

PRESIDENT'S COMMUNIQUÉ



“Work must be done with detachment. It is the ego that spoils work and the ego is the centrepiece of most theories of motivation. We need not merely practice a theory of motivation but a theory of inspiration.”

-- Bhagavad Gita

CMA SANJAY GUPTA

President

The Institute of Cost Accountants of India

My Dear Professional Colleague,

Namaskaar!!!

Wishing you a very happy new year 2018;

On the occasion of New Year, I extend my warmest greetings and best wishes to all the Students, Members, Officials and all those associated with the Institute. A fresh new year is once again welcoming us. It's the time to be thankful for the blessings of the past year and to take stock of all our achievements. Let the New Year 2018 is a brand new year to start afresh, to start strong, and yet another chance to do everything we want to do this year in a better way than last year. As we celebrate the end of one year and the beginning of another new year, we must look back on this year with the knowledge that brighter days are ahead of us and that although our challenges are great, each of us has the courage and determination to rise up and meet them. I take this opportunity to wish you that the New Year bring progress and prosperity to our professional life. Let us unite to build an India of our dreams and pledge to make our beautiful country clean and pollution free. May the New Year be an occasion to make a fresh beginning and renew our resolve for individual as well as collective growth. Let us inculcate in ourselves love, compassion, tolerance and hard work towards creating an inclusive society where peace and harmony shall prevail.

Looking back I have mixed feeling that we were able to overcome many challenges together however some tasks are still in work in progress. I have been extremely fortunate to have a excellent team with me to carry the mandate

entrusted upon me. I am aware of the fact that what we have achieved is not sufficient and many more are yet to achieve. I require your full support and cooperation as always.

The economic reform is gradually transforming our culture and self-image. The transition of the Indian economy and the process of economic liberalization in India has a long-term perspective. Most of the sectors are in the process of reforming. One such case in point is the Banking sector which has open enormous challenges and opportunities for CMAs. Our Institute is exploring such opportunities

Paradigm Shift in Indian Banking System

The Indian banking system has seen a complete transformation during the last two decades, in sync with the progress made by the real economy. There has been a paradigm shift in the offerings made to the consumers. The expectations of tech savvy customers have increased manifold in last few years. Net Banking, digital wallets, mobile banking apps is the way of life of such customers who move around without any hard cash in their pockets. After the effect of demonetization, digital cash has been the hotcake among the citizens of India. Digital cash and online transactions in the current market scenario have a great effect on e-banking and digital banking. E-banking comprises mainly of electronic funds transfer and usage of online banking services. Emerging technologies will certainly take Indian banking to the next level in near future. The growth of the banking system and its pivotal position in the country's financial architecture implies that the banks cater to a whole host of diverse stakeholders who have equally diverse expectations. The success of individual banks and of the banking system as a whole depends on how

well these stakeholder expectations are met. Some of the problems currently facing the banking industry bear their genesis to banks' inability to align their business operations with stakeholder expectations.

Productivity and Efficiency: Banks play the critical role of financial intermediation by performing the task of maturity and risk transformation, besides providing payment and settlement services. In order to effectively perform these functions, banks need to ensure that they maintain high levels of productivity and efficiency in their operations. Indian banks need to improve both, allocational and operational efficiency, so that the financial intermediation function is effectively performed. This would include reengineering of all critical products and processes by leveraging on innovative technology-based solutions, while retaining a strong customer-centric focus.

Financial Consumer Protection and its Linkage to Risk Management Function: Financial Consumer Protection has emerged as a key area of supervisory focus globally. The global financial crisis has highlighted the vulnerability of the consumer class, which has been worst hit in the crisis. The key feature of the exploitation has been the discriminatory, non-transparent and illogical pricing which has affected the poor and vulnerable consumers most emphatically. In this context, I would like to highlight some important aspects of consumer protection and risk management that banks need to imbibe in their business processes. Pricing of asset and liability products should be transparent and non-discriminatory. At a minimum, it must be ensured that poor do not subsidize the provision of banking services to the rich. Apart from this, the business operations of banks should be customer-centric in nature. This should be reflected in all aspects of banking operations including creation of customized products and services, pricing of services, delivery channels, etc. Banks should, inherently, be flexible in their operations so that they have the ability to meet the evolving stakeholder expectations.

Banks should be able to appreciate the risk-return trade-off involved in various activities. The culture of efficient risk management needs to be imbibed in the organization's ethos so that everyone from the top management to frontline managers in the field shares a common vision of risk management. A key related issue is the integrity of MIS in banks. Each bank claims to be oriented towards its customers. But, I have a simple poser. Are the banks aware of the number of customers they have? I am not referring to the number of accounts but the actual number of customers that the bank serves across all business verticals by offering different products. Moreover, most of the banks do not have

a system of working out activity wise costs and returns. Unless banks know the return on each and every product, they cannot arrive at a truly risk based pricing.

These challenges have opened opportunities for professional CMAs and here Cost Accountants can play a very vital role in working out activity wise costs and returns on each and every product.

Role of Cost Accountants in Banking Sector

Cost Accountants are considered by Banks for Stock Audit, Debts Audit, Risk Based Internal Audit, Concurrent Audit, Forensic Audit, Implementation of Ind -AS, Implementation of Goods & Services Tax, Certification of various documents and other Banking Operations. Indian Banks Association (IBA) included the Institute of Cost Accountants of India in a committee named "Independent Evaluation Committee (IEC)" in pursuant to Reserve Bank of India (RBI)'s concern about the raising levels of NPAs. IBA also included the Firms of Cost Accountants in the eligibility criteria for empanelment of Forensic Auditor for frauds in the Banks. Ministry of Finance, Department of Financial Service directed banks to include the Cost Accountants for strengthening the team of Inspection & Internal Audit Department. Government of India, various State Governments, Banks, Public Sector Undertakings and Private Sector organisations have recognized the Cost Accountancy qualification awarded by the Institute for the purpose of appointment to superior posts like Chairman & Managing Director, Managing Director, Director Finance, Executive Director (Finance), Chief Financial Officer and Financial Advisors, etc. Cost Accountants in practice are recognized under Regulation 11 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 for valuation of capital instruments of an Indian company and also under Schedule 2 - Purchase/ Sale of capital instruments of a listed Indian company on a recognized stock exchange in India by Foreign Portfolio Investors and Schedule 6 - Investment in a Limited Liability Partnership (LLP) for valuation on an arm's length basis as per pricing methodology. CMAs can thereby facilitates the mobilization of investments, fostering investors' confidence, reduce corruption and mismanagement of resources and can revitalise the entire Banking sector in the Country on an on-going process.

Directorate Of Advanced Studies

I am delighted to announce four new Advanced Studies Courses in this New Year, viz.

- ▶▶▶ Executive Diploma in Business Valuation
- ▶▶▶ Executive Diploma in Cost & Management Accounting for Engineers

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- Certificate Course in Arbitration
- Certificate Course in Goods & Services Tax

All the courses are very much pertinent as well as updated to cope up with the changing business scenario in the context of Indian and Global economy. The Board of Advanced Studies will launch series of New Courses in due course of time. You may visit the newly launched Advanced Studies Web Portal for updates and details about the Courses. I wish grand success of all the Courses.

International Affairs Department

• Institute's representative as Vice-President, SAFA

I am happy to announce that CMA Dr. PVS Jagan Mohan Rao, Central Council Member has been unanimously elected in the Council Meeting of the Institute held at New Delhi on 20th December, 2017 for the position of Vice President of South Asian Federation of Accountants (SAFA) which is an apex body of SAARC, to take over with effect from 1st January, 2018.

SAFA is an international body of Cost & Management Accountants and Chartered Accountants in the SAARC Region. SAFA as a forum of professional accountancy bodies is committed to positioning, maintaining and developing the accountancy profession in South Asian Association for Regional Co-operation (SAARC) Region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region.

CMA Dr. Jagan Mohan Rao is already holding position of Chairman of Professional Accountants in Business (PAIB) Committee of SAFA and a Member of PAIB Committee of International Federation of Accountants (IFAC) from India.

• Meeting with Executive General Manager, CPA Australia

I wish to inform the members that I along with CMA (Dr.) I Ashok, Chairman- International Affairs & Sustainability Committee and CMA P. Raju Iyer, met with Mr. Robert Thomason, Executive General Manager, CPA Australia on 4th December, 2017 at Delhi Office of the Institute and discussed about possibilities of mutual recognition of the professional qualifications and professional development programmes offered by each Institute.

Insolvency Professional Agency Of Institute

On 8th December, 2017, I attended 1st meeting of Insolvency Law Committee to examine the suggestions received regarding Insolvency and Bankruptcy Code, 2016 and other related matters called by Ministry of Corporate Affairs at New Delhi.

Membership Department

The month of December 2017 witnessed the addition of 302 new Associate Members and 47 advancements to Fellowship and I take this opportunity in the New Year to congratulate and welcome all.

I request all practicing members to renew their Certificate of Practice for the FY 2018-19 well in advance, for which an advisory will be available in the member's section of the website soon for general guidance to CoP holders.

Professional Development And CPD Committee

I sincerely appreciate our Regional Councils and Chapters for organizing more than 50 programs, seminars, webinars and discussions on the topics of professional relevance and importance for the members such as, Goods and Service Tax, Supply Chain Management, Valuation Rules as per Companies Act 2013, Anti-Dumping Duty, Stock Audit and the Companies (Cost Records and Audit) Amendment Rules, 2017, The Insolvency & Bankruptcy Code-2016 -An opportunity to CMA Profession, Managing Risk and Compliance For Achieving Growth, Competition law for CMAs, **Registered Valuers: New Opportunities for CMAs'** and so on. Further, most of the presentations made during these programmes and recorded webinars can be viewed by the members of the Institute at: <http://icmai.in/Knowledge-Bank/>

• PSU's Confluence for New India by ASSOCHAM

ASSOCHAM organised its Confluence on "New India Confluence for Public and Private Enterprise-Governance, Risk & Compliance" on 15th December, 2017 at New Delhi wherein the Institute was the "Institutional Partner". I was invited to address the delegates during the Inaugural Session of the event.

• Representation with Government, PSUs, Banks and Other Organizations:

PD Directorate is sending representation letters to various organizations for inclusion of cost accountants for providing professional services. Leading organizations like, Uttarakhand Power Corporation Limited, North Eastern Electric Power Corporation Limited, CIDCO, REC Power Distribution Corporation Ltd, Hutti Gold Mines Co Ltd., Bihar Medical Services & Infrastructure Corporation, and Indian Institute of Technology (IIT) Kharagpur included CMA profession in their Tenders/EOIs in the month of December.

• Special Interaction with the Members of the CII National Committee for CFOs

Confederation of Indian Industry (CII) has invited me for a Closed door Interaction with the Members of the CII National Committee for CFOs on 12th December, 2017 at Mumbai. The Committee seeks to focus in strengthening the linkage of the industry with Institute and work towards the development of

young / aspiring Cost Accountants, who wish to build their career in the Industry.

- **90th Annual General Meeting of FICCI**

I attended the 90th Annual General Meeting of FICCI held at New Delhi on 13th December, 2017.

- **Competition Commission of India**

In continuation of our collaborative activities with Competition Commission of India (CCI), the Institute organised a Session on Competition Law and related issues at Mumbai on 8th December 2017. The deliberations by Senior Officials from CCI were well received and appreciated by the participants.

Technical Directorate

- **Exposure Draft of CAS-4 (Revised 2017):**

I wish to inform that the Cost Accounting Standards Board in its 90th meeting held on 12th December 2017 has approved the release of Exposure Draft of Cost Accounting Standard – 4 (ED-CAS-4) (Revised 2017) on Cost of Production or Acquisition or Supply of Goods or Cost of Provision of Services for public comments. The ED-CAS has already been hosted on the website. Last date for submitting comments on the ED-CAS is 16th January 2018. I urge all the members, in particular the Practising Members, to go through the ED-CAS and submit their suggestions to the CASB Secretariat so that the Standard could be finalised in the light of those comments.

- **Guidance Note on CAS-13:**

I am happy to inform that the Cost Accounting Standards Board in its 90th meeting held on 12th December 2017 has approved the release of Guidance Note on Cost Accounting Standard – 13 (CAS-13) on Cost of Service Cost Centre. The Guidance Note was finalised by the CASB in light of the comments received from public. The Guidance Note will be hosted on the website very shortly. I am sure that the Guidance Note will be helpful to the members in understanding the principles and methods of classification, measurement and assignment of cost of Service Cost Centre for determination of cost of product or service and presentation and disclosure in cost statements.

- **Companies (Cost Records and Audit) Amendment Rules, 2017:**

Ministry of Corporate Affairs notified the Companies (Cost Records and Audit) Amendment Rules, 2017 on 8th December 2017. The amended Rules were issued by the Ministry of Corporate Affairs pursuant to implementation of Ind-AS. The draft Rules were modified by the MCA based on the suggestions of the Institute and general public. It is pertinent to mention that the amended Rules are applicable to all the Companies covered under the Companies (Cost Records and Audit) Rules, whether the Indian Accounting Standards (Ind-AS) are applicable to them or not. The Cost Rules (updated till 2017) are available on the PD Portal of the Institute's website.

Taxation Committee

CMA Niranjan Mishra, Chairman- Taxation Committee along with CMA (Dr.) I. Ashok, CCM, and CMA V.S. Datey, CMA Mryutunjaya Acharjee, CMA Ranjan Talwar, as Institute's Representative attended the Pre-Budget meeting for Union Budget 2018-19 under the chairpersonship of Shri Arbind Modi, Member (CBDT), Department of Revenue, Ministry of Finance, held on 12th December, 2017 at North Block, New Delhi.

Activities At Regional Councils & Chapters

- **Annual Seminar 2017 by Durgapur Chapter**

I am pleased to share that I was invited by Durgapur Chapter as a Chief Guest of their Annual Seminar on the theme "Transforming India" organised at Durgapur on 17th December 2017. My council colleagues CMA Manas Kumar Thakur, CMA P.V. Bhattad, CMA Niranjan Mishra, CMA Amit Anand Apte and Shri Sushil Behl also graced the occasion.

- **Career Counselling Programme by Bhilwara Chapter**

I along with CMA Manas Kumar Thakur, CCM was invited for the Career Counselling Programme attended by more than 2000 students organised at Bhilwara on 24th December, 2017.

I wish prosperity and happiness to members, students and their families on the occasion of New Year, Guru Gobind Singh Jayanti, Lohri, Birthday of Swami Vivekananda, Makar Sankranti, Pongal, Netaji Subhas Chandra Bose Jayanti, Basant Panchami and Republic Day and pray for the success in all of their endeavours.

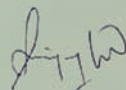
We are proud on the strength of CMAs and its contributions to the very fabric of this great nation. This is a time to remind ourselves that we should stand up in helping build this country for future generations.

I conclude this new year's first communication by quoting from our Hon. Prime Minister of India Sri. Narendra Modi.

"Firmness in truth is a guarantee for success. A country of 125 crore, with 65 per cent below the age of 35, having the means, the resources, and the capability, has no reason to stay behind. The new dawn of the New Year, comes with the resolve of new success. Let us all come together, to move ahead overcoming obstacles and constraints."

-- Shri Narendra Modi -Prime Minister of India

Wish you a wonderful and prosperous year ahead.
With warm regards,



CMA Sanjay Gupta

1st January, 2018