

PRESIDENT'S COMMUNIQUÉ



“Managers and investors alike must understand that accounting numbers are the beginning, not the end, of business valuation.”

-Warren Buffett

CMA SANJAY GUPTA

President

The Institute of Cost Accountants of India

My Dear Professional Colleagues,

Namaskaar!!!

At the outset of just completed festive season, I wish all the stakeholders, members, students and their families a very bright future and prosperous life. Hope these festivals illuminate the country with its brilliance and bring the light of happiness, togetherness, spiritual enlightenment and prosperity for everyone.

The Institute organized Diwali Milan on 16th October 2017 at Indian Habitat Centre, New Delhi. We were fortunate enough to have the gracious presence of Shri P.P. Chaudhary, Hon'ble Union Minister of State for Corporate Affairs and Law & Justice and Shri Arjun Ram Meghwal, Hon'ble Minister of State of Parliamentary Affairs, Water Resources and River Development and Ganga Rejuvenation, G.O.I and many CEOs, CFOs and eminent personalities.

On 17th October 2017, I along with CMA P Raju Iyer, CCM and CMA Niranjan Mishra, CCM, welcomed Shri Injeti Srinivas, IAS new Secretary, MCA at Shastri Bhawan. I also attended a meeting chaired by Secretary, MCA, to discuss the 'Report of the Committee on Corporate Governance constituted by SEBI under the Chairmanship of Mr. Uday Kotak' on 27th October 2017 at Shastri Bhawan, New Delhi.

India Scores a Century in the World Bank's Ease of Doing Business Index

I join the CMA fraternity in congratulating the initiative of GOI in going upward, in the Ease of Doing Business rank, from 130 in the year 2017 Survey to 100 in 2018 Survey of World Bank. I am delighted to share that our Institute played a significant role in adding value to MCA's initiative by conducting survey on Ease of Doing Business among the stakeholders in the areas of (a) start of business, (b) protecting minority interest, (c) resolving insolvency and submitting report to MCA before the World Bank Survey.

India for the first time has been placed into the club of the 100 nations in the World Bank's Ease of Doing Business global rankings from its 130th position last year, riding on sustained government reforms which include making taxpaying easier; resolving insolvency problem; access to credit and protection of minority investors (As stated by the bank's latest The World Bank's 'Doing Business 2018: Reforming to Create Jobs' report released on Tuesday 31 October 2017). The report captures reforms implemented in 190 countries between the period June 2, 2016, to June 1, 2017. India made paying taxes easier by requiring that payments are made electronically to the Employees Provident Fund and introducing a set of administrative measures easing compliance with corporate income tax, the report said. The World Bank further added that, the new indirect tax regime of Goods and Services Tax was, however, not a part of the report and will be a part of the evaluation process from next year.

While there has been substantial progress, India still lags in areas such as starting a business, enforcing contracts and dealing with construction permits, the report notes. Tackling these challenging reforms will be the key to India sustaining the momentum towards a higher ranking. To secure changes in the remaining areas will require not just new laws and online systems but deepening the ongoing investment in the capacity of states and their institutions to implement change and transform the framework of incentives and regulation facing the private sector. To expedite and implement Government's initiative with all earnestness, our Institute, as a part of our professional social responsibility drive is taking various collaborative activities in this regard. The Insolvency Professional Agency of Institute of Cost Accountants of India has been promoted by the Institute to enrol and regulate Insolvency Professionals (IPs) as its members in accordance with provisions of the Insolvency and Bankruptcy Code 2016, Rules, Regulations and Guidelines issued. The Institute's decision to introduce the GST Helpdesk was welcomed by representatives of corporate houses and professionals present at the event and is expected to go a long way to eliminate the confusion that exists regarding GST and its provisions. Moreover, institute is highly abetting the missions like Startup India, Skill India, GST Reform, etc. GST and other reforms that are planned, we look forward to an equally impressive improvement of India's ranking in Ease of doing business next year. It is not too distant in the future that India would break into the league of top 50 countries.

Companies (Registered Valuers and Valuation) Rules, 2017

Ministry of Corporate Affairs (MCA) has notified the provisions governing valuation by registered valuers [section 247 of the Companies Act, 2013] and the Companies (Registered Valuers and Valuation) Rules, 2017 (the Rules), with effect from 18th October, 2017. A registered valuer would carry out valuation in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a company or its liabilities, as per chapter XVII of the Companies Act. The mechanism to prescribe valuation standards and syllabus for conduct of valuation education courses as well as specify the requirements with regard to the contents of the valuation report have been laid out in the rules. Among other requirements, the registered valuers have to be members of the registered valuers organisations (RVOs), recognised by the authority.

The RVOs have to comply with certain norms including an internal governance structure that "should provide for enforcement of a code of conduct on the registered

valuers, training and conduct of educational courses for the valuation of specific asset classes for which the RVO concerned is recognised".

To administer and perform functions under these rules, the MCA by way of notification has specified the Insolvency and Bankruptcy Board of India (IBBI) as the responsible authority. Section 247 of the Act requires that where a valuation is to be made of any property, stocks, shares, debentures, securities or goodwill or any assets or net worth of a company or its liabilities under the provisions of the Act, the same shall be valued by a person having the requisite qualifications, experience, registered as a valuer and member of a registered valuers organisation, in the manner prescribed in the Rules.

The notified Rules lay down the criteria for individuals, partnership entities and companies to be eligible to be registered as valuers under the Act. Apart from this, the Rules contain other aspects pertaining to registered valuers and valuation as Process for registration as valuers, Recognition of registered valuer organisations, Valuation standards and Transitional arrangement.

I would like to stress upon the fact that though these rules have created an opportunity for professionals to practice this profession however it must be kept in mind that it is a very arduous task and due to the fact that it will be regulated by the Government it serves a lot of responsibilities on the Professionals. Cost and Management Accountants with their expert domain knowledge will be the most sought after professionals for this area. I urge the members interested in practicing this field to enrich their conceptual and practical knowledge in Business valuation principles, valuation approaches and methodologies.

TECHNICAL DIRECTORATE

Cost Accounting Standards Board (CASB)

● Revision of Cost Accounting Standard – 4 in light of implementation of GST:

I would like to inform that the Cost Accounting Standards Board (CASB) in its recently concluded meeting deliberated on revision of Cost Accounting Standard-4 (CAS-4) "Cost of Production for Captive Consumption". With introduction of tax on Goods and Services w.e.f. 1-7-2017, the concept of 'captive consumption' is no more relevant. However, the concept of cost of production or manufacture is still relevant under GST Rules. As per rule 30 of CGST Rules, 2017, where the value of a supply of goods or services or both is not determinable by any of the preceding rules, the

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value shall be one hundred and ten percent of the cost of production or manufacture or cost of acquisition of such goods or cost of provision of such services. CASB in the said meeting constituted a small group to discuss and finalized the CAS-4 as per the GST laws. The small group has already started the discussion and revision in CAS-4 will be submitted to CASB in its next meeting.

Technical Cell (Cost Audit, Compliance and Others)

● **Impact of IND AS and GST on CASs, CRA-1 and CRA-3:**

I wish to also inform that the Technical Cell (Cost Audit, Compliance and Others) of the Institute held its meetings on 10th, 24th & 25th October 2017 to discuss the impact of IND-AS and GST on principles that are required to be incorporated in items of cost for various input costs e.g. Material; Packing Material; Utilities; Direct Expenses; Repairs and Maintenance; Overheads; Research and Development; Quality Control; Pollution; Service Centre Cost etc. Consequentially there will be effect on CRA-1 of Companies (Cost Records and Audit) Rules as the principles enunciated in CRA-1 are broadly based on the Cost Accounting Standards issued by the Institute. The cell also deliberated upon the impact of IND-AS and GST on Annexure to Cost Audit Report (CRA-3) particularly on Para 6 of Part D of the Annexure: "Reconciliation of Indirect Taxes (for the Company as a whole)". The detailed report shall be sent to the Ministry of Corporate Affairs for carrying out necessary changes / modifications in CRA-1 and CRA-3.

INSOLVENCY PROFESSIONAL AGENCY OF INSTITUTE

IPA of Institute has organized a Workshop on Insolvency & Bankruptcy Code, 2016 & Practical Issues on October 7, 2017. The speakers CMA Krishna VrindJain, and CMA Yogesh Gupta have very well covered the practical issues and information relating to the role of IRPs/RPs in first 150 days and the various challenges being faced by IRPs/RPs while performing their duties and aspects of important case laws decided by Supreme Court/High Courts/NCLT/NCLAT. In open house: question and answer session Shri Ajay K. Jain, Advocate, Supreme Court and Independent Director of IPA of the Institute joined the team and addressed the individual queries of the participants.

IPA of the Institute has also been associated with ASSOCHAM in organizing a National Conference on New Corporate Insolvency Regime and Real Estate Regulation Act on October 25th, 2017 at New Delhi to discuss the various technicalities and challenges being faced by the stakeholders with respect to new Insolvency Law. I had

an opportunity to present my views as speaker on various topics relating to functioning of Insolvency professionals, how IBBI can play a proactive role to build capacity and to introduce discipline and enabling environment for more resolution applicants.

Insolvency and Bankruptcy Board of India (IBBI) is directly seeking inputs from industry, trade bodies and other associations over Roundtables on draft rules and regulations for Insolvency Resolution process of individuals and firms. CMA P.V.Bhattad, Past President & CCM, attended roundtable discussion at Indore on 23rd October 2017 and at Jodhpur on 30th October 2017. Dr.MukulitaVijaywargiya and Dr. Navrang Saini were the co-coordinators from IBBI for Indore and Jodhpur respectively. The draft rules and regulations, the inputs from public comments and the roundtables will be considered by the Advisory Committee on Individual Insolvency and Bankruptcy which will meet on 8th November, 2017.

INTERNATIONAL AFFAIRS DEPARTMENT

I attended 3rd Annual IR Convention at Amsterdam on 'Growth of Integrated Reporting in India'organised by CII and International Integrated Reporting Council (IIRC) on 12-13 October 2017 as a panellist for the session on "Accountants will save the World" in which I expounded on "under your leadership, how are you hitting refresh to the role of Cost & Management Accountants in India". Introductory note and welcome address was delivered by Mr. Sachin Joshi, COO & Principal Counsellor, CII, Other eminent panelists were Mr. Richard Howitt, CEO, IIRC, Mr. Rakesh Agarwal, VP-Finance, Compliance & Accounts, Reliance Industries Ltd., Mr. John Mulhall, CFO, Tata Chemicals Ltd., Mr. Saradindu Dutta, Executive VP, ITC Ltd.

MEMBERSHIP DEPARTMENT

I feel pleasure to congratulate and welcome all the new 381 Associate members who were granted membership and the 88 members who were advanced to Fellowship during the month of October 2017.

ADVANCED STUDIES DIRECTORATE

Advanced Studies directorate of the Institute organized an International Seminar in association with Commerce Alumni Association and Department of Commerce of University of Calcutta and IAA Kolkata Branch on the topic "Contemporary Issues on Accounting and Taxation and Prof. Arun Kumar Basu First Memorial Lecture" on 28 October 2017 at Institute Headquarters Auditorium, Kolkata. There was an august participation of more than 200 academicians and professionals. The Seminar was inaugurated by Hon'ble Chief Guest Prof. Swagata Sen,

Pro-Vice-Chancellor for Academic Affairs, University of Calcutta, Guest of Honour Prof. J.K Das, Head, Department of Commerce, University of Calcutta and Special Guest CMA Avijit Goswami, Council Member of the Institute, Prof. D. R. Dandapat, President, Commerce Alumni Association and Dean, Faculty Council for P.G. Studies in Commerce, Social Welfare and Business Management, University of Calcutta and others. The first technical session was on "Fair Value Accounting: Changing Contour of Financial Reporting in India" was chaired by Prof. Bhabatosh Banerjee, Former President, Commerce Alumni Association and President, IAARE. Prof. T. P. Ghosh, Professor of Accounting and Finance, Institute of Management Technology (IMT), Dubai deliberated on 'Fair Value of Accounting'. Shri Narayan Chandra Guriya, Joint Commissioner of Commercial Taxes, Government of West Bengal was the Key note Speaker of second technical session. He addressed on various aspects of GST.

TRAINING AND PLACEMENT DIRECTORATE

● **Campus Placement Drive**

As informed through my previous communiqué, the Institute organized campus placement program for the CMAs qualified in June 2017 term examination pan India basis. We have already placed approximately 170 qualified CMAs in various organizations and our team members are relentlessly trying to place the remaining qualified CMAs shortly. I truly thank the corporate leaders on their faith in our qualified students and choosing best of the talent available with the Institute. I would again like to thank the industry partners for collaborating with the Institute over the years. I am sure that the CMAs placed through this campus placement, would contribute towards the growth of their respective organization and economy and raise the stature of our profession through their career development path.

I congratulate all the qualified CMAs who got placed during this season. I urge all qualified CMAs to remain attached with the Institute by taking membership of the Institute to build a long-term and meaningful professional relationship.

● **CFO & HR Discussion Meet**

I along with CMA Manas Kumar Thakur, IPP and CMA Niranjana Mishra, CCM attended CFO & HR Discussion Meet organised by the Institute on the theme "Skill Development & Employability-Agenda for Economic Development" on 22nd October 2017 at Hotel The Crown, Bhubaneswar, Odisha. Shri Subroto Bagchi, Chairman, Odisha Skill Development Authority, Govt. of Odisha graced the

occasion as Chief Guest.

PROFESSIONAL DEVELOPMENT COMMITTEE

● **Companies (Registered Valuers and Valuation) Rules, 2017 – A New Professional Avenue**

I am glad to share that Ministry of Corporate Affairs has issued Companies (Registered Valuers and Valuation) Rules, 2017 wherein a new professional avenue have emerged for Cost Accountants. The members of Institute having requisite experience can get registered as "Registered Valuer".

● **Inclusion of Cost Accountant Qualification for the Post of Chief Financial Officer in Reserve Bank of India**

On Institute's representation and subsequent meeting with officials, the Reserve Bank of India has included qualification of Cost Accountants in the eligibility criteria for the post of Chief Financial Officer in banks.

● **Representation with Government, PSUs, Banks and Other Organizations**

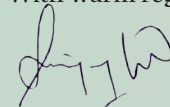
PD Directorate continued sending representation letters to various organizations for inclusion of cost accountants for providing professional services in the area of Accounts, Internal Audit / Concurrent Audit/ Taxation, Stock audit and other assignments. Due to their untiring efforts, IFCI Limited has included Cost Accountants for Forensic Audit and issued a corrigendum in this regard.

Further, the eminent organizations like NMDC Limited, West Bengal State Seed Corporation Limited, Bureau of Indian Standards, Madras Fertilizers Limited and NHPC Ltd. recognized CMA profession in their Tenders/EOIs in the month of October.

The list of organizations that were represented and those who recognized cost accountants can be seen at the PD Portal.

I wish prosperity and happiness to members, students and their families on the occasion of Kartik Purnima & Guru Nanak Jayanti and pray for the success in all of their endeavours.

With warm regards,



CMA Sanjay Gupta
1st November, 2017