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INTERNAL AUDIT THE WAY FORWARD

Journal of

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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1





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- ⊙ **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.
- ⊙ On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.
- ⊙ It has since been continuously contributing to the growth of the industrial and economic climate of the country.
- ⊙ The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

“The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

VISION STATEMENT

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

IDEALS THE INSTITUTE STANDS FOR

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

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Institute Motto

असतोमा सद्गमय
तमसोमा ज्योतिर्गमय
मृत्योर्मा मृतं गमय
ॐ शान्ति शान्ति शान्तिः

From ignorance, lead me to truth
From darkness, lead me to light
From death, lead me to immortality
Peace, Peace, Peace

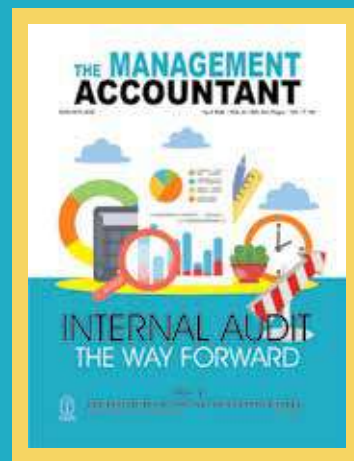
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CONTENTS

INSIDE Cover Story

APRIL 2020



April VOL 55 NO.04 ₹100



<p>IMPORTANCE OF AUDIT PLANNING FOR PROCESS BASED INTERNAL AUDIT</p> <p>23</p>	<p>GOVERNANCE & AUDIT OF PROCUREMENT CONTRACTS</p> <p>26</p>	<p>INTERNAL AUDIT & INTERNAL ASSESSMENT: EVOLVING CODES IN MODERN CORPORATE WORLD</p> <p>31</p>	
<p>TRIANGULATION OF CORPORATE RESOURCES, RISK AND REPUTATION PROJECTS INTERNAL AUDIT'S TRUE CONTRIBUTION</p> <p>34</p>	<p>ORGANIZATIONAL ASPECTS IMPACTING EFFICACY OF IA FUNCTION</p> <p>37</p>	<p>ROLE OF INTERNAL AUDIT IN MERGER AND ACQUISITION</p> <p>40</p>	<p>INTERNAL AUDIT: FUNDAMENTALS AND NEXT-GEN TRENDS</p> <p>46</p>
<p>ROLE OF INTERNAL AUDIT IN M&A - FUTURE TRENDS IN IA</p> <p>49</p>	<p>INTERNAL AUDIT - A TOOL FOR ACHIEVING ORGANIZATIONAL OBJECTIVE</p> <p>53</p>	<p>INTERNAL AUDIT - FUTURE TRENDS AND INNOVATION AND EMERGING SCOPE FOR CMAs</p> <p>58</p>	<p>INTERNAL AUDIT PRACTICES FOR RISK MANAGEMENT IN REAL ESTATE ENTITIES</p> <p>62</p>

DIGITAL TRANSFORMATION

ARTIFICIAL INTELLIGENCE FOR DIGITAL TRANSFORMATION - GENESIS, FICTIONS, APPLICATIONS AND CHALLENGES 68

ECONOMIC SURVEY

ECONOMIC SURVEY 2019-20 - AT A GLANCE 74

BANKING

BANK LIQUIDITY: SOME CONCEPTUAL UNDERPINNINGS 80

COST ACCOUNTING RECORDS

DERIVING THE HIDDEN BENEFITS OF COST ACCOUNTING RECORDS (PRODUCT COSTING) AS PRESCRIBED UNDER COMPANIES (COST RECORDS AND AUDIT) RULES 2014, MOVING FROM INSIGHT TO ACTION 84

CORPORATE MANAGEMENT

WHISPERS IN THE CORRIDORS 88

ACQUISITION

THE TATA STEEL BHUSHAN STEEL DEAL 93

CASE STUDY

PERFORMANCE ANALYSIS OF ESSAR STEEL LIMITED: PRE, DURING AND POST CIRP A CASE STUDY 98

TAXATION

TAX TITBITS 102

<i>Editorial</i>	06
<i>President's Communique</i>	08
<i>From the desk of the Chairman - IT Committee</i>	16
<i>From the desk of the Chairman - IAASB</i>	17
<i>ICAI-CMA Snapshots</i>	18
<i>Digital Object Identifier (DOI) - February</i>	66
<i>Digital Object Identifier (DOI) - March</i>	67
<i>Institute News</i>	103
<i>Statutory Updates</i>	111

We have expanded our Readership from 1 to 94 Countries

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EDITORIAL

With the growing complexities in the business environment and business models, corporate have started seeing internal audit as an important function that provides the management and the Board of Directors an assurance on the adequacy and effectiveness of internal financial controls. Internal audit helps the management and the Board in achieving organizational objectives. Modern approach of internal auditing is designed to provide assurance on the adequacy and effectiveness of enterprise risk management system. Over the past decade, the scope of internal audit has widened to cover operational audit and management audit. The Companies Act, 2013 has mandated appointment of internal auditor in listed and certain other classes of companies.

The Institute of Internal Auditors defines Internal Audit as – *Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

The scope of internal auditing within an organization is broad and may involve topics such as an organization's governance, risk management and management controls over: efficiency/effectiveness of operations (including safeguarding of assets), the reliability of financial and management reporting and compliance with laws and regulations. Internal auditing may also involve conducting proactive fraud audits to identify potentially fraudulent acts; participating in fraud investigations under the direction of fraud investigation professionals, and conducting post investigation fraud audits to identify control breakdowns and establish financial loss.

Business processes are in flux, as people, processes, data and technology transforming. These major changes present a threat that the overall control environment may degrade if the risks of

transformation are not proactively identified and prevented. How to audit is also changing, albeit with a focus on catching up to digital developments. Internal Auditing (IA) now needs to truly adopt the disruptions, and use all available technology to reinvent itself. As mainstream business processes are transformed through RPA, machine learning and AI, IA needs to step up its game and leverage similar tools and techniques to create a continuous audit framework that can quickly identify anomalies from full-population datasets.

The professionals like CMAs should embrace the digital disruption and use technology to assess true value to the company. It is this change of mindset that will be the source of uplifting the profession and being a very vital component of the governance framework in safeguarding the shareholders and stakeholders' general interest. They should assist management to focus on risk management and the implementation of more stringent internal controls. In this way effective internal audits can enhance the organization's capacity to build value by enabling management personnel to take timely financial decisions, make immediate changes to how internal controls are operated – if required, and address any areas of vulnerability.

This issue presents a good number of articles on the cover story “**Internal Audit: The way forward**” written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers would enjoy the articles.

Further, you must be aware that outbreak of pandemic COVID-19 is causing terrible human suffering across the world. This global health has created a unique challenge and almost imprisoned the world. Hence, we need to come together, follow medical guidelines, government instructions and fight back this crisis. We will definitely overcome this calamity soon.

Stay Home, Stay Safe!!!

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

Cover Stories on the topics given below are invited for *'The Management Accountant'* for the four forthcoming months

May 2020	Theme	National Education Policy - Changing Contour of Indian Education Eco-System	Subtopics	<ul style="list-style-type: none"> The New Education Policy (NEP) 2019: a Revolutionary Reform Inclusive and Equitable Quality Education: Lifelong learning opportunities for all Challenges & Opportunities of the New Education Policy and its implementation - Employability, Entrepreneurship & Startups Vocational Education and Skill Development – Importance & Relevance Integration of all Educational institutions & Technical Institutions & Industry – Industry & Academia & its contribution Role of Private Sector in improving Quality of Education Moving towards a more imaginative and broad based liberal Education as a foundation for holistic Development Educational excellence through AI and other emerging Technologies - Importance of Research & Innovation From Pencils to iPads: Evolution in Instructional Technology Professional Education in the light of NEP
June 2020	Theme	Environmental Management Accounting - Issues and Practices	Subtopics	<ul style="list-style-type: none"> Managing Information relating to Environment Structural Framework of Environmental Accounting Environmental Issues in Financial Accounting and Reporting Methods of Environmental Cost & Management Accounting Ecological Accounting Natural Resource Accounting Benefits and Costs of Environmental Management Accounting (EMA) in the light of Sustainable Development Corporate Environmental Strategies Environmental Accounting and Auditing - Role of CMAs
July 2020	Theme	Goods & Services Tax (GST): Recent Changes and Emerging Issues	Subtopics	<ul style="list-style-type: none"> GST Returns: Issues, Challenges and Controversies Misconception related to disclosure of Information in Annual Return Forms E-Invoicing & E-Way bill under GST Advance Ruling Mechanism in GST Input Tax Credit under GST: Practical Issues Applicability and Procedure for effective GST Audit Rationalization of GST Rates once a year: Key to a Five Trillion Dollar economy Simplification of GST and preventing evasion to accelerate economic momentum and ease of living for taxpayers: Role of CMAs
August 2020	Theme	Driving India towards 5 Trillion Dollar Economy	Subtopics	<ul style="list-style-type: none"> An Overview of the Indian Economy: Policy, Reforms and Governance Ease of Doing Business (EoDB) score: Crucial for India to scale ambitious peak of \$5 Trillion Transforming agricultural and doubling farmer's income Leveraging Technology to make India a global economic powerhouse Strengthening industrial competitiveness: Special emphasis to manufacturing sector Energy with focus on renewable energy Infra Development: The way forward Health for all Skilling and Education: Critical for optimizing on India's Demographic Dividend Mission 5 Trillion: Driving SDG through CMAs

** On 01st July 2017, the GST law came into force. So we have changed our theme of July 2020 issue to "Goods and Services Tax (GST): Recent Changes and Emerging Issues". Further, the theme "Driving India towards 5 Trillion Dollar Economy" to be considered for the August 2020 issue now.

The Above Subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else.

Please send your articles by e-mail to editor@icmai.in latest by the 1st week of the previous month.



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In this crucial time, the Institute continues to serve the members, students and other stakeholders. The employees of the Institute are working remotely at home and providing all such services for which online mechanism is possible. The institute has taken various measures for the convenience of members, students and other stakeholders in the present scenario of lockdown. Such measures are enumerated below:

Matters relating to students:

1. Students willing to apply for CMA Foundation, Intermediate, and Final June 2020 examinations will now be able to fill their examination forms till April 20, 2020. Candidates will not have to pay any late fee.
2. The Institute has started online classes for the students. All students are advised to take maximum advantage of online learning support provided by the Institute. The detail of webinars is available at icmai.in/icmai/webinar.php. The student can login to the classes as per the schedule provided.
3. Students have been exempted from mandatory Computer training, CSS, IOTP and Practical Training requirements before appearing in June, 2020. Submission of postal test papers is also exempted.
4. Students who have cleared their Intermediate examination, the result of which was declared on 23rd February, 2020, were required to start practical training in February/March and file the requisite Form T-1 or T-4, as applicable, for appearing in December 2020 examination. The students will be intimated of relaxations for December 2020 examinations in due course.
5. It may be noted that the CMA examinations will be held as per the scheduled dates, i.e., from 11th June, 2020 to 18th June, 2020, without any change thereof.

"Coming together is a beginning. Keeping together is progress. Working together is success."

– Henry Ford

My Dear Professional Colleagues,

I hope you are safe and taking good care of your family. The Government of India has taken several necessary and timely decisions to combat the novel coronavirus COVID-19 pandemic, which has posed a unique challenge that has impacted all of us. I would like to express my concern and support for all the members, students and other stakeholder affected by this outbreak. This is a crisis that has affected everyone, but we will get through it by working together.

The Institute is committed to support every possible initiative of the Government of India, and in furtherance of that, the Institute has initiated various measures to support the nation. The Government of India has set up the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund). The fund has been set up in for expeditious and collective action for alleviating the suffering of those affected, mitigation/control of damage to infrastructure and capacities etc. With the intent to support, we had appealed all our members and students to contribute towards the cause through the Institute. **We feel extremely pleased to share that the Institute together with financial support from its members and students, in the first tranche, has decided to contribute a sum of Rupees Fifty Lakhs to the PM CARES Fund.** I extend my heartfelt thanks and appreciation to all the contributors.

The Members and Students are requested to make donations

Matters relating to members:

- Extension up to 30th June 2020 has been granted to complete the requirement of CEP Credit Hours for renewal of COP for the year 2020-21.
- Member CEP learning through webinars has been enhanced. Since the announcement of lockdown, number of webinars has been organized by different Committees/Departments of the Institute, the detail of which has been given in the committee wise activities in subsequent paragraphs.
- To have continuous learning activity, the Institute has planned a series of webinars on topics of professional interest. The detail of webinars scheduled for the month of April, 2020 is as under:

Webinars announced as on 3rd April, 2020

(For more announcements, Faculty & timing details, visit icmai.in/icmai/webinar.php)

Date	Topic	Committee / Department
03 April 2020	Global Economic Perspectives of the 21st Century	International Affairs Department
	Ind AS 21 - The Effects of Changes in Foreign Exchange Rates	Regional Councils & Chapters Coordination Committee
	1000 days of GST	Tax Research Department
	Vivad se Vishwas Scheme - A way forward	Tax Research Department
04 April 2020	Digitalization of Internal Audit Process & Reporting	Internal Auditing and Assurance Standards Board
	Professional Opportunities under IBC	IPA (For CMA Members & IPA Members)
05 April 2020	Key Success Factors running a FMCG Distribution Perspective - An Assurance Perspective	Internal Auditing and Assurance Standards Board
06 April 2020	Ind AS 36 - Impairment of Assets	Regional Councils & Chapters Coordination Committee
	Internal Audit for Educational Institutions	Internal Auditing and Assurance Standards Board

Date	Topic	Committee / Department
07 April 2020	Managing Risk & Uncertainty – Perspectives and Commonsense Approach for Survival	Internal Auditing and Assurance Standards Board
	COVID 19: Relief Measures for Business	Tax Research Department
08 April 2020	Guidelines for the Professional Practice of Internal Auditing & Assurance Services	Internal Auditing and Assurance Standards Board
	Innovations in finance – An international perspective	International Affairs Committee
	Challenging legality of Section 16 of CGST Act, 2017 with case law	Tax Research Department
09 April 2020	Internal Audit – GST Perspectives	Internal Auditing and Assurance Standards Board
	Leveraging Internal Audit for enhancing organizational value	Internal Auditing and Assurance Standards Board
10 April 2020	Applicability of Taxes on Cross Border Transaction including TDS	Tax Research Department
	Vivad se Vishwas Scheme - Opportunity to reduce disputes	Tax Research Department
11 April 2020	Internal Audit Standards - guiding principle to carry out Internal Audit assignment	Internal Auditing and Assurance Standards Board
	Risk Assessment and Assurance – Comprehensive Internal Audit Approach	Internal Auditing and Assurance Standards Board
11 April 2020	GST on Bank and Insurance Sector	Banking and Insurance Committee
	Internal Audit – An Operational Excellence Approach	Internal Auditing and Assurance Standards Board

Date	Topic	Committee / Department
12 April 2020	Audit of Health Insurance Companies	Banking and Insurance Committee
	Cyber Security and Governance Risk Control – New tools in Internal Audit Methodology	Internal Auditing and Assurance Standards Board
13 April 2020	Aligning Internal Audit with Top Management and Stakeholders	Internal Auditing and Assurance Standards Board
	Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets	Regional Councils & Chapters Coordination Committee
14 April 2020	Internal Audit Approach and Report writing – Industry specific approach	Internal Auditing and Assurance Standards Board
	Applicability of Income Tax deducted or Collected at source on payment or Income to Non Resident or Foreign Company	Tax Research Department
15 April 2020	COSO based Internal Auditing	Internal Auditing and Assurance Standards Board
16 April 2020	Internal Audit 3.0	Internal Auditing and Assurance Standards Board
	Abolition of Dividend Distribution Tax - An Impact Analysis	Tax Research Department
17 April 2020	Vivad se Vishwas Scheme - Process of submission documents	Tax Research Department
19 April 2020	Internal Finance Control, Accounting Standards, Cost Accounting Standards – a comprehensive approach towards integrated Internal Audit	Internal Auditing and Assurance Standards Board

Date	Topic	Committee / Department
20 April 2020	Ind AS 19 - Employee Benefits	Regional Councils & Chapters Coordination Committee
24 April 2020	Vivad se Vishwas Scheme - Few Issues	Tax Research Department
27 April 2020	Ind AS 20 - Accounting for Government Grants and Disclosure of Government Assistance	Regional Councils & Chapters Coordination Committee
	Appeal and Revision in Income Tax Act- Role of CMA	Tax Research Department
30 April 2020	E- Assessment under Income Tax Act	Tax Research Department

- More webinars will be announced for the current month, for which the information will be made available at the website of the Institute at www.icmai.in/icmai/webinar.php
- Members not holding Certificate of Practice are being informed that as per Regulation 7(3), the Membership Fee (Associate and Fellow) becomes due on 1st April each year. Further, Regulation 7(6) allows payment of membership fee within six months from the date on which it becomes due. Accordingly, the members may pay their Annual Membership Fee for the year 2020-21 within 30th September, 2020. I request all members to avail the Institute's online facilities to pay such fees from the comfort of their place of convenience.
- Members holding Certificate of Practice are being informed that as per Regulation 7(5)(a), the Annual Fee for Certificate of Practice becomes due on 1st April each year. Further, Regulation 11(1)(d) provides for cancellation of Certificate of Practice in case of non-payment of fee till 30th June of the relevant year. It may be noted that all applications for renewal of COP received till 30th June 2020 will be processed without any break period. It is being ensured that applications for Renewal of Certificate of Practice being received online are being processed within 24 hours. You may login to online membership portal at www.icmai.in for applying online.

I am thankful to all my Council Colleagues for very timely planning the measures for the benefit of members, students and stakeholders at large and for extending the financial support the Government. I am thankful

to my Council Colleagues and Chairman of respective committees for planning the series of webinars for continuous learning of members and to ensure study at home for the students of the Institute. I am thankful for the staff of the Institute who are supporting the activities of the Institute as a work from home in a very efficient manner. I extend my heartfelt thanks and appreciation to all the members and students for their understanding.

Relaxations by the Government

At the outset, I on behalf of the Institute would like to thank the Government for announcing relief several measures for the stakeholders, relating to Statutory and Regulatory compliance matters during the crisis situation in India which arises due to the outbreak of the COVID-19 pandemic.

The Institute appreciates the decisions in Taxation, Customs, Finance, Commerce, Health, Transport, Fisheries etc. as announced by the Government. During this lockdown period of 21 days since 25th March, 2020, all Companies, sectors, professionals are abiding by restrictions imposed by the Govt. of India for safety and health security of the citizens of this country by observing social distancing and staying back at their homes except for emergency services.

This situation makes it very difficult to comply with statutory and legal Provisions which may require face to face interactions and commute. The relief measures like extending the date of Income Tax Return for FY 2018-19, GST Returns, PAN Aadhar Linking date, availing the benefit of Vivad se Viswas Scheme and Sabka Viswas Legacy Dispute Resolution Scheme, extending Tax saving Investment schemes and other relaxations in taxation have been announced. Easing the statutory compliance burden on companies by waiving of additional fee for late filing of MCA 21, relaxing the mandatory requirement of holding board meetings, deferment of Applicability of Companies (Auditor's Report) Order, 2020 and others are surely a sigh of relief to businesses.

The "Companies Law Fresh Start Scheme 2020" gives one time opportunity to corporates to complete their pending compliances by filing necessary documents MCA-21 registry, irrespective of its due date, which will not only reduce the compliance burden, including financial burden on Companies/LLPs at large, but also enable long standing non-complaint companies/LLPs to make a fresh start.

Internal Audit Month

I am pleased to inform that month of April 2020 has been planned as "Internal Audit" month to create awareness, train the members and professionals in the domain of internal auditing and Assurance. The domain of Internal Auditing & Assurance Services travels beyond the business functions and drives into the arena of performance measurement & Decision Making. In this context, the Internal Auditing & Assurance Standards Board would be delivering a series of webinars by the experts, sharing of knowledge resources through e-content deliveries and other possible e-training measures. I congratulate CMA P Raju Iyer, Council Member

and Chairman, Internal Audit & Assurance Standards Board for the initiatives in the direction.

Draft Companies (CSR Policy) Amendments Rules, 2020

The Ministry of Corporate Affairs has released the Draft Companies (CSR Policy) Amendment Rules, 2020 proposing amendments to Companies (Corporate Social Responsibility Policy) Rules, 2014 for public comments. The draft policy is hosted at MCA website at <http://feedapp.mca.gov.in>

You are requested to provide your valuable comments as per details hosted at website of the Institute www.icmai.in/ProfessionalDevelopment/Notice-for-Comments.php so that the collated and the consolidated suggestions/ comments can be submitted by the Institute to the Ministry of Corporate Affairs before the last date of 10th April, 2020.

CMA Womenovator Conclave 2020

I am pleased to inform that the Institute has successfully organised "CMA Womenovator Conclave 2020" on 7th March 2020 at New Delhi. The event was organized under Chairmanship of CMA H. Padmanabhan, Council Member and Chairman, Regional Councils & Chapters Co-ordination Committee. The event provided an opportunity to recognise the achievers among the leaders from the Cost Accounting profession. The Conclave had also conferred CMA Womenovator Awards, 2020 to recognize CMA Women who have made a positive impact on the profession, society, life through their exemplary zeal and achievements.

The distinguished Chief Guest of the event, Smt. Mukulita Vijayawargiya, WTM Insolvency and Bankruptcy Board of India shared her views that women should not depend on outside factors for empowerment and should progress on their own zeal and Enthusiasm. Shri Ram Mohan Mishra, IAS, Special Secretary to the Government & Development Commissioner - MSME said that women are making a tremendous impact in all spheres and with this in view, the government schemes intend to fully unleash this latent potential of women by introducing various schemes exclusively to promote Women entrepreneurs.

CMA Biswarup Basu, Vice President of the Institute had given the welcome address followed by my address. Dignitaries on the Dias, Ms. Tripti Shinghal Somani, Founder Womenovator, Smt. CMA Baldev Kaur Sokhey, Director Finance, NBCC (India) Ltd.; Smt. CMA Harjeet Kaur Joshi, CMD Shipping Corporation of India Ltd.; Smt. Vijayanta Arya, IPS, DCP North West; Ms. Ira Singhal, IAS DC, North MCD and CMA H. Padmanabhan, Council Member and Chairman of CMA Womenovator Conclave 2020 also shared their thoughts in the inaugural session.

This was followed by a panel discussion on "Life at the Top", The panelists include Mr. Vijay Kumar Joshi, CFO, India Gas Solutions Pvt. Ltd.; Ms. Meeta Sen Gupta Founder of Centre of Education Strategy; Ms. Garima Bhagat, Income Tax Commissioner; Dr. Shikha Sharma, Founder, Shikha's Nutrihealth; Ms. Khair Ull Nissa Shah, Executive Director, World Trade Centre India; Ms. Vinita Bakshi, Author &

Social Entrepreneur; Ms. Sapna Khandelwal, Owner, RE-DO Jewellery and CMA D.C.Arya, Former Chairman, NIRC of ICAI. Special thanks to Council Colleagues, RC & Chapter ERs for their presence and support in excellent organisation of the event. My thanks to CMA V Murali, CMA Chittaranjan Chattopadhyay and CMA P Raju Iyer, my Council Colleagues and Chairperson CMA Jyothi Satish, SIRC and CMA Lavanya, CMA Nisha Habu MCM Trivandrum Chapter for motivating the participants by their presence and thoughts.

This was followed by the “WE Pitch Competition” in which the Lady Cost Accountants were given a pitch opportunity and highlighted their success stories, challenges and achievements. The Jury dignitaries included Mr. Pramod Kumar Sinha - Additional General Manager SCOPE, Ms. Sumita Dutta - Executive Director SAIL, Prof. Aman Agarwal - Indian Institute of Finance, Mr. Dharendra Pratap Srivastava - Sr. Advocate, Supreme Court of India; Ms. Sudha Midha, ISS and Dr. Babu Lal, Former Executive Director, BHEL; The event concluded with the award ceremony. I alongwith CMA Biswarup Basu, Vice President ICAI, and CMA H Padmanabhan, Council Member & Chairman of the Conclave conferred the awards to all the awardees.

I on behalf of the Council of the Institute congratulate the Awardees and express thanks to the Chief Guest, Guests of Honour, Panelists & Participants for making it a grand success.

PHD Global Rail Convention 2020

I am delighted to inform that the Institute participated as knowledge partner at the 7th PHD Global Rail Convention -2020 on the theme “Indian Railways Future Growth on Fast Track” held on 5th March, 2020 at PHD House, New Delhi. The knowledge report prepared by the Institute was released by the Chief Guest, Shri Vinod Kumar Yadav, (IRSEE), Chairman, Railway Board, Ministry of Railways, Dr. D.K. Aggarwal, President, PHDCCI, CMA Biswarup Basu, Vice President of the Institute and other dignitaries. CMA B.B. Goyal was one of the panellists in an interactive panel discussion sessions. The convention was attended by a large number of participants including foreign delegates.

PHD Conference on Vivad se Vishwas Scheme

The Institute associated with PHD Chamber of Commerce & Industry for a Conference on Vivad se Vishwas Scheme on 6th March 2020 at New Delhi.

Meeting with Govt. of Assam at Guwahati

I am pleased to inform that CMA Biswarup Basu, Vice President and CMA Chittaranjan Chattopadhyay, Council member attended the brainstorming meeting organized by Principal Secretary to Govt. of Assam to improve performance of Assam PSEs. The presentation made by the Institute and the discussions by CMA Biswarup Basu, Vice President and CMA Chittaranjan Chattopadhyay, Council member have been well applauded by the Govt. of Assam.

Southern India Students Fest “PRAGATHI 2020” at Kochi

I am pleased to inform that Southern India Students Fest “Pragathi-2020” was organized by Cochin Chapter of the Institute on 6th March, 2020 at Kochi, Kerala. I had the opportunity to attend the event alongwith CMA H Padmanabhan, Council Member and Chairman, Regional Councils & Chapters Co-ordination Committee. The event was graced by CMA Jyoti Satish, Chairperson, SIRC. Student’s involvement provided them an opportunity to interact, enhance interpersonal and communication skills and preparing them for the real world.

Members’ Meet at Ahmedabad Chapter

I am happy to inform that the Ahmedabad Chapter of the Institute organized a members’ meet on 13th March, 2020 at Ahmedabad. I along with CMA Biswarup Basu, Vice President, CMA Neeraj D. Joshi, Council Member & Chairman WIRC, CMA Ashwin G. Dalwadi, Council Member and CMA Chittaranjan Chattopadhyay, Council Member had the opportunity to meet with members of the Institute in Ahmedabad and deliberated on the various issues & matters of their concern related to the profession. I had the opportunity to meet and address the newly qualified CMA participants of Campus placement orientation program at Ahmedabad Chapter on 14th March, 2020.

Pre-placement Orientation Program

With an objective to provide adequate domain knowledge to the newly qualified CMAs and preparing them for forthcoming Campus Placements, the 12-days Pre-placement orientation program was started from 12th March, 2020 at 11 locations across India by the Institute. However, the same were suspended within a week considering the advisory by various State Governments in view of COVID-19. Consequently, the Campus placements scheduled in the month of April 2020 stands deferred.

I now present a brief summary of the activities of various Departments of the Institute, in addition to those referred above:

DIRECTORATE OF ADVANCED STUDIES

I am pleased to share that the Directorate of Advanced Studies of the Institute organized a day long Workshop on “Application of Data Analytics in Finance and Costing” at J.N. Bose Auditorium of the Institute Headquarters, Kolkata on 14th March, 2020. Around 275 participants including students, members, faculty members and research scholars of different colleges, universities and institutes attended the interactive workshop. The workshop was inaugurated by CMA Biswarup Basu, Vice President, CMA Debasish Mitra, Chairman, Board of Advanced Studies and CMA Chittaranjan Chattopadhyay, Chairman, Banking & Insurance Committee. The Institute will shortly launch Advanced Studies Certificate Course on Data Analytics.

DIRECTORATE OF STUDIES

Due to unprecedented happening of spread of COVID-19 across the globe, the human civilization is at stake and we have confined ourselves at our home. All establishments including educational institutions are completely closed down. Students are abstained from having live classroom sessions and academic interaction with the faculties.

Now, students are all sitting at their home and preparing for forthcoming June 2020 Examinations. In view of the above situation, the Directorate of Studies has taken an initiative to guide the students with online e-learning study sessions through its existing Webinar platform to provide academic inputs and guidance on core subject areas as per CMA Course Curriculum. Best of our Resource pool and mentors are reaching our students online every day in different virtual classroom sessions and students may interact with them directly through chat option. The online study facility is operational since 30th March, 2020. Students are advised to take maximum benefit of this online study facility offered by the Institute through eminent faculty members.

I am grateful to all faculty members who are guiding our students during this difficult situation. I congratulate CMA Biswarup Basu, Vice President and Chairman, Training & Education Facilities and Placement Committee for a very timely initiative after lockdown effective from 25th March, 2020 and launching online classes through eminent faculty members, in a very short span of time. I also congratulate CMA Dr. Debaprosanna Nandy, Sr. Director and his entire team for making it happen in a very timely manner.

INFORMATION TECHNOLOGY COMMITTEE

Information Technology is the backbone of any organisation. May it be online classes for students, webinars for members, online application for membership, certificate of practice, payment of fee, student admission, etc., the strong Information Technology support is necessary. I am thankful to the CMA Ashwin G Dalwadi, Chairman of Information Technology Committee for extending continuous support, specifically since the lockdown. I appreciate Shri Ashish Tiwari, HoD of IT Department, for working day and night to ensure continuous support to the initiatives of various departments of the Institute.

To have robust mechanism, the Information Technology Committee has taken up an ambitious project of Digitalization of Institute's Activities. The committee has worked out a broad plan to achieve the goal of digital transformation of the Institute in a phased manner. Presently, the Institute is working on different software programs for different activities, i.e., standalone programs. I take this opportunity to request you to share your experiences of interacting with the Institute through online platform and suggest improvements.

PROFESSIONAL DEVELOPMENT & CPD COMMITTEE

Professional Directorate sent representation letters to various organizations for inclusion of cost accountants for providing professional services. I am happy to inform you

that on the Institute's request, Deposit Insurance and Credit Guarantee Corporation (DICGC) included Cost Accountants Firm for carrying out GST Audit.

SJVN Limited, National Health Mission Chhattisgarh, Kochi Metro Rail Limited, Gujarat Urja Vikas Nigam Limited, Maharashtra State Electricity Distribution Company Limited, National Seeds Corporation Ltd., West Bengal State Electricity Transmission Co. Ltd., Nepa Ltd., The Mumbai Metro Rail Corporation Limited, Mineral Exploration Corporation Limited, Airports Authority of India, National Safai Karamcharis Finance And Development Corporation, Chhattisgarh State Power Holding Company Ltd., Bharat Electronics Ltd., Narmada Hydro-electric Development Corporation, BEML Limited, Infrastructure Development Authority (IDA) Bihar, Narmada Hydro-electric Development Corporation (NHDC) Limited, Bharat Pumps & Compressor Limited, Punjab & Sind Bank, Eastern Coalfields Limited, India Trade Promotion Organisation (ITPO) have included Cost Accountants in their Tenders/EOIs during the month of March 2020.

During the month, Regional Councils and Chapters organized more than 50 programs, seminars and discussions on various topics of professional relevance and importance for the members including, Finance Bill 2020 Analysis, Companies Auditor Report Order, (CARO) – 2020, Value Addition through cost accounting system & other statutory compliances, Goods and service tax - new returns, e - invoicing and recent changes, Role of CMA'S in Sugar Industry, Recent Change under Insolvency and Bankruptcy Code, Professional Opportunities for CMA under SME Sector, ERP in Microsoft Dynamics, Women in Management Challenges & Opportunities, Analysis of Ind-AS Financial Statement and Statutory Compliances under Companies Act 2013, E-Commerce Operator & E Invoicing under GST, Public Private Partnership (PPP) in Urban Sector, Excel Macro Introduction to User Forms, Macros aspects of Dashboards & Macro Protection, The Social, Economic, Cultural and Political Achievements of Women and so on. I hope our members have been immensely benefited with these programmes.

COST AUDITING AND ASSURANCE STANDARDS BOARD (CAASB)

The CAASB of the Institute has released Exposure Draft of Frequently Asked Questions (FAQs) on the Standards on Cost Auditing (SCAs 101 – 104) for public comments. The last date of sending the comments has been extended up to 30th April 2020. Please offer your suggestions on the same for further improvement and send through email to caasb@icmai.in. The ED FAQs is available at <https://icmai.in/icmai/caasb/SCA.php>

INTERNAL AUDIT & ASSURANCE STANDARDS BOARD

IAASB organized a webinar on "Changing dimensions of Internal Audit in emerging business scenario" on 8th March, 2020, "Internal Audit – What the Board of Directors Expect"

on 15th March, 2020, "Role of Internal Audit in Corporate Governance" on 26th March, 2020 and "Risk and Process based Internal Audit" on 29th March, 2020 which were addressed by CMA Dr. S K Gupta. The IAASB has planned the month of April 2020 as Internal Audit month and will be conducting a series of webinars by the experts and sharing of knowledge resources through e-content deliveries and other possible e-training measures. I congratulate CMA P Raju Iyer for his efforts in the direction.

BANKING & INSURANCE COMMITTEE

The Banking and Insurance Committee with the objective to fulfill the need of the members have started a series of webinars which will help the members to update their knowledge in BFSI sector. The committee has completed four webinars which has all being conducted by Banking Experts who had longstanding experience in Banking field. Webinars on "Role of CMAs in Banking Sector" on 9th March, 2020 which was addressed by CMA Mohan B Tanksale, "Overview of Credit Management of Commercial Banks" on 11th March, 2020 which was addressed by Sh. Prabir Kumar Dutta, "Trade Receivables Discount Scheme (TReDS) on 12th March, 2020 which was addressed by CMA Dr. P Siva Rama Prasad, Former AGM, SBI, "Enterprise Risk Management – A strategic imperative for organizational sustainability" on 28th March, 2020 which was addressed by CMA Delzad D Jivaasha were organised by the Committee. I congratulate CMA Chittaranjan Chattopadhyay, Chairman of the Banking and Insurance Committee for taking such initiative which was a long pending demand of the members.

CMA Chittaranjan Chattopadhyay, Chairman, Banking and Insurance Committee along with CMA Vinayak Kulkarni, RCM of WIRC met Shri Atanu Kumar Das, MD and CEO of Bank of India on 29th February, 2020 at Mumbai and apprised him about the role of CMAs in Banking Sector and the need of the Sector to utilise the services and expertise of CMAs in banking activities for public interest.

CMA Chittaranjan Chattopadhyay, Chairman, Banking and Insurance Committee also met various academic officials including Professor Ranjit Tamuli, Vice-Chancellor of Dibrugarh University at Dibrugarh, Assam on 11th March, 2020 for opening Support Centre of CMA course at the University and also to associate with the University for a MOU which will cater to the needs of the students in the coming days at Assam.

CMA Chittaranjan Chattopadhyay, Chairman, Banking and Insurance Committee along with CMA Harijiban Banerjee, Past President of the Institute met Padmabhushan Dr. Swapan Dasgupta, Hon'ble Member of Parliament, Rajya Sabha at Kolkata on 15th March, 2020.

CMA Chittaranjan Chattopadhyay, Chairman, Banking and Insurance Committee had a meeting with CMAs of eminence and experts from Banking fraternity on 17th March, 2020 at Headquarters, Kolkata for development of the Monograph on utility of Cost Information for credit decision by the Commercial Banks and preparing a revised monograph on Role of Cost and Management Accountant in Banking Sector.

REGIONAL COUNCIL AND CHAPTERS COORDINATION COMMITTEE

The Regional Council and Chapters Co-ordination Committee organized series of webinars for the benefits members and students fraternity at large. The webinars sessions for members addressed by CMA Dr. Gopal Krishna Raju include: "Direct Taxes Vivad se Vishwas Bill (Act) Bill, 2020" on 2nd March 2020, "Ind AS 15 – Revenue from contracts with customers" on 9th March 2020, "Ind AS 116 – Leases" on 16th March 2020, "Ind AS 113 – Fair value measurement" on 26th March 2020 and "Latest developments in CSR" on 1st April, 2020. The webinars sessions for members addressed by CMA Rammohan Bhawe include: "Ind AS 101 – First time adoption" on 4th March 2020, "Ind AS 109 Financial Instruments: recognition and measurement" 11th March 2020, "Ind AS 102 – Stock Options" on 18th March 2020 and "Ind AS 32 Financial Instruments: presentation" on 25th March 2020. The webinar session for members addressed by CMA Harshad Deshpande on the topic "Independent Director – New Avenues for CMAs" on 29th March, 2020

I congratulate CMA H Padmanabhan, Council Member and Chairman, Regional Councils and Chapters Committee for continuously organizing webinars for the benefit of members which are definitely a comfort of attending at their own location, the series of webinars for the month of March was announced at the beginning of month, without any anticipation of the situation we are facing. Such continuous webinars, well before forced situation, has led to ease of operation of IT systems by the members for attending the webinars.

The Regional Council and Chapters Co-ordination Committee organized webinar series for CMA students on GST in the month of March. Sessions on "TDS & TCS under GST" on 10th March, 2020, "Job work under GST" on 17th March, 2020, "Input Tax Credit under GST" on 24th March, 2020, "Place of supply under GST" on 30th March, 2020 and Foreign Trade Policy on 31st March, 2020 were addressed by CMA Dr Gopal Krishna Raju. The series on GST continue with more sessions scheduled on 7th April, 2020 – E way bill under GST, 14th April, 2020 – Exports Imports & refund under GST, 21st April, 2020 – Accounts & Records under GST and 28th April, 2020 – Registration under GST to be addressed by CMA Dr Gopal Krishna Raju.

I congratulate CMA H Padmanabhan, Council Member and Chairman, Regional Councils and Chapters Committee for his efforts towards the enhancement of knowledge of students' fraternity at large.

DIRECTORATE OF CAT

• Establishment of New ROCCs

I congratulate CMA H. Padmanabhan, Chairman of CAT Committee for establishment of four new Regional Oral Coaching Centres (ROCCs), viz. ECLAT International (S-212) in Calicut (Kerala), Masters Education Trust (S-213) in Davangere (Karnataka), Academy for Commerce Aspirants

(N-241) in Lucknow (Uttar Pradesh) and CA Ankit Singhal Classes (N-242) in Faridabad (Haryana). The aspirants of CAT course from these cities and nearby places will also be benefitted by these ROCCs.

- **Association with BFSI Sector Skill Council of India**

I am pleased to inform that the CAT Directorate is regularly following up with BFSI Sector Skill Council of India and Ministry of Corporate Affairs for recommending the alignment of CAT Curriculum of the Institute under National Skills Qualifications Framework (NSQF).

TAXATION COMMITTEE

The last one month had been pro-active for the Tax Research Department and they have continued with the knowledge building of our members and stakeholders. Activities including Webinars by eminent resource persons - CMA Abhijit Khasnobis on the topic 'Online processing and submission of refund reissue request to Income tax department' on 31.03.2020, CMA Harish Joshi on the topic 'Section 286 applicability on domestic companies & forms to be filed' on 26.03.2020, CMA Vishwanath Bhat on the topic 'Interest on delayed payment-gross liability (or net Liability)-section-50(1) & related issues and preparedness for the new returns under GST' on 13.03.2020 and CMA B. Mallikarjun Gupta on the topic 'Steps for E-invoicing rollout in GST' on 06.03.2020 have been conducted successfully with active participation of huge number of candidates. The 59th and 60th Tax Bulletin has been published successfully in the month of March 2020. The 61st Tax Bulletin has been released yesterday. Representations to the Government has been submitted requesting for maintaining threshold limit for GST Annual Return and Audit, Inclusion of Cost Accountants (CMA) in Notification No. 09/2020-Central Tax dated 16th March 2020 and requesting to provide opportunity to Cost Accountant Firms to perform GST Audit for Financial Year 2018-19 to the Cotton Corporation of India Ltd. The Crash Course on GST for Colleges and Universities are being conducted at two esteemed colleges in Mysore. The other courses, i.e., the Certificate Course on GST, Advanced Certificate Course on GST, Certificate course on filing of returns and Certificate Course on TDS are continuing seamlessly. Though at some locations where offline course is being conducted, the classes have been withheld for the pandemic of COVID 19.

INTERNATIONAL AFFAIRS COMMITTEE

I wish to inform you that with the aim of expanding the opportunities for Cost Accountants in foreign jurisdictions, the Institute has taken up with NARIC, UK, the task of benchmarking study of CMA qualification in the context of the UK and UAE education systems. The National Recognition Information Centre for the United Kingdom (NARIC, UK) is a renowned UK national agency responsible for providing information and expert opinion on qualifications and skills worldwide.

Further, I also wish to inform the Committee conducted a Webinar on "Doing Business in Singapore" on 6th March 2020 by CMA Dinesh Makani, which was well appreciated by members.

INSOLVENCY PROFESSIONAL AGENCY (IPA) OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

The Insolvency Professional Agency of the Institute has taken various research initiatives for the professional development of its members such as compilation of synopsis of landmark judgments under IBC during January to December 2019, Compilation of a Guidance Note on Verification of Claims under IBC 2016, Performance analysis of companies - Pre, during and Post CIRP, Release of Au Courant - Daily updates on IBC 2016 and Compilation of Case Books analysing various settled cases under IBC.

A webinar on "The Insolvency Bankruptcy Code, (Amendment) Act, 2020" was organized on 31st March, 2020 and on "How to read a Valuation Report" was organized on 1st April, 2020 for the benefit of members of the Institute.

I once again wish you and all your loved ones health and safety during these uncertain times. Let's move forward with resolve and overcome this common threat together.

Stay Indoor, Stay safe.

With warm regards,



CMA Balwinder Singh

April 3, 2020



FROM THE DESK OF THE CHAIRMAN - IT COMMITTEE

CMA Ashwin G. Dalwadi

Chairman
IT Committee

The Institute of Cost Accountants of India

Dear Sir/Madam

Greetings for the New Financial Year 2020-21!

We are passing through the lockdown era on account of Covid-19. I wish you and all your near and dear a safe, healthy and a prosperous new financial year.

With support of all my council colleagues along CMA Balwinder Singh - President and CMA Biswarup Basu - Vice President of the Institute, I was fortunate to head two council committees Viz. Committee on Management Accounting and Committee on Information Technology. The Committee of Management Accounting has been created in the recent past to focus on the necessity and importance of Management Accounting. I will discuss about other initiatives mooted by the Institute at a later date.

The Management Accounting Committee had organized a global summit 2020 with a theme **“Mission 5 Trillion – CMA as a Cryogenic Force”**. This summit met with a landmark success with your support, blessings and untiring efforts of all council members, staff and all CMAs, well-wishers.

Now, the Committee of Information Technology has taken up one big and ambitious project of Digitalization of Institute’s Activities. The committee has worked out a broad plan to achieve the goal of digital transformation of the Institute in a phased manner.

The Institute is working on different software programs for different activities e.g. Studies Department, Examination Department, Membership Department have their standalone programs. Some of these pragmas were designed quite a few years ago and they not interlinked which is the need of hour. Over a period time, several process defined at the time of software development have undergone changes but it has not been possible to change such processes due to certain limitations. Further, due to such legacy systems, the Institute is also not in a position to leverage the current technological advances.

I am sure you will appreciate that any ambitious plan can’t be successful unless and until all stakeholders contribute towards the goal to their level best. For Us, Members and Students are also our major stakeholders and they shall be major beneficiaries of the Institute’s functioning.

I am sure that many of us have encountered difficulties during interactions with the Institute. I take this opportunity to invite you share your good/ bad/worst experiences with reference to technology in place at Institute along with you suggestion, if any along with any new idea to be included in the ambitious digitization project being undertaken by the Institute.

Any idea leading to excitements for stakeholders and improving convenience and experience of Stakeholders is welcome.

Please do help us. Send your suggestion to – suggestion.digi-project@icmai.in.

“Being in time is always wonderful.....”

Announcement on board INDIGO FLIGHTS

We are keenly awaiting your response by 15th May, 2020.

Please do feel free for any clarification. I am phone call away!

CMA Ashwin G. Dalwadi

April 3, 2020



FROM THE DESK OF THE CHAIRMAN - INTERNAL AUDITING & ASSURANCE STANDARDS BOARD

CMA P. Raju Iyer

Chairman

Internal Auditing & Assurance Standards Board
The Institute of Cost Accountants of India

Wishing You All Happy New Year, Shree Rama Navami and Vasantha Navarathiri, Traditional New year Celebrations. May the blessings of Lord Rama fill our life with happiness, prosperity and success, May all be blessed with all the happiness you desire and deserve.

I would like to share my happiness and pleasure with you all as a Chairman of the Internal Auditing and Assurance Standards Board of Institute. We have declared the Month of April 2020 as "Internal Audit" month and to create awareness, train the members and professionals in the domain of internal auditing and Assurance.

SRIMAD RAMAYANAM of Valmiki, known as ADIKAVYA – the oldest epic of India- tells us a lot about administering the State including its finances.

आयस्ते विपुलः कच्चित् कच्चित् अल्पतरो व्ययः।

अपात्रेषु न कच्चित्ते कोशो गच्छति राघव ॥

Oh dear Brother, are your revenues (Ayaha) large enough to cover the expenses of the State? (meaning that budgetary deficit is avoided) I hope, as regards expenses, the same are well within the approved limits (vyayah alpataraha) i.e. Administrative Heads of the departments are exercising proper control while incurring actual expenditure against the sanctioned limit. I hope you are ensuring that no part of your Treasury (Kosha) is spent on undeserving objects or purposes (apaathreshu) i.e. in our current terminology – avoiding infructuous expenditure.

Are they not the cardinal principles of Budgets and Budgetary Control?!

It is imperative that the need and existence of an independent review / a system of reporting –i.e. audit in our today's terminology- has been cited by Sri Rama.

The domain of Internal Auditing & Assurance Services travels beyond the business functions and drives into the arena of performance measurement & Decision Making [PM & DM]. In this context, we would be delivering a series of webinars by the experts, sharing of knowledge resources

through e-content deliveries and other possible e-training measures.

"By virtue of exchange, one man's prosperity is beneficial to all others." Frederic Bastiat. Keeping in mind above, let us exchange the knowledge resources to prosper in our profession and life.

We have received overwhelming response for the earlier webinars organized by the IAASB and this clearly indicates the commitment of our members and their readiness towards the Internal Audit function. We are in the process of preparing guidance notes on internal audit by our expert team members in sectors such as Petroleum, Education, Helathcare & Hospitality, Process based internal audit etc. Soon we shall be delivering the resource guidance notes to the members, stakeholders and society at large.

I take this opportunity to thank CMA (Dr.) K Ch A V S N Murthy, CCM & Chairman, Journal & Publications Committee for his endeavor in dedicating this April 2020 month journal for Internal Audit. This is a new beginning in the era of Internal Audit for our members. My Sincere thanks to CMA Balwinder Singh, President & CMA Biswarup Basu, Vice President for the continuous support to the Board in all its activities to reach us to greater heights. I express my sincere thanks to the CMA Kushal Sen gupta, Additional Director & Secretary, IAASB, Officials of the Directorate of Journal & Publications, Directorate of IT and other support departments of the Institute for the staunch support in all our activities. I am grateful to CMA B B Goyal for his untiring advice and motivation to perform.

At this juncture, let us extend our sincere gratitude to medical-welfare administrative comrades who striving their best to make of us to be safe and free from the COVID-19. We need to appreciate the services of the service bees in making their hard efforts to ensure the availability of necessities at our doorstep, maintain cleanliness and to the community at large.

"Profession is not a label you give yourself. It's a description you hope others will apply to you"

Wishing all professionals a prosperous way ahead.....

Jain Hind.

Thank You very much. Best Regards

CMA P. Raju Iyer

April 3, 2020



Glimpses of CMA Womenovator Conclave 2020 organised by the Institute in association with Womenovator on 7th March, 2020 at New Delhi



CMA Balwinder Singh, President along with CMA Ashwin G Dalwadi, Council Member of the Institute during Pre-Placement Orientation Training Programme held on 14th March 2020 at Ahmedabad



Inauguration of Workshop on Applications of Data Analytics in Finance & Costing held on 14.03.2020 at J. N. Bose Auditorium, CMA Bhawan, Kolkata



An Interactive session on GST Law related issues, GSTN problems and other issues related to GST organised by the Hyderabad Chapter of the Institute on 2nd March 2020 at Hyderabad. Seen in the picture CMA Dr. K Ch A V S N Murthy, Council Member, CMA Lavanya KVN, Chairperson Hyderabad Chapter and Dr. D. Purushotham, Pr. Commissioner GST Telangana



Pre-placement Orientation Program organised by the Hyderabad Chapter of the Institute inaugurated by CMA Dr. P.V.S.Jagan Mohan Rao, Advisor and Immediate Past President of SAFA, as the Chief Guest and CMA G. Narayana Rao director NRDC as the Guest of Honour on 12th March 2020. Also seen in the picture, CMA Dr. K Ch A V S N Murthy, Council Member, CMA Lavanya KVN, Chairperson Hyderabad Chapter



CMA Chittaranjan Chattopadhyay, Council Member of ICAI greeted Professor Ranjit Tamuli, Vice-Chancellor of Dibrugarh University on 11th March 2020 at Dibrugarh, Assam



CMA Debasish Mitra, Chairman - Board of Advanced Studies of the Institute addressing Students and Members in the Workshop on Applications of Data Analytics in Finance & Costing on 14.03.2020 at Kolkata



CMA Harijiban Bandyopadhyay, Past President of the Institute and CMA Chittaranjan Chattopadhyay, Council Member of ICAI greeted Padmabhushan Dr. Swapan Dasgupta, Honb'le Member of Parliament, Rajya Sabha at his residence at Kolkata on 15.03.20



CMA Chittaranjan Chattopadhyay, Chairman of Banking and Insurance Committee felicitating Shri Atanu Kumar Das, MD and CEO of Bank of India along with CMA Vinayak Kulkarni, Regional Council Member of WIRC at Mumbai

REPORT ON WIRC REGIONAL COST CONVENTION 2020

Regional Cost Convention 2020 of the Western India Regional Council conducted at Surat on 15th & 16th February 2020 and hosted by Surat South Gujarat Chapter of Cost Accountants. Theme of RCC 2020 was “Withstanding Economic Challenges – Role of CMAs”. Convention was inaugurated by Chief Guest, Hon. Shri. C. R. Patil, Member of Parliament, Government of India. CMA Balwinder Singh, President of the Institute, CMA Biswarup Basu, Vice President of the Institute, CMA Dhananjay V Joshi, Chairman, Technical committee, Former President of the Institute, CMA Neeraj Joshi, Chairman WIRC and CMA Ashish Bhavsar, Hon. Secretary WIRC, CMA Brijesh Mali, Chairman Surat South Gujarat Chapter and CMA K.C. Gupta, Vice Chairman, Surat South Gujarat Chapter were on the dais. Colourful Souvenir was released at the hands of Chief Guest Hon. Shri. C. R. Patil, Member of Parliament, Government of India on the occasion. In the 1st Technical Session on “Industry & Economy” Dr. Aditya Shrinivas, Chief Economists & Chief Operative Officer, Bombay Stock Exchange Broker’s Forum, CMA Ramkrishna Kashelkar, Corporate Communication, RIL & CMA Dr. Ashish Thatte, CCM were the speakers. In 2nd Technical Session on “Service Sector”, Padmashri Mathurbhai Savani, Founder, Saurashtra Jaldhara Trust, Mr. Jaynarayan Vyas, Past Minister, Government of Gujarat & Thinker & Economists, CMA Nilesh Lathiya, Chief Finance Officer, Dahod Smart City Development Ltd, and CMA Amit Apte, Immediate Past President of the Institute were the speakers. In 3rd Session on “Regulatory Reforms” Ms. Anupama Singla, Joint Commissioner, Income Tax, Mr. Sanjay Saraswat, Superintendent, National Academy of Indirect Tax, Customs & Narcotics (NACEN), CMA Ajay Joshi, Practising Cost Accountant & IP & CMA Sanjay Bhargave, Practising Cost Accountant were the speakers. On 2nd day in the 4th Technical Session on ‘Industry 4.0’ CMA Chaitanya Mohrir, Associate Manager, Accenture & Regional Council Member, WIRC, Ms. Kruti Shah, representing IT Firm Pure IETS Ltd, Dr. Rajesh Babu, associate Professor, Gujarat Forensic Sciences University were the speakers. Valedictory session was chaired by Hon. Sou. Darshana Jardosh, Member of Parliament, Government of India. In her speech she emphasised on the role of CMAs in public sectors and the role of Cost and Management accounting in coming times. In the summing up Session, Secretary of Surat South Gujarat Chapter CMA Nanty Shah, thanked all the members and students participated in Convention, CMA Neeraj Joshi, Chairman WIRC, CMA Dinesh Kumar Birla, Vice Chairman WIRC, CMA Ashish Bhavsar, Hon. Secretary WIRC, CMA Mahendra Bhombe - Treasurer WIRC, CMA Harshad Deshpande, RCM and CMA H Padmanabhan, CMA P. Raju Iyer, CMA (Dr.) V Murali, CMA (Dr.) Ashish Thatte, CMA Ashwin Dalwadi & CMA Debasish Mitra, CCMs, Past Presidents and Past

Chairman of WIRC and WIRC Chapter Representatives from various Chapters in the region were present on the occasion. Chapter Meet was also organised on the occasion, which was chaired by CMA Balwinder Singh, President of the Institute, CMA Biswarup Basu, Vice President of the Institute and CMA H Padmanabhan, Chairman, Students, Members, Chapter Region Coordination Committee along with CMA Neeraj Joshi, Chairman WIRC, CMA Ashish Bhavsar, Hon. Secretary, WIRC.



CMA Balwinder Singh, President ICAI felicitating Hon. Shri C. R. Patil, Member of Parliament, Surat during the Inaugural session of WIRC Regional Cost Convention held at Surat on 15th & 16th February 2020. Also seen CMA Biswarup Basu, Vice-President-ICAI, CMA Dhananjay V. Joshi, Past President-ICAI, CMA Neeraj Joshi, Chairman WIRC and CMA Ashish Bhavsar, Hon. Secretary-WIRC.



Hon. Shri C. R. Patil, Member of Parliament, Surat, CMA Balwinder Singh, President ICAI along with Central Council Members, Regional Council Members, & Surat South Gujarat Chapter Office Bearers during WIRC Regional Cost Convention held at Surat on 15th & 16th February 2020.

41st COST CONFERENCE - 2020 ORGANISED BY ICAI-EIRC ON THE THEME “SUSTAINABLE DEVELOPMENT THROUGH INCLUSIVE GROWTH – RISING FROM THE EAST” ON 28th & 29th FEBRUARY, 2020 AT SWABHUMI, KOLKATA

The Institute of Cost Accountants of India – Eastern India Regional Council had organised the **41st Cost Conference 2020** on the theme “Sustainable Development through Inclusive Growth – Rising from the East” on 28th & 29th February 2020 at Swabhumi, Kolkata. Hon’ble Governor of West Bengal His Excellency **Shri Jagdip Dhankar** had graced the occasions **Hon’ble Chief Guest and inaugurated the Conference by lighting the Inaugural Lamp. The First Lady of the State Ms Sudesh Dhankar** had also graced the occasion. CMA A.K.Tiwari, Director Finance – GAIL, CMA Sanjiv Soni, Director Finance, Coal India Limited, CMA R H Juneja, Director Finance, Mecon Limited, CMA Balwinder Singh, President, ICAI, CMA Biswarup Basu, Vice President, ICAI, CMA Pallab Bhattacharya, Chairman, EIRC, CMA Uttam Nayak, Secretary – EIRC were also present during the Inaugural session.



Smt Mala Ray, Hon’ble Member of Parliament, Lok Sabha, Kolkata South Constituency had also graced the occasion as our Special Guest of Honour. During the Occasion Former Presidents of the Institute and Former Chairmen of EIRC were felicitated by Smt Mala Ray, Hon’ble Member of Parliament, Lok Sabha, Kolkata South Constituency for their immense contribution towards the Institution and the Profession as a whole.

There were five technical Sessions. Technical Session I was on **Cost Governance – Key to Success**. CMA Kunal Banerjee, Former President- ICAI was the Chairman of the session. CMA B. B. Goyal Adviser (ICWAI) MARF and CMA Somnath Mukherjee, Former Central Council Member-ICAI were the Guest of Honour, CMA Kishore Bhatia, Founder and Partner of Kishore Bhatia & Associates, Cost Accountants was the resource person. CMA Arundhati Basu, RCM-EIRC offered the vote of thanks.

Technical Session II was on **Direct Taxation : Value addition by CMAs**. CMA Niranjn Swain, Former Chairman of the EIRC-ICAI was the Chairman of the session, **Shaikh Shamsher Alam- Commissioner, Income Tax** was the **Chief Guest of the session**, CMA Mrityunjay Acharjee-Vice President, Balmer Lawrie & Co.Ltd. (A &F), Shri S.K.Tulsiyan, President of Income Tax Bar Association Calcutta were the

resource persons, CMA Ashish Banerjee, RCM –EIRC offered the vote of thanks.

Technical Session III was on **Banking & Insurance - Health & Forensic Audit**. CMA C.R.Chatterjee, CCM-ICAI was the Chairman of the session, CMA C Veeraraghavan, Proprietor, C V RAGHAVAN & ASSOCIATES –addressed on Health Insurance, Shri Jyoti Prakash Gadia, Managing Director-Resurgent India Limited addressed on Health Insurance, CMA Alok Bardhan, Assistant Director, Serious Fraud Investigation Office (SFIO), MCA addressed on Forensic Audit, Shri Umesh Kumar Singh, Chief Vigilance Officer, Allahabad Bank addressed on Forensic Audit, Shri Diptendu Moulik, Senior Manager - Multi Commodity Exchange of India Ltd addressed on Opportunities & Risk Management in Commodity Market. CMA Abhishek Kr. Singh, RCM-EIRC offered the vote of thanks.

Technical Session IV was on **Expectation of Industry: A way forward**. CMA Debasish Mitra-CCM-ICAI was the Chairman of the session, CMA Asim Mukherjee –VP & Head-Business Finance Tata Motors Ltd., Mr. Debi Prasad Patra, IAS (Retd.), Whole-time Director, MCPI Private Limited, Dr. Saurav Khemani, Chairman MSME (Bharat Chamber Of Commerce) were the Guest of Honour. CMA Abhishek Kumar Singh, RCM, EIRC.

Session on NPS: Shri Saurabh Das, Sr Manager (Operations & Marketing), NSDL was the resource person on NPS.



Technical Session V was on **GST : A Game Changer**. CMA Niranjn Mishra-CCM-ICAI was the Chairman of the session, **Shri Devendra V. Nagvenkar, Commissioner, CGST & Cx Kolkata** was the **Special Guest of Honour**. CMA Timir Baran Chatterjee, Chairman Indirect Taxation Bengal Chamber of Commerce, Shri Amit Kr. Sarker, Senior Director (Partner) - Indirect Taxation, Deloitte Haskins & Sell, LLP were the resource persons. CMA Ashish Banerjee, RCM –EIRC offered the vote of thanks.

Around 300 participants from the Corporates, PSUs, Practicing Cost Accountants participated in the 41st Cost Conference 2020. Both Print & News Media covered the whole programme and published the same in various News Paper and also telecast the same in the News Channels. The 41st Cost Conference 2020 was a grand success and end with a formal vote of thanks.



Release of Souvenir



Dignitaries on the Dais.

(L-R) CMA Biswarup Basu-Vice President, ICAI, CMA Sanjiv Soni D (F), Coal India Ltd., CMA Pallab Bhattacharya, Chairman, ICAI-EIRC, Smt. Sudesh Dhankar-First Lady, Shri Jagdeep Dhankar His Excellency Hon'ble Governor of W.B, CMA Balwinder Singh President, ICAI, CMA A.K.Tiwari D (F), GAIL (India) Ltd., CMA R .H .Juneja D(F), Mecon Ltd., CMA Uttam Kumar Nayak Secretary, ICAI-EIRC



CMA Balwinder Singh President , ICAI Presenting Memento to Smt. Mala Roy Member of the Lok Sabha Parliament. CMA Biswarup Basu-Vice President, ICAI & CMA Pallab Bhattacharya, Chairman, ICAI-EIRC also seen.



Technical Session I



Technical Session II



Technical session III



Technical Session IV



Technical Session V



IMPORTANCE OF AUDIT PLANNING FOR PROCESS BASED INTERNAL AUDIT

1. DEFINITION OF INTERNAL AUDIT

As per Institute of Internal Auditors (IIA), Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

2. NEED FOR PROCESS BASED INTERNAL AUDIT

With the opening of economy in late 1990s and early 2k years, the business size, operations and structure of the organisations become complex. Many organisations have different business verticals and units in different parts of our country and even some have transnational branches. They also have foreign investors to report. Most organisations felt that they did not have adequate and appropriate controls in place to achieve in full their strategic objectives. The management of these businesses found it impossible to visually supervise all of the operating areas in their respective field of responsibility or to have sufficient personal contact with individuals, who directly or indirectly reported to them. Therefore, to alleviate, these new problems, managements are appointing special staff/ professionals to review and report on **what** is happening and to probe for the "**why**" it was happening. These persons are called 'Internal Auditors.' Most of these internal auditors were not employees of the organisations but external accounting professionals. Most of these professionals though have adequate knowledge on financial matters, may not possess the required adequate knowledge on the domain which they have to audit. Therefore it is suggested that they should have adequate domain expert or subject matter expert to guide them for successful conduct of audit and report. For successful conduct of audit, the planning for it, is a primary step. In this



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Abstract

For successful completion of audit assignment, one of the basic need is proper audit planning. A detailed audit plan would cut the time in field work and reporting. Due to a well thought out plan, the Internal Auditor knows which areas are more risks to be concentrated in audit and also have a subject expert to guide the team. This adds value to the audit assignment and would immensely beneficial for both the auditor as well as the audit customer. In this article, it is explained the need for process based internal audit, importance of audit planning and the steps of planning process.

article, it is stressed how the planning from beginning is more important for a successful audit.

3. PLANNING FOR AN INTERNAL AUDIT¹

The modern outlook of Internal audit is not just doing compliance auditing at stores, consumption, contracts, productivity, capacity utilization, efficiency in utilization of resources, wastages, pilferages, thefts, frauds etc., but also aimed on performance based audit. For any successful audit, there should be a successful planning. How the audit plan to start from scratch?

Apart from assurance on financial statements, the Internal Audit team has to check the functional areas which often include processes that support an organisation's strategy and key objectives. Many times, the internal audit teams neither have the domain knowledge of the subject matter to which they have to handle during the course of audit nor have a subject matter expert in their team to oversee their work to provide assurance for areas that never before audited. Usually in such scenario, the audit team would search for the items to be checked from **Web**. This is a normal approach. But, what is required in such a situation would be to test several controls. Therefore, this normal approach not only affects the internal audit performance and reputation but also not useful to the audited organisation. Hence, the following is the solution in the audit planning i.e. **planning from the beginning**. An internal audit program from the beginning is better equipped to perform audits over areas that are not routinely audited. When Internal Audit can spend more of its time and resources aligned with the organisation's strategy and key objectives, the benefits can multiply. The procedure or steps to be taken for an effective audit plan is explained below

A. INITIAL PLANNING - The Audit team should have adequate knowledge of the areas to be audited in any Internal Audit assignment. The team should understand the purpose for which that particular process/activity/department was to be audited. Hence the team should address the following issues before starting the field work and get reasonable answers and they should be documented.

- The reasons or purpose for which particular processes/ activities/units/ departments were approved to be audited
- How they support the organisation in achieving its goals and objectives
- What are the enterprise risks the audit should address
- Whether this particular issue was previously audited and if so what are the findings? Whether those findings were addressed?
- Whether there was any significant recent changes in the processes/activities of that particular department/unit to be audited

¹ Some planning processes were referred from CAG's compliance audit manual as well as COSO's framework.

B. RISK ASSESSMENT AND APPOINTMENT OF EXPERT:- Performing an audit based on the organisations internal documents, data and information are helpful to assess the operating effectiveness of the processes controls to the internal audit team. However, the team has to keep players with the businesses changing landscape and to ensure key processes and controls are also designed correctively by seeking external information collected from the media on the publications about the business, industry in which the organisation functions, blogs and posts by key personal, industry norms and information from trade association, etc., to have a detailed risk profile of the organisation and the subject process/ product/ business vertical/unit/branch etc., Apart from this, the audit team should seek the assistance from a subject matter expert who he is possessing a vast experience in the field. Once the internal audit team leverage both internal and external resources to identify the risk areas then the team can build up a suitable audit program to test the risks.

C. ASSESSING INTERNAL CONTROL FRAMEWORK:- The internal audit team has to assess the effectiveness of the internal control systems established in the organisation. For this it is to test the control activities to identify and test the effectiveness of the well-controlled process. For this, the team can adopt COSO's internal control components, principles and points of focus.

D. INITIAL DOCUMENT REQUEST LIST. On acceptance of audit assignment, the audit team should make the following requests before commencement of audit planning in order to gain an understanding of the process/unit/the areas to be audited.

- All policies, procedures, documents and organisation charts
- Key reports use to manage efficiency and effectiveness and process success
- Access to key applications used in the process
- Description and inventory of master data for the process being audited, including all data fields and attributes.

After gaining an understanding of the process to be audited through the initial document request, the audit team should request access to master data for the process to be audited to analyse the trends before making sample selections

E. PREPARING FOR A PLANNING MEETING:- The following steps should be performed to prepare a planning meeting business stakeholders.

- Outline key process steps, highlighting information flows and internal control components.
- Validate draft narratives and flowcharts with subject matter experts within bracket, if any.
- Create an initial pre-planned questioner with internal audits wrapped answers to facilitate a preplanning meeting with the chaotic customers.

Preparing the questioner after performing the initial research sets a positive tone for the audit and illustrates that the internal audit is adequately informed and prepared. Once this research is completed. The internal audit team should meet with their key business stakeholders to conform their understanding of the process to be audited.

F. PREPARING THE AUDIT PROGRAM.

Once internal audit team had confirmed their understanding of the process on the risks involved in the process, they would prepare to create an audit program, which should detail the following information.

- Process objectives.
- Process risks.
- Controls mitigating process risks.
- Control attributes, including
 - » Whether the control preventing or detecting a risk event
 - » Control frequency
 - » Whether the control mitigate a fraud risk
 - » Whether the control is performed by manually, or application or both
 - » An initial assessment of risk.
- Testing procedure for controls to be tested during the audit, which include
 - » Inquiring how the control was performing
 - » Testing the control performance
 - » Review the documentation of the performance
 - » Independently performing the controls to validate the outcome.

G. AUDIT PROGRAM REVIEW:- The audit program, especially those for processors that have never been audited before or audited long before should have multiple levels of review and buy in before should have multiple levels of review before finalised and allowing fieldwork to begin. The following individuals should review and approve the audit program before commencement of fieldwork.

- » Team leader.
- » Subject matter experts.
- » Management's main person of contact for the audit (audit customer)

4. CRITICAL AREAS TO BE INCLUDED IN THE AUDIT PLAN

A good audit plan would not only meet the transparency in governance or other compliances requirements, but also reflect an enterprise-wide scope and coverage of risks. Therefore, the following five important risk areas to be considered for inclusion in the audit plan so that the internal audit would become effective.

A. CYBER SECURITY:- The Audit plan should include verification of organisation's data encryption, Access management policies and controls, data

penetration testing with vendors, business continuity plans, employee information security training.

B. CULTURE AND ETHICS:- The organisation's gender and racial discrimination, succession planning and digital ethics like how the customer/ consumer information was managed and protected across the enterprise.

C. DATA PRIVACY:- which include the General Data Protection regulation and Consumer consent

D. DATA GOVERNANCE:- which include data quality, data migration procedure, data management procedure, and data quality standards and data analytics which include policies and procedures of data analytic functions, proper storage and ownership, controls around data repositories and data access controls.

E. THIRD PARTY RISKS:- Which include background checks, third party risk management, contract management, right to audit clause of these contracts, monitoring and compliance issues.

5. SETTING AUDIT OBJECTIVES AND CRITERIA:-

After charting out the critical areas to be audited, Audit objectives to be framed with the assistance of the subject expert and the criteria or standards to which these audit objectives are to be tested. Audit objective is nothing but some questions to be raised on the risk mitigation against the standards prescribed. This would enable in the field audit to find results for the questions raised and drafting the report on the economy, efficiency and effectiveness of the resources utilised by the organisation as well as how they had mitigated the risks associated with the business process.

6. CONCLUSION:

Planning takes into account both external as well as internal factors of an audited entity, internal control systems in place, risks involved and associated with the process to be audited and also the guidance of the subject expert. Since the plan zeros on the areas to be audited, less time would be taken in field work than planned. In summing up, for any successful audit, a well-planned process is very important.

MA

References:

1. *Compliance Audit Guidelines by CAG of India*
2. *COSO's Internal Control Framework*

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GOVERNANCE & AUDIT OF PROCUREMENT CONTRACTS



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Abstract

Procurement involves the process of selecting vendors, establishing payment terms, negotiation of contracts and ultimately, the actual purchasing of the goods and/or services. It is concerned with acquiring all goods and services that are vital to an organization. Procurement contract is a written agreement between a buyer and a seller where the buyer agrees to buy the goods and/or services from the seller in exchange of certain consideration. In a manufacturing sector, a significant amount of revenue gets siphoned out in the name of contract and procurements and the same may vary from 55 % to 65 %. Hence, a transparency is essential which helps to curb such expenditure. A regular internal audit of the contract & procurement activities is essential in order to maintain the transparency and efficiency and to keep control over such unproductive expenditure. This will, in turn, help in the revenue improvement plan and improve the financial management of the corporate. A well defined policy on contract & procurements and its regular audit will help the organization to bring and to maintain clarity in each procurement.

This research paper plans to make an exhaustive study of Governance & Audit of Procurement Contracts.

I. INTRODUCTION:

The word Governance is generally understood as Corporate Governance, it means how the corporate is being managed and extent of transparency is being maintained in managing the affairs of the company. Unless the management of the company is able to earn the confidence of its stakeholders / investors, running the company as a growth organization will be difficult. The Governance is now felt in every area of activities of the corporation that helps the organization to grow and to earn the confidence of the related person. Once, the principle of good Governance is being maintained in all the activities of the organization i.e. from the day when the task is assigned and up to the date of finalization and achievement / fulfillment of the task as outlined in principle.

On the other hand, **Audit** means the examination of various books of accounts with the relevant vouchers so as to enable the auditor to express his opinion as to whether the Balance Sheet shows a true and fair view of the Assets and Liabilities and whether the Profit and Loss Account of the profitability of the organization. It also includes physical verification of the inventory to ensure that all the transactions are properly recorded in the respective books of accounts. Apart from the statutory auditing, internal auditing is also of utmost importance in any organization. The Internal audit of an organization refers to an independent managerial activity that requires a continuous and in-depth analysis as well as critical appraisal of the entire functioning of the organization. Internal audit helps the organization in the following manner:

- a. Profit planning ,
- b. Adding value to the organization ,
- c. Strengthening the overall governance mechanism of the entity,
- d. Various strategic risk management,
- e. Internal control system.
- f. Finally, it provides assurance that transparency is being maintained in reporting which is as a part of good corporate governance.

In a manufacturing sector, a significant amount of revenue goes out for contract and procurements and the same may vary from 55 % to 65 %. A transparency is essential which helps to curbe such expenditure. A regular internal audit of the contract & procurement activities is needed in order to maintain the transparency, efficiency and to keep control over the non-productive expenditure/outflow that helps in revenue improvement plan and improve the financial management efficiency of the corporate. A well defined policy on contract & procurements and its regular audit will help the organisation to bring and to maintain clarity in each procurement.

An advance and comprehensive audit program at the beginning of the financial year and regular meeting with the key management personnel will help to bring efficiency, transparency & justify the dependability on the auditing activities and its report.

II. FUNDAMENTAL IN CONTRACT MANAGEMENT:

Contract Management is also known by Contract Administration. It is the management of Contracts, vendors, partners, employees etc. The personnel who are involved in contract management are required to negotiate, support and manage effective contracts. Contract Management includes negotiating the terms and conditions in contracts and ensuring compliance with the terms and conditions, as well as documenting and agreeing on any changes that may arise during its implementation. The purpose of contract management is to maximize financial and operational performance and at the same time, minimize the risks.

A Contract is a written or oral agreement enforceable by law. The definition of Contract is given in Section 2(h) of the Indian Contract Act, 1872 which is based on the English Common Law. On analyzing the definition, we find that a Contract is an agreement between the two parties. The agreement may be either oral or written and, thereby, a legal obligation is created for both the parties each of the whom has to perform specific acts. It is preferable that agreements be put in writing in order to make it enforceable in the court. Each party has is legally bound to do the specified duties as per the terms and conditions of the agreement. Each party must have something of value which is called “consideration”.

III. BASIC ELEMENTS OF A CONTRACT:

1. **Mutual Assent:** The parties to the contract must have a understanding in respect of the subject matter to the contract.
2. **Offer and Acceptance:** One party to the contract will make the offer which must be a clearly communication to the either party. Similarly, the other party also is able to understand and accept in unambiguous terms/ conditions.
3. **Consideration:** It means both the parties mutually agreed to the value as decided in order to make the agreement binding between the two.
4. **Capacity:** The parties to the contract must be capable to understand, frame and enter into any agreement in the eye of law of the country.

Types of Contracts: A Contract may be of different types like valid, void, voidable, illegal etc. A **Valid Contract** is one which fulfills all the essentials of contract as enumerated in Section 10 of the Indian Contract Act, 1872. A **Void Contract** is one which contains the element of impossibility in performing by reason of some event. A **Voidable Contract** is one which is enforceable by law at the option of the either party. A contract may be **un-enforceable** due to lack of some defect by both the parties. For example: absence of registration etc. Besides, a Contract may be **illegal /unlawful** when the object or consideration decided in the agreement is forbidden by law of the country. It may be noted that all illegal agreements or contracts are void but all void agreements are not illegal.

IV. CONTRACT & PROCURMENTS:

Procurement is the process of buying goods and services that involves the following activities like, (a) Finding suitable materials from the rights type of suppliers/ manufacturer, (b) acquiring goods, services, or works from the external source, (c) Acquirement in the competitive bidding process in order to avail the best possible prices (d) Buying may involve negotiation in order to make use of economic and cost effective analysis, (e) Procurements are purchasing decisions that involves factors like delivery and handling, marginal benefit, and price fluctuations etc.

In a contract, an agreement is executed between the owner of the project and the contractor or supplier who has agreed to provide the requested services and the same contains various clauses that defines the entire scope, terms, and conditions thereof

Types of contract & Procurements are as follows:

1. Procurement through open tender:
 - a. National tender,
 - b. Global / International tender,
2. Procurement through limited tender,
3. Procurement through offer or without call of tenders either from the dealers, business agents or channel partner etc,
4. Procurement from original equipments manufacturer,
5. Job contract for specially designed items.

Contracts pricing are broadly of the following types:

- a. Fixed-price contract,
- b. Cost plus contract,
- c. Fixed-price plus variation clause .

FIXED-PRICE CONTRACT

It is a most common type of contract. The price is fixed by the manufacturer and it will not change unless there is a change in the scope of contract.

COST PLUS CONTRACT

A cost-plus contract is a type of contract where the contractor is being paid for all construction-related expenses at actual plus profit element as agreed upon between the contractor and the contractee i.e. the buyer. This type of contract is applicable to construction related work, wherein the exact assessment of volume work, time required, materials required and other associated activities etc is difficult to assess at the time of awarding the contract. A cost-plus contract is a win-win situation for both.

There are three main components in the cost-plus contract:

- a. **Direct costs:** Labor, materials, direct expenses related to the product,
- b. **Overhead costs:** All indirect expenses that related

to contract;

- c. **Fixed cost:** Items of fixed nature expenditure that proportionate to the cost of the items,
- d. **Profit element:** It is a fixed percentage based on the costs directly associated with the contracted work,

FIXED-PRICE PLUS incentives for VARIATION FOR EXTRA WORK

This is a third type of fixed-price contract and is used for contracts that spread to multiple years and with multiple type of extra work involved that cannot be assessed in advance at the time of awarding of the contract.

In this type of contracts, the contractor is being reimbursed for all actual costs incurred and then adds an additional charge for the following:

- a. Extra work involved for the additional work,
- b. Extra time and labour involved,
- c. Extra machineries for extra work,

In this type of contract, the majority of the risk lies on the buyer. Such type of contract needs high degree of negotiation process in order to enable the buyer to find out the nature of work involved and related material and labour cost and associated expenditure and time required for completion of the work.

V. CONTRACT MANAGEMENT:

Contract management refers to the management of contracts made with customers, vendors, partners, or employees. The persons who are involved in contract administration are required to negotiate, support and manage effective contracts on behalf of the organization. There are certain stages in Contract Management which are as follows:

- i. **Contract Preparation:** It is related to the identification of needs, setting of Goals, setting expectations as well as defining the risks.
- ii. **Author the Contract Agreement**
- iii. **Negotiate the Contract Value with the bidder/seller**
- iv. **Determination of the rate for extra items and supplementary items**
- v. **Fix the responsibilities of various statutory matters during the execution of contract**
- vi. **Manage Time:** Time is an important element of Contract;
- vii. **Approval before Finalization of the Contract.**
- viii. **Execution of the Contract in the line of agreements and various clauses of the Contract**
- ix. **Keep up with amendments and Revisions etc as and when required during the execution of the Contract**
- x. **Finalization of the Contract after completion of the contracted job i.e, obligations, auditing etc and closing the final bill.**

Contents of the Contract:

- i. Original agreement and its terms and conditions
- ii. Scope of the work and supply / BOQ (Bill of quantity/ Bill of materials)
- iii. Pricing formula adopted and approved
- iv. Tax/statutory due clause
- v. Deviation and its rate for deviated items
- vi. Performance of the contract,
- vii. Bank guarantee clause/ Indemnity clause
- viii. Running bill payment in case of long duration contract
- ix. Running bill payment in case of long duration contract,
- x. Closing of contract / Final bill
- xi. Post contract guarantee clause / warranty clause etc,
- xii. Sub-Contract clause,

VI. CONTRACT & PROCUREMENTS AUDIT

The audit consists of several steps or phases that are designed to ensure the most accurate, objective and reliable standards and results.

1. Planning of audit: Before taking up the audit task, the auditor needs to plan the audit in consultation with the audit team. He has to identify the key areas of inquiry so as to examine, locate and to report to the analyzed areas.

2. Notification to be issued to the auditee: Audits begin with the issuance of some kind of notification to the company or organization being audited. The notification will specify certain points like (a) Purpose of the audit, (b) Duration of the audit (c) The list of documents the auditor wants to examine etc.

3. Initial Meeting: In the initial meeting between the senior management of the corporation/company and the auditors, the necessary support officers and other staff members may also be present.

4. Fieldwork: The fieldwork plan is the first step in contract auditing work. For this purpose, a detailed workable schedule is to be drawn up. The schedule should not disrupt the normal business activities of the corporation. The auditors need to perform sample document checks, to ensure that the company's document creation and record keeping practices are sound and effective.

5. Communication: During the fieldwork by the auditing team on-site at the company's premises, the audit team should be in regular contact with the CFO of the company in order to clarify procedures and ensure proper access to the needed documents.

6. Draft Audit: As soon as the auditing team completes the fieldwork, document examination and review, the auditors prepare a draft audit report which is circulated among the team-members for review and suggested revisions with respect to: (i) The purpose of the audit, (ii) The procedures adopted by the auditors for conducting the audit, (iii) The documents collected, examined & reviewed,

(iv) The audit findings, (v) Suggestion for improvements, (vi) A preliminary list of unresolved issues etc.

7. Management Response: The management is required to be careful while responding to the audit's findings, the problems identified / noted in the audit report and the action plan to correct any noted problems or deficiencies/defects noted by the auditor, its efficacies and the expected date by which all the related issues will have been addressed.

8 Exit Meeting: A formal exit meeting may be scheduled with the company being audited in order to close any existing loose ends or answer questions, discussion with the management responses, any resolution and address that may improve the further scope of the audit in future.

9. Distribution of Audit Report: The finally approved audit report is to be forwarded to the Competent Authority and other associated authority for their comments and actions as required.

10. Feedback/Follow up: Finally, a follow up action by the audit team, apart from regular meeting with the officials of the corporation, will help to resolve the process of improvement of audit points.

VII. AUDITING OF CONTRACTS

The contract Audit is sub-divided into the following activities that help in maintaining efficiency and transparency in management of contract;

- A. Technical Audit,
- B. Financial Audit,
- C. Contract Management Audit.

Further, this can be classified into the following activities:

- a. **Pre - Award of contract Audit :**
 - i. Pre- Audit before the awarding of the contract,
 - ii. Pre –Audit of final bill of the contract,
- b. **Post- Award of contract Audit:**
 - i. Audit during the execution of contract,
 - ii. Audit of the Running bills of the contracts,
 - iii. Audit of Statutory and other compliances,
 - iv. Audit of post award technical issues.

Contract auditing involves the following activities:

- a. It is an examination of the clauses of the agreements between the buyer and the seller. Such examination helps to:
 - i. Identify the manner in which the corporate budget is used as a procurement control.
 - ii. Specify the various control measures relating to the issuance of purchase orders through contracts.
 - iii. Specify the control systems applied in preparing the proper records of information.
 - iv. Identify the different types of frauds that can arise during the examination of the

- procurement function.
- v. Recognize the different types of procurement-related investigations in which an auditor can engage.
- b. Examination of documents & records desired as per agreement and available in connection with the contract,
- c. The primary object of the contract audit is to ensure that the amount and quality of goods and services delivered to the customer was correct,
- d. Verification of the goods and service delivered to the customer was billed correct and appropriate amount and as per the agreement.
- e. Examination of other statutory compliances to the contract,
- 1. Evaluating and verifying the accuracy of the contractor's policies, controls, and systems.


VIII. VALUES OF REGULAR AUDIT:

A regular audit helps immensely in the day to day management process that protects the company in any unwanted loss and legal battle, It is a powerful tool in contract management, the following are the advantages in regular audit:

- i. Protecting the company against penalties, fines, litigation and provides a regular health check on the program/process;
- ii. Raising awareness of the contract among stakeholders and shared responsibility in adhering to contractual requirements;
- iii. Keeping the system updated and consistent with industry standards and practices;
- iv. Facilitating good contract and corporate governance;
- v. Establishing and creating trusts internally among stakeholders and externally among clients and vendors;
- vi. Improving efficiency of the process and generating additional revenues through creative methods and process.
- vii. Compliance with labour laws, health insurance, attrition, tax and treasury;

- viii. Disputes, mediation, alternative dispute resolution (ADR) and litigation;
- ix. Customer loyalty index, business continuity plan and employee survey.

IX. CONCLUSION:

Contracts are critical legal instruments for corporations / companies of all sizes and virtually in all sectors. The sourcing, negotiating, and drafting contracts can be quite a tedious process. The intent behind a **contract audit** is to ensure that the amount and quality of goods and services delivered to the customer is correct and that the customer has been billed an appropriate amount and the expenditure is justified. While conducting the audit of an organization, the auditors are expected to apply and uphold the principles of integrity, objectivity, confidentiality and competency as well. A continuous review by the auditor will improve the contract management process. An efficient and qualified audit team helps the organization to maintain the transparency in spending in contracts and procurements. It also helps the organization in achieving the ultimate goals of maximizing both profits and wealth. 

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Kind Attention !!!

Dear all,

We regret to inform you that we are unable to publish "Down The Memory Lane" this month as it is prepared by extracting memorable events from the various issues of The Management Accountant journal; which is currently impossible due to 21-days Nationwide Lockdown state to fight against pandemic COVID-19. Hope to publish the same again in the forthcoming issues.

INTERNAL AUDIT & INTERNAL ASSESSMENT: EVOLVING CODES IN MODERN CORPORATE WORLD



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Abstract

Internal Audit plays a vital role for every organization, however approach of the audit varies from One to another. It aims at synchronizing the effort more efficiently and effectively so that there must a proper check of functions perform at various levels and hierarchy. The internal audit aims at strengthening control in organizing by segregation of work, check of transactions through trails and minimizing the occurrence of error. With the modern application of the new technological approach in the corporate World procedure of exercising control and internal check have been evolved. One must understand the grey areas of Internal check, Internal Audit & Internal control. This article comprehensively covers evolved methods and challenges faced in the way forward to advance Internal Audit. It states the need to assess risk in today's disruptive environment that helps in strengthening the system and developing competitive advantages in the modern era.

Introduction

Internal Audit is a part of management that is fundamentally Defensive against Predictable threats and progressive towards building sustainable strategies by managing Resources.

“A firm that continues to employ a previously successful strategy eventually and inevitably falls victim to a competitor”

Strengths and weaknesses were present in every functional area of an organization. Focusing and managing strength

leads to the development of Competitive advantages. When such advantages are maintained over a period of time they become unmatched by competitors and known as distinctive advantages.

C	Cost control
O	Operational control
N	Normative control
T	Tax control

R	Resources control
O	Output control
L	Labor control

General Guideline of Audit

A comprehensive internal audit requires gathering and assimilating information about firm management, marketing, finance/accounting, production operation, research and development. Internal audit, as defined is a process for assuring an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

An effective internal audit consists of a check of all those policies and procedure which management adopt to ensure orderly and efficient conduct of its business. Orderly and efficient conduct of business includes

1. Adherence to management policies
2. The safeguard of assets prevention
3. Detection of fraud and error, accuracy and completeness of the accounting record & timely preparation of reliable financial information

Every organization has a certain set of standards and objective, the internal audit system should be designed in such a way that meets its various objective efficiently and effectively

1. **Safeguarding assets:-** special attention should be taken for the capitalization of assets. Physical verification of assets at financial year closing ,monitoring for minimizing losses and wastage as well as allowing limited access to assets to check unauthorized access use or disposition.
2. **Execution of transaction:-** Internal audit should be designed in such a way that it provides a diligent governace to different stages. The transaction should not be handled by a single person. Adequate documentation at every stage should be done for establishing authorization procedures.

A Correlated relationship exists between Internal Audit and internal control. An internal audit constitutes an integral part of the internal control system. The objective of the internal audit is to suggest improvement to the function of the entity, add value and strengthen the overall governance mechanism covering its strategic risk management and internal control system.

Evolution of internal audit

With the changing corporate scenario internal audit has become an inevitable and integral part of an excellent governance system. Internal audit is a vital growing need in India for the following reasons

1. An internal audit provides a comprehensive check to the entity. It assimilates the management information system for physical examination and verification of the various tangible item. Internal Audit should be done at each level of Corporate hierarchy.

2. Internal audit has gained statutory status with the changing and evolving corporate structure complexities and increasing the size of corporations has drastically increased the role of internal auditors in this area.
3. Internal audit has first gained is importance with CARO 2003, according to which in case of listed companies and specified companies the statutory auditor is required to report whether the internal audit system of the company is symmetrical with the size and nature of the business of the company.
4. Internal audit as per Companies Act 2013:- Internal audit is a compliance test which has been mandated by Section 138 of Companies Act 2013 upon the companies which come under the preview of the prescribed threshold, these companies are required to appoint a person as an internal auditor.

Understanding internal audit how it is different with internal check?

1. Internal audit is a critical analysis of each operation with its trail records and corroborative evidence whereas an internal check is an arrangement of duty in such a manner that the work of one person is segregated and auto-checked by other
2. The object of an internal audit is to detect fraud and errors but the object of an internal check is to prevent such frauds and error.
3. Internal checks are always linked to all horizontal and vertical levels of hierarchy. It is the simultaneous process however internal audit is a post mortem analysis and starts after completion of recording of the transactions.
4. Submission of report:- Internal auditor submit his report to the management while in internal check statement relating to the transaction for the whole day is submitted to departmental head.

Internal audit area with reference to specific cases

1. Inventory related: proper store ledger should be maintained for the management of inventory. Specific bin number, ABC analysis and receipt note should be journalized for all receipts, similarly items indented in various divisions of the organization should be booked in revenue or capital expenditure accordingly.
2. Confirmation of debit and credit statement: most receivables confirmation are collected through mail names of a debtor who has paid are deleted subsequently from the data. The outstanding monthly statement should be sent out by a senior official to another party so that standing balances can be cross-examined and verified, which will result in no overstatement of debts or understatement of remittance received.
3. Cash transactions:-cash collected at authorized levels in the organization should be accounted in the same day with folios of money receipts and accounting

vouchers. While issuing negotiable instrument to other parties it should be taken care that such instrument has restrictive endorsement which maybe “does not negotiable” or “ account payee only” all payment should be authorized on the basis of validity approved voucher which is assembled by account payable department

4. Purchase requirements purchase requisition should be duly authorized by the officer for the necessity of the item to avoid double purchasing or blockage of the fund in the high volume of non-moving stock. The purchase department is responsible for negotiating the best price-fixing delivery dates with the supplier and ensuring that appropriate quality goods are obtained before the deadline such as annual overhaul or project capitalization dates.
5. The statutory compliance:- finance department is vested with the preparation of statements regarding income tax deducted at source. It should also ensure deposit of dues with appropriate authorities within prescribed time limits return regarding gst and income tax should be filed in time.

Challenges and risk in modern internal audit

Methods adopted for internal audit may vary from organization to organization. however it's genesis is broad. In current scenario advance Information Technology, evolved gadgets have been introduced but at the same time risk of the data breach has raised drastically

Practicle failed Case in Modern IT World

1. **Capital One Admits Massive Data Breach:-** A massive breach of Capital One customer data has hit more than 100 million people in the U.S. and 6 million in Canada. Thanks to a cloud misconfiguration, a hacker was able to access to credit applications, Social Security numbers and bank account numbers in one of the biggest data breaches to ever hit a financial services company — putting it in the same league in terms of size as the Equifax incident of 2017.
2. **2011 PlayStation Network outage:-** PlayStation Network was hacked and the personal details of 77m users accessed. It was the largest security breach of its kind to ever hit console gamers, and an event with huge repercussions for PlayStation - both in the short term for its users, left for weeks without access to online services, and longer term as Sony sought to win back customer trust

Now organization are molding advanced internal audit to cover its risk which has been exposed with emerging Technologies

1. Cloud assistance:- Data pooling in cloud computing has gained relative importance because of its cost-effective, low requirement of infrastructure, effective and efficient nature. It can support Innovation by lowering the financial barrier, however data under this model is stored in a server shared with other clients.

This service provider works under a multitasking business model that conflicts the security interest of the organisation.

2. Agreements clear understanding regarding contractual agreements provisions rights and course of action should be defined. Access control Access to data should be monitored. Efficiently internal control over authorization and segregation of responsibilities should be checked time to time
3. Agreements:- Clear understanding regarding contractual agreements, provisions rights and course of action should be defined. Access to data should be monitored. Efficiently internal control over authorization and segregation of responsibilities should be checked time to time
4. Backups:- In case of any contingent situation responsibility should be fixed and arrangements should be done for data recovery. The system should be properly controlled for data deletion when the information is no longer required
5. Data loss risk:- With access to data by cloud computing mode through smart devices there is always a threat of Risk for unauthorized access in case of theft or loss of devices
6. The expanded range of Malware has exposed new risks to the modern approach of data management. Proper awareness programs should be organized at operational and managerial levels of hierarchy.
7. Agencies: While engaging IT partner its certification should be checked regarding ISAE 3402. It is an international service organization assurance standard, provided by accountants to help the customer make better decisions. ISO/IEC 27001 is one of the standards in the family providing requirements for an information security management system (ISMS).

Thus approach of internal control and internal audit is changing from traditional to modern. New Challenges and risk were ascending with alarming rate. A diligent governace would frame its policies and Controlling Procedure considering all pros nd cons of this rapid changing tool. **MA**

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TRIANGULATION OF CORPORATE RESOURCES, RISK AND REPUTATION PROJECTS INTERNAL AUDIT'S TRUE CONTRIBUTION



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Abstract

In this ever changing economic environment, corporations are more often than not becoming prey to such crises as resource constraint, lack of transparency, information asymmetry, governance gap, laxity in risk management, liquidity pressure, financial impropriety, corrupt business practices, commercial frauds etc. thereby affecting business functionality and leading to failure. It would be fair and proper that the internal auditors changed pattern to further strengthen entities' internal control system at least to facilitate raising early warning signals whenever something goes wrong and safeguarding business continuity.

Introduction

The existence, effectiveness and responsiveness of the internal audit function not only support organizations in smooth sailing and ensure realizing their goals but are also of great help to statutory auditors, including the cost auditors, in designing entity specific audit methodology and formulating their work ethic. The government of India has initiated myriad measures in the 'ease of doing business' front and may soon allow Indian public companies to directly list their securities

abroad. Such step would liberate corporates acquiring capital from alternative sources thereby paving the way for Indian economy to reach the US\$5 trillion mark by 2024. Can the auditors, in general, now afford to stay status-quo and allow things to function the way these are? Immediate answer is no, simply because public perception and stakeholders' expectation have gone up. The internal auditors, at this point in time, must explore possibilities, sooner the better, of acquiring required dynamism and refining due diligence procedures to discharge their duties befittingly. While the new age and ways require entities to focus on constant

innovation and reinvention to stay relevant, the (internal) auditors who are believed to stay slightly ahead of the business, must equip themselves equally well to ensure that an organization's risk management, governance and internal control processes are operating efficiently and effectively and that business's approach reflects good practices.

Statutory status of Internal Audit and its coordination with other assurance providers - Besides all listed entities, certain other companies, based on paid-up capital, turnover, outstanding amount of loans/borrowings and public deposit criteria, are statutorily required to appoint an internal auditor. According to the Indian Companies Act, 2013, a Cost Accountant is also eligible to conduct the internal audit of the functioning and activities of such class of companies. While the Audit Committee of the company or its Board shall, in consultation with the internal auditor, formulate the scope, functioning, periodicity and methodology for conducting the audit, the internal auditor needs to submit its report to the board. Internal audit being an entity specific obligation its success largely depends on constant coordination with and cooperation of all concerned, including external assurance providers. The company management, risk management, compliance teams, quality assurance, evaluation teams, internal audit, external auditors, other external sources including government reviewers, accreditation providers, work place health and safety providers, environment protection/monitoring authorities continue to be assurance providers.

Concentration on competence, professionalism, credibility, quality to showcase internal audit function's integrity, objectivity and independence - What truly matters is professionalism not a specified professional who conducts audit. Besides others, a Cost Accountant can conduct internal audit who is bound by a code of ethics that stipulates and binds him/her to the highest level of care, duty and responsibility. To work to the highest standards of professionalism, to attain the highest levels of performance and generally to meet the public interest requirement, such a professional, in terms of the code, must refrain from performing any service which s/he is not competent to carry out. The Code also requires professionals to be free of any interest which might be regarded as being incompatible with integrity, objectivity and independence. The incidences of serious corporate scams that we witnessed during last few years including IL&FS, PMC Bank, stormed the Indian financial sector. Consequently, auditors were viewed with suspicion and occurrence of such eventualities somehow brought disrepute to the profession. It's hard to deny that such failures and frauds could have been contained, countered or combatted had auditors, both internal and external, been more vigilant and less reliant on company management. The irony is what appeared difficult for them to dig out, got unearthed by a forensic auditor effortlessly. Let's not cite excuses, accept failures and pledge to stop such happenings.

What value an internal audit function adds to corporates - Value is pivotal to internal audit success. And,

professional competence alone cannot lead to excellence. Excellence comes mainly, from creative problem solving skills and values-driven thinking. An effective internal audit function helps entities have proper controls, governance and risk management process in place. Internal audit deals with issues that are fundamentally important to the survival and prosperity of an organization. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. Internal auditing function mostly assists Boards in their oversight role by keeping stringent control over the management activities covering all the areas of an organization and thereby ensuring all-round efficiency of the firm's operations. Internal Audit Function summarizes its work on an audit, reports its findings and furnishes recommendations based on the work. The flagged issues help Board finding prompt solutions and fixing management responsibilities. Finally, the auditor/auditee's combined effort contribute to value additions in the corporate efficiency, productivity and prosperity, knowledge and competence enhancement, innovation, progress and perfection, improved quality etc.

Fitment of an Internal Audit Function to boost corporate achievement - Since the internal audit position carries requisite authority, the appointers need to be doubly sure that the person to be appointed has the necessary competence, gravitas and objectivity to provide independent guidance and support at the highest level of decision making in the organization. S/he should be a strategic thinker, futuristic planner, good communicator, and reliable go-getter as an auditor is believed to know business better than the auditee. The internal audit function usually revolves focusing 3Gs, Guiding, Guarding and Governing. Reinforcing improved organizational productivity, Transparency in every transaction, accountability for all acts and management actions, and most importantly providing companies an assurance of business continuity in a fair and proper manner remain the primary responsibility of an efficient and effective internal audit function. Being a specialized discipline of audit and to deliver its expected outcome, the internal audit function must have in-depth industry knowledge, appropriate skill-sets and right attitude to closely coordinate with company officials, including the senior management and governing bodies, without impairing professional independence, integrity and skepticism.

Internal Auditors- be shrewd, read Indian Government's mood and do good to protect fraud - While the Indian company law is likely to be cleansed of 'criminality' clause, criminality provisions will reportedly be triggered in cases of frauds and where large public interest is involved. The proposed law would remove criminality totally in respect of procedural and technical faults which otherwise, lack the element of fraud or do not involve larger public interest. Importantly, to boost start-ups, fintech and other small innovative firms the government of India plans to bring enabling provisions to the company law to allow direct listing of securities by Indian public companies in foreign

jurisdictions. In that context, an internal auditor needs to play a key role and catalyze positive change as this audit function looks after the overall internal control system that functions through examination and appraisal of other control mechanisms, operating within the organization. *Here, the quote- "Whosoever desires constant success must change his conduct with the times"* perhaps fits well for internal auditors. Again, internal audit that serves as a management tool, performed by employees of the organization concerned or external agencies specially assigned for this purpose needs to ensure correctness in accounting data and to detect fraud by way of periodic review of organizational systems and procedures.

Involvement of Internal Auditors in Corporate Risk identification and classification - An effective risk identification process should include certain steps, such as, creating a systematic process, gathering information from various sources, applying risk identification tools and techniques, documenting the risks, documenting the risk identification process, assessing the process's effectiveness. Again, to carry out risk analysis, corporates need to identify the existing and possible threats that it might face. These could be relating to human, operational, reputational, procedural, project, financial, technical, natural, political and structural aspects. According to controllability, risks may be classified as controllable risk and uncontrollable risk. In other words, they are often termed as systematic (uncontrollable) risk and unsystematic (controllable) risk. A systematic risk is beyond the control of an organization being unpredictable, is of macro nature that affects a large number of organizations operating under a similar stream, can't be assessed in advance as it depends on the influence of external factors, such as, interest rate risks, market risk, purchasing power risk. Whereas unsystematic risk is controllable being predictable, is of micro nature that affects the organization concerned, can be assessed in advance and risk mitigation can be made with proper planning and risk assessment techniques. The examples of such risks are business risk, liquidity risk, financial risk, credit risk and operational risk. Internal auditors mostly have profound influence over the corporates to raise awareness, improve understanding, catalyze change and encourage positive action. Blessed with those unique abilities, the internal auditors are better placed to inspire and involve human resources into transformative actions in the fields of identification, analysis and mitigation of risk and help organizations remain resilient.

ESG Requirement- an emerging area of Internal Audit - Recently, there's a headline- "Barclays, first European bank to face vote on climate change." While investors set sight on ESG (Environmental, Social and Governance) aspects and shift focus on companies that adopt environment-friendly practices, produce products or services that influence society positively and conduct their business ethically, the internal auditors shouldn't ignore those areas rather reinvent themselves to reassure that companies score high on those three non-financial parameters. Albeit there are no strict norms on what constitutes ESG, most investors exclude

sectors that are deemed harmful from a social perspective such as tobacco, liquor and gambling. On the environmental side, they check for a company's carbon footprint, emission norms, water consumption, waste recycling and energy practices. Those investors also avoid firms with poor governance which have had regulatory issues. Though, this ESG concept in India, is nascent, the Nifty 100 ESG Index (currently having 88 companies as on January, 2020) which was designed to reflect the performance of companies within Nifty 100 Index based on the ESG score, has outperformed its parent Index Nifty 100 across various time frames. The market Regulator, SEBI, has recently mandated that the top 1000 listed companies prepare an annual Business Responsibility Report (BRR) starting this year. A BRR has extensive disclosures about the adoption of responsible business practices.

Road ahead and future of the Internal Audit Function - In the words of Shri Chandrajit Banerjee, Director General, CII, *"Right Board leadership is essential to developing the culture of commitment to integrity, fairness honesty, transparency and ethical conduct."* He went on to say- *"The integrity of financial statements is fundamental of stakeholders' trust, and the functioning of audit committees is critical to building internal controls. All information should be made available to auditors, including through direct engagement between audit committees and auditors"*. According to him risk management remains a priority in an uncertain environment, and includes physical, technological, financial and cyber risks. Meaning thereby, as the principles of corporate governance widens to embrace all stakeholders including the government, lenders, creditors, employees, customers, vendors and communities so increases the role and responsibility of internal auditors to ensure its due compliance and conformance if the work-scope covered those areas. **MA**

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ORGANIZATIONAL ASPECTS IMPACTING EFFICACY OF IA FUNCTION



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Abstract

Efficacy of the IA function as a tool achieving the best results and systems in the overall interest of the organisation is determined through sincere implementation of certain organisational aspects which can really make this function much more useful than an organ for mere compliance of the corporate governance norms.

Objective of IA

Internal Audit (IA) is an *internal control function* of the Top Management basically required to *evaluate the effectiveness of all other internal controls* implemented in the organization.

Thus, IA *provides an independent, timely and reasonable assurance* to the Top Management/ Board/ owners on the *effective functioning of various internal controls* in the organization.

On a much *broader perspective*, IA can also be effectively utilized for various *additional assignments* such as *Root Cause Analysis (RCA), Policy reviews, System*

Improvement studies, Improved Resource utilization, overall Risk Management, Fraud investigation etc.

Efficacy of IA Functioning- Organizational Aspects

Despite the noble utility of the function, which is to *preserve and optimize organizational interest, assets and resources*, it is a bitter fact that in most organizations this function is *generally reduced to a negative function* limited to fault finding reports only.

However, *if an organization sincerely ensures the following aspects*, IA function will definitely result in greater organizational benefit compared to its traditional utility:

1. Positive Staffing:

- a. Staffing of IA through competent officials **ensure best possible results for the organization compared to sparing only idle manpower** for the same.
- b. **Multidisciplinary IA team ensures that not only financial but also technical** and other business aspects are optimized through IA reviews.

2. Optimum Mandate:

- a. **Clearly communicated mandate from Board level/owners** on regular audits/ Special Audit, **ensures that the auditee has no doubt on** the authority of the IA team.
- b. It **also ensures that IA is provided with clear, full and timely information** related to the scope of the audit assignment.
- c. **Organizational challenges or thematic reviews should also be clearly included** in the communicated mandate to ensure that there is a serious brainstorming with the IA team **to enable logical conclusion in the best interest of the organization.**

3. Collaborative Approach:

- a. **Instead of typical audit approach** of auditor and auditee taking contrary stand on any issue, a **collaborative approach ensures more pragmatic solutions as well as its wide acceptability across the organization.**
- b. This **also enables evolution of better systems** through positive team efforts needed for **long term improvement of the organization.**

4. Mutual Respect:

- a. Every individual should sincerely realize that no individual is greater than the organization and **organizational interest can never be compromised.**
- b. **Interpersonal ego depletes** the potential of the IA function, **derails vital functionalities** and **wastes everybody's precious time and efforts.**
- c. **Mutual respect for the opinion and potential** of every auditee as well as auditor **should replace individual ego to attain maximum organizational synergy.**

5. Consultative Reports:

- a. The next important chain after the conduct of the IA review is the **formulation of the concluding IA Reports to the Management / Board.**
- b. Instead of one sided audit report, **the draft of the same should always be shared** with the auditee, except under most sensitive assignments where

such report cannot be disclosed to the auditee as directed by the Top Management.

- c. Based on the draft report, and **operational management's reply / clarification / assurances / discussions thereon**, final report is concluded.
- d. Complete report could also **include recommendations and agreed roadmap for the phased out time bound manner Action Taken Plans (ATP)** on the audit issues.

6. Concrete ATRs:

- a. Audit recommendations are **futile if not followed up with the Action Taken Report (ATRs)** on the same.
- b. Based on the agreed roadmap for implementation of the recommendations **generally ATRs needs to be called for** from the auditee, **authenticated by IA** and submitted to Top Management for their **appraisal and advice.**

7. Team Effort for RCAs:

- a. Root Cause Analysis (RCAs) refers to the **detailed study on any concern area** of the Management requiring **corrective actions based on the originating cause.**
- b. **IA can only coordinate** a sincere RCA **supported by the relevant best functional resource** which may be identified on assignment basis.

8. Supervision from Board:

- a. **Board level audit committee** needs to provide **periodic supervision and direction** to the IA team, as a vital component of **the dynamic Risk Management Policy** of the organization.
- b. Reporting to such highest level **also ensure highest degree of autonomy and objectivity for the IA head as a safeguard from its functioning being impacted by narrow objectives of any Management level.**

9. System Improvements:

- a. Systems **formulated under a particular set of business environment/ products** may need **periodical review/ rationalization through IA studies** guided for such purpose.
- b. Due to its **independent and objective orientation, IA can** better conclude such assignment **especially if the organizational culture is conducive** for the same.

10. Policy Modulations:

- a. **Policies, Guidelines, Standard Operating Practices (SOPs)** etc. need also to be **continuously reviewed by IA in order to optimize Internal Controls.**

- b. This is *required in order arrive at a better balance* between too much of rules on one side and too little of controls on the other.

Concluding Remarks

Like a *positive human being, always learning through introspection* and improving continuously, *IA can really become a faculty for ORGANISATIONAL INTROSPECTION* if it is *optimally utilized and supported positively across all functions* for organizational growth.

Continuous improvement, especially the *organizational mandate and zeal for the same*, keeps the organization *dynamically poised for better risk management* and minimization of waste and maximization of its wealth as also for *quickly adapting for external changes*.

Thus contrary to the traditional frictions seen around IA assignments, resulting in waste of time and resources, it has the real potential to act as a *coordinator for the overall organization improvement and sustainability provided*

there is absolute clarity amongst all on its role and objectives and the above noted organizational aspects are sincerely implemented.

Thus It is for the Board and Top Management to decide the width of the utilization of the IA function from being merely a mandatory requirement under Corporate Governance norms to a much greater role of a potential catalyst for constant improvement and growth. IMA

References

The article is written with the working experience gathered from almost 30 years of various organisations and is not compiled through some research studies of various input reference.

satyeskumar@yahoo.com



Ministry of Health and Family Welfare
Government of India

NOVEL CORONAVIRUS (COVID-19)



There is enough of everything, everyday for everyone
Don't Panic | Don't Rush | Don't Overstock



- 
Maintain at least 1 metre distance in market places, medical stores, hospitals, etc.
- 
Have patience and keep calm while shopping for essential goods/medical supplies
- 
Avoid frequent trips to the market to buy groceries/medical supplies
- 
Avoid shaking hands and hugging as a matter of greeting
- 
Avoid non-essential social gatherings at home
- 
Don't allow visitors at home or visit someone else's home

Observe social distancing at all times

If you have symptoms like cough, fever or difficulty in breathing, avoid any kind of exposure and immediately call the helpline numbers

davp 17102/13/0032/1920

Together we will fight COVID-19

For information related to COVID-19
Call Ministry of Health and Family Welfare, Government of India's 24x7 Control Room Number
1075 (Toll Free) | 011-23978046 , Email at ncov2019@gov.in , ncov2019@gmail.com

 mohfw.gov.in
 [@MoHFWIndia](https://www.facebook.com/MoHFWIndia)
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ROLE OF INTERNAL AUDIT IN MERGER AND ACQUISITION



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Abstract

Internal Audit has evolved dramatically from its traditional role of control orientation to a more pro-active, risk based and consultancy role. Internal Audit provides audit services to the management at all levels, including Board of Directors (BOD) and Audit Committee, thus improving the Organization's Corporate Governance. In this study we analyze the role of Internal Audit during Merger and Acquisition activity. The present study also attempts to evaluate the objectives and process of Internal Audit and appointment of Internal Auditor. The study also highlights the role of a CMA with regard to Internal Audit.

Introduction

According to the definition of Internal Auditing in the IIA's International Professional Practices Framework (IPPF) "Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve

an organization's operations. It helps an organization accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". In the words of the Institute of Chartered Accountants in England and Wales (ICAEW), "An Internal Audit is a review of

operations and records, sometimes continuous, undertaken within a business by specially assigned staff”.

Internal Audit is responsible to assess the effectiveness of risk management, control and governance processes and to provide an insight and recommendations that can enhance these processes, particularly relating to –

- Effectiveness of operation,
- Reliability of financial management and reporting, and
- Compliance with laws and regulations.

Internal Audit is considered as the 3rd line of defense.



(Source: Internal Audit, career dual session, PWC, 2017)

Internal Audit is an important area of defense in the organization. Internal Audit is considered as the 3rd line of defense and the Internal Auditors are responsible to report its findings and recommendations to the Board of Directors (BOD)/ Audit Committee. Internal Audit is independent of the BOD/ Audit Committee and senior management. Sound internal control should be implemented by the senior management.

Research Objective

1. To study the objectives of Internal Audit, appointment of Internal Auditor and process of Internal Audit.
2. To study the role of Internal Audit in Merger and Acquisition.

Research Methodology

The present study is conclusive and descriptive. The study was conducted on secondary sources of data collected from books, articles, journals, e-sources, etc.

Analysis and Findings

Whenever any strategic transaction takes place such as Merger and Acquisition (M&A), the role of Internal Audit becomes evident and Internal Audit forms an essential part for maintaining sound Corporate Governance.

Objectives of Internal Audit

1. To review accounting system and internal control system.
2. To review both financial and operating information.
3. To review compliance of management policies.

4. To provide assurance to the BOD that fraud controls are adequate to identify fraud risks and ensure that the internal control is functioning effectively.
5. To conduct post investigation fraud audits to identify control breakdown and establish financial loss.
6. To identify fraudulent acts by conducting fraud investigation.
7. To review the operating activities and Governance.
8. To review policies and its effectiveness.

Appointment of Internal Auditor

Under rule 13 of the Companies (Account) Rules, 2014 the following classes of Companies shall be required to appoint an Internal Auditor or a firm of Internal Auditors:

- (a) Every listed Company,
- (b) Every Unlisted Public Company having one of these during the preceding financial year -
 - i. Paid up share capital of ₹50 crores or more.
 - ii. Turnover of ₹200 crores or more.
 - iii. Outstanding loans or borrowing from Banks or Public financial institutions exceeding ₹1000 crores or more at any point of time.
 - iv. Outstanding deposits of ₹25 crores or more at any point of time.
- (c) Every Private Company having one of these during the preceding financial year:
 - i. Turnover of ₹200 crores or more.
 - ii. Outstanding loans or borrowings from Banks or financial institutions exceeding ₹100 crores at any point of time.

As per Sec.13 of the Companies Act, 2013, Internal Auditor shall either be a –

- ✓ Chartered Accountant, or
- ✓ **Cost Accountant**, or
- ✓ Such other professional as may be prescribed by the

Board to conduct the Internal Audit of the functions and activities of the Company.

Internal Audit Process

The Internal Auditor should follow the following procedures to conduct Internal Audit effectively:



The Internal Audit Standards Board of the ICAI has issued standards on Internal Audit which provides guidance to the members on all important aspects related to Internal Audit, so that they adopt the best practices and processes in carrying out Internal Audit. **Table 1** represents the Standards on Internal Audit to be followed during Internal Audit -

Table 1: Standards on Internal Audit

	Standards on Internal Audit (SIA)	Area of Audit/Subject
Standards on Key Concepts	Standards on Internal Audit (SIA) 110	Nature of Assurance
	Standards on Internal Audit (SIA) 120	Internal Controls
Standards on Internal Audit Management	Standards on Internal Audit (SIA) 210	Managing the Internal Audit Function
	Standards on Internal Audit (SIA) 220	Conducting Overall Internal Audit Planning
	Standards on Internal Audit (SIA) 230	Objectives of Internal Audit
	Standards on Internal Audit (SIA) 240	Using the work of an Expert
Standards on the conduct of Audit Assignments	Standards on Internal Audit (SIA) 310	Planning the Internal Audit Assignment
	Standards on Internal Audit (SIA) 320	Internal Audit Evidence
	Standards on Internal Audit (SIA) 330	Internal Audit Documentation
	Standards on Internal Audit (SIA) 350	Review and Supervision of Audit Assignments
	Standards on Internal Audit (SIA) 360	Communication with Management
	Standards on Internal Audit (SIA) 370	Reporting Results
	Standards on Internal Audit (SIA) 390	Monitoring and Reporting of Prior Audit Issues

Standards issued up to July 1, 2013	Standards on Internal Audit (SIA) 5	Sampling
	Standards on Internal Audit (SIA) 6	Analytical Procedures
	Standards on Internal Audit (SIA) 7	Quality Assurance in Internal Audit
	Standards on Internal Audit (SIA) 11	Consideration of Fraud in an Internal Audit
	Standards on Internal Audit (SIA) 13	Enterprise Risk Management
	Standards on Internal Audit (SIA) 14	Internal Audit in an Information Technology Environment
	Standards on Internal Audit (SIA) 17	Consideration of Laws and Regulations in an Internal Audit
	Standards on Internal Audit (SIA) 18	Related Parties

(Source: ICAI website, www.icai.org)

The Internal Audit functions should be included at the beginning stages during the merger and acquisition process so that value added assistance can be obtained from such audit by conducting a risk assessment, corporate strategy process which is mostly related to growth by acquisition.

The involvement of Internal Auditors in merger and acquisition process includes –

-----Where Internal Audit typically gets involved-----

M&A Strategy	Target Screening	Due Diligence	Transaction execution	Integration	Divestiture
Develop M&A strategy	Plan M&A target screening	Plan due diligence	Develop deal structure	Integration program management	Divestiture program management
Develop M&A execution capability	Screen M&A target candidates	Establish due diligence protocols	Analyze synergies	Synergies and shareholders	Cost reduction and shareholders
Review Corporate strategy process	Conduct M&A target selection	Conduct due diligence	Analyze target valuation	Customers, markets and products	Customers, market and products
	Conduct M&A approach	Finalize due diligence	Plan M&A Integration	360 Degree communications	360 Degree communications
	Develop deal documentation		Conduct M&A deal negotiations	Organization and work force	Organization and workforce
			Conduct M&A deal closing	Functional planning and execution	Functional planning and execution
				Locations and facilities	Locations and facilities

(Source: Deloitte's M&A trends report 2015)

Role of Internal Audit in Merger and Acquisition



(Source: Insights on Governance, Ernst and Young, April, 2013)

The Internal Audit is an important part of management team and it has a lot of relevance which should always be carried

out tactfully. The Internal Auditor assesses and monitors program management activities and provide relevant information to management. Internal Audit can also conduct Audit management activities to highlight process gaps and areas of future improvements. There are four major key areas where Internal Audit can play an important role in Merger and Acquisition life cycle of an Organization.

(1) Strategy – Every organization has its own strategy which it applies to achieve its goals, but before such strategies are applied the Internal Auditor will have-

✓ **To Review the corporate strategy process** – the Internal Audit should:

- i. Make sure that corporate vision for growth aligns with M&A.
- ii. Evaluate the process for target acquisitions.
- iii. Identify the value creating initiatives i.e., near and medium term goals for which M&A team can be held accountable.
- iv. Ensure that formal documentation of M&A strategy is complete.

✓ **To assess the risks to the Organization** – the Internal Audit should:

- i. Identify the potential risks related to target M&A i.e., people, customers, finance, business operations & IT infrastructure.
- ii. Assist in mitigation actions.

✓ **To assess business case process** – the Internal Audit should:

- i. Identify the costs associated with M&A strategies.
- ii. Identify the synergies value and timing.
- iii. Consider the synergies available (e.g. benefit plans, failures)
- iv. Ensure that assumptions for exit costs accurately applied in the business case.
- v. Supervise the Return on Investment (ROI) projections process.

(2) Due Diligence – During the course of M&A, when due diligence process will be carried out, Internal Audit has an important role to perform, Internal Audit will have -

✓ **To assess valuation process** - Internal Audit will assess the valuation process to find out whether the price arrived is correct and therefore will provide information relating to risk and control issue that may arise, Internal Audit will also review the synergies the acquisition target offers to improve buyer's return on investment. For assessing valuation process, the Internal Audit will follow the process:

- i. Purchase price support valuation.
- ii. Project the Revenue and profitability.
- iii. Financial statement analysis.
- iv. Tax implications.

✓ **To conduct internal control and risk diligence** – the Internal Audit will check internal controls and conduct risk

diligence. The following process is required to be followed:

- i. An in-depth analysis is to be done on risk coverage and management related to Governance, IT systems, credit risks, economic risks, tax, operational system, customers, supply chain management.
- ii. Compliance with regulatory bodies such as SOX Act, FCPA etc.

✓ **To Assess synergy validation process** – the Internal Audit is required to assess the synergies present in the M&A and the kind of synergies the acquisition target offers to improve the buyer's return on investment. The Internal Auditor is required to follow the following process:

- i. Assess the assumptions and variables in synergy process and compare them with past experiences from similar transactions and benchmarking.
- ii. Assess the feasibility of realizing the stated synergy goals.
- iii. Analyze on opportunities to increase the transaction value and return on investment (ROI).

(3) Deal approval and close – the Internal Audit has a role to perform before the deal approval process. Before the agreement takes place, the Internal Audit will have -

✓ **To assess deal approval process** - the Internal Audit should –

- i. Review the business valuation and purchase price with supporting documentation.
- ii. Review the cost and benefit analysis of forecasted synergies.
- iii. Evaluate the risks and controls associated with deal approval process.
- iv. Ensure long and short term goals are defined before approval.

✓ **To assess monitoring of valuation process leading up to close** – this is assessed to determine the impact that any changes in the risk and control environment may have on the company such as Changes in anticipated synergies and Changes made to key personnel. To carry out the process, the Internal Auditor should –

- i. Review the purchase price adjustments.
- ii. Analyze the impact of any changes in risks and control environment.
- iii. Evaluate the new synergies, if any.
- iv. Review the impact of any changes to business and key personnel.

(4) Integration - Internal Audit should get involve at the stage of integration forming a part of integration design and planning process, which will help to mitigate the risk of deal value leakage of the integration life cycle. The Internal Auditor will have -

✓ **To assess integration planning process** – Internal Audit should go through-

- i. Management of Human resources (HR).

- ii. Financial statement analysis
- iii. Systems and Controls and identify the leakage.
- iv. Overall operations of the integration process.
- ✓ **To assess integration project management** - the Internal Audit should go through-
 - i. Authenticity of resources
 - ii. Protocols used for communications.
 - iii. Identification of integration risks and issues and ways to reduce it.
- ✓ **To Assess and monitor integration execution** - the Internal Audit should go through-
 - i. Human Resource (HR) personnel changes, roles and responsibilities
 - ii. Synergies tracking
 - iii. Finance and systems transition – policies, treasury, financial reporting
 - iv. Legal entity consolidation/ reporting
 - v. Merged operations.
- ✓ **To make the transaction value assessment** – the Internal Audit should go through -
 - i. ROI analysis including the cost-benefit analysis.
 - ii. Improvement opportunities in M&A process.
 - iii. Impact assessment on existing business.

Findings

The impact of Internal Audit on the Strategy, Assess synergy validation process, Deal approval and close, Integration will create value towards -

- a. Achieving the target corporate mission and vision.
- b. Identification of risks and taking necessary measures.
- c. Validation of business case process.
- d. Arrive at the value for the synergies arising on M&A process
- e. Analyzing the internal control environment and its overall compatibility.
- f. Validating the adequacy of deal approval process.
- g. Prevention of deal value leakage.
- h. Monitoring of integration process adequacy.
- i. Opportunities for improvement in the integration process.
- j. Mitigate the deal value leakage risk through integration cycle.

Role of CMA

A CMA can-

- ✓ Conduct financial audit of Co-operative entities, Internal Audit u/s 138 and all certification work under the Companies Act 2013,
- ✓ Conduct audit and certification under the GST Act, Customs Act, erstwhile Central Excise Act, Service Tax Act,

VAT Act, etc.

- ✓ Appear before all statutory and quasi judicial authorities, they can practice as Insolvency Professionals.
- ✓ Act as a provisional liquidator or company liquidator.
- ✓ Conduct social audit by looking at cost-benefits involved.

Conclusion

Internal Audit provides a critical perspective to strategic transaction deals that many executives may not consider with these perspectives. The organization can determine potential risk, or control or regulatory issues and can prevent deal value leakage during M&A process. Internal Audit can help management identify any important opportunity. The Internal Audit is one of the most relevant and an essential function of an organization for maintaining high corporate governance. The Internal Audit not only forms a crucial part at the time of M&A but also has a role during net-working capital management, treasury management, cloud computing, IT governance, etc. in the coming scenario the Internal Auditor will gain a greater importance for the smooth functioning of organization's activities. With an increase in the number of M&A, the responsibility and area of work for Internal Audit have also increased in recent times. The Internal Auditor is now expected to be more efficient, knowledgeable, tactful and dynamic for carrying out Internal Audit functions in case Merger and Acquisition. **MA**

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INTERNAL AUDIT: FUNDAMENTALS AND NEXT-GEN TRENDS



Abstract

Internal audit is an effective pillar of corporate governance. Primary objective of internal audit is to chase and reach company's pre-defined corporate objectives with prevention of frauds. This paper highlights the basic understanding of internal audit and its role in risk management and corporate governance. Steps of execution of internal audit are discussed. Report of internal audit consists of 5Cs viz. condition, criteria, cause, consequence and corrective action. This paper also includes Next-Gen trends in internal audit with its objectives and comparison with traditional methods.



Dr. Rohan P. Dahivale
HoD & Dean Academics

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1] Understanding 'Internal Audit'

Process of internal audit activity is usually done in order to assess a company's corporate governance and accounting processes comprising internal control. Such internal audits safeguard the compliances with 'laws and regulations'. Internal audits equip the management with essential tools in order to reach the required operational efficiency. They help to maintain data collection with well-timed and precise (accurate) financial reporting. Operational efficiency can be accomplished by identification of problems and necessary corrections lapses just before they might be exposed in an 'external audit'.

1.1 Definition of 'Internal Audit'

According to The Institute of Internal Auditors (IIA) "Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach

to evaluate and improve the effectiveness of risk management, control and governance processes."

1.2 Internal Audit: From Past

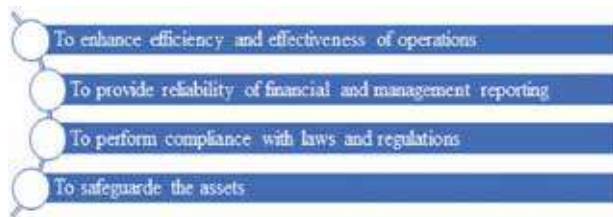
After World War II and with the progress in the field of management science, the concept of internal auditing profession has grown up gradually. Conceptually it was much similar with the QA (Quality Assurance) and financial auditing by public accounting firms. But to the contrast with this, Lawrence Sawyer is every so often mentioned as "The father of Modern Internal Auditing"¹.

In U.S. implementation of 'Sarbanes-Oxley Act' of 2002, embraced prerequisite skills by internal auditors to help and support companies to meet the various requirements of the law. This ensured enhancement in the value and profession's exposure.

2] Role of Internal Audit

The activity of internal audit is principally rapt at evaluation of internal control which is a process effected

by company's Board of Directors and management. It is intended to provide following four reasonable assurances.



2.1] Internal Audit in Risk Management

Internal audit professional standards necessitate the purpose in order to evaluate company's risk management activities and their effectiveness. Monitoring strategic risks could indirectly or directly impact ability of a company to accomplish their mission through objectives.

Company's risk management process involves:



2.2] Internal Audit in Corporate Governance

Role of corporate governance is to frame processes, structures and policies utilized under the company's leadership. It is used to direct activities and achieve predefined objectives. Corporate governance aims to protect the interests of diversified groups of stakeholders in ethical manners.

'Four pillars'² of Corporate Governance are as follows:

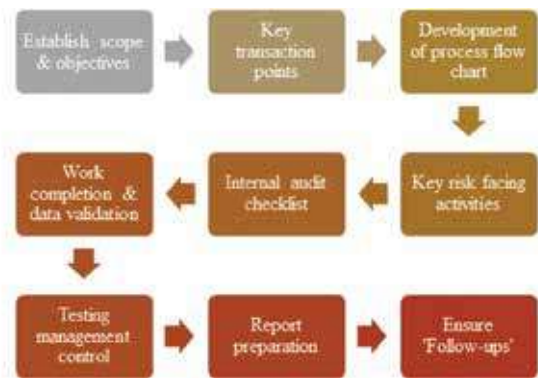


2.2.1] Activities related to Corporate Governance

- To help the Audit Committee appointed by Board of Directors or Top Management to execute its accountabilities efficiently.
- To report critical management control issues (if any).
- To suggest questions (topics) for appointed Audit Committee's meeting agendas.
- To coordinate with the external auditor and management.
- To more formally evaluate corporate governance, particularly in the area of corporate ethics, enterprise risk and fraud (if any).

2.3] Execution of Internal Audit

The suggested internal audit execution steps are as follows, however some variation may be possible depending upon the complexity and frequency of that internal audit.



Step 1: Establish scope and objectives of audit and communicate them to the management.

Step 2: Understand business area, its scope, objectives, key transaction points etc.

Step 3: Development of process flowchart plan that involves interview, discussion and review of required documents.

Step 4: Identification and description of key 'risk facing' business activities within the scope of the audit.

Step 5: Preparation of internal audit checklist. This checklist will be effective tool in order to identify risk issues.

Step 6: Completion of work and data validation.

Step 7: Development and execution of 'risk bearing sample' and its test to understand the efficient and intended operating of most important management controls

Step 8: Preparation of a report inclusive of identified issues and challenges. Narration of remedial action plans for the management to resolve identified problems or gaps.

Step 9: Ensure the follow-ups on reported issues and findings at regular intervals. Maintain a database for follow-ups.

Note:

- Length of the audit assignment can vary according to the complexity and frequency of the audit conduction activity.
- Few of the suggested step or steps may be self-iterative and repetitive before execution of next step.
- The suggested sequence may differ from case to case and few steps can be omitted.

2.3.1] Complexity and Maturity of internal audit





2.4] Report of Internal Audit and 5Cs

After completion of audit and data validation, auditors have to prepare a detailed report. This report will be submitted to the authorities who appointed internal auditors. This report may be comprising of executive summary, processed information, graphs and charts, findings, key findings, laps identified (if any), recommendations, action plan for management.³

Following are the 5Cs which may be found within the audited report.

Action Verbs	Questions	5 Cs
Identify	Which particular problem is identified?	Condition
Test	What was the standard (Policy or benchmark of the company) that has not been met?	Criteria
Analyse	What is the reason of problem occurrence?	Cause
Find	What is the risk or opportunity fated?	Consequence
Suggest	What the management should do and when?	Corrective action

3] Next-Gen Internal Audit

The world is adopting technological advances in almost all functional areas. Industries are also moving to next-gen and all are thinking for 'next version' of the existing processes. There are demands and challenges in front of internal audit too. These challenges can be listed as follows:



3.1] Objectives of next-gen internal audit

The three important objectives of next-gen internal audit can be as follows:

1. To improve assurance by concentrating focus on the key risk areas.
2. To make internal audits more effective and efficient.

3. To develop deeper and valuable processes.

3.2] Traditional verses Next-Gen Internal Audit⁴

Traditional: Activities are labour intensive.

Next-Gen: 'Data-driven' analytical and efficient activities.

Traditional: Uncertainty around audit recommendations as difficulty to ascertain changes in ROI.

Next-Gen: Dynamic updates to see effects of sudden changes can lead to contribution to expected benefits which are measurable and quantified.

Traditional: Deficiency of visualization limits 'value'.

Next-Gen: 'Big-Picture' process view that enables collaboration.

Traditional: Changes are not completely identified.

Next-Gen: Continuous monitoring and alerting in changes in process.

Past: Traditional process of internal audit was process owner would describe it.

Future: The challenge is design of process as it is actually performing.

Traditional: Manual flowcharts which are difficult to maintain.

Next-Gen: Automated flowcharts which are easy to update.

4] Conclusion

'Internal audit' is one of the key pillar of the corporate governance. It provides objective insight, improves efficiency of operations, evaluates risks and protect assets, assesses controls and it ensures compliance with laws and regulation. To enhance operational efficiency, there is need to move to a more 'data-enabled' and continuous approach. Internal audit provides stakeholders with relevant, impactful, precise and timely findings on effective risk management and control. Internal audit can improve with provision of more valuable, deeper and timelier insights from processes and activities of audit. Thus with the help of internal audit companies can manage and address current risks and can make companies better with faster decisions in operational improvements. MA

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ROLE OF INTERNAL AUDIT IN M&A - FUTURE TRENDS IN IA



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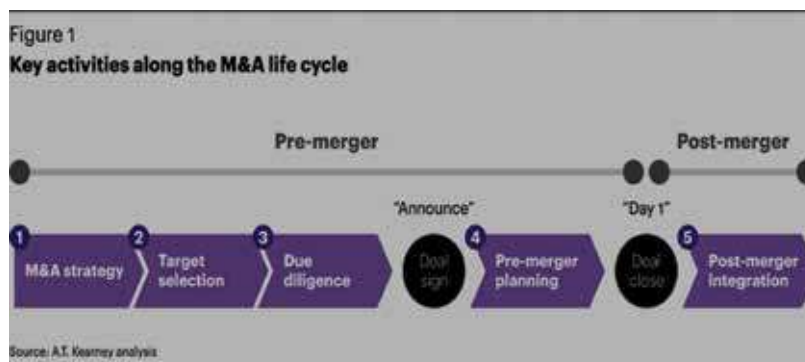
Abstract

Without IA's involvement, the getting organization might not understand whether or not the management surroundings has adequate rigor or whether or not the acquisition or divestment is correctly valued. IA will play a task in divestitures by making certain that controls stay robust throughout the financial plan carve out, and operational and IT transition. Similarly, while not IA's involvement, the getting organization won't understand whether or not, if the state of risks and controls were taken into consideration at the time of valuation of the getting organizations.

Introduction

Financial statements are solely nearly as good because the risk and control surroundings that support them. Organizations typically underestimate the challenges related to the acquisition or divestiture of an organization or line of business. While not IA's insight, prices may vary from a loss of chance to extra investments needed to mend the problems that were lost. Rising market growth, valuation, the complexness of the control surroundings, increasing regulative pressures — these area unit all pressing problems wherever Internal Audit will offer crucial input and strategic price early within the strategic transactions life cycle.

ROLE OF IA DURING M&A



Throughout the M&A process, IA should form a neighborhood of the program management team in order that it can assess and monitoring program management activities and supply key insights. IA also can audit programme management activities to spotlight process gaps and areas of future improvements.

1. Strategy

An Entity may have an objective in its sights, yet before it makes a move, IA should audit the organization system process, survey the dangers to the association and assess the business case process. This may ensure that the association can decide from the beginning whether the procurement target lines up with the association's corporate development procedure (i.e., regardless of whether it's the correct fit)

2. Due diligence

During the due diligence process, IA can evaluate the valuation procedure, the risks and control condition and thusly the collaboration approval process. These evaluations will empower the association to work out whether the value is genuine, and supply early bits of knowledge on any hazard or control issues which will hide underneath the financial proclamations; likewise, what very cooperative energies the procurement target offers to improve the purchaser's arrival on venture.

3. Deal approval and shut

Before the association consents to the arrangement, IA can survey the arrangement endorsement procedure to shape sure that short-and long haul objectives are characterized before the arrangement closes. IA likewise can survey the observing of the valuation procedure paving the way to the arrangement on the very edge of decide the effect that any progressions inside the hazard and control condition may wear the organization; for example , changes in foreseen cooperative energies, and additionally changes being made to key faculty.

4. Integration

IA should shape a piece of the blending group and will be engaged with joining structure and arranging forms mix venture the board and execution, and consequently the exchange esteem evaluation. IA additionally can assist with moderating the threat of arrangement esteem spillage through the blending life cycle.

ROLE OF IA DURING DIVESTITURES

Divestitures life cycle

1. Strategy

Like M&A, IA ought to evaluate the corporate methodology for divestitures. IA ought to have perceivability to the proposed divestiture changes and the detachment timing and should enable administration to recognize, survey and

organize potential dangers to the control condition. IA should watch that there is clear ownership of risks by the board and that solid administration over roles and duties of different partners is set up.

2. Due diligence

In the divestiture procedure, IA can survey the valuation procedure, yet additionally can give significant bits of knowledge on the risks and the inward control condition identified with vital (administration and notoriety), monetary (credit and operational), activities (client, production network and IT) and consistence (e.g., SOX availability)

3. Deal approval and close

During divestitures, the IA office ought to recognize if there are any progressions to the control condition and evaluate the adequacy of "between time" controls set up to relieve dangers. IA ought to likewise screen the activity of high-chance controls during the progress time frame.

4. Separation

At the hour of detachment, IA can survey and screen division venture the board, which can incorporate territories of HR, money, frameworks and activities. IA can likewise recognize esteem spillages during the hour of partition.

THE FUTURE OF INTERNAL AUDIT: 10 AUDIT TRENDS TO PREPARE FOR IN 2020

Today's businesses need to be continuously evolving to meet changing commercial enterprise models, new regulatory requirements, generation innovations, and an boom in cyber attacks.

To help groups meet those new challenges, internal audit (IA) features must evolve as well. While internal audit isn't always the sole proprietor of risk inside an organization, it provides impartial insight into an organization's inner controls, corporate governance, and enterprise processes. IA educates board members and bosses on the business risks and their impact, supporting hit upon and address troubles before they're identified by external audit.

As data and technology permeate every aspect of the modern organization, IA departments can no longer work alone. IA teams must expand their skill sets and work alongside other departments to more effectively reduce risk, improve controls, and identify inefficiencies within the organization. While 2019 has already brought significant changes to the audit industry, 2020 provides the opportunity for even more.

Here are the top 10 trends we expect to see for the internal audit world in 2020:

1. Privacy compliance will be a key focus for internal audit.

In the course of recent years, the world has seen a gigantic increment in information protection guidelines at the state

and national levels. Numerous associations are battling to stay aware of these guidelines, attempting to unravel a developing number of authoritative, administrative, and inward necessities to show compliance.

With the potential for more protection guidelines in 2020, inward review needs to remain educated regarding these progressions and build up a superior comprehension of potential security dangers, so it very well may be all the more effectively engaged with distinguishing compliance hazards and setting up the appropriate controls to relieve those dangers. IA must beginning fusing protection contemplations into its venture hazard evaluations and decide how prepared the association is to react to new guidelines just as continue progressing compliance.

2. New cyber security regulations from the SEC and PCAOB will require more internal audit involvement.

Digital threats are proceeding to increment in recurrence and multifaceted nature, with every day bringing the potential of another information break. To consider open organizations responsible to their investors and financial specialists, the U.S. Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) are constraining open associations to plainly show how they are moderating digital dangers, including key interior controls.

3. Boards will become more involved in cyber security.

By giving a free, target assessment of an association's current controls, inner review assumes a crucial job in helping associations oversee potential digital dangers. In any case, with cyber attacks on the ascent, security breaks at a record-breaking high and new weight from the SEC and PCAOB, cyber security is presently turning into a top need in meeting room conversations. Board individuals need to increase an exhaustive perspective on the dangers both inside and outside of the association. As inclusion in digital dangers develop and board obligation to cling to the FTC's expanded norms of care turns into a worry, sheets will depend all the more vigorously on Chief Audit Executives (CAEs) and their IA group to impart these risks and compelling techniques for countering them.

4. More internal audit departments will use cyber security frameworks.

One of inner review's goals is to furnish the executives with an autonomous appraisal of an association's cyber security arrangements and techniques and their adequacy. IA distinguishes administrative insufficiencies that could put the association in danger, just as the important interior controls to relieve them. Like never before, associations must adjust the developing danger scene against their security program. In the coming year, this will be seen all the more frequently through the appropriation of a cyber security control structure, which can fill in as a pattern for an association's current program.

5. Third-party risk management will become a concern.

Reliance on outsider merchants for essential business capacities keeps on developing. As indicated by the Ponemon Institute, organizations share confidential data with a normal of 583 outsiders, and roughly 59% of organizations state they've encountered an information break in the previous year because of an outsider or seller. Numerous associations are uncertain where their information goes or who approaches it once it is imparted to an outsider, which can prompt noncompliance, punishments, legitimate activity, and reputational harm.

6. Internal audit will play a key role in digital business transformation.

To stay aware of the necessities of an undeniably computerized working environment, numerous associations are experiencing an advanced change, executing new advances and procedures to make the business increasingly proficient. For instance, shrewd robotization, for example, robotic process automation (RPA) is proceeding to grow at a fast clasp and will assume a key job in numerous organizations in 2020. RPA takes into account assignments to be finished in a precise way, liberated from any variation, expanding effectiveness and exactness. As organizations start this business change, interior review must stay aware of the dangers these mechanical changes carry with them.

7. Integrated risk management (IRM) will remain a key initiative.

Inner review capacities are customarily seen as an association's third line of barrier, yet this siloed viewpoint some of the time brings about restricted straightforwardness into other offices' hazard the board endeavors. Integrated risk management (IRM) separates these storehouses and offers review the chance to streamline forms, concentrate business resources, and guarantee all divisions work as one. IA ought to be the main impetus behind these IRM programs because of their capacity to recognize dangers and controls and suggest significant arrangements. IRM likewise upholds IA's chance to use computerization apparatuses and better convey the institutionalization and detailing of controls over all hazard territories of the business.

8. Internal audit will leverage data analytics to manage the vast availability of data.

The measure of information on the planet is relied upon to arrive at 44 zettabytes by one year from now, which is in excess of multiple times the quantity of stars in the perceptible universe. However, with organizations taking care of more information than any time in recent memory, the potential dangers are much higher. Information examination has altogether changed the field of inside evaluating, changing manual procedures into mechanized ones, improving the precision of review results, giving important bits of knowledge to the executives, and expanding the capacity to distinguish and address hazards over the endeavor.

9. Internal audit skills and expertise will expand.

The drive for development inside numerous associations is compelling the inward review calling to adjust and advance at a quick pace, and numerous evaluators are battling to stay aware of these changes.

IA's job in overseeing authoritative dangers, its venture wide point of view, and its comprehension of different structures make it multifaceted, however in the present business condition, inner inspectors need to grow their capacities past customary territories like bookkeeping, compliance, misrepresentation, and account. To help business change, numerous organizations are as of now searching for inward inspectors with skill in specialized territories like information science, investigation, IT, cybersecurity, and security. Notwithstanding procuring experts with specialized information, organizations ought to likewise urge current representatives to extend their abilities and mastery through preparing in these regions.

10. Greater investments will need to be made in internal audit.

As per the IIA's International Standards for the Professional Practice of Internal Auditing, CAEs are answerable for guaranteeing that interior review assets are "appropriate, adequate, and viably sent to accomplish the affirmed arrangement." Yet, numerous CAEs are battling to meet the board's desires for adjusting review exercises with key business objectives while additionally administering fluctuating dangers on the present spending portion.

CONCLUSION

CAEs should work intimately with their corporate advancement groups to include IA during the whole key exchanges life cycle, regardless of whether procurement or divestiture, with IA delegates shaping piece of the program supervisory crew for the execution of such key exchanges:

- Strategically, IA can decide an association's availability for the exchange.
- During due persistence, IA can make the association aware of potential hazard, or control or administrative issues that would make the association overpay or underestimate.

- Prior to bargain close, IA can help forestall bargain esteem spillage.
- From a post-exchange point of view, having IA associated with basic parts of the execution can make hierarchical efficiencies and discover appropriate control checking of new or changes in forms.
- Finally, all through the vital exchange life cycle, IA can evaluate the administration of the program to distinguish any improvement openings. **MA**

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1st April, 2020

NOTIFICATION

Sub: Extension of time for submission of online Examination Application Form for June, 2020 Examinations

Due to outbreak of Novel Corona Virus (COVID-19) and subsequent lockdown thereof, it is hereby notified for information of all concerned that the closing date for submission of online Examination Application Form for June, 2020 Examinations of the Institute stands extended up to 20th April, 2020 without late fee.


CMA Kaushik Banerjee
Secretary

INTERNAL AUDIT - A TOOL FOR ACHIEVING ORGANIZATIONAL OBJECTIVE

Abstract

Presently majority of the corporate sectors use Internal audit as a tool for achieving organizational objectives and also used to assess organizational performance, because internal audit plays a critical role which helps the executives to reach their conclusion. It mainly assist executives to achieve objectives by safeguarding organization against fraud, by ensure compliance with various laws and regulations, by reducing wastage of resources etc,. However this engagements of the internal audit led to conduct this study. The study has conducted at Malnad Alloy Casting Pvt. Ltd, Shivamogga, the study has identified various factors and also tested these factors using statistical test which has resulted that internal audit is positively influencing organization to achieve organizational objectives in the study area.



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1. Introduction

Internal audit is an independent, objective assurance & consulting activity which is designed to add value and improve an organization's operations. It always helps an **organization to accomplish its objectives** by bringing a methodical, disciplined approach to estimate and improve the effectiveness of risk management, control and governance processes and it is practiced by internal auditors.

Internal auditing provides recommendations to the organization based on analysis and assessment of various data which is a catalyst for improving organizational governance, management of risk and control. It also provides value to governing bodies and senior management and involves in conducting proactive fraud audit in order to identify fraudulent acts and also conduct post investigation fraud audit helps to identify, control, breakdowns and estimates financial losses.

According to Institute of Internal Auditors defined Internal

auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

2. Review of Literature

Shah Saud, (2015), "The role of internal audit in organisation goals achievements", he stated that, the fundamental role of internal audit is to assist management to attain organizations goals and it also provides a satisfactory internal control system for risk prevention. It adds value and improves an organizations operations by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Arthur F. Rothberg (2010), “Internal Audit and Effective Risk Management Assessment”, he states that, Internal audit is one of the best methods of identifying frauds, mistakes and also risks that could actually lead to failure in the achievement of performance and profitability targets. It is a valuable tool for all kinds of companies’ i.e large and small, international and domestic companies. It will helpful to assess manages risk as well as general effectiveness and efficiency levels.

Noraini Shamsuddin and Norhanizah Johari (2014), “The effect of Internal Audit towards internal control system effectiveness”, stated that, internal audit act as an internal control system- it is a set of policies and procedures established by management to enable the organization to achieve its objectives,

Ebrahim Mohammed AI and Abdullah kaid AI (2014), “The effect of the internal audit and firm performance: A proposed research frame work” they analyzed that, internal audit is regarded as the key element in the application of accounting system. Therefore they mentioned that internal audit is helpful in achieving the organizations objectives by its effective performance in the department and in the firm.

3. Objectives of the Study

- » To examine the impact of internal audit in the achievement of organizational objective.
- » To give some suitable suggestions for the improvement of internal audit practices in the study area.

4. Significance of Study

This study discovered that, internal auditing practice in the study has lead to organization to achieve its objectives by proper checking of organizational accounting data, minimizing its risk and effective controlling.

5. Scope of the Study

This study is mainly concentrated to know about the internal audit practices and its role in achieving the organization objectives. The geographical area for this study is restricted to Shivamoga region and the study is conducted at Malnad Alloy Casting Pvt. Ltd., which is situated in Machenahalli, Shivamoga District.

6. Sources of Data

The required data for this study is collected from both primary and secondary sources.

» Primary Data:

The primary data for this study is collected by distributing structured questionnaires to the manager, accountants and employees of the organisation and also used interview method wherever it needed.

» Secondary Data:

The secondary data has been collected from industrial reports, journals, through articles, books, newspaper, magazines and websites.

7. Sample Design:

- » **Population:** Companies/Corporates which are practicing Internal Audit
- » **Sampling Technique:** Convenient Sampling Technique used for this study
- » **Sample Size:** For the purpose of fulfilling the objectives, the present study undertaken sample of 50 respondents (Employees) are taken from different departments (i.e, HR, Accounts, Technical etc.).

8. Hypothesis

Ho: Internal audit practice doesn’t aid to achieve organizational objectives.

To test the hypothesis chi-square method is used

$$X^2 = \sum_{i=1}^n \frac{(O_i - E_i)^2}{E_i}$$

9. Data Analysis and Interpretation

Table - 1: Respondents opinion about Internal Audit functions in the organization

Functions	SA	A	N	DA	SDA	Total
a) Assessing plans and procedures to determine the weakness or defects in the systems and procedure used by the company	17	32	01	00	00	50
b) Assess the effectiveness of company’s internal control system	18	32	00	00	00	50
c) Safeguarding the funds and assets against manipulation and frauds	18	30	01	00	01	50
d) Detect the frauds, errors, mistakes, waste or abuse	19	27	03	00	01	50
e) Facilitating the operations and effective working of the audit committee	15	31	04	00	00	50
f) Verify the correctness and authenticity of financial records and statistical records	15	30	05	00	00	50
g) Establish best practice reporting relationships	17	27	05	01	00	50
h) Eliminate the misappropriation of book of accounts	11	27	11	01	00	50

(Source: Survey Result)

Note: SA-Strongly Agree, A-Agree, N-Neutral, DA-Disagree, SDA-Strongly Disagree.

From the above it is clear that, majority of the respondents are agreed and strongly agreed that internal audit function is to assessing plans and procedures to determine the weakness or defects in the systems and procedure used by the company, assess the effectiveness of company's internal control system, safeguarding the funds and assets against manipulation and, detect the frauds, errors, mistakes, waste or abuse, facilitating the operations and effective working of the audit committee, verify the correctness and authenticity of financial records and statistical records establish best practice of reporting relationships and eliminates the misappropriation of book of accounts.

Table - 2: Respondents opinion about Objectives of Internal Audit practices in the organization

Objectives	SA	A	N	DA	SDA	Total
a) To control the quality of goods and services	30	18	02	00	00	50
b) To monitor internal policies and procedures of the company	29	19	02	00	00	50
c) To study the role and performance of organization	23	26	01	00	00	50
d) To measure and evaluate effectiveness of other types of control	20	26	04	00	00	50
e) Develop the performance of the organization	21	27	02	00	00	50
f) To maximize the strength and opportunities	20	26	03	01	00	50
g) To establish quality assurance programme	23	24	03	00	00	50
h) To check the efficiency of staffs increase their efficiency	21	23	06	00	00	50
i) To ensure complete co-operation	15	30	04	01	00	50

(Source: Survey Result)

From the above it is clear that, internal audit's major objectives are to control the quality of goods and services, to monitor internal policies and procedures of the company, to study the role and performance of organization, to measure and evaluate effectiveness of other types of control, to develop the performance of the organization, to maximize the strength and opportunities, to establish quality assurance programme, to check the efficiency of staffs and increase

their efficiency and also to ensure complete co-operation.

» **Ho: Internal audit practice doesn't aid to achieve organizational objectives.**

Table - 3: Respondents opinion towards role of Internal Audit to achieve the organizational objectives

Impacts	SA	A	N	DA	SDA	Total
a) It reduces the cost	18	19	10	03	00	50
b) Increases the morale and honest of staff	17	20	11	02	00	50
c) Improve financial performance in the organisation	27	16	07	00	00	50
d) Improving efficiency in operation	27	21	00	01	00	50
e) Assess the work of the subject by third parties on a regular basis	08	24	17	01	00	50
f) Increase the financial reliability and integrity	22	18	09	01	00	50
g) Improve the environment of the organisation	23	15	10	02	00	50
h) Meaningful decision can be taken	34	13	03	00	00	50

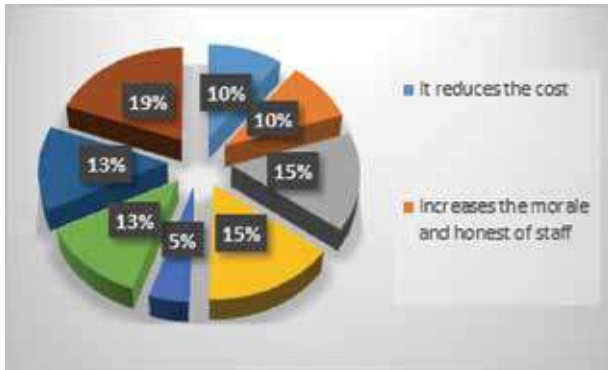
(Source: SurveyResult)

Table of Chi – square analysis

Particulars	Values
Computed values	36.18
Table value at 5% level of significance	28.869

The above test shows that, the table value of χ^2 at 5% level of significance is 28.869 the calculated value of χ^2 is 36.18. Computed value is more than the table value therefore, the null hypothesis is rejected and alternative hypothesis is accepted i.e., Internal audit practice is aid to achieve organizational objectives. Because internal audit practice positively impacts on organizational performance by reducing the cost, by increasing the morale and honest of staff, by improving financial performance in the organization, by improving efficiency in operation, by assessing the work of the subject by third parties on a regular basis, by increasing the financial reliability and integrity, by improving the environment of the

organization and also helps in meaningful decision taking activities also.



Role of Internal Audit to achieve the organizational objectives

10. Findings

- » Testing of hypothesis resulted that, internal audit is aid to achieve organizational objectives because it helps to achieve by controlling the quality of goods and services, by monitoring internal policies and procedures of the company, by evaluating performance of organization, by measuring and evaluating effectiveness of other types of control, by developing the performance of the organization, by maximizing the strength and opportunities, by introducing quality assurance programme, by checking the efficiency of staffs and also by ensuring complete co-operation.
- » The organization is regularly practicing internal (once in a 3 months) and external audit and both are presented through repots.
- » For internal audit practice, the organization following accounting bodies guidelines (ICWA and ICAI) and for non-accounting i.e. quality control they are following ISO and OHSAS guidelines.
- » Majority of the employees in the organization agreed and strongly agreed that internal audit is performing its functions for the efficiency of the organization. such functions are to determine the weakness in the functional system, for effective internal control system, safeguarding the funds and assets against manipulation and frauds, detect the frauds, errors, mistakes, waste or abuse, facilitating the operations and effective working of the audit committee, verifying the correctness and authenticity of financial records and statistical records and also eliminates the misappropriation of book of accounts.
- » Majority of the employees are agreed that, the main motives for conducting internal audit is to facilitate performance evaluation feedback and learning, improve the risk management system and also to improve the financial position of the company.
- » Majority of the employees are opined that, internal audit practice is impacting positively on the financial

performance of the origination by reducing cost of production, improving the efficiency in the operation, increase the financial reliability and integrity.

- » Internal audit practice also enhances moral and honest of staff, improve the environment of the organization and also aid to take meaningful decision in the organization.
- » Majority of the employees are opined that, internal audit is discharging its responsibility to achieve organizational objectives by evaluating design and effectiveness of compliance function, by developing long range audit plan, by assessing annual risk, guiding departmental employees on policies and procedures.
- » The study has also found that, there are certain challenges are faced for effective implementation of internal audit such as, difficulty in managing the multiple compliance audits, it incurred higher cost, time consuming and also difficulty to understand.

11. Suggestions

- » The organization should conduct internal audit practice once in a month for effective organizational performance.
- » Internal audit practice helps to detect the fraud, errors, mistakes, waste, and abuses. Even though there is a more misappropriation and manipulation occurs while preparing internal audit, therefore the organization should take more appropriate measures while conducting internal audit practice.
- » The organization should communicate the result of internal audit practice to the board and audit committee regularly.
- » Through the internal audit practice, the organization need to identify and assess the risks regularly and need to follow the adequate internal control system.
- » The organization should provide training to the employees for quality internal audit practice.
- » For practicing internal audit, the auditor should follow the recent changes made in the accounting standards.
- » Along with the internal and external audit, the organization need to focus on green audit, tax audit and other types of audit practice for improve the efficiency of the organization.

12. Conclusion

From this study it is clear that, internal audit practice helps to detect errors, frauds and provide suggestions which helps the management to take corrective action. It identifies the risks and uncertainties and gives optimal solution for risks and uncertainties. Internal audit is aid to improve the financial position of the company and achieve the overall performance of the organization. It aids an organization to accomplish over all objectives by a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance. Internal audit strive for the business

for effective and efficiency operations, reliability of financial and management reporting, compliance with laws and regulations, safeguarding of assets etc. **MA**

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Ministry of Health & Family Welfare
Government of India


NOVEL CORONAVIRUS (COVID-19)

COVID-19 testing - when and how?

All individuals need not be tested, because

Disease is primarily reported in Individuals with travel history to the affected countries or close contacts of positive cases

WHOM TO TEST

ALL symptomatic people who

- Have history of international travel in last 14 days
- Had come in contact of confirmed cases
- Are healthcare workers
- Are hospitalized patients with Severe Acute Respiratory Illness (SARI) or Influenza Like Illness (ILI) or severe pneumonia.

Asymptomatic direct and high-risk contacts of confirmed cases should be tested once between day 5 and day 14 of coming in his/her contact. Direct and high-risk contact include:

- Those living in same household with a confirmed case
- Healthcare workers who examined a confirmed case without adequate protection as per WHO recommendations

List of labs (Govt. & Private) can be accessed at: icmr.nic.in

For further information:
Call the State helpline numbers or Ministry of Health and Family Welfare, Government of India's 24x7 helpline numbers

1075 (Toll Free) | 011-23978046

Email to: ncov2019@gov.in, ncov2019@gmail.com

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ddrp.17102/13/0031/1920



INTERNAL AUDIT – FUTURE TRENDS AND INNOVATION AND EMERGING SCOPE FOR CMAs



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Abstract

Internal audit (IA) is moving towards evaluating Risk management, controls and governance. Companies Act, 2013 has also recognized CMA as one of the professional for conducting IA. Future of IA is in Big data analysis, Automated audit and assurance, Cyber security, Continuous risk assessments, Resource utilization audits and Intelligent automation and cloud computing. Trillions of data gathered over past years provide a huge opportunity for analysis for better decision making. ERPs provide for automated audits. Audit parameters are set in advance, which results in continuous analysis of the process and controls, and the exceptions are reported concurrently. Monitoring capacity utilization of men and machines brings out inefficiency. Board of directors today direct their attention more on strategies of production, process, marketing, operational and financial planning. CMAs are amalgamation of a finance professional with a knowledge of engineer. CMAs can analyse these data deeper and provide better insights to the management for better decision making.

Introduction:

Internal Audit (IA) has moved from the traditional areas of financial auditing and reporting on a few financial parameters alone. Recognizing the emerging future, Companies Act, 2013 has recognized the role of CMAs to play a vital part in the IA functions. Section 138 (1) stipulates certain classes of companies to appoint Internal Auditor, who can be a Chartered Accountant or a Cost Accountant or such other professionals who can be decided by the Board to conduct the IA activities of the organization. This is a very great shift in the thought process of law makers, that the internal audit can be done by the professionals like CMA and CS also.

CMA is no longer to be seen as a Cost accountant working in the organization or a Cost auditor who certifies the Cost audit reports. Today's CMA are involved in the Management Decision process. They act as internal consultants to the management in arriving the decisions. In this context, this article looks into the future trends in internal audit and the role and scope of CMA in future.

Future trends in Internal Audit:

Internal Audit has been defined by the Institute of Internal Auditors (IIA) as,

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” [1]

Internal Audit was done traditionally by Chartered Accountants, both in-house appointed and also by external CA firms. The focus was mainly in the day-to-day transactions of the company. Main focus was on the financial transactions. Role of the IA was looked as a supporting role to the Statutory auditor. Present Internal auditor is expected to play a role of Internal Management Consultant. Entire business operations have been brought under the scope of Internal Audit.

Focus has shifted to;



1. **Analysis of process and Controls:** Process audit is becoming the need of the hour and in the future, considering the implementation of ERP in all the industries. Process is defined as a sequence of connected activities with a Maker and a Checker and is designed with a minimum of one Control. Design and operational effectiveness of the process and controls are the focus in ERP audit.
2. **Analysis of Risks** – Enterprise Risk Management (ERM): [2, 5] Risk analysis has become the focus of process audit. Risks of activities are listed out and the

mitigation process are mapped to check un-covered risks. Enterprise Risk Management covers Financial processes and also Non-traditional areas such as ;

- a. **Political Risks** – Agile and ever-changing Political scenario across the globe necessitates review of this risk more seriously than the past. Organizations today cross Indian boundaries and spread across the globe.
- b. **Interest rate risk and currency exchange risk:** Any political landscape changes induce serious changes in the Interest and Currency exchange risks.
- c. **Technology obsolescence risk** – Technology changes very fast, it replaces itself within the next five years. Huge investments in Machinery, Vehicles, Computer Servers and even Knowledge Management needs risk analysis and appraisal.
- d. **Litigation risks** – Consumer of today knows what his rights are and willing to fight for the justice. Especially in the consumer focussed industries like, Retail, Hospitals, Education, Consumer goods etc., care should be taken to review the possible litigation against the organization and possible costs.

3. Analysis of data – for decision making:

Organization's data today resides in the servers, which are available for analysis at any point of time. Future data analysis in the organizations are like [3, 4];

- a. Analysis of Cost of Raw Materials across time periods.
- b. Price increase / Price reduction analysis.
- c. Vendor evaluation is easier with the data available. Supply parameters like quality, time, price are available for analysis.
- d. Prices of products can be analysed to see how the customer trend is moving over the years.
- e. Analysis of competitor data – this is available today in the form of reports available with MCA (Ministry of Corporate Affairs – XBRL Files)
- f. Customer preferences
- g. Warranty analysis
- h. Production failures and reasons for the same – rejections, defectives, scrap etc.,
- i. Health insurance denial rates
- j. Health / Life insurance demographics
- k. Mutual fund analysis across the funds, investment patterns, dividend pay-outs,
- l. Stock Market analysis

Data analytics by auditor is the future trend in any audit. MS-Excel offers variety of tools for the analysis like, Data Analysis and Solvers. IDEA Software, provides for data analysis from the audit perspective. Big data analysis is moving towards automated programs written by computer programmers, which

analysis the data in a variety of ways.

4. Analysis of data and workflow over cyberspace:

Next challenge is the cyber data and workflow. Organizations keep servers across the globe or in another state within India due to Disaster Recovery Policy. Data and the activities cross the borders of the organization and move back and forth in the process across different time zones and countries.

This poses serious risks like;

- a. **Denial of Service (DoS)** – Physical or cloud servers are heavily buffered with unwanted data and traffic, which prevents the service from being made available to the customer. Serious threats are possible in Internet Banking, Online E-commerce organizations, Payment gateways etc.
- b. **Data hijack** – Data is hijacked from one entity to another entity or to a fraudulent entity. Problems arise in Banking, Retail customer mater data thefts, payment re-routed to another etc.
- c. **Mobile applications** – No quality control on mobile applications developed and circulated in Google Play store today. Unless the applications are heavily scrutinized for their security over the internet, risk are very high in using them from the standpoint of business.

Future trends in fascinating directions.

In line with the shift in focus of the audit, the future trend is moving towards the following.



1. **Big Data Analysis:** Organizations are sitting on Trillions of Gigabytes of data accumulated over the past. Quantitative analysis, using mathematical and statistical tools are becoming the necessity of the day for analysis and decision making. CMA is Finance professional with Engineering knowledge, which helps him to understand the factory, process, cost accounting, pricing process, manufacturing process

and a CMA is very aptly designed to carry out the analysis.

2. **Automated Audits and Assurance:** Internal Audits are slowly moving towards automated audits. For example, parameters can be set in the system, which in turn generates the exceptions every day [7] Say;

- a. Materials, where invoice price is greater / less than the PO price
- b. Materials inwarded with shortage
- c. Suppliers paid before due date
- d. Payments made without adjusting the existing advances paid
- e. Changes made in the Master files in every day
- f. Changes made in approval limits in the master files
- g. Changes made to the price masters if any
- h. Production quantity, defectives, scrapped
- i. Scrap analysis with reasons
- j. Payments exceeding say., Rs. 100000/-
- k. Approvals done in late office hours (say odd hours like after 9.00 PM and before 7.00 AM)
- l. Payments done in Holidays
- m. Travel expenses exceptions
- n. Share of vendor – vendor evaluations
- o. Compliance exceptions like – late filing of GST, late filing of statutory returns like environmental returns, etc.
- p. Automated audit query / response system – if the audit query is not responded by the process owner within the due date, the system sends an automated reminder, so that the process owner efficiency/inefficiency in replying is recorded.
- q. Audit query wise analysis over the past few months can be done, to report to the management. This is very handy, especially in Board Meetings, where the IAD has to demonstrate, how it was functioning over the past and how it has identified the issues and how the issues were resolved.

3. **Cyber security:** This involves automated monitoring [6] of the below;

- a. Breach of firewalls – how many, how resolved
- b. Inward breach of firewalls – who accesses which forbidden sites
- c. Mail scanners – mainly for any data hijack from organization to outside
- d. Visitors management – not to allow cameras, mobiles, pen drives,
- e. Exception reports on log files for server mismanagement, data deletions, Master files access by the employees – this is provided on the need-to-know basis. Any one other than the approved person trying to access, itself is a threat, to check whether this is intentional or

accidental.

4. **Continuous Risk Assessments:** Risk identification is a continuous process [7,8,9]. Risk and Mitigation policy document have to be reviewed every year. In large organizations the threats have to be continually monitored. This need automated systems to see where the breach is, how the new risks are formed. Since, organizations are dynamic, the processes keep changing and so are the risks. So the IA to plan for assessment of all the risk in a cyclical fashion by taking few risks every month and analyse the mitigation processes.
5. **Resource utilization audits:** This involves the utilization of all the resources the organization is using like;
 - a. **Human resources** – un utilized labour, labour efficiency, interfirm comparison, Job description evaluations, Employee appraisals
 - b. **Technical/Intellectual Property resources** – Utilization of collaborators technology effectively, utilization of IP effectively, check for IP/Technical expiry dates, other wise will lead to litigation risks.
 - c. **Technological resources** – Machines used in the production, Vehicles used, etc need capacity analysis. Un utilized machines waste money. Late commissioning of machines waste borrowed money.
 - d. **Other assets** – Buildings not used properly, say a good commercial property is used as godown for storage of goods. Alternatively, storage can be shifted to a lesser rented place and this commercial property may be exploited for better rent.
6. **Intelligent Automation & Robotics:** This is something emerging as Robotic process automations and machine learning. Programs are written in such a way that the machine/Robot/Bot learns on the previous experience, similar to human beings [6,10]. Application of this in the audits are not very off. Very typical application will be in the areas of sampling.
 - In sample selections, if the samples are found defective, then the system will automatically expand the scope of the audit by selecting more samples.
 - In Perpetual inventory verification, system can pick up random samples based on the previous selection and how the organization needs the samples.
 - Automated audit brings out exceptions daily. Based on the machine learning the areas for verification will be done more repeatedly. For example, if the exception report brings out duplicate invoices recorded on the particular day. Then the auditor marks this as serious level 1 transaction. Then the system learns based on the previous experience of audit findings, selects

this verification for a number of days, until the issues are reduced or resolved.

- Already we can see, google and other organizations use user adoptive advertisements. Based on the past history of our internet web searches, the advertisements are shown to us.

Conclusion:

Governance is seriously taken by the Board of Directors and they view the IA function more critically. The Board wants assurance and also consulting advices on Business strategies, Operational strategies and Marketing strategies from IA team. CMAs can seamlessly participate in the Board discussions as they have business, product, process, operational and financial knowledge, with which they can offer high quality in Internal Auditing. **MA**

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INTERNAL AUDIT PRACTICES FOR RISK MANAGEMENT IN REAL ESTATE ENTITIES



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Abstract

Real Estate business is undergoing a turbulent change at the global level. With the regulators introducing new socially beneficial regulations, introduction of policies of green environment in realty projects, the business requires a guide and support from the professionals. In this regard, cost and management accountants will have to have through understanding of the business policies, laws and regulations, be aware of the local practices and other challenges and guide the stakeholders in the business. Considering this factor, we can strengthen our internal audit policies, procedures and guidelines thereby creating a value addition to the stakeholders in terms of statutory compliance, long term wealth creation and cost management. The internal audit should not result in performance management but also help to attain effective and efficient decisions.

Internal Audit in Real Estate Entities:

In today's fast changing VUCA environment, there is a alarming need for managers & Chief functionaries of real estate entities to ensure the available range of availability of adequate & preventive Corporate Governance functions. We need to

- **Ensure** that the Third Party Service Providers providing services to the Real estate entities operate under appropriate internal control framework.
- **Develop, apply and sustain with effective internal audit function** which adequately addresses the key risks of the real estate business transactions and complying with the regulatory requirements.
- **Provide** the Key managerial personnel's and chief functionaries of the real estate business world with appropriate risk reports to allow continuous monitoring of the risk leverage levels.

Real estate entities operates on complex structures investing in different types of real-estate assets and spread across various jurisdictions, with a tendency by creating trust to a large extent on third-party service providers. It creates

the demand for an internal audit function with the universal reach and industry knowledge to meet the important risks inherent to these structures.

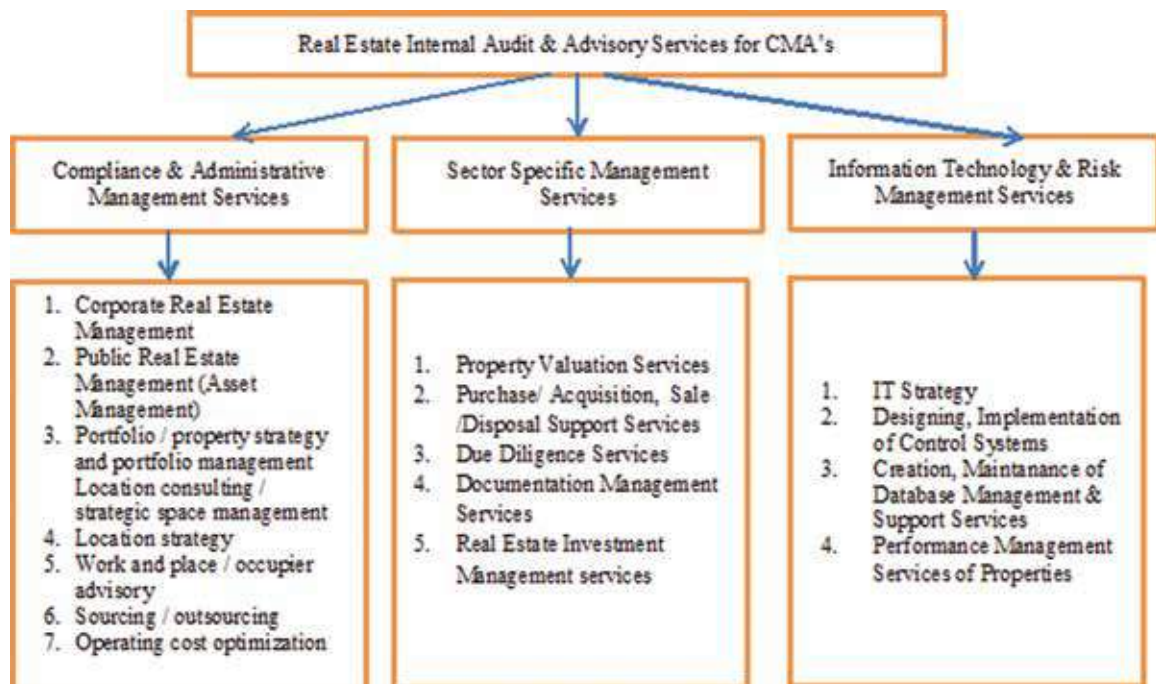
Internal Audit Process in Real estate entities:

Internal Audit should focus on testing internal control over the land transactions such as acquisitions, easements, temporary construction permits, leases, sales & disposals, obtain certificate of completion, local development authority clearances etc., The auditing should take a process- and risk-orientated approach. Every audit engagement should be tailored individually to the specific needs of the client requirements and should meet the highest professional standards.

Two dimensions of Internal Audit Reviews:

1. **Assessment:** It provides the comfort to management regarding the efficiency and effectiveness of Risk Management processes and controls.
2. **Advisory:** It provides expert advice to improve and optimize corporate processes.

Scope for Cost Accountants in Real Estate Sector:



Challenges in Internal Audit Function in Real Estate Sector:

The Internal Auditor

- » should need to manage risks relating to compliance, health and safety regulations, business conduct, physical security and information security across different locations.
- » may be required to assess risks across diverse geographical locations requiring the necessary local language skills and understanding of local culture.

- » Understand the challenging market that requires developer to provide value for money product that should be affordable in price without deteriorating in quality of the product.
- » Ponder upon the principles of due diligence of the-different types of real estate properties possessing different dynamics, including office buildings, shopping malls, hospitality industry and development projects.

Typical Risks and Potential Impacts:

The list of typical risk factors for real estate structures – Asset management companies / property management companies along with the potential impact of failure of the risk controls is given below:

Risk	Impact of Failure
Control Environment	
1. Policies and procedures specific to each property do not exist	• Roles and responsibilities not clearly defined
2. Reporting deliverables are not clearly defined and/or inconsistent	• Management decisions made on inaccurate/incomplete data
3. Inadequate procedures in terms of segregation of duties,	• Exposure to fraud or error
4. delegations of authority and approval limits	• Loss of reputation and customers
5. Outstanding litigation and/or customer complaints are not	• Decrease in property value due to inadequate
6. communicated or properly evaluated	• Maintenance
7. No maintenance plan is in place/monitored	
Financial Reporting	
1. Significant variations between budget and actual are not sufficiently explained	• Lack of transparency
2. Key reconciliations are not prepared and/or reviewed	• Exposure to accounting errors
3. Manual adjustments are not reviewed/authorised	• Regulation/brand risk
Income & Expenditure	
1. Pricing strategy is not clearly defined and/or applied	• Reduced margins
2. Non-standard terms for leases are not pre-approved Properties are inadequately insured	• Exposure to tenant damages

3. Contract terminations result in claims and disputes	• Litigation costs incurred
4. Credit checks for new tenants prove to be inadequate	• Cash flow leakage
5. There are significant overdue balances with tenants	• Expenses exceed budgets without adequate explanations
6. No adherence to capital expenditure procedures for acquisitions and/or disposal	• No cost optimization
7. Development projects are not supported by adequate budgets/cost monitoring	• Unauthorized expenses
8. Supplier invoices for operating expenses are not authorised and/or matched to service orders	• No optimal use of suppliers
9. Formal tendering procedures are not adhered to	

Wrap Up:

Internal Audit function can play a critical role in developing real estate entities to address the complicated issues and providing the greater value to the enterprise. It also helps to establish a benchmarking of the third-party service providers used in different locations or an assessment of internal controls compared to industry best practices. **IMA**

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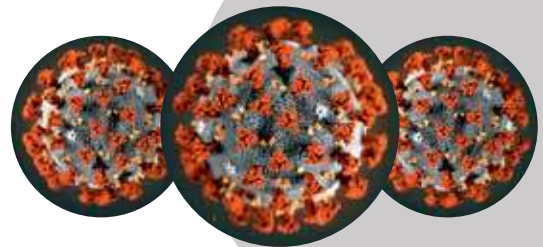
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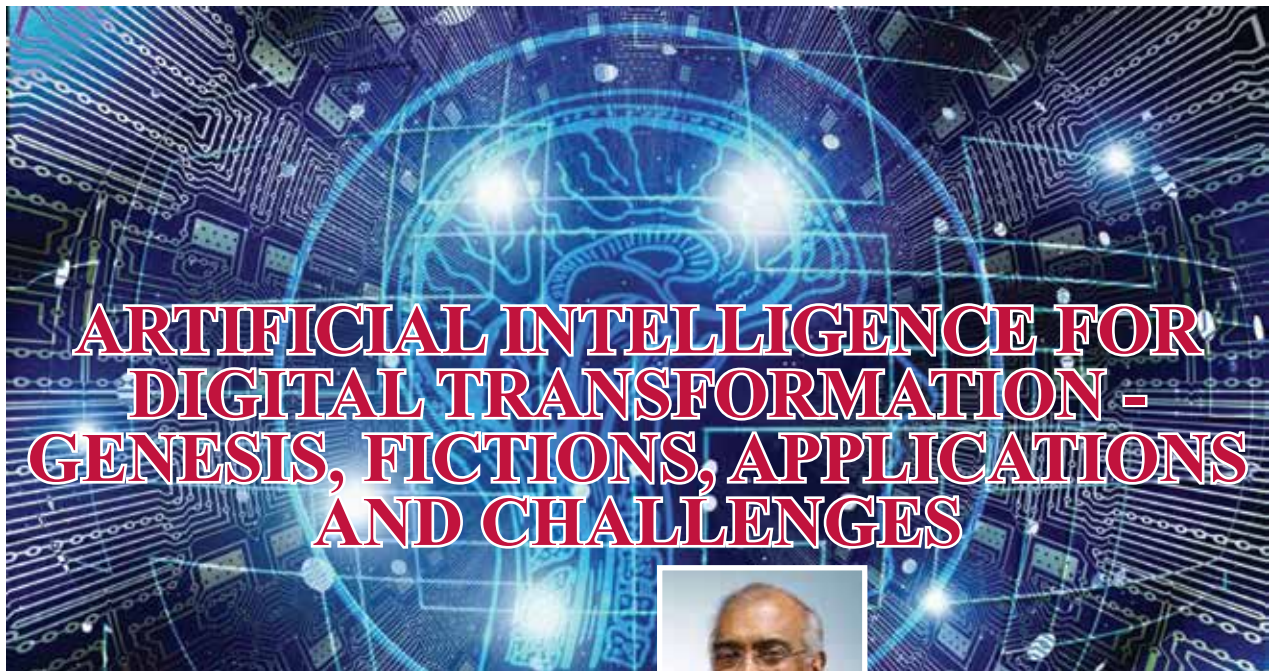


CMA Balwinder Singh
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Behind every successful business decision, there is always a CMA

Name of The Article	Name of Author/s	Volume	Issue	Issue No.	Page No.	DOI Numbers
TIME BOUND ARBITRATION PROCEEDINGS - A BIG REFORM IN ARBITRATION LAW	Hareesh Kumar Kolichala	Vol.55	Feb-20	2	28-31	10.33516/maj.v55i2.28-31p
ALTERNATIVE DISPUTE RESOLUTION AND THE ROLE OF COST ACCOUNTANTS: A BIG BITE OF THE CAKE IN THE WAITING	CMA Raja Ghosh	Vol.55	Feb-20	2	32-35	10.33516/maj.v55i2.32-35p
ROLE OF COST ACCOUNTANTS AS ARBITRATORS IN THE COMMERCIAL DISPUTE RESOLUTION PROCESS	CMA Krishnendu Prasad Ray	Vol.55	Feb-20	2	36-42	10.33516/maj.v55i2.36-42p
ARBITRABILITY OF IP DISPUTES IN INDIA	CMA (Dr.) Subir Kumar Banerjee	Vol.55	Feb-20	2	43-45	10.33516/maj.v55i2.43-45p
ARBITRATION AND CONCILIATION (AMENDMENT) ACT 2019: SIGNIFICANT ALTERATIONS AND ITS IMPACT ON INDIAN ARBITRATION MECHANISM	Shilpa Narang	Vol.55	Feb-20	2	46-49	10.33516/maj.v55i2.46-49p
OPPORTUNITIES IN THE FIELD OF ARBITRATION AND CONCILIATION IN INDIA	Abhishek N.	Vol.55	Feb-20	2	50-53	10.33516/maj.v55i2.50-53p
ARBITRATION AND CONCILIATION RECENT CHANGES AND LEGAL RECOGNITION	CMA Bapu Venkatesam Maruvada	Vol.55	Feb-20	2	54-57	10.33516/maj.v55i2.54-57p
DIGITAL TRANSFORMATION – RISK ENABLED PERFORMANCE MANAGEMENT AND GOVERNANCE	CMA (Dr.) Paritosh Basu	Vol.55	Feb-20	2	60-61	10.33516/maj.v55i2.60-61p
PROCESS COSTING USING FIFO OR WEIGHTED AVERAGE - WHICH IS BETTER FOR PERFORMANCE EVALUATION?	CMA Rajiv V. Shah	Vol.55	Feb-20	2	63-65	10.33516/maj.v55i2.63-65p
ADDRESSING MANAGEMENT REPORTING CHALLENGES: A DOMAIN ONTOLOGY APPROACH	Saji Mathew CMA Suresh Kumar S	Vol.55	Feb-20	2	66-69	10.33516/maj.v55i2.66-69p
LEVERAGING THE POWER OF ARTIFICIAL INTELLIGENCE: A STUDY ON THE INDIAN BANKING SECTOR	Prerna Khemka Soumendra Laha	Vol.55	Feb-20	2	70-74	10.33516/maj.v55i2.70-74p
BRANCHLESS BANKING AN EFFECTIVE DEVICE TOWARDS FINANCIAL INCLUSION: A STUDY CONDUCTED AT BANGALORE RURAL DISTRICT	J. Nagarathnamma Dr. P. Aranganathan	Vol.55	Feb-20	2	76-84	10.33516/maj.v55i2.76-84p
PRACTICAL APPLICATION OF THE MANAGEMENT ACCOUNTING TOOLS FOR DECISION MAKING DURING RECESSION – SURVEY & ANALYSIS	CMA Ajay Vasant Mahajan Dr. Shailaja Deobagkar	Vol.55	Feb-20	2	85-90	10.33516/maj.v55i2.85-90p
PERFORMANCE ANALYSIS OF ELECTROSTEEL STEELS LTD PRE, DURING AND POST CIRP A CASE STUDY	CMA (Dr.) S K Gupta	Vol.55	Feb-20	2	91-95	10.33516/maj.v55i2.91-95p
CORPORATE GOVERNANCE EVALUATION: THE INDIAN SCENARIO IN THE LIGHT OF SEBI's LODR 2015 REGULATIONS A CASE STUDY OF 30 BSE SENSEX COMPANIES	CMA (Dr.) Meenu Maheshwari	Vol.55	Feb-20	2	96-103	10.33516/maj.v55i2.96-103p
TAX TITBITS	CMA S. Rajaratnam	Vol.55	Feb-20	2	104	10.33516/maj.v55i2.104-104p

Name of The Article	Name of Author/s	Volume	Issue	Issue No.	Page No.	DOI Numbers
WOMEN ENTREPRENEURSHIP: HOW WOMEN CAN TAKE THE NATION FORWARD - CHALLENGES & WAY FORWARD	Aparajita Roy Neha Agarwal	Vol.55	Mar-20	3	17-20	10.33516/maj.v55i3.17-20p
A STUDY ON WOMEN ENTREPRENEURIAL PROPENSITY OF EAST ASIA AND PACIFIC REGION	Dr. Ashish Kumar Sana Biswajit Paul	Vol.55	Mar-20	3	21-27	10.33516/maj.v55i3.21-27p
SELF-HELP GROUPS TRANSFORMING LIVES, PROMOTING & SUSTAIN WOMEN EMPOWERMENT	CMA K. N Hari Hara Prasad Ravikanth Kuchibhotla	Vol.55	Mar-20	3	28-32	10.33516/maj.v55i3.28-32p
EMPOWERMENT OF RURAL WOMEN BULWARK AGAINST SOCIETAL EVILS!	CMA Kalyani Karna	Vol.55	Mar-20	3	33-37	10.33516/maj.v55i3.33-37p
WOMEN ENTREPRENEURSHIP IN INDIA: A TALE OF A SLUGGISH JOURNEY	CMA (Dr.) Ananta Mohan Mishra	Vol.55	Mar-20	3	38-43	10.33516/maj.v55i3.38-43p
WOMEN & ECONOMY - THE UNORGANISED SECTOR	CMA Abhisek Bhowmik	Vol.55	Mar-20	3	44-45	10.33516/maj.v55i3.44-45p
TECH STARTUPS LED BY WOMEN - A JOURNEY AHEAD	CMA (Dr.) Mohit Kumar Kolay	Vol.55	Mar-20	3	46-52	10.33516/maj.v55i3.46-52p
WOMEN IN INDIA - A JOURNEY OF EMPOWERMENT AND A WAY FORWARD	Pallav Kapoor CMA Pankaj Kapoor	Vol.55	Mar-20	3	53-55	10.33516/maj.v55i3.53-55p
WOMEN ENTREPRENEURSHIP JOURNEY FROM PAST TOWARDS THE 2020 AND BEYOND: THE INDIAN PERSPECTIVE	Dr. Rohan P. Dahivale	Vol.55	Mar-20	3	56-58	10.33516/maj.v55i3.56-58p
REMOVING STRUCTURAL BARRIERS THROUGH WOMEN EMPOWERMENT: A STUDY OF INDIAN INC.	Gargi Mukherjee Dr. Sumanta Dutta	Vol.55	Mar-20	3	59-62	10.33516/maj.v55i3.59-62p
WOMEN ENTREPRENEURS: A STUDY OF CHANGING MIND-SET OF THE SOCIETY IN PUNE CITY	Manjiri D. Kalyankar Dr. Devidas Bharati	Vol.55	Mar-20	3	63-66	10.33516/maj.v55i3.63-66p
ROLE OF BUSINESS CORRESPONDENCE MODEL IN SOCIO-ECONOMIC EMPOWERMENT OF WOMEN	Krupa. V. D	Vol.55	Mar-20	3	67-70	10.33516/maj.v55i3.67-70p
DIGITAL TRANSFORMATION - RECENT DEVELOPMENTS AND APPLICATIONS	CMA (Dr.) Paritosh Basu	Vol.55	Mar-20	3	78-79	10.33516/maj.v55i3.78-79p
CONQUERING THE DIFFICULT PHASE	Debopam Chell	Vol.55	Mar-20	3	82-84	10.33516/maj.v55i3.82-84p
SEEKING FISCAL PRUDENCE IN UNION BUDGET!	CMA (Dr.) Sreehari Chava Prof. (Dr.) Vinayak S. Deshpande	Vol.55	Mar-20	3	85-90	10.33516/maj.v55i3.85-90p
BUDGET 2020	CMA S. Rajaratnam	Vol.55	Mar-20	3	91-92	10.33516/maj.v55i3.91-92p
COST ACCOUNTANTS AND PRICE - COST JUSTIFICATION AT THE TIME OF PURCHASE OF MATERIALS IN PSUs	CMA Ajay Deep Wadhwa	Vol.55	Mar-20	3	93-95	10.33516/maj.v55i3.93-95p
THE CONCEPT OF NEW INDIA CHALLENGES AND EXPECTATIONS	CMA Dharma Teja Emmadi	Vol.55	Mar-20	3	96-97	10.33516/maj.v55i3.96-97p



ARTIFICIAL INTELLIGENCE FOR DIGITAL TRANSFORMATION - GENESIS, FICTIONS, APPLICATIONS AND CHALLENGES

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Genesis and Evolution of Artificial Intelligence

Man-**M**ankind is fascinated since many centuries about ideation and creation of devices which can imitate actions of a human being. The thought of enabling non-living objects to be in functional mode like that of an intelligent being had always intrigued scientists' mind. History reveals that ancient Greeks had illusions about robots, and Chinese and Egyptian engineers had built automatons. Technology evangelist Gill Press (December 2016) traced genesis of the first such thought in 1308 in a book of Catalan poet Ramon Llull. He has quoted about sixty-five instances of rudimentary to advanced form of artificial intelligence (AI) between 1308 to 2016¹. Genesis of AI, therefore, can be traced in centuries old literatures.

Scientists such as Alan Turing, Marvin Minsky and John McCarthy had advanced theoretical and technological underpinnings of AI. 'The History of Artificial Intelligence'² (December 2006), authored by Chris Smith et. al. indicated that John McCarthy was the first scientist in 1956 to christen the technology, behind a computing machine trying to attain the cognitive capability of a human being, as artificial intelligence. The paper revealed that. ".... in Vannevar Bush's seminal work 'As We May Think' (1945) he proposed a system which amplifies people's own knowledge and understanding. Five years later Alan Turing wrote a paper on the notion of machines being able to simulate human beings and the ability to do intelligent things, such as play Chess"

Human civilisation is presently on the cusp of an exponential growth phase of AI, and RPA (Robotic Process

Automation) applications because of quantum leap in computing power and ever declining costs of storing humongous data. Organisations are gradually appreciating that there is a drop of oil in every unit of data which will drive prosperity in digital era. According to a published report (May 2019)³ in India by 2021, AI will be the most impactful enabler in doubling the rate of innovation driven value enhancements (2.2 times) and employee productivity benefits (2.3 times).

AI and More - Demystified

Artificial Intelligence

There are many perceptions and narratives about AI. The author's interactions with some professionals reveal a certain degree of mysticism and fictional feeling. There is a need, therefore, to demystify such misgivings. Etymological meaning of AI, as per Oxford Dictionary, "... is the study and development of computer systems that can copy intelligent human behaviour." Merriam-Webster Dictionary defines AI as "The ability of a machine to imitate intelligent human behaviour." The simplified definition could be that AI is a data-oriented digital technology-based computing system which "... can perform tasks, normally requiring human intelligence, such as visual perception, speech recognition, decision making, translation between languages, etc."

Artificial intelligence, at a theoretical plane, is all about machine performing the functions of knowledge reasoning and representing, which briefly is called as KR and KKR. "Knowledge of real world plays a vital role in intelligence and same for creating artificial intelligence. Knowledge plays

an important role in demonstrating intelligent behaviour in AI agents. An agent is only able to accurately act on some input when he has some knowledge or experience about that input.⁴ The components of an AI based system has six elements, viz., perception, learning, KR, KKR, planning and execution. The following graphic represents various types of knowledge that digital scientists are trying to handle with the help of computer programming and algorithms:



Source⁴

Machine Learning

Machine Learning (ML) is a member of the AI's extended family of technologies. It uses statistical techniques to allow the machine to learn without being explicitly programmed. In a supervised ML environment machine learns from a data set that contains inputs and known outputs. A functional model is built that makes it possible to predict what the output variables will be for new unknown outputs. ML in a non-supervised environment is not expected to give the correct answer. The system learns from the given dataset of only input variables. The algorithm is encouraged to discover the new pattern of data that facilitates decision making.

Robotic Process Automation

Robots and Humanoids are the next important members in AI's ranch. Robots are essentially programmable machines, often built in a human shape as humanoids. These are usually able to carry out a series of autonomous or semi-autonomous actions. The following are the four important features of a Robot:

- Can interact with the physical world via sensors and actuators,
- Are programmable,
- Can be powered with artificial intelligence, and
- Are usually autonomous or semi-autonomous.

Cognitive Intelligence

In a wider sense AI is synonymously christened as

Cognitive Intelligence (CI). This is because the computing system is essentially trying to imitate certain cognitive abilities of a human being. Deloitte in a paper⁵ on Cognitive Intelligence has referred CI as a "... software programmed to augment human cognitive functions. These technologies are becoming better through machine learning and human feedback through interactions".

Stages of AI

AI has three major stages in course of its capability development of a computing system:

- ANI: Artificial Narrow Intelligence - Capability in a specific context, e. g., weather forecasting,
- AGI: Artificial General Intelligence - Capability to perform cognitive functions at equal level of a human being across wide variety of domains; and
- ASI: Artificial Super Intelligence - Entering the stage of science fiction when AI will surpass all hitherto seen human intelligence.

It is a worldwide accepted position that combined applications of AI, RPA and IoT are helping humanity live a better life. Senior citizens in developed countries can now live more independently yet safely at home. But the larger question is:

- Will AI be able to substitute the wisdom of human beings by mimicking the way their brains work for dealing with issues involving emotional intelligence?
- Will that stage of ASI ever come when AI will overtake human intelligence and wisdom?

There are conflicting views about the present stage of development of AI as a technology. It has crossed the milestone of ANI, but most certainly millions of miles away from AGI. Facebook's Director of Research Yann LeCum said, "Despite these astonishing advances we are a long long way from machines that are as intelligent as humans – or even rats. So far, we have seen only 5% of what AI can do." Readers will immensely be benefitted by reading a research paper titled 'Debunking the Myths and Realities of Artificial Intelligence'⁶

Adoption of AI for Digital Transformation

One of the most amazing applications of AI was published in The Independent. It reported that, "Working with programmer Noah Rubin, Damien Riehl built software capable of generating 300,000 melodies each second, creating a catalogue of 68 billion 8-note melodies. The melodies were then copyrighted and released into the public domain in the hope of stifling litigious musicians.⁷ Another startling information is about 63,000 artificially intelligent robots handling 'Measurable, Repeatable, Predictable and Transaction' jobs at Accenture's operations. Their leadership team does not want any human being to handle such MRPT jobs.

AI and CI and Robots are being extensively applied in almost all industry sectors. For health care the critical

areas of applications are diagnosis and treatment, surgery, patient engagement and behavioural compliance, medical service administration and stoppage of fictitious billing. In the Journal of the Royal College of Physicians Davenport and Kalakota (June 2019)⁸ wrote that, “.... algorithms are outperforming radiologists at spotting malignant tumours, and guiding researchers in how to construct cohorts for costly clinical trials. However, for a variety of reasons, we believe that it will be many years before AI replaces humans for broad medical process domains.”

AI is a powerful tool to perform predictive analytics. Meteorology professionals extensively use AI for collaborated analytical study of voluminous complex data from worldwide geographical regions. They develop insights about nature's behaviour and predict to forewarn about weather conditions and natural calamities. It has time and again been proved that such predictive analyses have helped minimising furies of destruction, loss of life and assets.

Corporate houses across industry sectors are using AI for multifarious applications. Predominantly the purpose is to reverse map business strategies from market to the drawing board for planning operations, designing execution tactics and then go back to market for implementation, In other words this is called Physical-Digital-Physical Loop (PDP Loop) for enhancing effectiveness of marketing, CRM and CXM.

The following is a list of high-end applications of Cognitive Intelligence by digital giants:

- An engine called 'The DeepText' is used by Facebook to appreciate and interpret millions of texts posted by users and their emotional and sentimental thoughts embedded therein. They also use DeepFace engine which can identify any specific user in a photo shared through Facebook platform.
- Amazon uses AI for predicting what customers may need and recommending products for buying even before they think of it, and at times shipping to selected customers. CI is also used for preparation of bills without customers checking out through a billing counter. This is done based on images of products they put into bag, as snapped by cameras fitted all around, when they shop in Amazon stores. Customers know how much to pay when they leave the store.
- Apple uses AI for multiple applications such as Face Id, coordination between Apple phone, AirIpad and watches, helping customers with the assistance of Siri and recommending songs for customers using Apple Music.
- Google uses AI for self-driving cars. Google Assistant and Duplex use natural language processing for AI and Voice inter-face to enable a machine executing instructions.
- IBM started with 'Deep Blue Computer' that defeated a world chess champion. They is now working on 'Project Debator' which is an engine. It will compete by formulating arguments and counter arguments like a professional debater.
- Baidu uses their own AI based cognitive technology

called 'Deep Voice. It can clone any voice in about 3.7 seconds. Baidu has also created an automated device that can read books in author's voice with no recording studio.

- Alibaba uses natural language for conducting predictive analyses of what customers would like to buy categorised as per region, city and individual store, and accordingly arrange for inventory at the shop. They also use this their City Brain Project aimed at reducing traffic jam in smart cities.
- JD.com of China uses AI to run their retail delivery infrastructure with the help of Drone and RPA.
- BFSI sector across the world are using Chatbots and Robots for responding to customers' queries during online service delivery and handling customers at the physical contract points. Robots and Humanoids are also being used for providing knowledge and advisory services for investments and wealth management.
- Almost all large corporates are using AI based software, developed by security service providers as a secret weapon embedded in their computing systems, for proactively detecting and handling cyber-attacks and malware.
- Manufacturing units are using artificially intelligent Robotic-workmen and RPA for in-plant and in-warehouse operations, in collaboration with human workman, particularly for assembly line and supply chain functions. Artificially intelligent IoTs are also being used for monitoring performance of machines and identifying need for breakdown and preventive maintenance.

The list can continue for hundreds of similar such applications. But readers might have got glimpses of how AI and other related applications are being extensively used to develop various products and processes which help generating businesses and / or optimising costs.

It will be interesting at this stage to note some statistics on 'Government Artificial Intelligence Readiness Index, 2019' published by Oxford Insights and the International Development Research Centre.⁹ According to their findings "Artificial intelligence (AI) technologies are forecast to add US\$15 trillion to the global economy by 2030.... as might be expected, the governments of countries in the Global North are better placed to take advantage of these gains than those in the Global South." Singapore topped their AI Readiness Index with a score of 9.185. The USA was in the fourth position with 8.804. Surprisingly India with a score of 7.515 came at the 17th position before China which was at the 20th position with 7.370.

AI and Future of Humans – Risks and Challenges

Pew Research Centre and Imagining Internet Centre of Elon University, one of the top 100 Universities of the USA, jointly published a research report in December 2018¹⁰ based on 979 participants expressing their views about future till 2030. One of the most critical set of questions for the research was: Is it most likely that advancing AI and related

technology will enhance human capacities and empower them? Will most people be better off than they are today? Or, is it most likely that those will lessen human autonomy and agency to such an extent that most people will not be better off?

Barring 25 participants, who did not respond, "...about 63% said most people will mostly be better off. 37% said that people will not be better off. The report included views of Analysts who expect that people will become even more dependent on networked AI in complex digital systems and will continue to be in the historic arc of augmenting lives with mostly positive results from wide range implementation of such tools."¹⁰ Increasing dependence on AI and related systems is likely to result in widespread difficulties.

Critical concerns and challenges that emerged from the responses are:

- *"Human Agency: Decision-making on key aspects of digital life is automatically ceded to code-driven, "black box" tools. People lack input and do not learn the context about how the tools work
They sacrifice independence, privacy and power over choice; they have no control over these processes. This effect will deepen as automated systems become more prevalent and complex*
- *Data Abuse: Most AI tools are and will be in the hands of companies striving for profits or governments striving for power."*¹⁰

The challenge before digital scientists, corporate CXOs and government officials is how to address these concerns and mitigate risks. Objective of the aforesaid report published by Oxford Insight was to encourage governments to achieve a state of readiness as far as possible to help citizens being benefitted through automation, while protecting them from associated risks. In the same report they have cautioned about the following two risks:

- Countries in Global South could be left behind by the so called fourth industrial revolution.
- The danger which is looming large is widening of global inequalities due to unequal implementation of AI based technologies in southern part of the world that may result in unequitable distribution of benefits from automation.

Recommended Standard of OECD Council

OECD Council in their 'First Intergovernmental Standard on Artificial Intelligence'¹¹, published in May 2019, recommended the following guidelines based on consensus of 36 OECD Countries:

- Aim to foster innovation and trust in AI,
- Promote responsible stewardship of trustworthy AI, and ensure
 - Respect for human rights and democratic values,
 - Inclusive growth, sustainable development and well-being,
 - Human-centred values and fairness,

- Transparency and ability to explain,
- Robustness, security, safety and accountability.

Other non-OECD countries such as Argentina, Brazil, Colombia, Costa Rica, Peru and Romania have adhered to the above standards for adopting AI.¹²

AI and RPA - Ethical and humane issues for solution designing and applications

Artificial Intelligence can create mayhem if not judiciously managed while both designing and applying solutions. Computing systems, particularly in an ML environment, must be updated with relevant and contemporary data before taking any decision based on results thrown up by the AI tool. Again, if AI falls in the hands of people with ulterior motives, results can be disastrous. This is no longer an apprehension but reality. Researchers have established that cyber criminals have used AI ahead of time for designing tools to penetrate the target computing systems, spawning malwares for hacking data and extracting ransoms.

Many researchers have cautioned about the evil effects unregulated applications of AI. Taddeo and Floridi (August 2018)¹³ concluded that introducing a set of regulations containing ethical principles for developing and applying AI based solutions is of utmost importance. Such ethics-oriented regulations will play a pivotal role in ensuring that the power of AI is harnessed for the benefit of humanity, keeping to the minimum its applications by people with ulterior motives. It would help understand how to responsibly use the power of this technology.

It is, therefore, an imperative for all solution designers to keep all perceivable ethical and humane dimensions in view while using AI and RPA for solution designing. At this stage it will be useful to briefly revisit the following dimensions and impacts of AI from perspectives of all stakeholders before dealing with some of the emerging major issues to be considered for solution designing with AI and their applications:

1. What is AI: It is a combination of datasets, models and predictions all of which can have bias or fairness and hence demands stakeholders' transparency, accountability, interpretability, and abilities to explain and remediate.
2. What AI is made to do: Human-AI interaction and collaboration, planning and decision making by government agencies and business professionals, cyber-security and safety, privacy of information, surveillance, controlled use, malicious use by cybercriminals, etc.
3. What AI Can be: Human-like cognitive abilities can threaten human beings because artificially intelligent robots can claim singularity and right to function independently. This will happen at that time and level of its sophistication when the user is left to the mercy of the computer programme and become dependent on the result processed out by the AI based programme and / or the SOP for RPA. Robots may also claim right to life, i.e., power supply to it should never be switched-off.

4. What AI impacts: Effectiveness of business decisions, automation vs. human resource engagement, civil rights in democracy and collaboration between human and robotic resources.
5. Ethics and morality of AI: Ethical and moral quality of predictions, inferences drawn, and / or end outcomes derived from results thrown up by AI tools may not always be what are desirable. All those at times may adversely influence ethical, moral and emotional qualities of impacts on business results and finally human beings at large.
6. How AI can harm: Prediction and / or end outcomes from AI tools may negatively impact an individual's ability to establish her / his rightful identity and right to representation. This in turn can adversely impact her / his ability to get services or access resources allocated / to be allocated to him / her.

Remaining alert about the above dimensions of AI, RPA and the related issues will help digital scientists to address the consequential questions with more positive mindset and impactful results.

AI and RPA - Ethical and humane issues for solution designing

Keeping in view the above the following questions have been designed for all stakeholders directly and indirectly associated with AI and RPA. Answers to such questions may help them to achieve success while using one of the most powerful tool of the present digital era:

1. Directionless - What happens if there is no directional guidance and regulation?
2. Legal authority - What happens if users suffer losses due to advices from robots or humanoids?
3. Unemployment - Will AI be able to generate new jobs with more thinking content?
4. Collaboration - What happens if RPA and robots fail to collaborate with human beings?
5. Transition - How to ensure transition with painless change management?
6. Inequality - How to distribute the wealth created by AI, RPA, robots and humanoids?
7. Humanity - How to ensure that human beings do not become slaves of networked AI?
8. Biasness - How to limit the bias from artificially intelligent robots, humanoids and chatbots?
9. Security - How to deal with challenges and mitigate risks from cybercriminals who use AI tools?
10. Evil genies - How to safeguard stakeholders' interests against unintentional outcomes?
11. Singularity - How human resources can stay in control of complex and intelligent AI based systems?
12. Robot rights - How to define and ensure ethical treatment for and by robots and humanoids?
13. Artificial stupidity - How to safeguard against blunders of artificially intelligent computing systems?

Affirmative answers to the above questions with needful clarities are essential for achieving success from applications of artificially intelligence, RPA, chatbots, robots and humanoids.

Conclusion

Mankind is presently at its fourth stage of evolution. First, we became human beings from apes, and then became civilised. In the third stage we learnt to conduct industry, trade and commerce in a structured and regimented manner. The fourth evolution is towards digital transformation. Scholars dealing with predictive ascensions are of the view that soon this will directly or indirectly touch every single human being under the sun and continue to change the way of living. The objective of this paper will be well served if it could generate alertness amongst stakeholders about the issues to be tackled for meeting success while developing and applying AI based solutions with the goal to serve humanity. MA

Acknowledgement

The author acknowledges contributions of Ms. Rajashree Basu in writing this paper.

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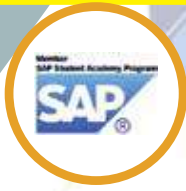
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Behind every successful business decision, there is always a CMA

ECONOMIC SURVEY 2019-20 - AT A GLANCE



CMA Pankaj Kapoor
Assistant Professor
Doon Business School
Dehradun

Abstract

*The Department of Economic Affairs, Ministry of Finance, Government of India is responsible to table the Economic Survey in the parliament every year, before presetting of Union Budget. Economic survey is prepared under the guidance of the Chief Economic Adviser to Ministry of Finance. Economic Survey for year 2019-20 rolled out on 31st January 2020 into two volumes with aspiration of #economy@5trillion supported by theme of wealth creation. Volume one contains 11 significant economic emerging aspects which can be seen as gear of economic growth and sustainability, where-as volume two comprises performance of major sectors supported by statistical data. This article is to summarise **key highlights** of volume I of Economic Survey – 2019-20.*

India being 5th largest economy in the world in nominal GDP terms and aspiration of being 3rd largest by 2025 can rest on theme of economic freedom and wealth creation to be US\$ 5 trillion economy. Economic survey is an attempt to capture the recent economic developments and craft the policy framework to foster wealth creation in India.

Ms. Nirmala Sitharaman, Union Minister for Finance and Corporate Affairs, Government of India, tabled the Economic Survey 2019-20 on January 31, 2020 in parliament. Survey is in two volume. Volume I contains 11 areas of recent economic development, supported by evidence based analysis; in form of individual chapter. Whereas volume II is in form of ready reckoner of existing status and policies of major industries, and also contain recent development;

supported by statistical data.

Mr. Krishnamurthy V. Subramaniam, Chief Economic Advisor and Team@EcoSurvey is of opinion, that pro-business system will generate greater wealth than pro-crony system. Assemble in India can be integrated into Make in India to focus on labour intensive export, this will generate employment.

Survey believe tradition of wealth creation is old practiced in India be it intellectual wealth or monetary. But in reference to global financial crisis, 'trust is essential' if India wish to support its financial system for creating wealth further on; hence trust can be seen as public good. Even cover page of survey shows, synthesis between old tradition and contemporary development (using fin-tech for public sector banks etc.) of wealth creation through lavender of old and

new note of INRs 100.

At last, volume I of survey, links the economics to common person by continuing on the principle of behaviour economics, using concept of ‘Thalinomics’ (Thali i.e. a plate of food + Economics). Let’s understand each of 11 areas highlighted by volume I of survey.

» **Wealth Creation – The invisible hand supported by the hand of trust**

Economy survey took a reference of Maddison A (2007) from oxford university press to reach out to figure 1 which shows Global contribution to world’s GDP by major economies from 1 AD to 2003 AD. (It is worth to mention that x-axis of graph shown as figure is non –linear scale, hence underestimate the dominance of India, especially

from 1 AD TO 1500 AD)

From such graph, survey concluded that for more than three-fourths of known economic history, India has been the dominant economic power globally; and such dominance manifest by design; not happenstance. Survey further explain, India resume its rich tradition of wealth creation post liberalisation again by witnessing the exponential rise in GDP, per capital GDP and wealth generation in stock-markets. Further it show wealth creation leads (positive correlation) to high salaries to employees ($R^2=0.49$), purchase of raw material ($R^2=0.14$) and capital expenditure ($R^2=0.22$), Foreign exchange reserve ($R^2=0.23$) and direct tax inflow ($R^2=0.59$). It is worth to mention that, Hon’ble Prime Minster of India during his speech on 73rd Independence Day, highlighted only when wealth is created will wealth be distributed.

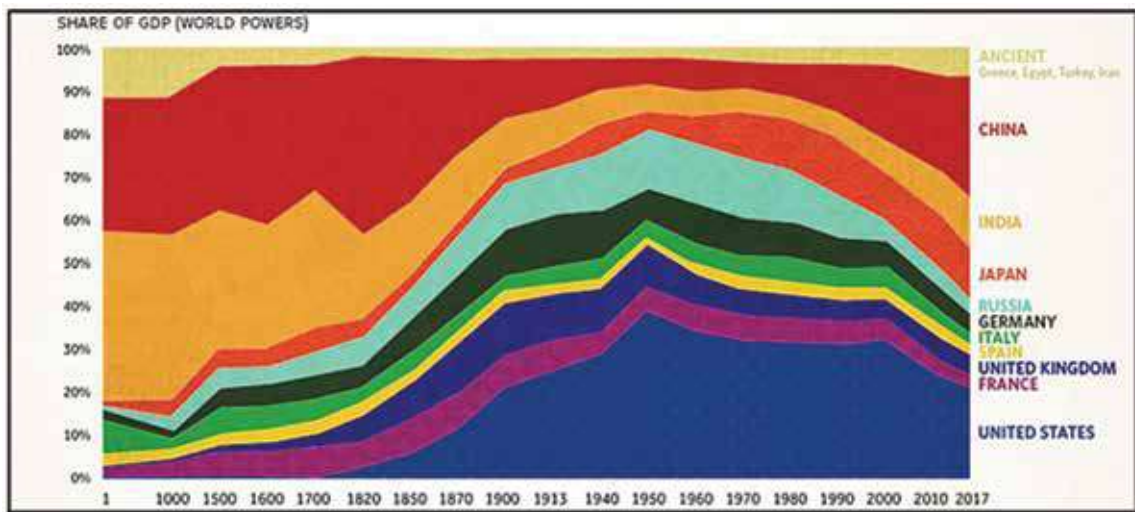


Figure 1 - Global contribution to world’s GDP by major economies from 1 AD to 2003 AD

Survey further make a reference to Adam Smith’s philosophy of invisible hands and quote during said period of economic dominance, Indian economy relied upon invisible hands (openness in economic transactions) of market supported by hand of trust (foster intrinsic motivation through ethical and philosophical dimensions). Survey shows that, liberalized sectors grew significantly faster than other (survey shown a comparison of Steel and Cement (open sector and grown at CGAR of 7% between FY05 to FY19) against Coal (closed sector grown at 5% during same period) and also highlight the need of hand of trust (stating trust as public good) to support the invisible hand in order to be 5 trillion US \$ economy. Further survey suggests that policies must empower transparency and effective enforcement using data and technology to enhance this public good.

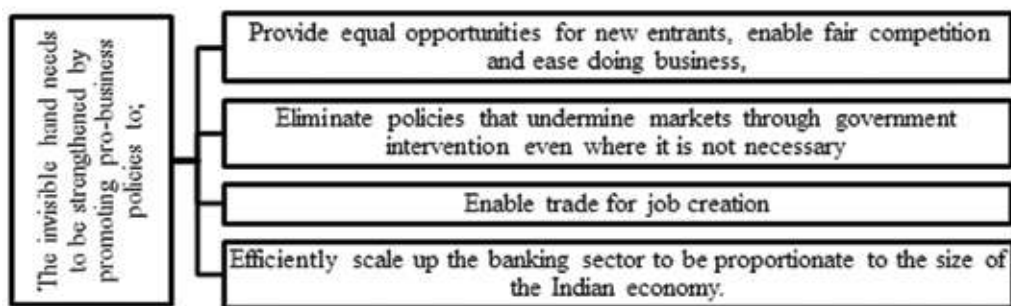


Figure 2 – Needs of strengthening the invisible hand

» Entrepreneurship and Wealth Creation at the Grassroots

Survey in this chapter use MCA-21 database to examine the entrepreneurial incubation (new firms creation in formal

sector) at grassroots level for over 500 districts in India. Using the World Bank's Data survey confirms that India ranks third in number of new firms created. Cumulative annual growth rate of new firms has been 12.2% during 2014-18 against 3.8 per cent during 2006-2014.

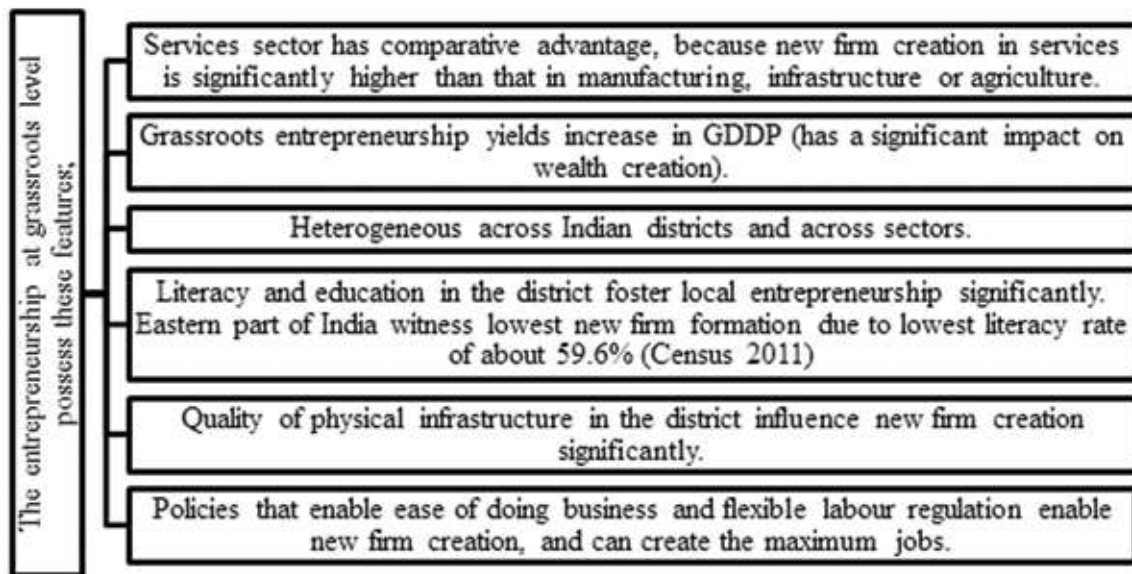


Figure 3 - Features of grassroots entrepreneurial incubation in India

» Pro-Business versus Pro-Crony

Survey in this chapter highlight the need of distinction between 'Pro-Business' and 'Pro-Crony' policy for achieving the aspiration of becoming a \$5 trillion economy. "Pro-business" policy unleashes the power of competitive markets to generate wealth where as "Pro-crony" policy may favour specific private interests. Survey also confirmed that pro-crony policies has destroyed value in the economy.

Survey confirmed that 'Pro-crony' policies (as reflected in discretionary allocation of natural resources) leads to rent-seeking by beneficiaries and Pro-Business (Competitive allocation) policies can put an end to such rent extraction. Survey also highlight that crony lending led to wilful default.

» Undermining Markets – When government intervention hurts more than it helps

Survey, based upon critical evaluation of four government

intervention concluded that some of government intervention are needless to market. Instead of creating value, by promoting competitiveness in market to boost economy; needless intervention of government by undermining the market leads to values destruction. Hence all the departments of ministries, need to identify the areas where government intervention is needless and undermine the market.

» Creating Jobs and Growth by Specializing to Exports in Network Products

India being young country (youth considered as demographic dividend – large number of young population) can avail an unprecedented opportunity of Network Production (production over the global value chain by Multinational Corporation) by incorporating 'Assemble in India' into 'Make in India'.

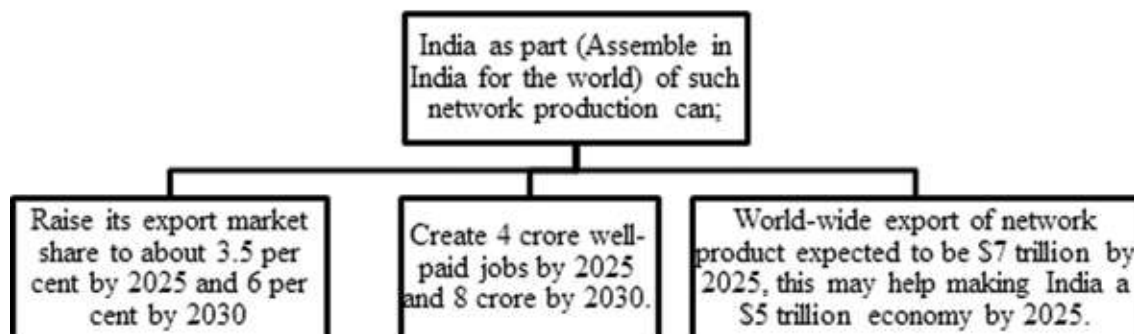


Figure 4 - Expected benefit to India being assembler and exporter of Network Products.

Survey suggests, China used this specialised strategy to export primarily to markets in rich countries. Similarly, India must place laser-like focus on enabling assembling operations at mammoth scale in network products.

Survey also highlight the gain in form of trade surplus (Increase in export over increase in import) from trade agreements (1993-2018) for India. See the table below

Dimensions	Increase in Export	Increase in Import	Net Gain
Manufactured Products	13.4	12.7	0.7
Total Merchandise	10.9	8.6	2.3

Table 1 - Trade Surplus from trade agreements (from 1993 to 2018).

» Targeting ease of doing business in India

Survey considered ease of doing business as key to entrepreneurship, innovation and wealth creation. Although India leap to 63rd position in 2019 (from 70th in 2018, by progressing on 7 out of 10 criteria), but still lagging in certain criteria such as Ease of Starting Business (136th – 49 and 68 days respectively in Delhi and Mumbai), Registering Property (154th), Paying Taxes (115th – More than 250 hours), and Enforcing Contracts (163rd - 1,445 days). Survey try to highlight the scope for improvement using case studies in these criteria. Survey explore the gamut of laws, rules and other documentary requirements for manufacturing and service business (especially restaurants)

Survey mentioned that export are not depended, only on cost of production but also on logistic process and documentation. Survey also concluded that procedural efficiency in imports are higher than exports, using various case studies. One among these case study is based upon Bengaluru airport for import and export of electronics, which was found world class. Survey recommends sea-port in India should adapt the processes followed by air-ports.

» Golden Jubilee of bank nationalisation – taking stock

Survey consider the golden jubilee of nationalisation as accomplishment of the 389,956 officers, 295,380 clerks, and 121,647 sub-staff of Public Sector Banks (PSBs). Larger economy need efficient banking system to support its growth, since in India 70% of banking business is with PSBs; hence efficiency of PSBs become critical factor. Survey concluded PSBs are performing poorly in comparison to Non Public Banks (NPBs).

Survey suggest efficiency of PSBs can be enhanced using fin-tech (Survey suggest government, being promoter of PSBs constitute an entity like GSTN (to support with Artificial intelligence, Machine learning and Big data techniques by collecting data from all the PSBs especially for credit control). PSBs should incentivise employee with Employee Stock Options and give them representation on board.

Survey concluded that ‘presently Indian banking sector is not capable to meet the need of Indian Economy (being 5th Largest)’. Survey highlights the need of global hank by stating India has only one bank (SBI at 55th) among the global top 100. Even the country smaller than India has same (Finland, Denmark, Norway, Austria, Belgium) or more (Sweden, Singapore) number of global banks.

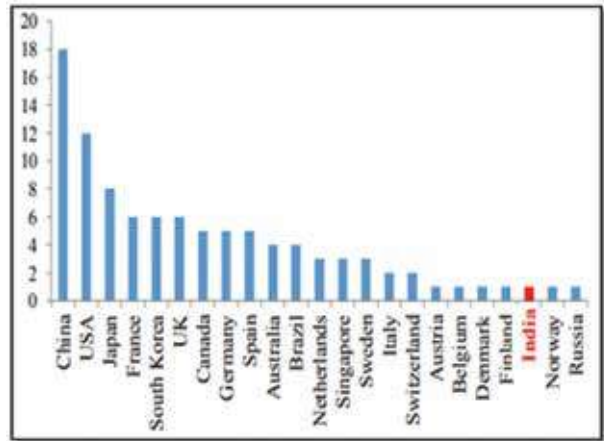


Figure 5 - Number of banks in global top 100 Banks (2019)

» Financial Fragility in the NBFC Sector

Survey took the example of payment default by **Dewan Housing Finance Limited** and Subsidiaries of **Infrastructure leasing and Financing Services**, to highlight the risk (roll-over risk) faced by Non-Banking Finance Companies (Shadow Banking System) majorly due to over-dependence on short-term wholesale funding. Survey confirmed such default causes the unrest among the investors (of Liquid Debt Mutual Fund) and they started redeeming their investments; which further causes cash crunch to NBFC. Survey suggests health score (dynamic health index developed for diagnostic to access financial fragility) based upon sample application on Housing Finance Corporations and Retail-NBFCs, can be used as an early warning signal by policy maker.

» Privatisation and Wealth Creation

Survey evaluate the strategic divestment decisions of government regarding CPSEs, especially BPCL (Where government divest its 53.29%). Survey compare BPCL with HPCL and find strategic divestment of BPCL lead to increase of around INRs 33000 crores in equity shareholder values in comparison to BPCL, hence concluded that privatisation of CPSEs (on account of strategic divestment) will create wealth. Survey also advocate for aggressive divestment in the selected CPSEs for which the Cabinet has given in-principle approval.

» Is India's GDP growth overstated? No!

Survey confirmed that, decision making either by investor or policymaker impacted by GDP growth rate, hence GDP

growth is critical aspect for economy. Survey tries to put an end to recent debate about over-estimation of the GDP growth by 2.7% for India due revised methodology of computing GDP (revised in 2011) by stating that the models that over-estimate GDP growth for India, also mis-estimate GDP growth for 51 other countries out of 95 countries in the sample over the same time period. Survey also observed that since countries differs in various ways hence cross country comparison should be performed with due care to each of the factors concerned.

» **Thalinomics – The Economics of a plate of food in India**

In last chapter survey attempt to quantify the price of Thali (a plate of food) paid by common person. Survey states that measure were introduced to enhance the agriculture productivity and efficiency of agriculture market for transparent

price discovery. Based upon consumer price index data from 80 centres from 25 States and UTs survey concluded there has been decline in the price (Using dietary guidelines by National Institute of Nutrition, Hyderabad 2011) of Thali post 2015-16, but prices has increased during 2019-20. Survey concluded that due to moderation in prices after 2015-16, an average household consuming vegetarian Thali and Non-Veg Thali (two Thalis) has gained INRs 10887 and INRs 11787 on average per year. **IMA**

Reference/Source

1. *Compiled from volume I of Economic Survey 2019-20*

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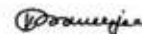
March 25, 2020

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Further to earlier Office Orders issued in this connection, in pursuance of Office Memorandum dated 24th and 25th March, 2020 issued by the Ministry of Corporate Affairs, Government of India, it has been decided that all offices of the Institute viz. Headquarters, Delhi Office, all Regional Councils, Chapters, Centres of Excellence, Extension Centres, CMA Support Centres, ROCCs, offices of the IPA, RVO, AAT & MARF shall remain closed for a period of 21 days with effect from 25th March 2020, or until further orders. Officers/employees/outsourced/contractual personnel of all these offices shall continue to work from home and will be available on telephone and other electronic means of communications.

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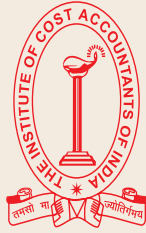
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BANK LIQUIDITY: SOME CONCEPTUAL UNDERPINNINGS

Introduction

Liquidity is ability to meet obligations in time. An entity failing to meet its obligations might manage to fulfil commitment if a little more time would be available for the purpose. This may be interpreted by the market as “incipient distress”. As a consequence, market might become reluctant to supply liquidity to the entity besides recalling all dues prematurely. Liquidity is life line of business in the absence of which it cannot survive. Ability to pay depends on income generation by assets while ability to pay in time depends on the extent of synchronisation of income inflow with maturity pattern of obligations as also ability to obtain cash to fill up the gap if and when arises.

Intermediation is the key activity of banks. Banks Intermediate between savers having surplus money and borrowers who are in deficit and in need of money. Bank in the process does three types of intermediation viz., Maturity, size and risk intermediation. Banks take money from people who insist on getting it back at time as agreed upon a priori. Banks lend the money so collected to those who, as per bank’s assessment, are able and willing to pay it back adhering to the agreed upon time schedule. While accepting deposits bank commits to return the money on demand or otherwise as per pre agreed terms and conditions not withstanding whether the money lent to other folks are returned back to bank as per promise or not, assuming the credit risk inherent in lending instead of passing it on to depositors.

It is known that all depositors would not need to withdraw all deposit money at the same time till their perception about solvency of bank concerned remains unimpaired. On the contrary, most depositors would normally resort to need based withdrawal of their deposits with the banks perceived to be solvent most of the time. The banking business rests on the premise that if public perception of solvency would remain unimpaired, banks would be assured of lendable/investable pool of deposits on a counting basis even after meeting the withdrawal demands of depositors. With depositors’ trust intact, keeping a fraction of the deposit funds by way of reserve to meet depositors’ withdrawal demands banks can



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Abstract

The paper discusses the notion of liquidity and liquidity risk within banks in particular and the financial system in general. A distinction has been made between three different liquidity types, central bank liquidity, funding and market liquidity and their relevant risks to understand the conceptual underpinnings thereof.

safely invest/lend the remaining residual funds at disposal. “The fluctuations of deposits, like the waves of the sea, take place on the surface of a relatively permanent body.” Banks need to understand how, why, when, and how much the size of those waves change. Based upon study of behavioural pattern of depositors’ withdrawals, Banks prudentially hold a target amount of cash and other liquid assets which would be quickly convertible to cash to meet any possible withdrawal demand to maintain untainted public perception of solvency. Banks have traditionally been holding their liquidity reserves or liquidity buffer in the form of shorter

term, higher quality securities. Buffers are necessary but not sufficient.

Banks take smaller size of deposits of different maturities and grant bigger loans of varying maturities. The major chunk of assets of a bank comprises credit granted to liquidity deficit economic agents with the commitment to pay interest thereon and repay the principal as per agreed terms and conditions. The funds obtained by banks from outsiders are payable with absolute certainty after expiry of contracted period or at any time before as per the options if any embedded to the relative contract unless the fund givers agree to roll over the contract. However, assets funded by outsiders' funds would mostly not have identical maturity pattern and sizes. Thus, temporal mismatch between inflow and out flow of funds are inevitable and inherent in basic structure of banking business model. Therefore the probability of outflow outstripping the inflow of funds is positive and liquidity risk is intrinsically embedded in banks' basic business model and unavoidable. Size and maturity transformation process, one of the most critical functions of the banks, are inherently vulnerable to liquidity risk.

Although the concept of Financial liquidity is not easy to delineate precisely, its importance in smooth functioning of the financial system can hardly overemphasised. The mayhem in financial markets during GFC 2007-08 revealed heightened funding liquidity risk, and also how this type of risk can adversely impact market liquidity necessitating remedial intervention by central banks. The liquidity in money markets dried up significantly, following large scale credit avoidance in the interbank markets. Banks refused to lend to each other because of funding liquidity problems emanated out of then prevailing apprehension and uncertainty over the toxicity of their exposures to structured products. The amount of exposure was of significant reckoning as market liquidity of these structured assets had declined significantly and thereby reinforcing difficulties in valuing such products. Consequently, central banks had to intervene and inject liquidity into the markets.

Liquidity

Liquidity is the capacity to secure cash as and when needed. Liquidity is ability to fund increasing assets and meet obligations as they become due without increasing acceptable losses. The notion of liquidity in the economic literature relates to the ability of an economic agent to exchange his or her existing wealth for goods and services or for other assets. In this definition, liquidity can be understood in terms of flows (as opposed to stocks), in other words, it is a flow concept.

Liquidity is prospective concept hard to measure with historical accounting information.

There are three concepts of liquidity viz., Monetary Liquidity, Funding Liquidity and Market Liquidity (Asset Liquidity). Monetary Liquidity captures looseness of monetary condition; it is linked to the stance of monetary policy authorities. Funding liquidity is the ease with which the banks can raise funding. Market liquidity refers to the ease with which one asset can be traded for another.

Theories of liquidity management

Theories of liquidity management has evolved over time. According to Commercial loan theory of liquidity bank's liquidity can be ensured so far as bank assets are self-liquidating in nature. This implies that bank business to be restricted to working capital finance only avoiding term lending. The theory is basically pro cyclical in nature. During the recessionary phase the working capital cycle tends to get prolonged triggering default on the part of borrowers to pay to lender in time and consequential loan recall and foreclosure of borrowers' assets by lenders aggravate the cycle. But non availability of buyers of those assets triggers liquidity crisis. Till the great depression of 1930s banks did not favour term lending. In the process banks failed to take care of the entire credit needs of growing economies. In the existing vacuum term lending institutions came into being. Inadequacies of this theory led to emergence of Shiftable theory of liquidity. According to this theory as long as banks holding assets transferable or saleable for cash would continue to be liquid. Under this theory banks should insist on borrowers providing liquid collateral securities in addition to principal assets. When the loan turn sticky bank can sell the collaterals to get cash. In addition, the theory emphasises holding of liquid government securities which could be sold for cash in the market or to the central bank. The shiftable theory emphasised security-oriented approach to lending. Promising and potential ventures in the absence of good collateral were thus denied credit by banks notwithstanding the potential to generate adequate cash flow to service the loans. In the vacuum came up venture capitalists to finance entrepreneurial ventures in emerging economies. In this backdrop anticipated income theory made its appearance in the scene. This theory advocated that the bankers need focus their attention to adequacy of potential future cash flow of the borrower towards loan repayment to ensure effective liquidity management. The theory thus helped emergence of purpose-oriented approach to lending without however relegating the security aspect of loan and denying the basic premise of commercial loan and shiftable theories.

Liquidity Risk

Liquidity Risk is the risk where a financial institution would not be perceived to have sufficient cash at one or more time in the future. It is the probability that over a period of specific time horizon the entity will become unable to settle obligations with immediacy. The liquidity risk owes its origin to incomplete markets and asymmetry of information, which can lead to moral hazard and adverse selection. To the extent that such conditions persist, liquidity risk is endemic in the financial system and can cause a vicious link between funding and market liquidity, prompting systemic liquidity risk. Liquidity risk cannot altogether be avoided by banks and at the same time it cannot also be fully hedged.

Liquidity risk is of different species. Liquidity risk is secondary in nature. Its escalation always follows one or more escalation in other financial risks. It is therefore often identified as consequential. Institution specific liquidity

problems often arise from erosion of capital base due to impairment of assets quality. Liquidity and credit risk are close associates! While liquidity crisis can cause a credit event, impairment of credit quality may trigger a Liquidity crisis.

We maintain capital to take care of unexpected losses. The required amount of capital can be determined under Value at Risk framework for market, credit and operational risks. This framework does not work for liquidity risk. In case of liquidity risk there would be no small events occurring from time to time but events are rare and destabilising. Capital is an indirect buffer once the market has started to perceive a bank as being illiquid. Northern Rock for example was regarded as well capitalised by the markets and by its regulator when it experienced a bank run in September 2007.

Liquidity is mopped up by illiquid assets and volatile liabilities while it is provided by stable funds and liquid assets. As a basic rule liquid asset as well as haircuts on liquid assets should be supported by stable funding sources.

A ten-year floating rate loan with quarterly resetting period carries interest rate risk for quarter while liquidity risk would persist for full tenure of the loan.

In liquidity risk we are required to meet Net Cash Outflow (NCO) within a given time frame. Capital would be of little help in generating cash flow for the purpose. Cash flow can be generated selling liquid assets or using them as collateral (repo) in market or with central bank. In the context of liquidity capital is replaced by NCO and unencumbered assets to offset NCO. Thus, Liquidity Risk is well taken care of if cash flow from unencumbered assets within a given time should be more than NCO. The potential cash flows from sell of unencumbered assets depends on balance sheet position of the concerned entity and its standing in the market and general capability of the market to absorb additional assets when sold by the entity. It therefore follows that liquidity risk need be analysed under bank specific and market specific scenarios. Banks' ability to withstand liquidity risk depends upon the capital level and its losses absorbing ability. But assets of well capitalised banks may not be sufficiently liquid to tide over liquidity crisis while a bank with sufficient liquid assets but holding low economic / regulatory capital would tide over the liquidity crisis at ease. Although capital sufficiency would be a needed precondition for securing superior rating and consequential reduction in funding cost, available capital would not be appropriate buffer in liquidity crisis situation.

Liquidity risk might arise in both sides of the balance sheet. Sufficient liquidity may not be generated by the assets held while liquidity from various funding sources might be insufficient to meet the obligations as when arising. In most of the cases the trigger event would be found in market: credit impairment/ default, market or operational losses, damages to reputation.

Central bank liquidity

Central bank liquidity is the ability/willingness of the central bank to supply liquidity needed to the financial system for its stability and smooth functioning. It is measured as the

quantity of liquidity supplied to the economy by the central bank, i.e. the flow of monetary base from the central bank to the financial system. In practice, the central bank strategy determines the monetary policy stance, which decides on the level of the operational target (usually the key policy rate). In order to implement this target, the central bank uses its monetary policy instruments (conducts repo, open market operations, forex swap, varying reserve ratios etc.) to impact the liquidity in the money markets so that the interbank rate moves closely aligned to the operational target rate set by the prevailing monetary policy stance. More technically, central bank liquidity, a synonym for the supply of reserve money, which results from managing the central bank assets held in its balance sheet, in accordance to the monetary policy stance. Central bank's market operations intend to align the inter-bank short-term lending rates closely to the target policy rate.

Funding Liquidity

Funding Liquidity is the ability of the entity to raise cash by borrowing either on secured or unsecured basis. The Basel Committee of Banking supervision defines funding liquidity as the ability of banks to meet their liabilities, unwind or settle their positions as they come due (BIS, 2008). Similarly, the IMF provides a definition of funding liquidity as the ability of solvent institutions to make agreed upon payments in a timely fashion. However, references to funding liquidity have also been made from the point of view of traders or investors, where funding liquidity relates to their ability to raise funding (capital or cash) in short notice. An entity is liquid as long as inflows are bigger or at least equal to outflows. Liquidity sources for banks are mainly the depositors, who entrust their money to the bank. A second source is the market. A bank can always go to the asset market and sell its assets or generate liquidity through securitisation, loan syndication and the secondary market for loans, in its role as originator and distributor. Moreover, the bank can get liquidity from the interbank market, perhaps the most important source of liquidity. Finally, a bank can also choose to get funding liquidity directly from the central bank.

Funding Liquidity Risk

Funding Liquidity Risk is defined as the risk that the firm will not be able to meet efficiently both expected or unexpected current and future cash flow and collateral needs without adversely affecting their daily operations or financial conditions. Like solvency it is a point-in-time and binary concept. Either the bank will be able to settle the obligation or not at any given point in time. Funding liquidity risk can assume infinitely many values depending on the underlying funding position of the bank concerned. It is forward looking and measured over a specific time horizon. Funding liquidity risk management aims at well diversified, reliable, and cost-efficient liability structure supporting bank's business-mix and business strategy.

Market Liquidity

Market Liquidity reflects its multifaceted nature. It is defined as the cost-both in terms of expenses and time-of buying or selling an asset for cash. A number of recent studies define market liquidity as the ability to trade an asset at short notice, at low cost and with little impact on its price. Market liquidity reflects a number of factors including any direct transaction expenses e.g. brokerage cost, the price at which sell is executed relative to the midpoint of bid-ask spread, how much the transaction, if at all, moves the market price and speediness with which transaction can be completed. A more acceptable definition is as follows: A liquid market is a market where participants can rapidly execute large volume of transaction with small impact on prices. Market liquidity need be examined in three dimensions e.g. tightness, depth and resilience. Tightness is how far transaction prices diverge from mid-market prices and can generally be measured by bid-ask spread. Depth denotes the volume of trade possible without affecting the prevailing prices. Resilience refers to speed with which price fluctuations resulting from trades area dissipated or speed with which order flow is adjusted.

Dynamics of market liquidity is still not fully understood. Three phenomena viz., concentration of liquidity in specific markets or instruments, evaporation of liquidity from markets, and flight of liquidity from one segment to another are of particular interest. There exists positive correlation between individual stock liquidity and overall market liquidity. Some studies have found that liquidity is correlated across markets, (i.e., across stocks and across stocks and bonds and also points to the existence of a global (market) liquidity factor. The liquidity in the interbank market, and the liquidity in the asset market, are the main sources for a bank to acquire funding liquidity from the markets .

Although market and funding liquidity are often treated as distinct, they can be closely related. This is specially the case during crisis. If funding liquidity declines due to market stress, for example, this may cause intermediaries to become less willing to provide market liquidity. Decline in market liquidity in turn may further impair funding liquidity creating a negative feedback dynamics. Both capital and liquidity requirements play role in preventing such self-reinforcing negative dynamics. When funding liquidity is tight the market liquidity tends to be lower. Traders provide market liquidity. Their ability to do so depends on their availability of funding. Funding liquidity and market liquidity are mutually reinforcing and leading to liquidity spiral.

During financial crisis collapse of several financial firms occurred out of inability to finance their long-term illiquid assets. The deterioration in funding liquidity also escalated the degree of systemic stress as firms were forced to sell assets which depressed their prices, impairing their solvency position throughout the financial system. Funding liquidity has link back to market liquidity. For example, if entities dealing in securities (trading and investing) are short of funding liquidity, this would tend to lessen transaction volume which would result in thinner market and less overall market liquidity. It is likely to lead to lesser price efficiency triggering wider and more persistent disparities in

prices of similar assets. Without a reliable source of short-term funding, market functioning become impaired which can further disrupt both funding and market liquidity.

Market liquidity risk

Market liquidity risk is the probability of inability to trade at a fair price without involving any abnormal waiting time. It is the systematic, non-diversifiable component of liquidity risk. One implication thereof is the commonalities in liquidity risk across stocks and across bonds and equity markets. The second implication of systemic risk is that it need be priced. Market liquidity risk is observably factored in asset prices as a cost or premium, affecting the price of an asset in a positive way and consequently impact market decisions (i.e. optimal portfolio allocation). The larger the premium larger would be the market liquidity risk.

Conclusion

Banks are highly leveraged entities. They face risk of depositors and whole sale fund providers may withdraw and not roll over the contracts. For effective management of funding liquidity banks need appropriately price the funds matching to the maturity of products and business activities at origination. For fixing the volume of optimal liquidity cushion outcomes of stress tests and scenario analysis which should include idiosyncratic and market wide disruptions, need be factored in. Assets held for liquidity cushion should be of highest quality to minimise uncertainty as to cash generation whenever necessary. Business activities creating needs for banks to carry additional liquidity should be charged based on likelihood of needs to fall back upon contingency funding arrangements. In summary banks should endeavour to accrue less illiquid assets, use more stable funding to fund business activities and carry a more adequately sized liquidity cushion to withstand expected and unexpected idiosyncratic and /or market wide disruptions besides putting in place a robust contingency funding arrangement dependable at the time of idiosyncratic and market related contingencies/stress. MA

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DERIVING THE HIDDEN BENEFITS OF COST ACCOUNTING RECORDS (PRODUCT COSTING) AS PRESCRIBED UNDER COMPANIES (COST RECORDS AND AUDIT) RULES 2014, MOVING FROM INSIGHT TO ACTION

Abstract

“The creation, operation, alternation, and cessation of every action and function in an organization – whether within the private, public or voluntary sector – all consume economic resources. Measuring, accumulating, and assigning those resources to the organization’s various processes and outputs allows the structure and operation of the organization to be explained, understood, and improved. Costing, the accounting term that embraces these processes and expresses them using money as a common language, lies at the heart of managerial accountancy and, exercised intelligently, is among the most powerful disciplines available to the professional accountants in business.”

Evaluating and Improving Costing in Organizations - IFAC: International Good Practice Guidance.

The Cost Accounting Records as prescribed by the Companies (Cost Records & Audit) Rules 2014 & Amendment Rule’ 2017 (CCRAR) in its costing framework described and embedded under CRA 1, and the Product Cost statements prepared by companies,



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contribute to an understanding, through respective product margins, of how profits and values are created, and how efficiently and effectively operational processes transform input into output. Given its importance, it is not surprising that the outcomes of cost accounting records should not be merely used to satisfy the regulatory requirement but may also be applied more to support effective managerial decision making.

The CCRAR, as a part of managerial costing, focuses on connecting operational resources and processes with their monetary value to generate the information required for effective decision support and value creation through its mechanism of product costs and other performance measurement tools. It provides ‘actionable’ cost information.

There is a need to raise awareness for better use of costing information and make it a tool for better decision support system to meet the organization’s goals and objectives. The information derived by maintenance of cost accounting records could be used for better product costing, customer profitability, segment reporting and performance

management & control in addition to its being able to assist the management in the formulation and implementation of a corporate strategy for profit maximization and decision making.

The managerial costing framework embedded in the CCRAR is not merely wait-and-criticize, but it embraces, defends and promotes the cause the best it can. If there is no truth, there is also no lie – no error. The CCRAR doesn't advocate for methodologies or models but details attributes that the maintenance of cost records should have in order to give managers a handle to make effective decisions and replace relativist-oriented discussions with critical thinking.

The managerial costing system framework as mentioned in CRA 1 of CCRAR reflects what we call causality, to trace cost based on activities where costs are being incurred considering capacity, consumption of resources, and managerial objectives.

By reengineering the present internal costing system and rectifying the weaknesses in the present practices, the needs of managers could be better served to understand the interaction of operational resources as consumed by different products to ultimately create better pricing, introduce cost reduction and create long-term sustainable value for the company.

Managers will be most effective when their decision support information provides them with insight directly into the quantities of resources and goods. There are four 'lines of sight' for financial professionals: oversight, insight, hindsight, and foresight.

Insight is turning information into intelligence (analytics) – what we propose to seek from CCRAR. *Foresight* is where the finance professional including managerial costing personnel plays a leading role in anticipating the future to help the company envision a great future with strategic and competitive moves.

Decisions are never made in a vacuum but are products of the entire organization with observable reality or truth.

With CCRAR cost modeling framework Companies would uncover further areas where significant cost improvement can be obtained. The core of organizational success is in understanding customer needs and designing and executing productive operations that meet these needs. Managerial costing applies causality and analogy as a bridge to model and apply monetary measurement to operation, it might not address the essential issue of understanding customer needs, but it does assume a thorough understanding of the operations modeled and measured. Cost modeling framework may generally be defined as the analysis of resource data including direct labor, direct material, indirect cost, sales, general and administrative (SG&A) costs, research and development (R&D) cost, and profit to understand the projected or true cost of products and services produced or purchased by the organization.

Today, when to sustain or grow margins have slowed or declined companies are finding avenues for cost reduction and price increases in a more integrated way of driving overall profitability by creating improved insights on each

product margins, key drivers of margin by reviewing price, volume mix, administrative and discretionary spending and building a performance measurement culture. CCRAR data will enable insights by connecting it to operational levers.

There are certain vital questions which impair cost visibility & cost transparency, that companies could answer with the help of CCRAR:

- What's driving profit and which are the products that contribute to it, and which need attention?
- Are we considering total product cost and contribution, in making decisions for pricing? Do we have better grasp on the operational data and are product costs in line with Budgets?
- What are the levers to reduce overheads and shared service cost of support departments?
- Is profitability analysis made available by customers, channel or region?
- How many variations of a product do we make, and what's the cost and profit of each product variation by Product Group or Customer Group?
- What costs are we putting into the product and not able to recover on price? How could product costing data help in cut costs?
- How can we make and evaluate different scenarios of product cost and product pricing?

All these questions can be answered by reviewing the Product Cost Statement Analysis in a structured and granular way derived from the present system of maintaining cost accounting records.

Structure of the CCRAR (Companies Cost Record Rules) Framework

- » To ensure clarity of intent

The intent of the information use view is to provide a basis for decision makers to apply the result of the CCRAR model to gain insights and make inferences in order to make decisions and act in an analogous manner. Per unit of cost of production, cost of operations, cost of sales and margins for each of its products is provided by the Cost Records Maintenance framework.

- » To enhance understandability of:
 - Objectives of product costing mechanism
 - Characteristics of managerial Costing
 - Scope of the information for decision making and control
 - Assist pursuing more on Economies of scale compare to economies of scope

Scope of CCRAR Framework

The entire framework of CCRAR is based on:

- Linking organization's resources to products, activities and services expressed in monetary terms with its economic impact

- The deployment and acquisition of resources such as people, machinery, buildings, capital, etc., comprises the source of all the costs of a company and through these records it presents a model of unique insightful information by providing an accurate reflection of these resources, their usage and related costs. This insight provides a tool of judgment in the use of cost & its optimization.
- These records entail an accurate reflection on the company's Cause and Effect relationship. Causality & Analogy principle used in CCRAR serves as the litmus test for incorporating concepts in the managerial costing system since they embody the purpose of the system and guard and preserve operation of the costing system
- Since product costs are based on historical cost, they play an important role in learning, helping to evaluate past results for insights against plans and expectation and extrapolating from trends and process variations.
- Product costs derived from CCRAR also provide a clear model of existing operations which trigger insights into the economic effects of tactical decisions with present or very near future term impacts.
- Product costs information entails the entire company's functions and processes (Product or Service operations) and the resource that the company used to carry it out helps in the company's strategic objectives.
- Cost information informs the predictive actions, analysis and decisions which will sustain and create long term value consistent with the company's goals, free from distortion and restricted insights associated with any external reporting convention for financial accounting and information excluding all non-cost information/data for the period
- Product Costs as determined by CCRAR is the assignment of production costs to all outputs of the organization, whether items manufactured, goods resold, or services delivered, it points out Avoidable Cost and better view of Opportunity costs.
This is done by analyzing the product margin by Pareto Principles.
The managerial costing information involves in adaptation to support simulation, forecasting, planning and making comparisons and projections. Cost Accounting Standards facilitate uniformity and relevance of the information.
- Cost Model will differ with organizations but a thorough understanding of the framework as provided in CRA 1 & cost accounting standards, its principles, concepts and constraints enhances an organization's insight into its option for designing, developing and using internal management information to achieve its strategic objectives in an optimal manner. Filters are used in selecting concepts in the form of constraints like objectivity, accuracy and materiality

What are the big issues in the present maintenance of Cost Records and its usefulness to the management?

Broad-based studies of various organizations, the common big issues present in the system are highlighted for rectification and corrective action.

Symptoms:

- *Variation in Product Profit margins are hard to explain.*
- *There is no mechanism to deeply react and explore to drop seemingly non profitable products.*
- *There exist high-margin niche products difficult to explain*
- *Reported cost collection system need be linked and mapped with financial general ledger to better reflect the reality.*
- *Assigning cost of support functions is not done in a structured way; to reflect cause and effect relationship and transparency*
- *Bundling of products is not done to understand profit variances*
- *Technological improvements costs need be captured by Products*

• **The company needs to reengineer its preparation of annual budget**

Making available a budgeted cost sheet of products for the period – a key check and key control mechanism

• **The company needs Cost Traceability mechanism in more details for products produced with standard processes and clear allocation rules.**

Gathering the needed product data is one of the biggest challenges in manufacturing today because most companies record incredible amounts of data at every stage of a product's lifecycle but unfortunately, most of it is generally inaccessible. Relevant data is usually spread across the enterprise or sits on individual's hard drives and are held within multiple business systems; it is distorted by the time it reaches the Costing Team.

• **Mapping the general ledger to the costing system at a sufficiently granular level is likely to improve product costing**

The costing team needs to know that activities incur what costs and where these costs sit in the General Ledger and how these need to be allocated in the costing systems.

• **Extracting accurate financial data from general ledger to assign them to Products needs to be addressed considering present issues mentioned herein**

- » A desired level of attention and concentrations is not being given to COST DNA of the company which comprises of Data Structure, Costing Method, Cost Capturing and Cost & Profitability mode.

• **The company needs more emphasis on knowing waste or scrap by identifying them for respective products**

- The company needs a good handle on inputs for products including product wise data on work in process
- The company needs to consider unused production capacity and not to load products with unused cost of capacity
- More cross-functional understanding need be developed
- Managing, communicating and incorporating engineering data and introduction of Engineering Change Notice or product structures **MA**

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2nd April, 2020


NOTIFICATION

Sub: Extension of time for Continuing Education Programme (CEP) Credit Hours for renewal of Certificate of Practice (COP) for the year 2020-21

As per the Guidelines for Mandatory Training for all Members of The Institute under Continuing Education Programme (CEP), it is mandatory for the members holding Certificate of Practice (COP) to undergo minimum mandatory training of 15 hours per year commencing from 1st April to 31st March and 50 hours in a block of 3 years and for members above the age of 65 years it is 7 hours per year and 25 hours in a block of 3 years.

If the COP of members is not renewed for the year 2020-21 due to shortfall in CEP hours, it might cause hardship to those members who thrive exclusively on practice notwithstanding the fact that compliance of prescribed minimum requirement of CEP hours is mandatory for renewal of Certificate of Practice.

In view of the above, it has been decided by the Council of the Institute to grant extension upto 30th June 2020 to complete the requirement of CEP Credit Hours for renewal of COP of the members for the year 2020-21. However, for the CEP hours credited during the period 1st April 2020 to 30th June 2020, members are required to inform whether these CEP hours are to be accounted for the year 2019-20 or for the year 2020-21.


CMA Kaushik Banerjee
Secretary

Ref. No. G/128/2/4/2020

5th April, 2020

NOTIFICATION

Sub: Unauthorized use of the prefix 'CMA' by Students/Non-members

It has come to the notice of the Institute that some students / non-members are using the prefix 'CMA' with their names. The concerned students / non-members are advised to refrain from using the prefix 'CMA' with their names as only an Associate Members (ACMA) and Fellow Members (FCMA) of the Institute are authorized to use 'CMA' as prefix to their name. Unauthorized use of the prefix 'CMA' with names will attract appropriate action.


CMA Kaushik Banerjee
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WHISPERS IN THE CORRIDORS



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Abstract

This article “Whispers in the Corridors” is an endeavour to encompass the current phenomena of corporate management prevalent now-a-days. It is an effort to substantiate as to how the whole process of decision making is guided at the administrative and top management level in a corporate entity. It has tried as to how the decision making process, formulation of policies and administrative issues are closely intertwined with the Tact and Tactical behavior of managerial personnel. This article is aimed at for an in-depth study of different categories of managerial personnel by whose traits and characteristics, the dynamics of management gets affected, either badly or in a fair manner. It also aims at to provide a real traits-cum- impact based analysis of different categories of managerial personnel in an organization. The study highlights the effects entailed upon the entity by managerial actions.

Introduction:

With the fast paced growth of corporate form of industrial operations, a large number of legal and operational complexities come into force. The compliances and the complexities are rampantly increasing. Alongside such complexities, there appears a pervasive tactical syndrome over the whole canvass of the management hierarchy. Here, it is essential to define “**Tact**” or **Tactical approach** which is invariably applied in resolving managerial and administrative issues. But, at the same time, It is all the more important to bring into focus how this “**Tact**” or **Tactical Approach**” has entailed upon more harm than the gains envisaged to be ripen by it.

What is Tact or Tactical Approach:

Before “**Tact** or **Tactical Approach**” is defined, the word “**Strategy**” is to be understood as the entire activities are termed as “**Strategies**”. In the parlance of management science, strategy is defined as a design in term of sequential activities culminating into a envisaged final goal. But, the “**Tact**” is a piece of action or approach which a person adopts at different level of management and it becomes a part of broad strategy.

Now-a-days, we all normally discuss about “**Tact**” or “**Tactical Approach**”. A person with a tactical approach is perceived to be better skilled in accomplishment of task than the person with a simple and straight ways of functioning and possessing emotional values. Such managers are normally considered to be non-performers and an agent of inefficiency. This article is aimed at analyzing the real world situation in our ongoing scenario of corporate management. This will also go into depth to substantiate the subject how “**Tactical Approach**” has blurred the situation creating difficulties in delineating the activities into ethical and unethical ones. Slowly and steadily, this “**Tact**” has made a transition from ethical to unethical ways of life.

Is it necessary to have such study?

It may appear a bit a matter of laughter, if one discusses such issues in management context, as management itself is a science of strategies where “**Tact**” or “**Tactical approach**” comes into play of its own. Nevertheless, it has become essential to bring it before the corporate world as the ethical ways of managerial functioning are the only ways of intrinsic value addition to the organization. It has become all the more important due to the fact that a large number of managerial personnel having faith in ethics and real value creation are

finding themselves unable to permeate in the managerial area and become mere spectators or considering themselves of no use to the organization.

There are also such personnel or managers who after a long wait start indulging into activities which their peers are doing since long. They start to follow the same path of tactical approach. By this, the process of cleansing the management stumbles a jolt. Second, the unseen message runs through the corporate parlance that there is no sense in being a simple or transparent person. In result, the net effort or growth of the organization with durability gets adversely affected. So, it becomes essential to have a study of this current condition found pervasive in the organization.

Attribute based Analysis

Everyone in the organization wants to be recognized as important. This desire is so emphatic that the prime goal of the organization gets ignored or even lost. To be important or be recognized becomes their prime objective. We find such phenomenon in all walks of management behavior. Actually, the people almost at all levels are self-oriented. It is the duty of the top management to be judicious in recognizing the values, which are full of ethics and also fruitful to the organization. For the sake of a simplified study, we can divide the managers into various categories. This categorization may be depicted in a group/traits-wise presentation as under:

Traits	Intelligent	Not Intelligent	Laborious	Not laborious
Shrewd	Intelligent but shrewd	Not intelligent but shrewd	Laborious and shrewd	Not Laborious but shrewd
Simple	Intelligent and Simple	Not Intelligent but simple	Laborious and simple	Not Laborious but simple
Emotional	Intelligent and emotional	Not Intelligent but emotional	Laborious and emotional	Not Laborious but emotional

The above class-specific presentation is a simplified real life condition in the management atmosphere. Characteristic based classification may be present, but for the sake of analysis of the prevailing situation and all the more for study of the case in focus, this attributes- based group classification has been outlined.

Study of each attribute based group classification

1. Intelligent but shrewd

This class - specific managers possess high intelligence quotient (IQ), but at the same time have a very shrewd behavior. Such people never let any opportunity go astray or in vain. A fox like behavior is a correct analogue of this category of managers. Basic attributes of such people may be outlined as under:

- They are very intelligent and always pouring their eyes and ear into the transaction and process of the

management.

- To be tactful in all their activities is the prime characteristics and every action has a grain of cleverness as well as shrewdness.
- Emotional quotient finds no place in their behavior and actions. They always remain in the pursuit of personal gains only, but superficially appearing to be the best interest purveyor of the organization.

Impact of this class specific managers on the organization

Such managers are intelligent enough to create a space in the upper hierarchy of the management. It becomes their prime goal to be achieved. By their maneuvering, they always pose or let the perception run that they are to deliver better results than their peers. But, in actual sense, it may be merely a short- term gain or even of no use to the organization. But, the perception of their belongingness to the organization runs so emphatically to leave no scope for higher management, but to put faith in them.

Actually, some grains of emotional values should be there in the decision making process. Too much practicality thwarts the essence of human values. And, in the absence of human values, everything falls apart. Such practices and approaches bring better results in the long run and that too with moral essence. So, there should be proper and just blending of pragmatism and ethical values in every decision making process of the management. Resolving smaller issues is the pillar of Corporate Governance.

But, in the present context, immediate results are always in quest and hence intelligent but shrewd person are considered to be more desirable. But, in real sense, they prove to be a drain on financial strength of the organization and bring disrepute to the entity. Such class- specific managers are neither good for the organization nor for their colleagues. But, they appear to be different from what they actually are.

2. Not intelligent but shrewd

Some managers are not intelligent but shrewd. Their Intelligence Quotient is very low. But, despite this discomfort, they try to act or they do act to outstrip others. Their manifestation speaks how intense they are to occupy the space of others. But, due to being not so intelligent their opportunistic acts are noticeable by their colleagues. Such people become a source of discord in the work place. This group of managers lack emotional values and so they care least for others and also for the problems what they have brought to the fore.

Managers of the category cause negative impact on the organization and their contribution to the organization is almost negligible. They fall prey to their temptation and do undesirable things with least care. Actually, such person are susceptible to corrupt practices easily and consequently, the image of the organization gets tarnished.

3. Laborious and shrewd

By the theory of association of attributes, the correlation between being laborious as well as shrewd is very negligible.

According to generalized theory, laborious people are found to be sacrosanct, full of ethical and emotional values. They have a firm belief that there is no substitute to hard labour. The percentage of such people is very negligible.

4. Not Laborious but shrewd

This class-specific managers constitute a significant portion of the managerial strength. If we go by SET theory, this group of managers are the elements of the same -set, as of **not intelligent but shrewd**. Precisely, people **neither intelligent nor laborious, but shrewd** constitute a common group..

The organization is badly impacted by this group of managers. In real sense, there is no benefits coming out of such managers.

5. Intelligent and Simple

This group of managers are the backbone of the organization. All operational and managerial process are taken care of by this group of managers. The spirit of corporate governance finds a place in the organization by a disciplined efforts of such people. As regards the coverage of such managers in any entity, it may be least 30% and even goes to the extent of 40%. This quantum of percentage is based on an optimistic frame of mind. Optimistic in the sense that this group of managers are instrumental in regulating, governing and optimizing the whole process of operations and adherence to policies and timely completion of activities. If this had not been the scenario, the performance would have been more dismal and a decreasing trend in continuity. But, despite all constraints and complexities, it is found that problems are sorted out and that too in adherence to all prescriptions and policies. Actually, the efforts of this group of managers are totally dovetailed to organizational broader goal and they take everything to be a matter of organizational image as well as of their own.

Their classic characteristics is opposite to the managers who are intelligent but shrewd. The managers of this group are perceived not to be so contributing by the top management as the **intelligent but shrewd managers** are recognized. Here, the whole source of troubles germinates and the organization suffers. How it happens is to be put in place. Due to prevalence of this stream of thought at the higher level of management, the merits get defeated and undeserving people are rewarded or better we can say that intelligent and shrewd managers snatch the opportunities. The top management gets mesmerized to the level that their eyes are totally misdirected. The merit-based frame of thought remains to be attended causing erosion of values on both counts. First, Loss to the organization is caused by the undesirable tact of undeserving rewarded people as they think of their own only. Second, the hard and contributing people become a mute spectator. So, the organization is doubly affected adversely .

Hence, it becomes imperative on the part of the top management to provide a conducive and moralistic view while framing policies for career growth and cognitive parameters so that this intelligent and simple managers are not left unrecognized as it fosters an un-motivational spirit amongst them. Lacks on its part brings erosion of values and gives birth to a declining trend.

6. Not Intelligent but simple

This group of managers is although not intelligent but simple in approach. Such managers perform their assigned tasks as a routine. They are obedient and also flawless. The problem with them is only absence of intelligence and so something extra inputs are non-existent in completion of works. Such managers prove to be performers as they complete the assigned tasks with a selfless spirit. They lack tact or tactical approach and so they are leveled as unwise and valueless for the organization. But the things are another way round. This group of managers is largely contributive to the entity.

Again, the role of management becomes very important as far as recognition of such managers is concerned.

7. Laborious and simple

The characteristic of this class of managers resembles that of “Not Intelligent but simple” up to a large extent with slight variation that they apply their mind wherever needed due to being laborious. They go extra miles in accomplishment in their jobs and work unceasingly till completion. This class specific managers are very less in magnitude but very beneficial to the organization. In the realm of downtrend of moral values and being everyone engaged in his own stride create an environment of narrow and selfish view. That is why managers of this class is very less in number. But wherever they are , they prove their presence. With this characteristics, they suffer largely as they face ignorance. The Tact or tactical approach is not in their armoury. They are simple and have faith in hard labour. Actually, they are the backbone of any organization.

8. Not Laborious but simple

In any organization, it is observed that at least 10-15% managers are simple but not laborious. They let the things take their own course and do not think of adverse impact which may come due to their apathy. Their behavior and approach are same in their personal life. They believe that things will be good or bad in its own sake. This group of managers do not take any pain and always remain as a mute spectator.

9. Intelligent and emotional

It is very important to illustrate this group of managers. They are emotional and intelligent as well. It is very difficult to corroborate as to whether intelligence and emotion are supplementary to one another or are inversely placed. But, it is sure that both co-exist because quotient of emotion works as a nutrient to quotient of intelligence. An intelligent person in normal case is also emotional. But they do not bring input of tact in their work as their emotional cord prohibits them to do so. This group of managers bring a lot of innovative ideas for the benefits of the organization but easily get perplexed when their ideas are not given due recognition. Such scenario in the organization in continuity creates an environment of confusion for them and they fall prey to passivity. Actually, there comes the role of top management to acknowledge the gravity of this condition in the organization. If left unheeded,

it gives birth to an unhealthy environment leading to erosion of values and thereby loss of efficiency. But, there lies a responsibility also on this group of managers to have a balance between intelligence and emotion. Emotion may not drag the intelligence in an undesirable direction as it brings stress and strain on their own well-beings. Absence of proper control and balance of emotion entails upon their health and efficiency. Emotion is essential for a value based and moralistic decision. Only need is to keep it under intelligence fervor.

10. Not Intelligent but emotional

This class specific managers are normally found to be swayed away by emotion only and usually lack intelligence. They bring undesirable results to themselves and also to the organization. Emotion without intelligence makes them unable to keep a balance in their activities. The management should take note of such managers and some sort of training and workshop should be put in place to resolve their undesirable emotional mindset.

11. Laborious and emotional

This class of managers are very honest to their works. They believe in hard labour and put in all efforts for accomplishment of jobs. But their belief gets shaken if their efforts are not recognized. Their emotional quotient generates an irritating attitude towards the approach of the management. Now, the role of the management should come into play to create an environment and policies to address such issues. An interactive session at regular interval for free flow of views from the managers in a comprehensive manner is a suggestive tool to be put in place. But resolving this issue is of prime importance. If it is left unheeded, a de-motivational syndrome will start to breed in the atmosphere of the organization. The management should put in place a proper system of evaluation for recognizing and rewarding the managers.

12. Not Laborious but emotional

This variant of managers is also very insignificant. It appears to be unnatural that emotion does not carry the string of labour. Emotional managers are normally laborious. If it is so, emotion is said to be just an instantaneous offspring.

Main theme

After this attribute based analysis, it is to substantiate the topic “**Whispers in the Corridors**”. Who whispers? whom does the corridor belong? It is crux of this whole narratives. Only Tact or Tactical values are perceived to be in the corridor and its whispers is normally heard. Long-term- solution is lost in the wake of short term tactical dynamics. But it is not always true. Managers with unbiased and truthful solution are recognized, although not always. We can say that whole issue rests with proper delineation and distinction between shrewdness and simplicity. More the management enables itself to keep the undesirable tact at arms’ length, better it will be for creation of real value based decision. And, the image of the organization will be enhanced.

But it is not suggestive to totally ignore the tactical

approaches away for finding solution to the organization. But caution is that too much reliance on it drives the management towards immediate solution somehow which actually takes the shape of unlawful acts leading to drain and strain on the organisation in the long run. Only a lawful and that too with a long-term view in sight is the only and only solution for a value based growth of the organization. The management’s responsibility is to structure and strengthen itself in creation of a preparatory platform for a level-playing field for intelligent, emotional and laborious managers and also to nurture a concept that a self-centric work is neither rewarding for the managers nor for the organization.

Only organizational growth will ensure the development of everyone in the organization be it career or pecuniary benefits. We should stand, strive and accomplish for the organization.

Conclusion

Now, the final question remains for the management in general and for top management in particular to deal with these complex combination of attributes of managers and arrive at a comprehensive and inclusive solution so that the whole workforce of the organization should be embedded with its broader and healthy goal. Healthy here connotes to ethical and durable solution. A suggestive box is being given below:

- An attributes based data bank of managers should be created
- An automated system of evaluation with least human intervention should be put in place.
- An interactive session at regular interval for free flow of opinion and suggestion should be conducted.
- A system of interaction amongst the managers should be there so that all may come into contact with each other to discuss the issues which they come across in performance of works.
- A system of grievance redressal only for managers should be structured.
- A Think-Tank Committee consisting of general managers of different discipline should be in place to advise the top management in a microscopic way.

The box is kept open-ended as more prescription may be there.

Conclusively, the management should adopt an inclusive pattern and culture of growth for every deserving person lest there should be “**whispers in the corridors**”. MA

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THE TATA STEEL BHUSHAN STEEL DEAL



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Abstract

The article, TATA steel's acquisition of Bhushan steel through IBC route is of relevance to practising professionals, managers and students. The successful resolution has improved India's image as an Investor friendly nation and would have far-reaching implications in the future. Various points discussed in this article include the deal details, the reason for the failure of Bhushan steel, reason of acquisition by TATA Steel, the Post-acquisition TATA steel performance and effect of IBC on Indian business ecosystem.

TATA steel successfully acquired Bhushan steel for INR 35,200 crores on 18th May 2018 through IBC route. Bhushan Steel was among 12 corporate entities identified by Reserve bank of India for early bankruptcy proceedings. TATA steel successfully outbided JSW steel which had offered INR 29,700 crores (1 crore=10⁸) for the acquisition. Insolvency proceeding was initiated against Bhushan steel on 26th July 2017, and the deal was completed on 18th May 2018. Post-acquisition Bhushan steel was renamed as TATA steel Bhushan steel Ltd. The new entity TATA steel BSL Ltd. (TATASTLBSL) has remained as a separate listed entity in the stock exchange.

As per IBC norms, TATA Steel paid required employee salary dues and corporate insolvency costs. Bhushan steel

which had acquired a massive debt of over INR 55000 crores was admitted to NCLT by its committee of creditors (COC) led by State Bank of India. With the acquisition of Bhushan steel which had steel producing capacity of 5.6 million tonnes (1 tonne=1000 Kilogram) per annum, TATA Steel became India's largest steel producing company.

Bhushan steel's resolution through IBC was a game-changer for the Indian corporate sector. The right to exit a business through IBC had helped to increase India's position in ease of doing business ranking published by world bank. IBC is one of the significant reason in increasing India's ranking from abysmally low at 142 in the year 2014 to 63rd rank in 2020.

Year	World Bank -Ease Of Business Ranking
2020	63
2019	77
2018	100
2017	130
2016	130
2015	142

TABLE 1:Ease of doing business ranking published by world bank.(Source: Wikipedia,“ Ease of doing business index”, available on https://en.wikipedia.org/wiki/Ease_of_doing_business_index accessed on 20th Jan 2020.)

Reason for TATA Steel’s acquisition of Bhushan steel

TATA Steel’s successful acquisition of bought a sigh of relief to the stressed banking sector. The deal was the first successful resolution under IBC route. There were only two bidders, and TATA steel’s bid amount was significantly higher than JSW steel. Few of the reasons that can be attributed to TATA steel’s aggressive bidding for the acquisition can be as follows.

1. Bhushan steel being a greenfield project was a lucrative deal. Greenfield projects are those projects which require minimal modifications or developments. From its internal study, TATA steel realized that it was much easier to expand Bhushan steel’s steel capacity from 5.6 to 8 million tonnes per year. (1 tonne=1000 kilogram)
2. With India’s GDP expected to grow at around 7 per cent per annum, the Steel industry was set to grow at around 8-10 percentage over the years to come. Further, there were huge synergies among TATA and Bhushan steel’s plant in the procurement of raw material, marketing and logistics.
3. The value-added plants of Bhushan steel at Ghaziabad and Khopoli were already generating profits. Further, Bhushan steel was very active in the auto sector and other value-added products. TATA steel realized it could use Bhushan steel’s expertise to expand its reach in the auto component market.
4. Bhushan steel ltd was ready to go after plant with a capacity of 5.5 million tonnes per year. To build a similar capacity, it would have taken TATA steel 4-5 years to commission from scratch. As land prices were going up, Bhushan steel was one of the safest bid TATA steel could have made. With the industry practice of EBITDA of Ten thousand INR per one tonne of steel, TATA steel realized it could capitalize EBITDA of 15,000 to 20,000 crore from the existing Bhushan steel’s production capacity of 4-5 mtpa in 4/5 years.
5. Price of steel had been increasing over the years. China was set to close the annual steel producing capacity of about 150 million tons from 2016 to 2020. The Indian steel industry got patronage from

government and Indian government extended 12.5% protection to Indian steel makers.

The Acquisition

The consortium of banks led by State bank of India had an exposure of 56,029 crore in Bhushan steel. TATA Steel was the winner in the bidding process by successfully outbidding JSW steel. The claim amount and settlement amount are appended below.

Brief Information About The Deal	
Total claims by financial creditors	56,079 Cr.
Total settlement amount	35,200 Cr.
Hair Cut done by financial creditors	37%

TABLE : 2: TATA Steel’s claim settlement (Source: Sangita Mehta, May 2018, “Tata Steel completes Rs 35,200 crore purchase of bankrupt Bhushan Steel” available on <https://economictimes.indiatimes.com/industry/indl-goods/svs/steel/tata-steel-completes-5-2-billion-purchase-of-bankrupt-bhushan-steel/articleshow/64224367.cms> accessed on 28th Jan 2020)

Bamnipal steel was set up by TATA Steel as SPV (Special purpose vehicle) for the sole purpose of acquiring Bhushan steel. Out of the total deal amount of 35,200 crores, money pumped in from TATA steel was around INR 17, 000 crores from its reserves. TATA steel was sitting with a cash reserve of over INR 27,000 crores at the time of the deal. The rest of the amount came from debt which lied in the balance sheet of Bhushan steel.

The bifurcation of money invested in Bhushan steel by TATA steel for the acquisition is as follows

1. INR 35,200 crores to the lenders of Bhushan steel for their outstanding dues.
2. INR 159 crores to Bhushan steel to acquire 72,65 percentage equity stakes.
3. INR 1200 crores to the operational creditor of Bhushan steel over a period of 12 months.
4. INR 100 crores to the financial creditors for buying the unsustainable debts of the lenders.

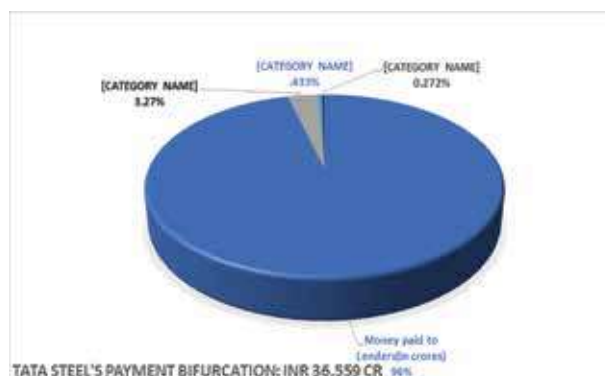


Figure 1: TATA Steel’s payment bifurcation for acquiring Bhushan steel (Source: Prepared by author from publicly available sources)

Unsustainable debts of Bhushan Steel amounting 25,285.46 crores were sold to BNPL by financial creditors

of Bhushan Steel for 100 crores.

Though TATA steel owes little over 72 percent stake in Bhushan steel, economic interest was 100 percent as Bhushan steel will owe the unsustainable debt to TATA Steel in addition to everything else. Hence cash flow from the company would first move to TATA steel before moving to other creditors (1 crore =10 million INR rupees)



Figure 2 - Shareholding Pattern Post-Acquisition (Source: Pritam Sangwan, Jun 2019, "TATA Steel acquires Bhushan steel through IBC" available on <https://mnacritique.mergersindia.com/tata-steel-acquires-bhushan-through-ibc-route/> accessed on 12th Jan 2020)

Analysis of the causes of distress at Bhushan Steel.

Bhushan steel was India's leading steel company in the auto sector, and between FY 2006-10, the company was performing well. In these years Bhushan steel's profit had grown over 50 per cent. The cash from operations was significantly higher.

A closer look at the stock price of the steel company gave significant insights. By 2011 the stock price had reached an all-time high of 522. Investors were bullish on the prospects of the company. The stock price had beaten the index multiple times, and opportunities were looking optimistic.



Figure 3: Share Price Movement of Bhushan Steel from 2006-2020 (source: money control "TATA Steel BSL Ltd" available on <https://www.moneycontrol.com/stock-charts/tatasteelbsl/charts/BS14> accessed on 28th Jan 2020)

Bhushan steel came in the debt trap when it started expanding its production capacity through loans, and returns were inadequate to pay to pack the loan. The debt portion was rising consistently year on year basis. The expansion of Odisha plant of Bhushan steel which costed Bhushan steel INR 19,400 crores was debt-funded. Though the company was over-leveraged year on year basis, debt repayment was not a problem as business generated cash well over loan repayments

The problem began from 2011 onwards when global steel prices crashed, and Bhushan steel's repayment obligations of debt were trebled to INR 1118 crore. The operating cash flow of INR 994 crores was insufficient to repay the debt obligation. The loan repayment of phase I and II of Odisha steel plant was due that time and plant was not ready for production.

When Bhushan steel's financials were made public for FY 2016-17, the current ratio of the company was over 5. Over leveraged has made the company challenging to run as going concern. Its loan book had gone up by over 13 % from FY 2015-16 to FY 2016-17.

The liability of the company over the years explains exciting insights. It is a textbook example of a company going from boom to bust through over leverage structure. By FY16, the leverage ratio of Bhushan steel had reached an unsustainable 14.3.

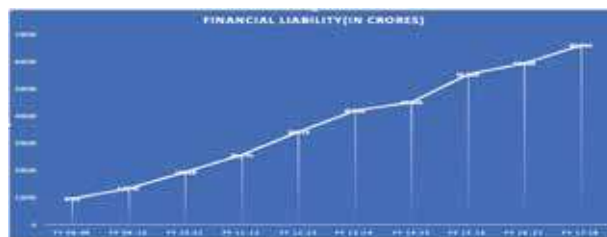


Figure 5 - Financial liability of Bhushan Steel from 2008 to 2018 (Source: Prepared by author from publicly available sources given in the reference section)

The company tried its best to prevent its loan converted in to non -performing assets. With the bribery charges framed against its top management as well as Syndicate bank CMD, the situation worsened. Bhushan steel consistently failed to repay its payment obligations and was admitted to NCLT by its committee of creditors.

The performance of Bhushan Steel post-acquisition

In a matured market stock price defines the intrinsic value of the share. Analysis of the stock price of the share post-acquisition gives interesting insights.



Figure 7: Bhushan steel's Price Movement Post acquisition (Source: Money control, "TATA Steel BSL Ltd" available on <https://www.moneycontrol.com/india/stockpricequote/steel-crh-strips/tatasteelbsl/limited/BS14> accessed on 28th Jan 2020)

Post-acquisition of Bhushan steel by TATA, Bhushan Steel has paid back more than INR 3000 crore loan. Various industry reports had observed significant improvement in financials and plant utilization of Bhushan steel. Latest

credit rating agencies have upgraded Bhushan steel's long term bond to AA and A1+ for short term. The earnings before interest, tax, depreciation and amortization or (EBITDA) has increased from INR 1442 crore in the nine months of 2017-18 to 3012 crore in 2018-19. In terms of YTD increment of EBITDA, the growth has been eight per cent.

Tata Steel BSL is currently aiming to reach full capacity through the removal of bottlenecks and separation of existing facilities.

Conclusion

The acquisition of Bhushan steel through IBC route helped the TATA group significantly in terms of capacity enhancement, encash tax break up and alignment in better raw material utilization. In a clear sign to do away with any legal formalities, TATA group has kept a lead period between acquisition of TATA steel and subsequent merger with the parent TATA group company.

The acquisition is expected give a subsequent boost to TATA steel to reach its target steel production of 33 MTPA by 2025. The acquisition also gave TATA steel ltd high-quality assets of Bhushan steel, value-added products and entry into western India. The merger can be defined as a value addition to stakeholders and the consolidation of the same line of business. The acquisition of Bhushan steel through IBC route helped lenders to clean up their balance sheet. The successful resolution has also improved India's image as an Investor friendly nation, and would have far-reaching implications in the future. MA

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NOTIFICATION

Sub: Examination Application Form for June, 2020 Examination

Due to exemption in training requirements for appearing for June, 2020 term of examinations (Notification Ref. No. G/128/14/2020 dated 1st April, 2020), if any student has already applied for one group but likes to appear for another group may send duly filled in hard copy of application form along with examination fees by Demand Draft drawn in favour of 'The Institute of Cost Accountants of India' payable at Kolkata. A hard copy of the earlier application form already submitted online is also to be enclosed and posted by speed post / courier to the Directorate of Examination, CMA Bhawan, 12 Sudder Street, Kolkata - 700016, so as to reach us on or before 30th April, 2020. An advance copy of this application may be mailed to exam.helpdesk@icmai.in.


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PERFORMANCE ANALYSIS OF ESSAR STEEL LIMITED: PRE, DURING AND POST CIRP A CASE STUDY

Abstract

The Corporate Insolvency Resolution Process (CIRP) of Essar Steel Limited was commenced on 2nd August 2017, and the resolution was approved on 8th March 2019. The financial health of Essar Steel Limited (ESL) deteriorated from 2015 onwards due mainly to high cost of operations, mismanagement of resources, and external business environment impacting the steel sector. With little or no remedial measure undertaken by the management, the rot became sustained, forcing the company to bankruptcy. This paper provides the analysis of operational and financial performance of the company pre, during and post Corporate Insolvency Resolution process.



CMA (Dr.) S K Gupta
MD & CEO

IPA of Institute of Cost Accountants of India
Delhi

Company Profile

Essar was incorporated in 1976 as Essar Steel Ltd (ESL). According to analysts, the Ruia family played a significant role in the development of the industry. Essar was the first private sector company, which was permitted by the government to set up a 2-million tonne steel plant.

ESL is a fully integrated flat carbon steel manufacturer--from iron ore to ready-to-market products. Its products find wide acceptance in highly discerning consumer sectors, such as automotive, white goods, construction, engineering and shipbuilding. It is the India's largest exporter of flat steel products and aims to reach 25 MTPA capacity.

It is the India's largest exporter of flat products, selling

almost one-third of our production to the highly demanding US and European markets, and to the growing markets of South East Asia and the Middle East. “A number of major client companies have approved its steel for their use, including Caterpillar, Hyundai, Swaraj Mazda, the Konkan Railway and Maruti Suzuki. Essar Steel has acquired extensive quality accreditations. Its lean team gives it one of the highest productivities and lowest manpower costs among steel plants internationally. It is totally integrated - from raw material to finished products, adding value at every stage of the manufacturing process”. (Annual Report of ESL 2016-17). It is the first Indian company to brand flat products, under the name ‘24-carat steel’.

Company’s plants include-

“Hazira Steel Complex- Essar Steel operates the world’s largest gas-based hot briquetted iron (HBI) plant with a production capacity of 5.1 million tonnes per annum (MTPA). The plant uses state-of-the-art technology, which ensures high quality raw material for the steel plant. Essar Steel is one of the world’s lowest cost producers of HBI on a per tonne basis. The plant is supported by a captive power plant of 32MW, which operates at 100% capacity. The complex includes two flying shear lines of capacity 0.2 MTPA each, and two slitting lines of capacity 0.2 MTPA each, catering to the market of plates and sheets.

Essar Steel Algoma Inc- Established in 1901, Essar Steel Algoma Inc. is an integrated steel producer based in Sault Ste. Marie, Ontario, Canada. Formerly operating as Algoma Steel, it was acquired in June 2007 by Essar Steel Holdings Limited. Its current production capacity is 2.4 million tonnes per annum (MTPA). Algoma’s cornerstone asset, the Direct Strip Production Complex (DSPC) is the newest continuous, thin slab caster in North America, positioning Algoma as a leading supplier of high strength, light gauge steel. In addition, Algoma’s heat-treat plate facility provides a full range of quality steel grades for abrasion resistant, ballistic and other specialty plate applications. Other key mills at the plant include a slabcaster, a 106-inch strip mill (one of the widest in North America), a 166-inch plate mill, a cold mill, a just-in-time blanking facility and a welded shapes and profiles division.

PT Essar Indonesia- It commenced its commercial operations in 1997. With a current rolling capacity of 400,000 MT per annum, PT Essar has a state-of-the-art galvanizing line with a capacity of 150,000 metric tonne per annum. The company focuses on manufacturing value-added soft cold rolled products.

Visakhapatnam Complex- Essar Steel has built an 8.0 MTPA iron ore pelletisation plant in Visakhapatnam, Andhra Pradesh, India with technology supplied by Lurgi GmbH of Germany.

Essar Steel Minnesota LLC- It has access to iron ore resources of over 1.4 billion tonnes. The plant will have an annual capacity of 2.5 million tonnes per annum (MTPA) when completed.

Essar Steel Caribbean Limited(ESCL)- It is a 2.5 million tonnes per annum (MTPA) integrated steel plant for

flat products in the strategically located Point Lisas Industrial Zone, Couva, Trinidad.

Paradeep facility- It is a 6 MTPA integrated steel project located in Orissa, India.

Essar Steel is the first steel company to set up the only retail chain for steel products under the brand name Essar Steel Hypermart. It has a strong network of over 60 Steel Hypermarkets. The outlets are conveniently located across the length and breadth of the country to cater to the customised requirements of small and medium enterprises. The hypermarkets offer a comprehensive range of flat steel products for a variety of applications. Other product lines, like longs, structural, and tubular, are also being developed to make Essar Steel Hypermart a one-stop-shop for steel products.

Product range of the company includes:

Hot rolled products-

Coils- In raw as well as pickled and oiled form of 180 mm - 2000 mm/7.08’ - 78.74’ width, 1.60 mm - 20.00 mm/0.063’ - 0.79’ thickness and 25 MT (max) weight.

Plates- of 5-20mm thickness, 750-2000 mm width, 2500-12000 mm length, and as per DIN 1016 (in mm) thickness tolerance.

Sheets- Essar Steel’s high precision shearing line (Bronx-UK) turns out top quality steel sheets meeting demanding international standards.

Shot Blasted and Primed- Shot blasted and painted steel from Essar offer the cleanest surfaces and a comprehensive environment protection to its steel.

Cold rolled products- Hot rolled coils from Essar Steel are used to produce cold rolled products in the coils/ plates and sheets form. Cold Rolled Closed Annealed (CRCA)/ Cold Rolled Full Hard (CRFH) type, of 600 mm - 1525 mm/23.63’ - 60.04’ width, 0.14 mm - 3.175 mm/0.0055’ - 0.125’ thickness with Matte, Bright, Dull surface finish.

Galvanized products- Galvanized Plain (GP)/Galvanized Corrugated (GC) type, 600 mm - 1370 mm/23.62’ - 53.94’ width, (BMT) 0.14 mm - 3.175 mm/0.0055’ - 0.125’ thickness, with Regular spangle, Minimised Spangle, Zero Spangle surface finish.

Essar Global Limited is a diversified business corporation with a balanced portfolio of assets in the manufacturing and services sectors of Steel, Energy, Power, Communications, Shipping Ports & Logistics, and Construction. Essar Global has offices in Asia, Africa, Europe and the America”. (ESL website)

Essar Steel Limited : Strategic Target Positioning

Segment	Hot rolled steel, chequered plates, Shot blasted plates, Cold rolled steel, TMT Bars, Galvanised corrugated sheets
Target Group	Sectors such as automotive, white goods, construction, engineering and shipbuilding

Positioning	Company having value added segments in the steel industry, a diversified distribution network & integrated nature of operations
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ESL – Performance analysis

Pre CIRP

The financial health of Essar Steel Limited (ESL) deteriorated from 2015 onwards due mainly to high cost of operations, mismanagement of resources, and external business environment impacting the steel sector. However, the signs of decay did not appear suddenly. Over the years, the decline in business became more prominent. Indian promoters have historically relied on debt to grow, and the Ruias were no different. Its statement of indebtedness showed a principal outstanding of Rs. 50,786 crore as of 31 March 2017, of which Rs.5,016 crore was interest outstanding. Essar's cash flows were not enough to repay its outstanding debt. With little or no remedial measure undertaken by the management, the rot became sustained, forcing the company to bankruptcy. The Corporate Insolvency Resolution Process (CIRP) of ESL was commenced on 2nd August 2017, and the resolution was approved on 8th March 2019.

The key performance indicators reflecting the operational and financial position of the company during the period 2015 to 2017 are as under :

Performance indicators	2015	2016	2017
Current Ratio	0.61	0.23	0.18
Interest Coverage Ratio	1.20	0.27	0.20
Inventory days	60.67	58.79	40.10
Return on Assets (%)	0.78	- 6.91	- 9.55
Return on capital employed (%)	12.95	- 3.48	- 3.12
Assets turnover	0.30	0.25	0.40
Sales / working capital (%)	-2.13	- .52	0.62
EBITM (%)	- 6.18	-8.72	-5.09
Altman Z Score- is a predictability ratio that indicates future possibility of bankruptcy of the company	.30	- .83	-.77
Du Pont Ratio- The Du Pont ratio gives a comprehensive view of company's performance. Du Pont ratio = (Net Profit/sales) x (Sales/Asset) x (Asset/Equity)			
NP/Sale	-0.37	-0.78	-0.76
Sale/Asset	0.25	0.26	0.40
Asset/Equity	21.07	19.26	18.38
Du Pont	-2.01	-3.89	-5.65

From the above analysis it is apparent that the Essar Steel Limited had a poor operational and financial position during the period 2015 to 2017 with all financial indicators including Altman Z score and Du Pont ratios pointing towards impending distress in the company.

During CIRP

Heads	Pre CIRP % change (March 2017)	Pre- during CIRP % change (March 2018)	Reasons for Change
			Income
Sales	48	25	Declined due to overall decline in demand for steel products, both globally and domestically.
			Expenses
Material Cost	36	28	Material cost reduced due to decline in output.
Employee Cost	-5	5	Manpower cost increased due to resumption and scaling up of production.
Other Expenses	91	52	Other expenses which includes power and fuel, administrative expenses, selling and distribution expenses decreased due to improved efficiency and better expenses control.
Finance Expenses	16	33	Finance expenses increased due to increased current liabilities consequent upon increased volume of output.
Depreciation	1	-7	Depreciation amount declined due to decrease in net block including impaired assets.
			Profitability
EBITDA margin %	14	12	Margins remained almost similar in pre and during CIRP
PBT Margin (%)	-34	-35	Margins remained almost similar in pre and during CIRP

From the above analysis it appears that the performance of the company during the period of CIRP was more or less the same as in pre CIRP period. Though the rot was stemmed

to some extent due mainly to deep rooted operational and financial inefficiencies and bottlenecks compounded by the external environment including government policies regarding Steel sector and the demand and prices of the steel products.

Post CIRP

“Debt-ridden Essar Steel has registered an EBITDA (earnings before interest, tax, depreciation and amortization) of Rs 4,229 crore during its Corporate Insolvency Resolution period (over 600 days).The company earned Rs 4,000 crore from its operations between August 2017 and February 2019. In addition, an earning of Rs 229 crore for March 2019. Moreover, this amount excludes Rs 734 crore EBITDA utilised for Finance Costs (Financial Lease, LC/BG Charges to banks and finance charges on payables to suppliers etc) for maintaining the Corporate Debtor (Essar Steel) as a going concern”.(Economic Times). Crude steel production witnessed growth of 9.5% at 1.88 million tonnes and the company posted operating profit of Rs 1,120 crore in the quarter ending June 2019. This is more than twice Essar Steel had earned when Resolution professional took over the debt-laden alloy maker about two years ago. Net sales increased in the quarter by 3% at Rs 8,100 crore

Operating profit is also 2.5% higher than the same period last year and more than double of the March quarter, when low steel prices had hit realisations for the entire steel industry. The improvement has come due to cost efficiency and better inventory management, aided by better product mix. The company is meeting working capital requirements through internal cash and is not borrowing anymore from banks. Essar’s performance was despite withdrawal of funding lines by MSTC to the tune of Rs 700 crore. MSTC used to provide funding lines for import.

At the end of March 2019, Essar’s production stood at 6.78 million tonnes compared to 6.18 million tonnes in 2017-18 and 5.47 million tonnes in 2016-17. Essar recorded an 80 per cent capacity utilization in downstream units and a substantial increase in production of value added products comprising galvanising, colour coated products and pipes. Resolution professional, who is now chairman of the monitoring committee is of the view that the performance of Essar was possible on account of support from the financial creditors and the management. It also establishes the plant capability.

The resolution of steel non-performing assets (NPAs) got a fillip after a series of government policy initiatives to support the domestic steel industry was followed by a sustained increase in steel prices. Together they have made steel a more viable business. Prices of hot rolled coil (HRC) had touched a low of about Rs 28,000 a tonne at the end of FY16 and then moved up to around Rs 46,000 in Q1FY19. After dipping in Q3 2018 to Rs 38,000

“At the time of the first round of bidding, those interested had access to the January 2018 numbers, when Essar recorded an EBITDA (operating earnings) of Rs 1.9 billion, sales of Rs 23.8 bn and production of 540,000 tonnes. From there, it steadily moved to an EBITDA of Rs 3 billion, sales

of Rs 25 billion and production of 550,000 tonnes in April 2018. Production in May 2018 was even higher at 580,000 tonnes. When the insolvency process started for Essar in August 2017, the EBITDA was Rs 1.8 billion, sales at Rs 18.15 bn and production at 454,000 tonnes”.(Economic Times)

Even though the company demonstrated an improved performance post the CIRP resolution, one of the concerns is, of course weak demand outlook of steel industry. In India, the flat steel price has fallen steeply in recent years. India Ratings and Research (Ind-Ra) has also revised down its outlook on the Indian steel sector from ‘stable-to-negative’ for the remainder of FY20 owing to sluggish steel demand growth expectations. A Moody’s Steel Asia Outlook has said that India’s steel demand will slow to mid-single digit growth due to weak auto and manufacturing demand.

“For Arcelor Mittal, which made a bid for ESL amounting Rs. 42000 crore successfully, there are several other costs need to be incurred. It has to spend another Rs. 2500 crore for the slurry pipeline in Odisha and will need to invest up to Rs. 15000 crore more for reducing dependence on gas usage in iron making. Arcelor Mittal’s resolution plan for Essar Steel includes a capital expenditure plan of Rs 18,697 crore to take the finished steel goods capacity of the plant to 8.5 million tonnes by 2024. The long-term aspiration is to increase finished steel shipments between 12 and 15 million tonnes through the addition of new iron and steel-making assets”.(Economic Times)

Conclusion

Essar Steel Limited has shown significant improvement in operational and financial performance in post CIRP phase. Despite a sluggish demand growth in steel sector, the company has shown improvement in operations cash flow, efficiency and profitability. Essar Steel, one of the Reserve Bank of India’s (RBI’s) first ‘Big 12’ of non-performing assets to be auctioned under the Insolvency and Bankruptcy Code 2016, is likely to clock its best-ever performance this financial year. However, in future, how the company addresses the market and operational challenges need to be keenly observed. MA

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TAX TITBITS



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Corona Virus occupies newspapers about the steps that are being taken worldwide for arresting the damages caused by this vermin. Even so the budget proposals by our Finance Minister Smt. Nirmala Sitharaman has drawn more than usual attention, besides giving her credit as one of our talented and illustrious Finance Ministers which India has had, starting from Late Shri. R.K. Shanmugam Chetty, Shri. T.T. Krishnamachari, Shri. P. Chidambaram and Dr. Manmohan Singh.

One of the main features of the budget as indicated in the last issue is decriminalisation of normal defaults converting them into criminal offences. Even before it has become law, the liberalisation of this policy has started by the Ministry of Corporate Affairs directing Registrars of Companies and Official Liquidators to offer immunity to independent and non-executive directors, who are not promoters of the company by not taking any criminal action against them, while Fifth Amendment Rule, 2019 notified has introduced a Scheme for training of independent directors before their induction.

Another major reform, in the budget proposals is the abolition of Dividend Distribution Tax. But it is only a measure of shifting liability from company to its shareholders. What is overlooked is that taxation of dividend itself amounts to double taxation, whether the dividend is taxed in the hands of the company or the shareholders, because the dividend is paid out of the taxed profits. This aspect of double taxation has been recognised only in Greece, where dividend distributed is allowed as a deduction from taxable income of the company, so that double taxation of dividend both in the hands of the company and its shareholders is altogether avoided. Besides the company on the income out of which dividend is declared, taxation of distributed dividend whether in the hands of the company or shareholders amounts to double taxation, so as to require rethinking in the light of the fact that the dividend distributed is itself out of taxed income.

A major step in the budget is the introduction of Taxpayers' Charter as part of our law vesting the taxpayers with certain rights. Ombudsmen have not served their purpose.

Taxpayers' Charter is already in vogue in U.S., Australia, Hong Kong, Chile, Italy, Kenya, Brazil and Mexico. According to the International Ombudsman Institute (IOI), there are now ombudsmen in around 140 countries who are likely to be vested with more enforceable rights for the taxpayers and, therefore, most welcome.

There are also other welcome measures as for example the increase in tolerance limit for the difference between accounted consideration for sale of immovable property and the guidelines value from five to ten per cent.

A major step is the Direct Tax Vivad Se Vishwas Act, 2020, which has received the assent of the President on 17.3.2020 with minor clarificatory amendments, intended like some of the earlier measures to retard the alarming increase in litigation as between the taxpayers and the Department. But this measure can only be described as half-hearted as it only offers immunity from penalty and prosecution apart from partial relief in matters of interest, while it requires the payment of the entire disputed tax along with extra tax at different rates with minimum at 10% irrespective of the nature of the dispute making the right of appeal illusory.

The Scheme has been introduced with a lot of fanfare as a great concession and is expected to be implemented by the Assessing Officers bringing pressure on the assesseees in arrears of disputed tax to avail the Scheme. This one-sided Scheme which expects payment of the entire disputed tax along with an extra tax only to buy immunity from penalty and prosecution is a bad bargain for the taxpayers and is, therefore, one-sided. With better application of mind and on representations from the taxpayers, a review should be possible to make the Scheme more successful.

While the Finance Minister's budget intends to bridge the differences between the taxpayers and tax collector, measures are not adequate as only few of the inequities have been attended to. All the same, the Budget 2020 will be a landmark bringing credit for our Finance Minister for more than one reason. **MA**

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EASTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SERAMPORE CHAPTER

The chapter on 16th February 2020 organized a half day seminar on “Recent Amendments in the area of Income Tax- a Section wise Analysis” at Serampore, CMA Bhawan. CMA Syamalendu Bhattacharya [Addl. Asst. Director (TRG) Direct Taxes Regional Training Institute, Kolkata (Retired)] was the key note speaker to the occasion. The welcome address to the seminar was given by CMA Ranjan Sanyal, chairman of the chapter. He also highlighted the key amendments as has been taken place in the area of Income Tax in the recent past including Budget 2020. CMA Syamalendu Bhattacharya elaborated in detail the changes as has been proposed in the Finance Bill 2020 covering the areas of personal income tax computation, corporate tax computation, various provisions of TDS, residential status, transfer pricing etc. The whole program was coordinated by CMA Bibhas Saha, secretary of the chapter. The seminar ended with a formal vote of thanks from CMA Santanu Mukhopadhyay, Past Chairman of the chapter. Among others present in the seminar were, CMA Ashis Banerjee, Regional Council Member, EIRC and past Chairman of the Serampore Chapter, CMA Prabir Kumar Datta, immediate Past Chairman of the Chapter, and a host of CMAs.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BANKURA CHAPTER

The Chapter organized a career counselling programme on March 3, 2020 at Ramananda College, Bishnupur. Dr (Ms) S Gorai, Principal of Ramananda College, CMA S C Samanta, chairman of the chapter and others addressed the programme.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BHUBANESWAR CHAPTER

The Chapter organized a Career Awareness Programme cum Seminar on “Union Budget 2020-21: It’s Impact on Indian Economy and Taxation” at Kalinga College of Commerce , Bhubaneswar on March6, 2020. CMA Surya Narayan Tripathy, Member of MC and Chairman, Infrastructure Development Committee of the chapter delivered on the topic as “Resource Person”. CMA Debadatta Swain, Member & Guest Faculty of the chapter highlighted about CMA Course and its career prospects. A Career Awareness Programme cum Seminar on “GST: Issues and Challenges” held at KISS College of Commerce, Bhubaneswar on March 6, 2020. CMA Subhasish Sahoo, Director, Cany Advisory Services Pvt. Ltd and Practicing Cost Accountant delivered on the topic as “Resource Person”. Shri Hemanta Kumar Biswal, Asst. Admin. Officer highlighted on Career Prospects in CMA Course and clarified various queries of Students w.r.t CMA Course. On the occasion, Prof. (Dr.) Harekrishna Satapathy, Vice Chancellor of KISS Deemed University also addressed. The Chapter celebrated “International Women’s Day” on March 8, 2020 at its premises in a grand way. CMA Saktidhar Singh, Chairman of the Chapter delivered welcome & key note address. CMA Niranjana Mishra, Council Member and Chairman, Indirect Taxation Committee, ICAI graced and addressed on the occasions as “Guest of Honour”. Eminent State Level Women dignitaries such as Professor Supriya Pattanayak, Vice - Chancellor, Centurion University of Technology and Management , Khordha inaugurated and graced as “Chief Guest” on the occasion , Dr. Mitali Chinara, Professor and Head, Department of Analytical and Applied Economics, Utkal University, Bhubaneswar, Dr. Sruti Mohapatra, Chief Executive Officer, Swabhiman (State Disability Information and Resource Center), Bhubaneswar and Mrs. Puspallata Panda, Social Entrepreneur, PRERANA, Bhubaneswar graced and addressed on the occasion as “Special Guests”. As assigned the responsibility by the Institute, this Chapter has successfully organised 4 days out of 12- day pre-Placement Orientation Programme from 12.03.2020 to 15.03.2020 for December, 2019 term qualified Students. Shri Radhashyam Mahapatro , Director (HR) NALCO Ltd., Bhubaneswar

inaugurated and graced the 12-Days Pre-placement orientation training programme as “Chief Guest” and CMA Bijay Kumar Mohanty, Chief Project Manager, REC Ltd., Odisha as “Special Guest” in the presence of CMA Niranjana Mishra, Council Member and Chairman, Indirect Taxation Committee, ICAI, CMA Saktidhar Singh, Chairman, ICAI-Bhubaneswar Chapter, CMA Himoj Mishra, Secretary, ICAI-Bhubaneswar Chapter and CMA Santanu Kumar Rout, Chairman, Coaching Committee, ICAI-Bhubaneswar Chapter. In Second session (Pre-Lunch) CMA Debaraj Biswal, Former CEO of CESCO, Odisha and Former MD & CEO of Bhubaneswar Stock Exchange Ltd., Bhubaneswar shared his rich industry experience among the participants and in Post Lunch session CMA Shiba Prasad Padhi, Partner, M/s SAPSJ & Associates, Cost Accountants, Bhubaneswar guided the Young CMAs on “GST: Practical Aspects, online Filing and Returns”. On Day 2, CMA CS Uttam Kumar Mohalik, Practicing Company Secretary, Bhubaneswar taken on the topic “Overview on Companies Act, 2013” and Post Lunch Session was taken by CMA Surya Narayan Tripathy, Chairman, Infrastructure Development Committee of the Chapter on “Basic Accounting”. On Day 3, March 14, 2020, Pre- lunch session was taken by CMA Niranjana Mishra, Sr Partner, M/s Niran & Co., Cost Accountants and Council Member & Chairman Indirect Taxation Committee, ICAI on “Cost Accounting & Auditing Standards” and Post-Lunch Session was taken by Dr. Anita Mishra, Soft Skill Trainer, Bhubaneswar on “Techniques on Resume Writing”. On Day-4, March 18, 2020, Pre-Lunch session was taken by Dr. Ajit Kumar Kar, Senior Manager & In-Charge, Learning & Development, IMFA Ltd., Bhubaneswar on “Soft Skill & Communication Skill Development” and Post-Lunch Session was taken by CMA Sudhansu Ku Sahu, GM (Fin), CESU & Past Chairman, ICAI- Bhubaneswar Chapter on “Overview of Direct Tax : Computation of Income under head Salaries, Capital Gain, Allowable and Disallowable expenses under Business Profit & Gain”. As a part of CSR and branding activities, this Chapter has successfully organised “3- Days Yoga Camp” in association with Patanjali Yoga Pitha, Khordha during 13.03.2020 to 15.03.2020 at CMA Bhawan,. Yoga Guru Shri Sudhanshu Sekhar Adhikari, Head, Patanjali Yoga Pitha, Khordha, Odisha guided participants on Yoga, Ayurveda & Meditation. The Chapter recently elevated to the post of Director (Finance) in two reputed power sectors units of Odisha. CMA Samir Kumar Swain, Member of the chapter who has been recently elevated to the position of Director (Finance), Odisha Power Transmission Corporation Ltd. (OPTCL) was greeted by CMA Saktidhar Singh Chairman, CMA Mukesh Chaubey, Vice Chairman and CMA Satyabrata Hota, Member of the Chapter on February 14, 2020. CMA Gagan Bihari Swain, Member and Past Chairman of the Chapter who has been recently elevated to the position of Director (Finance), GRIDCO Ltd, greeted by CMA Niranjana Mishra, Council Member and Chairman, Indirect Taxation Committee, ICAI, CMA Bibhuti Bhusan Nayak, Vice Chairman, EIRC and CMA Saktidhar Singh Chairman of the Chapter on February 26, 2020.





THE INSTITUTE OF COST ACCOUNTANTS OF INDIA GUWAHATI CHAPTER

The chapter published the first ever e-newsletter on 15th March 2020. CMA Rana Bose, chairman of the chapter released the issue in a general meeting of the members. Speaking on the occasion, chairman, CMA Bose thanked all the members who had contributed to the publication of the journal. He had also informed that the newsletter would be a medium to share updated information on the chapter's activities as well as the profession.



NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA JAIPUR CHAPTER

The chapter organized a seminar on “Insolvency & Bankruptcy Code” and “Ease of Doing Business” on 15th February 2020 at its premises. The seminar was organized in association with Insolvency and Bankruptcy Board of India (IBBI) & Insolvency Professional Agency of the Institute. The seminar was inaugurated by Dr. B.L. Gupta, Retd. Professor, University of Rajasthan. In the beginning of the seminar, chairman of the Chapter, CMA S.L. Swami welcomed key speakers and all the participants. In first technical session, key speaker was Advocate Satyendra Khorania. He explained in detail about various amendments in the Insolvency & Bankruptcy Code during the year 2019. In the second technical session, key speaker was CMA Vishnu Upadhyay who explained in detail on the topic “Ease of Doing Business”. Program was conducted by Vice-Chairman of the chapter, CMA Sudarshan Nahar. secretary of the chapter, CMA Swapnil Bhandari thanked key speakers and all the participants.



SOUTHERN INDIA REGIONAL COUNCIL

SIRC organised Discussion Meeting/Study Circle Meetings at its premises on different dates of February 2020. As per the directives received from Advanced Studies Directorate, ICAI SAP-FICO Power User Course 2019-20 was commenced on 1st February, 2020 followed by a formal inaugural session. CMA Mrs. Jyothi Satish, Chairperson, SIRC –ICAI addressed the participants. Ms. J. Indhu Priadarshini was the trainer of the programme. SIRC organised the Oral Coaching Inauguration Programmes on 12th February, 2020 at its premises for its Foundation, Intermediate & Final students who would be appearing for Institute Examinations to be held in June 2020. CMA Mrs. Jyothi Satish, Chairperson-SIRC welcomed the CMA Dignitaries, students and their parents during her welcome address. CMA K. Rajagopal, Chairman, Students' Facilities Committee – SIRC in his address mentioned that CMA Qualification is one of the most sought after qualifications in the employment market nowadays and even a student who has completed CMA Intermediate Course can get placement for a reasonable pay package. CMA K. PandurangaRao, RCM-SIRC in his address briefed on his professional career and advised students to attend all classes during their Coaching Sessions which will help in fetching high marks to get through the CMA Examinations in single attempt. CMA Y. Srinivasa Rao, RCM – SIRC in his address highlighted that CMA Course is the best course and many manufacturing organizations recruiting CMAs to implement Cost Reduction and Cost Control processes. CMA H. Padmanabhan, Council Member of the Institute in his special address said that the entire CMA Course can be completed with a very minimum cost and for the past 12 years, there is no increase in the Course Fee. CMA Sankar P Panicker, Vice Chairman, SIRC in his address said collective decision by a student and his/her parents to join the CMA Course is important and nowadays cultural shift is happening in the economy. CMA R. Vishwanath Bhat, Treasurer – SIRC in his address stressed the students on the need to develop theoretical and practical knowledge while pursuing their CMA Course and the pay package offered by the Corporates are based only on candidate's talent, exposure and subject knowledge in the respective areas. CMA D. Muni Sekhar, Secretary, SIRC proposed vote of thanks and the programme concluded with National Anthem. SIRC organised the 2nd Batch of Training programme on 'Advanced Course on Goods & Services Tax' to Senior Officers of the Commercial Taxes Department, Govt. of Tamilnadu at Hotel Thangam Grand, Madurai during 18th February to 20th February, 2020. The 3rd Batch of the said Training was held at Hotel Taj Vivanta, Coimbatore from 24th February to 26th February, 2020. CMA Jyothi Satish, Chairperson, SIRC welcomed the participants and rendered Inaugural Address. Thiru Suseel Kumar, Director/Jt. Commissioner (State Tax), Commercial Taxes Staff Training Institute, Chennai addressed the participants on the importance of the Training Programme and briefed on the topics to be covered by the eminent speakers. In the 3rd Batch, during the Inaugural Session, Thiru Kranthi Kumar Pati, IAS -Jt. Commissioner, Tmt. Gayathri Krishnan B, IAS - Jt. Commissioner, Thiru S. Gnanakumar - Jt.

Commissioner and Thiru A. Swaminathan- Jt. Commissioner participated.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA HYDERABAD CHAPTER

The Chapter on 12th February, 2020 organized programme on intricacies of IBC process and NCLT Procedures-issues in association with ICSI-Hyderabad branch. CS Dipti Atul Mehta and CS G. Raghu Babu elaborated the intricacies of IBC Process and NCLT Procedures. The chapter on 22nd & 23rd February, 2020 organized a programme on Data analytics and tools for decision making. K. Vijay Srinivas, CA Saran Kumar, CA Premnath D. have presented vivid lectures on this subject. Shri Taha Hussain, Director – Deloitte India was the Chief Guest for this program. On 26th to 28th February, 2020, the chapter organized Special coaching sessions on "Registration and preparation for exam-independent directors". CMA Dr. P. Siva Rama Prasad, Retd. Asst. General Manager, SBI has trained the aspirants for the mandatory exam of the independent directors. Recognizing stress and knowing how to manage it can be challenging. Shri K.S.K. Jayadev Rao, Motivational speaker on February 28, 2020 explained very clearly about effects and management of stress to support a healthy state of being. CMA K. Narasimha Murthy has been appointed as Director of National Stock exchange. The Hyderabad Chapter felicitated him on this occasion on February 29, 2020. The Chapter organized a felicitation ceremony to all CMAs, who witnessed a professional career of more than 40 years and have crossed the age of 70, on 29th of February 2020 at FTAPCCI, Redhills, Hyderabad. The program was well attended by the members with their family and we invited Shri N. Ram Chander Rao,

MLC of Telangana as a chief guest and Shri Raavi Kondal Rao, Telugu film actor as a special invitee and dignitaries. CMA Dr. A.S. Durga Prasad, Past-President and CMA Dr. K C H A V S N. Murthy, Central Council Member graced the dais.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA MYSURU CHAPTER

A One day State level “Workshop on International Financial Reporting Standards” was organized by Sarada Vilas college Mysuru in association with the chapter was conducted on February 25, 2020. The chief guest of the programme was Dr D Anand Dean, Commerce and Business Administration, Bahaddur Institute of Management. Manasa Gangothri UoM Mysuru, highlighted the importance of Convergence of IFRS and Ind AS and Prof Sathyanarayana presented keynote address. Shri B S Parthasarathy, President Sarada Vilas Educational Institutions, Shri H K Srinath Hon. Secretary SVEI and CMA M Ashok Kumar, Chairman ICAI Mysuru Chapter and Prof. Dhanalakshmi P, Principal Sarada Vilas College were present in the workshop.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COCHIN CHAPTER

The Chapter conducted jointly with IBBI, a PD programme on The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2019 and Ease of Doing Business at CMA Bhavan, Center For Excellence, Vyttila, Cochin On 22nd Feb 2020. The programme was inaugurated by lighting the lamp. The session handled by CMA Sankar P. Panicker, Vice Chairman, SIRC. The Students Committee of the chapter conducted a Management Fest “Pragathi-2k20” on March 6, 2020 at DD Retreat Club, Thammanam, Cochin. CMA Anil Xavier, Chairman of the Chapter welcomed Chief guest, all the dignitaries present on the dais and participants from various chapters to the programme. The programme was inaugurated by President of the Institute CMA Balwinder Singh and he delivered inaugural speech. CMA Jyothi Sathish, Chairperson, SIRC and CMA H. Padmanabhan , Central Council Member and CMA Sankar P Panicker, SIRC Vice Chairman were presented in the fest. Cochin Chapter Students Committee Chairman Mr. Ananthu K.V. offered the vote of thanks. The chapter celebrated Women’s Day and conducted a PD programme on “Women in Management – Challenges & Opportunities”. The special guest and speaker of the programme was CMA Rekha Venugopal, AGM - Finance & Accounts, HR, Trans Asian Shipping Services Pvt. Ltd. CMA Meena George, MC Member welcomed all the dignitaries present on the dais and members presented for the programme. CMA Anil Xavier, Chairman Cochin

Chapter and CMA Sankar P.Panicker Vice Chairman, SIRC were presented. CMA Renjini R., MC Member offered vote of thanks to all the members.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA THRISSUR CHAPTER

The Chapter conducted a Seminar on Union Budget – 2020 at Casino Hotels Ltd., Thrissur on 22nd Feb 2020. CA V. Ramnath, Partner, M/s. K S Palanisamy & Co, Chartered Accountants, Coimbatore took the technical session.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

A PD Program was conducted on 3rd February, 2020 on Budget Analysis jointly with ICSI Coimbatore Chapter, Coimbatore Management Association, The Auditors Association of Southern India, Coimbatore Branch and PSG Institute of Management, Coimbatore. Speakers were Dr. CA V. Gopalan, Director, Janhar Management Services on Impact of Budget – Economic and Sectorial analysis and CA K.Ravi, CFO Roots Group of Companies on Budget and Direct Taxes and CA M.Ramji, Practising Chartered Accountant, Coimbatore on Budget and Indirect Taxes. A joint PD Program with The Auditors Association of Southern India, Coimbatore Branch was conducted on 24th February, 2020. CMA A.N. Raman, Past President SAFA gave a vivid lecture on “Disruptive Business Strategies”. The chapter celebrated International Women’s Day on 9th March, 2020. Chief Guest Smt. B. Gayathri Krishnan, IAS, Joint Commissioner, Tamil Nadu Commercial Taxes Dept, Coimbatore inaugurated the function. CA. Sasirekha Vengatesh conducted a workshop. Demo on self defence for ladies was conducted which was found useful by female members present.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SALEM CHAPTER

The Chapter conducted a seminar on 30th January 2020 on the title “Charitable Trust under Income Tax Act”. CMA Dr K Nagarajan explained among various provisions, that the Trust has to file Income Tax Return in ITR-7 for every financial year on or before the 30th September of next year. CMA Dr K Nagarajan in his address in the seminar on ‘Highlights of Union Budget 2020’ conducted by the Chapter on 8th February 2020 highlighted that the GDP Growth is expected to be in the range of 6% to 6.50% during 2020-21 as against 5% during 2019-20 based on estimates. Prime Minister Kisan Samman Nidhi has been extended to all farmers irrespective of the land size. Past President of the Institute, CMA M Gopalakrishnan took active participation in the session and shared his views on the ‘Union Budget 2020’.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA HOSUR CHAPTER

The Chapter inaugurated the sixth batch GST certificate course on February 29, 2020. Chief Guest was Shri Nagaraj, Assistant Commissioner GST, State Tax. CMA Marga bhandhu, Member, CMA Rajhshekar M R., chairman of the chapter, Shri Nagaraj AC-GST State Tax, CMA CA Venkateswaran, Member were among the eminent dignitaries present in the programme. On February 15, 2020, the chapter inaugurated the second batch oral coaching. Chief Guest Smt. Jyothi Satish, Chairman SIRC, Chennai, Guest of Honour, Shri Suresh Gunajali Past Chairman SIRC, Shri Vishwanath Bhat Treasurer SIRC and Shri Shivakumar, Chairman Oral Coaching attended the programme.



WESTERN INDIA REGIONAL COUNCIL

WIRC celebrated International Women’s Day on 8th March 2020 at Thane SMFC. Dr. Sujata Yardi, Master of Science (Physiotherapy), FIAP, Professor & Dean of College of Physiotherapy Nerul, Mrs Varsha Kolhatkar, Asstt Commissioner Customs and CGST & CMA ArtiPatil, Chief General Manager, Saraswat Co-op bank Ltd, were the guest speakers. CMA Neeraj Joshi, Chairman WIRC, CMA AshishThatte, CCM-ICAI, CMA Chaitanya Mohrir, Chairman, Task Force for Women Empowerment, WIRC & CMA Vinayak Kulkarni, Professional Development Committee-WIRC were also present on the occasion.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PIMPRI CHINCHWAD AKURDI CHAPTER

The Chapter conducted a seminar on ‘IFRS’ on 4th January, 2020 at CMA Bhawan, Pimpri, Pune. CMA Pradeep Deshpande, Secretary of the chapter welcomed and introduced the speaker CMA Pradeep Sahasrabudhe. CMA Pradeep Deshpande felicitated him by offering a memento. CMA PradeepS ahasrabudhe in his speech said IFRS is a set of accounting standards developed by an independent, not-

for-profit organization called the International Accounting Standards Board (IASB). The chapter conducted seminar on ‘Challenges in Implementation and Cost Benefit Analysis of Artificial Intelligence and Business Intelligence Proposal’ on 8th February, 2020 at CMA Bhawan, Pimpri, Pune. CMA Pradeep Deshpande welcomed and introduced the speaker, CMA Ajay Mahajan, Dy General Manager, Tata Motors. CMA Dhananjay Kumar Vatsayan felicitated CMA Ajay Mahajan by offering memento. The Chapter conducted inaugural function of Oral Coaching classes on 18th January 2020 at CMA Bhawan. CMA Pradeep Deshpande, Secretary welcomed all the students, Chief Guest CMA Gopal Bhutada, General Manager, Business Finance, Tata Motors Ltd., CMA Mahendra Bhombe, Treasurer, WIRC of ICAI, CMA Ashish Deshmukh, Past Chairman of PCA Chapter and Mr. Prabhakar Mendhe, Soft Skill Facilitator. CMA Mahendra Bhombe felicitated CMA Gopal Bhutada and CMA Pradeep Deshpande felicitated Mr. Prabhakar Mendhe by offering mementos. CMA Ashish Deshmukh gave information about the chapter. CMA Sagar Malpure gave presentation about oral coaching and faculties of the chapter. CMA Gopal Bhutada in his speech congratulated all the students for choosing CMA option and guided them about future career of CMA Profession. CMA Mahendra Bhombe gave some important tips about Examination, Interviews, Competition in market, Job options etc. The chapter celebrated Republic Day on January 26, 2020 at CMA Bhawan, Pimpri, Pune. On this occasion CMA Jayant Hampiholi, chairman of the chapter hoisted the flag. Members from professionals, members of the Institute, students, managing committee members and staff of the chapter were present for this event. The function was followed by national anthem. The Chapter conducted a seminar on ‘Coffee with Live Telecast on Union Budget 2020 and Discussion’ on 1st February, 2020 at CMA Bhawan, Pimpri, Pune. CMA Jayant Hampiholi, Chairman, CMA Pradeep Deshpande, Secretary and other committee members along with members in practice, members from industries, professionals and students attended the seminar. The chapter conducted a seminar on ‘Union Budget 2020’ on 8th February, 2020 at CMA Bhawan, Pimpri, Pune. CMA Pradeep Deshpande, secretary of the chapter welcomed and introduced the speakers, CMA L D Pawar, Past Chairman – WIRC and CMA Jayant Hampiholi, chairman of the chapter. CMA Jayant Hampiholi felicitated CMA L D Pawar and CMA Abhijeet Deshmukh felicitated CMA Jayant Hampiholi by offering a memento. CMA Jayant Hampiholi briefly highlighted on the Union Budget 2020. CMA L D Pawar in his speech said, our Hon’ble Finance Minister assures that the Tax Harassment will end very soon. He covered the topic on Key GST Proposals, Excise and Customs under Indirect Tax. The program ended with vote of thanks.



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BARODA CHAPTER

The Chapter arranged a live event on Union Budget 2020, on 01st February 2020. More than 20 members and students have been benefited from the said session. The chapter got Best Performing Chapter under Category ‘B’ of WIRC for the year 2019 in the hand of Member of Parliament Mr. C R Patil Sir, at RCC 2020 at Surat. The Chapter also organised Student Conference for motivating the students who have passed out in December 2019 term in Foundation, Intermediate and Final on 22nd February 2020. The Chapter took part in INDO – US Summit; Namaste Trump Program at Motera Cricket Stadium, Ahmedabad on 24th February 2020, jointly with Federation of Gujarat Industries, Vadodara Chapter of Company Secretary, Baroda Branch of Chartered Accountants. The Chapter arranged CEP programme on ‘Excellence in Excel’ on 29th February 2020. The Faculty was CA Suril Mehta. The speaker was felicitated by CMA Hardik Diwanji, chairman of the chapter.



DIRECT TAXES UPDATES

Notification No. 14/2020 dt 4th March 2020: AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF INDIA AND THE GOVERNMENT OF HIS MAJESTY THE SULTAN AND YANG DI-PERTUAN OF BRUNEI DARUSSALAM FOR THE EXCHANGE OF INFORMATION AND ASSISTANCE IN COLLECTION WITH RESPECT TO TAXES. An Agreement between the Government of the Republic of India and the Government of Brunei Darussalam for the exchange of information and assistance in collection with respect of taxes (hereinafter referred to as the said Agreement) was signed at New Delhi, India on the 28th day of February, 2019.

Notification No. 15/2020 dt 5th March 2020: In exercise of the powers conferred by clause (xii) of sub-section (5) of section 11 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely: In the Income-tax Rules, 1962, in rule 17C, after clause (v), the following clause shall be inserted, namely: - “(va) investment made by a person, authorised under section 4 of the Payment and Settlement Systems Act, 2007, in the equity share capital or bonds or debentures of a company — (A) which is engaged in operations of retail payments system or digital payments settlement or similar activities in India and abroad and is approved by the Reserve Bank of India for this purpose; and (B) in which at least fifty-one per cent of equity shares are held by National Payments Corporation of India.”

Notification No.16/2020 dt 5th March 2020: —In exercise of the powers conferred by sub-clause (d) of clause (viia) of section 47 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies the following securities for the purposes of the said sub-clause, namely:- (i) foreign currency denominated bond; (ii) unit of a Mutual Fund; (iii) unit of a business trust; (iv) foreign currency denominated equity share of a company; (v) unit of Alternative Investment Fund, which are listed on a recognised stock exchange located in any International Financial Services Centre in accordance with the regulations made by the Securities and Exchange Board of India under the Securities and Exchange Board of India Act 1992 (15 of 1992) or the International Financial Services Centres Authority under the International Financial Services Centres Authority Act 2019 (50 of 2019), as the case may be. This notification shall come into force with effect from 1st April 2020.

Notification No. 17/2020 dt 13th March 2020: —In exercise of the powers conferred by clause (a) of the Explanation to section 115 AD of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby specifies that a nonresident being an Eligible Foreign Investor which

operates in accordance with the Securities and Exchange Board of India, circular IMD/HO/FPIC/CIR/P/2017/003 dated 04th January, 2017, shall be deemed as Foreign Institutional Investor (FII) for the purposes of transactions in securities made on a recognised stock exchange located in any International Financial Services Centre (IFSC), where the consideration for such transaction is paid or payable in foreign currency.

Notification No.18/2020 dt 18th March 2020: The Direct Tax Vivad Se Vishwas Rules, 2020: In exercise of the powers conferred by sub-section (2) of section 12 read with sub-sections (1) and (5) of section 4 and sub-sections (1) and (2) of section 5 of the Direct Tax Vivad se Vishwas Act, 2020 (3 of 2020), the Central Government hereby makes the rules.

Notification No.19/2020 dt 20th March 2020: — In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby makes the following amendments in the notification of the Government of India, Ministry of Finance, (Department of Revenue), (Central Board of Direct Taxes) number S.O.1537(E) dated 09th April, 2019 published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii), namely:-

In the said notification

- (a). for the third paragraph, the following paragraph shall be substituted, namely:-

“3. This notification shall be deemed to have been applied for the period from 01-06-2011 to 31-03-2012 in the assessment year of 2012-2013 and also from the assessment years 2013-2014, 2014-2015, 2015-2016, 2016-2017, 2017-2018, 2018-2019 and shall apply with respect to the assessment years 2019-2020, 2020-2021, 2021-2022, 2022-2023, and 2023-2024.”;

- (b). at the end, the following Explanatory Memorandum shall be inserted, namely:-

“Explanatory Memorandum This notification shall be given retrospective effect for the period from 01-06-2011 to 31-03-2012 in the assessment year of 2012-2013 and also from the assessment years 2013-2014, 2014-2015, 2015-2016, 2016-2017, 2017-2018, 2018-2019, in view of the order of the Hon’ble High Court of Karnataka in the matter of Mysore Palace Board V. the Central Board of Direct Taxes and 3 Others [W.P. No.40801 of 2019 (T-IT)], dated 17th Day of December, 2019. It is certified that by giving retrospective effect to the notification no person interest will adversely be affected.”

3. This notification shall be deemed to have come into effect from 09th April, 2019

Notification no 20/2020 dt 20th March 2020: In exercise

of the powers conferred by clause(b) of section 164 and section 178 of the Finance Act, 2016 (28 of 2016) read with sub-sections(1) and (2) of section 120 of the Income-tax Act, 1961, (43 of 1961) the Central Board of Direct Taxes hereby authorizes the Assessing Officer working in the Principal Chief Commissioner of Income-tax (international Taxation) Region having Jurisdiction in respect of the assesseees for the purpose of the Income-tax Act, 1961, to exercise or perform all or any of the powers and functions conferred on, or, assigned to an Assessing Officer for the purpose of Chapter VIII of Finance Act, 2016 .

Notification No 21/2020 dt 20th March 2020: CORRIGENDUM:—In the notification of the Government of India, Ministry of Finance (Department of Revenue), published on the 18th March, 2020, vide S.O. 1129(E), in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), at page 32, in Form-3, for “as per column (7) above within thirty days”, read “as per column (8) above within fifteen days”.

Circular No 7/2020 dt 4th March 2020: Clarifications on provisions of the Direct Tax Vivad se Vishwas Bill, 2020 : During the Union Budget. 2020 presentation, the ‘Vivad se Vishwas’ Scheme was announced to provide for dispute resolution in respect of pending income tax litigation. Pursuant to Budget announcement, the Direct Tax Vivad se Vishwas Bill, 2020 (Vivad se Vishwas) was introduced in the Lok Sabha on 5th Feb, 2020. The objective of Vivad se Vishwas is to inter alia reduce pending income tax litigation, generate timely revenue for the Government and benefit taxpayers by providing them peace of mind, certainty and savings on account of time and resources that would otherwise be spent on the long-drawn and vexatious litigation process. Subsequently, based on the representations received from the stakeholders regarding its various provisions, official amendments to Vivad se Vishwas have been proposed. These amendments seek to widen the scope of Vivad se Vishwas and reduce the compliance burden on taxpayers.

CORRIGENDUM TO CIRCULAR NO.4 /2020 DT 16th January 2020: Income-Tax Deduction from Salaries during the Financial Year 2019- 2020 under Section 192 of the Income-Tax Act, 1961

In Circular No.04/2020 dated 16th January, 2020 on the above mentioned subject, it is to state that Para 3.1 under heading “Method of Tax Collection” is modified as below:

For sentence 3 of Para 3.1:

No tax, however, will be required to be deducted at source in a case unless the estimated salary income including the value of perquisites, for the Financial Year exceeds Rs 2,50,0001- or Rs 3,00,0001- or Rs 5,00,0001-, as the case may be, depending upon the age of the employee.

May be read as:

No tax, however, will be required to be deducted at source

in a case unless the estimated salary income including the value of perquisites is taxable after giving effect to the exemptions, deductions and relief as applicable.

2. In view of the above, Circular No.04/2020 may accordingly be treated as modified to this extent.

INDIRECT TAXES UPDATES

Circular No. 132/2/2020 – GST dt 18th March 2020: Clarification in respect of appeal in regard to non-constitution of Appellate Tribunal: The matter has been examined in detail. In order to clarify the issue and to ensure uniformity in the implementation of the provisions of the law across field formations, the Board, in exercise of its powers conferred by section 168 (1) of the CGST Act, hereby issues the following clarifications and guidelines.

Appeal against an adjudicating authority is to be made as per the provisions of Section 107 of the CGST Act. The sub-section (1) of the section reads as follows:

“107. (1) Any person aggrieved by any decision or order passed under this Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act by an adjudicating authority may appeal to such Appellate Authority as may be prescribed within three months from the date on which the said decision or order is communicated to such person

Relevant rules have been prescribed for implementation of the above Section. The relevant rule for the same is rule 109A of Central Goods and Services Tax Rules, 2017

Circular No.133/ 03/2020-GST dt 23rd March 2020: Clarification in respect of apportionment of input tax credit (ITC) in cases of business reorganization under section 18 (3) of CGST Act read with rule 41(1) of CGST Rules:

Representations have been received from various taxpayers seeking clarification in respect of apportionment and transfer of ITC in the event of merger, demerger, amalgamation or change in the constitution/ownership of business. Certain doubts have been raised regarding the interpretation of subsection (3) of section 18 of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as the CGST Act) and sub-rule (1) of rule 41 of the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the CGST Rules) in the context of business reorganization.

Circular No.134/04/2020-GST dt 23rd March 2020: Clarification in respect of issues under GST law for companies under Insolvency and Bankruptcy Code, 2016

1. As per IBC, once an entity defaults certain threshold amount, Corporate Insolvency Resolution Process (hereafter referred to as “CIRP”) gets triggered and the management of such entity (Corporate Debtor) and its assets vest with an interim resolution professional (hereafter referred to as “IRP”) or resolution professional (hereafter referred to as “RP”). It continues to run the business and operations

of the said entity as a going concern till the insolvency proceeding is over and an order is passed by the National Company Law Tribunal (hereinafter referred to as the “NCLT”)

2. To address the aforementioned problems, notification No.11/2020- Central Tax, dated 21.03.2020 has been issued by the Government prescribing special procedure under section 148 of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as the “CGST Act”) for the corporate debtors who are undergoing CIRP under the provisions of IBC and the management of whose affairs are being undertaken by IRP/RP. In order to ensure uniformity in the implementation of the provisions of the law across the field formations, the Circular No.134/04/2020-GST Page 2 of 5 Board, in exercise of its powers conferred under section 168(1) of the CGST Act hereby clarifies various issues.

Notification No. 08/2020 – Central Tax dt 2nd March 2020: Seeks to “Amend the CGST Rules, 2017 to prescribe the value of Lottery”: In the Central Goods and Services Tax Rules, 2017, with effect from the 1st March, 2020, in rule 31A, for sub-rule (2), the following sub-rule shall be substituted, namely:- “(2) The value of supply of lottery shall be deemed to be 100/128 of the face value of ticket or of the price as notified in the Official Gazette by the Organising State, whichever is higher.

Notification No.09/2020– Central Tax dt 16th March 2020: Seeks to exempt foreign airlines from furnishing reconciliation Statement in FORM GSTR-9C: — In exercise of the powers conferred by section 148 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereinafter referred to as the said Act), the Central Government, on the recommendations of the Council, hereby notifies the persons who are foreign company which is an airlines company covered under the notification issued under sub-section (1) of section 381 of the Companies Act, 2013 (18 of 2013) and who have complied with the sub-rule (2) of rule 4 of the Companies (Registration of Foreign Companies) Rules, 2014, as the class of registered persons who shall follow the special procedure as mentioned below.

The said persons shall not be required to furnish reconciliation statement in FORM GSTR-9C to the Central Goods and Services Tax Rules, 2017 under subsection (2) of section 44 of the said Act read with sub-rule (3) of rule 80 of the said rules:

Provided that a statement of receipts and payments for the financial year in respect of its Indian Business operations, duly authenticated by a practicing Chartered Accountant in India or a firm or a Limited Liability Partnership of practicing Chartered Accountants in India is submitted for each GSTIN by the 30th September of the year succeeding the financial year.

Notification No. 10/2020 – Central Tax dt 21st March 2020: Seeks to provide special procedure for taxpayers in

Dadra and Nagar Haveli and Daman and Diu consequent to merger of the two UTs

The Government, on the recommendations of the Council, hereby notifies those persons whose principal place of business or place of business was in the erstwhile Union territory of Daman and Diu or in the erstwhile Union territory of Dadra and Nagar Haveli till the 26th day of January, 2020; and is in the merged Union territory of Daman and Diu and Dadra and Nagar Haveli from the 27th day of January, 2020 onwards, as the class of persons who shall, except as respects things done or omitted to be done before the notification, follow the following special procedure till the 31st day of May, 2020 (hereinafter referred to as the transition date) as mentioned below.

The said registered person shall,-

(i) ascertain the tax period as per sub-clause (106) of section 2 of the said Act for the purposes of any of the provisions of the said Act for the month of January, 2020 and February, 2020 as below:-

(a) January, 2020: 1st January, 2020 to 25th January, 2020;
(b) February, 2020: 26th January, 2020 to 29th February, 2020;

(ii) irrespective of the particulars of tax charged in the invoices, or in other like documents, raised from the 26th January, 2020 till the transition date, pay the appropriate applicable tax in the return under section 39 of the said Act;

(iii) who have registered Goods and Services Tax Identification Number (GSTIN) in the erstwhile Union territory of Daman and Diu and the erstwhile Union territory of Dadra and Nagar Haveli till the 25th day of January, 2019 have an option to transfer the balance of input tax credit (ITC) after the filing of the return for January, 2020, from the registered Goods and Services Tax Identification Number (GSTIN) in the erstwhile Union territory of Daman and Diu to the registered GSTIN in the new Union territory of Daman and Diu and Dadra and Nagar Haveli by following the procedure as below:-

(a) the said class of persons shall intimate the jurisdictional tax officer of the transferor and the transferee regarding the transfer of ITC, within one month of obtaining new registration;

(b) the ITC shall be transferred on the basis of the balance in the electronic credit ledger upon filing of the return in the erstwhile Union territory of Daman and Diu, for the tax period immediately before the transition date;

(c) the transfer of ITC shall be carried out through the return under section 39 of the said Act for the tax period immediately before the transition date and the transferor GSTIN shall debit the said ITC from its electronic credit ledger in Table 4(B)(2) of FORM GSTR-3B and the transferee GSTIN shall credit the equal amount of ITC in its electronic credit ledger in Table 4(A)(5) of FORM GSTR-3B.

The balance of Union territory taxes in electronic credit ledger of the said class of persons, whose principal place of business lies in the Union territory of Daman and Diu, as on the 25th day of January, 2020, shall be transferred as balance

of Union territory tax in the electronic credit ledger.

Notification No. 11/2020 – Central Tax dt 21st March 2020: Seeks to provide special procedure for corporate debtors undergoing the corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016

In exercise of the powers conferred by section 148 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereinafter referred to as the said Act), the Government, on the recommendations of the Council, hereby notifies those registered persons (hereinafter referred to as the erstwhile registered person), who are corporate debtors under the provisions of the Insolvency and Bankruptcy Code, 2016 (31 of 2016), undergoing the corporate insolvency resolution process and the management of whose affairs are being undertaken by interim resolution professionals (IRP) or resolution professionals (RP), as the class of persons who shall follow the following special procedure, from the date of the appointment of the IRP/RP till the period they undergo the corporate insolvency resolution process, as mentioned.

Notification No. 12/2020 – Central Tax dt 21st March 2020: Seeks to waive off the requirement for furnishing FORM GSTR-1 for 2019-20 for taxpayers who could not opt for availing the option of special composition scheme under notification No. 2/2019-Central Tax (Rate)

In the said notification, in paragraph 2, the following proviso shall be inserted, namely: – “Provided that the said persons who have, instead of furnishing the statement containing the details of payment of self-assessed tax in FORM GST CMP-08 have furnished a return in FORM GSTR-3B under the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the said rules) for the tax periods in the financial year 2019-20, such taxpayers shall not be required to furnish the statement in outward supply of goods or services or both in **FORM GSTR1** of the said rules or the statement containing the details of payment of self-assessed tax in **FORM GST CMP-08** for all the tax periods in the financial year 2019-20.”

Notification No. 13/2020– Central Tax dt 21st March 2020: Seeks to exempt certain class of registered persons from issuing e-invoices and the date for implementation of e-invoicing extended to 01.10.2020

The Government on the recommendations of the Council, and in supersession of the notification of the Government of India in the Ministry of Finance, Department of Revenue No. 70/2019 – Central Tax, dated the 13th December, 2019, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 926 (E), dated the 13th December, 2019, except as respects things done or omitted to be done before such supersession, hereby notifies registered person, other than those referred to in sub-rules (2), (3), (4) and (4A) of rule 54 of the said rules, whose aggregate turnover in a financial year exceeds one hundred crore rupees, as a class of registered person who shall prepare invoice and other prescribed documents, in terms of sub-rule (4) of rule 48 of the said rules in respect of supply of goods

or services or both to a registered person.

This notification shall come into force from the 1st October, 2020.

Notification No. 14/2020– Central Tax dt 21st March 2020: Seeks to exempt certain class of registered persons capturing dynamic QR code and the date for implementation of QR Code to be extended to 01.10.2020: In exercise of the powers conferred by the sixth proviso to rule 46 of the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the said rules), the Government, on the recommendations of the Council, and in supersession of the notification of the Government of India in the Ministry of Finance, Department of Revenue No. 72/2019 – Central Tax, dated the 13th December, 2019, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 928(E), dated the 13th December, 2019, except as respects things done or omitted to be done before such supersession, hereby notifies that an invoice issued by a registered person, whose aggregate turnover in a financial year exceeds five hundred crore rupees, other than those referred to in sub-rules (2), (3), (4) and (4A) of rule 54 of said rules, and registered person referred to in section 14 of the Integrated Goods and Services Tax Act, 2017, to an unregistered person (hereinafter referred to as B2C invoice), shall have Dynamic Quick Response (QR) code.

Provided that where such registered person makes a Dynamic Quick Response (QR) code available to the recipient through a digital display, such B2C invoice issued by such registered person containing cross-reference of the payment using a Dynamic Quick Response (QR) code, shall be deemed to be having Quick Response (QR) code.

This notification shall come into force from the 1st day of October, 2020.

Notification No. 15/2020 – Central Tax dt 23rd March 2020: Seeks to extend the time limit for furnishing of the annual return specified under section 44 of CGST Act, 2017 for the financial year 2018-2019 till 30.06.2020.

Notification No. 16/2020 – Central Tax dt 23rd March 2020: Seeks to make third amendment (2020) to CGST Rules. In exercise of the powers conferred by section 164 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Central Government hereby makes the following rules further to amend the Central Goods and Services Tax Rules, 2017

Notification No. 17/2020 – Central Tax dt 23rd March 2020: Seeks to specify the class of persons who shall be exempted from aadhar authentication. In exercise of the powers conferred by sub-section (6D) of section 25 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Central Government, on the recommendations of the Council, hereby notifies that the provisions of sub-section (6B) or subsection (6C) of the said Act shall not apply to a person who is not a citizen of India or to a class of persons other than the following class of persons, namely:–

- a. Individual;
- b. authorised signatory of all types;
- c. Managing and Authorised partner; and
- d. Karta of a Hindu undivided family.

This notification shall come into effect from the 1 st day of April, 2020.

Notification No. 18/2020 – Central Tax dt 23rd March 2020: Seeks to notify the date from which an individual shall undergo authentication, of Aadhaar number in order to be eligible for registration.

In exercise of the powers conferred by sub-section (6B) of section 25 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Central Government, on the recommendations of the Council, hereby notifies the date of coming into force of this notification as the date, from which an individual shall undergo authentication, of Aadhaar number, as specified in rule 8 of the Central Goods and Services Tax Rules, 2017 (hereinafter referred to as the said rules), in order to be eligible for registration:

Provided that if Aadhaar number is not assigned to the said individual, he shall be offered alternate and viable means of identification in the manner specified in rule 9 of the said rules.

This notification shall come into effect from the 1 st day of April, 2020.

Notification No. 19/2020 – Central Tax dt 23rd March 2020: Seeks to specify class of persons, other than individuals who shall undergo authentication, of Aadhaar number in order to be eligible for registration.

In exercise of the powers conferred by sub-section (6C) of section 25 of the Central Goods and Services Tax Act, 2017 (12 of 2017) , the Central Government, on the recommendations of the Council, hereby notifies the date of coming into force of this notification as the date, from which the –

- a. authorised signatory of all types;
- b. Managing and Authorised partners of a partnership firm; and
- c. Karta of a Hindu undivided family,

shall undergo authentication of possession of Aadhaar number, as specified in rule 8 of the Central Goods and Services Tax Rules, 2017(hereinafter referred to as the said rules), in order to be eligible for registration under GST:

Provided that if Aadhaar number is not assigned to the said persons, they shall be offered alternate and viable means of identification in the manner specified in rule 9 of the said rules.

This notification shall come into effect from the 1 st day of April, 2020.

Notification No. 20/2020 – Central Tax dt 23rd March 2020: Seeks to extend due date for furnishing FORM GSTR-7 for those taxpayers whose principal place of business is in

the erstwhile State of Jammu and Kashmir for the July, 2019 to October,2019 and November, 2019 to February, 2020 .

In the said notification, in the first paragraph, for the second and third proviso, the following provisos shall be substituted, namely: –

Provided further that the return by a registered person, required to deduct tax at source under the provisions of section 51 of the said Act in FORM GSTR-7 of the Central Goods and Services Tax Rules, 2017 under sub-section (3) of section 39 of the said Act read with rule 66 of the Central Goods and Services Tax Rules, 2017, for the months of July, 2019 to October,2019, whose principal place of business is in the erstwhile State of Jammu and Kashmir shall be furnished electronically through the common portal, on or before the 24th March, 2020.

Provided also that the return by a registered person, required to deduct tax at source under the provisions of section 51 of the said Act in FORM GSTR-7 of the Central Goods and Services Tax Rules, 2017 under sub-section (3) of section 39 of the said Act read with rule 66 of the Central Goods and Services Tax Rules, 2017, for the months of November, 2019 to February, 2020, whose principal place of business is in the Union territory of Jammu and Kashmir or the Union territory of Ladakh shall be furnished electronically through the common portal, on or before the 24th March, 2020.”

This notification shall be deemed to have come into force with effect from the 20 th Day of December, 2019.

Notification No. 21 /2020 – Central Tax dt 23rd March 2020: Seeks to extend due date for furnishing FORM GSTR-1 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir or the Union territory of Jammu and Kashmir or the Union territory of Ladakh for the quarter October-December, 2019 till 24th March, 2020

In the said notification, in the second paragraph, the following proviso shall be inserted, namely: – “Provided that for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir or the Union territory of Jammu and Kashmir or the Union territory of Ladakh, shall furnish the details of outward supply of goods or services or both in FORM GSTR-1 under the Central Goods and Services Tax Rules, 2017 effected during the quarter October-December, 2019 till 24th March, 2020.”

This notification shall be deemed to come into force with effect from the 31 st Day of January, 2020.

Notification No. 22/2020 – Central Tax dt 23rd March 2020: Seeks to extend due date for furnishing FORM GSTR-1 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, and having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or current financial year, for the month of October, 2019 and November, 2019 to February till 24th March, 2020.

In the said notification, in the first paragraph, for the first proviso, the following proviso shall be substituted, namely:

– “Provided that for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, the time limit for furnishing the details of outward supplies in FORM GSTR-1 of Central Goods and Services Tax Rules, 2017, by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or current financial year, for the month of October, 2019 till 24 th March, 2020.”

In the said notification, in the first paragraph, after the second proviso, the following proviso shall be inserted, namely: – “Provided that for registered persons whose principal place of business is in the Union territory of Jammu and Kashmir or the Union territory of Ladakh, the time limit for furnishing the details of outward supplies in FORM GSTR-1 of Central Goods and Services Tax Rules, 2017, by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or current financial year, for the months of November, 2019 to February till 24 th March, 2020.”

This notification shall be deemed to come into force with effect from the 20th Day of December, 2019

Notification No. 23/2020 – Central Tax dt 23rd March 2020: Seeks to extend due date for furnishing FORM GSTR-1 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or current financial year, for each of the months from July, 2019 to September, 2019 till 24th March, 2020.

In the said notification, in the first paragraph, for the first proviso, the following proviso shall be substituted, namely: – “Provided that for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, the time limit for furnishing the details of outward supplies in FORM GSTR-1 of Central Goods and Services Tax Rules, 2017, by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or current financial year, for each of the months from July, 2019 to September, 2019 till 24 th March, 2020.”

This notification shall be deemed to come into force with effect from the 20th Day of December, 2019

Notification No. 24/2020 – Central Tax dt 23rd March 2020: Seeks to extend due date for furnishing FORM GSTR-1 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, for the quarter July-September, 2019 till 24th March, 2020.

In the said notification, in the second paragraph, for the first proviso, the following proviso shall be substituted, namely: – “Provided that for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, shall furnish the details of outward supply of goods or services or both in FORM GSTR-1 under the Central Goods and Services Tax Rules, 2017 effected during the quarter July-September, 2019 till 24th March, 2020.”

This notification shall be deemed to come into force with

effect from the 30th Day of November, 2019.

Notification No. 25/2020 – Central Tax dt 23rd March 2020: Seeks to extend due date for furnishing FORM GSTR-3B for the months of October, 2019 , November, 2019 to February, 2020 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir on or before the 24th March, 2020.

In the said notification, in the first paragraph, for the first proviso, the following proviso shall be substituted, namely: – “Provided that the return in FORM GSTR-3B of the said rules for the months of October, 2019 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, shall be furnished electronically through the common portal, on or before the 24th March, 2020.”

In the said notification, in the first paragraph, after the fifth proviso, the following proviso shall be inserted, namely: – “Provided also that the return in FORM GSTR-3B of the said rules for the months of November, 2019 to February, 2020 for registered persons whose principal place of business is in the Union territory of Jammu and Kashmir or the Union territory of Ladakh, shall be furnished electronically through the common portal, on or before the 24th March, 2020.”

This notification shall be deemed to come into force with effect from the 20th Day of December, 2019

Notification No. 26/2020 – Central Tax dt 23rd March 2020: Seeks to extend due date for furnishing FORM GSTR-3B of the said rules for the months of July, 2019 to September, 2019 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, shall be furnished electronically through the common portal, on or before the 24th March, 2020

In the said notification, in the first paragraph, for the fourth proviso, the following proviso shall be substituted, namely: – “Provided also that the return in FORM GSTR-3B of the said rules for the months of July, 2019 to September, 2019 for registered persons whose principal place of business is in the erstwhile State of Jammu and Kashmir, shall be furnished electronically through the common portal, on or before the 24th March, 2020.”

This notification shall be deemed to come into force with effect from the 20th Day of December, 2019

Notification No. 27/2020 – Central Tax dt 23rd March 2020: Seeks to prescribe the due date for furnishing FORM GSTR-1 for the quarters April, 2020 to June, 2020 and July, 2020 to September, 2020 for registered persons having aggregate turnover of up to 1.5 crore rupees in the preceding financial year or the current financial year.

In exercise of the powers conferred by section 148 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereafter in this notification referred to as the said Act), the Central Government, on the recommendations of the Council, hereby notifies the registered persons having aggregate turnover of up to 1.5 crore rupees in the preceding financial year or the current financial year, as the class of

registered persons who shall follow the special procedure as mentioned below for furnishing the details of outward supply of goods or services or both.

The said registered persons shall furnish the details of outward supply of goods or services or both in FORM GSTR-1 under the Central Goods and Services Tax Rules, 2017, effected during the quarter as specified in column (2) of the Table below till the time period as specified in the corresponding entry in column (3) of the said Table, namely:-

Sl No.	Quarter for which details in FORM GSTR-1 are furnished	Time period for furnishing details in FORM GSTR-1
1	April, 2020 to June, 2020	31 st July, 2020
2	July, 2020 to September, 2020	31 st October, 2020

The time limit for furnishing the details or return, as the case may be, under sub-section (2) of section 38 of the said Act, for the months of April, 2020 to September, 2020 shall be subsequently notified in the Official Gazette.

Notification No. 28/2020 – Central Tax dt 23rd March 2020: Seeks to prescribe the due date for furnishing FORM GSTR-1 by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or the current financial year, for each of the months from April, 2020 to September, 2020.

In exercise of the powers conferred by the second proviso to sub-section (1) of section 37 read with section 168 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereafter in this notification referred to as the said Act), the Commissioner, on the recommendations of the Council, hereby extends the time limit for furnishing the details of outward supplies in FORM GSTR-1 of the Central Goods and Services Tax Rules, 2017, by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or the current financial year, for each of the months from April, 2020 to September, 2020 till the eleventh day of the month succeeding such month.

The time limit for furnishing the details or return, as the case may be, under sub-section (2) of section 38 of the said Act, for the months of April, 2020 to September, 2020 shall be subsequently notified in the Official Gazette.

Notification No. 29/2020 – Central Tax dt 23rd March 2020: Seeks to prescribe return in FORM GSTR-3B of CGST Rules, 2017 along with due dates of furnishing the

said form for April, 2020 to September, 2020

Provided that, for taxpayers having an aggregate turnover of up to rupees five crore rupees in the previous financial year, whose principal place of business is in the States of Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, the Union territories of Daman and Diu and Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands or Lakshadweep, the return in FORM GSTR-3B of the said rules for the months of April, 2020 to September, 2020 shall be furnished electronically through the common portal, on or before the twenty-second day of the month succeeding such month.

Provided further that, for taxpayers having an aggregate turnover of up to rupees five crore rupees in the previous financial year, whose principal place of business is in the States of Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand or Odisha, the Union territories of Jammu and Kashmir, Ladakh, Chandigarh or Delhi, the return in FORM GSTR-3B of the said rules for the months of April, 2020 to September, 2020 shall be furnished electronically through the common portal, on or before the twenty-fourth day of the month succeeding such month.

Payment of taxes for discharge of tax liability as per FORM GSTR-3B. – Every registered person furnishing the return in FORM GSTR-3B of the said rules shall, subject to the provisions of section 49 of the said Act, discharge his liability towards tax by debiting the electronic cash ledger or electronic credit ledger, as the case may be and his liability towards interest, penalty, fees or any other amount payable under the said Act by debiting the electronic cash ledger, not later than the last date, as specified in the first paragraph, on which he is required to furnish the said return.

Circular No 16/2020- Customs Dt 16th March 2020: Electronic Sealing-Deposit in and removal of goods from Customs Bonded Warehouses

Representations have been received from e seal vendors to defer the implementation of circular no 10/2020 dt 7th February 2020. In view of the same the Board has decided to defer the implementation of circular 10/2020 customs till 30th April 2020.

New date of implementation of the said circular shall be 1st May 2020.

Source: Income tax, GST portal, taxguru.in, Customs portal and other sources

Kind Attention !!!

Hope you are getting The Management Accountant Journal in physical form at your doorstep regularly. If not, requesting esteemed Members, Students and Subscribers to mail us at: journal@jcmal.in for smooth and uninterrupted delivery of the same.



Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

OBJECTIVE

The Fund has been created to provide outright grant of prescribed amount to the member in the event of critical illness of a member / beneficiary of the Fund. It is also for outright grant of prescribed amount to the beneficiary in the event of death of a member of the Fund.

LIFE MEMBERSHIP FEE

Onetime payment of ₹7500/-

BENEFITS

- ⊙ **Income Tax Benefit under section 80G**
- ⊙ **Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.**
- ⊙ **Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.**

Coverage of Critical Illness, leading to hospitalization, may cover the following -

- ⊙ Cancer / Malignancy
- ⊙ Coronary Artery Bypass Graft Surgery
- ⊙ Stroke / Cerebral Attack / Paralysis
- ⊙ Heart Valve Replacement Surgery
- ⊙ Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- ⊙ Major Organ Transplant
- ⊙ Hemophilia
- ⊙ Thalassemia
- ⊙ Neurological Diseases
- ⊙ Flue Blown acquired Immune Deficiency Syndrome
- ⊙ Multiple sclerosis
- ⊙ Tuberculosis / Bronchopneumonia/ Pleurisy
- ⊙ Permanent disablement
- ⊙ Any other disease that may be considered by the Board of Trustees to be critical in nature.

To apply for life membership or for further details please visit

<https://eicmai.in/External/Home.aspx#>

ADVISORY FOR RENEWAL OF CERTIFICATE OF PRACTICE FOR 2020-21

The members of the Institute holding Certificate of Practice (CoP) having validity up to 31st March, 2020 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. The following changes consequent to amendment of the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India may be noted:
 - a. The validity of a Certificate of Practice (CoP) is for the period 1st April to 31st March every year unless it is cancelled under the provisions of the Cost and Works Accountants Act and Regulations, 1959 as amended.
 - b. The Certificate of Practice issued shall automatically be renewed subject to submission of prescribed Form M-3 and payment of renewal fee* and annual membership fee*.
 - c. From the year 2011-12 onwards, letter for renewal Certificate of Practice is not being issued. However, the members concerned may download the renewal status from the Institute's website www.icmai.in.
2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, **both the Annual Membership Fee* and Fee for Renewal of Certificate of Practice*** falls due on 1st April each year.
3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on **31st March** each year unless it is renewed on or before the date of expiry in terms of the amended Regulation 10 of the Cost and Works Accountants Regulations, 1959. Hence, a member shall be required to renew his certificate within **31st March** every year.
4. **If the Certificate of Practice of a member is not renewed within 31st March, 2020, his/her status of CoP from 1st April 2020 till the date of renewal would be "Not Active".**
5. Subject to what has been mentioned in Sl. No. 4 above, a member can get his/her Certificate of Practice for 2020-21 renewed within **30th June, 2020**. If application for renewal of Certificate of Practice is made after 30th June, 2020, the member's Certificate of Practice for 2020-21 will not be renewed but will be considered as a case of fresh issuance with effective date being the date of the application or receipt of the prescribed fee * for Certificate of Practice, whichever is later.
6. It may please be noted that mere payment of fees * alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form M-3 is to be used for Renewal of Certificate of Practice duly filled in and signed is **mandatory**. The soft copy of prescribed Form M-3 for Renewal of Certificate of Practice can be downloaded from Institute's website www.icmai.in.
7. The Institute has introduced a scheme of Continuing Education Programme (CEP) and the same is mandatory in accordance with proviso to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959, as amended, whereby no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum number of hours of such training. The detailed guidelines in this connection are available on Institute's website www.icmai.in.
8. **Other relevant issues for Renewal of Certificate of Practice are as follows:**
 - a. Application for renewal of Certificate of Practice upto 31st March, 2021 has to be made in prescribed Form M-3 which may be filed online or through hard Copy of form duly filled in and signed on both sides together with Renewal Certificate of Practice fee * of Rs.2,000/- and all other dues to the Institute on account of annual membership fees * and entrance fees *.
 - b. The annual membership fee* for Associate and Fellow members are Rs.1,000/- and Rs.1,500/- respectively. The entrance fee * for Associate and Fellow members is Rs. 1,000/- each payable at a time at the time of application for admission to Associateship or advancement to Fellowship, as the case may be.
 - c. The fees * may be paid online or by Demand Draft/at par cheque payable at Kolkata if remitted by post to the Headquarters of the Institute.
 - d. Members should note that the **renewal of Certificate of Practice can be effected only after receipt of the prescribed fees* along with duly filled in form at the Headquarters of the Institute and on meeting the stipulated CEP credit hours**. Mere submission of the same at the Regional Councils or Chapters will not be sufficient. Members are advised to make payment directly to the Headquarters or use the online facility of submission of application and payment to avoid any delay.

All practicing members are advised to send their application for renewal of Certificate of Practice for the year 2020-21 along with other requirements as indicated above immediately so as to reach the Institute's Office at Kolkata well in advance to enable the Institute to issue the renewal of Certificate by 31st March, 2020.

Renewal of Part-time Certificate of Practice

1. For renewal of part-time Certificate of Practice, it is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practising member has undertaken any employment or there has been a change in employment:

“Shri/Smt is employed as (designation) and (name of Organisation)..... he/she is permitted, notwithstanding anything contained in the terms of his/her employment, to engage himself/herself in the practice of profession of Cost Accountancy in his/her spare time in addition to his/her regular salaried employment with us.

Signature of Employers with seal of Organisation”

2. It may be noted that members holding Part-time Certificate of Practice (CoP) are not eligible to undertake statutory assignments like Cost Audit, Central Excise Audit, etc.

**GST is applicable against payment*



The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

www.icmai.in

Research Bulletin, Vol. 46, No. I April 2020 (ISSN 2230 9241)

Call for Research Papers/Articles

We invite you to contribute research paper/article for “**Research Bulletin**”, a peer-reviewed Quarterly Journal of The Institute of Cost Accountants of India. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publish high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Guidelines to submit full Paper

- » Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word (.doc) format.
- » Each paper should be preferably within 5000 words including all.
- » An abstract of not more than 150 words should be attached.
- » The cover page should contain the title of the paper, author’s name, designation, official address, contact phone numbers, e-mail address.

Theme Topic:

Changing Landscape of Securities Market

Papers are invited on the following sub-topics, but not limited to:

- » Impact of Economic Reforms on Capital Market
- » Impact of Abolition of Dividend Distribution Tax (DDT)
- » Demerger of Debt Mutual Funds
- » Global Instability – the winds of change
- » Quantamental Investing
- » Innovation and Technology – Enablers of Change
- » Retail Investors’ Participation in Securities Market
- » Financial Literacy, Investor Education & Awareness
- » Corporate Bond Market
- » Currency Market
- » Corporate Governance and Shareholding Patterns
- » Growth of Asset Management Industry
- » Digital Securities – a new Generation of Assets
- » Arbitrage Pricing
- » International Trade and Capital Flows

Papers must be received within **30th April, 2020** in the following email id:

research.bulletin@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE 2020

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
Thursday, 11th June, 2020	Fundamentals of Economics & Management
Friday, 12th June, 2020	Fundamentals of Accounting
Saturday, 13th June, 2020	Fundamentals of Laws & Ethics
Sunday, 14th June, 2020	Fundamentals of Business Mathematics & Statistics

Examination Fees

Foundation Course Examination	Inland Centres	1200/-
	Overseas Centres	US \$ 60

- The Foundation Examination will be conducted in Offline mode only. Each paper will be of 100 marks.**
- Application Forms for Foundation Examination has to be filled up through online and fees will be accepted through online mode (including Payfee Module of IDBI Bank).
- STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.
- (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.
(b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
- Last date for receipt of Examination Application Forms is 10th April, 2020.**
- Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bikaner (Rajasthan), Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyannagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.
- A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
- Probable date of publication of result: To be announced in due course.**

* For any examination related query, please contact exam.helpdesk@icmai.in

Kaushik Banerjee
Secretary

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – JUNE 2020

PROGRAMME FOR SYLLABUS 2016

Day & Date	INTERMEDIATE		FINAL	
	(Time: 2.00 P.M. to 5.00 P.M.) (Group – I)	(Group – II)	(Time: 2.00 P.M. to 5.00 P.M.) (Group – III)	(Group – IV)
Thursday, 11th June, 2020	Financial Accounting (P-05)	-----	Corporate Laws & Compliance (P-13)	-----
Friday, 12th June, 2020	-----	Operations Management & Strategic Management (P-09)	-----	Corporate Financial Reporting (P-17)
Saturday, 13th June, 2020	Laws & Ethics (P-06)	-----	Strategic Financial Management (P-14)	-----
Sunday, 14th June, 2020	-----	Cost & Management Accounting and Financial Management (P-10)	-----	Indirect Tax Laws & Practice (P-18)
Monday, 15th June, 2020	Direct Taxation (P-07)	-----	Strategic Cost Management – Decision Making (P-15)	-----
Tuesday, 16th June, 2020	-----	Indirect Taxation (P-11)	-----	Cost & Management Audit (P-19)
Wednesday, 17th June, 2020	Cost Accounting (P-08)	-----	Direct Tax Laws and International Taxation (P-16)	-----
Thursday, 18th June, 2020	-----	Company Accounts & Audit (P-12)	-----	Strategic Performance Management and Business Valuation (P-20)

EXAMINATION FEES

Group (s)	Final Examination	Intermediate Examination
One Group (Inland Centres)	US \$ 1400/- US \$ 100	US \$ 1200/- US \$ 90
Two Groups (Inland Centres)	US \$ 2800/- US \$ 100	US \$ 2400/- US \$ 90

- Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.
- STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONG WITH THE FORM.**
- (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.
- Last date for receipt of Examination Application Forms is 10th April, 2020.
- The provisions of direct tax laws and indirect tax laws, as amended by the Finance Act, 2019, including notifications and circulars issued up to 30th November, 2019, are applicable for June, 2020 term of examination for the Subjects Direct Taxation, Indirect Taxation (Intermediate), Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016. The relevant assessment year is 2020-21. For statutory updates and amendments please refer to: <https://icmai.in/studentswebsite/Syl-2016.pnhp>
- Companies (Cost Records and Audit) Rules, 2014 as amended till 30th November, 2019 is applicable for June, 2020 examination for Paper 12- Company Accounts and Audit (Intermediate) and Paper 19 - Cost and Management Audit (Final) under Syllabus 2016. For updates and amendments please refer to the link: <https://icmai.in/studentswebsite/Syl-2016.pnhp>
- The provisions of the Companies Act 2013 are applicable for Paper 6 - Laws and Ethics (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government up to 30th November, 2019 for June, 2020 term of examination. Additionally, for applicability of ICDR, 2018 for Paper-13 - Corporate Laws & Compliance (Final) under Syllabus 2016 refer to relevant circular in website for June, 2020 term examination by following link: <https://icmai.in/studentswebsite/Syl-2016.pnhp>
- For Applicability of IND AS and AS for Paper 5 - Financial Accounting, Paper 12 - Company Accounts and Audit (Intermediate) and Paper 17 - Corporate Financial Reporting (Final) refer to relevant circulars and notifications in website for June, 2020 term examination in the given link: <https://icmai.in/studentswebsite/Syl-2016.pnhp>
- Pension Fund Regulatory and Development Authority Act, 2013 is being included in Paper 6-Laws and Ethics (Intermediate) and Insolvency and Bankruptcy Code 2016 is being included in Paper 13 - Corporate Laws and Compliance (Final) under Syllabus 2016 for June, 2020 term of examination. Please refer to the link: <https://icmai.in/studentswebsite/Syl-2016.pnhp>
- Examination Centres: Adipur-Kachchh (Gujarat), Agarata, Ahmedabad, Akurdi, Allahabad, Anasol, Aurangabad, Bangalore, Baroda, Berhampur (Ganjam), Bhilai, Bhillwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bikaner (Rajasthan), Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jamnuni, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Koda, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Nashik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur, Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srirangar, Surat, Thrissur, Tiruchirappalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vijayawada, Vindhyavada, Vellore, Vellore, Vellore and Overseas Centres at Bahraich, Dubai and Muscat.
- A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.
- Probable date of publication of result: Inter & Final – 23rd August, 2020.

* For any examination related query, please contact exam.helpdesk@icmai.in

Kaushik Banerjee
Secretary



Ministry of Health & Family Welfare
Government of India



NOVEL CORONAVIRUS (COVID-19)

Protect yourself and others!

Follow these **Do's** and **Don'ts**

Do's



Practice frequent hand washing. Wash hands with soap and water or use alcohol based hand rub. Wash hands even if they are visibly clean



Cover your nose and mouth with handkerchief/tissue while sneezing and coughing



Throw used tissues into closed bins immediately after use



See a doctor if you feel unwell (fever, difficult breathing and cough). While visiting doctor wear a mask/cloth to cover your mouth and nose



If you have these signs/symptoms please call State helpline number or Ministry of Health & Family Welfare's 24X7 helpline at 011-23978046



Avoid participating in large gatherings



Have a close contact with anyone, if you're experiencing cough and fever



Touch your eyes, nose and mouth



Don'ts

Spit in public

Together we can fight Coronavirus

For further information :

Call at Ministry of Health, Govt. of India's 24X7 control room number
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Email at ncov2019@gmail.com

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