

PROPER COST ACCOUNTING WILL HELP TO CONTROL COSTS IN URBAN INFRA PROJECTS



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President, The Institute of Cost Accountants of India

My Dear Professional Colleagues,

Urban Development, Infrastructure and CMA Profession

Time is the costliest and irreplaceable resource that impacts every one's life. Wealth creation of the nation depends upon the useful time spent by every individual in all walks of life in adding value to his or her personal life as well as the entity they serve. The infrastructure in the country has a direct link to the useful time spent by the population. The irreplaceable resource of time can be saved by a good infrastructure that reduces travel time, moves goods faster, and makes resources such as water and electricity available at the right time and quantity apart from others.

The Government of India has rightly linked the rapid economic growth of country on its infrastructure development. The Government has begun to place increasing stress on physical infrastructure such as Energy, Railways, Roads, Ports, Irrigation, Water supply and Urban trunk infrastructure. The goals of inclusive and high level of economic growth can be achieved only if this infrastructure deficit is overcome. Infrastructure development would also help in creating a

better investment climate in India. This connects the rural and semi urban population to the main stream economy and enables them to participate and benefit by the growth story of India. To develop infrastructure, there is a continuing need to revisit the issues of budgetary allocation, tariff policy, fiscal incentives, private sector participation and public private partnerships to ensure that required infrastructure development takes place. Recognizing the almost limitless infrastructure requirements of the country, the Government has called for US\$ 1 Trillion in infrastructure spending in five years through 2017.

Cost and time overrun is a common phenomenon in urban Infrastructure Projects. Effective monitoring of projects, in terms of time and cost, helps to avoid cost and time overrun in completion of industrial projects and thus benefits the industry immensely. For example many highways projects are on Public Private Partnership mode and tariff fixation has become one of the sensitive issues as it requires a transparent tariff fixation mechanism based on costs and reasonable return. An active monitoring of costs right from the Initial tariff fixation till the time full recovery is made, will enable the reduction of toll recovery period and thereby reducing the toll charges to the benefit of the general public. A proper cost accounting system will enable reporting of the cost and profitability of each of the project on periodic basis leading to cost control. Since the Infrastructure sector has been included in the purview of Cost Rules, the Institute is in process of developing Guidance Notes/ Technical papers for the sector to help the members.

The Prime Minister in his Independence Day message sought the helping hand of professionals to voluntarily devote a part of the time in educating aspiring youth of the country in their chosen vocation for knowledge creation. I appeal to the willing CMAs to be part of this nation building exercise by making VidyaDhaan (gift) and GyanDhaan to the CMA aspirants in your organization or locality and making them add to their VidyaDhan

(wealth) and GyanDhan. The Institute and its arms will facilitate this process.

Proposed new annual tax return by the Government

The Ministry of Finance, Government of India, plans to introduce a new annual tax return that will include information from income tax audit report including TDS and Income Tax Returns and cost audit report, as it looks to draw information from multiple sources to clamp down on evasion of central excise and service tax. It is a welcome move initiated by the Government of India, which would be a giant leap towards a unified tax regime, to supplement the roll out of Goods & Service Tax in India and the proposed Direct Tax Code. It gives me immense pleasure to express our professional gratitude to the Ministry of Finance, Government of India, for accepting our suggestions made through the Pre-Budget Memorandum/s on Union Budget - to devise/design tax return forms aimed to draw relevant information from multiple sources including cost audit report - to clamp down on evasion of central excise and service tax. The CMA profession has a distinct role in maintaining governance system in the country's economy, ensuring transparency, proper disclosure and social security for consumers at large.

The role of Cost and Management Accountants had always been to analyse transactions and establish the correlation of cost and income, on the basis of cost plus approach, which leads to proper assessment of income instead of analyzing cost through a regression analysis of income. The effective application of Generally Accepted Cost Accounting Principles (GACAP) and the Cost Accounting Standards (CAS) issued by the Institute shall help to ensure proper disclosure and transparency, hence is much needed for proper assessment, plug revenue leakages and augment the revenue of the Government. The information made available from Cost Audit Reports and Cost Accounting Records facilitates in fair adjudication process - under tax laws in India.

I am confident that the mandatory compliance and recommendation for documentation of Cost Audit Reports and reference to Cost Accounting Records, which are in conformity with Cost Accounting Standards issued by the Institute, shall strengthen the mechanism to administer and assess income for levy of tax. All the relevant information available through the Cost Accounting Records can be effectively used by the Revenue Authorities to identify evasion, plug leakage thereby augmenting revenue for the exchequer. We look forward to extend our professional

expertise towards establishing and implementing a uniform tax administration for the benefit of its stakeholders.

Update on Cost Rules 2014

The Expert Committee of MCA, constituted to examine the issues relating to Companies (Cost Records and Audit) Rules, 2014, met on 17th September 2014 at New Delhi and I along with the Vice-President made a presentation on behalf of the Institute before the committee on the Genesis of cost records and cost audit; Observations on the structure & contents of the Companies (cost records and audit) Rules, 2014; and International practices. The response of the members of the Expert Committee on the presentation was very positive. The members of the Committee have raised certain queries during the discussion and the Institute's response on those issues. We will respond them in due course. Institute has already submitted its suggestions and justifications on the Companies (Cost Records and Audit) Rules 2014 for the consideration of the Expert Committee on 4th September 2014. We are also continuously pursuing the matter of postponement of Cost Rules with the MCA officials and I hope that the issue will be resolved very soon.

Telugunadu CMA Convention

I attended the Telugunadu CMA Convention organized by the Visakhapatnam & Ukkunagaram Chapters in association with Godavari, Vijayawada, Nellore and Hyderabad chapters of the Institute on the theme "Opportunities & Challenges for Industrial Growth in 'Successor States' - Role of CMA Professional" at Visakhapatnam on 19th & 20th September 2014. Vishakhapatnam Chapter has completed glorious 50 years of its existence this year. The contribution of the Chapter for the fifty years in the growth of the Institute and profession is immense and I hope the chapter will continue to scale new heights of success and growth.

Corporate Cost Management Week

The Institute celebrated the 'Corporate Cost Management Week' during 8th to 13th September 2014 on the theme 'Business Sustainability and Cost management'. The objective of 'Corporate Cost Management Week' was to spread the message that Cost Management is essential irrespective of whether the company is operating in a competitive environment or not. Even when a Company does not operate in a competitive environment Cost Management enhances the productivity of the scarce resources and thus, improves the GDP of the country. The celebrations covered six major cities i.e. Hyderabad, Kolkata, Mumbai, New Delhi, Bangalore, Chennai respectively. I am happy to inform that

our Chapters also actively initiated the celebrations and organised program in their respective jurisdiction.

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.

Advanced Studies Directorate

The Webinars in all the Diploma Programs are being conducted as per schedule. The Department will commence the second batch for all the programs and the last date for applying for Diploma in IS audit and Control has been extended till September 30th 2014 and for Diploma in Management Accountancy is 10th October 2014 without late fee and 20th October 2014 with late fee.

CPD Department

Apart from coordinating the Corporate Cost management Week, during the month a webinar was organized for members on 'Valuation of Services'. You may find the earlier webinars on the website of the Institute under Archive. 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 Penalties under Companies Act 2013, Financing Options for Small & Medium Enterprises, ERP as a Cost Management Tool, Health Care and Service Sector, The Companies Act 2013 - Raising Corporate Governance Standards, Contemporary issues on Service Tax Laws, Corporate Debt Restructuring, Practical Aspects of Excise and Service Tax, Risk Insurance, Profitability and Cost Management, Anti-Dumping Duty and Role of CMA, Indirect Taxes (VAT & Service Tax), Strategic Marketing Planning, and so on.

ICWAI MARF Program

The program on 'Contracts Management, Negotiation and Major Aspects of Procurement' was organized for Nepal Electricity Authority at New Delhi, Goa and Mumbai during 24 August – 02 September, 2014 which was attended by Senior and Middle level officers. Another program on 'Finance for Non-Finance Personnel' was organised for GAIL (India) Limited at CMA Bhawan, New Delhi during 11-13 September, 2014, which was attended by Middle and Junior Level officers. The program on 'Contracts and their Management' was organized during 16-19 September, 2014 at Alleppey (Kerala), which was attended by officers from different organizations. The program on 'Overview of Companies Act, 2013 & Finance Act, 2014' was organized

for Container Corporation of India Limited at CMA Bhawan, New Delhi during 18-19 September, 2014 which was attended by Senior and Middle level officers.

International Affairs Department:

The next SAFA Events are scheduled to be held at New Delhi during 9-11th October 2014. Representatives from the Institute will be attending the meetings.

Membership Department

The Members' Facilities & Services Committee, realizing the tremendous potential that technology can have in making things easier and simpler for members, had prioritized the use of technology in helping members to make use of the same for their various purposes. The launching of 'E-Services' for members is a step in this direction. The latest addition to the list has been the 'Members Search' facility where in any member can view the details of a member by keying in the member's name. Members are requested to make increasing use of e-services which are not only hassle free but also saves valuable time and efforts.

Professional Development Directorate

The Institute has launched a dedicated separate "Professional Development Portal" on 18th September 2014. The portal provides information on professional front, which are required by our CMA fraternity. It provides daily updates, latest professional information, opportunities available for CMAs to apply against the tenders floated by the companies for internal audit work, cost audit and other services. It also provides for download of Guidance Notes by the members free of cost. I urge members to visit the Professional Development Portal and offer valuable suggestions for improvement in terms of content and information that may be useful for the CMA fraternity.

I wish prosperity and happiness to members, students and their family on the occasion of Gandhi Jayanti, Dassehra, Bakrid, Laxmi Puja, Deepawali, Kali Puja and Chhath Puja.

With warm regards,



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