

# GOVERNMENT KEEN TO CONTROL BIG BUSINESS OF EDUCATIONAL SERVICES THROUGH COST RECORDS AND COST AUDIT



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*Develop a passion for learning. If you do, you will never cease to grow. -Anthony J.D'Angelo*

**My Dear Professional Colleagues,**

## Education Sector-Cost Management

Knowledge is power and is one of the most important driving forces of Economies of the World. For any economy to achieve meaningful economic growth, it is essential to gear up skill based activities through a potential, vibrant and dynamic higher education system. Looking at the deficiencies in most of the key areas of higher education system of India like accessibility, quality, financing and governance, there is a need for a shift in the approach in terms of policy and also look at the affordability as the critical factor given the cost of education from Junior grades to higher grades increased manifold and where there is a compromise the quality has taken a beating.

The Government's policy of "Education for All" consists of affordable quality educational for all. Literacy rate in the country is improving, school drop-outs are reducing, low cost private schools are coming into existence as awareness programs are being conducted to provide innovative and competitive edge for proper education. The benchmarking analysis with Global Education System should be carried out for value addition in education sector.

The proportion of FIXED COSTS to TOTAL COSTS is very high in Educational Institutions as the Infrastructure cost is high and many of the costs are fixed due to various norms fixed by the Regulating agencies such as UGC, AICTE and other bodies. Due to this factor, when there is a drop in admissions, the fall in income

will be very steep and the existence of the Institution is challenged. Many Professional colleges due to these factors could not sustain the operations. This has double effect, one the students who take admission will not have the right quality of education and two the investments that have gone into the venture would be dead. With the fee structure and intake capacity regulated by the Regulation, the only way the educational institution can sustain, is by keeping the costs under check.

The Government is also keen on controlling the booming business of Educational Services through maintenance of Cost Records and Cost Audit which is being made mandatory for the entities engaged in education services.

11th National Award for Excellence in Cost Management Friends, on the evening of 25th November 2014 in a glittering ceremony Mr. Jayant Sinha, Hon'ble Minister of State for Finance presented the 11th National Award for Excellence in Cost Management for the year 2013 at SCOPE Auditorium, New Delhi. Mr. M.J. Joseph, Additional Secretary, Ministry of Corporate Affairs was also present in the function as Special Guest and addressed the participants. 22 Companies were awarded for excellence in cost management practices in 9 different categories which included manufacturing (Private and Public) and then further divided into large, medium and small organizations.

Addressing on the occasion Hon'ble Minister said that CMA professionals have to play a very important role in making a success of the Make-in-India concept triggered by Hon'ble Prime Minister. He also stressed that the concept of frugal innovation which is unique to India as showcased by the lowest telecom tariff in the entire world has to spread across the other manufacturing and service sectors also. In an interesting anecdotal reference to his earlier consulting years, the Honorable Minister informed a thrilled audience about his detailed exposure to Cost Accounting, which enabled him to appreciate the role of cost and management accounting in the sustainability and growth of any business.

Speaking on the occasion Shri MJ Joseph, Additional Secretary, MCA congratulated the award winners and hoped that this inspires other corporates to join the race of being cost conscious. On Companies (Cost Records and Audit) Rules 2014, he said that the Expert Committee of the MCA will be very shortly presenting its report to the Ministry and the Ministry will implement the views of the Committee as the members of the Committee are very experienced and eminent CMA professionals.

Welcoming the dignitaries and participants I expressed my gratitude to the Standing Committee headed by Hon'ble Shri Yashwant Sinha Ji and Ministry of Finance for including the name of Cost Accountant in the definition of Accountant in the Direct Tax Code, 2013 which intends to consolidate the law relating to Income Tax and wealth Tax. I took the opportunity to thank the Chairman and Members of the Jury and Screening Committee of the Awards. CMA PV Bhattad, Vice President of the Institute proposed the vote of thanks.

### Tamil Nadu CMA Convention

The SIRC of ICAI organised a Two Day Tamil Nadu CMA Convention - 2014 on the theme 'Role of CMAs in Strategic Planning for Infrastructure Development in Tamil Nadu' on 14th-15th November, 2014 at Chennai. The Convention was inaugurated by the Chief Guest ShriSridhar Parmarthi, Registrar of Companies, Chennai. The Chief Guest highlighted the need for savings and the awareness to be created in the minds of investors so that their investment will be safe and secure. He appreciated the Institute for supporting various activities of the Ministry of Corporate Affairs. CMA H. Padmanabhan, Chairman, SIRC highlighted the importance of Investment and the Government of India initiative to inculcate the habits of investments in the mindset of Rural India in particular and various avenues before an investor in Rural, Banking, Insurance, Capital Market, Real Estate, Asset acquiring in different forms and the encouragement given to Professional Bodies to carry out the implementation part of Government of India directives. Dr. S. Balasubramanian, Chairman, City Union Bank was 'Guest of Honor' of the event. Shri P.K. Ranganathan, Vice-President, Internal Audit, Ashok Leyland Ltd., Chennai rendered Key Note Address and CMA J. Murugesan, Council Member, SIRC proposed vote of thanks. Shri K Suresh, President & CEO, India Cements Capital Ltd & Director - India Cements Investment Services Ltd was the Chief Guest of the Valedictory session while CMA M. Gopalakrishnan, Former President & Central Council Member, ICAI was the Guest of Honor. The LOGO for the ensuing SIRC Regional Cost Convention to be held on 19th-20th December, 2014 was also unveiled by CMA M. Gopalakrishnan, Former President, ICAI.

### National Cost Convention – 2015

The 56th National Cost Convention-2015 of the Institute is being organized at Hyderabad during 31st January and 1st February 2015 on the theme "Powering Economic growth through Cost and Management Accounting". The details are available on the website of the Institute. I request members to attend the Mega Event of the Institute in large numbers.

### CMA SUMMIT 2014 at Trivandrum

I am pleased to invite the members to ICAI-SIRC Regional Cost Convention "CMA SUMMIT 2014" on the theme: Make in India – Role of CMAs at TRIVANDRUM Kerala on 19th – 20th December 2014. I am sure the Convention will have lots of takeaways given the interesting topics to be discussed.

### Meeting with Ministers

I got an opportunity to meet Shri Arun Jaitley, Hon'ble Union Minister for Finance, Corporate Affairs and Information & Broadcasting. The meeting was very positive. I explained the Hon'ble Minister our concerns relating to Cost Rules. Hon'ble Minister assured us to look into the matter.

I met with Shri N. Chandrababu Naidu, Hon'ble Chief Minister of Andhra Pradesh on 22nd November 2014 at Hyderabad. I apprise Hon'ble Chief Minister of latest developments of CMA Profession and about progress of the Institute. We also requested him to be the Chief Guest of the forthcoming National Cost Convention at Hyderabad.

To apprise all the members about the activities / initiatives undertaken by the Departments/ Directorates of the Institute, I now present a brief summary of the activities.

### Administration Department

Process for finalization of awardees for 12th National Awards for Excellence in Cost Management 2014 has been started. The Jury for the awards is being headed by Justice Dr. Arijit Pasayat, Former Justice of Supreme Court of India while the Screening Committee is being chaired by CMA Subhash Agarwal, Director, Cement Corporation

of India. As part of the Communal Harmony Campaign Week during 19th– 25th November, 2014, Flag Day was celebrated by the staff of Delhi Office on 25th November, 2014 and funds were raised on the occasion.

### Cost and Management Accounting Committee

I would like to inform you that Institute is planning to organize a 'Asian Summit on Health Care Cost Management' to equip our members with Health Sector. We are also going to announce a series of webinars on "Cost Management" for our members and look forward for your active participation.

### Continuing Professional Development Directorate

The Institute organized a seminar on 'Understanding Business Valuation – Methods and Techniques' on 7th November 2014 at New Delhi. The session was quite interactive and well received by the large number of CMAs.

I am proud to inform that during the month our Regional Councils and Chapters actively organized many programs, seminars and discussions for the members on the topics of professional relevance such as on Service Tax: Place of Provision of Services Rules, Professional Avenues & Recent Changes in Excise, Global Opportunities for Finance Professionals, Advance Excel, Improving Cost effectiveness through Cost Audit, Central Excise, Service tax and CST, Internal Audit in Public Enterprises, Independent Directors Under Companies Act 2013 - A primer, Pricing of Product and Overview of Pharma Pricing Policy, Vat Audit and Other Related Issues, Internal Audit in New Companies Act - Role of CMAs, Costing MIS & Product Costing Through SAP, Taxation of Deemed Dividends & Gifts, Corporate Restructuring, International Regime (What) & make in India (how), Limited Liability Partnership, Workshop on VAT, SAP & Costing, Project Management - Challenges - Expecting and Unexpected, and so on.

### Examination Directorate

The Examination Directorate is preparing to conduct Intermediate and Final examinations from 10th to 17th December 2014. For three centers i.e. Dhanbad, Bokaro and Srinagar of Jammu & Kashmir and Jharkhand states, the examination of 14th December 2014 will be held on 21st December 2014 due to the State Assembly Election falling on 14th December 2014. On line mode of Foundation examination will be held on 21st December 2014. Approx. 70000 students are expected to appear in these examinations. I wish them all the best and hope that they will appear in the exams with proper preparations.

### Hyderabad Center of Excellence

Webinars for the 3 diplomas viz Diploma in Business Valuation, Diploma in IS audit and Control and Diploma in Internal Audit are being conducted as per schedule. The Rashtriya Ekta Diwas was observed at the Hyderabad Center of Excellence, Hyderabad on October 31, 2014. The Rashtriya Ekta Diwas Pledge was administered by the Director along with other employees. The Confidential work pertaining to the Diploma in Management Accountancy Examination is in progress and the admit cards are being dispatched. The HCE observed the Communal Harmony Campaign Week from 19th– 25th November, 2014 and the Flag Day on 25th November, 2014.

### ICWAI MARF Program

The programs directorate organized an In-House program on 'Overview of Direct and Indirect Taxes' for Numaligarh Refinery Limited at NRL Assam during 28-29 October, 2014. Another In-House program on 'Contract Management' for Central Warehousing Corporation was organized during 30-31 October, 2014 at Hapur office of CWC. A series of One Day Programs was organized on 'Internal Audit in Public Enterprises' at New Delhi, Hyderabad, Ahmedabad, Kolkata

and Bangalore. The programs were well attended by around 200 executives of various organizations & members. The program on 'Recent Trends in Financial Management including Companies Act, 2013' was organized during 12-14 November, 2014 at New Delhi which was attended by executives of various organizations.

### International Affairs Department

The Prince's Accounting for Sustainability Project (A4S) is organising its summit on the theme "Transforming Finance and Accounting: Meeting the Challenges of the Next Decade", at St. James's Palace, London on Thursday 11th December 2014. Additionally, there will be meetings for the Accounting Bodies Network on Tuesday 9th and Wednesday 10th December 2014. I will attend the meetings along with other council members of the Institute.

As already mentioned in my previous communiqué the next SAFA events are scheduled at Bhubaneswar on 4th December 2014. There will be SAFA Best Presented Annual Report and also SAFA Anniversary awards to be presented during these events. Institute is also holding an International Seminar on Integrated Reporting at Bhubaneswar.

The International Affairs Committee has decided to announce three programs during the months of December 2014 to February 2015 on the topics: "Foreign Trade - Perspectives and Challenges", "Anti-Dumping" and "Opportunities and Challenges of E commerce in Globalized World". The details will be hosted on the Institute's website very soon. The committee also plans to release a monthly E-Newsletter for information of the members.

### IT Directorate

I would like to inform the members and students that a series of webinars is organized on regular basis for the students and members of the Institute on various topics of interest by the CPD and Tax Research Department. The recordings and download link is also made available after the webinar for the benefit of those who missed registering for the live webinar. It is heartening to inform that the Institute has initiated online help facility on the website to provide the real-time live chat support system to the members on various issues of concern. The membership administration queries are handled by the Membership Department through the system every Monday to Friday 10:30Hrs to 17:30Hrs. One help session for the members was also handled by the Professional Development Directorate in November 2014.

### Membership Department

A very important stakeholder of the Institute is our members and it is our firm belief that timely and proper service to them would lead to enhanced 'customer' satisfaction. It is heartening to note that with the launching of 'E-Services' for members, many of them are increasingly availing such facilities in their interaction with the Institute thereby saving their precious time. The Institute is now pleased to announce online help facility for Members whereby members can directly interact with the Membership Department with their queries and get them resolved instantaneously. For details, the members are requested to visit the Institute website.

### Professional Development Directorate

On the request of the Institute, the Ministry of Corporate Affairs (MCA) vide General Circular No. 42/2014 dated 12th November 2014 issued a clarification about the Rules 5(1) and 6(2) of the Companies (Cost Records and Audit) Rules 2014 regarding maintenance of cost records and filing of notice of appointment of cost auditor in Form CRA-2 in electronic mode. Due to delay in availability of CRA-2, the date of filing the said Form has been extended by MCA upto 31st January 2015. Now the companies may file the notice of appointment of cost auditor for the financial year 2014-15 with the MCA without any penalty/late fee. It has further been clarified by this Circular that the companies

who had filed Form 23C for the financial year 2014-15 are not required to file form CRA-2 afresh for the financial year 2014-15.

Members may be aware that in my November 2014 communique, I mentioned bringing out by the Professional Development Committee of two exposure draft Guidance Notes on Internal Audit for "Engineering Industry" and "Plantation Industry" through the Institute website/ Professional Development Portal and invitation of the view/ comments/ suggestions on these exposure drafts within stipulated time as notified on the Institute's website. Due to non-receipt of sufficient comments, the Institute extended the last date in this regard till 10th December 2014. I am sure members particularly working in these sectors may review these guidance notes and offer their suggestions/ comments to improve these guidance notes further.

I am happy to inform members that the Institute has launched "on-line help facility" by the Professional Development Directorate on 19th November 2014 for the members to seek on-line help from the Professional Development Department for the matters connected with it. I urge members to visit "Professional Development Portal" on the Institute website for the purpose of familiarization of areas of their working and for seeking on line help by the members concerning those matters/areas.

### Research & Journal Directorate

I am glad that the Institute in association with the Confederation of Indian Industry (CII) organised a seminar entitled "Cost Effectiveness through Cost Audit" on November 18, 2014 at Haldia, West Bengal. Shri A K Dey, Chairman, CII Haldia Zonal Council & Vice President and Location Head, Electro Steel Casting Ltd, Haldia, CMA Dr. Debtoosh Dey, Director, Ripley & Company Ltd were the key resource persons in the seminar. CMA Manas Kumar Thakur, Council Member, ICAI, CMA Bibeknanda Mukhopadhyay, Regional Council Member, ICAI, CMA Himadri Roy, Consulting Associate, SVG & Associates also chaired important sessions in the seminar. The Directorate of Research and Journal of the Institute also released a Knowledge Study on the theme which was highly appreciated.

A Summit on "Leveraging Jan Dhan Yojana-A Viable Option for Sustainable Development of Women Entrepreneurship" had been held in association with ASSOCHAM on November 26, 2014 in New Delhi. In the Inaugural Session Mrs. Sushma Paul Berlia, President, Apeejay Styra & Sran Group and Chairperson, Economic Affairs Council, ASSOCHAM, Shri U.S Paliwal, Executive Director, Reserve Bank of India, Smt Usha Ananthasubramanian, CMD, Bharatiya Mahila Bank, Shri S.C Agarwal, Chairman, National Council on Microfinance ASSOCHAM, CMA Manas Kumar Thakur, Council Member, ICAI were the key persons who chaired the seminar. There were also Technical Sessions on "Financial Inclusion Through Technology" and "Financial Inclusion: A Viable Option for Development of Women Entrepreneurs" by eminent dignitaries present in the summit. The Directorate of Research and Journal of the Institute also released a Knowledge Study on the theme topic which was highly acclaimed over there.

I wish prosperity and happiness to members, students and their family on the occasion of Christmas and Guru Gobind Singh Jayanti.

With warm regards,



(CMA Dr A S Durga Prasad)  
1st December 2014