

PRESIDENT'S COMMUNIQUÉ



CMA P. V. Bhattad
President
The Institute of Cost
Accountants of India

When life is sweet, say thank you and celebrate. And when life is bitter, say thank you and grow.

Shauna Niequist

My Dear Professional Colleagues,

Namaskar.

You are aware that the Ministry of Corporate Affairs had given the task of developing 15 Standards on Cost Auditing (SCAs) upto 31st March 2016 and submitting the same to Government for its approval. I am happy to inform you that the 'Cost Auditing and Assurance Standards Board' of the Institute has completed the task and the standards have been sent to the Central Government for its vetting and approval. Compliance of the approved SCAs will be mandatory under section 148(3) of the Companies Act 2013 by the cost auditors auditing the cost records. It is necessary on the part of the Institute to create awareness of the SCAs among the members of the Institute so that they will be able to carry out their professional assignment properly. It is pertinent to mention that Cost Accounting Standards (CASs) developed by the Institute are also mandatory for being applied by the Cost Auditor. In order to impart knowledge and discuss the technicalities, practical aspects and implications of SCAs and CASs, the Institute is organizing seminars, webinars and programs on pan India basis. Details of these programs, seminars and webinars can be obtained from the website of the Institute. I urge members of the profession to attend these programs, seminars or webinars to update professional skills and enrich knowledge.

Representation to expand the coverage of Cost Rules

You are aware that many sectors of economy are still excluded from the coverage of Cost Rules. In order to expand the coverage of Cost Rules, the Institute has submitted representations to various ministries to include companies engaged in food processing, producing packaged food products, motor vehicles, Textiles etc. so as to maximise the benefits of Cost Audit system to the Government. Many companies engaged in producing goods that yield high tax revenues, are not covered under the notified Rules for cost records and audit. This limited coverage does not provide complete data to the government agencies and tax authorities. In order to help the government and corporates to reconcile the revenue receipt & payment and improve efficiency, productivity, cost competitiveness, profitability and sustainability, CBEC and Competition Commission of India have been requested by the Institute to recommend that all companies engaged in the strategically important sectors should be covered for maintenance of cost records and audit.

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Criterion to select Cost Auditor in PSUs

I wish to inform that the Institute has requested Department of Public Enterprises and SCOPE to consider forwarding to all the PSUs, the standard criterion to select firms of Cost Accountants for Cost Audit and other related services for improving the company's efficiency, productivity, cost competitiveness, profitability, and sustainability. Regular follow up is going on and a meeting to discuss the issue is expected to take place early next month.

Introduction of Peer Review System

I am pleased to inform you that the Council of the Institute has finalised the long awaited Peer Review System (PRS). PRS is a mechanism of evaluating the professional/audit and assurance activities/services carried out by a Firm by peers by looking into the systems and procedures adopted and records maintained while carrying out professional/audit and assurance activities with the objective to evaluate and suggest improvements of systems, procedures and quality of reporting. The purpose of PRS is to audit the quality of service rendered by Firms leading to enhanced credibility, transparency, adopting best practices and imparting knowledge and skills. The objective of PRS is to ensure that in carrying out the professional/audit and assurance activities/services, the members of the Institute comply with Technical, Professional and Ethical Standards as applicable including compliance of other regulatory provisions and requirements thereto and have in place proper systems including documentation thereof, to adequately exhibit the quality of the professional/audit and assurance activities/services. The objective is also to ensure that they are compensated properly.

World Earth Week

The Committee on Corporate Laws, Governance and Corporate Sustainability celebrated the World Earth Week from 16th to 22nd April 2016 by organizing programs on climate change, sustainability, environment accounting and auditing and integrated reporting at various places in the country. Knowledge pack titled "Contemporary Issues in Environmental Accounting & Auditing" was released at the start of the week on 16th April 2016 by Shri Anil Shirole, Hon'ble Member of Parliament at Pune. Several Chapters and Regional Offices have

actively participated and made the program a grand success.

Initiatives by various departments of the Institute

Advanced Studies Department

I am sure the students of three Diploma Courses viz Diploma in Business Valuation, Diploma in IS Audit and Control and Diploma in Internal Audit must be watching the webinars conducted by the department in order to disseminate the necessary knowledge and information.

CASB Initiatives

Cost Accounting Standards Board (CASB) has released the exposure drafts for public comments/suggestions on Cost Accounting Standards on "Overburden Removal Cost" and Guidance Note on 'Treatment of Costs Relating to Corporate Social Responsibility (CSR) Activities'. CASB has approved the Exposure Drafts for Guidance Note on CAS-13-Service Cost Centre, which is being exposed shortly to public for comments/ suggestions. I request all stakeholders to send the views/ suggestions/ comments within the stipulated time on the exposure drafts hosted on the Institute website, so that these draft standard/guidance notes may be improved by the Board before these are finally issued for stakeholders.

CAT Initiatives

The success story of CAT with the ASAP, Government of Kerala continues and based on our past performances, ASAP has assigned another batch of students for imparting CAT Course in Kerala. I am happy to share that campus placement program for CAT qualified students has been scheduled in Jaipur/Delhi and Thiruvananthapuram in the month of May 2016 and I wish all the participating CAT students success in these campus placement programs.

CPD Initiatives

You may be aware that 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. If the COP is not renewed for the year 2016-17 owing 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. Therefore, it is decided by the Council to grant an extension upto 30th June 2016 to complete the requirement of CEP credit Hours for renewal of COP of the members for the year 2016-17.

I am pleased to know that the webinar on 'CENVAT Credit Rules, 2004 – Critical Issues' was well received by the members. For those who could not attend the webinar, recording is available on Institute's website under Featured Links. I sincerely appreciate the efforts of Regional Councils and Chapters in organizing various programs, seminars and discussions on the topics of professional relevance and importance for the members. The presentations of these programmes are available in Knowledge bank on the website of the Institute.

Examination Directorate

The Examination Directorate is engaged in preparation for holding June 2016 examination for Foundation, Intermediate and Final courses. I wish to inform that from this term Foundation course examination will be conducted in descriptive (pen and paper mode) with each Paper of 100 marks with 3 hours duration. I advise all the examinees to prepare hard and excel in the examinations. I wish them all the best.

International Affairs

I attended the SAFA Board meeting at Mumbai along with CMA Sanjay Gupta, Chairman, WTO, International Affairs & Sustainability Committee and CMA Dr. PVS Jagan Mohan Rao, CCM & Chairman PAIB Committee of SAFA on 24th April 2016. As part of SAFA Events, meeting of the PAIB Committee of SAFA was conducted on 22nd April 2016 wherein the Book titled "Contemporary Issues in Sustainability Accounting & Reporting", developed by the Research and Journal Department of the Institute, was released by Mr. Stathis Gould, Head of PAIB and Integrated Reporting Lead, IFAC. To commemorate the World Earth Day, Chairman of the Committee presented the sapling to Mr. Stathis Gould. I also presented this book to SAFA President and Vice President during the SAFA Board meeting which was very well received by the SAFA Board members. The next CAPA Events are scheduled from 16th to 19th May 2016 at Kuala Lumpur, Malaysia which shall

be duly represented by the Institute.

Membership Department:

Members in practice are kindly aware that Certificate of Practice (CoP) is valid till 31st March each year. Membership fees fall due on 1st April each year and I request all members to clear their dues of 2016-17 at an early date and continue to enjoy the benefits of membership.

Placement Initiatives

I am happy to share that the first round of Campus Placement Program conducted for December 2015 qualified students has been successfully completed with the participation of 36 companies. 129 CMAs could find their future during the placement program. The campus placement program is a continuous process and I am sure maximum students will find placements through this initiative. I wish all the young CMAs a great success in their new assignments and expect them to contribute to the growth of their respective organisations. I also invite them to become members of this great Institute and thereby continue to guide the future CMAs.

Professional Development

PD Directorate is sending representations to various organisations for inclusion of cost accountants for providing professional services in the area of Accounts, Internal/ Concurrent Audit, Taxation, Stock audit and other assignments. Please visit the PD portal for more details. Other initiatives are listed out in the following lines:

- * PD Directorate represented before the Chief Minister and Deputy Chief Minister of NCT of Delhi on the issue of formulating and determining the ideal cost structure of Private school tuition fees and appealed for inclusion of Cost Accountants for providing professional services in the similar area of other assignments.
- * Ministry of Road Transport and Highways has included Cost Accountants for their empanelment in NHAI as Concurrent Auditor/ Internal Auditor in Model Concession Agreement (MCA) on infrastructure for PPP Projects in Highways.
- * PD Committee is in process of preparing the Guidance Note on the Concurrent Audit of Commercial Banks, Monograph on Internal

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Audit of Treasury Functions of Commercial Banks and Monograph on Risk Based Internal Audit of Commercial Banks. The publications are expected to be released soon.

- * PD Committee, in association with PHD Chamber of Commerce and Industry, organized Seminar on the theme "Impact of Changes in Service Tax, Excise, and Customs vide Union Budget, 2016" on Thursday, 21st April at New Delhi. Seminar was first of the Annual Workshop Series on Indirect Taxation with specific relevance to GST for the year 2016-17 covering Service Tax, Excise, Customs, FTP, etc., and Draft Business Reports on GST along with the upcoming GST Law.

Research and Journal Department

The Institute was associated as the Knowledge Partner in third edition of the PHD GLOBAL RAIL CONVENTION-2016 – 'Indian Railways - Transforming into an Engine of Growth' on April 13 2016 organized by the PHDCCI at New Delhi. Knowledge Report prepared by the Directorate on the theme of the convention was highly acclaimed.

Tax Research Department

Taxation Committee has requested members for their valuable suggestions on the draft rules on "Grant of Foreign Tax Credit" issued by CBDT. Committee has successfully completed yet another training program tailored for revenue officials. Taxation committee has come out with the Guidance Note on application of the provisions under Rule 6 & 7 of CENVAT Credit Rules 2004, which is expected to provide necessary guidance to the members of the profession. Ministry of Finance in its Press Release dated 28th April 2016 prescribed the framework of book profit for the purpose of levy of MAT under section 115JB of Income Tax Act, 1961 for Indian Accounting Standard (Ind-AS) compliant companies. I request the members to participate through the process of constructive discussion and facilitate Taxation Committee to make appropriate representations before the authorities.

Initiatives by Members

I wish to inform that the following matters were brought to the notice of the Institute by the members and Institute offered wholehearted support to resolve the issues:

- * My sincere appreciation to the Karnataka CMAs Association on successfully appealing for the right to Audit the Cooperative Societies of Karnataka State, in the court;

- * On personal meeting of Vice-President of the Institute with the officials of Bihar State Power Holding Company Ltd. (BSPHCL), BSPHCL has revised the recruitment criteria for 52 posts of Accounts Officers to include Cost Accountants with other professionals. The last date for applying has also been extended.

I advise all the members to interact with the local corporates and state government officials for enhancing the scope of CMA fraternity within the framework of law and bring it to the notice of the Institute so that necessary support can be extended by our end in order to achieve allround development of the profession and the Institute.

Other Initiatives

- * In a welcome move, BSNL inviting expression of interest for Internal Audit is accepting Cost Audit experience as part of statutory audit experience. This will benefit the participating CMAs.
- * Bangalore chapter of the Institute organised Karnataka CMA Convention on 30th April 2016 at Bangalore on the theme "Role of CMAs in Socio-Economic Growth".

I wish prosperity and happiness to members, students and their families on the occasion of Guru Rabindranath Tagore Jayanti and Budh Purnima. I also urge them to take good care during the prevailing summer season.

With warm regards,



(CMA P.V. Bhattad)
1st May 2016