students of LCCA participated in the programme. The topic of the Group discussion was “Cost Control/Cost reduction is the best strategy to withstand in recession” and “Global recession will be over with in two years”. On this occasion a presentation covering causes and effects of present recession, present economic conditions, the measures taken by Govt. to revive the economic growth and other possible ways and means to overcome recession was made by Shri OP Saxena, Secretary LCCA.

PATIALA CHAPTER

Modular Training Programme for Final Year Students

Patiala Chapter organised a condensed Modular Training Programme of 15 days for Final year Students w.e.f. 21.02.2009 to 10.03.09. Dr. S. K. Bhardwaj Principal M. M. Modi College Patiala inaugurated the training on 21st Feb, 2009. Dr. J. S. Pasricha, Head of Deptt. of Commerce Punjabi University Patiala was the Guest of honour for the inauguration programme.

The Valedictory Session of this Modular Training Programme was organized on 10th March, 2009. Dr. S. K. Bhardwaj Principal, M. M. Modi College Patiala were the guests of honour. Sh. Jasvir Singh Jt. Secy./Patiala Chapter, Sh. Jaswinder Singh, Smt. Harkirtan Kaur and Sh. Kamaldeep Goyal etc. & some other Members were also present in the session.

Dr. S. K. Bhardwaj Chief Guest praised the chapter for providing such type of facility to the students to become a good professional. At the end of the programme Sh. V. K. Goel Chairman/Patiala Chapter gave a formal vote of thanks.

SOUTHERN REGION

BANGALORE CHAPTER

Professional Development Meet: A Professional Development Meet was held on 30th March 2009. Shri Mahesh Nagarajaiah, Manager, M/s Accenture Services Pvt. Ltd., spoke on LEAN ACCOUNTING. The members interacted with the speaker at the end of the lecture to clarify their doubts.

Oral Coaching Classes: The Oral Coaching Classes of April 2009 Semester was inaugurated on 22nd April 2009 by Shri Murali Venkatesan, Associate Vice President, M/s Global e-Business Operations Pvt. Ltd., Hewlett Packard. The Chief Guest advised the students to put their efforts to come out successfully as Cost and Management Accountants. He also said that the New Syllabus is very vital in the present scenario to meet the challenges. Earlier, Shri Y.H. Anegundi, Chairman of the Chapter, welcomed the Chief Guest and the students. Shri M.R. Krishna Murthy, Vice Chairman and Chairman-Coaching, gave a brief report on the coaching activities. On this occasion, the Endowment Prizes were awarded to students who have scored highest marks in various subjects in December 2008 Institute Examinations. The programme ended with a vote of thanks by Shri A.V. Jayarama, Treasurer of the Chapter.❑