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The Institute of Chartered Accountants of India
(Set up by an act of Parliament)

The Chartered Accountant STUDENT

Your monthly guide to CA news, information and events

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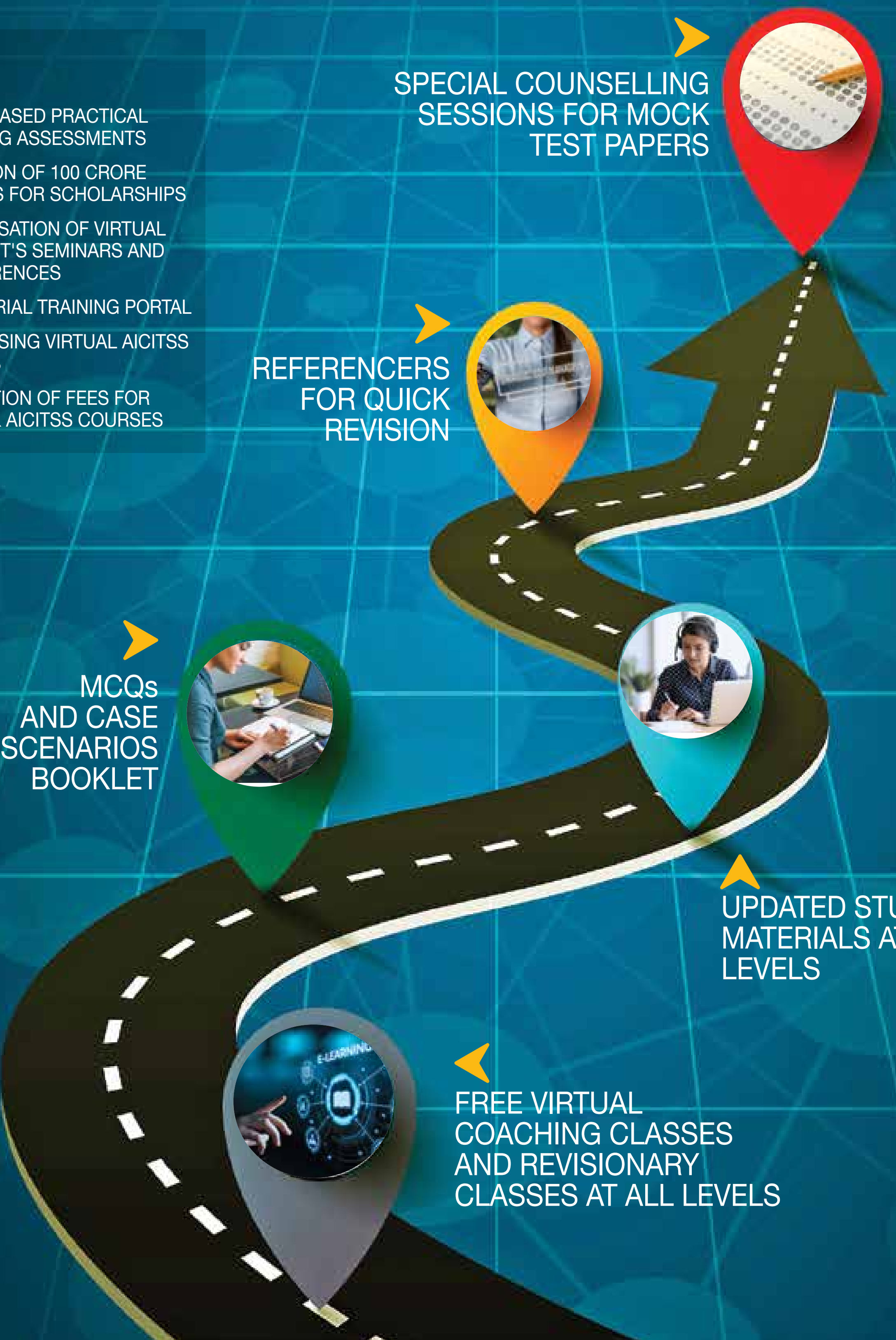
- HOME BASED PRACTICAL TRAINING ASSESSMENTS
- CREATION OF 100 CRORE CORPUS FOR SCHOLARSHIPS
- ORGANISATION OF VIRTUAL STUDENT'S SEMINARS AND CONFERENCES
- INDUSTRIAL TRAINING PORTAL
- ORGANISING VIRTUAL AICITSS & ICITSS
- REDUCTION OF FEES FOR ICITSS & AICITSS COURSES



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REFERENCERS FOR QUICK REVISION

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INSIDE

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My Dear Students,

While I pen down this message, the results of CA Examinations held in November 2020 would have been declared. It is heartening to note that large number of students appeared in examination overlooking the challenges posed due to pandemic. My heartiest congratulations to the students who have qualified the CA examinations, especially the rank holders for their remarkable achievement. This is on account of your sincere and dedicated efforts put in throughout the term of CA course. November 2020 Examination is historic in many front when in the pandemic conditions, we not only organised the 24 days long exams in staggered manner at highest ever 1084 examination centres including 8 overseas locations but also witness the 100% digital evaluation coupled with benefit of reduction in time lag between exam and result period and quick disposal of re-verification requests.

Those who were less lucky this time, should not get disheartened, try to analyse what went wrong, prepare well in a thorough manner and cross the hurdle successfully in the next attempt. You should have strong determination to resume your studies with much more vigour and zeal. Remember **"If you want to shine like a sun, first burn like a sun." - A. P. J. Abdul Kalam**

Quick Review of Initiatives

As this is my last message from the prestigious office of the President of the Institute, it is time to draw your attention to the major initiatives that we have undertaken through the Board of Studies (Academic) [BoS (A)] and Students Skills Enrichment Board (Board of Studies-Operations) [SSEB] during the year 2019-20.

The world and the Indian economy have been going through a tough period. The Covid-19 pandemic and the resultant lockdown brought the life to a standstill. In order to sail you through the tough Covid-19 times, the ICAI conducted **Free Live Revision Classes** for Intermediate and Final levels targeting May 2020 exams. These were followed by full-fledged **Free Virtual Coaching Classes (VCC)** for all levels targeting November 2020 exams. These classes ensured that our students continue to learn at home, without having to step out during the on-going pandemic. **Special Live Counselling sessions** before November 2020 exams were also organised wherein the faculties at the Intermediate and Final levels guided and resolved students queries regarding preparation and presentation about the various subjects/papers for the upcoming examination. These classes/sessions can be viewed from laptops/ tablets or hand-held smartphones within the comfort of your homes and are rendered by subject experts from across India through webcast. The AICITSS (Adv.IT/MCS) & ICITSS (ITT/OC) classes were also conducted through virtual mode and the fees for ICITSS & AICITSS courses were also reduced for the benefit of all of you.

Various digital resources such as **E-Books** with illustrations and audio, video contents have been made available for all level of CA course to enrich your knowledge and impart the desirable mobility. These books are available for all the subjects across all levels with detailed text, videos and complete content appended with comprehensive illustrations and available through Digital Learning Hub. To support your study further, **E-Capsules** for quick revision for CA Foundation, Intermediate and Final course have been uploaded on BoS Knowledge portal which are properly indexed and hyperlinked, updated on regular basis.

We at ICAI has been earnestly working on **quality enrichment of study material** for all subjects across all levels of CA Course by adding more illustrations/ examples/questions for better command on topics and by including flow charts, pictorials and tables for easy comprehension. **Booklet on MCQ's** for Intermediate level covering all chapters, **Case studies and Case scenarios** for the subjects having MCQ's based papers has been launched and uploaded on BoS Knowledge portal.

Earmarking Rs. 100 Crores of corpus fund for scholarship for meritorious and needy students, amendment in regulation enabling upto 18 Months of Industrial training for making them "Industry-ready Professionals" along with dedicated portal for the same also ensured for empowering student fraternity.

Another important initiative was the introduction of provisional registration to CA Foundation of students after passing Class X rather than earlier system where registration was allowed after passing Class XII. Due to this initiative CA aspirants would be able to join this esteemed course at an early stage.

I am happy to inform you that the ICAI is in active interaction with University Grant Commission (UGC) for equivalence of CA course with post-graduation and with Association of Indian Universities (AIU) for chalking out programmes/trainings which would enhance employability and help students fraternity at large. Two new MRAs with MICPA and ICAN were entered making it total 8 MRA with various PAOs to ensure that Indian Chartered Accountants are having global recognition and best career opportunities.

It is very difficult to put in writing each and every activity. The above exclude many routine activities such as bringing out Revision Test Papers, Mock test papers, Suggested Answers to questions set in examinations and so on.

Special Thanks

I wish to convey my sincere thanks to CA. Nihar N. Jambusaria, Vice-President who supported me firmly in managing the organizational affairs ably. I also compliment the efforts of CA. (Dr.) Debashis Mitra, Chairman, BoS (A), CA. Jay Chhaira, Chairman, SSEB, CA. Sushil Kumar Goyal, Vice-Chairman, BoS (A), CA. Pramod Kumar Boob, Vice-Chairman, SSEB, all Members of Board of Studies (Academic & Operations) and both teams of BoS for their persistent efforts in handling the affairs of Board of Studies for overall benefit of students. I am confident that the BoS of ICAI shall continue to strive the best learning resources, knowledge delivery systems, quality service and support to our students.

Time to bid Adieu

The time has come when I have to say adieu to you as the President of this august Institute. I must admit that I have enjoyed my tenure as President and appreciate having the opportunity to work with and for the members and students of the Institute. As a professional member, my parting advice to all of you would be to take not only your examination seriously, but also the articled training which makes the CA course distinct from any other course. This training not only helps build the core strength, but is also crucial for maintaining high standards of the profession.

Wishing you all the best in your future endeavours

With Best Wishes,

CA. ATUL K. GUPTA
PRESIDENT, ICAI, NEW DELHI

"The Best Way To Get Started Is To Quit Talking And Begin Doing." – Walt Disney

Dear Students,

I am overwhelmed to pen this last message for the year 2020-21 as the Vice President of the Institute. I am thankful to the Council of the Institute for providing me an opportunity to work for CA student fraternity. The Institute has distinguished itself as a premier institution for accounting and auditing standards. It is the hard work, devotion to quality, dedication of all the members and students, which is responsible for this notable achievement. It gives me great pleasure to acknowledge the dynamic leadership of President CA Atul Kumar Gupta and the continuous support of all my Council members. I also admire the efforts of CA (Dr) Debashis Mitra, Chairman, Board of Studies (Academic), CA Sushil Kumar Goyal, Vice-Chairman, Board of Studies (Academic) and other members and the team of BoS (Academic) for their persistent efforts in handling the affairs of Board of Studies.

During the past year, the Board of Studies has taken many pro-active measures in the pandemic time to help the students to prepare for their examinations. The Board of Studies has adopted different methodologies to reach out to the students and provided quality education. In this direction, BoS took the following initiatives:

- BoS successfully conducted Free Virtual Coaching Classes (VCC) at all the three levels for CA Students so that students can attend them sitting in their homes. These classes have been offered directly to the students on their mobile phones, laptops, etc.
- The e-Books for all the three courses of CA Course (Foundation, Intermediate and Final) are available on ICAI Digital Learning Hub. These e-Books contain study material with embedded topic-wise video lectures and self-assessment questions whereby students can get all the resources for a topic integrated at a single place.
- BoS has come out with a 100-page MCQ booklet in select papers of intermediate and final course, wherein assessment is partially MCQ based i.e., for 30 marks. This booklet will help the students in solving the MCQs and Integrated Case scenarios. This will hone your application and analytical skills and acquire and develop the requisite professional competence expected at the point of qualification.
- The Institute of Chartered Accountants of India, being a partner in nation building, always strives to provide momentum to the endeavours which accelerate the growth of the economy. Pursuant to this, the Association of Indian Universities (AIU) and Institute of Chartered Accountants of India (ICAI) organised a *"National Collaborative Programme on Enhancing Employability of Graduates for Vice Chancellors of Universities"* on January 13, 2021 through virtual platform. This platform has enabled interaction, and deliberation on the new paradigms for education system in India and skilling the Indian education system for creating employable graduates.

The results of the students who had appeared in November 2020 CA Examinations either would have been announced or will be in the process of being announced when you receive this newsletter. I wish you a grand success in the exams. Recall that your mission for higher learning began here with great passion. But know for sure that it will not end here. It will not end until you feel fully confident of meeting uncertainties and challenges of the life and dealing with successes and failures with a positive attitude. Learning is a continuous process. We should crave for learning with application of our knowledge in upliftment of downtrodden and betterment of society. I am sure that each one of you has different dreams but surely you should never give up your dreams and aspirations for it is these aspirations that will drive you to higher levels of achievements and make your life really purposeful. Here I would like to quote the four lines from former honourable President of India Dr A P J Abdul Kalam's address……..

"When you wish upon a star,
Makes no difference who you are,
Anything your heart desires,
Will come to you?

If you are prepared to think big and act in time with conviction, you will be rewarded. You should hold on to your goals even if you stumble here and there and learn your lessons. From the depth of my heart, I wish each one of you success in your future endeavours.

Stay safe, stay healthy.

Yours sincerely

CA. NIHAR N JAMBUSARIA
VICE PRESIDENT, ICAI

"The Pessimist Sees Difficulty In Every Opportunity. The Optimist Sees Opportunity In Every Difficulty." – Winston Churchill

My Dear Students,

As I compose this missive to you, I realise that months have whizzed past like a flash of lightning. The CA November, 2020 results are out and many of you would have cleared the Exam – Congratulations to all who have been successful. Some of you would have cleared a Group, or attained some exemptions leading you nearer to your cherished goal. For those who could not make it this time, my comforting advice is that everything heals. Bad times don't last. Sometimes the worst times of our life put us on a direct path to the best times. It is the right time to self-introspect and re-discover yourself. Attempt harder next time and surely you will succeed.

Board of Studies: Mentor in your journey as a CA student

Robust Virtual Classes for Students: Come 2020 and the world and Indian economy confronted a crisis like no other. The Covid-19 pandemic has disrupted our social and economic order of a scale that we have not witnessed in living memory. All the activities including the classes throughout the country were suspended and students found it difficult to self-study. In order to conquer such difficult time, BoS(A) initiated **Free Live Revision Classes** for Intermediate and Final levels focusing May, 2020 exams. These were followed by **Free Virtual Coaching classes** for all the three levels focusing November,2020 Exams. These classes are delivered by eminent faculties to guide students to prepare for upcoming exams at the comfort of their home. The second batch of Free VCC targeting May, 2021 for Final levels is already going on. The next batch on Foundation and Intermediate level will start in February. I strongly recommend that you reap maximum benefit of this initiative of the BoS.

Reference for Quick Revision: Capsules for quick review of all subject at all levels are uploaded on BoS Knowledge portal. These capsules exemplify the topics through vivid visuals including comprehensive illustrations, diagrams and flow-charts for easy retention and recall. The capsules are properly indexed and hyperlinked at BoS Knowledge portal for easy accessibility to students.

Mock Test Papers for Self Assessment: The BoS took special steps to ensure that students face the examinations with confidence and aplomb. It conducted **Mock Tests** for all the level of students through online mode. Students could attempt these tests at the comfort of their home, without having step out during on-going pandemic. The basic purpose was to make the students aware of the level of their preparations and the areas in which they need to improve. Special Counselling Programmes were also organized before November 2020 exams for the students to resolve their queries and guide them for preparation and presentation about the various subjects/papers for the upcoming examination.

Enriched Study Material and Case Studies Based Booklets: It is a well known fact that once we qualify CA examination, society at global level recognizes the expertise you possess. Someone has rightly mentioned "knowledge is power". To meet the challenge to equip the students with proficient knowledge, Board of Studies has come up with revised Study Material, with by incorporating flow charts, pictorials and tables for easy comprehension and adding more illustrations/ examples/Questions to gain expertise on subjects. Booklet on MCQs for Intermediate level covering all Chapters, Case studies and Case scenarios for the subjects having MCQs based papers have also been launched and uploaded on Bos Knowledge portal. Booklet on MCQs for Final level is under process and will be uploaded shortly.

Practical Training : An important facet of profession

Marcus Tullius Cicero once said, ***"A home without books is a body without soul"***. Practical training is soul of our CA curriculum. Only bookish knowledge without putting into practice will not lead you to achieve your professional goals. It is inherent feature of our profession to undergo Practical training, which would enormously benefit you in developing the skill set to mitigate the challenges faced in business world. With the changing economic scenario, it is high time that our articled assistants should get exposure in as many areas as possible. It looks stimulating to qualify while concentrating only on studies, but success does not come from qualification but from its application.

This issue encompasses an inclusive capsule on **Business Correspondence and Reporting** in Foundation, **Indirect Taxes** in Intermediate and **Strategic Cost Management and Performance Evaluation** in Final course. I am confident that the capsules will navigate you for understanding the complicated topics in a thorough manner and enhance your knowledge about contemporary topics in **Strategic Cost Management and Performance Evaluation**.

I convey my sincere thanks to the President, Vice President, ICAI for their guidance and support. I also wish to acknowledge the support given by Vice Chairman, BoS in all the initiatives of BoS, all the members of Board and entire team of BoS. I convey my best wishes to the students to achieve success in their personal and professional endeavours. To wrap up, I would like to remind a quote of Albert Einstein ***"Try not to become man of success, but rather try to become a man of value"***

Wishing you a bright and prosperous future.

All the very best.

With Warm Regards,

Debashis Mitra

CA. (DR.) DEBASHIS MITRA
CHAIRMAN, BOARD OF STUDIES (ACADEMIC), ICAI

"Don't Let Yesterday Take Up Too Much Of Today." – Will Rogers

CA FINAL - PAPER 5 - STRATEGIC COST MANAGEMENT AND PERFORMANCE EVALUATION

"Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it... because it is good for our business."

– Niall FitzGerald, Former CEO, Unilever

Financial measures have long been the benchmark for evaluating a business, market and industry performance. In modern businesses, it is no longer sufficient to only consider shareholders in strategic decisions and reporting. More recent expectations need a wider methodology where accounting information involves data to *all relevant stakeholders*. To adopt this methodology, accountants should identify their stakeholders and their expectations and adapt their practices accordingly. 'Sustainability accounting and reporting practices' identify and interlink the *social, environmental* and *economic* costs and benefits of a business's strategies and actions and inlays them into future strategic decision making.

IN A NUTSHELL

KNOWLEDGE UPDATE

FRAMEWORKS FOR REPORTING TO EXTERNAL STAKEHOLDERS

Background

Triple Bottom Line Reporting

- Dimension (sets) of TBL

Global Reporting Initiative (GRI)*

- Need for "Global Reporting Initiative"
- Global Reporting Standards

Integrated Reporting (IR)*

- Integrated Reporting Framework and the Integrated Report
- Fundamental Concepts related to the Integrated Report
- Preparation and Presentation of the Integrated Report
- Conclusion

CAPSULE

CASE STUDY

Triple Bottom Line

- Vidyut Dam Project

CASE SCENARIO

Six Sigma

- Smooth Connect Telecom

Performance Measurement

- Shakti Automobiles

SKILL ASSESSMENT BASED PROBLEMS

Questions and Answers

- Life Cycle Costing
- Theory of Constraints
- Target Costing

*This portion of the article aims to provide an understanding of the framework – Integrated Reporting (as presented by the International Integrated Reporting Council (IIRC)) and Sustainability Reporting as presented by the Global Reporting Initiative (GRI). Since these frameworks are *good indicator of the performance* of an organisation, it is good to have at least basic understanding of the concepts involved. These topics are for the **"Knowledge Update"** of the Students and not for examination purpose.

Frameworks for Reporting to External Stakeholders about Sustainability and Value Creation: Global Trends

Framework for external reporting on sustainability and value creation
- Triple Bottom Line (sustainability)
- GRI (sustainability)
- Integrated Reporting Framework (sustainability through value creation)

Background

Corporate Reporting is the platform used by organisations to provide information to its users about its business. Corporate Reporting is a useful tool to connect with *stakeholders*, external to the organisation because:

- Presentation of their business performance, in particular their financial performance, enables them to get access to equity, debt or other types of financing.
- By showcasing their performance, capabilities and strategy, these reports can assist organisations to negotiate with customers and suppliers.
- Showcasing their strong performance would assist them to recruit talented employees and retain them. Talented employees in turn are an asset that every company should nurture for future growth.

Therefore, corporate reporting is an important exercise that *goes beyond reporting past performance*. Instead, it is a very important tool to *present* the organisation's business and its *future* prospects. A widely read corporate report would be the annual report released each year by organisations. It has a plethora of vital information that is useful to assess an organisation's performance. Information contained here is largely focussed on financial performance, current year and of past years. At the same time, it also focusses on *management narratives* and *non-financial issues*.

Good quality corporate reporting helps an organisation demonstrate to its *stakeholders* its operational capabilities, take advantage of opportunities and its ability to manage risks due to changes in the business environment. To enable this understanding, the report should contain information that is concise, relevant and transparent. Importantly, the user must be able to connect information spread over many pages/ reports to get a complete understanding of the *business model.*

Many frameworks govern corporate reporting. Examples are Indian Accounting Standards (Ind AS), International Financial Reporting Standards (IFRS), disclosures under Companies Act 2013, SEBI Guidelines and Disclosures etc. All of them aim at full, accurate and timely disclosures of financial and relevant non-financial information.

In the recent past users of the corporate reports, felt that information, while available in sufficient detail, was scattered within different reports or sections of the annual report. It has been difficult to piece together relevant information to get complete information about the business.

In the recent past, human race has taken quantum leaps due to globalisation and changes in technology impacting daily life. There is also a highlighted concern about climate change and its impact. This has led to the following realisations:

- **Environmental impact:** Businesses utilise natural resources as inputs, convert them into outputs to make profits out this activity. So, businesses deplete natural resources to earn profits. Natural resources are limited in supply since nature cannot replenish the deleted resource at the same rate. **For example**, the resource that gets deplete faster than its replenishment rate is fossil fuel. Likewise, there are many other resources that get utilised without the sources being allowed renew itself. It might lead to scenarios where these resources may not be available to future generations. It could also affect the ability of the businesses to sustain in the long run. When these resources run out, organisations may have to close down unless they take corrective action now. So, there is an important realisation that **"Sustainability"** of the *environment* is critical for "sustainability" of *organisation*. An organisation should try to reduce its "ecological footprint" **for example** minimise "carbon footprint" generated by its activities. It should avoid wastage of natural resources in business operations. Develop CSR activities that can nurture the natural resource, like use renewable energy, recycling waste, rehabilitation of mines from which mining activities are done, rehabilitation of wildlife, fisheries etc.
- **Societal impact:** Business operations impact the lives of the employees that work with them as well as the society in large. Organisations have to be socially responsible. Exploitation of workforce through long work hours, low wages, child labour etc. are examples of unethical business practices that should cease. If businesses can impact the community it influences through corporate social responsibility programs, it will improve the quality of life for such communities. CSR programs help in building healthier communities, this nurtures talent.
- **Economic impact:** For profit organisations have their main objective to deliver financial returns to their investors. While profit is important, it is crucial for organisations to ensure that profit objective does not negatively impact the environment or society. The *investing community* has become more sensitive to these issues and wants transparency about how the organisation creates **"value"**.

To address this change in investor mindset, a number of initiatives to develop useful, transparent corporate reporting was undertaken that has culminated in development of few Frameworks that organisations can use to report about their activities in relation to sustainability and value creation. Organisations can choose to present their information using any of the following frameworks:

1. **Triple Bottom Line (TBL report)**. As explained earlier, traditional accounting systems had a restricted view limited to the financial performance of the organisation. This concept expands this view to include the impact of business on environment and society as well. The 3Ps draws the organisation's attention to not just "Profit" motive but also to nurturing "Planet" and "People" towards a sustainable future.
2. **Global Reporting Initiative report (GRI report)** as per the GRI Guidelines issued by an independent institute called GRI whose mission is to develop and disseminate globally acceptable *sustainability reporting guidelines*.
3. **Integrated Report <IR>** as per the Integrated Reporting Framework laid out by the International Integrated Reporting Council (IIRC). It provides the providers of 'capital' with a holistic view of the *organisation's value creation process*.

Triple Bottom Line Reporting

British business author John Brett Elkington in year 1994 coined the term TBL. But the origin of concept actually lies in Brundtland report by World Commission on Environment and Development, (now known as Brundtland Commission) published in year 1987, in which **Sustainable Development** is explained as is *"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"*. It is also important here to note that United Nations Conference on Environment and Development taken place in year 1992, gave stress on sustainable development.

As mentioned earlier **every business needs to be sustainable rather only profitable**.

But what comes to mind is:

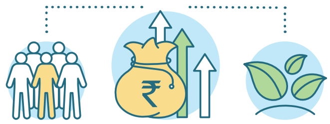
→ When can a business be called sustainable?

→ The obvious answer is when management makes sustainable business decisions.

Hence, the real question is:

→ When does a business decision become sustainable? How does one measure the performance of business decisions in terms of sustainability?

Answer lies in TBL i.e. **Triple Bottom Line.**



Triple bottom line

To measure the performance of business decisions in economic terms we consider only one bottom line i.e. profit, but to consider sustainability of business decisions, there are three bottom lines i.e. **People, Planet** and **Profit** (also known as dimensions of TBL).

TBL truly extends the scope of traditional accountancy, and transforms it into modern day **sustainability reporting** (which is beyond financial reporting because it considers *social* and *environmental performance* too). Some organisations even have separate business sustainability reporting system and they apply the standard of sustainability reporting pronounced by **Global Reporting Initiative**, which is the independent, international organisation that helps businesses and other organisations take responsibility for their impacts, by providing them with the global common framework (standards) to report those impacts.

Dimension (sets) of TBL

- **Planet** – *the environmental bottom line* measures the impact on resources, such as air, water, ground and emissions to determine the *environment impact* and *ecological footprints*.
- **People** – *the social equity bottom line* relates to corporate governance, motivation, incentives, health and safety, human capital development, human rights and ethical behaviour.
- **Profit** – *the economic bottom line* refers to measures maintaining or improving the company's success in term of adding value to shareholders.

A **sustainable decision** is one which is acceptable from the aspect of each bottom line.

TBL believes in a *stakeholder approach* rather than a shareholder approach. TBL implies that businesses must consider the full cost, hence becoming a substitute to **full cost accounting** with even wider perspectives.

TBL can be used to encourage each division and manager within the organisation to act in a responsible manner from holistic perspective.

Global Reporting Initiative (GRI)

Global Reporting Initiative (GRI) is an independent organisation that is working at promoting the use of globally applicable reporting standards. They are promoting the GRI Standards that promote transparency and accountability on sustainable development **by reporting** on *economic, environmental* and *social issues*. They have a range of partners who believe in their vision that include governments and various donor foundations.

Need for "Global Reporting Initiative"

The Framework has been developed to encourage organisations across the world to report on how their business activities are impacting "Economic, Environmental and Social" sustainability. The **need for standardised reporting globally** is that users can compare reports of different organisations to identify the ones that are more sustainable to these three aspects – *economy, environment* and *social*. Sustainability is important to leave behind a conducive environment and healthy society for our future generations.

Global Reporting Standards

A Sustainability Report prepared as per GRI Framework is used by organisations to report their impact on the economy, environment and society. Impact includes both *positive* and *negative* matters. Users can then be better informed about the risks and opportunities that the organisation faces.

The degree to which the GRI Standards have been applied gives an organisation the choice to prepare the report as per:

i) **Core Option :** indicates that the report has *minimum information* needed to understand the organisation, material topics and related impacts and how they are managed.

or

(ii) **Comprehensive Option:** In addition to information that comes under the "core option", it has *additional disclosures* regarding an organisation's strategy, ethics and integrity. The report should have extensive discussion about the material topics and related impacts.

The report has to clearly state that it is "in accordance" with Core Option or Comprehensive Option.

Thus, Core Option has less details than Comprehensive Option.

Organisations can also prepare **"GRI referenced" report** when it wants to report on specific economic, environmental or social impact as per selected standards but is not looking to provide a full report as per the GRI Standards. Include specific reference to which standard or section has been used.

An overview of the GRI Standards are:

Universal Standards

3 Universal Standards are applicable to all organisations.

(1) **GRI 101 – Foundation**, starting point for using GRI Standards. It contains the Reporting Principles that define the *report content* and *quality*.

Reporting Principles for 'Report Content' include: Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

Reporting Principles for 'Report Quality' include: Accuracy, Balance (positive and negative impacts), Clarity, Comparability, Reliability and Timeliness.

GRI 101 is used to identify *material matters* related to the economy, environment and society. The organisation will then use the topic specific standards to report on them.

(2) **GRI 102 – General Disclosures,** to report contextual information about an organisation. Information related to"
   (a) organisation's profile,
   (b) strategy,
   (c) ethics and integrity,
   (d) governance,
   (e) reporting process, and
   (f) stakeholder engagement process are reported here.

(3) **GRI 103 – Management Approach,** to report management's approach to material matters. It discusses *why a matter is material*, where is the impact and how is the organisation managing the impact. Management Approach will include the policies, goals, responsibilities, resources, grievance methods, specific actions related to the material topic.

Topic Specific Standards

Circumstances unique to each organisation's business operations will determine what to report under the Topic Specific Standards.

Below is a summary of the discussions that happen under each category covered under the Topic Specific Standards.

Under each of the sub-topics under the economic, environmental and social categories, the report should include discussion about management's approach disclosures, topic specific disclosures or both.

This list is only for the student's reference to help them understand the content of the report better.

The below standards will apply to all reports published on or after **July 1, 2018** except GRI 207, GRI 303 and GRI 403 w.e.f. Jan 2021 and GRI 306 w.e.f. Jan 2022.

(A) GRI 200 – Economic	
201: Economic Performance	• Direct economic value generated and distributed • Financial implications and other risks and opportunities due to climate change • Defined benefit plan obligations and other retirement plans • Financial assistance received from the government.
202: Market Presence	• Ratios of standard entry level wage by gender compared to local minimum wage • Proportion of senior management hired from the local community
203: Indirect Economic Impacts	• Infrastructure investments and services supported • Significant indirect economic impacts
204: Procure-ment Practices	• Proportion of spending on local suppliers
205: Anti-corruption	• Operations assessed for risks related to corruption • Communication and training about anti-corruption policies and procedures • Confirmed incidents of corruption and actions taken
206: Anti-competitive behaviour	• Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
207: Tax	• Approach to tax • Tax governance, control, and risk management • Stakeholder engagement and management of concerns related to tax • Country-by-country reporting
(B) GRI 300 – Environmental	
301: Material	• Materials used by weight or volume • Recycled input materials used • Reclaimed products and their packaging materials
302: Energy	• Energy consumption within the organisation • Energy consumption outside of the organisation • Energy intensity • Reduction of energy consumption • Reductions in energy requirements of products and services
303: Water and Effluents	• Interactions with water as a shared resource • Management of water discharge related impacts • Water withdrawal • Water discharge • Water consumption
304: Bio-diversity	• Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas • Significant impacts of activities, products, and services on biodiversity • Habitats protected or restored • IUCN Red List species and national conservation list species with habitats in areas affected by operations
305: Emissions	• Direct (Scope 1) GHG emissions • Energy indirect (Scope 2) GHG emissions • Other indirect (Scope 3) GHG emissions • GHG emissions intensity • Reduction of GHG emissions • Emissions of ozone-depleting substances (ODS) • Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions
306: Waste	• Waste generation and significant waste related impacts • Management of significant waste related impacts • Waste generated • Waste diverted from disposal • Waste directed to disposal
307: Environment Compliance	• Non-compliance with environmental laws and regulations
308: Supplier Environmental Assessment	• New suppliers that were screened using environmental criteria • Negative environmental impacts in the supply chain and actions taken
(C) GRI 400 – Social	
401: Employment	• New employee hires and employee turnover • Benefits provided to full-time employees that are not provided to temporary or part-time employees • Parental leave
402: Labor / Management Relations	• Minimum notice periods regarding operational changes
403: Occupational Health and Safety	• Occupational health and safety management system • Hazard identification, risk assessment, and incident investigation • Occupational health services • Worker participation, consultation, and communication on occupational health and safety • Worker training on occupational health and safety • Promotion of worker health • Prevention and mitigation of occupational health and safety impacts directly linked by business relationships • Workers covered by an occupational health and safety management system • Work-related injuries • Work-related ill health
404: Training and Education	• Average hours of training per year per employee • Programs for upgrading employee skills and transition assistance programs • Percentage of employees receiving regular performance and career development reviews
405: Diversity and Equal Opportunity	• Diversity of governance bodies and employees • Ratio of basic salary and remuneration of women to men
406: Non-Discrimination	• Incidents of discrimination and corrective actions taken
407: Freedom of Association and Collective Bargaining	• Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
408: Child Labour	• Operations and suppliers at significant risk for incidents of child labour
409: Forced and Compulsory Labour	• Operations and suppliers at significant risk for incidents of forced or compulsory labour
410: Security Practices	• Security personnel trained in human rights policies or procedures
411: Rights of Indigenous People	• Incidents of violations involving rights of indigenous peoples
412: Human Rights Assessment	• Operations that have been subject to human rights reviews or impact assessments • Employee training on human rights policies or procedures • Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
413: Local Communities	• Operations with local community engagement, impact assessments, and development programs • Operations with significant actual and potential negative impacts on local communities
414: Supplier Social Assessment	• New suppliers that were screened using social criteria • Negative social impacts in the supply chain and actions taken
415: Public Policy	• Political contributions
416: Customer Health and Safety	• Assessment of the health and safety impacts of product • Incidents of non-compliance concerning the health and safety impacts of products and services
417: Marketing and Labelling	• Requirements for product and service information and labelling • Incidents of non-compliance concerning product and service information and labelling • Incidents of non-compliance concerning marketing communications
418: Customer Privacy	• Substantiated complaints concerning breaches of customer privacy and losses of customer data
419: Socio Economic Compliance	• Non-compliance with laws and regulations in the social and economic area

Source: https://www.globalreporting.org/standards/gri-standards-download-center/?g=9c1bfe70-c407-4c4b-9139-04d64d5ba335

Integrated Reporting

This article is based on the International <IR> Framework (Dec'2013). The International Integrated Reporting Council (IIRC) has published on 19 Jan'2021 revisions to the International <IR> Framework, originally released in 2013, to enable more decision-useful reporting. This latest version applies to reporting periods commencing 1 January 2022.

Integrated Reporting Framework and the Integrated Report

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia, NGOs. IIRC's long-term vision is to promote "integrated thinking" that will result in efficient allocation of capital, that enable financial stability and sustainability. Integrated thinking takes into account the *inter-relationships* between its various functional and operating units and **"the capital"** that the organisation uses. As explained later, the term "capital" is not restricted to financial capital alone but is defined to include a wider variety of resources / enablers that support the *value creation* process of a business. This "integrated thinking" is facilitated by presenting the "Integrated Report" (<IR>).

Need for "Integrated Thinking"

Impact of *"intangibles"* to the business model: Traditionally assets of an organisation have been tangible assets, that have been reported within the financial statements. Intangibles have also been recognised, pegged a monetary value and reflected in the financial statements. The tangible assets have traditionally formed major part of the assets side of the balance sheet. This worked well as long as value created by business was more internally driven. "Internally driven" implies that business being less impacted by the changes in the external environment in which it operates. Examples of which could include: its ability to get raw materials directly from the source rather than depending on suppliers, business reach being more regional rather than having national or globalised reach, labour force creating products being majorly semi-skilled therefore easily replaceable etc. However, due to globalisation many businesses have become national /international players rather than being limited to being regional in scope. Due to outsourcing of business processes, the supply chain of organisations has changed. An organisation is now dependent on other organisations for its materials, labour, IT systems etc. Use of technology within the business many times becomes a game changer driving value for the business. (e. g.) Online sales versus brick and mortar outlets). The service sector has seen tremendous boom in development (e.g. IT industry, banking). Consequently, human capital has become more skilled, so talented employees have become a critical value driver of business.

To summarise, *during the last two decades, every organisation has become inter-dependent on other organisations and the external environment to conduct its business. Businesses have become dependent on relationships with suppliers /customers /government agencies, natural resources, human capital, infrastructure and technology. These relationships and interactions are intangibles, that cannot be strictly quantified and reflected in the balance sheet. These can be looked upon as "capitals" beyond the regular financial capital of the balance sheet. This aspect cannot be immediately perceived by the users of corporate reports unless they are informed about it. However, this interdependency is very critical for an organization to function.* **For example,** if it runs out of a particular natural resource with which it makes products, then this could impact business. (World is facing shortage of 'Silica' which is used in innumerable industries like electronics, construction. The other natural resources in short supply are energy giving fossil fuels and water.) Likewise, only talented employees can deliver on attaining strategic objectives, therefore talent has to be groomed. In the modern world innovation is the key to success, something that can be driven only by motivated, talented employees.

Therefore, the need to have a narrative in the form of an Integrated Report <IR> that spells out how an organisation can manage, preserve and grow /deplete these "capitals". Information about managing these capitals has become paramount to assess business performance, stability and sustainability.

Definition of Integrated Report <IR>

An Integrated Report <IR> can be defined as: *"An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term".*

Source: https://integratedreporting.org/resource/international-ir-framework/

Objectives of Integrated Report

Information presented in an integrated or connected manner can enable the user to understand the following:

- The *various types of capitals* (defined later), in addition to financial capital that the organisation uses to create value. Understand their *interdependencies*, including *trade-offs* between them.
- Capacity of the organisation to respond to various *stakeholder's legitimate needs* and *interests*. Stakeholders here include not just the providers of financial capital, but includes customers, suppliers, local communities, government authorities, employees and any other interested party.
- Ability of the organisation to *respond to changes in the external environment* towards both risks and opportunities.
- Promotes understanding of the organisation's *business model*, its *activities, performance* (financial and non-financial metrics) outcome over a period of time – past, present and future. Traditional corporate reporting has primarily presented historic (past) information.
  <IR> is a *more future oriented report* that focusses on how an organisation's strategy can be aligned to the external environment.
- Enables accountability and stewardship for the different types of capital (financial, manufactured, human, intellectual, natural, social and relationship). An organisation can create value only when it is able to develop the interest of its key stakeholders, broadly contained within the various "capitals".
- *Disclosure about* how the organisation is working towards *maintaining its capital* in the report can serve as a tool for better corporate governance.
- Supports integrated thinking that can enable better decision making to *create value* over short, medium and long term time horizons.

In India SEBI has mandated the reporting of "Business Responsibility Report" (BRR) for the top 500 listed companies. For the year 2017-18 they may voluntarily adopt "Integrated Reporting" and include it in the annual report. Alternatively, they may present this separately on their website and give reference to it in the annual report.

Integrated Framework as prescribed by IIRC

The <IR> should be prepared in accordance with the Integrated Framework laid out by IIRC. The Framework provides Guiding Principles and Content Elements that can be referred to while preparing the <IR>. The Framework ***does not prescribe*** any specific KPI metrics or measurement methods or about the disclosure of individual matters. It is left to the judgement of the preparers of the report to decide on the content based on the case-specific scenario of each organisation. Points to consider while preparing an Integrated Report:

- Preparers must use judgement about *materiality* of a matter under consideration to determine its inclusion in the report.
- Preparers must use judgement about *manner of disclosure* of matters including the basis for measurement, disclosure methods as found appropriate.
- If information presented in the <IR> is similar to information presented elsewhere, then the content in the <IR> should be prepared on the basis or should be *reconciled with the information presented elsewhere.*
- It may be prepared in compliance with *governing regulations.*
- <IR> aims at explaining how an organisation creates value over time. The report can contain *quantitative* and *qualitative information* to explain this. It is more than just a summary of other communication that an organisation publishes. It makes explicit connectivity of how value is created by an organisation.
- It may either be a standalone report or be included as a distinguishable part of another report (example an annual report). It has to be *clearly identified* as an <IR>.
- Those charged with governance should *acknowledge* the (i) integrity of the information in the report (ii) that the report was prepared by seeking their opinion and (iii) an opinion as to whether the report is in accordance with the Framework.

Users of <IR> would primarily be those who provide financial capital to the organisation. However, there may be interested parties like suppliers, customers, employees, business partners, local communities, regulators, legislators and policy makers who may also want to understand <IR>.

Fundamental Concepts related to the Integrated Report

Value creation for the organisation and for others

The integrated report provides *qualitative* and *quantitative disclosures* about how the organisation creates, diminishes or preserves value.

Value created for the organisation itself enables financial returns to the providers of financial capital.

Value created for others is also of interest to the providers of financial capital. Notably it must be understood that:

- Value is influenced by *external environment.*
- Value is created through *relationships with stakeholders*, internal and external. Internal factors like management and operations, employees, licenses, patents, financial stability of the organisation. External factors that impact value creation are suppliers, customers, prevailing economic conditions, government policies etc. Together they can enhance /deter /preserve the value created by the organisation.
- Value creation is *subjective* and changes based on the perspective of each stakeholder. **Example** could be: A good employer may not be very profitable. Therefore, while the employee may be satisfied with the value an organisation provides them, but if the target financial metrics are not met, the investors may not be satisfied with the value an organisation provides them.

Value creation is *not an independent activity* within the organisation's sole control. **Value is created using capital**. In integrated reporting, capital is not limited to just financial capital. There are six different categories: *financial, manufactured, human, natural, intellectual, social and relationship* capitals (details are covered later). A combined effect of these capital is what results in *value creation* for the company.

The ability of an organisation to create value is linked to the value it creates for others. This happens through a wide range of activities, interactions and relationships. **Example:**

Sales to customers will change financial capital. This is reflected in the financial statements. At the same times, after sales support interactions handled by after-sales personnel (human capital) can impact customer satisfaction (social capital). Customer satisfaction will determine their willingness to give more business to the organisation in future (developing a relationship). Any material issues with customer satisfaction like harmful content detected while consuming product that has resulted in causalities, faulty technology leading to product recalls will have to be disclosed and discussed in the Integrated Report. Positive instances like superior technology (intellectual capital) enhancing customer satisfaction can also be discussed.

Another instance would be willingness of key suppliers to trade with the organisation and the terms and conditions of these agreements. Suppose there is a case of vendor lock-in, where the organisation has to be dependent on one particular supplier and is unable to switch to other suppliers without substantial switching costs. This may be disclosed and discussed to make the users aware of potential risks to business. Likewise highlighting positive instances where long term procurement agreements will improve business operations and product quality can also be disclosed in the report.

Therefore, the play of activities, interactions and relationship are building blocks for the value chain. *An organisation's strategy, leadership and culture are internal factors that need to be aligned with the external environment in which the business operates.* The business model should promote development of all stakeholders in order to sustain in the long run. Therefore, by *disclosing issues that are relevant to stakeholders*, an organisation can align itself better to promote *mutual development.* It will also give the user insight about the building blocks in the value creation process. <IR> thus serves as a tool to make the organisation align towards its own *financial stability* and *sustainability* and *better corporate governance.* Capital allocation can then be streamlined to support activities that would enable sustainability and stability of the organisation.

The Framework also includes scenarios where there may have been **no change in the value or that the value of the company is preserved**. Scenarios when value preservation may need to be discussed would be:

(i) **Businesses being merged and acquired.** Generally the "value creation" of an acquired /merged business *does not happen immediately.* In reality, integration of two businesses is challenging due to *operational* and *organisational cultural differences.* So in reality, although the deal may be closed, the "value creation" from the acquired business is deferred. Here, the management may wish to point out the steps it wishes to take to steer the business integration so that it creates value in the long run. This could include measures to stabilise the acquired business. Discussion could centre around how the experience of the top management (strategic initiative) will enable the management at the operational level (tactical initiatives) to have seamless integration. These are steps taken by an organisation to **"preserve value".**

This discussion may be needed in order to reassure the providers of finance that the management has a clear road map on how to manage the "business /value acquired" so that it generated sustainable value in the long run. Others such as employees of the company may also be interested in the management's outlook.

(ii) **Debt Restructuring:** Challenges faced by an organisation may lead to situations where there is a cash flow crunch in operations. This may hinder it from meeting its debt obligations. If fresh capital investments cannot be infused, the organisation may go for debt restructuring. It negotiates with the bank to draw up a better scheme of arrangement that can enable it to meet its obligations. Such instances put concerns about the organisation's liquidity on various stakeholders like investors, bankers, suppliers, employee union, government who would be anxious if the organisation would be able to meet its obligations.

A discussion by the management on the road map that the organisation plans to follow to improve its solvency would highlight the risks that the organisation faces. Accordingly, the stakeholders can make informed judgements about the organisation's value.

The report should also take into consideration the effects of business operations that have been **"externalised". For example,** smoke emission from the factory does not impact the organisation directly. However, the impact is felt in the form of air pollution in the city. Similarly, waste dumped in landfill does not impact the organisation but does impact the city living conditions. These are impacts that are externalised. Where judged ***material*** they need to be discussed in the report. Providers of financial capital may need to be aware of material information of these externalities to assess their effects.

Example, *externality could negatively impact business:* Chennai city faced severe drinking water supply the summer of 2019. The crisis impacted normal life for many months. Many IT firms had to request their employees to work from home since they could not provide water facilities at office. If unprepared, this crisis could have disrupted business for some of these firms.

Do You Know?

The Business Roundtable (BRT) is an association of CEO's of America's top companies. These CEO members lead companies with more than 15 million employees and more than $7 trillion in annual revenues. The BRT released an updated statement on the **'Purpose of a Corporation'** in Aug' 2019. The statement stated a fundamental commitment to ***all stakeholders***- customers, employees, suppliers, communities and shareholders; representing a move away from the long-standing view that shareholder profit is the only purpose of corporations. The statement received support from 181 CEOs, including the leaders of Abbott, Accenture, Amazon, Apple, American Airlines, American Express, Bank of America, Boston Consulting Group, Citigroup, The Coca-Cola Company, Cognizant, Dell, Procter & Gamble and Walmart.

The Capitals – Financial, Manufactured, Human, Intellectual, Natural, Social and Relationship

Capitals are the stocks of value change through activities and outputs of an organisation. **For example,** financial capital increases when profit is made, human resource capital improves when employees are better trained. Overall Value of stock of capital keeps changing. One type of capital can be transformed into another, so there is constant flow between the capital. **For example,** (i) New equipment purchased increases manufactured capital while decreasing financial capital or (ii) talented employees (human resource capital) have developed a patent for a component (intellectual capital) that increases the product's sales, thus profits (financial capital) or (iii) a school is built for local community children to study in (societal and relationship with the outflow of financial capital).

Categories and descriptions of capitals

(1) **Financial Capital:** Refers to the conventional "monetary" capital. It is generated through financing (either in the form of equity or debt), investments and surplus generated from business operations. *Businesses use this pool of funds to create value by transforming it into other forms of capital like manufactured, intellectual, people, environmental, social and relationship capitals.*

(2) **Manufactured Capital:** The "physical infrastructure" needed to manufacture a product or provide service. These are manufactured physical objects (as against natural physical objects like lakes and mountains). **Examples**, machinery, building, infrastructure such as roads, bridges or even inventory held for sale / captive consumption.

(3) **Intellectual Capital:** These are resources that are critical to value creation. **Examples,** of intellectual property are patents, copyrights, software, licenses, brand value.

(4) **Human Capital:** The combined know-how, skill, effort and experience of the workforce of an organisation forms its human capital. A motivated workforce can enable the organisation to achieve its objectives. To derive this mutual benefit, their work should be aligned with the organisation's governance framework, risk management approach, ethical values. They also need to understand the organisation's strategy and develop and implement it. To retain the work force loyalty, an organisation has to groom talent and the leadership team.

(5) **Social and Relationship Capital:** An organisation has multiple stakeholders, direct and indirect, internal and external to the organisation. They include customers, vendors, suppliers, associates, alliances, dealers, sales network, government, regulatory authorities, communities and society.

Social and Relationship capital refers to:

a. The *shared norms, common value* and *behaviour stakeholders* may have with the organisation. **For example**, both the organisation and supplier may value not to employ child labour, value safe working environment for employees etc. An organisation may take due diligence while doing business with a supplier to ensure that these norms are met.

b. Key stakeholder *relationships* and the *trust* and *willingness* an organisation has built with external stakeholders. Trust must be earned but can be easily lost. Therefore, an organisation must strive to build trust be it with customers, suppliers or regulatory authorities. **For example,** timely settlement of suppliers' dues will build strong relationships. This will contribute positively because they will be more willing to engage with the organisation while doing business.

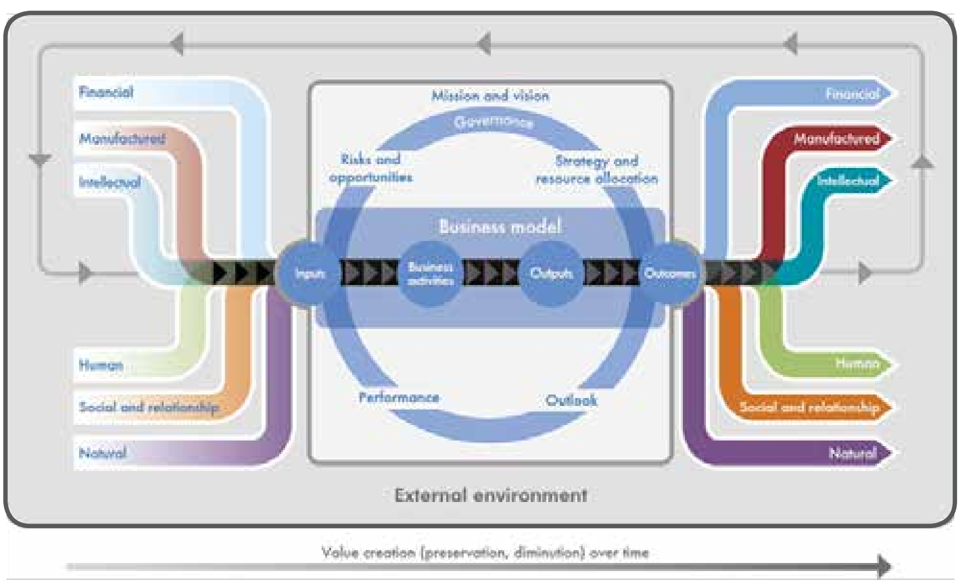
c. Relationship is built on the *brand* and *reputation* that the organisation has developed. **For example,** the trust that the customer places on the organisation while consuming products manufactured by it, with the belief that it is not detrimental to the users' health. This trust and willingness of the customer forms the very basis of brand loyalty, value that the organisation has to maintain.

d. An organisation's *social license* to operate: Social license is the acceptance of an organisation's business practices by its employees, stakeholders and larger public. An organisation has to work to build trust within itself and with the external environment it operates in. Closely linked to the **Triple Bottom Line** concept, it should take care of its employees, the environment and corporate social responsibility. Any issue that arises that can erode this social license should be quickly resolved.

The management may discuss any material matters relating to its social and relationship capital like the *corporate social responsibility* initiatives that it has undertaken. Any issue that can threaten social license to operate may also be addressed here.

(6) **Natural Capital:** Renewable and non-renewable natural resources that an organisation uses for its business operations. These would be land, water, air, fossil fuel etc. Certain industries for example those in the agriculture and mining industries are highly dependent on natural resources for their business. Proper utilisation and maintenance of these resources can determine the future sustainability of the organisation.

Not all capitals are equally relevant or applicable in all organisations. However, the Framework provides this guideline so that no aspect of the "value chain" is overlooked.



Source : https://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf

Value Creation Process

The business model of an organisation uses capitals as inputs and through various business activities converts them as outputs (products or service). The organisation's activities and its outputs lead to outcomes in terms of their effects on the capital. *Nurturing capital* in terms of its availability, quality and affordability in order to sustain business in the long run. **For example,** if a company's food product (activity leading to output) causes health issues like diabetes or obesity to the consumers (affects the society and relationship capital), in the long run the public will avoid its products. This can impact *business sustainability*. Therefore, the company has to change its strategy to additionally provide healthy offerings so that consumers have a choice about the food they want to consume. This change can nurture both customer satisfaction and public health to promote business stability and sustainability. Therefore, business models need to be *flexible* to adapt to changes internal and external.

Preparation and Presentation of the Integrated Report

An <IR> is prepared with the help of Guiding Principles and Content Elements, preparers of the report can refer to Guiding Principles to understand the concepts that underpin the preparation and presentation of the report. They can refer to Content Elements to understand to understand what the report should include. These are not water-tight guidelines. Preparers must *exercise judgement to* decide on these matters while preparing the report.

Guiding Principles of the Integrated Report

1. **Strategic focus and future orientation:** The report has to provide *insight into the organisation's strategy* and *enumerate how it can create value* in the short, medium and long term time horizons. It might want to **highlight** significant risks, opportunities and dependencies flowing from the organisation's market position and business model. The management has to clearly articulate about the continued availability, quality and affordability of *significant capitals* relevant to the organisation's business since only when capital is nurtured, it will help sustain business in future. They may provide their opinion about learnings from past experiences that have influenced future directions, relationship between past and future performance and factors that can change them.
2. **Connectivity of information :** The usefulness of the <IR> is enhanced when it is *logically structured, presented in an understandable yet concise way*. Information has to be clearly delineated but linked together to present a holistic picture of business model and value creation process. The Content Elements (subject matter of the report) should have a *clear narrative* that helps conjure a total picture of dynamic and systemic interactions of the organization's activities. Connectivity of information could talk about the flexibility and ability of the organisation's strategy to help the business model adapt to changes within and to the external environment. *Qualitative, Quantitative* and *KPI metrics* information can be used in the narrative to connect information.
3. **Stakeholder relationships :** An effective <IR> report would be transparent in providing *accountability to key stakeholders by their disclosing legitimate needs and interests.* Accountability places the organisation in the role of stewardship to take care of the value creating capitals. Engagement with stakeholders like suppliers, consumers and employees would happen in the regular course of business. In some cases, engagement with local communities or regulatory authorities, NGOs may happen in special circumstances. An organisation has to understand their information needs and concerns. Needs and concerns that are *material* may be discussed in the <IR> along with the actions and decisions the organisations have taken to address them. Thus <IR> could serve as a *tool to build trust and resilience between the organisation and its stakeholders.*
4. **Materiality :** *A matter related to value creation is material when its known or potential impact on the organisation's value creation ability is significant and important.* While exercising judgement about the magnitude of the effect it should be noted that it can be both quantitative or qualitative, financial or non-financial, internal or external to the organisation and relate to different time frames (short, medium or long). Disclosure of material matters requires *judgement*, an ability to think from different perspectives. This can be developed with regular engagement with the providers of capital and other stakeholders.
5. **Conciseness :** The information should be presented in a *logical structure, avoiding repetition* and *clearly cross-linked* within the report to establish connectivity of information. The narrative should be written in *lucid language* that is easy to understand.
6. **Reliability and completeness :** Information presented should include both *positive* and *negative matters* to make the report complete. Information should be without material error to enhance its reliability.
7. **Consistency and comparability:** Information presented should be *consistently* prepared over time. Any change in compilation or measurement of information should be disclosed. **Tools** such as *industry benchmarks*, presenting information in the form of ratios or comparing standard quantitative indicators enables users to compare the report with that of other organisations.

Content Elements of the Integrated Report

The content of an organisation's Integrated Report would vary depending on the *individual circumstances of each organisation*. Therefore, Content Elements are stated in the form of questions rather than of checklists of specific disclosures. **Judgements need to be made** to decide on what to report on using the Integrated Reporting Framework as a reference. Questions can be posed for each of the categories of Content Elements below:

1. **Organisational overview and external environment**
   - What is the Vision and Mission of the organisation?
   - What is the ownership structure, its culture, ethics, values?
   - What are the principal activities and markets?
   - What is the competitive landscape, the organisation's position in the value chain?
   - Significant legal, social, environmental, political, commercial aspects from the external environment in which the organisation operates may also be discussed.
   - Key quantitative information may be presented here.
2. **Governance**
   - How does an organisation's governance structure influence value?
   - What are the skills and experience of those charged with governance? Actions they take to influence and monitor the strategic direction of the company.
   - Processes in place to make strategic decisions and its implementation.
   - How are remuneration and compensation linked to value creation?
   - These are some of the discussions that can be laid out in this section.
3. **Business model**
   - A business model with the help of business activities transforms inputs into outcomes or outputs that fulfill the organisation's strategic objectives.
   - The report has to enumerate what constitutes inputs, business activities, outputs and outcomes.
   - There can be a pictorial representation of the model along with an explanatory narrative.
   - Connection with other Content Elements like strategy, risk and opportunities, performance (financials and KPIs).
4. **Risks and opportunities**
   - Specific risks and opportunities that affect the organisation's ability to create value.
   - How is the organisation dealing with them?
   - Address the continued availability, quality and affordability of capital.
   - Disclosure about the likelihood of occurrence of the perceived risk and opportunity.
   - Discuss specific steps to mitigate risk or to create value from opportunities.

- Where a particular risk can threaten the fundamental ability of the organisation to create value, it needs to be reported even if the likelihood of occurrence is small.

5. **Strategy and resource allocation**
   - Identification of short, medium and long term strategic objectives.
   - Resource allocation the organisation has planned to achieve the objectives.
   - Link the strategic objectives with resource allocation plans, ability to adapt to change in the external environment.
   - Discussion about what gives the organisation its competitive advantage: innovation, development and use of intellectual capital, environmental and social considerations that give it the competitive edge.
6. **Performance**
   - The report may contain qualitative and quantitative information about the performance of the organisation.
   - Include quantitative indicators comparing actual performance with targets explaining their significance and importance.
   - Include a narrative of the organisation's effects (both positive and negative), connecting financial performance with regard to other capital.
7. **Outlook**
   - Report can discuss the changes the organisation can expect in the external environment.
   - How is the organisation equipped to respond to critical risks and uncertainties that can arise?
8. **Basis of preparation and presentation**
   - The report should disclose how the report was prepared.
   - The basis for determining materiality, reporting boundary, summary of significant framework and methods.

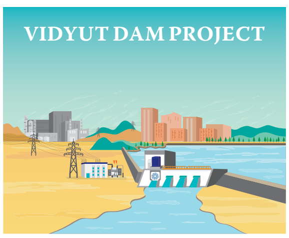
Conclusion

Investors well informed about the organisation's business operations can take *mature decisions* that will improve the financial environment and the economy as a whole. Organisations that are profitable, by taking along their stakeholders in their success stories, will always be rewarded. Also, organisations that talk about the risks the business faces improve transparency of corporate report. ***With multiple scandals rocking the investment world, there is a need to improve the integrity of corporate reporting. The Integrated Report aims to fulfill that needs.***

Case Study

The basic objective of the case study is to allow the students to apply ideas and insights from theory to the *real life issues* and *problems*.

Case Study - Triple Bottom Line



A preliminary investigation for the **Vidyut Dam Project** was completed in 1962 in a South-Asian country (here-in-after referred as country) and its design was completed in 1973 with a 600 MW capacity power plant. Construction began in 1979, but was delayed due to economic, environmental and social impacts. In year 1987, technical and financial assistance was provided by the neighbouring country to said country after signing of MoU, but this was interrupted just a year later with political instability. Hence, said country was forced to take control of the project and at the first, it was placed under the direction of the irrigation department of concerned home state of said country. However, in July 1989 the Vidyut Hydro Development Corporation Limited (VHDCL) was formed to manage 1,900 MW Vidyut Hydro Power Complex; wherein 75% stake held by union government and remaining 25% stake by concerned home state government. The 1,900 MW **Vidyut Hydro Power Complex comprises of Vidyut Dam and 1,000 MW Vidyut Hydro Power Plant (250MW×4)**, Beejuree HEP (400 MW), and Vidyut PSP (500 MW).

The **Vidyut Dam** is a 260.61 m (855 ft) multi-purpose high rock and earth-fill embankment dam on the Karaka River near Chapala town. Its length is 574.85 m (1,886 ft), crest width 20.11 m (66 ft), and base width 1,128.06 m (3,701 ft). The dam creates a reservoir of 4.0 cubic kilometres (~32,00,000 acre ft).

The **1,000 MW Vidyut Hydro Power Plant** (Vidyut HPP) was ***commissioned*** in 2007-08 as a multipurpose project, with variable speed features which can optimise the round trip efficiency under varying water levels in its reservoirs. Power is distributed to 10 northern states (including concerned home state) of said country. The complex will afford irrigation to an area of 2,71,139 hectares (=6,70,000 acres), irrigation stabilisation to an area of 6,07,028 hectares (=15,00,000 acres), and a supply of 270 million imperial gallons (1.23×10^6 m^3) of drinking water per day. 162 million gallons of drinking water for around 4 million people of the neighbouring state, apart from 108 million gallons of drinking water for around 3 million people of the concerned home state. Due to regulated releases from the Vidyut storage reservoir, the existing downstream hydro projects are also benefitted by way of augmentation in generation at no additional cost to them. Concerned home state also gets 15% of generated power as free. The total expenditure for this project was USD 1 billion. Since 2007-08, which was the first year of operation, VHDCL has been a profit making company.

The Vidyut Dam has been the object of protests by environmental organisations and local people of the region. The protest was against the displacement of town inhabitants and environmental consequences of the weak ecosystem. ***"We don't want the dam. The dam is the mountain's end"*** was the prominent slogan.

The relocation of nearly 1.5 lakh people or may be even more, from the area has led to protracted legal battles over resettlement rights and, ultimately, resulted in the project's delayed completion despite the fact that land acquisition was started in 1980. There is no master plan for rehabilitation nor even a clear estimate of the number of people affected. According to the 2003 status report of the public work department of Chapala town, the Dam replaced 15,550 families. This estimate excludes a large number of people who lost their lands but have not been officially recognised as project-affected. Among those officially recognised, allotted with land of poor quality or with multiple ownership claims.

Near to year 2006, while filling of the reservoir has led to the reduced flow of Karaka River's water from the normal 1,000 cu ft/s (28 m^3/s) to a mere 220 cu ft/s (6.3 m^3/s). This reduction has been central to local protest against the dam, since the Karaka River is considered sacred river whose waters are crucial to religious beliefs.

Old Chapala town shifted and named as New Chapala Town (NCT) which is semi-ultra-modern hill station at height of 1,555-1,855 m above MSL, with better road network and district head quarter (shifted to NCT, earlier about 65 kms away from Chapala). NCT equipped with better health (got 80 bed modern hospital against 25 bed hospital in old Chapala, and also got 5 primary health centres with additional 75 bed facility in total) and education facilities (hostel facility of 900 students, degree college with university campus which can accommodate 440 residential students and faculties, and against 1 inter college in old Chapala, 5 inter-college established (one in NCT and 4 in nearby villages). This all done at project cost.

In addition to the human rights concerns, the project has spurred concerns about the environmental consequences of locating such a large dam in the fragile ecosystem of the foothills of great mountain range. There are further concerns regarding the dam's geological stability. The Vidyut dam is in a major geologic fault zone. This region was the site of a 6.7 magnitude earthquake in September 1992, with an epicentre 55 km (34 mi) from the dam. Dam proponents claim that the complex is designed to withstand an earthquake of 8.4 magnitude, but some seismologists say that earthquakes with a magnitude of 8.5 or more could occur in this region. Were such a catastrophe to occur, the potentially resulting dam-break would submerge numerous towns downstream, whose populations total near half a million.

In spite of concerns and protestation, operation of the Vidyut Dam continues and is completed. But VHDCL was aware of these and tried to respond in a constructive way. The spirit of CSR initiative is depicted by its CSR initiative title 'VHDC Sahridaya' (Corporate with a Human heart), wherein the focus areas are:

- *Shiksha* - Education Development
- *Svasth* - Nutritional Health and Sanitation and Drinking Water Projects
- *Nipun* - Livelihood Generation and Skill Development Initiatives
- *Unnaati* - Rural and Infrastructure Development
- *Yogy* - Empowerment Initiatives
- *Srrishti* - Environment Protection Initiatives

Out of these 'VHDC Srrishti' has some special mentions, 'Environment Focussed Initiatives' is working with three objectives Soil and Water Conservation, Green Energy Generation and Technology Promotions and Environment Protection and Promotion.

To conserve soil and water VHDCL is working on water harvesting and water harvesting tanks (capacity 3,000 litres each) were installed in the project affected villages for rainwater harvesting. Through this activity, beneficiaries were able to store almost 9 lakh litres of rainwater during monsoon. In addition, VHDCL under this program installed more than 730 LED based Solar Street Lights and more than 180 LED based Solar High Mast Lights in near-by towns and villages in year 2019-20. Moreover, to promote plantation of different fruit, fodder, and medicinal plants, VHDCL planted 2,70,202 plants/ sampling till now.

VHDCL has won many awards in the last decade in different categories including CSR domain, but most recent and relevant (for case study) among them are→

- HR Platinum Award for Training Excellence in 2019-20
- National CSR Leadership Award 2020
- CSR Innovation and Leadership Award 2020

It has not only gained recognition in term of awards, VHDCL has obtained following Certifications:

- ISO 9001:2015 Certification (Quality Management System).
- ISO 14001:2015 Certification (Environment Management System).
- OHSAS 18001:2007 Certification (Occupational Health and Safety Management System).

Required

As part of the policy initiative, if VHDCL is willing to implement the Triple Bottom Line (TBL) reporting initiative; then **ADVISE** the management regarding dimensions of TBL, and what are perspectives composed by different dimensions of TBL. Also, enumerate the challenges, expected benefits, and initiatives under each dimension in context of Vidyut Dam and Vidyut Hydroelectric Power Plant (1,000 MW).

Solution

British business author **John Brett Elkington** in year **1994** coined the term **TBL**. Every business needs to be **sustainable, rather than** only **profitable**. A business is said to be sustainable, when management makes sustainable business decisions. To consider sustainability of business decision there are three bottom lines i.e. **People, Planet and Profit** (also known as dimensions of TBL), instead of single bottom line (i.e. Profit).

Here-in VHDCL, shows *strong commitment for CSR* through the certification (regarding quality, environment and safety) they obtained and also through the awards they won (in the domain of CSR and Training).

Dimensions (sets) of TBL

(i) **People,** the **social equity** bottom line relates to corporate governance, motivation, incentives, health and safety, human capital development, human rights and ethical behaviour.

The project has major concerns about the **displacement of town inhabitants**, followed by reduction in flow of Karaka River from the normal 1,000 cu ft/s (28 m^3/s) to a mere 220 cu ft/s (6.3 m^3/s). Former concern is more significant than the later concern, because later was of short duration; it is obvious when the reservoir is filled to its maximum capacity, the flow of the river will again become normal. Regarding the displacement, it is mentioned in the case itself that according to the 2003 status report of the public work department, the Dam replaced 15,550 families. Further, this estimate excludes a large number of people who lost their lands but have not been officially recognised as project-affected. Even those officially recognised, allotted with land of poor quality or with multiple ownership claims. This concern substantiates in absence of a full-proof master plan.

It is not the case that local resident were/ are in complete distress, they were/are compensated with **alternative and better facilities** and **remedies** as well that too at **project cost**, which includes the:

- Development of hill station to attraction for tourism – The New Chapala Town (NCT) is developed with semi-ultra-modern facility at height of 1,555-1,855 m above MSL as pre-planned hill station which will attract the tourist. By creation of lake due to the impoundment of the reservoir of Vidyut Dam, scope of water sports is there. Hotels, Guides and Tour and Travels will cause *employment opportunities* for locals.
- Better road network leads to *ease of living* and *improved communication channels* which also help in establishing suitable industries according to environmental aspects.
- Shifting of district head quarter to NCT results in reduction of distance of travel by town residents to reach to district head quarter for any task by about 65 kms, hence *life of locals will be further eased.*
- *Improved health facilities* - NCT equipped with better health facilities. It got 80 bed modern hospital against a 25 bed hospital situated in old Chapala town. Apart from this also got 5 primary health centres with additional 75 beds in total.
- *Improved Education facilities* in terms of hostel facility of 900 students and increase in number of inter-colleges.

Not only the local resident (directly affected), ***other too got benefit from project***, such as 250 cusecs (~162 million gallons per day) of water supply to neighbouring state, which will meet drinking water need of around 4 million people, apart from 167 cusecs (~108 million gallons per day) of water supply to concerned home state, which will meet the drinking water need of around 3 million people. Power is also distributed to 10 northern states (including concerned home state) of said country.

VHDCL showed social commitment through Shiksha, Svasth, Nipun, Unnaati, and Yogy as part of their CSR initiative.

(ii) **Planet**, the **environmental** bottom line measures the impact on resources, such as air, water, ground and emissions to determine the **environmental impact** and **ecological footprints**.

The project has spurred concerns about the **environmental consequences** of locating such a large dam in the fragile ecosystem of the foothills of great mountain range, which will result in **weak ecosystem** and concerns over a **catastrophe to occur** (due to earthquake - the potential dam-break). Regarding the later concern, it is also mentioned in the case that the Vidyut dam is in a major geologic fault zone. This region was the site of a 6.7 magnitude earthquake in September 1992, with an epicentre 55 km from the dam. In response to which the Dam proponents claim that the complex is designed to withstand an earthquake of 8.4 magnitude, but some seismologists say that earthquakes with a magnitude of 8.5 or more could occur in this region. Were such a catastrophe to occur, the potentially resulting dam-break would submerge numerous towns downstream, whose populations total near half a million.

The major environmental **benefit** is generation of 1,000 MW (3,532 MU of Annual Energy) of **environment friendly** peaking power.

In order to leave improved environment footprint and to trade-off the environmental loss caused during construction, VHDCL through **initiative** 'VHDC Srrishti' working on:

- *Rainwater Harvesting* – It has installed the necessary infrastructure in the affected areas to harvest almost 9 lakh litres of rainwater during monsoon.
- *Green Energy Generation and Technology Promotions* through installing LED based Solar Street Lights and LED based Solar High Mast Lights.
- *Environment Protection and Promotion* through plantation of 2,70,202 samplings so far, of different fruit, fodder, and medicinal plants.

(iii) Profit, the **economic** bottom line refers to measures maintaining or improving the company's success in terms of adding value to shareholders.

It is an inherent feature (rather project specific concern) of hydro power projects that the duration of construction is quite lengthy and huge capital outlay is involved. In case of Vidyut Dam too, Construction began in 1979, but was delayed due to economic impact apart from social and environmental pressure. In 1987, technical and financial assistance was provided by the neighbouring country, but this was interrupted years later with political instability. Project then placed under the direction of the irrigation department of concerned home state of said country. However, in July 1989 the Vidyut Hydro Development Corporation Limited (VHDCL) was formed to manage such 1,900 MW Vidyut Hydro Power Complex; wherein 75% stake held by union government and remaining 25% stake by concerned home state government. The total expenditure for this project was USD 1 billion. Since 2007-08, which was the first year of operation, VHDCL is a profit making company.

The initiative includes the feature of variable speed, the 1,000 MW Vidyut HPP has variable speed features which can optimise the round trip efficiency under varying water levels in its reservoirs to keep the *cost of operation low*.

The quantifiable economic benefits include:

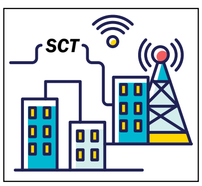
- The generation of 1,000 MW (3,532 MU of Annual Energy) of environment friendly peaking power. This will no doubt lead to industrial and agricultural growth in the northern region.
- 15% of generated power will be given free to the concerned home state, apart from power as per their share, where the distress is caused due setting up of the project. Hence, the state has economic benefit from the project too.
- Irrigation of 2.71 lakhs hectares of area, beside irrigation stabilisation of 6.07 lakhs hectares. Hence, supporting other economic activities as well indirectly.

To conclude, the project largely seems **sustainable** as running in *profit* since it was operational, leaving minimal and positive *environmental* footprint, and also payback society (especially directly affected local population) with alternate better facilities and compensation (may be with few minor exceptions or irregularity on case to case basis).

Case Scenario

Case Scenarios, as opposed to Case Studies, are *short cases.* Written in a more compact style with an appealing narrative, the Case Scenario's focus is on covering more depth in a *specific area.*

Case Scenario – Six Sigma



Smooth Connect Telecom (SCT) is the private sector telecom company. SCT is second largest player in telecom sector of country, with subscriber base of more than 10 million. SCT achieved this magnificent growth by acquiring competitor in recent years. SCT deals in fixed line telephone services, corporate services and mobile (cellular) services. SCT is meeting all the requirements from regulator in efficient and timely manner.

SCT is known for continuous innovation in its services, with changing pace of technology and business need like wise use of Optical Fiber Wire and VoLTE (Voice over Long-Term Evolution) etc. This helps the SCT in acquisition of many corporate clients.

The largest player in telecom industry is Voice Telecom, which is resulting company out of corporate restructuring of state-owned telecom corporation. Voice Telecom still own largest market share due infrastructural advantage over other players in the market. SCT is also facing tough competition from Voice Telecom on pricing and customer volume.

Majority of telecom operators, including SCT and Voice Telecom, usually criticised by customers for poor customer services, misallocation of call duration and call drop; but majority of complaints are on account of;

a. Calculating wrong tariff, and
b. Dull and delayed response from customer care executives.

Hence, by focussing on customer services, if SCT improves its billing process and handles the customer complaints wisely; then SCT can gain competitive advantage over other players including Voice Telecom. In order to improve the quality of customer services, SCT decide to practice Six Sigma initiative.

Required

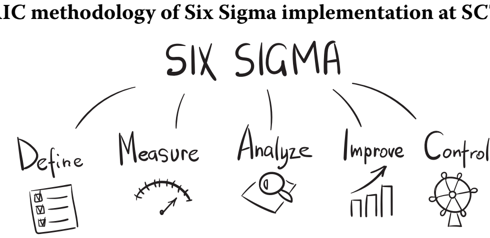
Enumerate the modus operandi that 'how SCT can **APPLY** DMAIC method to implement Six Sigma.'

Solution

Six Sigma was first used by Mr Bill Smith of Motorola Corporation in 1986 for *improvement of manufacturing process and elimination of defects.* Six-Sigma seeks to improve the quality of process by identifying and removing the cause of defects (defect can be anything, which lead to customer dissatisfaction). Six Sigma uses quality management and statistical methods with special infrastructure of people. Six-Sigma can be implemented through two methodologies;

1) **DMAIC** (Define, Measure, Analyse, Improve and Control) - Improve existing business process (remove defect).
2) **DMADV** (Define, Measure, Analyse, Design and Verify) - Create new business process (defect free).

DMAIC methodology of Six Sigma implementation at SCT



Define – Define the improvement area

Define includes definition of customer requirement or problem faced by customer.

First and foremost, requirement of is to ensure customer must be billed correctly, because wrong billing may lead to either of;

a. Delayed revenue – due to litigation for wrong billing
b. Loss of revenue – due to porting to alternate telecom operator by customer

Customer care *executives need to be trained*, so that they can guide the customer in most appropriate way and ensure lowest possible wait time to solve customer complaint.

Measure – Existing process for comparison

Existing performance needs to be measured

Since performance need to be measured specially in two domains 'billing processes' and 'customer complaint handling', hence SCT needs to have a system through which it can collect reliable information (likewise number of complaints as percentage of total customers, similarly wrongly billed customers against total customers; is there any process of reissue the correct bill? – if yes –than in how many cases it is issued? and average time to solve complaints) in order to measure existing performance.

Performance is required to be measured against each of *critical success factors* (which will create value for customer).

Analyse – Cause effect relationship between factors of process

Existing process needs to be mapped in order to determine the root cause of problem

SCT should further analyse the information collected in second point (measure) above for determining the performance, in order to reach to root cause of customer complaints and wrong billing; So that necessary *preventive* and *corrective* steps then can be taken.

Improve – Plan improvement on basis of analysis

Existing process need to be improved in order to mitigate the root cause threats

Once the SCT done with the analysis, it has to identify the possible solution to root causes, in order to improve the performance.

Any improvement, which is so ever is suggested; needs to be both **feasible** from SCT prospective and **valuable** from customers' perspective.

Improvement can be done by reissue of bill where it was wrongly issued earlier, if already process of revision of bill is in existence than wait time for reissue need to be curtailed.

Control – Continuous control to identify and correct the process variance

Improved processes need to be controlled continually in order to assure enhanced performance shall be maintained

Post improvement in process (issue of bill and handling of customer complaints), the manager who is responsible for such process at SCT need to assure continuous control over the process, so that customer services should create same value for customer and keep them satisfied.

For monitoring, KPI against CSFs can be established and reported on daily basis, likewise number of complaints (especially which remain unresolved at day end) and wrong billing cases. These KPI will also act as early signal to Line Manager or Senior Management.

In order to implement Six Sigma as per DMAIC method, SCT need to form a team of line managers from different processes which are need to be improved (or critical from prospective of customer services). Team and implementation project should lead by some senior management person (may be CEO him-self).

Case Scenario – Performance Measurement

Shakti Automobiles Limited (SAL) is a leading battery based e-rickshaw manufacturing firm, under brand 'Shah Swaari' in three models – Super, Star, and Speed. SAL started this business around 5 years back when it was only manufacturer of such e-rickshaw. SAL manufactures all assembly components themselves, irrespective of fact that these components can be acquired from market at a cheaper rate. Major component of total costs in manufacturing of such e-rickshaw is variable in nature. Company was performing well, earning reasonable and enjoyed large market share up-till two year ago majorly due to first mover advantage. But due to increasing competition as new entrant coming into market and rough macro economic conditions, market share starts shrinking; resultantly profit starts declining. If no major steps taken, then company may run into red in year to come.

Mr Pillai, CEO attended some workshop last week, where he learned about the lean management and techniques of cost management. He asked Mr Reddy, Chief Management Accountant to report on underlying reasons behind current performance with available set of possible solution. Mr Reddy immediately convened a meeting of top ranked officers, which is chaired by CEO, at meeting;

Mr Swami, VP Marketing mentioned that it is difficult to maintain same level of sales in upcoming years because price of Shah Swaari is much higher than price offered by all the competitors in market. Quality and features of other are also similar.

Mr Dutta, Customer Relation Officer also supported Mr Swami and said that the popularity of their product is declining, he quoted that he receives lot of complaints from buyers in e-mails and tele-calls due to manufacturing defects; which arise in product within a month period of purchase and frequency of such calls and emails have increased in recent years. He also mentioned that in some cases, customer reported that assembled part did not belong to model they purchased, and some customers say, assembly is not as per specification provided.

Mr Sodhi, Head Workshop and Repairs agrees that the repair issues in case of recently sold vehicle have been increased.

Mr Murthy, VP Production and Operations who recently joined the SAL replied, firstly large percentage of worker are unskilled; secondly due to large amount and categories of raw materials, dumped by store at production floor; that's too well prior to need. These two reasons cause worker fails to differentiate among parts which appear similar. He also mentioned entire business process, especially production process is quite old and contains certain activities which are purely unnecessary, he also highlight importance of industry 4.0 and give stress on business re-engineering through artificial intelligence, machine learning, etc.

Mr Naidu, VP Purchases immediately responded about economics of discount involved behind purchase of large quantity and also mentioned buying too less may lead to stock-out situation.

Required

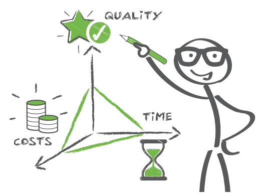
You were also presented at meeting as deputy to Mr Reddy. Post meeting you came back to your desk and start working. Mr Reddy called to you to his cabin, on reach to his cabin; he asked you to prepare draft of report (**ADVISE**) seek by CEO; and meet him with copy of draft after half an hour from now.

Solution

Report

Addressed to;
Office of CEO,
Shakti Automobiles Limited (SAL).
Dated – 19th Jan 2021

Report on underlying reasons behind current performance and Lean Management, Cost Management tools



(i) First reason behind weak financial performance is highlighted by Mr. Swami i.e. **Price** of SAL's Product Shah Swaari is much higher than price offered by all the competitors in market. Quality and features of other products are also similar.

 Target Costing as cost management technique can be applied. Since market condition are stiff and *bargaining power of customers* is high due to multiple competitors, and these competitors are selling the product at price lesser then price offered by SAL. Hence, price offered by such vendors should be considered as 'Target Price' and after reducing 'Target Profit' from same 'Target Cost' can be identified. Production, operations facilities along with product need to be reengineered to achieve such 'Target Cost'.

(ii) Second reason is that SAL manufactures all assembly components themselves, irrespective of fact that these components can be acquired from market at a cheaper rate.

 Relevant cost of both, **'Make or Buy'** needs to be compared. As mentioned that major component of total costs in manufacturing of such e-rickshaw is variable in nature, hence, such major component of costs can be controlled if SAL buy the all the components instead of Making them.

 Only those products need to be made in house whose variable cost of manufacturing is less then market price and vice versa.

(iii) Third and major reason is popularity of their product is declining, this is evident from declining in market share and lot of complaints from buyers in e-mails and tele-calls for manufacturing defects.

 Since these defects arise in product within month period of purchase. Hence, product needs to be looked at. Further, some of cases customer reported that assembled part is not belonging to model they purchased and some customers say assembly is not as per specification provided. Hence, quality is needed to be ensured in the product delivered.

One of way to look at **'Quality'** is conformance to need of customer, to ensure same Total Productivity Management/ Total Quality Management supported by Six Sigma need to be applied as part of Lean System Management.

Total Quality Management is management of entire process, including planning process, to meet customer's requirements. **PRAISE** analysis can be used in order to achieve improve quality.

Using **DMAIC** (Define, Measure, Analyse, Improve and Control) methodology of **Six Sigma**, existing business process can be improved to ensure customer satisfaction, reducing cycle time and reduction in waste also.

(iv) Fourth reason being, large percentage of worker are unskilled. Each worker should be provided with ***requisite training***. Though ***Kaizen***, workers should be involved into improvement of existing process so that they become able to address small problems or improve a process.

(v) Fifth and second major reason is large amount and categories of raw materials, dumped by store at production floor; that's too well prior to need. This reason may be root cause of one of complaint by customer that assembled part is not belong to model they purchased.

JIT can be implemented as part of lean system. JIT is **pull system of production**, with **single piece flow** after considering **takt time**. In JIT, production facility is need to be integrated with vendor system for signal (Kanban) based automatic supply which depends upon demand based consumption. Under JIT system of inventory storage cost is at lowest level due to direct issue of material to production department as and when required and resultantly less/no material lying over in store or production floor.

Note - Takt time is the maximum time to meet the demands of the customer, this will help to decide the speed of/at manufacturing facility. Heijunka can be applied in order to reduce variation between takt times over the production.

Cost benefit analysis of 'reduction in storage cost along with opportunity cost saved' and 'increase in ordering cost, purchase cost along with stock-out cost' need to be made.

(vi) Sixth reason for low performance is **old established businesses processes,** especially production processes and contains **certain activities which are purely unnecessary**.

Value Analysis is need to be applied in order to ensure maximum value to customer by eliminating activities which are not value generating, this will control cost also, that's too strategically.

Process Innovation and **Business Process Re-engineering** can also be applied. Re-engineering is rethinking and radical design of business process in order to achieve improvement. It will help the SAL to keep them at par with changing technology by synchronisation along with redesign, retool the business process.

Further details can be tabled on requisition basis.

Closure of Report

Mr Reddy,
Chief Management Accountant
(For Management Accounting Division)
Shakti Automobiles Limited

Skill Assessment Based Questions

The questions at this level are based on **skill assessment**. An illustrative list of the verbs that appear in a question requirement for each question is given in November 2019 issue. It is important that students answer the question according to the definition of the verb.

Question 1

About Problem	Target Verb/(s)
Life Cycle Costing	Advise

Royal Bakers is famous for cakes and cookies. Mr Das the owner at Royal Bakers is interested in offering affordable products to their customers, hence keen to capture the small scope of cost-effectiveness. Royal Bakers located in the centre of the city where space has a huge cost and royal baker is running out of space during peak hour causing loss of sale. Most of the customers are regular to Royal Bakers. Royal Bakers is known for fast service, Mr Das wish to be true to the tagline *'Close your eyes to wish and open them to find it cooked for you.'* The hurdle rate is 12%.

Non-availability of skilled workers and high attrition rate of workers including chefs is the cause of worry for Mr Das. In order to retain workers, Royal Bakers is paying a higher salary than industry standards. The raw material is easily available as and when required. Royal Bakers is considering two different models of baking oven machine to replace its old oven. The baking capacity of both machines are the same and both will occupy a similar amount of space.

The first model is the automatic oven which will cost about ₹10,00,000. Another model is the semi-automatic oven which will cost at ₹5,60,000. The annual operating cost (including depreciation) is 40% of the acquisition cost and ₹4,20,000 in case of automatic and semi-automatic oven *respectively*. After 3 years of use, the automatic oven can be salvage at ₹70,000, whereas semi-automatic oven will fetch ₹20,000 only. The automatic oven is more advanced and equipped with latest technologies to speed up the baking, because only ingredient need to be inserted in right proportion and mix. Whereas in semi-automatic machine some part of the process needs to be performed manually by the workers.

Required

ADVISE which oven shall royal baker acquire.

Note- You can ignore taxes but need to consider the time value of money; decimal accuracy up-to two digits is expected.

Answer

Statement of the Comparable Life Cycle Cost

Particulars	Automatic (₹)	Semi-Automatic (₹)
Acquisition Cost	10,00,000	5,60,000
PV of Entire Life Cash Operating Cost (W.N.2)	2,16,000	5,76,000
PV of Salvage Value (W.N.3)	(49,700)	(14,200)
Total Cost of the Oven *over the life cycle*	11,66,300	11,21,800

***Note** – Hurdle rate of 12% (marginal cost of capital rate) is considered, for purpose of application of time value of money.*

Working Note 1 – Depreciation (₹)

Particulars	Automatic	Semi-Automatic
Acquisition Cost	10,00,000	5,60,000
Salvage Value	70,000	20,000
Depreciable Value	9,30,000	5,40,000
Useful life in a number of years	3	3
Depreciation on SLM basis	3,10,000	1,80,000

Working Note 2 – Present Value of Entire Life Cash Operating Cost

Particulars	Automatic	Semi-Automatic
Annual Operating Cost	4,00,000	4,20,000
Depreciation (see W.N. 1)	3,10,000	1,80,000
Annual Cash Operating Cost	90,000	2,40,000
Cumulative PV factor @ 12% for 3 years	2.40	2.40
PV of Entire Life Cash Operating Cost (₹)	2,16,000	5,76,000

**Annual operating cost is 4,00,000 i.e., 40% of 10 Lakhs, in case of automatic machine.*

Working Note 3 – Present Value of salvage value

Particulars	Automatic	Semi-Automatic
Salvage Value	70,000	20,000
PV Factor @ 12% for 3rd year	0.71	0.71
PV of Salvage Value (₹)	49,700	14,200

Advise

Based upon life cycle cost, Royal Bakers are advised to acquire semi-automatic oven, because it causes a **saving of ₹44,500**. The cost has ***qualitative implications*** too, apart from quantitative or monetary implications. Similarly, a management decision is also impacted by qualitative and non-monetary quantitative factors. Hence, decision taken in part a above may differ if Royal Bakers consider-

Finishing of bake products – the look and taste

It is obvious the presence, which one important feature for bakery product in order look delicious and tempting; will be way different if cooked in the automatic and semi-automatic machine. The taste may also be different, which is more critical from prospective of customer retention because a large number of the customers are regular to the royal baker, hence maintaining the principal customer is maybe a key consideration. This factor may go in favour of any of version oven. If look goes in favour of automatic oven, then taste may be in semi-automatic due to corrections by the worker during baking and relatively authentic preparation.

Manpower

Availability of skilled workers and retention of workers is the cause of worry presently. In order to operate an automatic oven obviously fewer workers are required; hence money can be saved by cutting down recruitment cost and excess salary paid to the worker in order to retain them. On the other hand, skilled workers are already in scarcity, automatic machine obviously requires a more technically competent operator. But largely this factor moves in favour of automatic machine despite is costlier.

Space

Royal Bakers located in the centre of the city where space has a huge cost and Royal Bakers is running out of space during peak hour causing loss of sale. Although the size of both the ovens are same, the number of worker and space required for them surely be less in case of the automatic oven. Hence, this factor again moves in favour of automatic oven.

Power consumption and availability

Although the power consumption cost is presumed to already include in annual operating cost hence considered as a monetary factor but need and availability of power is a very important factor; in order to ensure uninterrupted baking. In the absence of stand-by power back-up, power cut may lead to downtime. It will complete downtime for the automatic oven and to a certain extent in the case of semi-automatic (because the manual process will keep going on). Stand-by power back-up will also have an additional cost.

Customisation

In case of cookies, it may be ok to produce the standard product; but the cake needs to base upon the order of the customer, who may seek customisation. Scope of customisation needs to evaluate. In the case of the semi-automatic oven, the scope of customisation and ethnicity will be relatively high.

Speed

Royal Bakers is known for fast service, and Mr Das wish to be true to tagline 'Close your eyes to wish and open them to find it cooked for you'. The automatic oven is more advanced and equipped with latest technologies to speed up the production. Hence, this factor moves in favour of automatic oven.

Detection of the defect

If speed thrills, then it kills too. In case of the bakery, rework and reprocessing is hardly possible, even if possible then at a huge cost; hence, it is essential to keep vigil control over quality and detection of defect at the earliest stage. In the semi-automatic oven, there is the scope of reviewing the material after stage/s and improvisation can be done.

Overall, Royal Bakers should take the decision only after due and careful consideration of above factors.

Question 2

About Problem	Target Verb/(s)
Theory of Constraints	Calculate, Interpret, Apply

Ajanta Digital Solutions (ADS) is a renowned name for manufacturing a wide variety of digital stationery products for office and academic use. The 'Abacus division' of ADS is engaged in the production of basic calculators, capable of academic and commercial use. Presently Abacus is manufacturing only three models, named C-100, C-125, and C-500. These calculators are sold to customers through wide-spread retailers and distributors' network across the country.

During manufacturing process, each calculator needs to pass through various steps, before it gets ready. PC-IA is the essential step and performed manually, where processing chip is being installed, activated, and tested. The production capacity of Abacus is constraint by PC-IA. The basic information pertaining to top-line and the prime cost is as follows (Amount in ₹)-

Particulars	C-100	C-125	C-500
Sale price per unit	140	200	450
Material cost per unit	72	104	200
Labour cost per unit	30	52.5	75

All the process and division at ADS are operating for a single shift of 8 hours in a day. Conversion cost per hour (including labour cost) is ₹5,600. The standard output for PC-IA during a day is the processing of either 800 units of C-100 or 560 units of C-125, or 320 units of C-500. ADS is capable of sale more than, what they are presently capable to produce in all range of models. The CEO of ADS recently attended a science fair, Robo-tech 4.0; where he saw a Robot developed by Synergy Robotics Limited, capable to assembly including installation of processing chip to any sort of device.

Required

Management hired you as cost consultant, advice on the following aspects→

(i) On a random day if 480 units, 140 units and 120 units of C-100, C-125, and C-500 respectively are produced and sold, CALCULATE at what efficiency level current constraint (bottleneck) is operational. INTERPRET the same. COMPUTE profit earned during such day.

(ii) FIND production of which model is more beneficial, considering the ranking (based upon throughput performance ratio).

(iii) APPLY Goldratt's five steps to remove the bottleneck at Abacus.

Answer

(i) Efficiency level can be measured with help of Efficiency Ratio, which is one among the control ratios.

Efficiency ratio indicates the degree of efficiency attained in production. It is expressed in term of standard hours for actual production as a percentage of the actual hours spent in producing that work.

$$\frac{\text{Standard hours for actual production} \times 100}{\text{Actual hours worked}}$$

= (9.8/8) × 100

= 122.5%

Working Note – Standard hour required for actual production

Product	Actual output (Units) (a)	Standard Daily Output (Units) (b)	Standard Hourly Output (Units) (c) (b)/8	Standard Hour Required (a)/(c)
C-100	480	800	100	4.8
C-125	140	560	70	2
C-500	120	320	40	3
Standard Time Required (in hours)				9.8

Interpretation – 122.5% signifies that efficiency (usage) of exploiting bottle-neck activity is 22.5% better than the standard use. PC-IA is producing out-put which require 9.8 hours, in 8 hours.

Profit earned during the day

Particulars	Amount in (₹)
Revenue [(480×140) + (140×200) + (120×450)]	1,49,200
Less: Material Cost [(480×72) + (140×104) + (120×200)]	73,120
Less: Conversion Cost (including labour cost) [5,600 × 8hrs.]	44,800
Profit	31,280

(ii) Statement of ranking, based upon throughput performance ratio (using throughput contribution)

Particulars	C-100	C-125	C-500
Sale price per units ...(a)	₹140	₹200	₹450
Material cost per unit ...(b)	₹72	₹104	₹200
Throughput contribution per unit ...(c) = (a) – (b)	₹68	₹96	₹250
Maximum possible production ...(d)	800	560	320
Maximum possible throughput contribution ...(e)= (c)×(d)	₹54,400	₹53,760	₹80,000
Conversion cost (including labour cost) (5,600×8hrs) ...(f)	₹44,800	₹44,800	₹44,800
Throughput performance ratio ...(e)/(f)	1.21	1.20	1.78
Ranking	II	III	I

Considering the throughput performance ratio (or TA ratio) and ranking above most beneficial model to produce is C-500 followed by C-100 and C-125.

$$\textbf{TA Ratio} = \frac{\text{Throughput contribution}}{\text{Conversion cost}}$$

- Throughput accounting developed by Galloway and Waldron which use the term factory cost and completely relay upon the Goldratt's theory of constraints which use the term operating expenses, but the meaning of factory cost and operating expenses used at both places are *identical*.
- Theory of constraints consider *short-run time horizons* and assume other current operating cost to be fixed costs.
- Higher the throughput performance ratio (or TA ratio) is better and beneficial.
- All the products/ models which have throughput performance ratio (or TA ratio) **more than one** may be produced/ continued to produce, depending upon constraint function.

(iii) Application of Goldratt's five steps to remove the bottleneck at Abacus

Goldratt's theory of constraints describes the following mentioned five steps process of identifying and taking steps to remove the bottlenecks that restrict output.

1. **Identifying the System Bottlenecks –** At Abacus division of ADS, PC-IA is bottleneck.
2. **Exploit the Bottlenecks –** Bottleneck activities' capacity must be fully utilised. Although the efficiency of bottleneck activity is already 122.5% but further attention on the possibility to enhance the flow of products from bottleneck activity is needful.
3. **Non-bottleneck activities are subordinate –** Bottleneck activity should setup the pace for non-bottleneck activities. Abacus shall plan its production keeping PC-IA at the centre point, because even if the efficiency of other activities which are non-bottleneck enhanced beyond current level; the output can be maximum possible by PC-IA.
4. **Elevate the bottleneck –** Eliminate the bottleneck by enhancing the capacity and efficiency. Major change (business reengineering) or continuous minor change (Kaizen) may do. In the case of Abacus, the introduction of the robot may be a way to elevate the bottleneck.

   Note – There will always be one bottleneck in the system, if such bottleneck is eliminated then a new constraint emerges as a bottleneck. Hence, this process continues. Ultimately improvement is a never-ending continues process.
5. **Repeat the process –** Apply step 1 to new bottleneck activity which emerges at Abacus and repeat the process.

Question 3

About Problem	Target Verb/(s)
Target Costing	Explain, Calculate, Evaluate

Venice Light Works (VLW) manufactures multicolour glow bulb (MCG-10) used for lighting and decoration. MCG-10 considered as reliable product in market due to zero-defect. VLW sells MCG-10 through retail-chains and individual shopkeeper apart from factory outlet. MCG-10 has demand throughout the year but there is high demand during festival seasons especially ahead of Diwali. Company follows the lot purchase system and manufacture the product ahead of peak season of festivals. Presently the VLW is working at 80% of capacity and manufacture 4,00,000 bulbs annually, at following per unit cost:

Particulars	Behaviour	Amount (₹)
Direct Material	Variable	22
Direct Labour	Variable	6
Factory Overhead		
1. Engineering Cost	Fixed	10
2. Machining Cost	Fixed	5
3. Inspection Cost	Variable	5
Administration Overheads	Fixed	12
Selling and Distribution Overheads	Fixed	12
	Total Cost	72

Recently the competition in decorative lights and electronic markets has escalated, due to goods imported from Chinese manufactures at cheap rates. Such imported light bulbs are also sold through same shops at which MCG-10 is available for sale. Due cheaper in rate customer prefer imported light bulb rather MCG-10.

To be competitive in market, the marketing department of VLW conducted applied research and suggested that price should be 12.5% lower than the current prices. VLW during last three financial years and during current year records the pre-tax profit @ 10% rate of sale, management of VLW wish to earn the same rate of profit (margin) in upcoming years too.

Production and operation manager is of opinion that cost reduction, in order to be competitive in market may result in reduction in quality, whereas Manager - Quality control suggests, if number of inspection staff increased, then inspection can be performed at each stage and defect can be curtailed at the earliest stage to eliminate rework cost.

Management accountant is of the opinion that since MCG-10 is mature product, hence majority of cost associated in production of MCG-10 are committed in nature, price cutting seems difficult; it may hit the top line and bottom line adversely. In response to him, Chief engineer suggest product (MCG-10) can be redesigned; but marketing manager shown his resistance on the suggestion of redesigning of product because according to him 'existing product appearance and features are key reasons for popularity of product in market and leads to sale'.

Required

(i) CALCULATE the price suggested by marketing department.

(ii) COMPUTE the target cost and new margin, appraise percentage decline in margin.

(iii) If proportionate cost reduction plan is applied, then

(a) CALCULATE planned cost reduction for each cost category.

(b) EXPLAIN proportionate cost reduction plan.

(iv) Based upon discussion taken place among the functional manger, EVALUATE the possibility of cost reduction in order to analyse the possibility of application of target costing. Also suggest course of action to adopt.

Answer

(i) Price suggested by marketing department (Target Price)

Current cost per unit – ₹72 per unit
Profit (Margin) @10% of sale price
Sale Price = ₹72 + 10% of Sale Price
So, let presume sale price is 'X'
X = ₹72 + 10% of X
X = ₹72 + 0.1X
X - 0.1X = ₹72
0.9X = ₹72
X = ₹72/ 0.9
X = ₹80
New price will be 12.5% less than current price
₹80 – 12.5% of 80
₹80 – ₹10 = ₹70

(ii) Target cost and new margin

Target Price – Margin (i.e. 10% of sale price) = Target Cost
Target Cost = ₹70 – 10% of 70
₹70 – ₹7 = ₹63
New Margin (under target costing) is ₹7

Percentage decline in margin

$$\frac{\text{Existing Margin} - \text{New Margin (under target costing)}}{\text{Existing Margin}} \times 100$$

$$= \frac{8-7}{8} \times 100$$

= 12.5%

Note

There is decline in margin in absolute term, whereas in relative term the margin remains same i.e. 10% of sale price.

(iii) Planned cost reduction for each cost category under proportionate reduction plan

Amount in ₹

Particulars	Existing Cost	Target Cost
Direct Material	22	19.25
Direct Labour	6	5.25
Factory Overhead		
1. Engineering Cost	10	8.75
2. Machining Cost	5	4.375
3. Inspection Cost	5	4.375
Administration Overheads	12	10.5
Selling and Distribution Overheads	12	10.5
Total Cost	72	63

Under proportionate reduction plan cost for each category is proportionately reduced in proportion of existing weight. Here, a presumption is needed to be taken that all the cost are avoidable in nature, where as in case of every business; there are some of cost categories which are true sense unavoidable and committed in such a way that, these continue to occur even in shut down situation (e.g. salary to guard, minimum rental for electricity and water meter etc.); same is pointed by Management Accountant, that product is matured in nature (means not in designing or research phase) hence committed cost may be unavoidable in nature.

Note
Students must note that fixed costs are not as same as unavoidable cost. Fixed cost may be avoidable in nature.

(iv) Possibility of cost reduction and Suggested course of action for VLW

Target costing comprises four stages. First being determining the product target price, quality, and functionality; second determine the target cost; thirdly designing the product and production process to achieve the target costing, and fourth use pilot project to evaluated feasibility. Based upon discussion taken place among the functional managers, it is evidential that VLW is presently moving towards third stage.

As stated by management accountant that product MCG-10 is mature nature hence majority of cost are of committed nature, hence may be unavoidable in nature. Product MCG-10 is *material-oriented product* and raw material cost is around 30% of total cost. So, if *gain sharing arrangement* can be entered with vendor then surely VLW can save some portion of material cost.

As said by production and operation manager, cost reduction may lead to compromise with quality. He may be right, but he needs to look for scientific way to reduce the cost of operations like change in batch size (if required can shift to JIT) or outsource some part of operations; scientific management can also be applied in order to curtail motion time and reduction in labour cost.

Quality Manager is of opinion with extra inspection staff, quality can be assured, but appointment of additional inspector and supervisor will also lead to increase in cost; hence effective way to ensure quality while reducing cost of application of practice of *TQM* and *Kaizen*. Kaizen costing will be great help to management of VLW to cut the cost, with support and participation from worker.

Chief engineer suggestion is appreciable, because target costing is most beneficial in those case where the product is in designing and planning phase. As per research around 70-80% of cost is committed at stage of designing of product. It is important to note that the word 'committed' is used as 'not incurred'; therefore, cost being committed (i.e., not incurred cost) will be incurred when it became due in course of production. But redesigning is not feasible from the prospects of marketing of product as per the statement made by marketing manager.

Marketing manager can conduct applied research in order to develop understanding the temperament of customer of MCG-10, whether they are price sensitive or conformance to need is their priority. If customer found price sensitive (existing recommendation of marketing team shows high possibility of this, because marketing team feels customers can be retained is price is reduced by 12.5%) then product redesign may opted. But if conformance to need is their (customers) priority, then *value chain analysis* can be used to identify the activities which creates value to customer and other than these activities (which are not creating the value) can be eliminated in order to reduce the cost.

So, there are possibility to reduce the cost, even if not in all the cost category then surely in some of categories; so that target cost can be achieved.

"Every effort has been made to include all possible elucidations for a given case/ question aided by outline and well-chosen photographs for quick industry/ concept reference".

CA INTERMEDIATE - PAPER 4B - GOODS AND SERVICES TAX: A CAPSULE FOR QUICK RECAP

The subject-wise capsules published in the Students' Journal every month are one among the many initiatives of Board of Studies which aim at providing quality academic inputs to students of Chartered Accountancy Course. The Capsule is an educational aid that assists students in quick revision of select topics of a subject. This Capsule covers the topics "GST in India-an introduction", "Supply under GST" and "Levy and collection of CGST and IGST" of Paper 4B Indirect Taxes of Intermediate Course (Old as well as New).

The Capsule is based on the GST law as amended by the significant notifications/ circulars issued till October 31, 2020 and is thus, relevant for students appearing in May, 2021 examination. This Capsule should not be taken as a substitute for the detailed study of these topics. Students are advised to refer to the October, 2020 Edition of the Study Material for comprehensive study and revision.

GST IN INDIA-AN INTRODUCTION

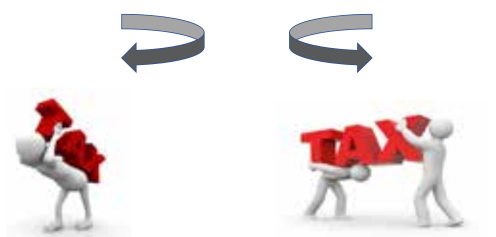
TAX

DIRECT TAX
- The person paying the tax to the Government directly bears the incidence of the tax.
- **Progressive in nature** - High rate of taxes for people having higher ability to pay.

INDIRECT TAX
- The person paying the tax to the Government collects the same from the ultimate consumer. Thus, incidence of the tax is shifted to another person.
- **Regressive in nature** - All the consumers equally bear the burden, irrespective of their ability to pay.

Burden of tax borne by the person himself.

Burden of tax shifted to the other person.



DIRECT TAX — **INDIRECT TAX**

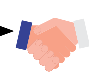
Major direct and indirect taxes
- **Indirect taxes**
  - **Goods and Services Tax**
  - **Customs Duty**
- **Direct taxes**
  - **Income tax**

Taxes Subsumed in GST

Central Taxes
- Central Excise Duty and Additional Excise Duties
- Service Tax
- Excise Duty under Medicinal and Toilet Preparation Act
- CVD and Special CVD
- Central Sales Tax
- Central surcharges and Cesses in so far as they relate to supply of goods and services

State Taxes
- State surcharges and cesses in so far as they relate to supply of goods and services
- Entertainment Tax (except those levied by local bodies)
- Tax on lottery, betting and gambling
- Entry Tax (All Forms) and Purchase Tax
- VAT/ Sales tax
- Luxury Tax
- Taxes on advertisements

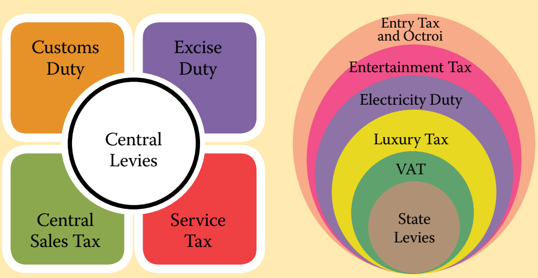
GST



Central Taxes
Tax Administrations
CEx/ST Act & Rules
Procedures

Multiple State Taxes
Multiple State Tax Administrations
Multiple Acts and Rules
Multiple Procedures

Pre-GST Indirect Tax structure in India



Single Tax - GST
Single Tax Administration
Uniform law
Computerised uniform procedures

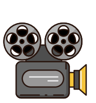
GST
- **CGST**
- **SGST/ UTGST**
- **IGST**

GST Structure in India

Genesis Of GST In India

- **2000** – In the year 2000, the then Prime Minister introduced the concept of GST and set up a committee to design a GST model for the country.
- **2006** – Announcement by Union Finance Minister, during the budget of 2006-07 that GST would be introduced from April 1, 2010.
- **2014** – The Constitution (122nd Amendment) Bill was introduced in the Lok Sabha.
- **Aug 2016** – The Constitution (101st Amendment) Act was enacted.
- **Sept 2016** – First GST Council Meeting
- **March 2017** – GST Council recommends CGST, SGST, IGST, UTGST and Compensation Cess Bill.
- **April 2017** – CGST, IGST, UTGST and Compensation Cess Acts passed.
- **May 2017** – GST Council recommends all the rules.
- **June 30, 2017** – All States except J & K passed their SGST Act
- **July 1, 2017** – GST launched
- **July 8, 2017** – SGST Act passed by J&K; CGST and IGST Ordinances promulgated to extend GST to J&K.
- Journey continues

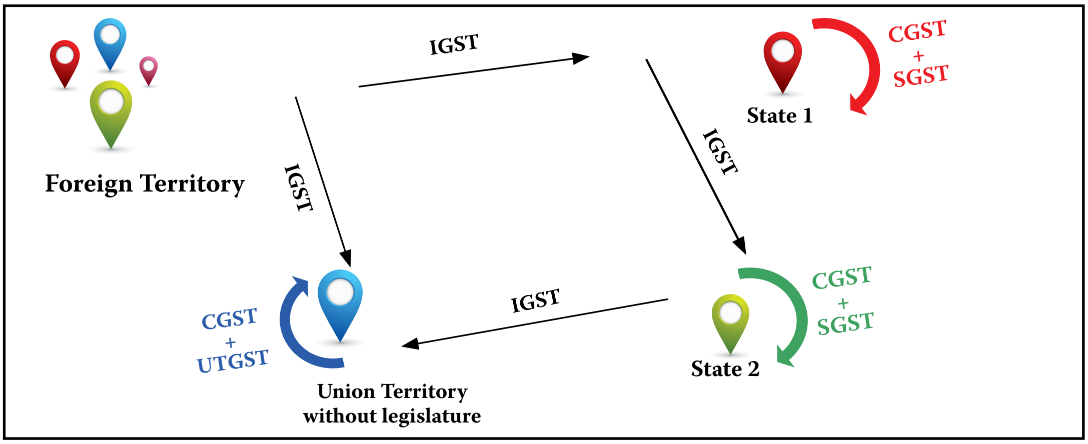
Within GST or outside GST?

	Alcohol for human consumption.	Power to tax remains with the State.
	Five petroleum products – crude oil, diesel, petrol, natural gas and ATF.	GST Council to decide the date from which GST will be applicable.
	Entertainment tax levied by local bodies.	Power to tax remains with the local bodies.
	Tobacco	Within the purview of GST. Power to levy excise duties, also retained.

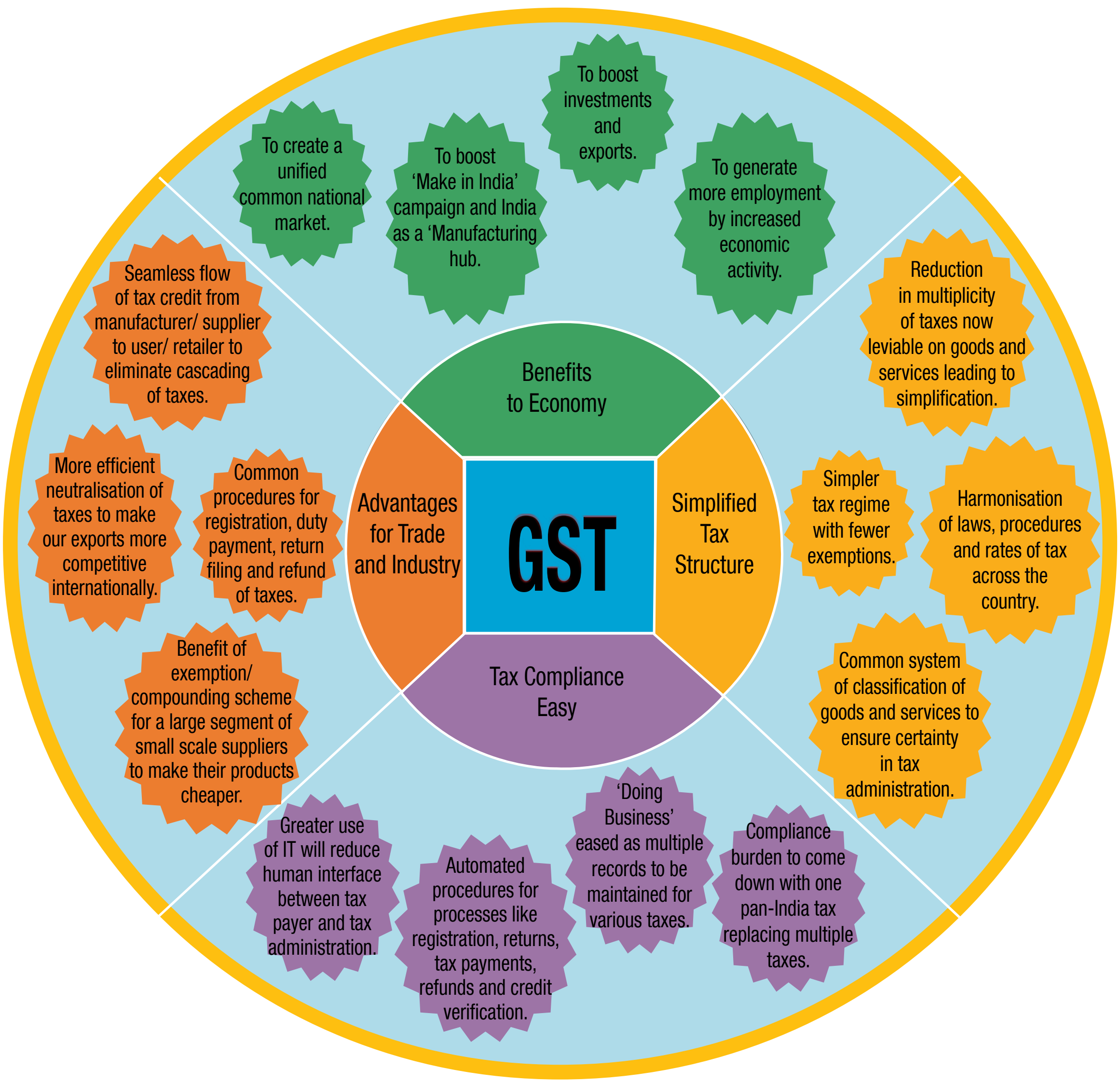
Concept of GST

Manufacturer (₹)	Distributor (₹)	Retailer (₹)	Consumer (₹)
Cost: 1,00,000 GST @ 18%= 18,000	Cost: 1,00,000 Profit: 11,200 Sale Price: 1,11,200 **GST @ 18% 20,016**	Cost: 1,11,200 Profit: 24,640 Sale Price: 1,35,840 **GST@ 18% 24,451.20**	Cost: 1,60,291.2 (1,35,840 + 24,451.20)
Input Tax Credit= NIL	Input Tax Credit= 18,000	Input Tax Credit= 20,016	Input Tax Credit= NIL
Paid to Government GST = 18,000	**Paid to Government** GST = 2,016 (Output tax – Input tax)	**Paid to Government** GST= 4,435.20 (Output tax – Input tax)	**Tax Borne by the Consumer** 18,000 + 2,016 + 4,435.20 = 24,451.20
Value Addition= 1,00,000 GST @ 18%= 18,000	Value Addition= 11,200 GST @ 18%= 2,016	Value Addition= 24,640 GST @ 18%= 4,435.20	Value Addition= NIL

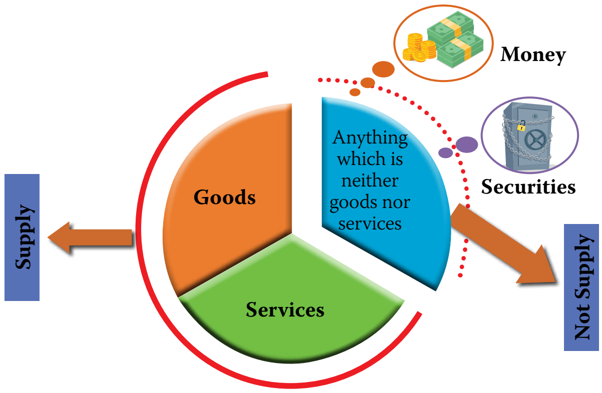
CGST/ SGST/ UTGST/ IGST

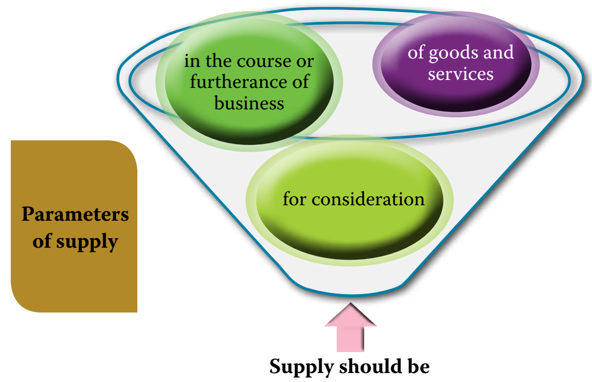


Benefits Of GST

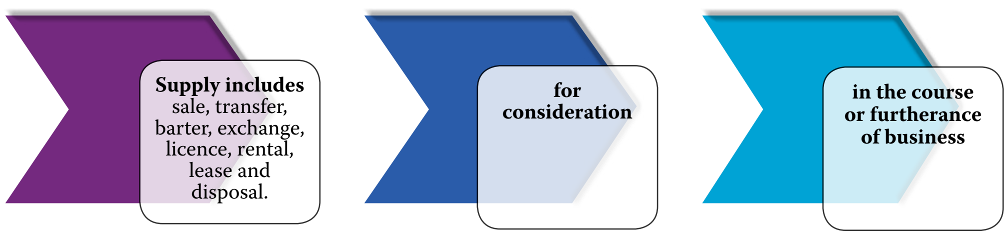


SUPPLY UNDER GST



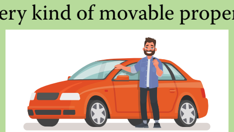


CONCEPT OF SUPPLY- SECTION 7 OF THE CGST ACT



Definition of Goods and Services

Goods → means → Every kind of movable property



Services → means → Anything other than goods

excludes

Money and securities

Goods includes

(i) actionable claim
(ii) growing crops, grass and things attached to/ forming part of the land which are agreed to be severed before supply or under a contract of supply.

Services includes

Activities relating to:
(i) Use of money or
(ii) Conversion of money by cash/by any other mode, from one form/ currency/ denomination, to another, for which a separate consideration is charged.

Definition of Business

(a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;

(b) any activity or transaction in connection with or incidental or ancillary to (a) above;

(c) any activity or transaction in the nature of (a) above, whether or not there is volume, frequency, continuity or regularity of such transaction;

(d) supply or acquisition of goods including capital assets and services in connection with commencement or closure of business;

(e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members, as the case may be;

(f) admission, for a consideration, of persons to any premises; and

(g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;

(h) activities of a race club including by way of totalisator or a license to book maker or activities of a licensed book maker in such club

(i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities

Definition of Consideration

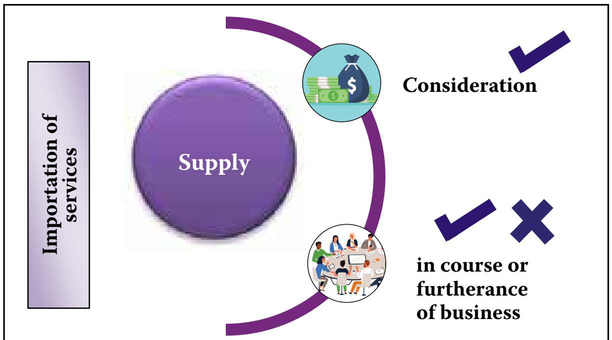
CONSIDERATION

- Payment in money or otherwise for the supply
  - Deposit to be considered as payment
  - ONLY
  - When the supplier applies such deposit as consideration for the said supply
- Monetary value of any act or forbearance for the supply
- By recipient or any other person
  - Excluding subsidy given by Central/ State Governments

Supply

- **includes**
  - Supply for consideration in course or furtherance of business [Section 7(1)(a)]
  - Importation of services for consideration whether or not in course or furtherance of business [Section 7(1)(b)]
  - Supply without consideration [Section 7(1)(c) + **Schedule I**]
- **excludes**
  - Non-supplies [Section 7(2) + **Schedule III**]
- Activities to be treated as supply of goods or supply of services [Section 7(1A) + **Schedule II**]

Importation of services for consideration whether or not in course or furtherance of business [Section 7(1)(b)]



Supply between related persons or distinct persons

Related/Distinct Person 1 ⇄ Related/Distinct Person 2

Supply of goods or services

in course or furtherance of business

Employer → Employee

Gifts ≤ ₹ 50,000 in a FY → **No supply**

Deemed Supply

Supply between principal and agent

Deemed Supply

Principal → supplies goods → Agent

Agent supplies goods on behalf of principal and **issues invoice to customer in his own name** → Buyer

Supply without consideration - Deemed Supply [Section 7(1)(c) read with Schedule I]

Business Assets → Input Tax Credit availed → Permanently transferred/disposed

Deemed Supply

Importation of services without consideration

Related persons

Person out of India → supplies services → Person in India

In course or furtherance of business

Deemed Supply

Related persons

Persons including legal person are deemed as related persons if

- Such persons are officers/ directors of one another's business.
- Such persons are legally recognised partners.
- Such persons are employer and employee.
- A third person controls/ owns/ holds (directly/ indirectly) ≥ 25% voting stock/ shares of both of them.
- One of them controls (directly/ indirectly) the other.
- A third person controls (directly/ indirectly) both of them.
- Such persons together control (directly/ indirectly) a third person.
- Such persons are members of the same family.
- One of them is the sole agent/ sole distributor/ sole concessionaire of the other.

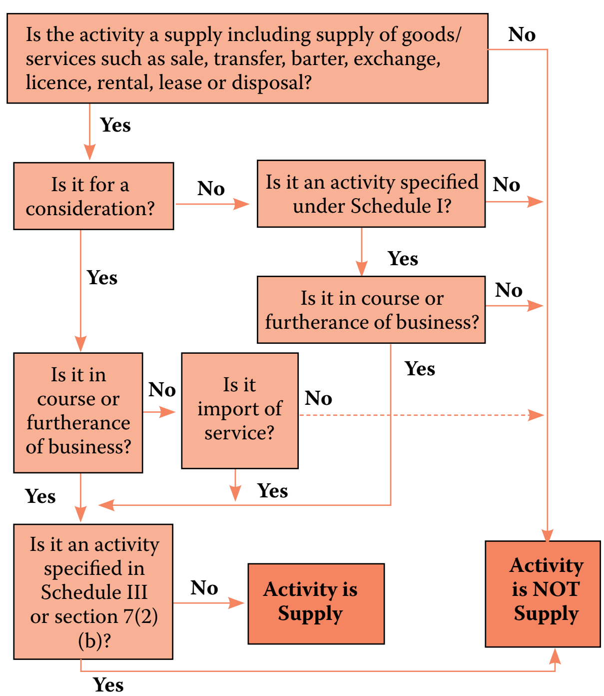
Activities or transactions to be treated as Supply of goods or Supply of services [Section 7(1A) read with Schedule II]

S. No.	Activity/ Transaction	Type	Supply of goods/ services
1.	Transfer	(i) Title in goods (ii) Title in goods under an agreement that property shall pass at a future date.	Goods
		Right/ undivided share in goods without transfer of title in them.	Services
2.	Land and Building	Lease, tenancy, easement, licence to occupy land. Lease/ letting out of building including a commercial/ industrial/ residential complex for business/ commerce, wholly/ partly.	Services
3.	Treatment or Process	Applied to another person's goods	Services
4.	Transfer of Business Assets	Goods forming part of business assets are transferred/ disposed off by/ under directions of person carrying on business so as no longer to form part of those assets.	Goods
		Goods held/ used for business are put to private use or are made available to any person for use for any purpose other than business, by/ under directions of person carrying on the business.	Services
		Goods forming part of assets of any business carried on by a person who ceases to be a taxable person, shall be deemed to be supplied by him, in the course or furtherance of his business, immediately before he ceases to be a taxable person. **Exceptions:** • Business transferred as a going concern. • Business carried on by a personal representative who is deemed to be a taxable person.	Goods
5.	Renting of immovable property.		Services
	Construction of complex, building, civil structure, etc.		
	Temporary transfer or permitting use or enjoyment of any intellectual property right		
	Development, design, programming, customisation, adaptation, upgradation, enhancement, implementation of IT software.		
	Agreeing to obligation to refrain from an act, or to tolerate an act or situation, or to do an act.		
	Transfer of right to use any goods for any purpose.		
6.	Following composite **supplies**:- • Works contract services. • Supply of goods, being food or any other article for human consumption or any drink.		Services
7.	Supply of goods by an unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.		Goods

Non-supplies under GST [Section 7(2)(a) read with Schedule III]

S. No.	Activities or transactions which shall be treated neither as a supply of goods nor a supply of services
1.	Services by an employee to the employer in the course of or in relation to his employment.
2.	Services by any court or Tribunal established under any law for the time being in force.
3.	(a) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities; (b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or (c) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
4.	Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5.	Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
6.	Actionable claims, other than lottery, betting and gambling.

Steps to determine whether an activity undertaken is Supply or not



Composite and mixed supplies

Composite Supply

- Consist of two or more supplies
- **Naturally bundled**
- In conjunction with each other
- One of which is principal supply
- Tax liability shall be rate of principal supply
- **Example:** Charger supplied alongwith mobile phones.

Mixed Supply

- Consist of two or more supplies for a **single price**
- **Not naturally bundled**
- Though can be supplied independently, still supplied together
- Tax liability shall be the rate applicable to the supply that attracts highest rate of tax
- **Example:** A gift pack comprising of choclates, candies, sweets and balloons.

LEVY AND COLLECTION OF CGST/IGST

Particulars	CGST	IGST
Levied on	Intra-State supplies of goods or services or both	Inter-State supplies of goods or services or both
Collected and paid by	Taxable person	
Supply outside purview of GST	Alcoholic liquor for human consumption	
Value for levy	Transaction value under section 15 of the CGST Act	
Rates	Rates as notified by Government. Maximum rate of CGST can be 20%.	IGST rate= CGST rate + SGST rate Maximum rate of IGST can be 40%.
Supplies on which tax would be levied w.e.f. a notified date	❑ petroleum crude ❑ high speed diesel ❑ motor spirit (commonly known as petrol) ❑ natural gas and ❑ aviation turbine fuel	
Tax payable under reverse charge	❑ Supply of goods or services or both, notified by the Government. ❑ Supply of specified categories of goods or services or both by an unregistered supplier to specified class of registered persons.	
Tax payable by the electronic commerce operator	The Government may notify specific categories of services the tax on supplies of which shall be paid by electronic commerce operator (ECO) as if such services are supplied through it.	

CA FOUNDATION - PAPER 2B - BUSINESS CORRESPONDENCE AND REPORTING

The capsule presents a brief overview of the topics entailed and vital aspects about concepts covered in all four parts of the curriculum. It also discusses various kinds of questions asked in the examination from each of these parts. Handy tips have been provided with each topic to enable the students to prepare and present their answers in an effective manner. A concise list of Do's and Don'ts is prescribed towards the end to reinforce important points to be remembered from the examination's perspective.

The syllabus has been divided into 4 Parts or Sections:			
S.No	**Part/Section**	**Chapters Covered**	**Weightage in marks**
1.	Part-I Communication	1	5-6
2.	Part-II Sentence Types and Vocabulary	2, 3	9-10
3.	Part-III Comprehension and Note Making	4, 5	10
4.	Part-IV Developing Writing Skills	6 till 13	15

Each Part of the syllabus emphasises upon one of the aspects of Business Correspondence.

Part-I Communication

Overview

Communication is basic to any interaction. It is the process of exchange of ideas, thoughts and opinions, feelings through a verbal or non-verbal medium, between two or more people intending to communicate or correspond with each other or in a group.

Chapter-1 broadly discusses the Essential aspects of communication, Business English and General English, Essentials of Oral Communication, Process of communication and its types, Directions, Networks, Mediums, Characteristics of effective communication and Barriers and one case study.

Types of Question

The questions asked from this chapter are generally direct in nature pertaining to any one topic/concept mentioned above for 1 or 2 marks.

One mark questions should be answered very precisely with clarity.

Two mark questions may include brief description of the topic/ concept covering major points with illustrations, if necessary.

Tips for Preparation

Students are advised to read, comprehend and memorise definitions, concepts and nuances of each topic. Understanding the concepts is essential in order to make out what is being asked as questions can sometimes be paraphrased in a manner to examine the expression. Students can ask themselves simple definitions, pointers, examples while studying the chapter to reinforce the concept.

Part-II Sentence Types and Vocabulary (Word Power)

Overview

Language is unique, underlined, organised, systematic and rule bound. It is based on grammar. A correct sentence is based on grammar. All the languages of the world have limited sounds but infinite sentences and vocabulary. Sentences are not randomly collection of words while they are rule based. Sentences and Vocabulary are the basic building blocks of all formats and language constructs. While sentence construction determines and enhances the coherence and progression of any piece of writing; vocabulary lends a meaning and socio-pragmatic use, describes its connotation, precision and clarity along with enriching the language.

Chapter-2 Introduction to Grammar, Phrase, Clause and Sentence Types comprises the basic sentence structure, Subject, Predicate, Dependent and Independent clauses, Complements, Types of sentences: Simple, Compound, Complex and Compound-complex, Subject-Verb Agreement, Tense, Active-Passive, Direct-Indirect Speech.

Chapter-3 Introduction, Importance and types of Vocabulary, Effective ways to build vocabulary includes Connotation, Jargons, Synonyms-antonyms, Loan words, Prefix-suffix, Root words, Phrasal verbs, Collocations and idioms.

Types of Questions

All questions carry one mark, include:

- Rewrite a sentence from direct to indirect speech and vice versa
- Rewrite a sentence from active to passive and vice versa
- Identify the type of sentence (compound/ complex/ compound-complex)
- Identify appropriate word order in a sentence based on Sub-Verb Agreement
- Multiple Choice Questions on synonyms, antonyms
- Multiple Choice Questions on meanings of common Idioms, Phrases and collocations.

Tips for Preparation

For the topic Sentence Types, students may go through newspaper articles on myriad themes and subjects. Students can try to identify different sentence structures, Dependent and Independent clauses and observe the writing style used to state/describe ideas, opinions and suggestions. This will help them tremendously to hone their expression during group discussions and presentations while answering questions during examination.

Vocabulary can be gradually enhanced by following a simple habit of learning at least 5 new words and jargon on daily basis with their meaning both in English and Hindi or native language from different sources such as newspapers, dictionary, magazines, books and online material. This helps to remember the precise meaning of the word, its origin, its grammatical structure, different connotations and gives more clarity on the usage with concerning the context.

Students must inculcate the habit of noting unfamiliar/colloquial/ new words they come across while reading books, studying, attempting questions from exercises or watching any audio/ video content. They must use these words appropriately during conversations and communications. This exercise helps to create a personalised lexicon for ready reference.

Part-III Comprehension and Note Making

Overview

Comprehension passages are an integral part of most of the language exams. These examine not only basic language skills like reading but also ability to understand the content and analytical skills. The Comprehension passages have academic content and style and include topics from a variety of fields including Arts, Sciences, Social Sciences, etc. Students need not have specific knowledge about the topic to answer the questions.

Note Making is an essential skill students must develop to prepare skimmed, and summarised text for revision and explanation without omitting the vital details about any topic, concept or text. It is highly relevant for students and practioner as they are required to retain and recall voluminous subject contents in all professional courses. This topic enables students to prepare extensive notes in a structured manner spanning through the text without skipping any detail.

Chapter 4 Comprehension Passages describes strategies for attempting these passages in a step wise manner covering :

- Enhancing reading skills by improving reading speed
- Developing higher order thinking skills through Bloom's Taxonomy to improve comprehension skills.

Chapter 5 Note Making highlights the significance of the topic for students and elucidates a step wise process to prepare notes for a given text material in a sequential manner comprising:

- Strategies of effective Note Making
- Difference between Note Making and Note Taking
- Linear Note Making
- Steps for Linear Note Making

✓ Format
✓ Indentation
✓ Abbreviations/Acronyms

Types of Questions

Part-III is important because there is a compulsory question from the section having two parts with one question each on Comprehension passage and Note Making.

In Comprehension Passages, the questions all for (1 mark each) asked primarily include:

- Multiple Choice Questions
- Subjective questions to be answered in 1-2 sentences

These can be :

Main idea questions: Test the understanding of the whole passage rather than the individual paragraphs/sections of the passage.

Specific detail questions: Based on the facts/details/events presented in the passage.

Inference questions: Ask to draw a logical conclusion from what is said in the passage.

Vocabulary questions: Ask the meaning of a word or phrase within the context of the passage.

Question in Note Making has 2 parts

- To prepare Notes
- To write Summary

Tips for Preparation Comprehension Passages

Students after cursory reading of the passage should try to comprehend the passage verbatim. Thereafter they should:

- Identify the central idea, theme or the subject of the passage. This has to be a noun i.e. a person, place, idea, or a thing. Generally, the main idea of a passage is stated in the first sentence of the paragraph. Sometimes the main idea or topic sentence comes at the end of the paragraph and, on occasion, anywhere in the paragraph. They may not be stated at all, but simply implied.
- Read the opening and closing statement of each paragraph.
- Differentiate between the relevant and irrelevant information in the passage.
- Mark keywords, these can be subjects or entities (nouns), about which something is described, procedures (action verbs) explained, conjunctions between clauses, event/incident narrated.
- Identify logical and semantic sequence of events and supporting details across the entire passage describing the central theme.
- Mark specific words and phrases. They help to understand the relationship between the ideas in a paragraph or paragraphs.
- ***Cause-and-effect words*** -- as a result, therefore, because of
  Time words -- meanwhile, before , belated
  Contrast words -- in contrast, conversely, however
  Addition words -- also, in addition, further
  Emphasis words -- more important, remember, priority
  - Note the context and sentence structure for clues in case of vocabulary based questions specifically if the answer is not known.
- Read through out the passage and identify statements, arguments and inferences or conclusions.
- Ask questions like What, When, Where, How and seek answers in the passage about the keywords, subjects or procedures identified earlier. Record the answers.

Note Making

Students are required to:

- Read the passage carefully and thoroughly.
- Select an appropriate heading based on the central theme of the passage.
- Mark the key-sentences developing the main idea or the cental theme containing entities (Nouns), activities (Verbs), details (in case of descriptions) and other ideas to prepare sub-headings and sub sub-headings and give these a logical and semantic sequence according to the passage.
- Not write complete sentence, just related and relevant keywords.
- Ensure that the indentation is maintained.
- Abbreviate long words and prepare the key words.
- Collate the aforesaid points and ideas in a logical sequence to prepare the summary of the language

Part-IV: Developing Writing Skills

Overview

This section comprising 8 chapters forms the biggest and the most important portion having maximum weightage in the curriculum. It encompasses major writing constructs such as Précis, Article, Report, Letter, Mail, and documenting constructs such as Résumé and Meeting. These constructs are readily used in the process of information exchange, and formal correspondence in day to day business operations. It is therefore important to familiarise students with these constructs to enable them to communicate effectively.

Chapters 7 to 13 present each one of these constructs complete with their formats, types, forms and versions supplemented with illustrations and exercises.

Types of Question

- Write a Précis for the given passage/Article or Report about a subject or event/Letter or Mail to a recipient.
- Prepare a Résumé/Agenda or Minutes of a Meeting.

Tips for Preparation

(I) Generic

Students must be conversant with the basic format and essential details corresponding to each of these constructs. While attempting, students can

- Prepare a skeleton structure or a rough template of the format,

- List down pertinent details with respect to each format such as date, subject, time, salutations, item code/order/number/cheque/details/name and main body, concluding message/para, designation and names of participants etc.
- Prepare the main body and sub-sections of the construct and vital pointers with respect to the subject matter to be included for these.
- Fill in the details to complete it.

(II) Specific

(A) Writing a Précis

- Read the text carefully to understand its central theme/idea.
- Suggest/give a suitable title around the central theme.
- Mark keywords such as nouns, verbs, adjectives for descriptions as specified above.
- Skim out any redundant and insignificant details from the passage/text.
- Write it in the third person, indirect reported speech and past tense.
- State the relevant details briefly on the central theme, without any loss of mentioned data.
- Ensure that the sequence of events is maintained as narrated in the passage.
- Adhere to the thought process/view-point of the author in the given passage/text.
- Ensure that the précis does not exceed more than one-third of the given passage.
- Re-iterate the complete process to further omit unnecessary words/sentences or re-frame the sentences to prepare a final edited version.
- It must be complete, self-contained.

(B) Writing an Article

Format

Title illustrating the idea/subject - In the first line

By: Name of the author –Second line

Tips for Writing

- Delineate the article into 2-3 paragraphs, each with a different idea.
- Write a unique, relevant and short topic.
- Target audience should be specified.
- Enumerate ideas before writing and conclude logically.

- **Introduction (Para-1):** Begin with a striking first sentence followed by a brief introduction about the title; a quote in line with the theme or subject/topic/title of the article.
- **Main Body (Para 2):** Mention related facts/figures/practices; Major options; Key stakeholders; Comparison with similar concepts (major similarities/dissimilarities); Origin/Source; Nature, Types and Forms; Past/Present/Future perspectives, Major Causes and Effects on different entities;
- **Main Body (Para-3):** Mention proposed precautions measures/solution; Merits/demerits; Advantage/Disadvantages; Conclusion/Inferene; Final comment/opinion/recommendations.

(C) Writing a Report

Format

Title illustrating the idea/subject - In the first line

By: Name of the author –Second line

Tips for Writing

- Delineate the report into 2-3 paragraphs, comprising a different set of details in each para.
- **Main Body (Para-1):** Describe the incident/event as a live viewer. Begin with a striking opening sentence followed by a brief description. This description must include the date, time and place of the incident/event; name of the event; name of institution/people who organised the event or are involved/affected by it; the objective of the event; ambiance/environment;
- **Main Body (Para-2):** List down the sequence of programmes/activities entailed and a brief description of each of them/Causes of the incident, related facts/figures; include audience feedback/description by eyewitnesses.
- **Main Body (Para-3):** Future perspectives, plans; important implications, major repercussions; concluding remarks/comments.
  - Write in the third person, indirect reported speech and past tense.
  - Adhere to the word limit.
  - Jargon must be avoided.

(D) (i) Writing a Letter (Formal)

Format with tips

Sender's Address

Date:

Addressee's Address

Salutation

Subject: One line statement briefly citing the purpose of the letter that catches the attention of the recipient and makes the intent aptly clear.

Introduction (Para-1)

Crisply state the reason/objective for writing in 2-3 sentences.

Main body (Para-2)

Pertinent details about the subject matter and key points to be conveyed in 3-4 sentences. These include Item/cheque/order/complaint number; specifications about the product/order/cheque/complaint or any other entity or document.

Conclusion (Para-3)

Re-iterate the objective; state action to be taken if, any by the recipient; expectations from him/her (timely delivery, quality, specific requirements). Essentials terms and conditions to be adhered to Close the letter on a positive note, hoping for a favourable response within the designated time.

Complimentary Close: Warm Regards/Thanking You/Yours truly/Yours sincerely

Sender's Name and Designation

(D) (ii) Circulars

These are formal or official communications (One to many) to be propagated amongst a large target audience such as office employees, students in an institution, or members of a club/organisation.

Format

Circular No. Xxxxx

Date:

Title in 2-3 words: Office Transport Rules/Working Hours; School Vacations/Trip; Club timings/rules; Party Meetings etc.

For all employees/students/members,

Main Body Para (1)

The Objective of the communication should be clearly stated unambiguously, with relevant details.

Para (2)

If any action or response is requested, name with department of the employee/teacher/member or contact details should be specified.

Name of the Person (Optional)

Designation with Department

(D)(iii) Memos or Memorandums

These are reminders, formal communications (One to many), to be communicated amongst a limited target audience of a particular office dapartments/staff members of an institutions or a specific group of members of a club or organisation, informing/apprising them about a specific decision. It may also be used to update a team on activities for a given project.

Format

Name of the organisation/institution/club

Inter-Departmental Memo

Date:

To: Employees of a Department/Teachers of a class or department/ Seniors Members of a club

From: Name with Designation and Department

Subject: Objective clearly stated such as : Audit/Purchase/ Issurance of equipment such a Laptops Mobile Phones/Tablets; Suspension/Dismissal of Mr. X;

Main Body Para (1) Information/Decision with stringent norms/ penal action if required, clearly stated.

(E) Writing Formal Mails

These are most commonly used means of instant one to one or one to many communication through an electronic message to share information, ilicit response, request details, or any other purpose where some interaction is required.

Format

To: e-Mail address(es) of the recipient(s)

Cc: Copy to: e-Mail addresses of the other stakeholders concerned with the communication

Subject: Purpose of sending the mail clearly stated such as: Payment to a vendor for Invoice number xxx; Confirmation of Order Number xxx; Application for the Post of xxx; Stats of application for registration to CA Foundation/Intermediate/Final etc.

Main Body

Salutations: Dear/Respected Sir/Madam

Para (1) Brief description in 1-2 sentences, about the purpose of the mail with reference to the subject.

Para (2) Pertinent details complete with attachments and past details(decision/data) about the issue if, any informing/apprising them and specific action expected from the recipient. Instructions should be stated clearly and concisely.

Para (3) Hoping for a favourable response from the recipient within the stipulated period.

Complimentary Closure: Regards/Warm Regards or Best Regards

Name and Designation of the sender

Telephone Number: Landline, Mobile (optional)

(F)(i) Preparing a Chronological Résumé

Résumé per se is a formal document to be presented to the prospective employer that collates complete information/details about the incumbent both educational and job/training related according to the purpose of application in a specific chronological sequence. Chronological Résumé is most commonly used by students who intend to apply for formal training programmes as part of professional courses such as article-ship as part of the CA Course.

Format (Chronological Résumé)

- Name and Contact Details
- Career Objective
- Academic achievements/antecedents in a chronological sequence
- Co-curricular Achievements
- Previous training conducted
- Technical/soft skills
- Interests/hobbies (optional)
- Personal Details

(F) (ii) Combination Résumé

This presents a combination of the incumbent's skills along with professional and academic detail. This format is used to highlight past employment history and specific skill-sets suitable for a given job profile while applying for the same.

Format

- Name and Contact Details
- Career Objective
- Summary of experience gained
- Experience details in reverse chronological sequence

✓ Name of the Organisation/Company
✓ Position/Designated held
✓ Responsibility
✓ Appreciation/Promotions/Rewards if, any

- Technical/soft skills
- Academic achievements/antecedents in a chronological sequence
- Co-curricular Achievements
- Previous training conducted
- Declaration about the details mentioned in the Résumé document being true.
- Date:
  Place: (Name and Signature)

(F)(iii) Cover Letter

It is a formal letter to apply for a specific job profile/position advertised by an organisation. It must be highlighted the reason for applying, suitability for the post, strengths and requisite skills set vis a vis the position, so as to evoke the employer's interest in the incumbent.

Format

Sender's Address Date

Designation/Name of the Addressee Address

Salutation : Dear Sir/Madam,

Subject : Applying for the Post of xxx

Main Body (Para-1) : Introduction with name and position against which applied; mention the source of information with the date.

(Para-2) : Highlight relevant skills and experience most suited for the job profile. Make specific associations between capabilities and job requirements as mentioned in the job description.

Project the skills and experience to make the incumbent most suitable for the post.

Explain the incumbent's interest in the job profile as well as his/her awareness of the organisation's affairs.

(Para-3) : Conclusion: Hoping for a favourable response and asking for follow up details and tentative dates for the subsequent interview/interaction.

Complimentary Close: Yours Sincerely/Thanks & Regards/Best Regards/Warm Regards

Signature (Name)

(G) Meetings

It can be defined as an assembly of individuals in a formal environment such as a corporate set up to discuss/debate upon certain issues/problems and to take decisions. Meetings are mostly pre-ordained to be held at a fixed time, date and venue with a fixed agenda entailing issues/items to be discussed.

Agenda(s) : These are prepared in advance amongst the participants/attendees. These determine/ensure:

- Objective of a meeting
- Issues/topics to be discussed
- Specific time slot is allocated to each speaker
- Sequence in which the issues will be taken up by the respective speaker will
- Meeting is focused and speakers do not deviate from the issues.

(G) (i) Tabular Agenda

Format

Time	Topic/ Item	Attendees	Speaker	Duration
11 AM	Strategy for the launch of a new product/ service/ initiative	Name and designations of participants such as Head of Production, Head of Sales, Head of Marketing, Head of Finance, Managing Director etc.	Name of the official who presents the issue/ item	Time(in minutes) allotted for presentation/ discussion for eg. 30 minutes
11:30 AM	Market Trends			30 minutes
12 Noon	Tea Break			15 minutes
Subsequent Items				

(G)(ii) Minutes of a Meeting

These entail comments/opinions/suggestions put forth on a particular item/issues and the subsequent decision taken, stated unambiguously in a sequence. These are documented and maintained as a compilation for future reference.

Format

Date:

Time:

Venue:

The meeting started in time

Mr. X, Director Operations (Convenor) gave an Introduction

Mr. Y, the Product Head explained the new product and its salient features.

Mr Z, the Marketing Head gave a detailed presentation about the marketing strategy for various media. The details have been captured in Annexure-A. Suggestions were sought from the members. Individual reports to be submitted by (specified date).

Mr A the sales Head along with a team member explained the sales strategy in upcoming as well as existing markets. Details are provided in Annexure-B. Suggested to recruit more staff to scale up the sales operations.

Mr B the HR Head, proposed for a separate meeting to be held within a week to discuss the modalities of the recruitment process.

Mr C the Managing Director declared the open house session for suggestions and thanked the participants.

Concluding Remarks:

Proposal for fresh recruitments

Marketing Team to collate the suggestions from participants and prepare a detailed report.

Marketing Team to initiate the tending process to identify media partners to advertise the new product.

Action Taken Report (ATR) to be submitted by the Marketing and Sales Team by (specified date).

(G)(iii) Action Taken Report (ATR)

Detailed Report to be submitted by an official or team on the groundwork done/action taken arising out of the discussions held during a meeting. It is important to gauge the work done/ action taken arising out of the discussions held during a meeting. It is important to gauge the progress on the respective item/issue discussed during the previous meeting.

Format

Action Taken Report nth Meeting of Department Heads XYZ Ltd.

As per the meeting held on date:, at: venue:, the following have been reported:

- Marketing team compiled the suggestions and tendering process initiated the tendering process Annexure-I
- The HR team prepared the modalities for the recruitment process. Detailed report submitted as Annexure-II undersigned.

Director, Operations (Convenor)

Dos and Don'ts

- Improve your business communication skills on a specific standard with reading, speaking, writing, and listening.
- Analyse your basic grammar, sentence structure, spelling error and punctuation.
- Try to enrich your vocabulary and use words from a different perspective.
- Do not use ambiguous words.
- Write simple and short sentences without repetition.
- Practise questions in Part-III and Part-IV in the prescribed time limit (15-18 min each) to improve your verbal skills.
- Be aware of the word limit.
- Opt for questions requiring a minimum word limit.
- Write complete words without spelling error, do not use abbreviations unless required (in Note Making)
- Write grammatically correct sentences. Use different types (Simple, Compound and Complex) of sentences (Simple, Compound and Complex); Direct/Indirect; Active /Passive) while attempting questions from Part-IV.
- Revise the answer, after attempting a question to edit it for a final version.
- Practise for a proper e-Mail, memo, letter, report, article, résumé, and minute of a meeting.

CROSSWORD SOLUTION – JANUARY 2021

[1]D	[2]E	M	A	N	D		[3]G	I	[4]N	[5]I		[6]L	[7]A	[8]R	G	[9]E
[10]E	T	N	A			[11]S	O		[12]I	G	[13]N	O	R	A	N	T
S	T			[14]B	[15]S	E		[16]A	T	L	A	S	E	S		C
	[17]A	[18]P	P	L	I	C	[19]A	T	I	O	N	S		P		
[20]T		[21]I	L	O	G		[22]N	O		O			[23]D	Y	[24]E	[25]D
[26]I	[27]T	L		[28]O	N	[29]C		[30]P	[31]I		[32]F	[33]S	A		[34]V	I
[35]B	O	O	[36]K	M	A	R	[37]K		[38]G	[39]R	E	A	T		E	
[40]I	O	T	A		[41]L	A	I	[42]S	S	E	Z	F	A	[43]I	R	[44]E
T			[45]P	[46]G		[47]S	S	P		N		[48]A	B	C		D
	[49]A	[50]T	T	A	[51]C	H	M	E	[52]N	T			[53]A	O	[54]N	E
[55]S	C	R	A	P	S		[56]E	C	O		[57]B		[58]S	O	O	N
[59]I	R	E		[60]E	M	I	T		[61]T	R	I	T	E		N	
[62]P	E	E	L			M		[63]P	E	R	T				O	

"e-Sahaayataa" – A Grievance Resolution Mechanism of ICAI

'e – Sahaayataa' is the e-Channel for the entire base of Members and Students of the Institute and other stakeholders of the profession where in their queries/ grievances pertaining to the day-to-day working shall be resolved in a time-bound and transparent manner.

Objectives:

- To provide timely services to all the stakeholders of the profession throughout the globe
- To resolve the Query/ Complaint/ Grievance within 3 – 7 days from the date of submission of the same
- To eliminate the operational bottlenecks and smoothen the flow of education process of Chartered Accountancy

Features:

- Automatically sends the query/ complaint/ Grievance to the dashboard of the concerned official as soon as the same is submitted.
- Complete history of Query/ Complaint/ Grievance can be checked.
- E Mail is sent to the user once the query/ complaint and grievance is resolved.
- Query/ Complaint/ Grievance can be reopened by the user in case the user is not satisfied.
- No query/ complaint/ grievance can be deleted from '*e-Sahaayataa*'

Scope:

'*e-Sahaayataa*" caters only to the Queries/ Complaints/ Grievances pertaining to the day to day working of the Institute which are general in nature. This is not meant for registering or making allegations, personal observations, and personal comments. Kindly submit relevant Queries/ Complaints/ Grievances to help you better.

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Board of Studies (Academic)

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Intermediate	8th Feb 2021	7 AM to 9.30 AM	6 PM to 8.30 PM

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CROSSWORD - FEBRUARY 2021

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ACROSS

1. Quiet
6. A global association for multinational marketers and national advertiser associations.
9. The only landlocked country in Southeast Asia
10. Pacific or Atlantic
11. As you sow ___ shall you reap.
12. Cheer!
14. Bashful
16. Ascend
19. Jeer
20. _____ in: Count me in.
21. Opposite of WSW
22. Con-artist
25. An intensive guided learning programme run by Early Intervention Foundation.
26. Abu Dhabi's country
27. Equate
28. Practical joke
30. The internationally agreed standard set of recommendations on how to compile measures of economic activity.
32. And they lived happily ____ after!
35. Pretense, deception
38. Post Qualification course conducted by the ICAI
39. India's first digital Microfinance Institution
41. If there is more than one managing director/ whole time director/manager, then maximum remuneration in any financial year shall be ____% of the net profits.
42. Con-artist
43. Sword fight
44. Pepper companion

DOWNWARD

1. Examine
2. 150 in Roman numeral
3. Ultra-conservative
4. One of the major trade partners of India.
5. Opposite of yes
6. The Preamble of India: ___ the people of India
7. Not true
8. Wager, stake
13. Hoax, nonsense
14. Poker face
15. Lady Chaplin
17. Broke one's promise
18. Write
19. Immature
20. Latin clarifier
22. Came across
23. Battery size
24. ___ -Kart: a type of open-wheel car.
29. Be angry about
31. Idolize
33. Essential
34. Underdog: Also ____.
35. Undergraduate
36. Alias
37. An e-sports organizer and production company that produces video game competitions worldwide.
40. Possesses

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