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The Management Accountant

★ *Official Organ of The Institute of Cost and Works Accountants of India established in year 1944 (Founder member of IFAC, SAFA and CAPA)*

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IDEALS
THE INSTITUTE STANDS FOR

❑ 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.

The Management Accountant

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MISSION STATEMENT

"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."

DISCLAIMER

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

Ref. Exam/264/8/2009 August 17, 2009

NOTIFICATION

The Examination Committee of the Council of ICWAI at its 264th meeting decided to fix the new examination dates as follows :

December Term	10	to	17	December
June Term	11	to	18	June

Accordingly, The December 2009 examination of ICWAI will be conducted from 10 to 17 December 2009.

C Bose
Sr. Director - Examinations

Editorial

Taxing Times

The giant stimulus packages by governments of all nations to mitigate the pain of the global economic crisis have burnt a deep hole in their pockets. Predictably, Treasuries are looking for ways to augment their revenues to fill in this fiscal deficit and raising taxes are the easiest route available. The Encyclopedia Britannica defines taxation as "that part of the revenues of a state which is obtained by the compulsory dues and charges upon its subjects". Interestingly the word taxation has its origin in the meaning forcible extraction and perhaps is derived from the earliest use to impose taxes by pirates and plunderers to fund their conquests. Today taxes are seen a legitimate and a quid pro quo claim by governments to provide for good governance for its citizens.

However, while the state tries to increase tax rate or increase tax coverage to mop up greater tax revenue; higher than optimal tax rates encourages evasion, leads to inter-sectoral misallocation of resources, stifles growth and generates inefficiency. A good tax system should be adequate, broad based, simple to administer, convenient enough to facilitate voluntary compliance, efficient in terms of minimizing tax collection costs, equitable (both horizontally and vertically) to impose uniform tax burden on all entities/ individuals, neutral and should provide for minimal distortionary exemptions.

Taxation in India has always had a bumpy ride. Till the 1990s, when the constraints on economic growth were unshackled, Indian economy was always characterised by high and distortionary levels of taxes with multiplicity of exemptions- both direct and indirect. However, while this merely bred galloping inflation, tax evasion, inefficiency and uncompetitiveness of the Indian economy and growth inequity; it hardly served to contribute to the fiscal health of the country. Since the LPG reforms in 1990, there were two major attempts to rationalise and restructure the tax structure. One were the recommendations by the Chelliah Committee to increase the coverage of taxation to all manufactured commodities, reduce the tax rates, end myriad exemptions and provide for MODVAT credit on all inputs.

The other milestone in the indirect tax reform process has the attempt to introduce a unified and uniform Goods and Services Tax (GST) in the country. The journey from MODVAT to VAT culminating in GST aims to remove the cascading effect of tax on taxed items, increase the tax base, improve tax administration, improve the competitiveness of the economy in the world arena and provide a boost to growth. However, the implementation of the GST is entangled in all sorts of issues regarding modification of the relevant statutes (since GST infringes on the federal character of the Constitution), revenue compensation to states (particularly states which are producer intensive) and preparation of adequate infrastructure required for the shift.

Recently, the government has released the draft proposals called the Direct Tax Code to recast the direct tax structure in light of changed domestic and external environments. The new code attempts to put an end to the uncertainty of the tax regime associated with every annual Budget, thus paving the way for a long-term taxation plan and introducing simplicity in the entire system.

While the above attempts have been progressive measures to implement an ideal tax structure in the country, a lot more needs to be done in this area. As India becomes a part of the global village, transfer pricing issues, tax treaties both for the benefit of the governments and migrant workers alike, and mechanisms for expeditious resolution of cross border tax transactions are the need of the hour. It is imperative to devise a tax system, which makes India an efficient and low cost economic hub in the world; and at the same time garners enough resources to meet our pressing social requirements of mitigating poverty and improving the standard of living of the people.

The November issue of Management Accountant contains informative articles on issues relating to taxation, which it is hoped will prove beneficial for our readers.

• President's Communique •

My dear professional friends,

While we were exchanging Diwali greetings and the nation was about to celebrate the festival, an unprecedented havoc has caused lot of damage both for human beings and all other living beings through floods in many areas of the country and in particular in Andhra Pradesh and Karnataka. It has left the nation thinking about reconstruction work. On behalf of the Cost Accounting fraternity, I hereby convey our condolence to all the bereaved families. In this connection, I met the Chief Minister of Karnataka and offered our support in re-building activities.

I have pleasure in informing you that on 24th October 2009, our Secretary-MCA, Shri R. Bandyopadhyay Ji visited the Head Quarters at Kolkata. On the annals of ICWAI history this is the privilege given to ICWAI for the first time. I am happy to say that he addressed the available members, lead by our Vice President, and after our presentation, the Secretary took keen interest in suggesting to the Council regarding the matters that has to be addressed immediately in an urgent manner. He was kind enough to suggest that we should hold various programmes all over the country along with MCA in educating the members and other public at large, taking the subjects like LLP Bill, etc. We are grateful to our Hon'ble Secretary, Shri R. Bandyopadhyay Ji for having evinced interest in the activities of our profession and we look forward for his continued guidance to drive our profession to its deserving place.

The current month was full of activities for the profession of Cost and Management Accountants, as we met the Chairman and members of Central Board of Direct Taxes (CBDT) and Chairman of Central Board of Excise and Customs and conveyed our anxiety that our skills are not being properly utilised by the Government. A report has been given to SEBI to use our Cost Audit as an early warning signal and as a tool of Enterprise Governance for meaningful quarterly reporting to the investors, stake holders and share holders of all listed companies.

The members of the Council have also submitted ICWA's comments to the Chairman, Standing Committee of Parliament in respect of Company Law Bill 2009. Shortly, we are giving a presentation to the Chairman and members of the Standing Committee to urge revision of certain clauses and inclusion of Cost Accountants in some sections of Company Law Bill 2009.

Of late, several communications are being received by me as well as by my Council colleagues expressing their anxiety in the growth of our profession. Dear friends, it may be difficult for me or to my Council colleagues to have one-to-one direct interaction, as sometimes it will be too early for a public dialogue when we are taking up certain matters with the concerned authorities. Hence, my appeal to all of you is that as far as possible, we are updating our website giving information about our activities and giving press communiqué wherever necessary and as such I would request individual members not to get disappointed if they do not get direct reply from the President, Vice President or the Council colleagues. You may be rest assured that all suggestions given by all our members at Chapters, Regions and other Forums are being discussed and considered, whenever we give representation to the concerned authorities.

Recently, I had an opportunity to meet the members of Nagpur Chapter, representatives of all Chapters

• President's Communique •

under WIRC and the Office Bearers of WIRC. A healthy discussion for two days was held. I am sure that such meetings will bridge certain communication gaps, if it is there, among members.

As indicated in my previous communiqué, the greater responsibility lies on the representatives of the Chapters, Regional Councils to conduct discussion on current topics like Company Law Bill 2009, Direct Taxes Code, IFRS, Cost Accounting Standards, etc., to arrive at a quality recommendation so that your Council may consider the same for the benefit and growth of our profession.

The Council is striving hard to bring all the inactive members to our fold by making an appeal through Management Accountant Journal, website and other communication to pay their subscription promptly and communicate their present official as well as residential address to the Membership Department and Journal Department so that we can avoid unpleasant complaints from the members that either they are not getting communication or not getting Management Accountant Journal, etc. You may be rest assured that your Council is taking utmost importance in meeting and providing service to the members as well as students and thus to minimize their hardships and problems either with respect to the study matter of students or in respect of professional development activities for members and updating them with the latest development of our profession. The role of Chapters and Regions in this direction is very much necessary.

I would like to inform that Chapters and Regional Councils have been provided with the proposed amendment to the Chapter Bye-laws as the present Bye-laws being old may have to be reviewed and revised to fulfill our objectives and as such these amendments have been put on the website. I am sure the Chapters and Regions will discuss among themselves and communicate to the concerned Directorate of the Head Quarters so that the Council can review the existing Chapter Bye-laws.

In the coming months, the Regions are holding Regional Cost Conventions and Chapter's Meet and the Eastern Region is holding the National Cost Convention in the early part of 2010. It is suggested that all Regions co-ordinate their events in such a way that the presence of President, Vice President and members of the council will be possible in all the Regions if the dates are not clashing. Also, in this direction, all the regions should co-operate with EIRC to avoid clashing of their programme dates when we are holding the National Cost Convention at Kolkata.

With regards,

Yours sincerely,

(GN Venkataraman)
President
Date : 30th October, 2009

Visit of Secretary, MCA, GoI to ICWAI, Kolkata

ICWAI was graced by the visit of Shri R. Bandopadhyay, Secretary to the Government of India, Ministry of Corporate Affairs at Kolkata Headquarters on October 26, 2009. Shri Bandopadhyay was accorded a traditional welcome with a shawl and a plaque bearing the Institute logo by Shri B. M. Sharma, Vice President of ICWAI. Shri Sharma introduced the Council Members (S/Shri Chandra Wadhwa, Kunal Banerjee, A. N. Raman, Somnath Mukherjee & Dr. Sanjiban Bandyopadhyaya) and Past Presidents of ICWAI (S/Shri B. D. Bose, V. Kalyanaraman, J. K. Puri, Harijiban Banerjee & Amal Kumar Das) to Shri Bandopadhyay. The session began with Shri Chandra Wadhwa making a brief presentation on the Institute and the profession.

Thereafter, Shri A. N. Raman informed on how the Institute was realigning with the changed environment. There were three broad themes, where ICWAI could add considerable value: a) promoting national competitiveness through popularisation of tools and techniques like TQM, Lean Management b) improving governance environment through Enterprise Governance, where the emphasis is just not on conformance but also improvement of internal performance measures c) aiding the regulatory framework through the enunciation of Cost Accounting Standards, which is to be used not just"as a hindsight, but rather as an oversight".

Shri Kunal Banerjee articulated the expectations of the Institute: a) shifting of the Cost Accounting Record Rules from rule based system to principle based system b) achieving uniformity in Cost Accounting Record Rules c) moving to a company level rather than product level audit system especially in a multi product environment d) dispensing with product wise audit system and introducing product group wise system. Shri Kunal Banerjee also expressed the need to have the backing of a legislative framework to introduce these changes.

Shri Bandopadhyay suggested that management audit report be made a part of the cost audit report for the benefit of top management. He showed interest in the recommendations of Expert Group and Cost Accounting Standards. He also informed that the current focus of government is on self-regulation by corporates and minimal external regulation. In such a scenario, while he assured ICWAI of the best possible support of the government, he also encouraged ICWAI to create more awareness and acceptability of the latest developments in the costing profession. He advised that Institute should increase its efforts to market its activities to various stakeholders primarily Industry.

Shri B. D. Bose, Past President proposed vote of thanks.

ICWAI heartily thanks Shri R. Bandopadhyay for sharing his valuable time and offering his guidance to us.

ICWAI - announces - Essay Competition

TERMS AND CONDITIONS FOR PARTICIPATION IN ESSAY WRITING COMPETITION

For Indian Nationals

(a) students of ICWAI between the age of 17 to 25 years

AND

(b) General - for students above 25 years, Grad. CWAs and Members of ICWAI

First Prize - Rs. 20,000/- Second Prize - Rs. 15,000/- Third Prize - Rs. 10,000/- in each category.

Subject of the Essay -

COST MANAGEMENT KEY TO SURVIVAL IN CURRENT GLOBAL MELTDOWN

1. Entries may be submitted by individuals or jointly to the Deputy Director (Research and Journal), ICWAI, 12, Sudder Street, Kolkata - 700 016.
2. Essay should be in English only.
3. The essay should be original, not has been published earlier and reference must be quoted where ever required.
4. Entries should not exceed 5000 words.
5. Kindly send your name, age, status - student / member, address, email, phone number, one photograph along with the paper.
6. Matter should be type written on one side of the page in 1.5 space. Each page should be signed by authors.
7. Last date of submission is 25th December 2009.
8. Entries delayed / received after the last date will not be considered.
9. Entries received shall be property of ICWAI and may be used freely.
10. We may periodically send promotional email / literature to you about our organization from time to time.
11. We shall not be liable for any loss or damage of any nature incurred by you as the result of your participation in the competition.
12. You warrant that all information about yourself that you supply to us at any time is true, current and complete.
13. You will inform us of any changes of information about yourself till the competition is over.
14. You will comply with all national and international laws pertaining to Intellectual Property Rights.
15. Any or all of the terms of competition may be changed by us at any time without prior notice.
16. We reserve the right to stop or suspend the competition without assigning any reasons.
17. The award winners will be intimated by email / post.
18. You indemnify us against any damages howsoever arising from your participation in the competition.
19. In case of dispute or difference of opinion for any reason, the decision of the Organizers will be final.
20. Prizes will be given at a function organized by ICWAI. The winners will be provided second class AC return train fare or air ticket at the discretion of ICWAI. Lodging and boarding will also be provided as per Institute's rules.

Goods and Service Tax (GST) Through Frequently Asked Questions

Timir Baran Chatterjee*

Q.1 . What is GST?

A. GST stands for Goods and Service Tax. It is a comprehensive value added tax.

Through a tax credit mechanism, GST is collected on value added goods and services at each stage of sale or purchase in the supply chain. GST paid on the procurement of goods and services can be set off against that payable on the supply of goods or services. But being the last person in the supply chain, the end consumer has to bear this tax and so, in many respects, GST is like a last-point retain tax.

Q.2 How GST will have its impact on revenue for the producing states?

A. GST is a consumption based tax and not origin based. Under GST structure, the tax would be collected by the states where the goods or services are actually consumed i.e. where the goods are actually sold and not the goods where it is actually originated. Hence, losses could be heavy for producing states. In view of the above, the Centre is considering a proposal to compensate states for any revenue loss that they might suffer on implementation of the Goods and Services Tax. The move is expected to encourage the producing states to adopt the new tax structure scheduled to be implemented from April 1 next year.

Q. 3 Which country introduced GST first?

A. France was the first country to introduce this system in 1954. Today it has spread to over 140 countries.

Q.4 Will prices go up after the implementation of GST?

A. In fact, the prices of commodities are expected to come down in the long run as dealers pass on the benefits of reduced tax incidence to consumers by slashing the prices of goods. So far services are concerned, the prices could increase in the short term in view of the increase of tax rate from the present 10% to approximately 14% to 16% under GST regime.

Q.5 Who would be impacted by the implementation of GST?

A. All businesses, whether engaged in sales or supply of services would be impacted by GST. The impact would be on supply chains, ERP, product pricing, dealer margins etc. Even pure service providers would be required to charge GST.

Q.6 Whether Housing and construction sector would be covered under the ambit of GST?

A. Construction sector is a significant contributor to the national economy and housing expenditure dominates personal consumption expenditure. In view of the same, housing and construction sector would be most likely covered under GST. Incidentally housing and construction sector is already covered under service tax, VAT etc.

Q.7 Whether Rail sector would be covered under GST?

A. Mr. Vijay Kelkar, Chairman of the 13th Finance Commission opined that the rail sector could be included under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep the overall GST rate low. The inclusion of the rail sector in the tax regime which will do away with most of the indirect taxes should be done if the government wants to provide a level playing field to road and air transportation sector. This will have the added benefit of ensuring that all inter-state transportation of goods can be tracked through the proposed information technology. However, the matter is under the consideration of the Empowered Committee.

Q.8 Whether the existing check post at the state borders will be withdrawn after implementation of GST?

A. It may difficult to eliminate check posts given the concerns of state governments which may extent beyond collection of taxes and movement of goods to vehicle fitness examination, prevention of trafficking, collection of local cesses, octroi etc.

Q.9 What are the various types of GST?

A. GST is of two types- (a) Single or Unified GST and (b) Dual GST. Many countries have a unified GST system. However, countries like Brazil and Canada follow a dual system wherein GST is levied by both federal and state or provincial governments.

Q.10 What type of GST is expected to be applied in India

A. In India, a dual GST is being proposed wherein a central goods and services tax and state goods and services tax will be levied on the taxable value of a transaction. In India, due to federal structure, there is a proposal to introduce dual GST system.

Q.11 What is dual GST?

A. Under Dual GST system, GST is levied by both the federal and state of provincial governments. In India, a dual GST is proposed whereby a Central Goods and Services Tax (CGST) and a

*Sr. Executive Vice President (Corporate Affairs & Legal) and Company Secretary

State Goods and Services Tax (SGST) will be levied on the taxable value of every transaction of supply of goods and services.

Q.12 What are the benefits of shifting to a dual GST system?

A. Dual GST is expected to be a simple and transparent tax structure with limited number of rates of tax.. The result would be a reduction in the number of taxes at the Central and state levels, cut in effective tax rate for many goods, removal of current cascading effect of taxes, reduction of transaction costs for tax payers through simplified tax compliance, and increased tax collections due to wider tax base and better compliance.

Q.13 How will dual GST affect the fiscal health of states?

A. Being a consumption based tax, dual GST will result in better revenue collection for states with higher consumption of goods and services. The backward and less developed states would see fall in collections. The Centre is expected to put in place a mechanism to compensate states for any revenue loss due to GST.

Q.14 Will dual GST be levied in addition to the existing taxes?

A. No. It is proposed that the Central GST will subsume central excise duty (Cenvat), service tax, and additional duties of customs at the Central level; and value-added tax, central sales tax, entertainment tax, luxury tax, octroi, lottery taxes, electricity duty, state surcharges related to supply of goods and services and purchase tax at the state level.

Q. 15 What will be the expected rate of GST

A. The combined GST rate is currently being discussed by the Centre and the Empowered Committee. The rate is expected to be in the range of 14-16%. Once the total GST rate is determined, the states and the Centre have to agree on Central GST and State GST rates. Today, services are taxed at 10% and the combined incidence of indirect taxes on most goods is around 20%.

Q.16 Will there be different rates for Goods and for Services?

A. Yes. It is expected that there will be single rate of GST for services at the Central and State Level. However, so far goods are concerned, there would not be one but a few rates of Central and State GST as under:

Zero Rates for goods of social importance

Special rates for gold, silver, precious metals, say 1%

Merit Rates

Revenue Neutral Rates

Q.17 What will be the taxable event under GST system?

A. The taxable event will be the "supply of goods" and the "supply of services". The current taxable event such as "manufacture", "sale of goods" "render of services" will not be relevant under GST system.

Q.18 Will there be uniform classification of goods (like Central Excise) under GST system?

A. It is expected that there would be an uniformity in the classification of goods under GST system.

Q.19 Will the Central GST and State GST would apply on all the transactions?

A. Yes. In every transaction (whether goods or services) both Central GST and State GST would apply at a predetermined rates.

Q.20 What will be the rate of taxation in case of inter state trade of goods?

A. At present inter state trade of goods is subject to payment of Central Sales Tax which is origin based. However, GST is a consumption based or destination based tax system. With the implementation of GST, CST is expected to be phased out. As a result, there would not be any tax when goods are sold on inter state basis. However, tax will be applicable in the destination state and not in the origin state.

Q.21 Whether GST would apply to stock transfers?

A. In GST, taxable event will be the "supply of goods" and the "supply of services" at the destination state. Therefore, stock transfers may be subject to GST at the destination state.

Q.22 Whether inter state supply of services will be subject to GST?

A. Yes.

However, detailed "place of supply "rules is to be framed for such transactions. It is a major challenge to the policy makers.

Q.23 What are the major challenges with regard to implementation of GST?

A. The introduction of the GST system is by far the most important tax reform in India. Consensus and co-ordination among states is required for it to succeed. Before it can be introduced, the Centre and states have to sort out issues like agreement on GST rates, constitutional amendments empowering states to tax services, taxation on inter-state transactions of goods and services, place of supply rules, drafting of Central GST and State GST legislation, consultation with all stakeholders including trade and industry associations before finalisation, administrative preparedness to implement the new tax regime and resolution of all other issues under discussion. This is a formidable challenge given that we have only limited time left.

Q.24 What are the implications of GST on imports and exports?

A. Basic Custom Duty will continue to there under GST system. However, the additional custom duty in lieu of CVD /Excise and the Special Additional Duty (SAD) in lieu of sales tax/VAT will be subsumed in the import GST.

The import of services will be subject to Central GST and State GST on a reverse charge mechanism. In other words, the GST will be payable by the Importer on a self declaration basis.

Place of supply rules will determine which state will have the authority to get the tax. However, the taxes so paid will be available as Input Tax Credit and therefore it would be a revenue neutral.

Exports, however, will be zero rated, meaning exporters of goods and services need not pay GST on their exports. GST paid by them on the procurement of goods and services will be refunded.

Q.25 Whether the input tax credit for Central GST can be adjusted against liability of state GST or vice versa?

A. The proposed GST is likely to be a dual system that will support a Central and State GST chain separately. These two chains would be independent of each other. This implies that GST registered companies will not be able to adjust the input credits of one chain against the other. The Central GST chain is likely to integrate the existing excise duty and service taxes levied at the central level while the State GST chain the current state-level VAT, other local levies and service tax on certain specific services on which States may get the powers to levy service tax. The input tax credit adjustments will operate within the respective chains but not across.

Q.26 Whether Cross utilization of credits between Goods and services be allowed under GST system?

A. Yes. Under GST system cross utilization of credit is allowed between goods and services. In other words, input tax credit received on purchase of goods can be adjusted against supply services and vice versa.

Q.27 Will the Input Tax Credit (ITC) and Cenvat Credit (CC) accumulated on the day of implementation of GST (expected date, 1st April, 2010) be allowed to be carried forward?

A. Most like "Yes". It is expected that both ITC and CC will be allowed to be carried forward under GST regime subject to fulfillment of certain conditions. The exact procedure and conditions will be specifically mentioned in the GST legislature.

Q.28 Will there be any threshold limits for the levy of GST?

A. It is expected that there will be uniform threshold limit and will be based on cumulative turnover of goods and services. Dealers with turnover below the threshold limit would not be covered under GST.

Q.29 Will exemptions from GST will be available ? What will happen to the area based exemptions already granted to the investors?

A. Under GST regime, there will be a common list of exemptions for both the Central and State GST.

The tax benefits already enjoying by the EOU, SEZ, Soft ware Technology Park would continue to be available in the GST regime as well.

All area based exemptions schemes already in force are expected to be converted to post-tax cash refund schemes.

Q.30 Will there be a process of assessment under dual GST?

A. The dual GST is expected to be self assessed tax like existing VAT/ CENVAT. However the authorities would have the power to audit and re-assess on a selective bases. The detailed procedural guidelines in this regard would be stated in the GST legislature.

Q.31 Whether there would be separate legislation for the Central and State GST.

A. Yes. The Central GST law will be uniform and applicable throughout India. However, each state will legislate its own enactment to levy and collect the State GST based on common guidelines to be issued by the Empowered Committee of State Finance Ministers.❑

Ref. No. G/82(105)/10/2009/515

October 05, 2009

NOTIFICATION

In Pursuance of Regulation 146 of the Cost & Works Accountants Regulations, 1959, the Council of the Institute of Cost & Works Accountants of India at its 257th Meeting held on September 12, 2009 by virtue of power conferred therein constituted the following Chapter of Cost Accountants:

Nellore Chapter of Cost Accountants of ICWAI,
18-1-24, Old Post Office Road
Wahabpet
Nellore-524003
Andhra Pradesh

(S. M. Galande)
Chief Executive Officer

Direct Tax Code—2009 –A Relief ?

Dr. Sunil Kumar Jana*

The Income Tax Act of India being restructured and redefined after independence in 1961 has traveled a long course through amendments, alteration, modification and introduction of various provisions and sections through the Finance Bill each year or the change of political equations or Ministers in Charge and socio-economic requirements. As such the Income Tax Structure of India is elastic in nature and flexible in structure. So how many sections and provisions have been inserted into or deleted from it time to time none keeps them in mind. Tax payers are only concerned with the present and the future and plan their income appropriation to get maximum satisfaction.

Now, the **Direct Tax Code - 2009** is a Draft proposal to replace the 50 year old Income Tax Act- 1961 (from the date it completes 50 years as on 1.04.2011) which has been cumbrous by so many sections and provisions which in most cases are not understood by the ordinary tax payers who, to avoid any complicacy and mistakes in the calculation of tax and submission of Tax Return, take help of experts incurring thousands of money for this purpose. The Philosophy behind such replacement is to make the Direct Tax Code very easy and simple so that tax payers themselves can, without help of experts compute and file Income Tax Returns. In planning and framing an ideal Income Tax Structure of a welfare state like ours the objectives are to give relief to the maximum possible extent to the lower and middle income group taxpayers and check creation of black money at one hand and to enable the Government to increase collection of tax revenue for development works on the other.

In response to the open generous call from the Ministry of Finance, the writer exchanges his views and observations in relation to the impact of the Direct Tax Code -2009 upon the salaried people and puts forward some suggestions.

Major Changes; The following are the two major changes during this decade by which the salaried people are greatly disheartened:

- Withdrawal of Standard Deduction under Section 16 (i)
- Withdrawal of Deduction under Section SOL

A) Standard Deduction under Section 16 (i)

There was standard Deduction for expenses incidental to employment for the salaried persons till the Assessment Year 2005-06. Unfortunately that deduction was withdrawn since the Assessment Year 2006-07. By virtue of this section an employee could enjoy exemption of 40 % of salary but subject to maximum of Rs.30, 000 for income group below Rs. 5 lakh or Rs 20,000 for the income above Rs.5 lakh in the Assessment Year 2005-06.

In the case of business and profession there are so many expenses like traveling, telephone bills, depreciation of cars, subscriptions and donations etc which are partly personal nature having indirect connection with businesses or professions are allowed deductions while the service holders are deprived of such scope. All the expenses directly or indirectly in connection with employment are treated as income. Is it not an injustice to salaried people?

B) Deduction under Section 80 L

Deduction under section SOL in respect of interest and dividend on certain securities were allowed till the Assessment Year 2005-06 but from the Assessment Year 2006-07 this deduction was withdrawn. By virtue of this section HUF and individual could claim deduction from income of Rs. 10,000 maximum for such incomes from investment. This deduction had certain strong points in favour like it encouraged investors to invest in securities which are an urgent need for the hour especially for developing countries like ours. In relation to investments there are so many expenses like postages, collection charges, or even in some cases legal formalities and proceedings are to be complied with. All these expenses which should be deducted from income from securities are treated as incomes and consequently are taxed. Over and above, the retired persons or some other persons having only investible fund which they have inherited and is the only source of income, face some hardship due to withdrawal of the Section.

Draft Direct Tax Code-2009

Some of the basic points of this Draft Direct Tax Code are:

- Non taxable limit is Rs 1, 60,000;
- Deleting deduction for interest on House Building Loan which is Rs. 1,50,000 now;
- Taxing withdrawal of Provident Fund Deposit after 1.4.2011;
- Reducing the Standard Deduction for Repairs and Maintenance from 30% to 20% in the case of Income from House Property;
- Up to Taxable income of Rs. 10 lakh the rate of tax is 10%;

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- Raising the investment limit to Rs. 3, 00,000 from Rs. 1, 00,000;

A) **Non taxable limit of Rs 1, 60,000** seems insufficient due to high price rising in the case of consumable goods and other necessities which is not reflected properly in the Cost of Living Index. To give relief to the fixed income group people particularly the lower income group assessees, the non taxable limit should be increased to Rs. 3, 00,000 instead of Rs. 1,60,000 as suggested in the Draft Direct Tax Code -2009.

B) **Lifting Deduction for Interest on House Building Loan**

Till now there is a deduction for interest on House Building Loan (HBL) up to Rs. 1, 50,000 and repayment of principal which qualifies for deduction under section 80 C. But in the Draft Proposal there is a suggestion that this deduction will be deleted. It is an injustice to those tax payers who have constricted or purchased residential accommodations on bank's loan following the Government's taxation policy. If such policies get changed due to change in the political scenario frequently, it will be quite unfortunate and a treacherous act at one hand.

On the other due to this decision of deleting deduction for interest on House Building Loan, the constructions and allied industries i.e. cement factories, iron and steel industries brick factories and the labour market etc, will get a jolt. Now these industries in India have been flourishing at a greater speed. If such deduction is finally withdrawn, the assessee may prefer to live in rented houses so that they can enjoy deduction under section 10(13 A) for House Rent Allowance, not feeling an urge to own a own house. If so happens the manufacturing industries will face gloomy days having bad impact upon the economy. The Government should give a second thought upon it once again. Besides tax payers' benefit there is social commitment too. Lakhs of employees during this decade have possessed residential accommodations by virtue of this exemption facility. In this respect the writer suggests that the Government can restrict such exemption in the case of one house property only.

C) **Charging Tax on PF withdrawals**

Till now no tax is imposed upon withdrawals from the Provident Fund (PF). So the employees deposit generously over and above their compulsory contributions into it. Such a deposit scheme has social as well as pious and economical impact. Those who are in service after retirement get a lump sum of money which provides them living during the rest days of their lives of unemployment. Not only that this money serves as a great source of finance for the Governments who use this finance for development works. If tax is imposed upon withdrawals from the Provident Fund, the assessees may not hereafter generously contribute into it to avoid extra tax burden. As a result the Government will face shortage of finance and there will have no way but to borrow at a higher rate of interest from the financial institutes or others. What ever rate of interest is given on the PF deposits, it is far less than the market lending rates of banks. By the existing system of Provident Fund not only the assessees are benefited, but also the Governments are equally benefited. Therefore, by such decision of deleting deduction the Government is thinking to kill the swan in expectation of many eggs in a day instead of one golden egg daily.

D) **Reducing Standard Deduction for House Property-**

At the draft there is the proposal of reducing standard deduction for repairs and maintenance of house property to 20 % from 30 % as applicable now. The opportunity once given should not be withdrawn or reduced when due to inflation the cost of repairs and maintenance of houses is soaring high.

E) **Disposable money left with the assessees for Different Income Groups:**

Simply some may be delighted at the proposal of increasing the slab of 10 % rate of tax for the total income up to Rs. 10 lakh and raising the investment limit under section 80 C to Rs. 3, 00,000 from Rs. 1, 00,000 as of now. This will definitely benefit the upper and upper middle class tax payers. The following table will arithmetically prove that the higher income group assessee will possess much disposable cash than the lower income group assessees.

In comparing the case-I with the others cases it reveals that though the salary is 1.5 times, 2.5 times, and 3.75 times (as shown in the (b) row) in case -2, case-3, and case-4 respectively, the disposable money i.e. what is left after enjoying the full scope of investment ceiling of Rs. 3,00,000 and payment of tax as shown in (1) row is 2.21, 4.64, and 7.42 times for Case 2, Case3 and Case 4 respectively. This implies the more income; the more is the disposable money and solvency. This will rapidly create income and resource gap between the lower and upper income group taxpayers. Such a phenomenon perhaps does not seem healthy for a welfare state like ours. In contrast to this writer suggests the following measures:

Suggestions :

- Introduction of Standard Deduction under section 16 (i) for the salaried tax payers as was before: 30 % of Gross Salary subject to the maximum of Rs. 30,000.
- Introduction of Deduction u/s 80 (L) as before up to Rs. 10,000;
- Not to impose tax on withdrawal from Provident Fund;
- Not Withdrawing exemption for interest on House Building Loan;
- Raising non taxable Limit to Rs. 3,00,000 at least for the male individual assessees; Tax rates suggested as:

Table-I: Statement showing Disposable Money Left with Different Income Group People				
	Case-1	Case-2	Case-3	Case-4
(a) Salary per month less P. Tax	40,000	60,000	1,00,000	1,50,000
(b) Magnitude of salary on the basis of Case- 1	1	1.5	2.5	3.75
(c) Annual Gross Salary (a) x!2	4,80,000	7,20,00	12,00,000	18,00,000
(d) Investments u/s 80C	3,00,000	3,00,000	3,00,000	3,00,000
(e) Non-Taxable Limit	1,60,000	1,60,000	1,60,000	1,60,000
(f) Total Deduction (d+e)	4,60,000	4,60,000	4,60,000	4,60,000
(g) Total / Taxable Income (c-f)	20,000	2,60,000	7,40,000	13,40,000
(h) Rate of Tax : UptoRs. 10 lakh @10% & 20 % above Rs. 1 0 lakh	 2,000 —	 26,000 —	 74,000 —	 1,00,000 68 000
(i) Total of Tax and Investment i.e.(Cash out flow)(e+h)	3,02,000	3,26,000	3,74,000	4,68,000
(j) Disposable money after tax and Investment (c-i)	1,78,000	3,94,000	8,26,000	13,32,000
(k) Disposable money left for monthly expenses	14,833	32,833	68,833	1,11,000
(1) Disposable money Comparison to Case- 1	1	2.21	4.64	7.42

Income slabs	Rate of Tax
Up to Rs. 3, 00,000	Nil
Exceeding Rs. 3,00,000 and up to Rs.8,00,000	10%
Exceeding Rs. 8,00,000 and up to Rs. 18,00,000	20%
Exceeding Rs. 18,00,000	30%

Against the Investment ceiling under section 80 C as proposed at Rs. 3, 00,000, the writer suggests the following break ups:

- To keep Rs. 1, 00,000 as pure investment in long term sources that is in the Provident fund, LIC, other retirement benefit schemes etc.
- Education is becoming very costly. Considering the fact, Exemption for Education Expenses should be allowed up to Rs. 50,000;
- Repayment of House Building Loan: Principal Rs. 50,000 and Interest Rs. 1,00,000. This will enhance repayment of loan, bank's realizable profit and hence Banks will have the opportunity to expand the loan markets for them and customers.

In spite of these fringe benefits the Governments have more scopes for increasing tax collection which is illustrated as below:

The above calculations show that the Government has collection of tax revenue amounting Rs. 84,000 from an assessee who has Annual Gross salary of Rs. 13, 00,000 in both the cases i.e. in the Direct Tax Code-2009 and in the suggestions given by the Writer. Though in the latter case the writer has provided more reliefs like standard deduction, deduction for interest and repayment of principal on HBL, education expenses, at the same time has restricted the assessees who do not have incurred those expenses. An assessee can not claim tax relief without making any expenses for education and HBL and thus has restricted the deduction under section 80 C to Rs. 1, 00,000 only. By this, there is an indirect deterrent for amassing more wealth. Though the calculations apparently show the equal amount of tax collection, in practice in the case of suggestion there will have more tax collection. Those who do not incurred any expenses in education will have to bear another tax burden of Rs. 10,000. Again in the suggestions given there is an imperative compulsion for the assessees to purchase or to construct own residential accommodations through Home Loan Schemes of Banks and others lest they should have to bear an additional tax burden of Rs. 30,000 . Consequently there is an implied boosting for construction and allied industries.

The Draft Direct Tax Code-2009 is designed to give much reliefs to the higher income group people , which is to some extent injustice for a welfare Govt. like ours. Below there are 6 cases of different incomes group assessees who are selected for calculation of tax under the Draft Direct Tax Code-2009 and under the Suggestions given by the writer:

Table - 1 Computation of tax under The Direct Tax Code-2009 and the Suggestion of the Writer

Proposed in The Direct Tax Code-2009	Rs.	Tax Rs	Suggestions of the Writer	Rs	Tax Rs
Annual Salary less P. tax	13,00,000			13,00,000	
Less: Standard Deduction for expenses incidental to employment	Nil		Less: Standard Deduction for expenses incidental to employment	30,000	
Less: Investment limit u/s 80 C	3,00,000		Less: Investment limit u/s 80 C		
			● Pure Investment ● Exemption of Education Expenses up to Repayment of HBL ● Principal ● Interest	1,00,000 50,000 50,000 1,00,000	
Total / Taxable Income	10,00,000			9,70,000	
Less: Non taxable Limit	1,60,000		Less: Non taxable Limit	3,00,000	—
Balance	8,40,000		●	6,70,000	
10% up to Rs. 8,40,000		84,000	Rate of tax @ 10 % up to Rs. 5,00,000 @ 20 % upon Rs. 1,70,000 Balance @ 30 %		 50,000 34,000
Total Tax		**84,000**			**84,000**

Calculation of tax under Draft Direct Tax Code-2009 and under the Suggestions Given for Different Income Groups:

Table-2 : Calculation of tax under Draft Direct Tax Code-2009

	Case-1 Rs.	Case-2 Rs.	Case-3 Rs.	Case-4 Rs.	Case-5 Rs.	Case-6 Rs.
Gross Salary less P. Tax	3,60,000	4,80,000	7,20,000	12,00,000	18,00,000	25,00,000
Less : Investment	3,00,000	3,00,000	3,00,000	3,00,000	3,00,000	3,00,000
Less : Non-taxable Unit	1,60,000	1,60,000	1,60,000	1,60,000	1,60,000	1,60,000
Taxable Amount	Nil	20,000	2,60,000	7,40,000	13,40,000	20,40,000
Tax:						
@ 10 % up to Rs. 8,40,000	—	2,000	26,000	74,000	84,000	84,000
@ 20 % on Rs. Next 15 lakh	—	—	—	—	1,00,000	2,40,000
Balance @ 30 %	—	—	—	—	—	—
Total Tax		2,000	26,000	74,000	1,84,000	3,24,000
Total Tax : case 1 + case 2 + case 3 + case 4 + case 5 + Case-6	**Rs. 6,10,000**					

From the above calculations it is clear that under the suggestions given there are the following favourable points:

Lower income group salaried people will have more reliefs. In Case -1 and Case-2 there are no taxes, in case-3 and case-4 fhe amounts of income tax are Rs. 9,000 and Rs. 64,000 only when under the Direct Tax Code -2009 (table-3) they are Rs. 26,000 and 74,000 respectively (in table 2) as shown in Table 2, in the case-5 the amount of tax is the same in both the cases as per Table 2 and Table -3 while in case -6

Table-3: Calculation of tax under Draft Direct Tax Code-2009						
	Case-1 Rs.	Case-2 Rs.	Case-3 Rs.	Case-4 Rs.	Case-5 Rs.	Case-6 Rs.
Annual Salary less P. Tax	3,60,000	4,80,000	7,20,000	12,00,000	18,00,000	25,00,000
Less Standard Deduction	30,000	30,000	30,000	30,000	30,000	30,000
Gross Income from Salary	3,30,000	4,50,000	6,90,000	11,70,000	17,70,000	24,70,000
Less: Investment	3,00,000	3,00,000	3,00,000	3,00,000	3,00,000	3,00,000
Less: Non-taxable Limit	3,00,000	3,00,000	3,00,000	3,00,000	3,00,000	3,00,000
Taxable Amount	Nil	Nil	90,000	5,70,000	11,70,000	18,70,000
Tax:						
@ 10 % up to Rs. 5 lakh	—	—	9,000	50,000	50,000	84,000
@ 20 % on Rs. Next 10 lakh	—	—	—	14,000	1,34,000	2,00,000
Balance @ 30 %	—	—	—	—	—	1,11,000
Total Tax		2,000	26,000	74,000	1,84,000	3,24,000
Total Tax : case 1 + case 2 + case 3 + case 4 + case 5 + Case-6	**Rs. 6,10,000**					

	As per Draft Proposal		As per Suggestion			
	Husband Rs.	Wife Rs.	Husband Rs.	Wife Rs.	Clubbing Rs.	Individual Assessee Rs.
Gross Salary less tax	4,50,000	4,50,000	4,50,000	4,50,000	9,00,000	9,00,000
Less: Standard Deduction for expenses incidental to employment	Nil	Nil	30,000	30,000	60,000	30,000
Investment	3,00,000	3,00,000	—	—	3,00,000	3,00,000
Total Income	1,50,000	1,50,000			5,40,000	5,70,000
Non Taxable Limit	1,60,000	1,60,000	Non tax limit		3,50,000	3,00,000
Total income	Nil	Nil			1,90,000	2,70,000
Income tax					19,000	27,000

under the suggestions given (Table-3) there is tax Rs. 3,61,000 i.e. Rs. 37,000 more than that of the Table-2. In the latter case the total amount of tax for all the cases taken together is Rs. 6,18,000 i.e. Rs. 8,000 more than that of the Direct Tax Code -2009. Again, in the case of Table -3 there are ample scopes for more tax collection due to non availing of educational expenses or HBL etc. Again, the more is the income up to Rs. 25 lakh the higher will be the amount of tax burden on those assessees. Is it not justifiable?

Other suggestions: To increase collection of tax revenue and control income gap some other suggestion are:

- To increase non taxable Limit for unmarried / widow /divorce at Rs. 3, 50,000. Married women should not rationally be given the extra preferential non-taxable income exemption.
- To fix non taxable Limit for the married couples both of whom are tax payers at Rs. 3, 50,000 altogether.
- Making submission of Asset Statement compulsory for all the assessees—Income Statement

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Audit & Inspection under VAT Act

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1. Introduction

VAT is the most far reaching tax reform in India because it replaces the Sales Tax, the dreaded Sales tax inspection, frequent unpleasant trips to Sales Tax office and Filling up of too many forms. It is considered by critics as the biggest step forward and the biggest change in the tax system in India. It put an end to Inspector Raj that has made life difficult for traders and industrialists

2. Benefits under VAT Regime :

Under VAT regime, Tax burden has reduced to minimum. The dealers are benefited by tax reimbursement. The trader does not pay from his pocket. He collects it from the Customers and pays to the Government. Under VAT there are only three rates namely 1 %, 4 % and 12. 5 %. Under exempted category there will be about 46 commodities comprising of natural and unprocessed products, unorganized sector items which are legally barred from taxation and items which have social implications

3. Inbuilt System to Curb Evasion of Tax

Every return is screened by highly technical method. Internal audit under State Act made more intensive and elaborate. As a measure to curb evasion of tax certain State Governments raised the exemption limit. For example Tamil Nadu Government have raised the exemption limit upto 500 croers in respect of certain consumer goods. Tax information net work is established to assist the officers in checking evasion of tax. In future nationwide Tax information net work will be established at the stage of abolishing CST Act, to curb evasion of tax.

4. Types of Evasion

1. Outright suppression of purchases and sales.
2. Sales to Fictitious dealers.
3. Maintenance of duplicate or multiple sets of account books.
4. Changing Place of business without Proper intimation to the registration authority.
5 Showing sales below taxable quantum.
6. Fictitious place of business in other States and effecting consignments sales.

5. Traders mind

Traders are unhappy with VAT because all traders must issue cash memos / invoices under the VAT law. The dealers are required to pay tax on all local purchases although it can be claimed later. There are certain section of traders, who want to dominate the market by reducing the price of goods at the cost of tax payable to the government. Among the traders the tendency to evade tax has not vanished from their minds.

6. Internal Audit Provision :

Sec 64 (4) of the TNVAT Act 2006 empowers the Commissioner to order for audit of the business of any registered dealer by an officer not below the rank of Assistant. Commercial tax Officer. The selection of dealers for audit shall be made from amongst the dealers as mentioned below.

a) Who have not filed returns with the prescribed period, or
b) Who have claimed exorbitant amount of refund of tax, or
c) Who have filed returns, but in the opinion of the Commissioner he is not satisfied with the correctness of any return filed any claim made, deduction claimed or turnover disclosed in any such return.

7. Inspection of Account Books, Goods, and Godown :

Sub sec (2) of Sec 64 Provides for three things namely :

(i) All accounts; registers, records and other documents maintained by the dealer in the course of business shall be open to inspection at all reasonable times.
(ii) The goods in the possession of the dealer shall also be open to Inspection, and.
(iii) The dealer offices, shops, godown, vessels, or vehicles shall also be open to inspection.

There is no doubt that there are no specific words in sub section (2) giving power of search. But if we read the three powers conferred by sub section (2) it should not be difficult to hold that search is included therein. It will be seen that sub - section (2) differs from sub section (1) The dealer is required to produce his accounts etc.. to furnish other information relating to his business and it is left to the dealer to produce what accounts he may say he

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has. The legislature was however cognizant of the fact that a dealer may not produce all accounts or furnish all information even though required to do so, under sub section (1). Therefore sub - section (2) provides that all accounts etc.. of the dealer shall be open to Inspection.

Sec 65 (1) of the TNVAT ACT 2006.

"Any officer prescribed by the Government in this behalf may, for the purpose of this Act, require any dealer to produce before him the accounts, registers records and other documents and to furnish any other information relating to his business."

Section 65 (2) of the TNVAT ACT 2006

"All accounts registers records and other documents maintained by a dealer in the course of his business, the goods in his possession, and his offices, shops godown, vessels or vehicles shall be open to inspection at all reasonable time by such officer".

The main part of this Section deals with power to inspect places, accounts, registers records and other documents, maintained by the dealer in the course of his business. The right of inspection attaches itself only to such accounts registers records etc., and no other things similarly it is only the goods in possession of a dealer are liable to inspection.

8. Power for Search and Seizure :

It has been held by the Courts that the provision under the taxing statute providing for search and seizure are not ultravires to the Constitution of India. It was observed that it is open to the legislature to enact provisions which would check evasion of tax. It is under this power to check evasion the provision for search and seizure is made in many taxing statutes. The legislature has therefore power to provide for search and seizure in connection with taxation laws in order to check evasion of tax.

Section 65 (3) of TNVAT ACT 2006 provides for seizure of accounts and other documents.

Section 65 (3)

"If any such officer has reason to suspect that any dealer is attempting to evade the payments of any tax, fee or other amount due from him under this Act, he may for the reasons to be recorded in writing, seize such accounts, registers, records or other documents of the dealer as he may consider necessary and shall give the dealer a receipt for the same. The accounts, registers, records and documents so seized shall be retained by such officer only for so long as may be necessary, for examination and for any enquiry or proceeding under this Act."

Section 65 (4) of the TNVAT Act, provides for entry and search

"Any officer shall for the purpose of sub - sec (2) or sub section (3), also have power to enter and search any office, shop, godown, Vessel, Vehicle, building or place belonging to any other dealer or any other person, if such officer has reason to believe that a dealer keeps or is keeping any of his goods, accounts, registers records or other documents in such office shop, godown vessel,vehicle, building or place".

Section 65 (2) of the TNVAT Act 2006 deals with inspecting powers of the officer concerned. It shall be open to the government to prescribe different class of officers for the purpose of taking action (ie) to call for accounts, inspection, search and seizure under this Act.

Search and seizure doesnot contravene Article 19 (1) (f) & (g) of the Constitution : The power of inspection, search and seizure was a necessary power for the purpose of the Act. Power of search and seizure can also be exercised when a quasi judicial proceeding in the shape of assessment, reassessment or the like was pending. Such power is vested on the authorities to get all the required and necessary information regarding taxable turnover of the dealer (Deoralia Bros (V) State of West Bengal (1982) 50 STC 113 (Cal), J.D Casting & Forging (P) Ltd (V) Prodyot Roy Chandhury 1992 87 STC 474.

9. Surprise Inspection

The object of vesting power of Inspection on an officer of the Department, and for this purpose to enter any premises of the dealer, is for detecting suppression of turnover and evasion of tax. The purpose of surprise visit is for detecting suppression of turnover and evasion of tax and also to find out whether any business house or any business institution is maintaining books of account, cash memos etc., However, on surprise visit it, if the authority finds that the business house or business institution was not maintaining books of accounts cash memos etc, and selling the goods in loose sheets, memos to evade tax, the authority can seize books of accounts, loose sheets etc.,

The element of surprise Inspection is vital for in given case and where the officer has reason to believe that the dealer may not produce all books of accounts when called upon to do so. The object of the conferment of such power on officers of the department is defeated if the dealer is given prior notice to produce such documents or is given advance intimation about the inspection. This power is conferred under the Statue both to the officer assessing a particular dealer and an officer attached to the intelligence wing of the Department (Binny Ltd (V) ACTO (1988) 68 STC 366 (Kar).

10. Sworn Statements

It is true that generally speaking a power to inspect does not necessarily give power to search. But where, the power has been given to inspect his office, shops godowns, vessels, Vehicles it follows that the empowered officer would have the right to enter the offices, etc.. for the purposes of Inspection. Naturally this inspection will be for purposes of the Act ie. for the purposes of seeing that there is no evasion of tax, Therefore it is not correct to say that there is no power of search whatsoever in sub sec (2) because the sub -section in terms does not provide for search.

Conducting surprise inspection of trading house without notice is a serious invasion of upon the rights, privacy and freedom of the tax payer. The power to inspect the place of business must be excised strictly in accordance with law and only for the purpose for which the law authorized it to be exercised. In the course of surprise inspection the CT officials examine the accounts books records etc. They record admission of stock variation. There could be several explanation for stock variation and it it's the duty of the person incharge of the business to bring to the notice of the inspecting officers for redressel of wrong assumption

During inspection the officer invariably take a sworn statement from the dealer. There is no inbuilt power under the VAT Act like Sec 132 (4) of the IT Act for the officers to take a sworn statement but still the Commercial Tax officer during inspection record sworn statements and thereafter used as evidence in any proceeding under VAT Act. It is highly objectionable for officers to prepare statements himself and request for signatures from the parties whom they want to chargesheet later on relying on such statements as evidence.

11. Conclusion :-

The Power of Inspection, search and seizure was a necessary power for the purpose of the Act, which does not contravene Article 19 (1) (f) and (g)of the Constitution of India (Heeralal Chhangamlal (V) state of Rajesthan AIR 1968 Raj 188) Evasion of tax is no doubt a problem which the taxing authorities have to curb by effective measures. Hence even under VAT regime surprise inspection is still necessary. Under VAT Regime Sec 65 (4) provides for surprise inspection but till date not effectively implemented. Effective application of Section 65 (4) will definitely curb tax evasion.❑

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without the Asset Statement is a farce because it gives ample scope to create black money under the present system for the salaried people.

- Clubbing incomes of couples both of whom are having separate sources of incomes. Why is it justifiable? The writer explains the fact in details with the following imaginary income data and tax practice:

If clubbing is not done the couples though have fabulous joint total incomes are paying nothing towards income tax i.e. no contribution they have for the development of the country. But if their incomes are clubbed together and under the suggestion given by the writer they will have to pay a moderate tax of Rs. 19,000 which in comparison to their gross fabulous income is very little. Whereas an individual with the similar amount of total income has to pay tax Rs. 27,000. Is not the existing Income Tax Practice in India favouring the married working women in excess forgetting its overall social commitments and welfare for the greater chunk of women community staying outside?

- A Software Package for computation of Income Tax and filing Income Tax Return should be worked out. Using ATM like PAN card ,an assessee can easily find out his Tax Return Form and putting some reasonable data like -Gross Salary, Investment etc. in the computer package he will easily find out the amount of tax payable by him and will be able to submit the Return through internet without wasting of time and money further or taking help of experts.

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Transfer Pricing: An overview

A transfer price is a price on goods and services sold by one member of a corporate family to another, such as from a parent to its subsidiary is a foreign country. It creates revenue for the selling subunit and a purchase cost for the buying subunit, affecting operating income numbers for both subunits. This article is an attempt to highlight the various valuation methods of transfer pricing which are useful for multinational and domestic business organizations. Advantages of transfer pricing, impact of transfer pricing on income, and general rule of transfer pricing have also been discussed in this paper.

Dr. N.S. Pandey*

Introduction:

In decentralized organizations, individual subunits of an organisation act as separate unit. In these settings, the management control system often uses transfer prices to coordinate actions and to evaluate performance of the subunits. Daniel and Radebang (2003) has defined that a transfer price is a price on goods and services sold by one member of a corporate family to another, such as from a parent to its subsidiary in a foreign country. Because the price is between related entities, it is not necessarily an arm's-length price; that is, a price between two companies that do not have an ownership interest in each other. The assumption is that an arm's length price is more likely than a transfer price to reflect the market accurately. According to Hansen and Mowen (2000) specified a transfer price is the price one subunit (segment, department, division, and so on) of an organisation charges for a product or service supplied to another subunit of the same organisation. The transfer price creates revenue for the selling subunit and a purchase cost for the buying subunit, affecting operating incomes can be used to evaluate the performance of each subunit and to motivate managers. According to Hill (2005) two of these strategies, the global strategy and transnational strategy, give rise to a globally dispersed web of productive activities. Firms pursuing these strategies disperse each value creation activity or its optimal location in the world. Thus, a product might be designed in one country, some of its components manufactured in a second country, and then sold world wide. The volume of intrafirm transactions in such firms is very high. The firms are continually shipping components parts and finished goods between subsidiaries in different countries. This poses a very important question: How should goods and services transformed between subsidiary companies in a multinational firm be priced? The price at which such goods and services are transferred is referred to as the transfer price.

Methods of Transfer-Pricing

Hansen and Mowen (2003) have identified the following three general methods for determining transfer prices:

1. Cost - based prices: Upper management may select a transfer price based on the Costs of producing the product in question. Examples; include variable manufacturing (absorption) costs, and full product costs. "Full product costs" include.

   All production costs as well as costs from other business functions (R&D, design, marketing, distribution, and customer service). The costs used in cost-based transfer Prices can be actual costs or budgeted costs.

   The following are the variants for pricing transfers at cost:

(a) Actual cost of production pricing: This is the simplest method of transfer, Pricing in which the price will be determined based on the cost of production arrived as in traditional method of valuation of inventory.

(b) Standard cost pricing: Under this method transfer price will be fixed based on standard cost which is predetermined based on scientific analysis and management's view of efficient operations and relevant expenditure. The variances from standard cost are normally absorbed by the supplying unit. Inventories are carried both by selling unit and user unit at standard cost.

(c) Full cost pricing: Under this method, in addition to actual cost of production, expenses like administration, selling and distribution expenses are also allowed to be recovered from user unit.

(d) Full cost plus pricing: Under this method, selling unit is allowed to recover full cost of sales plus some mark up or an allowance for profit. This allowance is either expressed as a percentage on capital employed or cost of sales. In this method, profit performance of each unit is measurable and efficiency can be reasonably determined.

Points in favors of cost plus transfer pricing: Transfer pricing based on cost plus is favourable for the following reasons:

- Better inter - firm comparison based on the return on investment is possible.
- Cost based price is criticised when

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the same is higher than the market price either due to inefficiency or under capacity working in the selling unit.

- Profitability of the concern based on return on investment is the main barometer on which efficiency of the management is evaluated.

Dual Pricing: There is seldom a single transfer price that simultaneously meets the criteria of goal congruence, management effort, and subunit autonomy. Some companies' twin to dual pricing, using two separate transfer-pricing methods to price each inter division transaction. An example of dual pricing arises when the selling division receives a full cost plus mark-up for the internally transferred products. For instance, we would charge the buying division with the standard variable costs of the units transferred. Thus, for 1000 units of the intermediate product, Division Y, the buying division, may be charged with the standard variable costs of Rs. 1,50,000. Note that these are the standard variable cost incurred by division X in producing that the level of out put. Division 'X', however, will record a revenue figure of Rs. 1,50,000 plus, say, a mark-up of 20%. This mark-up results in a total revenue figure of Rs. 1,50,000 + Rs.30,000 = Rs. 1, 80,000. The method of using two transfer prices, the charge to the buying division is always lower than the revenue recorded by the selling division.

This method of using two transfer prices is called dual pricing. Dual pricing is not widely used in practice. Even though it reduces the goal-congruence problems associated with a pure cost-plus-based transfer-pricing method. One concern of top management is that the manager of the supplying division does not have sufficient incentive to control costs with a dual - price system. A second concern is that this dual-price system confuses division managers about the level of decentralization top management seeks.

2. Market-based transfer prices: Upper management may select to use the price of a similar product or service publicity listed in, say, trade journal. Also upper management may choose, for the internal price, the external price that a subunit charges to outside customers.

Difficulties to identify market price: The key problem concerned with the use of the market price basis for transfer pricing is the difficulty, of identifying the market price. It is possible that prices on the open market will vary between suppliers because of:

- Special discount for particular customers.
- Quantity discounts.
- The extent to which delivery charges are included.
- Deliberate lumping (at distress prices) by a supplier who has built up excess inventories.
- The extent of after sales service provided.

Benefits of market price method:

The Benefits of market price methods have been given as under:

1. Market price truly represents opportunity cost.
2. Variance between current and predicted prices provides useful control data.
3. Actual historical costs fluctuate from time to time and are not readily available, whereas market prices are easily available.
4. The current performance of both the buying and supplying divisions can be assessed in the light of existing condition.

Limitations of market price method:

Some important limitations have been extracted of market price method which have highlighted as under:

1. Intermediate and semi-finished products in transfer may not be available in the market for purchase
2. Cost prices are available from internal records whereas market price fluctuates from period to period.
3. The market fails to become opportunity cost when the company is the price leader or monopolist.
4. There are difficulties in interpretation of the term "Market Price". Such price may be Ex-factory price, price to the wholesalers, price to the consumers etc.

3. Negotiated transfer prices: In some cases, the subunits of a company are free to negotiate the transfer price between themselves and then to decide whether to buy and sell internally or deal with outside parties. Subunit may use information about costs and market prices in these negotiations, but there is no requirement that the chosen transfer price bear any specific relationship to either cost or market-price data. Negotiated transfer prices are often employed when market prices are volatile and change occurs constantly. The negotiated transfer price is the outcome of a bargaining process between the selling and the buying divisions.

Ideally, the chosen transfer-pricing method should lead each subunit manager to make optimal decisions for the organisation as a whole. As in all management control systems, transfer prices should help achieve an organisation's strategies and goals, and fit its structure. In particular, it should promote goal congruence and a sustained high level of management effort. Sellers should be motivated to hold down cost of supplying a product or service, and buyers should be motivated to acquire and use inputs efficiently. It top management favours a high degree or decentralization, transfer prices should also promote a high level of subunit autonomy in decision making. Autonomy is the degree or freedom to make decisions.

Governing principles for negotiated Pricing: The following principles should be followed for an effective working of this method:

1. Buyers and sellers should be completely tree to deal outside the company.
2. Enter division transfer prices should be determined by negotiation between the buyer and the seller.
3. Negotiates should have access to full data on alternative sources and markets and information about market prices.

It is the responsibility of the top management to administer the intra unit transfer pricing and it should resolve all the disputes of friction arise between the units while negotiation, fixing, and implementation of the inter unit transfer pricing system, overall company profits should be given prime consideration over the divisional profit and the divisional managers should compromise in the interest of the company.

Advantages of Negotiated Transfer Prices: Despite the disadvantages, negotiated transfer prices offer some hope of complying with the three criteria of goal congruence, autonomy, and accurate performance evaluation. In addition, negotiated transfer prices have been identified as a means by witch goal congruence through-out the entire firm can be achieved. If negotiation helps ensure goal congruence, there is no need for top management to intervene in divisional affairs. Finally, if negotiating skills of divisional managers are comparable, or if the firm views these skills as an important managerial skill, concerns about motivation and accurate performance measures are avoided.

Disadvantages of Negotiated Transfer Prices: Three disadvantages of negotiated transfer prices are commonly mentioned.

1. A divisional manager who has private information may take advantage of another Divisional Manager.
2. Performance measures may be distorted by the negotiating skills of managers.
3. Negotiation can consume considerable time and resources.

The Impact of Transfer pricing on Income:

Table I. illustrates the effect of the transfer price on two divisions of BCD, Inc. Division B Produces a component and sells is to another division of the same component division D. The $60 transfer price is revenue to division B and increases division income, clearly, Division B wants the price to be as high as possible. Conversely, the $60 transfer price is cost to Division D and decreases division income, just like the cost of any materials. Division D prefers a lower transfer price, for the company as a whole, B's revenue minus D's cost equal zero.

While the actual transfer price net out for the company as a whole, transfer price can affect the level of profits earned by the company as a whole if it affects division behaviour. Divisions, acting independently, may set transfer prices that maximize divisional profits but adversely affect firm wide profits. For example, suppose that Division B in Table 1 set a transfer price of $ 60 for a component that costs $ 54 to produce. If Division D can obtain the component from an outside supplier for $ 58, it will refuse to buy from Division B. Division D will realize a saving of $2 per component ($ 60 internal transfer price- -$ 58 external price), However, assuming that Division B can not replace the internal sales with external sales, the company as a whole will be worse off by $ 4 per component ($ 58 external cost- -$ 54 internal cost). This outcome would increase the total cost to the firm.

A transfer pricing system should satisfy three objectives: accurate performance evaluation, goal congruence, and preservation of divisional autonomy. Accurate performance evaluation means that no one divisional manager should benefit at the expense of another (in the sense that one division is made better off while the other is made worse off). Goal congruence means that divisional managers select actions that maximize firm wide profits. Autonomy means that central management should not interfere with the decision-making freedom off divisional managers. The transfer pricing problem concerns finding a system that simultaneously satisfies all three objectives. Although direct intervention by central management to set specific transfer prices may not be advisable, the development of some general guidelines may be appropriate. One such guideline, called the opportunity cost approach, can be used to describe a

Table.1

B Division	BCD, Inc.	D Division
Produces component and Transfers it to D for Transfer price of $ 60 Per unit Transfer price = $ 60 per unit Revenue to B Increase net income Increases ROI		Purchases component from B $ 60 per unit and uses it in production of final product. Transfer price=$60 per unit cost to D Decrease net income Decrease in ROI

Transfer price revenue = Transfer price cost
Zero impact on BCD, Inc

wide variety of transfer pricing practices. Under certain conditions, this approach is compatible with the objectives of performance evaluation, goal congruence, and autonomy.

The opportunity cost approach as a guide for transfer pricing:

In establishing a transfer pricing policy, the views of both the selling division and the buying division must be considered. The opportunity cost approach achieves this goal by identifying the minimum price that a selling division would be willing to accept and the maximum price that the buying division would be willing to pay. These minimum and maximum prices correspond to the opportunity costs of transferring internally. They are defined for each division as follows:

1. The minimum transfer price is the transfer price that would leave the selling division no worse off if the goods were sold to an internal division than if the goods were sold to an external party. This is sometimes referred to as the "floor" of the bargaining range.
2. The maximum transfer price is the transfer price that would leave the buying division no worse off if an input were purchased from an internal division than if the same good were purchased externally. This is sometimes referred to as the "ceiling "of the bargaining range.

The opportunity cost approach guides divisions in determining when internal transfers should occur. Specifically, the good should be transferred internally whenever the opportunity cost (minimum price) of the selling division is less than the opportunity cost (maximum price) of the buying division. By its very definition, this approach ensures that neither divisional manager is worse off by transferring internally. But what in meant by indifferent or no worse off? In practical terms, this means that total divisional profits are not decreased by the internal transfer.

Transfer pricing - a general rule. - The following general rule may be used as a first step in setting transfer prices. The general rule for setting transfer prices such that the buying division makes the economic decisions that are optimal from the view-point of the total company is to transfer at;

This is the price that would usually make the selling division indifferent as to whether the output is sold internally or externally. The selling division's profit should be the same under either alternative.

Guiding principles in fixing transfer prices: It is clearly important that, so far as possible, transfer prices shall be set in such a way as to provide:

(a) **Goal congruence between divisional and organisational objectives:** In particular. The manager of the buying division should be able to rely on transfer prices to give him information relevant to decision-making, for instance, whether to make or buy a particular item, or whether to invest funds in facilities for particular end products.

(b) **Autonomy for divisional managers:** Internal transactions should be agreed, and transfer prices set by the divisional managers concerned, central staff Involvement should be minimal.

(c) **Incentive to the manager of the supplier division:** So that by selling at the transfer price his profit performance will be improved. The transfer price in effect shares profits between the supplying and buying division, depending on which price is higher or lower, hence the potential for conflict.

Marginal / Incremental Cost to the selling Division

Implicit opportunity cost to the organisation if goods are transferred internally.

Advantages of transfer price policy: An ideal transfer pricing policy will benefit the organisation in the following ways:

- It will develop healthy inter-divisional competitive spirit.
- Management by exception is possible
- It helps in co-ordination of divisional objectives in achieving organizational goals.
- Divisional performance evaluation is made easier.
- Transfer price will act as a check on supplier's price.
- It fosters economic entity and free enterprise system.
- It helps in self-advancement generates high productivity and encouragement to meet the competitive economy.
- It optimises the allocation of company's financial resources based on the relative performance of various profit centres, which in turn are influenced by transfer pricing policies.
- It provides useful information to the management in making policy decisions like expansion, sub-contracting, closing down of a division; make or buy decision. etc.

Conclusion: - As a consequence transfer pricing has become an appropriate theory of the multinational business organisations. A final note regarding corporate use of transfer price is that many corporations are moving toward the use of benchmarking and outsourcing. Both of these reduce the need for internal pricing by typing divisional behaviour to the outside market. Benchmarking involves tracking the most effective and efficient provider of a particular activity. The above mentioned methods of transfer pricing are useful for multinational corporations and domestic companies.❑

IAS 23, Borrowing Costs - A Closer Look

K.S.Muthupandian*

International Accounting Standard (IAS) 23, Borrowing Costs, prescribes the accounting treatment for borrowing costs. In November 1982, the International Accounting Standards Committee (IASC) issued the Exposure Draft E24, Capitalisation of Borrowing Costs. In March 1984, the IASC issued IAS 23, Capitalisation of Borrowing Costs, effective from January 1, 1986. In August 1991, the IASC issued the Exposure Draft E39, Capitalisation of Borrowing Costs. In December 1993, the IASC issued IAS 23, Borrowing Costs (revised as part of the 'Comparability of Financial Statements' project based on E32), effective from January 1, 1995. In April 2001, the International Accounting Standards Board (IASB) resolved that all Standards and Interpretation issued under previous Constitutions continued to be applicable unless and until they were amended or withdrawn. On May 25, 2006, the IASB issued the Exposure Draft of proposed amendments to IAS 23. On March 29, 2007, the IASB issued revised IAS 23, Borrowing Costs. IAS 23 (2007) will be mandatory for annual reporting periods commencing January 1, 2009 and it does not permit the expensing of borrowing costs. IAS 23 (1993) permits the benchmark treatment of expensing borrowing costs relating to qualifying assets, and remains applicable under superseded. On May 22, 2008, IAS 23 amended for 'Annual Improvements to International Financial Reporting Standards (IFRSs) 2007'. The effective date of May 2008 amendment to IAS 23 was fixed as January 1, 2009.

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Objective

The objective of IAS 23 is to prescribe the accounting treatment for borrowing costs. This standard requires the capitalisation of all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Scope and Application

The standard shall be applied in accounting for borrowing costs but it does not deal with the actual or imputed cost of equity, including preferred capital not classified as a liability.

The standard does not apply to borrowing costs directly attributable to acquisition, construction or production of:

- a qualifying asset measured at fair value; e.g. a biological asset
- inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis

Key Definitions

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds.

Borrowing costs may include:

(a) interest on bank overdrafts and short-term and long-term borrowings;

(b) amortisation of discounts or premiums relating to borrowings;

(c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;

(d) finance charges in respect of finance leases recognised in accordance with IAS 17 Leases; and

(e) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Examples of qualifying assets are complex manufacturing plants, power generation facilities and infrastructure projects which are constructed over a few years.

Examples of qualifying assets are inventories that require a substantial period of time to bring them to a saleable condition, manufacturing plants, power generation facilities and investment properties. Other investments, and those inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired also are not qualifying assets.

Prescribed Accounting Treatment

IAS 23 requires all borrowing costs capitalised as part of the cost of the asset, where the borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset.

Subject to the probability test that it will result in future economic benefits to the entity and the costs can be measured reliably.

Borrowing costs eligible for capitalisation

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. When an entity borrows funds specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset can be readily identified.

It may be difficult to identify a direct relationship between particular borrowings and a qualifying asset and to determine the borrowings that could otherwise have been avoided. Such a difficulty occurs, for example, when the financing activity of an entity is coordinated centrally. Difficulties also arise when a group uses a range of debt instruments to borrow funds at varying rates of interest, and lends those funds on various bases to other entities in the group. Other complications arise through the use of loans denominated in or linked to foreign currencies, when the group operates in highly inflationary economies, and from fluctuations in exchange rates. As a result, the determination of the amount of borrowing costs that are directly attributable to the acquisition of a qualifying asset is difficult and the exercise of judgement is required.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

The financing arrangements for a qualifying asset may result in an entity obtaining borrowed funds and incurring associated borrowing costs before some or all of the funds are used for expenditures on the qualifying asset. In such circumstances, the funds are often temporarily invested pending their expenditure on the qualifying asset. In determining the amount of borrowing costs eligible for capitalisation during a period, any investment income earned on such funds is deducted from the borrowing costs incurred.

To the extent that funds are borrowed generally (e.g. use of a range of debt instruments which incur different rates of interest and lends those funds to other entities within the group), and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.

In some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs; in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings.

Excess of the carrying amount of the qualifying asset over recoverable amount

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realisable value, the carrying amount is written down or written off in accordance with the requirements of other standards. In certain circumstances, the amount of the write-down or write-off is written back in accordance with those other standards.

Commencement of capitalisation

The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when:

- expenditures for the qualifying asset are incurred
- borrowing costs are being incurred
- activities that are necessary to prepare the asset for its intended use or sale are in progress

Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities. Expenditures are reduced by any progress payments received and grants received in connection with the asset (see IAS 20, Accounting for Government Grants and Disclosure of Government Assistance). The average carrying amount of the asset during a period, including borrowing costs previously capitalised, is normally a reasonable approximation of the expenditures to which the capitalisation rate is applied in that period.

The activities necessary to prepare the asset for its intended use or sale encompass more than the physical construction of the asset. They include technical and administrative work prior to the commencement of physical construction, such as the activities associated with obtaining permits prior to the commencement of the physical construction. However, such activities exclude the holding of an asset when no production or development that changes the asset's condition is taking place. For example, borrowing costs incurred while land is under development are capitalised during the period in which activities related to the development are being undertaken. However, borrowing costs incurred while land acquired for building purposes is held without any associated development activity do not qualify for capitalisation.

Suspension of capitalisation

Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted. Borrowing costs may be incurred during an extended period in which the activities necessary to prepare an asset for its intended use or sale are interrupted. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. However, capitalisation of borrowing costs is not normally suspended during a period when substantial technical and administrative work is being carried out. Capitalisation of borrowing costs is also not suspended when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. For example, capitalisation continues during the extended period needed for inventories to mature or the extended period during which high water levels delay construction of a bridge, if such high water levels are common during the construction period in the geographic region involved.

Cessation of capitalisation

Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. An asset is normally ready for its intended use or sale when the physical construction of the asset is complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the purchaser's or user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.

When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare that part for its intended use or sale are completed.

A business park comprising several buildings, each of which can be used individually is an example of a qualifying asset for which each part is capable of being usable while construction continues on other parts. An example of a qualifying asset that needs to be complete before any part can be used is an industrial plant involving several processes which are carried out in sequence at different parts of the plant within the same site, such as a steel mill.

Prescribed Disclosures

Required disclosures include:

- the amount of borrowing costs capitalised during the period
- the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation

IASB-FASB Joint Short-term Project

Achieving convergence of accounting standards around the world is one of the prime objectives of the IASB. In pursuit of that objective, the IASB and the United States Financial Accounting Standards Board (FASB) have undertaken a joint short-term project with the aim of reducing differences between IFRSs and US generally accepted accounting principles (US GAAP) that are capable of resolution in a relatively short time and can be addressed outside major projects. This short-term convergence project is considering whether and how to converge IAS 23 and FASB Statement No. 34 Capitalization of Interest Cost (SFAS 34).

- IAS 23 and SFAS 34 prescribe the accounting treatment for borrowing costs:
- IAS 23 permits two possible treatments, either the capitalisation of borrowing costs, to the extent that are directly attributable to the acquisition, construction or production of a qualifying asset (as defined), or alternatively, immediately expensing the borrowing costs.
- SFAS 34 requires the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (as defined). Immediate expensing is not an option.

Not only is the fundamental approach different between IFRS and US GAAP, how the two sets of standards define a 'qualifying asset' is quite different.

The staff paper explored whether the IASB should require capitalisation of interest on qualifying assets using what was termed an 'economic cost' model. In essence, this would result in an entity using the same discount rate as that used for testing for impairment in under the requirements of IAS 36, Impairment of Assets (a rate that reflects current market assessments of the risks specific to the asset being constructed). However, moving to this measurement approach would not result in convergence with US GAAP, unless the FASB agreed to adopt the same approach. The IASB was reminded that this was a proposal related to a short-term convergence project and that such projects usually concentrated on eliminating alternatives. Some Board members noted that even eliminating the expensing option in IAS 23 would not achieve convergence with US GAAP because the definition of qualifying asset was different between the two sets of standards. One possibility would be to work on the capitalising approach based on economic cost, seeing whether there was any appetite on behalf of the FASB for change to their standard. After a rather difficult debate, the IASB agreed to proceed with a short-term convergence project on IAS 23 that would eliminate the alternative of immediate expense (12 in favour; 2 opposed).

At the November 2005 IASB Meeting, the IASB agreed with a staff proposal that the amendment to IAS 23 should eliminate the immediate expense alternative in the current standard but should not propose to use the capitalisation method in the US standard. The reason for this is that the method in US GAAP is not seen as 'a higher quality solution' than the current capitalisation method in IAS 23.

For the January 2006 IASB meeting, the staff prepared a paper setting out how the transitional provisions for only allowing capitalising should be addressed for existing IFRS users as well as for first time adopters. The IASB decided to issue an exposure draft proposing that:

- Existing IFRS users should apply the proposed amendments (required capitalisation) prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is after the effective date - with an option to apply the capitalisation amendments starting at any date selected before the effective date.
- First-time adopters should have the same transition options as existing IFRS users (this will require amendment of IFRS 1, First-time Adoption of IFRSs).

At the March 2006 IASB Meeting, the IASB has decided to issue an Exposure Draft (ED) with an amendment to IAS 23 to remove the option to expense borrowing costs when they are incurred. The IASB agreed that this amendment should not be applied to borrowing costs directly attributable to the acquisition, construction or production of qualifying assets measured at fair value (such as biological assets). If this exception were not made, entities would be forced to capitalise interest costs on this assets, only to then write them back off again when remeasuring the assets to fair value.

May 2006 Exposure Draft

On May 25, 2006, the IASB published for public comment, an Exposure Draft of proposed amendments to IAS 23. The Exposure Draft would require an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The option to recognise immediately borrowing costs as an expense would be removed.

The IASB believes that the elimination of one of the two options in accounting for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset would improve financial reporting and would result in information that is more comparable between entities.

The proposed amendments eliminate the option in IAS 23 of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The IASB concluded that eliminating this option will improve financial reporting and will move closer to the recognition requirements of SFAS 34. The IASB has not reconsidered the other provisions of IAS 23.

At the November 2006 IASB Meeting, the Board discussed comments received on its ED of proposed amendments to IAS 23. A significant number of respondents expressed strong disagreement with the proposal in the ED to eliminate the option to expense as incurred. In light of comments received, the IASB discussed whether it should proceed with the publication of a final amendment to IAS 23 or terminate the project. The IASB was split on how to proceed based on the comments received. Due to the comments and the split view by Board members it decided that the staff should do further analysis on comments from respondents before the IASB decides how to proceed.

At the December 2006 IASB Meeting, the Board continued its redeliberations of planned amendments to IAS 23. In particular, the IASB discussed a staff recommendation that, notwithstanding the large-scale opposition from users, preparers, and other constituents, the IASB should proceed with the amendments substantially as exposed and eliminate the option to expense interest as incurred, thereby mandating the capitalisation method. The IASB voted by a majority of 10-4 to accept the staff recommendation and proceed with the amendments.

The IASB considered two amendments proposed by the staff. The first was whether the revised IAS 23 should provide an exception from the general principle for certain inventories. The issue was raised by a constituent in the whisky and wine-making industry, who noted that while the effect on profit and loss was minimal, the effect on the balance sheet would be material because the inventories must mature for several years. Board members noted that it was exactly these types of inventories that should include interest cost in their carrying amount. However, having decided to converge in principle with US GAAP, the IASB agreed to provide the same exception as in SFAS 34 paragraph 10, such that 'interest cost shall not be capitalized for inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis'.

The IASB also considered whether to amend the scope of the revised IAS 23 to include assets that are carried at fair value (except those within the scope of IAS 41, Agriculture). The issue concerns 'geography' within the statement of profit and loss and how the fair value adjustment is recorded: as the total change in fair value from period to period or the change between items (such as interest) included in the historical cost carrying amount and the fair value. After debating this issue at some length, the IASB confirmed the position exposed in the ED (paragraph 3A) that there would be a scope exception for all assets measured at fair value, including biological assets.

March 2007 Revised Standard

On March 29, 2007, the IASB issued a revised IAS 23. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The IASB believes that application of the revised Standard will improve financial reporting in three ways. First, the cost of an asset will in future include all costs incurred in getting it ready for use or sale. Second, comparability is enhanced because one of the two accounting treatments that previously existed for those borrowing costs is removed. Third, the revision to IAS 23 achieves convergence in principle with US GAAP.

The revision to IAS 23 removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset.

The revised Standard does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009.

Interpretation

The Standards Interpretations Committee (SIC) of the IASC has issued the following Interpretation relating to IAS 23:

- SIC 2, Consistency - Capitalisation of Borrowing Costs (issued in December 1997 and superseded by IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)

Comparative Indian Standard

The Accounting Standard issued by the Institute of Chartered Accountants of India (ICAI) comparative to IAS 23 is AS 16, Borrowing Costs. There is no major difference between AS 16 and IAS 23 (2007). However, the following point in recognition of borrowing costs may be noted:

In IAS 23, the borrowing costs are expensed as incurred (not permitted for qualifying assets for which the capitalisation date falls in annual periods beginning on or after January 1, 2009); or capitalized if these costs are attributable to the acquisition, construction or production of a qualifying asset. In AS 16, the borrowing costs are required to be capitalized if these costs are attributable to the acquisition, construction or production of a qualifying asset. Recognising these as an expense when incurred is not permitted.

Conclusion

The revised IAS 23 continues the work of the IASB to eliminate major differences between IFRSs and US GAAP and to improve financial reporting. The removal of the option of immediately recognising as an expense in IAS 23 improves comparability and converges in principle with US GAAP.❑

People at the helm

Shri. K. Sekar, has assumed charge as Director / Finance of Neyveli Lignite Corporation Ltd., (NLC) Neyveli on 01.10.2009. Prior to occupying this Board level position, he was working as Chief General Manager heading the Commercial Department of NLC Ltd.

He has served in almost all the key locations of NLC and switched over his line of function from technical to finance subsequently. He has rich experience in Project Costing, Budgeting, Finance Management, Cash Forecast and Tax Planning.

He has won many awards for his creditable performance during his tenure. Some of his achievements include implementation of TPS-I Expansion Project without cost over run and finalisation of lignite price and power tariff through CERC in time.

Barcode - A Tool for Cost Accountants

Ashok Agarwal*

WHAT IS BAR CODE?

Barcodes provide encoding text information by electronic readers with accuracy. A barcode consists of a series of parallel, adjacent predefined bar and space patterns to encode/decode by scanning a light source across the barcode and measuring the intensity of light reflected back by the white spaces which produces an electronic signal that exactly matches the printed barcode pattern. Due to the design of most barcodes, it does not make any difference if one scans a barcode from right to left or from left to right. The purpose of a barcode is to identify something by labeling the item with a database application where the data encoded in the barcodes is used as an index to a record in the database that contains more detailed information about the item that is being scanned. For example, when a checkout clerk scans a barcode on a product, the barcode data is fed to a computer that looks up the information in a central database and returns more detailed information about the item that was scanned. By using barcodes, the user can change the description of item by modifying a single entry in the central database. They can also track how much of a product is currently in stock so that they know when to re-order more of each item as the number of items in stock falls. Barcodes provide a quick and error free means for inputting the data into an application instead of typing it manually. Since their invention in early fifty's, these little black and white images have been enablers for accurate data capture, the rapid movement of goods, to automate manual inventory management and all types of automation. Their use is widespread, and the technology behind barcodes is constantly improving. Some typical applications of barcodes include a grocery store, department store, retail chain membership cards, tracking of item movement, mail and parcels; boarding passes, event tickets, sports arenas, cinemas, theatres, fairgrounds, transportation etc.

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Benefits for Bar Code

However, for a cost accountant, its inseparable paperless tool, to be applied in all ways from production planning to inventory management to online inventory management to error free wharehouse management to shipment to excise department to depots to assets control and management and the application is unending. Following are few ideas for further elaboration and exploration for cost accountants world:

- Production planning Department can transmit its production plans on line to all concerned departments, that is production, Stores, Purchase, Wharehouse etc.
- Production Department can generate pre-defined Barcodes as per production planning received and affix the barcodes on each of the items produced during a period.
- Stores department can issue the exact quantity of desired material to production department as per the production plan.
- Purchase department can also regulate receipt of material as per production plan on day to day basis.
- As the production is regulated through barcodes, all concerned departments are aware the exact production at any given point of time.
- Warehouse inventory counting time is reduced drastically if all productions and receipts are through barcode scanners.
- Despatches can be monitored by scanning each of the item loaded on transports vehicles, avoiding human errors in the paperless system of loading.
- Excise records can also be generated online without additional inputs.
- Automotive Parts Production Line More Secure if barcodes used.
- Track of assets easy if controlled through barcodes.
- Industry Solution, Logistics, error free.
- In point-of-sale management, the use of barcodes can provide very detailed up-to-date information on key aspects of the business, enabling decisions to be made much more quickly and with more confidence.
- Fast-selling items can be identified quickly and automatically reordered to meet consumer demand.
- Slow-selling items can be identified, preventing a build-up of unwanted stock.
- The effects of repositioning a given product within a store can be monitored, allowing fast-moving more useful items to occupy the best space.
- Historical data can be used to predict seasonal fluctuations very accurately.
- Items may be repriced on the shelf to reflect both sale prices and price increases.
- Besides sales and inventory tracking, barcodes are very useful in shipping/receiving/tracking.
- When a manufacturer packs a box with any given item, a barcode can be assigned to the box.
- A database can be created to relate the barcode to relevant information about the box; such as order number, items packed, qty packed, final destination, etc.
- The information can be transmitted through a communication system so the retailer has the information about a shipment before it arrives.
- Tracking results when shipments are sent to a Distribution Center before being forwarded to the final destination.
- When the shipment gets to the final destination, the barcode gets scanned, and the store knows where the order came from, what's inside the box, and how much to pay the manufacturer.❑

Accounting for Intangible Assets in the light of IAS 38

Arindam Banerjee

Introduction

The International Financial Reporting Standards (IFRS) is fast emerging as the most preferred choice by a large number of countries across the globe. The Accounting Standards Board and ICAI is of the view that public interest entities, which includes large Insurance companies should adopt International Financial Reporting Standards (IFRS) from the accounting period beginning on or after 1st. April 2011.

For a long time, the Indian industry functioned in a controlled environment. Gradually over the years the Indian GAAP was developed. Presently, the Indian companies prepare their financial reports on the basis of Indian GAAP.

In such a scenario, implementing IFRS, whose purpose is to achieve high transparency, to enhance the usefulness of financial reporting, and in a way making Indian corporate globally competitive is always a very challenging assignment in India.

The importance of intangible assets for business entities, especially for knowledge based entities has grown manifold over the years. IFRS recognizes the significance of intangible assets and addresses the issue through IAS 38. IAS 38 is a comprehensive standard on intangible assets, and it supercedes IAS 9 issued earlier. IAS 38 was first issued in 1998, and has gone through several modifications since then.

This paper gives an overview on the implications of IFRS on accounting treatment for intangible assets.

Scope and Coverage

Intangible assets covered by IAS 38

IFRS addressed the issue of accounting for intangibles in IAS 38. IAS 38 covers all the intangible assets including the development costs, except those falls within the scope of another standard

Intangible Assets not Covered by IAS 38

IAS 38 does not apply to those intangible assets which are covered by any other standard. Some of the examples are as given below:

Deferred Tax Assets (IAS 12)

Leases (IAS 17)

Assets arising from employee benefit plans (IAS 19)

Intangible assets held for sale in ordinary course of business (IAS 2)

Financial Assets (IAS 27, IAS 39, IAS 31 and IAS 28)

Acquired Goodwill during Business Combination (IFRS 3)

Intangible Assets and Deferred acquisition costs arising out of Insurance Contracts (IFRS 4)

Exploration and evaluation assets in the extraction linked business (IFRS 6)

Unidentifiable Intangible Assets

Those intangible assets, which cannot be separately identified and measured. Goodwill is an intangible asset, which incorporates all the intangibles that can not be separately measured and identified.

Identifiable Intangible Assets

IAS 38 deals with identifiable intangible assets. Identifiable Intangible assets are those, which can be recognized independently from other aspects of the business activity, and arises out of any contractual or legal rights. These rights may be or may not be transferable from the enterprise. This is evidently distinguishable and controlled separately from the firm's goodwill.

IAS 38 identified following items as identifiable Intangible Assets:

i) Patents, Copyrights, Industrial property rights, service and operating rights etc.

ii) Brand names

iii) Computer software

iv) Publishing Titles

v) Formulae, models, design etc.

vi) Franchises and Licenses

vii) Intangible assets under development

One of the important requirements is controllability of intangible assets. The enterprise must be able to control the use of intangible assets, which in turn should effect the financial statements. Here, control means the capacity to earn economic benefits by using the assets and also the power to restrict others access to those assets.

The enterprise must also earn future economic benefits from the asset. (refer Exhibit 1)

Exhibit 1

Essential Features for Recognition of Intangible Assets)

i) Identifiability

ii) Control

iii) Future Economic Benefits

Initial Recognition of Identifiable Intangibles

The determination of cost of identifiable intangible assets is subject to the condition under which the assets are acquired. IAS 38 recognizes the intangible assets under the following classes:

 # Intangibles acquired separately

Initially, an intangible asset should be measured at cost. The cost includes, purchase cost, including taxes, import duties (if any). Trade discounts, rebates, and any attributable expenditure should be deducted.

 # Intangible assets acquired through an exchange of assets

Where the intangible assets are acquired through exchange of any other dissimilar tangible or non-tangible assets, and the future cash flow gets affected through the transaction, the

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incoming and outgoing intangible assets are to be valued at fair value.

 # Goodwill that is internally generated

Not to be recognized, as it is not meeting the three important recognition criterions, i.e. identifiably, control and future economic benefits. (see Box 1)

 # Intangibles acquired at no cost or very little cost, through govt. grants

Usually such types of intangibles are valued at historical cost. Though, revaluation method is also acceptable, due to absence of price determination mechanism, this method is not practicable.

 # Internally generated intangibles other than goodwill

In many cases, corporate generate intangible assets internally. Usually, the expenditure incurred for developing such assets is classified under two phases:

i) Research phase, and

ii) Development phase

Costs incurred during research phase are always to be treated as expense, and to be written off in the same year.

However, the expenses incurred during the development phase should be capitalized. Any expense, once expensed can not be capitalized.

Measurement of Identifiable Intangibles Subsequent to Initial Recognition

IAS 38 recognizes following two models for measurement of intangible assets subsequent to initial recognition:

i) **Cost model:** Under Cost model, the intangible asset should be carried forward at cost less any accumulated amortization and any accumulated impairment losses.

ii) **Revaluation model:** Under Revaluation model, the carrying amount of the intangible asset is the fair value less accumulated amortization and any accumulated impairment losses.

Assessment of Useful Life

The useful life of an intangible asset may be finite or infinite.

An intangible asset with finite useful life is to be amortized on an orderly basis over the best estimate of its useful life.

An intangible asset with infinite useful life should be tasted for impairment annually, but not to be amortized. For testing whether an intangible asset might be impaired, IAS 36 for Impairment of Assets should be applied.

Residual Value

The residual value of an intangible asset at the end of useful life usually to be taken as nil, except in the following cases:

An active market exists for that particular intangible asset, and probably will exist at the end of useful life. The residual value of the asset can be measured reliably with reference to the market price.

A third party committed to purchase the intangible asset at the end of useful life at a predetermined price.

Presentation and Disclosure

IAS 38 prescribes stringent disclosure norms for intangible assets. For each class of intangible assets, both internally generated and other intangible assets, disclosures required are

Whether the useful life is finite or infinite. If finite, the useful life of asset, the amortization rate used, and the measurement base of the asset.

The method of amortization used.

The gross carrying amount, the accumulated amortization, and the accumulated impairment losses at the beginning of the year and at the end of the year.

Very detailed item wise reconciliation of the carrying amount, both at the beginning and the end of the period. However, the comparative statement is not required.

Amortization charges of intangible assets are to be shown in the Income Statement.

When an intangible asset is being considered having infinite useful life, the reason behind considering it so. The carrying amount in such a case along with the significant assumptions undertaken also has to be disclosed.

Any assets pledged as security for debt.

Outstanding commitments, if any, for acquiring any intangible asset.

For revalued items, following additional disclosures are required:

Carrying amount of each class of intangible asset along with the effective date of revaluation.

Carrying amount of assets, if the cost model would have been used.

The methods used for the revaluation, and the justification for the same. The assumptions used for estimating fair value are also to be disclosed

The revaluation surplus related to intangible assets at the beginning and end of the period. Any restrictions on distribution of such surplus to shareholders are also to be disclosed.

Conclusion

IAS 38 identified major identifiable intangible assets, and makes an attempt to address the issue of fair value determination of those assets. IFRS specifically considers those intangible assets that are purchased or manufactured. However, some intangible assets like good reputation, management skill etc. are not identified separately under IAS 38. Analysts also often ignore these assets during the analysis of an entity. International Accounting Standards Board (IASB) may consider identifying more and more intangible assets under the purview of IAS 38.

References:

1. Barry J Epstein and Eva K. Jermakowicz (2008) "Interpretation and Application of International Financial Reporting Standards", John Wiley & Sons, Inc., PP 292-321
2. Hennie Van Greuning (4th Ed.), "International Financial Reporting Standards- A Practical Guide", The World Bank, Washington D.C. PP198-201
3. Abbas Ali Mirza, Magnus Orrell, and Graham J. Holt (2nd Ed), "IFRS - Practical Implementation Guide and Workbook", John Wiley & Sons, Inc. PP 330-341❑

Telecom Revenue Assurance - An Introduction

Anand Vasudevan*

Mobile Telephony - Background Note

The History of Cellular or Mobile Telephony date way back to 1947 when Bell Labs introduced the idea of cellular communications with the police car technology. It has evolved over a period of time and the first commercial launch of cellular service based on GSM technology took place in the year 1991 and CDMA technology in 1995. The Mobile Telephony was introduced in India in 1995 when the Government of India granted licenses to set up cellular services in the four Metros which was later extended to the whole of India. The subscriber growth exploded since then and India reached the 400 million mark in April 2009. India remains one of the fastest growing mobile markets and as per the study conducted by Gartner is expected to cross 770 million by 2013 registering a CAGR of 14.3 per cent with penetration levels at 64%. The revenue generation is expected to exceed 30 billion dollars. The major portion of the business will be in prepaid which is expected to grow from the present level of 93 per cent to 96 per cent

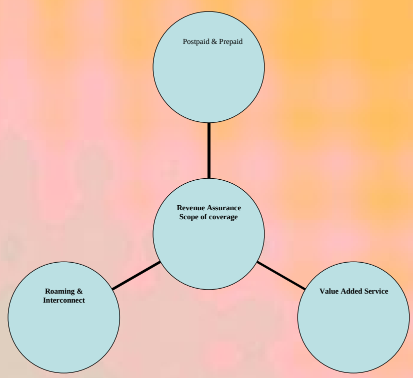
Revenue Assurance

It is estimated that service providers lose close to 3% of their total revenue due to revenue leakages and the estimated revenue loss is about 750 million dollars. The reason for revenue loss is on account of data loss between systems, external frauds and inadequate controls and procedures. This not only decreases the profitability but also adversely impacts the customer experience. As networks and service offerings become more complex coupled with subscriber growth, the service providers are more vulnerable to revenue leakages. Hence the role of Revenue Assurance function becomes critical for the service providers. In a manufacturing unit the product takes its shape through a step by step process and controls can be built in various stages so that the product reaches the final stage as per the standards and specifications including quality. However in the case of Telecommunications the finished product i.e. the service is not a tangible one though there are assets which helps in providing the service like Towers, MSC, BTS etc., There are various systems which work in tandem right from the moment the customer decides to use the mobile network either for voice or for any other value added services. Various systems interlink with each other and that too in nano seconds for a real time execution. Whether all these calls and various other value added services used by the customers are properly captured and charged or billed for revenue recognition is the challenge faced by the industry and there comes the role of Revenue Assurance Function.

*B.Com, AICWA, Sr. Manager- Revenue Assurance, Sistema Shyam Teleservices Ltd

The Revenue Assurance function will ensure :

- Comprehensive monitoring of end to end revenue flow
- Identify leakage issues before they surface and ensure proper closure of issues
- Improve the end customer experience
- Optimize the existing investment and assets
- Assurance on the completeness and accuracy of revenues



The RA function carries out a huge laundry list of activities in its pursuits and some of the important ones are given below :

- ✓ New product testing
- ✓ CDR generation monitoring
- ✓ MOU trend monitoring
- ✓ Prepaid balance check
- ✓ e-Recharge balance check
- ✓ Subscriber matching between HLR and billing systems
- ✓ Subscriber profile matching between HLR and billing systems
- ✓ IN flag check
- ✓ SMSC and billing system control check
- ✓ Interconnect traffic validation
- ✓ B-Table Audit
- ✓ Postpaid pre-bill audits
- ✓ Billable Vs Billed Subscribers for Postpaid
- ✓ Content CDRs monitoring
- ✓ Content CDRs - matching Vendor Gateway and Billing System
- ✓ New number series launch testing
- ✓ Roaming - TAPIN file validation with back charged in billing systems
- ✓ Roaming - TAPOUT file validation with invoices raised by DCH to other partners
- ✓ Optimal call routing analysis

Some of the Revenue Assurance areas are explained as follows :

1. **New product testing**

Marketing develops the new products based on the needs of the customers, competition offers etc., Before the new product is getting launched marketing sends a communication to the Revenue Assurance function to carry out the User Acceptance Test or UAT so that when the product is launched in the market there are no surprises to the customer experience. RA experience the product before the customer experience in that sense RA plays similar role of Quality Assurance in a manufacturing industry. RA performs the UAT to ensure that the proposed tariffs which are getting launched are configured correctly in the billing system.

Various call scenarios like mobile to own mobile, mobile to other mobile, mobile to PSTN, mobile to WLL(M), mobile to WLL(F), local, STD, ISD, Voice usage, SMS, GPRS, CRBT, Content downloading and any other VAS are tested. In the case of Postpaid after the testing the rated CDRs are fetched from the billing system and compared. In the case of Prepaid the balance before the call and after the call is taken to derive the tariff for verification. In case of Prepaid other terms and conditions of the product like Validity, Free talktime, promo balance, special benefits like reduced charging in case of STVs etc., are tested. All the above testings are documented and results are compared against the approved tariff plans. Any variations are escalated to the IT team for necessary rectifications. Upon intimation from IT RA reperforms the testing. Once all the issues are resolved and final testings are completed RA gives the clearance to the Marketing for the commercial launch of the product.

2. **MOU trend monitoring**

The minutes of usage in the entire network is captured at the switch either in the form of seconds or erlangs. These minutes are monitored on a daily basis to ensure that there exists a MOU pattern which can be validated or monitored and any abnormal deviations or outages are monitored accordingly. The total switch MOU can be compared with the total billed mou which includes postpaid, prepaid and inbound roaming.

3. **CDR generation monitoring**

The calls made by the customers are captured by the switch/MSC in the form of CDRs i.e. Call Data Records, the CDR format which is getting captured by the MSC will have lots of data filed like date, time stamp, call duration, cell_id, calling party, called party, etc., Hence it is imperative for the company that all these CDRs are captured correctly so that the mediation pulls these CDRs for proper extraction and for charging. The CDR files are generated in sequence and a fresh CDR will be generated either when the size exceeds the prescribed limit defined in the switch for e.g. 2 MB or after lapse of prescribed time say 2 hours which ever is earlier. Thus the files generated by the MSC can be tracked for its sequence and any missing CDRs can be found out. CDRs will get generated for each MSC and the mediation pulls these files from the switch and process the raw CDRs like filtering etc., and pushes to the down streams like billing systems, interconnect, business intelligence etc., The CDR losses could be attributed to :

- CDRs lost
- Corrupt CDRs
- CDRs late to mediation and billing
- Failure to generate CDRs

Hence the mediation CDRs and the switch CDRs are compared to ensure no data loss in the system and also to find out the volume of gaps, if any.

4. **Prepaid Balance Check**

The prepaid balance check is the summary verification of all customers account in the IN. Individual customers gets his initial credit upon activation and later on he topups his balance and started using the network. The individual customers balance has to be verified whether proper decrement is happening. Since it is practically not possible to verify the correctness of each and every individual customers a summary level check of opening balance, recharges, all credits less usages, debits and other adjustments are considered. The derived balance is then compared with actual balance. Any major variance is escalated to the IT team for necessary resolutions.

5. **e-Recharge Balance Check**

There are three types of recharges a customer can do i.e. physical recharge, e-Recharge, and recharges through ATM/Internet. In the e-Recharge the distributor pays the money in advance net of his commission and buys the Airtime in bulk. The balance then is transferred to the FOS who in turn transfers the same to the retailers and the customers recharge his talk time through these retailers. The distributor balance is thus similar to a transaction account wherein he gets his opening balance, then any additional purchases will be added and all the tertiary recharges will be reduced the derived balance is then compared with the actual balance in the e-Recharge distributor balance account. Any variance is then escalated to the IT team for necessary rectifications.

6. **Subscriber reconciliation between the HLR and the Billing Systems**

The subscribers are first defined in the HLR or the Home Location Register in the Switch. When a call is initiated the first level checks happens in the HLR and then only the call routing takes place. First of all the customer needs to be active in the HLR to make the call mature. Hence it is important for the company to ensure only eligible customers are active in HLR and the billing systems. The customers IMSI (International Mobile Subscriber Identity) number is extracted from the HLR and the billing system which are then reconciled. The exceptions like subscribers in HLR and not in billing system and in billing system not in HLR are identified and the same is escalated to the Network and IT team for necessary rectifications.

7. Subscriber profile reconciliation between the HLR and the Billing Systems

The subscribers profiles like STD, ISD, GPRS, SMS, Roaming, etc., are defined separately in the HLR as well in the billing system. When any of these service facility is initiated by the customers first it is checked in the HLR to allow the customers to make use of these facilities. Hence it is important for the company to ensure only eligible customers are active in HLR and the billing systems. The customers IMSI (International Mobile Subscriber Identity) number is extracted from the HLR and the billing system which are then reconciled. The exceptions like subscribers in HLR and not in billing system and in billing system not in HLR are identified and the same is escalated to the Network and IT team for necessary rectifications.

8. IN Flag Check

The subscribers in the HLR needs to be tagged separately so as to connect it to the IN hence all the prepaid customers should have this flag which is referred as CAMEL or OYSC flag in the network. If the prepaid customers are not tagged there is a probable chance of these customers being active in HLR without being charged for their usage. Hence customer dump with IN flag is retrieved from the HLR and compared with the IN dump and any deviations found are escalated to the Network team for necessary rectifications.

9. SMSC and the billing system control check

The SMS sent by the subscribers are routed via the SMSC or the SMS centre. The total count of SMS MO registered is compared with total count of SMS registered in the billing systems i.e. postpaid, prepaid, and outroaming SMS. The application SMSs generated by the service providers like SMS to various VAS services and announcements are to be removed from the SMS count to have a one on comparison. Any abnormal variance is escalated to the Network team for necessary rectifications.

10. Interconnect traffic validation

In India the concept of calling party pay regime is in place i.e. the calling party is charged for the service and no charges are recovered from the calling party i.e. in simple terms the incoming calls are made free in India unlike in other countries wherein both the calling and called party gets charged for the same call. Instead of charging the customers the service providers recover this amount through the interconnect revenue when the calls made by the other operator lands in their network. There will be an interconnect agreement for the same between the operators. The charges vary based on the type of calls which are getting carried viz., local, NLD (National long distance) and ILD (International long distance) traffic. To carry the traffic between the operators separate trunks are established and the traffics are pumped through these trunks. The traffic volume in seconds are aggregated and invoiced in minutes to all the operators. The traffic details from the switch and from the Interconnect billing systems are compared. Any variations observed are then escalated to the IT team for necessary clarifications and rectifications.

11. Postpaid Pre-bill Audit

The postpaid subscribers are those who have availed the services during a given period and the charges for the same are billed later normally at the end of the bill cycle. Before the bills are invoiced to the customers sample bills are generated and checked for its accuracy in terms of correct charging of monthly rentals, tariffs are charged as per the plan taken by the customers, discounts or free minutes if any are appropriately applied etc., are verified and the clearance is given by the Revenue Assurance function. Normally there will be four to six bill cycles in a month depending on the number of customers in the system. Also after the bills have been generated sample bills are taken and checked whether the charging, reflection of previous amount paid, amount outstanding etc., are checked. Total billable versus billed and dispatched count of customers are also cross checked to ensure no customers are left out in the billing.

12. Roaming Validations

The customers of any service providers can use the services not only in their home network but also can roam in other states of the same network or other operators network. Similarly the other operator's customers can roam in the service providers network. While the former is termed as "outbound roaming" the later is called as "inbound roaming". In the case of outbound roaming the service providers receives the TAPIN files from other operators and sends out TAPOUT files in the case of inbound roaming. The roaming settlements happens through the DCH or Data Clearing Houses who receives and sends the roaming files and helps the roaming settlements happens between the operators. Revenue assurance ensures whether all the TAPINs are backcharged and all TAPOUT files are invoiced to the roaming partner by the DCH.

Glossary

CDR - Call Data Records
SMS - Short Message Service
GPRS - General Packet Radio Systems
VAS - Value Added Services
GSM - Global standards for Mobile Communications
CDMA - Code Division Multiple Access
UAT - User Acceptance Test
RA - Revenue Assurance
IT - Information Technology
MSC - Mobile Switching Centre
BTS - Base Transceiver Station
FOS - Feet on Street
HLR - Home Location Register
VLR - Visiting Location Register
DCH - Data Clearing House
NLD - National Long Distance
ILD - International Long Distance❏

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

EXAMINATION TIME TABLE & PROGRAMME - DECEMBER 2009

	PROGRAMME FOR SYLLABUS 2002		PROGRAMME FOR SYLLABUS 2008 (REVISED)		
Day, Date & Time	**Final - 2002** 9.30 A.M. to 12.30 P.M.	**Intermediate - 2002** 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, 10th December, 2009	Operation and Project Management and Control	Cost and Management Accounting	Financial Accounting	Capital Market Analysis & Corporate Laws	—
Friday, 11th December, 2009	Advanced Financial Management and International Finance	Information Systems and Technology	—	Financial Management & International Finance	—
Saturday, 12th December, 2009	Strategic Management and Marketing	Business Laws and Communication Skill	Commercial and Industrial Law & Auditing	Management Accounting– Strategic Management	—
Sunday, 13th December, 2009	Strategic Tax Management	Business Taxation	Applied Direct Taxation	Indirect & Direct– Tax Management	—
Monday, 14th December, 2009	Management Accounting– Design Making	Management Accounting– Performance Management	Cost & Management Accounting	Management Accounting-Enterprise Performance Management	Organisation and Management Fundamentals
Tuesday, 15th December, 2009	Management Accounting-Financial Strategy and Reporting	Advanced Financial Accounting	—	Advanced Financial Accounting & Reporting	Accounting
Wednesday, 16th December, 2009	Cost Audit and Management Audit	Auditing	Operation Management and Information Systems	Cost Audit & Operational Audit	Economic and Business Fundamentals
Tursday, 17th December, 2009	Valuations Management and Case Study	Quantitative Methods	Applied Indirect Taxation	Business Valuation Management	Business Mathematics and Statistics Fundamentals

PROGRAMME FOR MANAGEMENT ACCOUNTANCY COURSE - DECEMBER 2009 EXAMINATION

Thursday, 10 th December, 2009 9.30 A.M. to 12.30 P.M.	Thursday, 10 th December, 2009 2.00 P.M. to 5.00 P.M.	Friday, 11th December, 2009 9.30 A.M. to 12.30 P.M.	Friday, 11 th December, 2009 2.00 P.M. to 5.00 P.M.	Saturday, 12 th December, 2009 9.30 A.M. to 12.30 P.M.
Management Accountancy	Advanced Management Techniques	Industrial Relations & Personnel Management	Marketing Organisation & Methods	Economic Planning & Development

EXAMINATION FEES

Stage (s)	Final Examination	Intermediate Examination	Foundation Course Examination	Management Accountancy Examination
One Stage (Inland Centres) (Overseas Centres)	Rs.800/- US $ 100	Rs.700/- US $ 90	Rs.700/- US $ 60	Per Group Rs. 2500/-
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 25th October, 2009 and with late fees of Rs. 200/- is 4 th November 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 December 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" for Syllabus 2008 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 - 1st February 2010 and Inter & Final - 20th February 2010.

C. Bose
Sr. Director (Examination)

The institute of Cost and Works Accountants of India

Examination Time Table & Programme - December 2009

CERTIFICATE IN ACCOUNTING TECHNICIANS [CAT]

Day & Date	Time	Foundation Course (Entry Level) Part - I
Monday, 14th December, 2009	02.00 P.M. to 05.00 P.M.	Organisation and Management Fundamentals
Tuesday, 15th December, 2009	02.00 P.M. to 05.00 P.M.	Accounting
Wednesday, 16th December, 2009	02.00 P.M. to 05.00 P.M.	Economics and Business Fundamentals
Thursday, 17th December, 2009	02.00 P.M. to 05.00 P.M.	Business Mathematics and Statistics Fundamentals

Day & Date	Time	Competency Level Part – II
Thursday, 10th December, 2009	09.30 A.M. to 12.30 P.M.	Financial Accounting
Friday, 11th December, 2009	09.30 A.M. to 12.30 P.M.	Applied Statutory Compliance

Examination Fees

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

1. Application Forms for CAT Examination will be available from Directorate of CAT at "ICWAI Bhawan", 3, Institutional Area, Lodi Road, Delhi - 110 003. Cost of Form Rs. 30/- per Form.
2. Last date for receipt of Examination Application Forms without late fee is 25th October, 2009 and with late fee of Rs. 100/- is 4th November, 2009.
3. Examination Fees to be paid through Bank 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. 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.
6. A candidate who is fulfilling all conditions will only be allowed to appear for examination.
7. Probable date of publication of result : Foundation Course (Entry Level) Part - I is 1st February 2010 and Competency Level Part - II is 20th February 2010.

C. Bose
Sr. Director (Examination)

New Dimensions of Carbon Trading- A Boon for Global Warming and Climate Change

Dr. B.K Mohanty*

Green house gases, found in the atmosphere, cover the earth like a blanket. Of all the green house gases emitted into the atmosphere, carbon dioxide and methane are the largest concentration. Together they make up about 90% of the green house emissions. The green home effect was given its name by French physicist Jean Bapist Joseph fourier in 1827. He compared the earth's atmosphere to a closed glass vessel. He identified with the green house where plants are kept. He observed that air around the earth filters in the sunlight exact like a glass roof and therefore gave that name to the phenomenon. Global warming can be described as the rise of temperature of the earth due to the excessive increase in the concentration of green house gases. Global warming is also known as the green house effect. If it continued at the current rate by the year 2100, the temperature of the earth is expected to rise by 1.8 to 4 degree Celsius. The Sunderbans, spread over parts of India and Bangladesh, are a large group of islands having the farmers mangrove forests and are home to Royal Bengal tiger. The sea level around the Sunderbanas is rising due to the global warming and the islands are under threat of getting submerged. The information is that two of the 102 islands have already been submerged.

In fact the effect of carbon dioxide on the average temperature on the earth was studied by the Swedish scientist Svente Arohenious more than a century ago. Global warming refers to increase in the average temperature of the earth's near surface air and ocean in recent decades and its projected continuation caused by a steadily thickening blanket of human induced GHGs such as carbon dioxide, methane, nitrous oxide and fluorinated gases used in refrigeration and semi-conductor manufacturing.

Historically, main contributions to global warming have been on account of human induced activities such as fossil fuel consumption, industrial activities, agriculture systems, changing land holding pattern and waste decomposition carried out in the developed countries and the economic in transition, which have been responsible for 75% of the GHG emission.

Green House Effect (GHG)

Green house gases are those gaseous constituents of the atmosphere- both natural and anthropogenic that act as a partial blanket that trap some of the thermal radiations from the earth's surface and makes it substantially warmer than it would otherwise be. The phenomenon of trapping of heat by atmospheric gases within the surface - troposphere system and there by rising earth's atmosphere temperature is called "Green House Effect."

Due to the burning of the fossil fuels in automobiles and industries worldwide and more so in the developed countries particularly US which contributes to the maximum compared to others, the carbon dioxide concentration in the atmosphere troposphere solar heat and reflects back to earth to cause global warming. In addition methane gas emissions from agriculture animals also contribute and together known as green house gas emissions that cause the phenomenon. Due to this the rise in the temperature on the earth surface is causing the melting of the polar caps and the snow glaciers in the mountain peaks.

It is already reported that the Antarctica ice shelf is breaking and cracks have been observed in a large area due to global warming. If the warming and the Green house gases are not arrested temperature will rise beyond 4 degree centigrade as against less than 2 degree centigrade at present. It is estimated that if the entire Antarctica ice shelf melts down, the sea level will rise about 70 meters when all the major coastal cities of the world will be sub merged for ever deep down. If the temperature is allowed to rise further, the perennial rivers of the Himalayas and the elsewhere will disappear causing untold miseries to the population in the valleys and in the plains of these rivers due to the uncontrolled floods followed by severe droughts. There will be mass migration of population resulting in conflicts and military interventions among the countries causing violence and bloodshed unheard of the past.

Impact of Climate Change

India's vast population depends on climate sensitive sectors like agriculture, forest and fishing for livelihood. The adverse impact of climate change in the form of increased temperature and decrease rainfall would create many problems in the country.

Table-1 depicts the major culprits of green House gas emissions of the world. It has been seen from the above table that highest per capita emission of 20.6 tons has been recorded by US and at the same time Canada's emission per capita was stood at 20.0 tons. Russia remained at the third place having per capita emissions of 10.6 tons during the study period from 1990 to 2004. India's per capita emission remained at the lowest at 1.2 tons. The per capita emission of China and India remained below the per capita emission of the world which was remained at 4.5 tons during the above study period. It has been revealed from the above analysis that the developed Countries are the main culprits of the Green House Gas emissions.

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The most surprising countries figuring in the category of sliders are the US, UK, Canada, Germany, Italy and Russia. These six countries belong to the G-8 club of the world's richest countries controls over 65% of the world's economy. However, France and Japan, the other two members of the group, have improved their performance on the development front.

Compared to 2000, the HDI rankings of the year 2007, is of bit shocking. The US has slid from 3rd position to 12. The UK has dropped from 10 to 16 Germany has gone down from 14 to 22. Italy has stands at 20 compared to 19 in 2000, and Russia is down to 67th position from 62 in last report. But, Japan has improved its position from 9 to 8 and France has moved up from 12 to 10. The HDI ranking is a combined measure of long and healthy life, education and standard of living. Some 177 countries are ranked in 2007 while 174 countries were ranked in 2000. The rankings are done on the basis of data of two years ago.

Some other European countries have made significant improvement in their rankings. Spain has shot up from 21 to 2000 to 13 in 2007 while Ireland has improved from 18 to 5. India remains at the same low position of 128. In the Sub-continent, Srilanka has dropped drastically from 84 to 99, and Pakistan has slid from 84 to 135 to 136. But, the other three of our neighbours have proved their rankings - Bangladesh from 146 to 140, Nepal from 144 to 142 and Bhutan from 142 to 133. Brazil and China which often draw comparisons with India, have both performed well improving their positions. Brazil now stands at rank 70 compared to 74 in 2000, while china has zoomed up to 81 from 99.

Eleven of the 12 warmest years since 1850 have occurred between 1995 and 2006. The trend of global warming for the last 50 years is nearby twice that for the last 100 years. An increase in temperature of two to three degrees centigrade in India can reduce farm income by 10- 25%. A four degree centigrade rise in temperature in Bangladesh can crimp rice production by 30% and wheat production by 50%.

Table-1 Green House Gases (Major Culprits)

Country	CO2 emissions (Million tons)	Growth rate (1990-2004)	CO2 emissions per capita (Tons)
United States	6046	25	20.6
China	5007	109	3.8
Russia	1524	(-) 23	10.6
India	1342	97	1.2
Japan	1257	17	9.9
Germany	808	(-) 18	9.8
Canada	639	54	20.0
United Kingdom	587	01	9.8
Korea	465	93	9.7
Italy	450	15	7.8
World	28,983	28	4.5

Source Times of India- November 29, 2007

While we are so vulnerable to the slightest difference in temperature, the earth's expenditure is projected to increase by 5 degree centigrade in the 21st century.

Another reason why it is critical for every country to act urgently on curbing green house gas emissions is that while pollutants like sulphur dioxide, acid rain and hydrogen sulphide can be easily cleaned up, carbon dioxide emissions can remain in the atmosphere for centuries.

Carbon Trading

Generally till now we have two types of carbon trading,namely (i) Emission trading and (ii) Off set trading. Before knowing about the above two tradings, it is wiser to have an understanding about the emission permit. Emission permit in other words known as carbon credit. The units are expressed in terms of carbon equivalent. Each units gives the owner the right to emit one metric ton of carbon dioxide or other equivalent green houses.

Table-2
Human Development Index (HDI) Rankings

Country	2000 (Ranking)	2007 (Ranking)
Canada	1	4
US	3	12
UK	10	16
Germany	14	22
Italy	19	20
Japan	9	8
France	12	10
Spain	21	23
Ire land	18	5
India	128	128
Russia	62	67
Brazil	74	70
China	99	81
Srilanka	84	99
Pakistan	135	136
Bangladesh	146	140
Nepal	`144	142
Bhutan	142	133

Source- Human Development Report-2007

There is another variable of carbon credit. The logic behind this trade is that if a country will invest some amount of money in such projects in which the green house gas emission can be reduced to some extent can earn the credit from such type of projects. Suppose the country builds thermal plant which emits 1000 mw emit 500 carbon dioxide in the atmosphere. If the same country builds a project of 1000 wind energy plant, the country earned a credit of (1000-500) 500 carbon equivalent.

The first type of carbon credit discussed above is known as emission trading where as the second case was known as the offset trading or base line and credit trading. According to Kyoto protocol a country has to reduce her emission level by 52% of the total carbon dioxide. Suppose a country, India has emitted 1000 carbon equivalent so he should reduce 52% means alternatively he is permitted to emit 948 units and further if the country has been able to reduce faster, the number of units goes as credit on his favour and the credit so earned can be exchanged to other countries which are in need of the same. The opening countries have given the freedom of exchange among themselves their emission quotas.

In another case, if the country has not been able to reduce its quota 52%, the country can buy this amount of carbon equivalent from any other country through emission trading. There is an alternative route. The country can invest in carbon projects abroad to earn carbon credits and thereby to meet the obligation of reduction of the quota fixed. It is understood from the above that if a country helps in emission reduction programme of a third country, the credit earned through the process will help the country for compensatory if there is any failure to fill up the quota fixed as per agreement. If such a joint venture is taken with another annexure-1 country it will be called "joint implementation" and if it is taken along with any developing or under developed country it is called "cleaned Developed Mechanism". To get the carbon credit the concerned factory will be audited and certified by designated surveyors, based on the survey report, the UN certification body will issue credits. If credits are not issued the factory or company has nothing to sell.

Volume of Carbon Credit Sale

Trade in the world of Green House Gas credits market rose 80% in the year 2007 as emission rules became a concern, for more companies. Global carbon credit trade rose to $60 billion in 2006. Total traded volume in the global market reached 2.7 billion tons of green house emissions reductions in 2007.Nearly two thirds of the global trading volume last year occurred on the European Union emissions trading scheme, with 1.6 billion tons of green house emissions changing hands worth$41 billion. The secondary market in issued CDM credits rose from 40 million tons and $836.2 million in 2006, to 350 million tons and $8.36 billion in 2007. The other major market was the UN's Clear Development mechanism, under which 947 million tons of green house emissions were traded, worth $17.5 billion.

Chennai's Olympia technology park is one of the first commercial buildings in India to go in for carbon trading. A growing number of Indian firms irrespective of their size and across industries are now reaping a new monetary harvest called carbon trading. In fact, India has the highest number of registered projects under the clean Development Mechanism (CDM)- a fact confirmed by our Finance Minister P. Chidambaram during 2007-08 budget." India has also strongly promoted the clean development mechanism under the Kyoto Protocol and has the world's largest number of CDM projects." he said. Consultancy firms assist companies in the carbon business Milton Consultancy Services Ltd helped a construction company from Pune to become the first Indian company to receive money for Carbon trade in 2006.

Planning to Tap Carbon Trading Mart

In the US and Europe, recent survey indicate that three out of every four companies are trying to measure the amount of GHG that their business generate. More than 95% of companies polled in these Countries believe there is some business risk in the future if their carbon foot print is not controlled for instance, the fear of regulations like a carbon tax in the future. Right now, one carbon credit is valued at Euro 13 (roughly Rs. 756.00). TATA Steel the largest company hopes to earn a million certified emission reductions (CDR) or carbon credits per annum. At current prices it will add close to Rs. 76 crore to still giant's bottom line. TATA Steel has got ton into a unique arrangement with new energy and industrial technology Development organisation, a Japanese company. This firm supplied technology and employment to two of TATA Steel's projects in exchange for carbon credits that will be generated by the projects for a period of ten years. One such has the potential to earn 1.5 lakh carbon credits a year. In, all there are about 14-15 projects in TATA Steel's pipe line.

Indian Emissions Markets

Getting technology to reduce carbon emissions from Europe and other Developed nations is proving to be an expensive proposition. Seeing an opportunity in India, leading global financial service providers like, Cantor CO2e, are tying with local entrepreneurs to develop and market indigenous technologies. Cantor CO2e has signed MoU with Abhitech Energycon, involved in conservation of all types of fuels, for its indigenous energy efficient technologies. Abhitech has developed "Thermal" and "Thermact" products which have wide applications in various industrial sectors- as a result of advance R &D efforts.

Another company which cantor CO2e plans to tie up with- Shakti Pumps (India), which manufactures efficient water pumps, to supply water pumps to municipalities to generate carbon credit for them. Municipalities can save up to 30% energy by these energy efficient water pumps. Shakti pumps, established in January, 1982 as a partnership firm has undergone many changes in partnerships before being converted into a public limited company. It has a turnover of Rs. 63 crore today.

Mumbai based MBP technologies is another company with which cantorCO2e plans to form an alliance which can make fuel oil more efficient. Cantorco2e is also in talk with few other technology suppliers, whose innovative technology can reduce green house gas emissions compared to the conven-tional ones.

A New Trading Scheme for India

India is going to join very soon a small group of nations, including Italy and France that allow intra country trading of energy efficiency credits. A trading scheme proposed by the national Action Plan Climate Change could come to life by mid 2009. Fifteen of most India's most energy hungry industries, including iron and steel, aluminium, railways, transport and chemicals will fall under this scheme.

Each company will first measure its Specific Energy Consumption (SEC) i.e. the amount of power it consumes to produce one unit of output. Based, on this, the Bureau of Energy Efficiency (BEE) will give the company three years to improve its SEC by a certain amount. Companies that exceeded the target savings can than sell the extra savings in the form of energy efficiency credits to companies falling behind their targets. The non-performing companies must either buy these credits at market rates, or face stiff penalties. The first 3 year probable would begin by financial year 2010.

Besides industrial users the BEE also wants to enlist ordinary citizens in its efficiency drive. All home appliances will have energy efficiency levels that will help consumers find products that consume the least energy. These in turn attract a lower value added tax. Even public sector companies will be obliged to procure only the most energy efficient technologies. Banks too will be covered by a "partial risk guarantee fund" when lending money to energy efficiency projects.

The BEE has its work to train Government employees to conduct energy audits and monitor compliance. This trained manpower will be expected to work with thousands of factories and companies participating in the scheme to be eligible for the UN carbon trading scheme.

By being energy efficient, companies draw less electricity from coal fired power plants, and emit less carbon. The UN carbon trading rules award carbon credits only to projects that would have been unaffordable were it not for the money the credits generated. Companies would already be earning revenues through the sale of efficiency credits. Companies that invest in their own renewable energy power sources could be awarded extra credits, both for generating clean power grid. If these proposals are implemented, the country, according to BEE estimates, could save roughly 10,000 MW or 7% of the current grid companies by 2012.

Problems of Valuations of Carbon Trade

During 2007, India generated over 27 million carbon credits (nearly double over 2006), which not only helped Indian companies to so case to the world its unflinching commitments towards global environment conservation but also so case its growth process. While there is a huge potential for a range of Indian companies to generate substantial foreign exchange revenues through CDM projects, there are a number of regulatory issues that need to be sorted out. Taxability of the income earned from sale of carbon credits is one such issue that is yet to be addressed. Prolonged litigation seems inevitable in the absence of any specific provisions in the income tax Act, 1961 and lack of judicial precedents on the subject.

The controversy is mainly regarding the income head under which the income from sale of carbon credits should be taxed. One view is that it is an incidental business income since CERs are earned in the process of undertaking a business project or venture. In this sense, the income would be taxed at the normal rate of 30% (excluding the surcharge and cess) further, one can always explore the possibility of availing tax holiday benefits in respect of such business profit.

The other view propagated is that sale of CERs is a transfer of capital asset liable to capital gains tax. This view is based upon the fact that carbon credit is an intangible property being a commercial right granted under the Kyoto Protocol. However, it needs to be seen whether the definition of capital asset under the act is wide enough to include carbon credit. Further, assuming it is a capital asset, there could be issues in ascertaining its real cost of acquisition. Also, there, could be ambiguity regarding the date from which the holding period should be reckoned i.e. at the time of verification, certification or sale of CERs. All of the above is relevant to determine whether the resultant capital gains should be taxed at 20% (being long term capital gain) or at 30% (being short term capital gain).

Some argued that carbon credits being regarded as capital receipt not liable to tax at all. The reasoning being that the grant and sale of CERs are merely means to achieve the benevolent, social objective of preventing undesirable climatic changes so as to allow eco systems to adopt naturally to climate change, ensure sufficient food production and thus achieve sustainable development. As such, the income from CERs ranks as per with the subsidies/ grants given by the government for achieving socio-economic objectives in the interest of public at large. If such purpose is social and is in the public interest, the receipts are in the nature of capital receipts not liable to tax.

Role of ICAI

ICAI has now come to a conclusion that a uniform accounting of revenue from the trade is essential. Different companies account for it in different ways as there is no guidance on the subject even internationally. The accounting regulator is working out the guide lines from scratch. Experts say carbon credits a tradable instrument is not a financial instrument as per ICAI accounting standards. It has to first see if it could be interpreted is one or whether it should be classified as a tradable commodity. Another accounting issue the regulator is grappling with is when a company should be asked to recognise revenue from carbon trading. ICAI will decide whether it should be recognised in the company's books of accounts at the time it applies to the United Nations frame work for carbon credit or at the time it is granted. The accounting treatment will have implications on the company's profitability and tax liability. Till now, the income earned by transaction of such carbon credits is treated as additional income in the absence of accounting standards. There is an absolute urgent need to establish accounting standards on emissions, especially since is generating enough certified emissions reductions (CERs) or carbon credits. Carbon credits could attract concessional capital gains tax at the time of transaction. The concessional capital gains tax could be applicable for a holding period of one year. In case carbon credits are treated on par with equity shares, these could even attract securities transaction tax.

Initiative from the Corporate Sector

Corporate india's "Green" initiative seems to have acquired a lasting hue. Companies like Maruti Udyog, ITC,Ciron India and Orient paper Industries have taken special initiative on the environmental front. Maruti Suzuki has managed to slash every consumption per car at its Gurgaon factory by 26% over the last six years, while carbon Di-oxide emissions during car manufacturing process has come down by 39% in the last five years.

The carbon credit project initiated at CK Birla group company, Orient Paper Industries Ltd.(OPIL), Devpur cement Unit in Andhra Pradesh, recently received final approval from United Nations Framework Convention on Climate Change (UNFCCC).It received the first instalment of 96,310 units of entitled certified emission reductions (CERs) for activities undertaken up to March, 2006 and will be to further CERs each year until 2012. "We hope to earn anything between Rs. 6-8 crore every year till 2011-12, at the current prices from sale of CERs" said- M.L. Pachisia, MD of OPIL.

ITC's a forestation exercise has led to planting of some 265 million saplings in nearby 65,000 hectares. Cairn India, the local arm odf Scottish energy major Cairon energy, is exploring the application of the clean Development Mechanism (CDM) to its Mangala Development in Rajasthan. In more than a decade, it has supported reforestation projects to promote water capture in all its operating areas in India. To date, more than 3,30,000 trees have been planted off its Ravva field. The company also reduced GHG and oil discharged in water from producing fields per unit of hydro carbon produced, it has also helped in rain water harvesting projects. More than 1300 water harvesting structures have come up with investment of rural households in their respective villages, where it directly benefits the people, particularly women.

Recommendations

(1) At present, nearly 80% of our energy comes from burning of fossil fuels- the greatest source of GHGs. The action plan talks about increasing the share of solar energy and it is welcome. However, there is no mention of enhancing the production of nuclear energy which is 3% (about 3,100 MW) of our total energy. Now, when the prospects of the India- US nuclear agreement getting through are brighter in the changed political scenario, the nuclear energy programme should be given a boost. The nuclear power would worked out to be a economical over time once the constraints of access to nuclear fuel, required technology and capital are removed as a result of their deal. Further, scientists have proved that if India installed 2,00,000 MW nuclear power by 2020, it would save the world 145 million tons of carbon emission. From an example of France it has been seen that it has produced 42,000MW of nuclear power in just 10 years starting from 1989 to 1999. Today, 70% of its energy is nuclear.

(2) Wind energy is another source of renewable energy. In India there is ample of scope for tapping it as our gross wind energy power potential has been assessed that 45,000MW. At present we have wind power installed capacity of 7,200MW only- most of which is in the private sector. The cost of production of solar and wind energy is higher at present but it will come down when economies of scale are achieved and conversion efficiencies are improved.

(3) In other fast growth countries like India, there are tremendous opportunities for energy conservation through enhanced grid efficiency and improved industrial productivity facilitated by better utilisation of scarce energy resources. The biggest reductions in emissions in the short will come from measures to run processes more efficiently. About 40% of electricity is consumed by industry and 2/3rds of that is used by electric motors. Devices to regulate the speed of a motor can reduce their energy consumption by 50% in many applications. But unfortunately, now less than 10% of motors are equipped with such a device. Fitting them to all the motors would avoid 200 million tons of carbon Di-oxide emissions per year. There are many energy saving opportunities like this. Industry can make a huge positive contribution but political will and support are needed to exploit its full potential. There are many things that politicians can do.

(4) Create incentives for business and local authorities to save energy. The fairest would be a global price on emissions through a trading system. This will take time to achieve and in the mean time national governments can use standards, rules for public procurement or other means to promote energy efficient technologies.

(5) Government should make energy efficiency a criterion of every project they fund, treaty they negotiate, research agreement they support, school or hospital they build etc. Others will follow if government will follow the leading part.

(6) Australia plans to ban conventional light bulbs and the European Union is likely to follow suit. Although energy efficient bulbs achieve huge savings governments have now taking decisions which may take several years to come into practice. So, it is necessary that government should take immediate steps in accepting energy saving bulbs as the first priority.

Conclusion

Today, America emits twenty tons of carbon dioxide per capita, Europe around ten, China between four and five and India between one and two. A sustainable global equilibrium requires that we lower the global average to two to three tons per capita by mid-century. Clearly, China and India have little incentive to commit to a global deal unless the first move comes from the US. Climate change is no longer an environmental issue but it is related to global security and survival. In India collaborative action by government, the community and individuals could combat climate change.❑

Profitability Scoring Multiplier Model: A New Dimension to Profitability Analysis

In the context of financial performance, profitability analysis plays a vital role and the profitability performance of any concern is very much focused in financial literatures. Ratio analysis is the finest tool in the hands of financial analysts, provided meaningful interpretations are possible. It is said sometimes ratios in isolation are misleading. In the context of profitability analysis, unless a relationship between operational variables and financial variables is established, the exercise is incomplete. An attempt is made in this article to make a complete analysis of profitability by combining the sales based ratios with balance sheet ratios to identify the multiplier effect on the final profit figures.

N.V.R. Rajagopalan

Profit is the engine that drives a business enterprise and distinguishes it from others in a competitive environment

Introduction

As any business enterprise is established to earn profits, it is said the foremost social responsibility of a business is to satisfy the purpose for which it emerged. In the context of financial performance, profitability analysis plays a vital role and the profitability performance of any concern is very much focused in financial literatures. The word of Lord Keynes that profit is the engine that drives the business enterprise is assuming greater significance in the present context of competitive environmental forces.

Review of Literature

In most of the literature available dealing with profitability, ratios relating to sales and ratios relating to investments are dealt with separately. Common size and comparative statements offer scope for analysis by comparing the profitability position. Trend analysis is also a widely used tool in predicting the profitability position of an enterprise in future.

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Investments in fixed assets are made in order to produce goods and services, which leads to investing in working capital also. The revenue generated from the sale of produce in matched with the expanses to arrive at profits. Ratios of profitability in relation to sales give a different picture altogether when compared with investments, as investment turnover holds the key.

Analysis of profitability in the late 20th century started giving importance to the relationship of operating and financial variables with profit performance. Zahir (1981) tried to develop an earning power chart by taking 101 private sector companies with a view to emphasize the relations among various operating and financial variables that are likely to have a bearing on the earning power of business enterprises. He succeeded in his attempt by relating Profit before tax (PBT) to owners' contribution in total assets and to financial leverage.

Statement of the problem

Ratio analysis is the finest tool in the hands of financial analysts, provided meaningful interpretations are possible. It is said sometimes ratios in isolation are misleading. In the context of profitability analysis, unless a relationship between operational variables and financial variables is established, the exercise is incomplete. An attempt is made in this article to make a complete analysis of profitability by combining the sales based ratios with balance sheet ratios to identify the multiplier effect on the final profit figures.

Objectives of the Research Paper

To develop a model to analyse profitability in relation with operational variable and financial variables and to test the model by taking India Cements Limited as a case.

Study unit and period of Coverage

India Cements Limited, the largest manufacturer of cement and market leader in South India is taken up for testing the model. A study period of 9 years is taken up between 1997-98 and 2005-06 for profitability multiplier analysis.

Data Collection and Methodology

The published annual reports of India cements limited are collected and suitable re-arrangements have been made according to the requirements of the model. The basic methodology of identifying the profits starting from Gross profits, Operating profits, Earning before interest and taxes (EBIT) and ending with earning before taxes (EBT) are taken and which are categorized as various profit paths from sales to profit before tax. Due weight is given to each path by taking into account of relevant turnover ratios and balance sheet ratios.

Profitability Scoring Multiplier Model

In order to analyse profits, the model is designed in three stages. This first stage in devoted to operations and named as operational indicator. It is further divided in to two sub-stages, called as direct operational indicator and indirect operational indicator.

The second stage is named as non-operational indicator and the third one is given the name as financing indicator.

Totally four paths have been identified which have the multiplier effect on profitability. The first path traces sales to gross profit and forms direct operational indicator. Gross profit to operating profit, the second path occupies indirect operational indicator. As a result, operating profit to sales ratio is considered in stage-I, operational indicator.

The third path, operating profits to earning before interest and taxes (EBIT) is assigned to stage II - non-operational indicator. The traditional way of looking at the operating profit and EBIT as same, no longer a valid argument, in the context of non-core assets in the form of non-core investments, loans and advances to subsidiaries and associates, deferred revenue expenditure and so forth.

Forth and the last path EBIT to Earning before taxes is devoted to stage III - Financing indicator.

Multiplier Effect of Four Paths

The multiplier effect of four paths identified in respective indicators is shown below.

By canceling the variables mathematically, the net result is EBT / Sales, which is nothing but the profit before tax to sales ratio. By taking the four profit paths above, it is not possible to combine the sales related ratios with turnover ratios and balance sheet ratios. Therefore, aspects relating to operational and / or financial ratios are taken and have been assigned as weight to the paths.

As far as the direct operational indicator is concerned, fixed assets turnover ratio is given as weight. It combines the operational efficiency of the firm in turning over the fixed assets to be converted into sales and the related direct cost of manufacture.

Investment turnover (Fixed assets and current assets) is taken as the weight for indirect operational indicator, as the operating profit is to be linked with core investments alone.

In the second stage non-operational indicator, the difference between the two profit levels is attributable to the effect of non-operating items or extraordinary avenues. The total assets to non - core assets ratio is given as the weight to explain this stage. In the last and third stage, financing indictor the difference is attributable to interest costs. The driving factor for interest chargers is debt financing. Therefore long term capital to debt capital ratios has been assigned as weight for financing indicator.

The score made by each indicator has a profound impact on overall profitability through other indictor(s). The Profitability Scoring Multiplier Model is exhibited below.

Profitability Scoring Multiplier

Where,

GP - Gross Profits
OP - Operating profits
EBIT - Earning Before interest and Taxes
EBT - Earning Before Tax
FA - Fixed Assets
CA - Current Assets
TA - Total Assets
NCA - Non-Core Assets
LTC - Long term Capital
DC - Debt Capital

Scope for Analysis and Interpretation

Overall Scores made by the selected unit in different years can be compared and analysed for profitability performance. The criteria- higher the scores, better the profitability is to be adopted for interpretation. It can also be made stage wise and it is possible to pin point specific indicators for good or poor performance, taking the individual indicator score. Within indicators, interpretation is possible by taking the scores in respective weights.

Applicability

All the corporate bodies engaged in manufacturing are coming under the coverage of this model. In case of individual and partnership houses suitable re-arrangement of figures is required to adopt the model.

Claims

The overall scores made by units (year wise) is the reflector of profitability by taking operational as well as financial variables, since due weight is given to include assets performance with sales and resultant profits as far as operational indicator is concerned.

Non-operational and financing indicators are suitability adjusted by taking relevant ratios as weights, since the path from operating profit to EBIT is highly influenced by policy matters, which ultimately affects profitability. As regards the last path from EBIT to EBT, the influencing factor is interest component, which is the ultimate result of proportion of debt capital is total financing.

Limitation and Remedy

There is no norm or standard score (overall as well as individual indictors) available for making a meaningful comparison with the actual score made. As this is the inherent limitation of the tool ratio analysis, nearest competitors scores can be taken for comparison. A better way of looking at the issue is to take the industry average as standard scores, as it respects the industry as a whole. The results of the model by taking the selected company is presented below.

It is observed that the performance in profitability started reducing gradually to have losses in three years (01-02, 02-03 & 03-04) and the position got reversed at the end. From a positive score of 41.30 in 1997-98, it traveled along reduction in positive scores and reached negative (1.45) in 2001-02. The worst was experienced in the year 2002-03, when the score was a high negative (-58.78). Then it got reversed to reduce

$$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{\text{Operating Profit}}{\text{Gross Profit}} \times \frac{\text{EBIT}}{\text{Operating Profit}} \times \frac{\text{EBT}}{\text{EBIT}}$$

STAGE I		STAGE II	STAGE III	OVERALL SCORE
Direct operational indicator	**Indirect operational indicator**	**Non-operational indicator**	**Financing Indicator**	**Stage I x II x III**
$\frac{GP}{Sales} \times \frac{Sales}{FA}$	$\frac{OP}{GP} \times \frac{Sales}{(FA+CA)}$	$\frac{EBIT}{OP} \times \frac{TA}{NCA}$	$\frac{EBT}{EBIT} \times \frac{LTC}{DC}$	

the negative score and at the end it finished with a positive (21.19) score.

For the purpose of analysis and interpretation the whole period (9 years) is divided into 3 phases of 3 years each starting from the beginning.

The first phase (1997-98 to 1999-2000) showed better profitability in the beginning and ended up with reduced profitability of 14.30 score at the end. The first two years had almost similar scores in operating indicators and a difference is noticed in non-operational and financing indicator, which made the final score different. Given the situation of similar performance scores in operations, a high score in non-operations not properly supported by financing indicator made the score reduced at the end of second year. The year 99-00 recorded declined performance in profitability as it is evidenced from reduction in all the scores. A gradual reduction in fixed asset turnover and a near same total assets turnover made no big difference in the operational indicator, which means operating profit as a percentage of sale and related operations weight behaviour was quite similar in all he three years. A reduction in EBIT compared to operating profit with less

Results of Profitability Scoring Multiplier Model

Year	Operational indicator				Non-operational Indicator		Financing Indicator		Overall score
	Direct		Indirect						
	GP/Sales x	Sales/FA	OP/GP x	Sales/(FA + CA)	EBIT/OP x	TA/NCA	EBT/EBIT x	LTC/DC	STAGE IxIIxIII
97-98	49.33	1.09	29.37	0.83	1.16	4.30	0.43	1.47	41.30
	53.77		24.38						
	13.11				5.00		0.63		
98-99	49.44	1.06	29.10	0.86	1.13	4.55	0.36	1.49	39.67
	52.41		25.03						
	13.12				5.60		0.54		
99-00	50.33	0.95	30.66	0.83	1.00	3.56	0.22	1.48	14.30
	47.81		25.45						
	12.17				3.56		0.33		
00-01	52.33	0.96	33.11	0.88	0.97	2.92	0.21	1.43	12.43
	50.24		29.14						
	14.64				2.83		0.30		
01-02	47.76	0.82	15.98	0.72	2.18	2.95	-0.04	1.34	-1.45
	39.16		11.50						
	4.50				6.43		-0.05		
02-03	36.80	0.74	-9.82	0.72	-1.31	2.71	-6.31	1.36	-58.78
	27.23		-7.07						
	-1.93				-3.55		-8.58		
03-04	40.57	0.91	8.47	0.77	0.55	2.70	-5.94	1.33	-30.40
	36.92		6.52						
	2.60				1.48		7.90		
04-05	40.12	1.10	11.92	0.83	2.08	2.75	0.03	1.34	1.00
	44.13		9.89						
	4.36				5.72		0.04		
05-06	44.00	1.50	23.90	1.06	1.03	2.80	0.25	1.76	21.19
	66.00		25.33						
	16.72				2.88		0.44		

Source: Computed from Annual Reports, ICL

Figures in brackets are multiplier scores in respective indictor and negative (-) denotes losses score in weight means increase of non-core assets but not exactly reflected in the EBIT area, which means unproductive non-core assets in the first phase. Continuous decline in financing scores is an indication of increased interest burden, which made a huge difference in that indicator even after having a near same weight, wh ich ranged from 1.47 to 1.49 only. Therefore a reduced profitability performance was mainly due to unproductive non-core assets and increased interest burden.

The second phase (2000-01 to 2002-03) showed the same trend as the profitability score started reducing further to 12.43 in 2000-01 and ended up with the highest negative score of 58.78 in 2002-03. The profitability trend started with a reduction of profits in the initiated stage, jumped to negative score in 2001-02 and resulted in heavy loss in the year 2002-03. All the three years in the second phase are unique.

The year 2000-01 recorded the best score so for in operational indicator (14.64) and unfortunately ended, up with overall score of 12.43 only because of very poor performance in financing indicator. Not supported properly in the non-operating area, a very good operational performance has not been reflected in the final stage as reduced scores in non-operational and financing indicator made the picture pity. In other words a high level of non-core assets unproductiveness and interest commitments made the year uncolourful.

The year 2001-02 showed poor performance in operations as the score was only 4.5. Reduced fixed asset and total asset turnover with reduced gross profit margin made the position worsen. The score in non-operating indictor was so good (6.43), which reflected the improvement in EBIT, when compared to operating profits. Even though, with the very huge scores in non-operating indictor, the poorest performance in financing indicator (negative 0.05) made the final score a negative one, which means but for the non-operating indicator improvement, the profitability position would have been worsen at the end.

The year 2002-03 was unique in the sense that it reflected negative score in all the indictors, which means the worst profitability performance was experienced in the year. Huge reduction in gross profits with very poor fixed assets and total assets turnover made the score negative (-1.93) in operational indicator, followed by negative score in non-operational as well as financing indicator made the final score as negative 58.78. It signifies the reduced contribution of non-core assets and increased interest payments together with very poor operational performance.

The Third and last phase 2003-04 - 2005-06 showed some sort of recovery in profitability performance and as in the second phase each year was unique.

The profitability performance showed recovery in operations and non-operation areas but the poor state of affairs of financing indicator made the year 2003-04 a loss making one. Reduction in losses (from -58.78 to -30.40) was achieved, due to better operational performance and a turn-around in non-operating indicator.

The year 2004-05 showed a recovery phase as all the indicators turned into positives. An improved scoring in operations (from 2.6 to 4.36) and improvement in EBIT (5.72 points) and a fraction of positive score (0.04) in financing indicator made the profitability to have a turn around as the overall score returned to positive one (1).

The last year 2005-06 showed a speed recovery of 21.19 score overall, contributed by a very good operational performance, which scored 16.72, the highest in all the phases. A good fixed asset and total asset turnover supported properly by gross profit ratio made this possible. A positive score of 2.88 in non-operating made the multiplier higher, but a poor positive score of 0.44 in financing indicator reduced the overall score to 21.19 at the end.

The overall analysis showed that the top line profitability (operational indicator) was good for 5 years and 4 years were severely affected by market conditions. In all the above 4 years, due to increased interest burden and non performing non- core assets, the bottom-line also got affected. By and large operating performance led to better profitability in the 5 years. The non-operating indicator showed a decline in performance except in the years 2001-02 and 2004-05, which is the indication of idle assets in the assets portfolio. A steep reduction in the financing indicator showed high interest component and high debt structure.

In most of the better operational performance years, it was not reflected in the final score because of idle assets and debt heavy structure. If the two aspects are properly taken care off, the final score can also be improved by considering the tight demand supply situation in cement.

Guidelines for extending the scope of Analysis

The results of the model is analysed and interpreted according to the score in individual indicators. More rigorous analysis is possible in direct operational indicator through capacity utilization, sales price realisation per tonne, cost of production per tonne and conversion cost per tonne to comment on path I. Further there is scope for analysing the staff cost, general administration, selling and distribution in Indirect operational indicator to elicit more information on indirect costs in Path II.

Non-operating indictor gives scope to analyse non-core assets and non-operating income and expanses to focuss on path III. A detailed analyis can be made in financing indicator by taking into account of interest component - source wise and proportion of debt in total capital to seek more information in path IV

Conclusion

Profitability analysis by taking into account the combined effect of sales related and assets related ratios is in the inception stage. In the context of widening opportunities, challenging competition, merger and acquisition wave, strategic investments in subsidiaries and associates and increased dependence on debt financing, the profitability scoring multiplier model is an attempt to identify profit paths and in the process of relating income statement ratios with balance sheet ratios, it is only a beginning.❑

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
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COMMUNIQUE FROM CHAIRMAN

15th September 2009

I am very pleased to inform you that the Central Council of the Institute in its meeting held on 12th September 2009 has approved the Cost Accounting Standards on **Employee Cost (CAS-7)** and **Cost of Utilities (CAS-8)**. The same have been hosted on the website of the Institute.

The Central Council has also approved the release of Exposure Draft Cost Accounting Standards on **Administrative Overheads** and **Repairs & Maintenance Overheads** during the same meeting. I request the members of the profession, experts and the industry representatives to give their comments / suggestions on the proposed exposure drafts within stipulated date of 13th November 2009. The exposure drafts are available on the website of the Institute.

The Expert Group constituted by MCA has specifically highlighted the need for developing Cost Accounting Standards on the basis of Generally Accepted Cost Accounting Principles. To address this need the CASB is working hard to develop Cost Accounting Standards.

The Council of the Institute has already made mandatory application of Cost Accounting Standards 1 to 6 w.e.f. period commencing on or after 1st April 2010 for the preparation and certification of General Purpose Cost Accounting Statements.

I am thankful to the members of the CASB for their support and cooperation. I would like to express my gratitude to the members of the profession, academic experts and representatives of the Industry for their stimulating support, suggestions and encouragement that helped the Board in developing the standards. I appreciate the contribution made by **Shri M Gopalakrishnan, Former Chairman of the CASB** for giving the complete structure to the standards. I also want to appreciate the efforts of the CASB Secretariat for timely inputs which helped in bringing out the standards in time.

Chandra Wadhwa

REQUEST FOR COMMENTS

The Council of The Institute of Cost and Works Accountants of India has approved the release of the Exposure Draft on Repairs and Maintenance Cost as recommended by the Cost Accounting Standards Board (CASB), the standard-setting body of the Institute on September 12, 2009. The CASB's proposed standard may be modified in light of comments received before being issued as a standard in final form.

Please submit your comments on the proposed ED, preferably by email, latest by 13th November 2009.

Comments should be addressed to:

The Secretary,
Cost Accounting Standards Board
The Institute of Cost and Works Accountants of India,
ICWAI Bhawan, 3rd Floor
3, Lodi Road, Institutional Area,
New Delhi

Email responses should be sent to: casb@icwai.org
Copies of this exposure draft may be downloaded from the ICWAI website at http://www.icwai.org.

EXPOSURE DRAFT

CAS –

COST ACCOUNTING STANDARD ON REPAIRS AND MAINTENANCE COST

The following is the COST ACCOUNTING STANDARD – (CAS-) issued by the Council of The Institute of Cost and Works Accountants of India on "REPAIRS AND MAINTENANCE COST" for comments. In this Standard, the standard portions have been set in bold italic type. This standard should be read in the context of the background material which has been set in normal type.

1. Introduction

1.1 This standard deals with the principles and methods of determining the Repairs and Maintenance cost.

1.2 This standard deals with the principles and methods of classification, measurement and assignment of Repairs and Maintenance cost, for determination of the Cost of product or service, and the presentation and disclosure in cost statements.

2. Objective

The objective of this standard is to bring uniformity and consistency in the principles and methods of determining the Repairs and Maintenance cost with reasonable accuracy.

3. Scope

This standard should be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Repairs and Maintenance cost including those requiring attestation.

4. Definitions

The following terms are being used in this standard with the meaning specified.

4.1 Cost Object: This includes a product, service, cost centre, activity, sub-activity, project, contract, customer or distribution channel or any other unit in relation to which costs are ascertained.[1]

4.2 Direct Expenses: Expenses relating to manufacture of a product or rendering a service, which can be identified or linked with the cost object other than direct material cost and direct employee cost.

Examples of Direct Expenses are royalties charged on production, job charges, hire charges for use of specific equipment for a specific job, cost of special designs or drawings for a job, software services specifically required for a job, travelling Expenses for a specific job.

4.3 Finance Costs: Costs incurred by an enterprise in connection with the borrowing of funds. This will include interest and commitment charges on bank borrowings, other short term and long term borrowings, amortisation of discounts or premium related to borrowings, amortisation of ancillary cost incurred in connection with the arrangements of borrowings, finance charges in respect of finance leases, other similar arrangements and exchange differences arising from foreign

[1]Adapted from CIMA Terminology

currency borrowings to the extent they are regarded as an adjustment to the interest costs[2]. The terms Finance costs and Borrowing costs are used interchangeably.

4.4 Imputed Costs: Hypothetical or notional costs, not involving cash outlay, computed for any purpose.[3]

4.5 Normal capacity: Normal Capacity is the production achieved or achievable on an average over a number of periods or seasons under normal circumstances taking into account the loss of capacity resulting from planned maintenance.[4]

4.6 Production overheads: Indirect costs involved in the production process or in rendering service[5].

The terms Production Overheads, Factory Overheads, Works Overheads, Operations Overheads and Manufacturing Overheads denote the same meaning and are used interchangeably.

4.7 Repairs and maintenance cost: Cost of all activities which have the objective of maintaining or restoring an asset in or to a state in which it can perform its required 4 of 7 function at its original or designed capacity and efficiency.

Repairs and Maintenance activities for the purpose of this standard include routine or preventive maintenance, planned (predictive or corrective) maintenance and breakdown maintenance.

Major overhaul or modernization of an asset which does not result in enhanced future economic benefits would also be a part of Repairs and Maintenance activity.

4.9 Standard Cost: A predetermined cost of resource inputs for the cost object computed with reference to set of technical specifications and efficient operating conditions.

Standard costs are used as scale of reference to compare the actual costs with the standard cost with a view to determine the variances, if any, and analyse the causes of variances and take proper measure to control them. Standard costs are also used for estimation.

5. Principles of Measurement:

5.1 Repairs and maintenance cost shall be the aggregate of direct and indirect cost relating to repairs and maintenance activity. Direct cost includes the cost of materials, spares, manpower, equipment usage, utilities and other identifiable resources consumed in such activity. Indirect cost includes the cost of resources common to various repairs and maintenance activities such as manpower, equipment usage and other costs allocable to such activities.

Cost of repairs and maintenance jobs done in-house shall include cost of materials, spares, manpower, equipment usage, utilities, and other resources used in such jobs. Cost of repairs and maintenance jobs carried out by outside contractors shall include charges made by the contractor and cost of own materials, spares, manpower, equipment usage, utilities, and other costs used in such jobs.

Cost of repairs and maintenance jobs carried out by outside contractors shall be determined at invoice or agreed price including duties and taxes, and other expenditure directly attributable thereto net of discounts (other than cash discount), taxes and duties refundable or to be credited.

5.2 Each type of repairs and maintenance shall be treated as a distinct activity, if material and identifiable.

5.3 Cost of spares replaced which do not enhance the future economic benefits from the existing asset beyond its previously assessed standard of performance shall be included under repairs and maintenance cost.

5.4 Where a high value spare is replaced, and the replaced spare is reconditioned and such spare is expected to result in future economic benefits, it shall be taken into stock. Such a spare shall be valued at an amount that measures its service potential in relation to a new spare which amount shall not exceed the cost of reconditioning the spare.

5.5 Finance costs incurred in connection with the repairs and maintenance jobs shall not form part of Repairs and Maintenance costs.

5.6 Repairs and Maintenance costs shall not include imputed costs.

5.7 Where standard costs are in use in respect of Repairs and Maintenance costs the price variances related to Repairs and Maintenance shall be treated as part of Repairs and Maintenance cost and the portion of usage variances due to normal reasons shall be treated as part of Repairs and Maintenance cost. Usage variances due to abnormal reasons shall be excluded.

5.8 Any Subsidy/Grant/Incentive or any such payment received/receivable with respect to any Repairs and Maintenance shall be reduced for ascertainment of the cost to which such amounts are related.

2 Adapted from CIMA Terminology

3 Adapted from CAS 1 Para 6.5.13

4 Adapted from CAS 2 paragraph 4.4

5 Adapted from CAS-1 Para 6.3.3 and 6.3.4

5.9 Any repairs and maintenance cost caused by some abnormal circumstances where it is material and quantifiable shall not form part of the Repairs and Maintenance cost.

Such abnormal circumstances may include major fire, explosions, flood and likewise.

5.10 Penalties, damages paid to statutory authorities or other third parties shall not form part of the Repairs and Maintenance cost.

5.11 The credits/ recoveries relating to the Repairs and Maintenance cost including those rendered without any consideration, material and quantifiable, shall be deducted from the total cost of Repairs and Maintenance to arrive at the net Repairs and Maintenance cost.

5.12 Any change in the cost accounting principles applied for the measurement of the Repairs and Maintenance cost should be made only if, it is required by law or for compliance with the requirements of a cost accounting standard, or a change would result in a more appropriate preparation or presentation of cost statements of an organisation.

6. Assignment of costs

6.1 Repairs and maintenance costs shall be traced to a cost object to the extent economically feasible.

6.2 Where the repairs and maintenance cost is not directly traceable to cost object, it shall be assigned based on either of the following two principles;

i) Cause and Effect - Cause is the process or operation or activity and effect is the incurrence of cost.

ii) Benefits received – overheads are to be apportioned to the various cost objects in proportion to the benefits received by them.

6.3 The cost of major overhaul shall be amortized on a rational basis.

6.4 If the repairs and maintenance cost (including the share of the cost of reciprocal exchange of services) is shared by several cost objects, the related cost shall be measured as an aggregate and distributed among the cost objects as per principles laid down in Cost Accounting Standard – 3.

6.5 Unit cost shall be computed based on the normal capacity.

7. Presentation

7.1 Repairs and maintenance cost shall be presented in the cost statement as a separate item of cost, where material.

7.2 Asset category wise details of repairs and maintenance cost, if material, shall be presented separately.

7.3 Activity wise details of repairs and maintenance cost, if material, shall be presented separately.

8. Disclosures

8.1 The cost statements shall disclose the following:

1. The basis of distribution of Repairs and Maintenance Cost to the cost objects/ cost units.
2. Where Repairs and Maintenance Cost is disclosed at standard cost, the price and usage variances.
3. Repairs and Maintenance Cost of Jobs done in-house and outsourced.
4. Cost of major overhauls, asset category wise and the basis of amortisation.
5. Repairs and Maintenance Cost paid/ payable to related parties6.
6. Repairs and Maintenance Cost incurred in foreign exchange.
7. Any Subsidy/Grant/Incentive and any such payment reduced from Repairs and Maintenance Cost.
8. Credits/recoveries relating to the Repairs and Maintenance Cost.
9. Any abnormal portion of the Repairs and Maintenance Cost.
10. Penalties and damages excluded from the Repairs and Maintenance Cost.

8.2 Disclosures shall be made only where material, significant and quantifiable.

8.3 Disclosures shall be made in the body of the Cost Statement or as a foot note or as a separate schedule.

8.4 Any change in the cost accounting principles and methods applied for the measurement and assignment of the Repairs and Maintenance cost during the period covered by the cost statement which has a material effect on the Repairs and Maintenance cost shall be disclosed. Where the effect of such change is not ascertainable wholly or partly the fact shall be indicated.

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[6]Related party as per the applicable legal requirements relating to the cost statement as on the date of the statement

REQUEST FOR COMMENTS

The Council of The Institute of Cost and Works Accountants of India has approved the release of the Exposure Draft on Administrative Overheads as recommended by the Cost Accounting Standards Board (CASB), the standard-setting body of the Institute on September 12, 2009. The CASB's proposed standard may be modified in light of comments received before being issued as a standard in final form.

Please submit your comments on the proposed ED, preferably by email, latest by 13th November 2009.

Comments should be addressed to:

The Secretary,

Cost Accounting Standards Board
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ICWAI Bhawan, 3rd Floor
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Email responses should be sent to: **casb@icwai.org**
Copies of this exposure draft may be downloaded from the ICWAI website at **http://www.icwai.org.**

EXPOSURE DRAFT

CAS

COST ACCOUNTING STANDARD ON ADMINISTRATIVE OVERHEADS

The following is the COST ACCOUNTING STANDARD – (CAS-) issued by the Council of The Institute of Cost and Works Accountants of India on "ADMINISTRATIVE OVERHEADS" for comments. In this Standard, the standard portions have been set in ***bold italic*** type. This standard should be read in the context of the background material which has been set in normal type.

1. Introduction

1.1. This standard deals with the principles and methods of determining the administrative overheads.

1.2 This standard deals with the principles and methods of classification, measurement and assignment of administrative overheads, for determination of the Cost of product or service, and the presentation and disclosure in cost statements.

2. Objective

The objective of this standard is to bring uniformity and consistency in the principles and methods of determining the administrative overheads with reasonable accuracy.

3. Scope

This standard should be applied to cost statements, which require classification, measurement, assignment, presentation and disclosure of administrative overheads including those requiring attestation.

4. Definitions

The following terms are being used in this standard with the meaning specified.

4.1 Abnormal cost: An unusual or atypical cost whose occurrence is usually irregular and unexpected and/ or due to some abnormal situation of the production or operation.[1]

4.2 Absorption of overheads: Absorption of overheads is charging of overheads to Cost Objects by means of appropriate absorption rate.[2]

Overhead Absorption Rate = Overheads of the Cost object / Quantum of base.

4.3 Administrative Overheads: Cost of all activities relating to general management and administration of an organisation. Administrative overheads shall exclude production, operations and marketing overheads.

4.4 Cost Object: This includes a product, service, cost centre, activity, sub-activity, project, contract, customer or distribution channel or any other unit in relation to which costs are ascertained.[3]

[1]Adapted from CAS 1 Para 6.5.19
[2]Adapted from CAS 3 Para 4.6
[3]Adapted from CIMA Terminology

4.5 Finance Costs: Costs incurred by an enterprise in connection with the borrowing of funds. This will include interest and commitment charges on bank borrowings, other short term and long term borrowings, amortisation of discounts or premium related to borrowings, amortisation of ancillary cost incurred in connection with the arrangements of borrowings, finance charges in respect of finance leases, other similar arrangements and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest costs[4]. The terms Finance costs and Borrowing costs are used interchangeably.

4.6 Imputed Costs: Hypothetical or notional costs, not involving cash outlay, computed for any purpose.[5]

4.7 Normal capacity: Normal Capacity is the production achieved or achievable on an average over a number of periods or seasons under normal circumstances taking into account the loss of capacity resulting from planned maintenance.[6]

4.8 Overheads: Overheads comprise of indirect materials, indirect employee costs and indirect expenses which are not directly identifiable or allocable to a cost object.[7]

5. Principles of Measurement

5.1 Administrative overheads shall be the aggregate of cost of resources consumed in activities relating to general management and administration of an organisation.

Administrative overheads comprise predominantly of employee costs, utilities, office supplies, equipment costs, software and outside services. The principles of measurement of Employee Costs, Materials, Depreciation, Utilities and Repairs and Maintenance found in the respective standards will apply to these elements included in administrative overheads.

5.2 In case of leased office equipments, if the lease is an operating lease, the entire rentals shall be included in the administrative overheads. If the lease is a financial lease, the finance cost portion shall be segregated and treated as part of finance costs.

5.3 The costs of self generated or purchased software shall be amortised over its estimated useful life. The cost of licensed software shall be charged to the license period. Where the license fees covers up-gradation as well, it shall be treated as period cost.

When hardware requires up-gradation along with software up-gradation, it is recommended that compatible estimated lives be used for the two sets of cost.

5.4 The cost of administrative services procured from outside shall be determined at invoice or agreed price including duties and taxes, and other expenditure directly attributable thereto net of discounts (other than cash discount), taxes and duties refundable or to be credited.

5.5 Where internally shared services are reckoned on a charge-out basis, such chargeout amount shall be treated as cost subject to the service provider ensuring the reasonableness of the charge.

Example: where the costs of centrally managed accounts payable services are charged to user departments on per transaction basis, the charge-out amount shall be treated as cost.

5.6 Any Subsidy/Grant/Incentive or any such payment received/receivable with respect to any Administrative overheads shall be reduced for ascertainment of the cost of the cost object to which such amounts are related.

5.7 Administrative overheads shall not include any abnormal costs.

5.8 Penalties and damages paid to statutory authorities or other third parties shall not form part of the administrative overheads.

5.9 Credits/ recoveries relating to the administrative overheads including those rendered without any consideration, material and quantifiable, shall be deducted to arrive at the net administrative overheads.

5.10 Any change in the cost accounting principles applied for the measurement of the administrative overheads should be made only if it is required by law or for compliance with the requirements of a cost accounting standard or a change would result in a more appropriate preparation or presentation of cost statements of an organisation.

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[4]Adapted from CIMA Terminology

[5]Adapted from CAS 1 Para 6.5.13

[6]Adapted from CAS 2 Para 4.4

[7]Adapted from CAS 3 Para 4.1

6. Assignment of Cost

6.1 While assigning administrative overheads, traceability to a cost object in an economically feasible manner shall be the guiding principle.

6.2 Assignment of administrative overheads to the cost objects shall be based on either of the following two principles;

i) Cause and Effect - Cause is the process or operation or activity and effect is the incurrence of cost.

ii) Benefits received – overheads are to be apportioned to the various cost objects in proportion to the benefits received by them.[8]

6.3 Administrative overheads shall represent the cost of shared services, cost of infrastructure and general management costs.

Examples: the cost of centrally managed accounts payable services, infrastructure costs like computer network and general management costs like corporate strategy department.

i) The costs of shared services shall be assigned to user activities on the basis of actual usage.

ii) Where the resources by way of infrastructure are shared the cost shall be assigned on a readiness to serve basis.

Example: the cost of a computer network may be assigned on a number of connected users basis rather than actual usage.

iii) General management costs shall be assigned on the basis of a measure of size of user entities.

Example: the cost of corporate strategy department may be assigned to plants on the basis of installed capacity.

6.4 Unit cost shall be computed based on the normal capacity.

7. Presentation

7.1 Administrative overheads shall be presented as a separate cost head in the cost statement.

7.2 Element wise details of the administrative overheads shall be presented, if material.

8. Disclosures

8.1 The cost statements shall disclose the following:

1. The basis of distribution of administrative overheads to the cost objects.
2. Any imputed cost included as a part of administrative overheads.
3. Administrative overheads incurred in foreign exchange.
4. Cost of administrative activities received from or supplied to related parties9.
5. Any Subsidy/Grant/Incentive and any such payment reduced from administrative overheads.
6. Credits/recoveries relating to the administrative overheads.
7. Any abnormal portion of the administrative overheads.
8. Penalties and damages excluded from the administrative overheads.

8.2 Disclosures shall be made only where material, significant and quantifiable.

8.3 Disclosures shall be made in the body of the Cost Statement or as a foot note or as a separate schedule.

8.4 Any change in the cost accounting principles and methods applied for the measurement and assignment of the administrative overheads during the period covered by the cost statement which has a material effect on the administrative overheads shall be disclosed. Where the effect of such change is not ascertainable wholly or partly the fact shall be indicated.

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[8]Adapted from of CAS 3 Para 5.1

[9]Related party as per the applicable legal requirements relating to the cost statement as on the date of the statement

CAS – 7

COST ACCOUNTING STANDARD ON EMPLOYEE COST

The following is the COST ACCOUNTING STANDARD 7 (CAS - 7) issued by the Council of The Institute of Cost and Works Accountants of India on "EMPLOYEE COST". In this Standard, the standard portions have been set in bold italic type. This standard should be read in the context of the background material, which has been set in normal type.

1 Introduction

1.1 This standard deals with the principles and methods of determining the Employee cost.

1.2 This standard deals with the principles and methods of classification, measurement and assignment of Employee cost, for determination of the Cost of product or service, and the presentation and disclosure in cost statements.

2 Objective

The objective of this standard is to bring uniformity and consistency in the principles and methods of determining the Employee cost with reasonable accuracy.

3 Scope

This standard should be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Employee cost including those requiring attestation.

4 Definitions

The following terms are being used in this standard with the meaning specified.

4.1 Abnormal cost: An unusual or atypical cost whose occurrence is usually irregular and unexpected and/ or due to some abnormal situation of the production or operation.[1]

4.2 Abnormal Idle time: An unusual or atypical employee idle time occurrence of which is usually irregular and unexpected or due to some abnormal situations.

E.g.: Idle time due to a strike, lockout or an accident

4.3 Administrative overheads: Expenses in the nature of indirect costs, incurred for general management of an organization[2].

4.4 Cost Object: This includes a product, service, cost centre, activity, sub-activity, project, contract, customer or distribution channel or any other unit in relation to which costs are finally ascertained.[3]

4.5 Distribution Overheads: Distribution overheads, also known as Distribution Cost, are the costs incurred in handling a product from the time it is ready for despatch until it reaches the ultimate consumer.[4]

The cost of any non manufacturing operations such as packing, repacking, labelling, etc. at an intermediate storage location will be part of distribution cost.

4.6 Direct Employee Cost: The cost of employees which can be attributed to a Cost Object in an economically feasible way.[5]

4.7 Employee cost: The aggregate of all kinds of consideration paid, payable and provisions made for future payments for the services rendered by employees of an enterprise (including temporary, part time and contract employees). Consideration includes wages, salary, contractual payments and benefits, as applicable or any payment made on behalf of employee. This is also known as Labour Cost.[6]

[1]Adapted from CAS 1 paragraph 6.5.19
[2]Adapted from CAS 1 paragraph 6.3.5
[3]Adapted from CIMA Terminology
[4]Adapted from CAS 1 paragraph 6.3.9
[5]Adapted from CAS 1 paragraph 6.2.4 (Direct labour cost)
[6]Adapted from CAS 1 paragraph 6.1.4

Explanation:

1 Contract employees include employees directly engaged by the employer on contract basis but does not include employees of any contractor engaged in the organisation.

2Compensation paid to employees for the past period on account of any dispute / court orders shall not form part of Employee Cost.

3 Short provisions of prior period made up in current period shall not form part of the employee cost in the current period.

Employee cost includes payment made in cash or kind.

For example:

- Employee cost
  - Salaries, wages, allowances and bonus / incentives.
  - Contribution to provident and other funds.
  - Employee welfare
  - Other benefits
- Employee cost - Future benefits
  - Gratuity.
  - Leave encashment.
  - Other retirement/separation benefits.
  - VRS/ other deferred Employee cost.
  - Other future benefits

Benefits generally include

- Paid holidays.
- Leave with pay.
- Statutory provisions for insurance against accident or health scheme.
- Statutory provisions for workman¡¦s compensation.
- Medical benefits to the Employees and dependents.
- Free or subsidised food.
- Free or subsidised housing.
- Free or subsidised education to children.
- Free or subsidised canteen, creches and recreational facilities.
- Free or subsidised conveyance.
- Leave travel concession.
- Any other free or subsidised facility.
- Cost of Employees¡¦ stock option.

4.8 Idle time: The difference between the time for which the employees are paid and the employees¡¦ time booked against the cost object.

The time for which the employees are paid includes holidays, paid leave and other allowable time offs such as lunch, tea breaks.

4.9 Imputed Costs: Hypothetical or notional costs, not involving cash outlay, computed for any purpose.[7]

4.10 Indirect Employee Cost: The cost which can not be directly attributed to a particular cost object.[8]

[7]Adapted from CAS 1 paragraph 6.5.13

[8]Adapted from CAS 1 paragraph 6.2.10

4.11 Marketing overheads: Marketing Overheads are also known as Selling and Distribution Overheads.

4.12 Overtime Premium: Overtime is the time spent beyond the normal working hours which is usually paid at a higher rate than the normal time rate. The extra amount beyond the normal wages and salaries paid is called overtime premium.

4.13 Production Overheads: Indirect costs involved in the production process or in rendering service.[9]

The terms Production Overheads, Factory Overheads, Works Overheads and Manufacturing Overheads denote the same meaning and are used interchangeably.

4.14 Selling Overheads: Selling Overheads, also known as Selling Costs, are the expenses related to sale of products and include all Indirect Expenses in sales management for the organization.[10]

4.15 Standard Cost: A predetermined cost of resource inputs for the cost object computed with reference to set of technical specifications and efficient operating conditions.

Standard costs are used as scale of reference to compare the actual costs with the standard cost with a view to determine the variances, if any, and analyse the causes of variances and take proper measure to control them. Standard costs are also used for estimation.

5 Principles of Measurement

5.1 Employee Cost shall be ascertained taking into account the gross pay including all allowances payable along with the cost to the employer of all the benefits.

5.2 Bonus whether payable as a Statutory Minimum or on a sharing of surplus shall be treated as part of employee cost. Ex gratia payable in lieu of or in addition to Bonus shall also be treated as part of the employee cost.

5.3 Remuneration payable to Managerial Personnel including Executive Directors on the Board and other officers of a corporate body under a statute will be considered as part of the Employee Cost of the year under reference whether the whole or part of the remuneration is computed as a percentage of profits.

Explanation: Remuneration paid to non executive directors shall not form part of Employee Cost but shall form part of Administrative Overheads.

5.4 Separation costs related to voluntary retirement, retrenchment, termination etc. shall be amortised over the period benefitting from such costs.

5.5 Employee cost shall not include imputed costs.

5.6 Cost of Idle time is ascertained by the idle hours multiplied by the hourly rate applicable to the idle employee or a group of employees.

5.7 Where Employee cost is accounted at standard cost, variances due to normal reasons related to Employee cost shall be treated as part of Employee cost. Variances due to abnormal reasons shall be treated as part of abnormal cost.

5.8 Any Subsidy, Grant, Incentive or any such payment received or receivable with respect to any Employee cost shall be reduced for ascertainment of cost of the cost object to which such amounts are related.

5.9 Any abnormal cost where it is material and quantifiable shall not form part of the Employee cost.

5.10 Penalties, damages paid to statutory authorities or other third parties shall not form part of the Employee cost.

5.11 The cost of free housing, free conveyance and any other similar benefits provided to an employee shall be determined at the total cost of all resources consumed in providing such benefits.

5.12 Any recovery from the employee towards any benefit provided e.g. housing shall be reduced from the employee cost.

5.13 Any change in the cost accounting principles applied for the determination of the Employee cost should be made only if it is required by law or for compliance with the requirements of a cost accounting standard or a change would result in a more appropriate preparation or presentation of cost statements of an enterprise.

[9] Adapted from CAS 1 paragraph 6.3.3

[10] Adapted from CAS 1 paragraph 6.3.7

6 Assignment of costs

6.1 Where the Employee services are traceable to a cost object, such Employees' cost shall be assigned to the cost object on the basis such as time consumed or number of employees engaged etc or similar identifiable measure.

6.2 While determining whether a particular Employee cost is chargeable to a separate cost object, the principle of materiality shall be adhered to.

6.3 Where the Employee costs are not directly traceable to the cost object, these may be assigned on suitable basis like estimates of time based on time study.

6.4 The amortised separation costs related to voluntary retirement, retrenchment, and termination etc. for the period shall be treated as indirect cost and assigned to the cost objects in an appropriate manner. However unamortised amount related to discontinued operations, shall not be treated as employee cost.

6.5 Recruitment costs, training cost and other such costs shall be treated as overheads and dealt with accordingly.

6.6 Overtime premium shall be assigned directly to the cost object or treated as overheads depending on the economic feasibility and the specific circumstance requiring such overtime.

6.7 Idle time cost shall be assigned direct to the cost object or treated as overheads depending on the economic feasibility and the specific circumstances causing such idle time.

Cost of idle time for reasons anticipated like normal lunchtime, holidays etc is normally loaded in the Employee cost while arriving at the cost per hour of an Employee/a group of Employees whose time is attributed direct to cost objects.

7 Presentation

7.1 Direct Employee costs shall be presented as a separate cost head in the cost statement.

7.2 Indirect Employee costs shall be presented in cost statements as a part of overheads relating to respective functions e.g. manufacturing, administration, marketing etc.

7.3 The cost statement shall furnish the resources consumed on account of Employee cost, category wise such as wages salaries to permanent, temporary, part time and contract employees piece rate payments, overtime payments, Employee benefits (category wise)etc wherever such items form a material part of the total Employee cost.

8 Disclosures

8.1 The cost statements shall disclose the following:

1. Employee cost attributable to capital works or jobs in the nature of deferred revenue expenditure indicating the method followed in determining the cost of such capital work.
2. Separation costs payable to employees.
3. Any abnormal cost excluded from Employee cost.
4. Penalties and damages paid etc excluded from Employee cost.
5. Any Subsidy, Grant, Incentive and any such payment reduced from Employee cost
6. The Employee cost paid to related parties11.
7. Employee cost incurred in foreign exchange.

8.2 Any change in the cost accounting principles and methods applied for the measurement and assignment of the Employee Cost during the period covered by the cost statement which has a material effect on the Employee Cost. Where the effect of such change is not ascertainable wholly or partly the fact shall be indicated.

8.3 Disclosures shall be made only where material, significant and quantifiable.

8.4 Disclosures shall be made in the body of the Cost Statement or as a foot note or as a separate schedule.

The Cost Accounting Standard on "EMPLOYEE COST" issued by the Council of The Institute of Cost and Works Accountants of India shall be applicable to all Cost Statements prepared on or after ………

[11]Related party as per the applicable legal requirements relating to the cost statement as on the date of the statement

(CAS-8)

COST ACCOUNTING STANDARD ON COST OF UTILITIES

The following is the COST ACCOUNTING STANDARD – 8 (CAS-8) issued by the Council of The Institute of Cost and Works Accountants of India on "COST OF UTILITIES", for comments. In this Standard, the standard portions have been set in bold italic type. This standard should be read in the context of the background material which has been set in normal type.

1. Introduction

1.1 This standard deals with the principles and methods of determining the cost of utilities.

1.2 This standard deals with the principles and methods of classification, measurement and assignment of cost of utilities, for determination of the cost of product or service, and the presentation and disclosure in cost statements.

2. Objective

The objective of this standard is to bring uniformity and consistency in the principles and methods of determining the cost of utilities with reasonable accuracy.

3. Scope

3.1 This standard shall be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of cost of utilities including those requiring attestation.

3.2 For determining the cost of production to arrive at an assessable value of excisable utilities used for captive consumption, Cost Accounting Standard 4 on Cost of Production for Captive Consumption (CAS 4) shall apply.

3.3 This standard shall not be applicable to the organizations primarily engaged in generation and sale of utilities.

3.4 This standard does not cover issues related to the ascertainment and treatment of carbon credits, which shall be dealt with in a separate standard.

4. Definitions

The following terms are being used in this standard with the meaning specified.

4.1 Abnormal cost: An unusual or atypical cost whose occurrence is usually irregular and unexpected and/ or due to some abnormal situation of the production or operation.[1]

4.2 Committed Cost: The cost of maintaining stand-by utilities shall be the committed cost.

4.3 Cost Object: This includes a product, service, cost centre, activity, sub-activity, project, contract, customer or distribution channel or any other unit in relation to which costs are ascertained.[2]

4.4 Finance Costs: Costs incurred by an enterprise in connection with the borrowing of funds. This will include interest and commitment charges on bank borrowings, other short term and long term borrowings, amortisation of discounts or premium related to borrowings, amortisation of ancillary cost incurred in connection with the arrangements of borrowings, finance charges in respect of finance leases, other similar arrangements and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest costs3. The terms Finance costs and Borrowing costs are used interchangeably.

4.5 Imputed Costs: Hypothetical or notional costs, not involving cash outlay, computed for any purpose.[4]

4.6 Normal capacity: Normal Capacity is the production achieved or achievable on an average over a number of periods or seasons under normal circumstances taking into account the loss of capacity resulting from planned maintenance.[5]

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1 Adapted from CAS 1 paragraph 6.5.19
2 Adapted from CIMA Terminology
3 Adapted from CIMA Terminology
4 Adapted from CAS 1 paragraph 6.5.13
5 Adapted from CAS 2 paragraph 4.4

In case of any standby utility the normal capacity will be the same as actual production of the utility.

The normal capacity of a utility meant for captive consumption would be based on the normal capacity for the production facility of the end product of the consuming unit.

4.7 Standard Cost: A predetermined cost of resource inputs for the cost object computed with reference to set of technical specifications and efficient operating conditions.

Standard costs are used as scale of reference to compare the actual costs with the standard cost with a view to determine the variances, if any, and analyse the causes of variances and take proper measure to control them. Standard costs are also used for estimation.

4.8 Utilities: Significant inputs such as power, steam, water, compressed air and the like which are used for manufacturing process but do not form part of the final product.

4.9 Stand-by utilities: Any utility created to safeguard against the failure of the main source of inputs.

5. Principles of measurement

5.1 Each type of utility shall be treated as a distinct cost object.

5.2 Cost of utilities purchased shall be measured at cost of purchase including duties and taxes, transportation cost, insurance and other expenditure directly attributable to procurement (net of trade discounts, rebates, taxes and duties refundable or to be credited) that can be quantified with reasonable accuracy at the time of acquisition.

5.3.1 Cost of self generated utilities for own consumption shall comprise direct material cost, direct employee cost, direct expenses and factory overheads.

5.3.2 In case of Utilities generated for the purpose of inter unit transfers, the distribution cost incurred for such transfers shall be added to the cost of utilities determined as per paragraph 5.3.1.

5.3.3 Cost of Utilities generated for the inter company transfers shall comprise direct material cost, direct employee cost, direct expenses, factory overheads, distribution cost and share of administrative overheads.

5.3.4 Cost of Utilities generated for the sale to outside parties shall comprise direct material cost, direct employee cost, direct expenses, factory overheads, distribution cost, share of administrative overheads and marketing overheads.

The sale value of such utilities will also include the margin.

5.4 Finance costs incurred in connection with the utilities shall not form part of cost of utilities.

5.5 The cost of utilities shall include the cost of distribution of such utilities. The cost of distribution will consist of the cost of delivery of utilities up to the point of consumption.

5.6 Cost of utilities shall not include imputed costs.

5.7 Where cost of utilities is accounted at standard cost, the price variances related to utilities shall be treated as part of cost of utilities and the portion of usage variances due to normal reasons shall be treated as part of cost of utilities. Usage variances due to abnormal reasons shall be treated as part of abnormal cost.

5.8 Any Subsidy/Grant/Incentive or any such payment received/receivable with respect to any cost of utilities shall be reduced for ascertainment of the cost to which such amounts are related.

5.9 The cost of production and distribution of utilities shall be determined based on the normal capacity or actual capacity utilization whichever is higher and unabsorbed cost, if any, shall be treated as abnormal cost6. Cost of a Stand-by Utility shall include the committed costs of maintaining such a utility.

5.10 Any abnormal cost where it is material and quantifiable shall not form part of the cost of utilities.

5.11 Penalties, damages paid to statutory authorities or other third parties shall not form part of the cost of utilities.

5.12 Credits/recoveries relating to the utilities including cost of utilities provided to outside parties, material and quantifiable, shall be deducted from the total cost of utility to arrive at the net cost of utility.

5.13 Any change in the cost accounting principles applied for the measurement of the cost of utilities should be made only if, it is required by law or for compliance with the requirements of a cost accounting standard, or a change would result in a more appropriate preparation or presentation of cost statements of an organisation.

6. Assignment of costs

6.1 While assigning cost of utilities, traceability to a cost object in an economically feasible manner shall be the guiding principle.

6.2 Where the cost of utilities is not directly traceable to cost object, it shall be assigned on the most appropriate basis.

6.3 The most appropriate basis of distribution of cost of a utility to the departments consuming services is to be derived from usage parameters.

7. Presentation

7.1 Utilities costs shall be presented as a separate cost head for each type of utility in the cost statement, if material.

7.2 Where separate cost statements are prepared for utilities, cost of utilities shall be classified as purchased or generated. Such statement shall also include cost of utilities consumed along with quantitative information by individual consuming units, inter unit transfers, inter company transfers and sale to outside parties wherever applicable.

8. Disclosures

8.1 The cost statements shall disclose the following:

1. The basis of distribution of Cost of Utility to the consuming centres.
2. The cost of purchase, production, distribution, marketing and price with reference to sales to outside parties.
3. Where cost of utilities is disclosed at standard cost, the price and usage variances.
4. The cost and price of Utility received from/supplied to related parties[7].
5. The cost and price of Utility received from/supplied as inter unit transfers and inter company transfers
6. Cost of utilities incurred in foreign exchange.
7. Any Subsidy/Grant/Incentive and any such payment reduced from Cost of utilities.
8. Credits/recoveries relating to the Cost of utilities.
9. Any abnormal cost excluded from Cost of utilities.
10. Penalties and damages paid etc excluded from cost of utilities.

8.2 Any change in the cost accounting principles and methods applied for the measurement and assignment of the Cost of utilities during the period covered by the cost statement which has a material effect on the Cost of utilities. Where the effect of such change is not ascertainable wholly or partly the fact shall be indicated.

8.3 Disclosures shall be made only where material, significant and quantifiable.

8.4 Disclosures shall be made in the body of the Cost Statement or as a foot note or as a separate schedule.

[6]Adapted from paragraph 5.7 of CAS 3

[7]Related party as per the applicable legal requirements relating to the cost statement as on the date of the statement

SEBI
CIRCULAR / PRESS NOTE

SEBI/CFD/DIL/DIP/38/2009/08/20
August 20, 2009

To all registered Merchant Bankers
To all registered Bankers to an Issue
To all registered Registrars to issues
Dear Sir/Madam,
Sub.: Amendment to SEBI (DIP) Guidelines, 2000 - Rights Issue Process/ Procedure.
LINK: http://www.sebi.gov.in/circulars/2009/cfddip2009.pdf

RBI
CIRCULAR / PRESS NOTE

RBI/2009-10/123
DPSS.CO.PD.No.344/02.14.06/ 2009-10

August 14, 2009

To
All System Providers, System Participants
and any other prospective prepaid payment instrument issuer
Dear Sir,
Policy Guidelines for issuance and operation of Prepaid Payment Instruments in India

A reference is invited to our circular no. RBI/2008-09/ 458, DPSS.CO.PD.No.1873 /02.14.06/ 2008-09 dated April 27, 2009, enclosing the policy guidelines on the captioned subject.

2. In amendment to paragraph 3.2 of the Guidelines, it has now been decided to permit Other Persons to issue mobile phone based semi-closed system pre-paid payment instruments. The entities proposing to issue such instruments shall fully comply with the above guidelines.

3. Entities issuing mobile phone based semi-closed payment instruments shall specifically note to ensure full compliance to the safeguards against money laundering (KYC/AML/CFT) provisions as stipulated under Para 6 of the above guidelines.

4. The mobile phone based semi-closed payment instruments issued by other persons shall also comply with the following conditions:-

i. The maximum value of such instruments shall not exceed Rs 5000/-.

ii. The purchase/reloading of these instruments against the value of airtime/talktime shall not be permitted.

iii. This facility shall be enabled only to facilitate purchase of goods and services. Person-to-person transfer of value shall not be permitted.

5. All persons proposing to operate payment systems involving the issuance of these Pre-paid Payment Instruments shall seek authorization from the Department of Payment and Settlement Systems, Reserve Bank of India, under the Payment and Settlement Systems Act, 2007. The application for authorization shall also include the risk management process that would be adopted by the entity.

6. The directive is issued under section 18 of Payment and Settlement Systems Act 2007, (Act 51 of 2007).

Yours faithfully
(G.Padmanabhan)
Chief General Manager

RBI
CIRCULAR / PRESS NOTE

RBI/2009-10/129
RPCD.SME&NFS.BC.No.16/06.02.31(P) /2009-10

August 24, 2009

The Chairman/Managing Director
All Scheduled Commercial Banks
(including RRBs & Local Area Banks)
Dear Sir,
Collateral Free loans - Micro and Small Enterprises(MSEs)

Please refer to our circular RPCD.SME&NFS. BC No. 84A /06.02.31(P) /2008-09 dated January 20, 2009 regarding extending collateral free loans upto Rs. 5 lakh sanctioned to the units of MSE sector (both manufacturing and service enterprises) as defined under MSMED Act, 2006. We have received enquiries as to whether these guidelines are advisory or mandatory in nature. It is clarified that these guidelines are mandatory and banks must not obtain collateral security in the case of loans upto Rs. 5 lakh extended to all units of the MSE sector.

2. You are requested to issue suitable instructions to your branches/controlling offices for meticulous and strict compliance in this regard.

3. Please acknowledge receipt.

Yours faithfully,

(R.C.Sarangi)

Chief General Manager

RBI

CIRCULAR / PRESS NOTE

RBI/2009-10/130

DBOD.BP.BC No. 32 / 21.01.001/ 2009-10

August 27, 2009

The Chairmen/Chief Executives of all Commercial Banks

(excluding RRBs)

Dear Sir,

Collection of account payee cheque - Prohibition on crediting proceeds to third party account

Link: http://rbidocs.rbi.org.in/rdocs/notification/PDFs/DDBODC270809.pdf

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

Government of India

Ministry of Finance

(Department of Revenue)

Notification No. 21 /2009- CE (N.T.)

New-Delhi,the 20th August, 2009

29 Sravana, 1931Saka

GSR…. In exercise of the powers conferred by sub-clause (iii) of clause (c) of section 23A of the Central Excise Act , 1944(1 of 1944), the Central Government hereby specifies any public sector company as class of persons for the purposes of the said clause.

Explanation.- For the purpose of this notification , a "public sector company" shall have the same meaning as is assigned to it in clause (36A) of section 2 of the Income-tax Act, 1961 (43 of 1961)

(Simmi Jain)

Director , Government of India

F.No. 275/47/2009-CX8A

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

Government of India

Ministry of Finance

(Department of Revenue)

Notification No. 124 /2009-Cus (N.T)

New-Delhi,the 20th August, 2009

29 Sravana, 1931 Saka

GSR……… In exercise of the powers conferred by sub-clause (iii) of clause (c) of section 28E of the Customs Act,1962(52 of 1962), the Central Government hereby specifies following as class of persons for the purposes of said clause , namely :-

i. any public sector company;

ii. a resident who proposes to import goods claiming for assessment under heading 9801 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).

Explanation: - For the purpose of this notification .-

1. "public sector company" shall have the same meaning as assigned to it in clause (36A) of section 2 of the Income-tax Act, 1961 (43 of 1961);

2. "resident" shall have the same meaning as is assigned to it in clause (42) of section 2 of the Income-tax Act, 1961 (43 of 1961).

(Simmi Jain)

Director, Government of India

F.No 275/47/2009-CX8A

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

Government of India

Ministry of Finance

(Department of Revenue)

Notification No. 27 /2009-ST

New-Delhi,the 20th August, 2009

29 Sravana, 1931 Saka

GSR ……. In exercise of the powers conferred by sub-clause (iii) of clause (b) of section 96A of the Finance Act,1994 (32 of 1994), the Central Government hereby specifies any public sector company as class of persons for the purposes of the said clause.

Explanation. - For the purpose of this notification , a "public sector company" shall have the same meaning as is assigned to it in clause (36A) of section 2 of the Income-tax Act, 1961 (43 of 1961).

(Simmi Jain)

Director,Government.of India

F.No 275/47/2009-CX8A

[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. 25/2009-Service Tax

New Delhi, the 19th August, 2009.

G.S.R. (E).- In exercise of the powers conferred by section 93 and 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the Export of Services Rules, 2005, namely :-

I. (1) These rules may be called the, Export of Services (Amendment) Rules, 2009.

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

2. In the Export of Services Rules, 2005, in rule 3, for the Explanation the following

Explanation shall be substituted, namely:-

"Explanation.-For the purposes of this rule "India" includes the installations, structures and vessels in the continental shelf of India and the exclusive economic zone of India.";

[F.No.B-l/l/2009-TRU]

(Limatula Yaden)

Deputy Secretary to the Government of India

Note. The principal rules were published in the Gazette of India, Extraordinary Part II, Section 3, Sub-section (i) vide G.S.R. 151(E), dated the 3rd March, 2005 and were last amended by Notification No. 20/2008- Service Tax, dated the 10th May, 2008 vide number G.S.R. 365 (E), dated the 10th May, 2008.

[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. 26/2009-Service Tax

New Delhi, the 19th August, 2009.

G.S.R. (E).- In exercise of the powers conferred by clauses (A) and (B) of section 113 of the Finance (No.2) Act, 2009 (33 of 2009), the Central Government hereby appoints the 1st day of September, 2009, as the date on which the provisions of the said Act shall come into force.

[F.No.B-l/l/2009-TRU]

(Limatula Yaden)

Deputy Secretary to the 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 9th September, 2009

Notification No. 36/2009-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) (hereinafter referred to as the Finance Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby rescinds the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.28/2009-Service Tax, dated the 31 st August, 2009, published in the Gazette of India, Extraordinary, vide number G.S.R. 617 (E), dated the 31 st August, 2009, except as respects things done or omitted to be done before such rescission.

2. This notification shall come into force with effect from the date of publication in the Gazette of India.

[F. No. 356/24/2009-TRU]

(Prashant Kumar)

Under Secretary to the Government of India

Note.- The principal notification No.28/2009-Service Tax, dated the 31 st August, 2009 was published in the Gazette of India, Extraordinary, vide number G.S.R. 617(E), dated the 31 st August, 2009

[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.22/2009-Central Excise (N.T.)

New Delhi, the 7th September, 2009

G.S.R (E).- In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944) and section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely:-

1. (1) These rules may be called the CENVAT Credit (Second Amendment) Rules, 2009.

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

2. In the CENVAT Credit Rules, 2004, in rule 3, in sub-rule (7), in clause (a), after the proviso, the following proviso shall be inserted, namely:-

"Provided further that the CENVAT credit in respect of inputs and capital goods cleared on or after the 7th September, 2009 from an export-oriented undertaking or by a unit in Electronic Hardware Technology Park or in a Software Technology Park, as the case may be, on which such undertaking or unit has paid -

1. excise duty leviable under section 3 of the Excise Act read with serial number 2 of the notification no. 23/2003-Central Excise, dated 31st March, 2003 [G.S.R. 266(E), dated the 31st March, 2003]; and

2. the Education Cess leviable under section 91 read with section 93 of the Finance (No. 2) Act, 2004 and the Secondary and Higher Education Cess leviable under section 136 read with section 138 of the Finance Act, 2007, on the excise duty referred to in (A),

shall be the aggregate of -

I. that portion of excise duty referred to in (A), as is equivalent to -

i. the additional duty leviable under sub-section (1) of section 3 of the Customs Tariff Act, which is equal to the duty of excise under clause (a) of sub-section (1) of section 3 of the Excise Act;

ii. the additional duty leviable under sub-section (5) of section 3 of the Customs Tariff Act; and

II. the Education Cess and the Secondary and Higher Education Cess referred to in (B)".

[F.No.354/158/2008-TRU]

(Prashant Kumar)

Under Secretary to the Government of India

Note.- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide notification No.23/

2004-Central Excise(N.T.), dated the 10th September, 2004 [G.S.R.600(E), the 10th September, 2004] and were last amended by notification No.16/2009-Central Excise(N.T.), dated the 7th July, 2009, that was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) [G.S.R.481(E)].

[PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART - II,
SECTION 3, SUB-SECTION (ii)]
GOVERNMENT OF INDIA

New Delhi, 7th September , 2009.

S.O. 2276 (E) - In exercise of the powers conferred by sub-section (2) of section 610B of the Companies Act, 1956, the Central Government hereby makes the following Scheme to amend the Scheme for Filing of Statutory Documents and other Transactions by Companies in Electronic Mode, namely:-

1. (1) This Scheme may be called as the "Scheme for Filing of Statutory Documents and other Transactions by Companies in Electronic Mode (Amendment) Scheme, 2009.

(2) This scheme shall come into force on the 13th day of September, 2009.

2. In the Scheme for Filing of Statutory Documents and other Transactions by Companies in Electronic Mode, in Annexre 'A', in pragraph 4, for sub-paragraph (8), the following sub-paragraph shall be subsitutued, namely:-

"(8) Collection of Stamp Duty on documents through MCA portal and dispensation of physical submission thereof.

(a) The Central Government, for the purpose of making all transactions faster, improving service delivery and making Office of the Registrar paperless, has decided to dispense with the physical submission of documents. The Central Government shall initially collect stamp duty payable on Form No.1, Memorandum of Association, Article of Association, Form No. 5 and Form No. 44 at the time of their e-filing, through MCA portal www.mca.gov.in. The Central government shall collect the stamp duty on behalf of the State Governments and Union territories for specific purpose of e-filing of documents under the provission of the Companies Act, 1956 and to remit the same directly to the accounts of the State Governments and Union territories in accordance with the approved payment and accounting procedure. The procedure for collection of stamp duty shall come into force with effect from the 13th day of September, 2009. Out of twenty eight

States and seven Union territories, except State of Sikkam, where the provisions of the Companies Act ,1956 are not extended, the Central Government has sought authorisation to generate e-Stamps on their behalf. The Central Government has received authorization from only twenty-two State Governments and Union territory Administrations. As soon as the authorization from the remaining twelve States and Union territories, namely, Chandigarh, Daman and Diu, Himachal Pradesh, Kerala, Mizoram, Puducherry, Dadra and Nagar Haveli, Goa, Jammu and Kashmir, Lakshadweep, Nagaland and Tripura is received, the Central Government shall start collection of stamp duty on their behalf also.

(b) There shall be a transition period of three and a half months to enable the companies to use their already purchased stamp papers. The 1st day of January, 2010 shall be the cut off date for a company to compulsorily make payment electronically for stamp duty in respect of the States which have authorized the Central Government to collect stamp duty on their behalf. In respect of the States from whom the authorization is yet to be received, the company shall continue to pay stamp duty outside the MCA portal .

(c) The company shall not make physical submission of documents on which stamp duty is paid electronically through MCA portal. However, documents on which stamp duty is not paid through MCA portal, the company shall, in addition to their electronic filing, submit physical copies of such stamped documents at the office of the Registrar also, simultaneously.

3(d) Documents other than those specified in clause (a) which are not covered for payment of stamp duty through MCA portal, and on which stamp duty payable in respective State is equal to or less than one hundred rupees, such stamped documents, shall be scanned by the company and filed electronically for evidencing by the Registrar and need not be submitted physically except those required to be filed for compounding of offence under clause (a) of sub-section (4) of section 621A. However, the company shall retain such documents duly stamped in original for a minimum period of three years from the date of filing of such documents and shall be required to produce the same as and when the same is required for inspection and verification by the competent authorities namely, the Collector of Stamps of the respective State or Union territory or the Registrar".

[F No 1/04 /2009 CL.V]

Renuka Kumar,

Joint Secretary.

Note: The principal scheme was published vide number S.O.1844 (E) dated the 26th October, 2006

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

New Delhi, 7th September , 2009.

G.S.R. 642(E) - In exercise of the powers conferred by sub-section (1) of section 642 and 610B read with sections 610A and 610E of the Companies Act, 1956, the Central Government hereby makes the following rules to amend the Companies (Electronic Filing and Authentication of Documents) Rules, 2006, namely:-

1. (1) These rules may be called the Companies (Electronic Filing and Authentication of Documents) Amendment Rules, 2009.

(2) These rules shall come into force on the 13th day of September, 2009.

2. In the Companies (Electronic Filing and Authentication of Documents) Rules, 2006, in rule 3, in sub-rule (1), after the proviso, the following proviso shall be inserted, namely :-

" Provided further that if stamp duty on such documents is paid electronically through Ministry of Corporate Affairs portal www.mca.gov.in, in such case, the company shall not be required to make physical submissition of such documents, in addition to their submission in the electronic form: Provided also that in respect of certain documents filed under the Companies Act, 1956 which are not covered for payment of stamp duty through Ministry of Corporate Affairs portal, and stamp duty payable on such documents in respective state is equal to or less than one hundred rupees, the company shall scan such stamped documents complete in all respects and shall file electronically for evidencing by the Registrar and shall not be required to submit such documents, except those which are required to be filed for compounding of offences under clasue (a) of sub-section (4) of section 621A of the Companies Act, 1956, in the physical form separately: Provided also that the company shall retain such documents duly stamped in original for a minimum period of three years from the date of filing of such documents and shall be required to produce the same as and when the same is required for inspection and verification by the competent authority being the Collector of Stamps of respective State or Union territory or the Registrar".

[F No 1/04 /2009 CL.V]

Renuka Kumar,

Joint Secretary.

Note: The principal rules were published vide number G.S.R. 557(E), dated the 14th September, 2006.

SEBI
CIRCULAR / PRESS NOTE

SEBI/IMD/CIR No.8/ 174648/2009

August 27, 2009

All Mutual Funds, Asset Management Companies (AMCs)
and Association of Mutual Funds in India (AMFI)
Dear Sir/Madam,
Sub.: Code of Conduct for Intermediaries of Mutual Funds
LINK: http://www.sebi.gov.in/circulars/2009/cir0809.pdf

SEBI
CIRCULAR / PRESS NOTE

SEBI/IMD/CIR No. 9/176988/2009

September 16, 2009

The All Mutual Funds, Asset Management Companies (AMCs),
Association of Mutual Funds in India (AMFI)

Sir/Madam,

Sub: Systems Audit of Mutual Funds

Considering the importance of systems audit in the technology driven asset management activity, it has been decided that mutual funds shall have a systems audit conducted by an independent CISA/CISM qualified or equivalent auditor.

The systems audit should be comprehensive encompassing audit of systems and processes inter alia related to examination of integration of front office system with the back office system, fund accounting system for calculation of net asset values, financial accounting and reporting system for the AMC, Unit-holder administration and servicing systems for customer service, funds flow process, system processes for meeting regulatory requirements, prudential investment limits and access rights to systems interface.

Accordingly, you are advised to get the above systems audit conducted once in two years. You are further advised to place the Systems Audit Report and compliance status before the Trustees of the mutual fund. The systems audit report/findings alongwith trustee comments should be communicated to SEBI.

For the financial years April 2008 - March 2010, the systems audit should be completed by September 30, 2010. This circular is being issued in exercise of the powers conferred by Section 11(1) of Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of the SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to

regulate, the securities market.

Yours faithfully,

ASHA SHETTY

SEBI

CIRCULAR / PRESS NOTE

SEBI/CFD/ICDRR/2/2009/29/09

September 29, 2009

To All Registered Merchant Bankers

Dear Sirs,

Sub.: Filing of offer documents with the Board under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009

Link: http://www.sebi.gov.in/circulars/2009/cfdcir02.pdf

SEBI

CIRCULAR / PRESS NOTE

MRD/DSA/SE/Cir- 12/09

October 07,2009

The Managing Directors / Chief Executive Officers /
Executive Directors / Officiating Executive Directors
of all Stock Exchanges.

Dear Sir / Madam,

Sub: - Prior approval for re-commencing trading on the Stock Exchange.

Link: http://www.sebi.gov.in/circulars/2009/mrdcir122009.pdf

RBI

CIRCULAR / PRESS NOTE

RBI/2009-10/162

DNBS (PD) CC.No. 160/03.10.001/2009-10

September 17, 2009

All deposit taking NBFCs (excluding RNBCs)

Dear Sirs,

Requirement for obtaining prior approval of RBI in cases of acquisition/ transfer of control of NBFCs accepting deposits.

Link: http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=5278&Mode=0

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

Notification No. 23/2009-Central Excise (N.T.)

New Delhi the 25, September, 2009

G.S.R. (E). In pursuance of sub-rule (2) and sub-rule (3) of rule 19 of the Central Excise Rules, 2002, the Central Board of Excise and Customs hereby makes the following amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue) number 44/2001-Central Excise (N.T.), dated the 26th June, 2001, published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i), vide number G.S.R. 474(E), dated the 26th June, 2001, namely:-

After sub-para (ix) and before Explanation, the following proviso shall be inserted, namely:-

"Provided that this procedure shall also be available for the supplies made by an Advance authorization holder to a manufacturer holding another Advance authorization, if such manufacturer, in turn, supplies the resultant products to an ultimate exporter in terms of para 8.3(c) of the Foreign Trade Policy, and the procedure, safeguards and conditions as prescribed in this notification shall apply mutatis-mutandis."

[F.No.224/64/2009-CX.6]

(V.P. Singh)

Under Secretary to the Government of India.

Note.- The principal notification no. 44/2001- Central Excise(N.T.) dated 26th June, 2001 was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i),vide number, G.S.R. 474(E), dated the 26th June 2001, and was last amended by notification No. 32/2003-Central Excise(N.T) dated the 9th April, 2003, vide number ,G.S.R.326(E), dated the 9th April, 2003.

[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, 23 rd September, 2009

Notification No. 38/2009 - Service Tax

G.S.R. -(E).- In exercise of the powers conferred by section 93 and sub-section (1) of section 94 of the Finance Act, 1994 (32 of 1994), the Central Government on being satisfied that it is necessary in the public interest so to do, hereby makes the following rules further to amend the Export of Services Rules, 2005, namely :-

1. (1) These rules may be called the Export of Services (Second Amendment) Rules, 2009.

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

2. In the Export of Services Rules, 2005, in rule 3, in sub-rule (1),-

1. in clause (i), for the brackets, letters and word "(zzzz) and (zzzza)", the brackets, letters and word "(zzzz), (zzzza), and (zzzzm)" shall be substituted;
2. in clause (ii), for the brackets, letters and word "(zzzzh) and (zzzzi)", the brackets, letters and word "(zzzzh), (zzzzi), (zzzzk), and (zzzzl)" shall be substituted; and
3. in clause (iii), sub-clause (b), for the brackets, letters and word "(d),(zzzc) and (zzzr)",the brackets, letters and word "(d),(zzzc),(zzzr) and (zzzzm)" shall be substituted.

[F. No. B1/1/2009-TRU]

(Prashant Kumar)

Under Secretary to the Government of India

Note.- The principal rules were notified vide notification no. 9/2005-Service Tax, dated the 3rd March, 2005 and published in the Gazette of India, Extraordinary vide number G.S.R. 151(E), dated the 3rd March 2005 and were last amended vide notification No.25/2009-Service Tax, dated the 19 th August, 2009 vide number G.S.R. 583(E), dated the 19 th August, 2009.

[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 23rd September, 2009

Notification No. 39/2009-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) (hereinafter referred to as the Finance Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the taxable service specified in sub-clause (zzb) of clause 105 of section 65 of the Finance Act, provided by a person (hereinafter called the 'service provider') to any other person (hereinafter called the 'service receiver') during the course of manufacture or processing of alcoholic beverages by the service provider, for or on behalf of the service receiver, from so much of value which is equivalent to the value of inputs, excluding capital goods, used for providing the same service, subject to the following conditions, namely:-

a) that no Cenvat credit has been taken under the provisions of the Cenvat Credit Rules, 2004;

b) that there is documentary proof specifically indicating the value of such inputs; and

c) where the service provider also manufactures or processes alcoholic beverages, on his or her own account or in a manner or under an arrangement other than as mentioned aforesaid, he or she shall maintain separate accounts of receipt, production, inventory, despatches of goods as well as financial transactions relating thereto.

2. This notification shall come into force on the date of publication in the Gazette of India.

Explanation.- For the purposes of this notification, the words or phrase 'input', or as the case may be, 'capital goods' shall have the meaning as is assigned to them under rule 2 of the Cenvat Credit Rules, 2004.

[F. No. 332/17/2009-TRU]

(Prashant Kumar)

Under Secretary to the Government of India

Circular No. 25 /2009-Cus.

F.NO.605/49/2009-DBK

Government of India

Ministry of Finance

Department of Revenue

New Delhi, the 29th September 2009.

To,

All Chief Commissioners of Customs/ Customs & Central Excise

All Commissioners of Customs/Customs (Prev.)/Customs &Central Excise / Central Excise.

DG, CEIB, New Delhi.

DG, Central Excise Intelligence/ DGRI/ DG (Export Promotion) /DGI/ DG, NACEN/ DG (Systems & Data Management),

Chief Departmental Representative, Customs, Excise & Service Tax Appellate Tribunal, West Block-2, R.K. Puram, New Delhi.

Sir/Madam,

Sub: Re-Export of goods imported under reward schemes which are defective or unfit for use Re-credit of duty-Reg.

I am directed to invite your attention to the above mentioned subject and to say that, representations have been received in the Board seeking extension of the facility of re-credit of the duty presently availble to goods imported under Duty Entitlement Pass Book Scheme (DEPB), Vishesh Krishi and Gram Udyog Yojana (VKGUY) and Served From India Schemes (SFIS) to the goods imported under reward schemes such as Target Plus Scheme (TPS) / Duty Free Credit Entitlement (DFCE), Focus Market Scheme (FMS), Focus Product Scheme (FPS) Hi-Tech Product Export Promotion Scheme (HTPEPS). Status Holder Incentive Scheme (SHIS) and AgriInfrastructure Incentive scheme under VKGUY.

2. The matter has been examined by the Board. The Board had earlier vide Circular no 21/2006-Cus dt 10.8.2006 clarified that the goods imported under Served From India Scheme (SFIS) and Vishesh Krishi and Gram Udyog Yojana (VKGUY) can be re-exported if the goods are found to be defective or unfit for use. The exporter in such cases was to be given a credit entitlement Certificate equal to 98% of the debit made at the time of import by the Jurisdictional Commissioner of Customs provided the exporter fulfils the criteria laid down in the circular. Similar facility was earlier extended to the goods imported under DEPB and DFRC schemes vide Circular numbers 75/2000 dt 11.9.2000 and 29/2005 dt 08.07.2005 respectively.

3. It has now been decided to extend the above-mentioned facility to scrips issued under all reward schemes. Accordingly, in case where the goods imported against TPS / DFCE / FMS / FPS / HTPEPS/SHIS/ AgriInfrastructure Incentive scheme under VKGUY are found defective or unfit for use, the same may be permitted to be re-exported by the Commissioner of Customs subject to the following conditions :-

Re-export of goods takes place from the same port from where the goods were imported;

1. The goods are re-exported within 6 months from the date of import;

2. The Deputy Commissioner/Assistant Commissioner of Customs, as the case may be, is satisfied about the identity of the goods; and

3. The goods were not put into use after import.

4.In such cases, on re-export of goods, 98% of the credit amount debited in the above said duty credit scrips shall be generated by the concerned Custom House in the form of a Certificate. The said Certificate shall inter alia contain details of the original duty credit scrips and the value, quantity and description of the goods exported.

5. Based on the aforesaid certificate issued by the Customs department an application shall be filed by the exporter with the concerned Regional Authority to enable the authority to take necessary action in terms of Para 3.11.6 of the Hand Book of Procedure, Vol.I, 2009-14.

6. These instructions may be brought to the notice of the trade / exporters by issuing suitable Trade / Public Notices. Suitable Standing orders/instructions may be issued for the guidance of the assessing officers. Difficulties faced, if any, in implementation of the Circular may please be brought to the notice of the Board at an early date.

Receipt of this Circular may kindly be acknowledged.

Yours faithfully,

Sd/-

(RAJESH KUMAR AGARWAL)

UNDER SECRETARY (DRAWBACK)

No.402/92/2006-MC (21 of 2009)

Government of India / Ministry of Finance

Department of Revenue

Central Board of Direct Taxes

New Delhi dated the 30th September 2009

PRESS RELEASE

The Income Tax Act 1961 (the Act) has been amended with effect from 1st October 2009 to provide that any gift-in-kind, being an immovable property or any other property, the value of which exceeds Rs.50,000 (rupees fifty thousand), will become taxable in the hands of the donee, being an individual or a Hindu Undivided Family (HUF), as income from other sources under clause (vii) of sub-section 2 of section 56 of the Act. Therefore, any such person who receives a gift of any such property on or after 1st October 2009 must pay the income tax due on the value of the gift and disclose the taxable value of such property in the return of income for assessment year 2010-11 and subsequent years.

The following types of gifts will, however, not be subject to tax, i. e. gifts (a) from a person who is a relative; (b) on the occasion of marriage of the individual; (c) under a will or by way of inheritance; (d) in contemplation of death of the donor; (e) from any local authority as defined in the Explanation to section 10(20) of the Act; (f) from any fund or trust established under section 10(23C) of the Act; (g) from any trust or institution registered under section 12AA of the Act.

Relative is defined in the Act as (i) spouse; (ii) brother or sister; (iii) brother or sister of

the spouse; (iv) brother or sister of either of the parents; (v) any lineal ascendant or descendant; (vi) spouse of any of the relative at clauses (ii) to (v); of the individual. Gifts received from these relatives will not be subject to tax.

Earlier cash gifts exceeding Rs.25,000 were subject to tax with effect from 1st April

2004. Later the Act was amended with effect from 1st April 2006 to tax all cash gifts having aggregate value exceeding Rs.50,000. Cash gifts also enjoy exemptions as is available for gifts in- kind.

Backdrop

Cost Audit:

It is widely recognised that Cost Audit helps to ascertain, whether the cost accounting systems are in conformity with the Generally Accepted Cost Accounting Principles and to determine the accuracy of the cost of Products and Services. Cost Audit also helps various revenue departments Viz: to clamp duties on 'Dumping of Goods' and for 'determining the Prices for excise levies' by the Excise & Customs Department, and for determining Profits eligible for set offs and incentives by the Income Tax Department etc. As per the International Federation of Accountants (IFAC) the Apex Body regulating the Profession of Accountancy World Wide, Costing is an important tool in assessing the organizational performance in terms of shareholders and stakeholders value.

Expert Group on Cost Audit:

The Ministry of Corporate Affairs (MCA) appointed an Expert Group on 'Cost Audit' under the chairmanship of 'The Advisor (Cost)' Ministry of Corporate Affairs. This Group was well represented by all the stakeholders such as: representatives of CII, SEBI, ICWAI, ICA etc.. The recommendations of this group which were submitted to MCA on 24th March 2009 include; a shift from 'Rule Based Cost Audit ' to 'Principle Based Cost Audit, which is to be conducted on an annual basis in all the Companies including service sector covering Education, Hospitality Industry ,Health Care, Utilities, Water Management etc., so that the consumers are satisfied with the competitiveness and the reasonableness of the price they pay to the products and services.

Enterprise Governance:

The Corporate Governance that came in to prominence especially during the last two decades has become a watchword and the stock exchanges world-over are insisting for its strict compliance. A set of corporate scandals one after the other, coupled with the recent global recession posed a major challenge in regard to the very validity of the sacrosanct compliances of good governance that are legislated by various countries. The Expert Group 'on Cost Audit' identified shifting of focus from 'Corporate Governance' to 'Enterprise Governance' as one of the three key economic issues in its study and suggested a 'mechanism of certification of cost management practices' in all the companies including in service sector, so as to make them more efficiency driven and competitive conscious.

Lead Dignitaries from ICWAI

Sri GN Venkataraman, President, ICWAI, Sri J.K. Puri, former Chief Advisor (Cost), GoI & former President, ICWAI, BB Goyal, Advisor (Cost), GoI, Sri. V. Kalyana raman, former President, ICWAI & SAFA, Sri Chandra Wadhwa and Sri. Kunal Benerjee, former Presidents ICWAI, Sri. A.N. Raman, Sri. M. Gopalakrishnan, and Sri. S.C. Vasudeva, Central Council Members, ICWAI, and Sri. K. Narasimha Murthy, Director, IDBI will lead the deliberations.

Who Can Participate

CEOs, CFOs, and operating executives of all disciplines and at all levels as the theme encompasses the vital aspects of Total Cost Management and efficient Enterprise Governance.

Fee

The participation fee is Rs. 4000/- per delegate, payable in the name of the "Institute of Public Enterprise".

Souvenir

In commemoration of this memorable event, it is proposed to bring out a colorful souvenir, containing the presentations by various dignitaries and other vital information on this theme. The copies of the souvenir will be distributed to all the participants, to various dignitaries of the policy making institutions and to the renowned libraries in India and abroad.

All the organizations, Banks and Financial Institutions are requested to bring-out their advertisements through this souvenir. Fee for backside cover page is Rs. 50,000/-, inside first cover is Rs. 40,000/-, full page (colour) Rs. 10,000/- and half-page (colour) Rs. 5000/-. The material for printing along with the fee may be sent on or before 5th October 2009 to the convener of the programme.

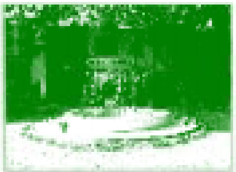
Sponsorship

Conference Kit Rs. 1.5 lakhs, Lunch Rs. 1.00 lakh,
Morning and evening Tea Rs. 30,000/-.

Accommodation & Site seeing

IPE will extend its help for arranging hotel accommodation at the request of the participants. IPE arranges a site seeing visit to some of the prominent places in and around Hyderabad, including Ramoji Film City, at 9.30 am on 14th October 2009.

About IPE



The institute of Public enterprises (IPE) Hyderabad was established in 1964 as a non-profit autonomous institution for policy studies on public enterprise and public system. IPE receives support from the Indian Council of Social Science Research (ICSSR), which has recognized IPE as a 'Centre of Excellence'. In due course, IPE developed as a centre for policy studies, management education, training, management development programmes and consultancy.

About Host City

Hyderabad is noted for its natural beauty, mosques and minars, bazaars and bridges, hills and lakes. Hyderabad is much to offer by way of tourist attractions - the Macca Masjid, the Falaknuma Palace, the Salarjung Museum, the Buddha Statue (the worlds tallest monolithic statue) the Golkonda Fort, Birla Mandir, Ramoji Filmcity, etc..

Organising Committee

Dr. R K Mishra, Director
Sri. V Kalayanaraman
Sri. K R S Sastry
Prof. M L Saikumar
Dr. S Sreenivasa Murthy
Prof. Lokanath Mishra
Dr. S K Mathur
Dr. S S Subramanyam
Dr. A Jagan Mohan Reddy
Dr. K Trivikram Rao
Sri. N V Ram Anand

Steering Committee

Sri K R S Sastry
Sri. Satyam Kandula
Dr. Nandita Sethi
Dr. Pulla Reddy
Sri. C A Babji
Sri. K Ramesh
Dr. A Pavan Kumar
Dr. Ch Lakshmi Kumari
Dr. S Jhunjhunwala
Smt. J Kiranmai
Smt. N Madhavi Latha

All Correspondence is to be addressed to

Sri. K R S Sastry, Conference Convener
Institute of Public Enterprise,
Osmania University Campus, Hyderabad - 500 007, AP, India
Ph: 040-2709 8937/38/8145 extn. 310, Cell 9848444105 & 9399921054
E-mail : krssastry43@yahoo.com

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

(Set up under an Act of Parliament in the year 1944-founder member of IFAC, CAPA & SAFA)

(CONTINUING EDUCATION PROGRAMME COMMITTEE)

ORGANISING

INTENSIVE PROGRAMME ON

CORPORATE FINANCE INCLUDING FIRST TIME ADOPTION OF IFRS COURSE COVERAGE :

- First Time Adoption of IFRS
- An overview of Financial Risk Management
- Mergers and Acquisitions
- Corporate Taxation
- Corporate Governance
- Global Sourcing of Capital

DATES - 08-11 December, 2009 (10.00 hrs. - 17.00 hrs.)

VENUE - HOTEL SHRADDHA INN, Pimpalwadi Road, Datta Nagar, Shirdi - 423 109 (02423-256629-32)

PARTICIPATION FEE - Rs.26000/- (Rupees twenty six thousand only) towards course fee, course material, accommodation, all meals and visits.

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CORPORATE TAX-PLANNING COMPLIANCE & MANAGEMENT

COURSE COVERAGE:

- Accounting Laws Vs Tax Laws
- Provisions of Minimum Alternate Tax, Planning & Management thereof
- Tax Management
- Planning for Expenditure and Impact on FBT & TDS
- Planning for International Taxation
- Provisions relating to Exemptions/Deductions under the Income Tax Act
- Managerial Decision and Tax Impact thereon
- Issues in Corporate Taxation
- An overview of Direct Tax Code

DATES - 08-11 December, 2009 (10.00 hrs. - 17.00 hrs.)

VENUE - HOTEL SHRADDHA INN, Pimpalwadi Road, Datta Nagar, Shirdi - 423 109 (02423-256629-32)

PARTICIPATION FEE - Rs.26000/- (Rupees twenty six thousand only) towards course fee, course material, accommodation, all meals and visits.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

(Set up under an Act of Parliament in the year 1944-founder member of IFAC, CAPA & SAFA)

(CONTINUING EDUCATION PROGRAMME COMMITTEE)
ORGANISING PROGRAMME ON
MANAGEMENT AUDIT AND PERFORMANCE OPTIMISATION

COURSE COVERAGE :

- Current Business and Economic Environment
- Enhancing Enterprises Performance through Performance Optimization
- Performance Optimization Techniques and Practices
- Management Audit - Its' Role in Sustaining Corporate Performance
- Management Control for Performance Optimisation
- Management Information System

DATES - 07-09 December, 2009 (10.00 hrs. - 17.00 hrs.)

VENUE - HOTEL Hindusthan International, 235/1, AJC Bose Road, Kolkata-700 020 (033-40018000/8080)

PARTICIPATION FEE - Rs.12000/- (Rupees twelve thousand only) towards course fee, course material, lunch, tea/coffee during the programme.

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(Set up under an Act of Parliament in the year 1944-founder member of IFAC, CAPA & SAFA)

(CONTINUING EDUCATION PROGRAMME COMMITTEE)
ORGANISING PROGRAMME ON
PROJECT APPRAISAL AND MANAGEMENT

COURSE COVERAGE :

- Project Appraisal
- Project Evaluation Techniques
- Project Management
- Project Budgeting and Financing
- Behavioural Aspects of Project Management
- Project Risk Management

DATES - 17-18 DECEMBER, 2009 (10.00 hrs. - 17.00 hrs.)

VENUE - HOTEL THE PARK, 15 PARLIAMENT STREET, CONNAUGHT PLACE, NEW DELHI-110 001. (011-23743000)

PARTICIPATION FEE - Rs.8000/- (Rupees eight thousand only) towards course fee, course material, lunch, tea/coffee during the programme.

FOR DETAILS : VISIT OUR WEBSITE icwai.org/Management Development Programmes or contact :

Mr. D Chandru
Addl. Director (Professional Development & Programme) and
Secretary - Continuing Education Programme Committee
THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
ICWAI Bhawan, 3, Institutional Area, Lodi Road, New Delhi-110 003
M-9818601200 (D) - 011-24643273

EASTERN REGION

ASANSOL CHAPTER

Report of the 1st Quarterly Meet

The 1st Quarterly Meet of Asansol Chapter of Cost Accountants was held at Chapter's office on Saturday, the 18th July 2009. Shri Niranjan Swain, Former Chairman, EIRC of ICWAI was the Guest Speaker.

At the outset, Shri M. Viswanathan, Chairman welcomed the participants to the 1st Quarterly meet and thanked the members for the confidence reposed on him and informed the circumstances under which the Finance Minister had presented the Budget 2009-10. Shri Niranjan Swain explained in finer details the Economic Survey Report presented by the Finance Minister on 3rd July, 2009. He also lucidly explained the details of the budget presented by the Finance Minister including direct and indirect tax proposals and introduction of GST.

CUTTACK BHUBANESWAR CHAPTER

Workshop on Recommendations of Expert Group on CARR & CAS

A Workshop on Recommendations of Expert Group on CARR & CAS was organized by the Chapter on 13.06.2009. Shri S C Mohanty, Central Council Member & Chairman Corporate Law Committee of ICWAI highlighted the commendable job done by the Expert Group. He made a presentation about key recommendations and initiated the interactive session. The members discussed all provisions of the proposed CARR and raised various queries and Shri Mohanty, clarified them all.

Subject-based Quiz Competition for Students:

The Chapter organized a subject-based Quiz Competition on 28th June, 2009 at its Conference Hall for intermediate students. CMA. Debashis Saha, Chairman of EIRC was the chief guest of the occasion. Shri Saha appreciated the effort of the chapter for providing such type of opportunity to the students which gives them a scope to assess their own understanding of the subjects. He distributed prizes to the winning students. More than 50 students participated in the quiz and won 90 prizes. CMA. N. Swain, former chairman of EIRC and the Chapter, CMA. N. Sahoo, and CMA. S. P. padhi were the judges apart from Shri Saha. CMA. A. K. Swain, Hon' director, Oral Coaching and CMA. S K Sahoo, Vice-Chairman, co-ordinated the entire program.

Seminar on "Balanced Scorecard, creating value through Human Capital"

A seminar on "Balanced Scorecard Creating Value Through Human Capital" was organized by the Cuttack Bhubaneswar Chapter on 01.07.2009 at its Conference Hall. Dr. Snigdha Pattnaik, Professor, XIMB Bhubaneswar was the speaker and made her presentations & explained the theoretical aspects and features of Balance scorecard. CMA. N. Mohapatra, Sr. GM (Finance) of OPGC Ltd. & past Chairman of the chapter moderated the seminar. He highlighted the practical applicability of Performance appraisal and Balanced scorecard at OPGC. CMA. M.R.Lenka, Chairman PD Committee and CMA. Lalit K Mishra, Chairman, MDP Committee co-ordinated the whole seminar.

Seminar on "Union Budget-2009"

The chapter organized a seminar on **Union Budget-2009"** on 7th July, 2009 at Chapter Office for its members and students.

Mr. A. K. Sabat, a renowned speaker on Union Budget, shared his views on the major changes proposed in the Union Budget, 2009 and also discussed in detail about the impact of budget on individuals, industries and business community. Mr. J. Ravikumar, CFO, DPCL shared his views on major changes proposed in Union Budget, 2009 w.r.t. indirect taxes and its impact on industries and individuals. He explained lucidly about the changes relating to Excise duty, Custom duty, Service Tax, VAT and GST. CMA. N. Swain, DGM (Finance) of OPGC Ltd. and the former chairman of EIRC and the Chapter moderated the entire program and made value addition with his critical analysis and expert opinions. Mr. Debasish Saha, Chairman, EIRC of ICWAI proposed vote of thanks.

WESTERN REGION

AURANGABAD CHAPTER

Inaugration & Budget Highlights

Aurangabad Chapter of Cost & Works Accountants [ACCA] inaugurated its December 2009 session for the ICWAI foundation, Intermediate and Final oral coaching classes on 8th July 2009 in a function organized at Hotel Atithi. The inauguration was followed by a small seminar on "Budget 2009 Highlights" The Programme was co-ordinated by Miss Aboli Pathak and CMA S R Pimpale.

Chief Guest for the function was CMA Sanjay Bhargave , eminent practicing cost accountant and Central council member of ICWAI. Two other guests of honor were Dr. Mr. M A Lokhande [HOD, Commerce Dept, BAMU] and Prof. Shriniwas Dhoot [Senior Faculty, Commerce]

The Chief Guest spoke about the importance/relevance of the Course and the opportunities to passing students. ICWAI has recently revised the course to match the requirements of IBS and hence the course is meeting world standards. ICWAI has entered into the MOU with reputed international organizations of Cost and Management Accountants viz. CDVLA [UK], IMA [US], [Shrilanka] . As such, the members get an opportunity to have membership of these institutes and practice abroad. CMA Bhargave also guided, motivated the students to be consistent in their studies and attending the classes. ' CMA Bhargave also reminded the students the efforts taken by ACCA and its success. He appealed them to exploit maximum advantage of this to succeed.

PUNE CHAPTER

Scholarship / Loan Scheme for Students

Pune Chapter of Cost Accountants announced **Scholarship/Loan Scheme** for its Final Year students (who are taking admission for oral coaching by PCCA) from July 2009 Session.

Scholarship Scheme

The scheme is applicable to the Stage III/IV students who have completed Intermediate Examination (both stages) in maximum two/ three attempts and income of their parents is below Rs.1.50 lacks per year. 30% or 25% of the total fees payable for Stage III + IV is the amount of scholarship payable depending on the number of attempts required for completing Intermediate Exam.

Loan Scheme

The scheme is applicable to the Stage III/IV students whose parents' income is below Rs.1.50 lacks per year. **Students availing scholarship are also eligible for loan facility.**

Maximum amount of loan will be Rs.20000 without any interest charge and is repayable in full within two years.

The loan amount is to be guaranteed by two Associate/Fellow members of the Institute, one of whom should preferably be a past or present Managing Committee Member of PCCA.

If the student for any reason is unable to pay, the same will become payable by the members giving the guarantee.

PCCA has created a separate fund termed as Students' Welfare Fund for the year 2008-09 for this purpose by transferring 10% of the surplus for the year to this fund.

Pune Chapter is the first Chapter to introduce such scheme for the benefit of its students.

The proposal was initiated by Mr. Dhananjay Joshi, Past President of the ICWAI.

SURAT SOUTH GUJARAT CHAPTER

The Surat South Gujarat Chapter jointly with the Southern Gujarat Chamber of Commerce & Industries organized an interactive workshop on "GST the Road Ahead" via video conferencing at Surat Peoples Bank Hall. Mr. V. S. Datey, learned speaker and author of many books on indirect taxes shared his views on the topic and impact_on industries and business community and role of professionals. Mr. Chetan Shah, President of the Southern Gujarat Chamber of Commerce & Industries welcomed the participants; he also laid stress on organizing such programmes for the benelii of business fraternity.

The Chapter jointly with the Southern Gujarat Chamber of Commerce & Industries organized a half day interactive seminar on IFRS. Mr. Ram Mohan Bhave, FCA, FICWA, PCS & LLB (Gen.) and Dr. Anjali Bhave, FICWA, were the faculties for the seminar. The programme commenced with address by Mr. Chetan Shah President of the Southern Gujarat Chamber of Commerce & Industries. Mr. Shailendra Saxena, Chairman gave an overview of activities of the Chapter. Dr. Heena Oza gave an glimpse of times to come by implementation of IFRS.

The first technical session Mr. Mohan Bhave dealt with the introductory pail of IFRS, he touched upon the practical implications of IFRS and the way it would change reporting of financial statements. He also encouraged the participants to grab this opportunity and educate themselves so that more value could be added to the professional services rendered by them. His lecture was a mixture of humor and technicality keeping the audience focused for the whole session.

The second technical session Dr. Anjali Bhave lucidly explained the term of "fairvalue" and its significance in IFRS.

Inauguration Oral coaching class July-December 2009 session

The inauguration function of the Oral Coaching Session July-December 2009 was organized on 2nd July, 2009 at Sir, KP Commerce College, Surat. Mr.Dhananjay Joshi; Past President ICWAI was the Chief Guest and **Prinulur.** U. T. Desai, Dean of Commerce faculty, Veer Narmad South Gujarat University was the Guest of Honor. Mrs. Priyamwada Dhananjay Joshi, Practicing Cost Accountant was also present on this occasion.

In his speech Dr. U.T. Desai, appreciated the initiatives taken by chapter in running the oral coaching centre successfully since last 15 years, he advised students to apply professional approach in preparing for ICWAI examinations.

Mr. Dhananjay Joshi gave outline of the opportunities in store for the Cost Accountants, both in India and globally, he congratulated the students for making right choice in preferring ICWAI a carrier option. Mrs. Priyamwada Joshi also showered her blessings on this occasion.

Mr. Shirish Mohite, Vice chairmen of the chapter proposed formal vote of thanks, the programme was well attended by around 125 students and all the faculty members who were also felicitated on this occasion, it was a emotional touch to the programme when one of the student who was severely handicapped welcomed by the chairperson to the Icwai family. The whole function was successfully co-coordinated by Mr. Kenish Mehta Secretary of the Chapter.

NORTHERN REGION

JODHPUR CHAPTER

A seminar was organized by Jodhpur Chapter of Cost Accountants on 28.05.2009 at Jodhpur. The topic for seminar was "Corporate Governance". Shri A. D. Bhandari (Patron & the senior most member) gave detailed account of the topic & shared his long experience & knowledge of the profession being a cost accountant. Prof. (Dr.) B.S. Rajpurohit spoke at length on the topic & while talking about the I.C.W.A.J activities, informed about MOU between ICWAI & USA & other international institutions about full exemptions in CMA USA Course to ICWAI students.

Sri M.G. Vyas, Chief guest & Chairman local C.S. Institute while speaking on topic, gave details of CS & ICWAI courses. The problem of students were heard by Sri A.D. Jha Director Coaching. Shri Devendra Daga Chairman gave thanks to all the participants.

KANPUR CHAPTER

A Seminar on "Cost Management in Ordnance Factories" in association with The Institute of Cost and Works Accountants (Kanpur Chapter)

A four day programme from 23rd to 26th June 2009 on Cost Management in Ordnance Factories was organized in Ordnance factories, Kanpur. About 30 participants from number of Ordnance Factories from all over India attended the programme. The senior members of Kanpur Chapter of Cost Accountant delivered the lecture on numbers of different topics. On 23rd June in First session Sri A. K. Srivastava threw light on Prime Cost-Basic of Cost Accounting. In the Second session on the same day Sri R. K. Trivedi discussed about material cost management. On 24th Sri D.S. Mishra delivered the lecture on Employee Cost Control. In the Second session Sri R. K. Trivedi took the lecture on Expenses Control and Budgeting. On 25th in first session the lecture on Cost Management Methods was given by Dr. R. C. Katiyar. In Second session the topic "Cost Management Technique ABC Management and Target Costing" was elaborated by Sri A. K. Awasthi. On the last day i.e. 26th June, Sri S. K. Agarwal covered the topic of Improvement in Cost Management and Case study.

SOUTHERN REGION

COCHIN CHAPTER

Seminar on "Emerging Business Models in SEZs"

Cochin Chapter of ICWAI organized a Seminar on "Emerging Business Models in SEZs" by Dr. Unnikrishnan Nair, Joint Director, SEZs, Cochin Port Trust, Cochin, on June 27, 2009 at Silver Jubilee Hall of ICWAI Cochin Chapter. The speaker covered various opportunities available for the entrepreneurs and for service providers in upcoming International Container Transshipment Terminal (ICTT) at Vallarpadam, Cochin.

The meeting was presided over by Shri. C. A. Thulasidas, Chairman, ICWAI Cochin Chapter. Shri. Sankar P. Panicker, Vice Chairman, welcomed and Shri. S. Ramdas, Secretary, expressed the vote of thanks.

COIMBATORE CHAPTER

Meeting on Union Budget - 2009

A PDP meeting was conducted jointly with the Coimbatore Chapter of ICSI & Auditor's Association on "Union Budget - 2009" on 7th July, 2009. CA Mani.V.S., Sr.Manager (Taxation), Deloitte Haskins& sells, Coimbatore spoke on Direct Taxes and CA Ravi. K, VP (Finance) Roots Group of Companies, Coimbatore spoke on Indirect Taxes. The implications of the budget proposals on Direct & Indirect Taxes were discussed in length.

2. Inauguration of the First Batch of Foundation at our Satellite Centre:-"The first batch of Foundation course at our rural satellite center, S.R. Institute of Professional Studies, Perundurai inaugural function was held at the Centre on llth July, 2009. Fifty students have enrolled for the course. The Secretary and Chairman- POP represented the Chapter. They conducted an Orientation programme to the students. They also had an interactive session with the Faculty members on the conduct of the classes.

Secreatry Mrs. Meena Ramji and PD chairman Mr. Mathanagopal were present to motivate the students ' participation.

HYDERABAD CHAPTER

Hyderabad Chapter had conducted a programme on "World Environment Day" on 5th June, 2009. at Chapter premises . Dr. P.V.S. Jagan Mohan Rao, Past Chairman-SIRC of ICWAI and Past President of ICSI., has delivered a talk on the occasion. The speaker lucidly borught out the significance of the World Environment Day and its origin. He has dwelt at length about the steps taken at International level, country level to keep the environment clean and green. The citizens responsibility to give the next generations a better world also highlighted during his talk. The programme was interactive with students seeking greater details from the speaker.. Sri A.S. Nageswar Rao, Secretary(Hyderabad Chapter of ICWAI) introduced the speaker to the audience on the occasion.

Budget Meet -2009-10 Impact on Direct Taxation

Chapter had jointly with ICSI-Hyderabad Chapter and National Institute of Micro, Small and Medium Enterprises conducted a programme on "Budget Meet-2009-10 Impact on Direct Taxation" on Wednesday the 08th July, 2009 at Hyderabad. Sri A. Bhaskar Reddy, IRS, Commissioner of Income Tax, A.P. had delivered a talk on the occasion. Large number of people attended the meeting. The speaker brought out the highlights of Budget and its impact on Direct Taxation in a lucid way. CS A.. Visweswara Rao, Chairman, ICSI-Hyderabad gave welcome address, Sri G. Narayan Rao, Chairman, Hyderabad Chapter of ICWAl and Dr. U.B. Raju, Director (School of Enterprise Management) National Institute for Micro, Small and Medium Enterprises also addressed on the occasion. Sri A.S. Nageswar Rao, Secretary, Hyderabad Chapter of Cost Accountants introduced the speaker to the audience. The meeting ended with a vote of thanks by Sri Ch. Venkateswarlu, Chairman, Professional Development Committee, Hyderabad Chapter of ICWAI.

Union Budget-2009-changes in Indirect Taxation.

Chapter had conducted a programme on "Union Budget-2009-changes in Indirect Taxation" on Tuesday the 21st July, .2009 at Chapter premises. Sri P.N.Rao, Commissioner of Central Excise and Customs, Hyderabad-IV Commissionerate had delivered a talk on the above topic. The speaker lucidly brought out the topics about the changes in Indirect Taxation in the recent budget. Members appreciated the information delivered by the speaker. Sri G. Narayan Rao, Chairman gave welcome address. Sri A.V.N.S. Nageswara Rao, Chairman, SIRC of ICWAI summed up the programme alongwith his observations on the topic. Sri Ch. Venkateswarlu, Chairman-Professional Development Committee introduced the speaker to the Members. Sri A.S. Nageswar Rao, Secretary proposed vote of thanks.

TRIVANDRUM CHAPTER

"Meet The Chairman" & "Revamping of Student's Study Circle" on 30th June 2009

The Trivandrum Chapter of Cost Accountants arranged "Meet the Chairman" Programme on 30.06.2009. Sri H Padmanabhan, Chairman, TCCA of ICWAI addressed the students. He shared the recent developments in the economy, the importance of ICWAI profession and also invited students utmost active involvement in Marketing/Propagating the importance of ICWAI profession, especially in the present Global Recession period. The Chairman announced the plans for celebrating ICWAI's Golden Jubilee Year in an effective purpose oriented manner. Revamping of Students Study Circle was theinain agenda.

Sri H Padmanabhan chalked out the programmes of reaching the students of various colleges, schools, Management institutions and the public by attractive methods of celebrating ICWAI's Golden Jubilee Year involving eminent personalities in various walks of life.

Sri S.Hariharsubramanian, Vice Chairman, Sri A K S Nair, Coaching Committee Chairman also addressed the gathering with thanks and conclusion remarks by Sri. S.Sathichandran Secretary TCCA.

Inauguration of New Sub Centre of TCCA of ICWAI at Kollam on 16th July 2009

The Dream project of members and students of Kollam, Pathanamthitta, Alappuzha Districts was fullfilled when Shri.H Padmanabhan, Chairman TCCA on behalf of TCCA of ICWAI and the Director, OLYMPUS on behalf of OLYMPUS Academy of Professional Examinations signed an agreement on 15th June 2009 for opening of a Sub-Centre under the auspices of Trivandrum Chapter of Cost Accountants at Kollam. The opening ceremony of sub-centre by name Olympus Academy of Professional Examinations was on 16th July 2009 at Kollam.

Shri.N P Sukumaran, Past President, ICWAI inaugurated the same by lighting the lamp. In his inaugural address he stressed the importance of such sub centres and reaching maximum youngsters at their own place and the opportunity provided at their door step. He highlighted the importance of ICWAI profession and stressed the need for more number of PractisinCost Accountants.

The key-note address was delivered by Shri.Sunil Chacko, Past Chairman, SIRC. In his address, he highlighted the job opportunities that are abduntantly available for Cost and Management Accountants.

Sri.H Padmanabhan,Chairman TCCA in his felicitation address congratulated the Olympus team and the students for choosing CMA as their profession. He elaborately deliberated on the opportunities that are available in front of them. Trivandrum Chapter of the ICWAI has planned to conduct an essay competition which is open to school/college students of XII standard and above in Trivandrum, Kollam, Pathanamthitta, Alappuzha Districts. The topic choosen was also declared in the meeting, which is "Emerging Challenges in the Global Economic Crisis - Present and Future".

Sri.Hariharasubramaniam S, Vice Chairman and Shri.K C Thomas, immediate past Chairman, TCCA also felicitated on this occasion.❑