

PRACTICING AS A CMA – OPPORTUNITIES FOR SMALL CMA FIRMS IN REAL ESTATE SECTOR

Abstract

The Real estate sector plays a pivotal role in development of our Nation's economy. The Real estate sector provides direct and indirect employment opportunities to several crores of people of this country. As per the future outlook by M/s Cushman and Wakefield for the current year 2026, in the residential housing market, rising incomes and increased NRI participation are fueling demand for premium homes, with new launches expected to exceed 300,000 units. With more than 100 bps rate cut delivered by the RBI in 2025, year 2026 will see the mid-segment homebuyers back in action.

With the ever expanding market space for this sector throughout the Nation, small CMA firms can capitalize on the huge practicing opportunities thrown out by this sector in Costing, Finance and Taxation.

Introduction:

The Companies (Cost Records and Audit) Rules- 2014 and The Companies (Cost Records and Audit Amendment) Rules- 2019 has included Construction Industry under Non-Regulatory sector for applicability of Cost Audit / Maintenance of Cost Records. Real estate also falls within the definition of Construction Industry as per this schedule. Thus, the Government has recognized the vital role played by Cost Accountants in Real Estate Industry. There are many players operating in this sector, engaged in developing and sale of gated communities/condominiums as well as small players developing a small plot of land into minimum number of residential flats and selling them to prospective



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buyers. In this article, an attempt has been made to highlight the opportunities available in MSME real estate firms/Companies for young and experienced CMA firms who are not in a position to undertake Cost Audit or Internal Audit owing to their size and turnover, to practice as Financial/Management consultants for these MSME firms.

Role of CMAs as consultants in Real Estate Sector:

MSME units in this country in the turnover bracket of Rs 5 crores to say Rs 50 crores including those in Real Estate Sector are dependent on Practicing Professionals like Cost Accountants, CAs and Company Secretaries as they do not have the resources to appoint these professionals on full time employment basis. CMA professionals have been guiding these MSME units over the years in all spheres like, Statutory Compliance, Maintaining Financial and Cost Records, Banks, GST, Income Tax etc. Thus, apart from being mere auditors (Statutory, Internal, Stock Audit, Tax Audit etc.,) they have been playing a larger role as Financial advisors to these entities.

There are huge opportunities available to CMAs as Financial Advisors / consultants. In fact, this might have prompted our Government to bring

forth the scheme of 'Corporate Mitras' in the recent Union Budget. **Thus, the author emphasizes the practicing CMAs to don the role of Financial Advisors .**

MSMEs in Real Estate Sector – The future outlook:

According to a report on MSMEs in Real Estate Sector, the reputed consulting firm, CBRE in its outlook for real estate sector in India, mentions that over the next few years, lending to MSMEs in the real estate sector would broaden with private firms increasing their exposure to the sector. Financial firms using data-driven solutions for loans such as predictive analysis, AI-powered credit scoring would modernise the lending landscape. Well-run construction companies would be benefitted by the enhanced financing, helping them scale up their projects and enable swifter completion of projects.

Providing industry-specific technology and knowledge infrastructure, apart from the development of incubation hubs would help provide a strong foundation for smaller enterprises. From a physical infrastructure standpoint, project-specific incentives such as rebate on land cost, power consumption for specific project type such as affordable and mid segment housing, would provide strong incentives for developers. The government's INR 75,000 crore proposal for 100 critical transport infrastructure projects for first and last-mile connectivity would help MSMEs in the manufacturing space. (Source: CBRE Research in collaboration with CREDAI on MSMEs in Real Estate- January-2024)

A typical MSME firm in real estate sector to be targeted by the practicing CMAs can be in the turnover range of Rs 5 crores to Rs 25 crores per annum. These firms do not employ full fledged professionals. Most of the works to be performed by professionals will be outsourced to CMAs, CAs, Company Secretaries, Advocates and Civil Engineers.

How to approach these firms?

The recent initiative by the Central Government to amend the legislations and rules of the respective Institutes viz., CA, CMA and CS allowing practicing professionals of these Institutes to advertise their

profession (subject to certain restrictions) to market their services has come as a booster for the practicing CMAs. Practicing CMAs can tap the following sources to rope in clients from real estate industry:

- a. Member's Directory available in the online portal of Builder's Association of India (BAI) and the portal of the respective regions viz., Northern, Southern, Eastern / Western of Builder's Association of India.
- b. A number of Trade fairs are conducted every year all over India where all the builders and flat promoters put up their stalls. CMAs can directly visit these stalls and showcase their profile and attract the builders and flat promoters.
- c. CMAs can register with business marketing apps like Just Dial etc., by subscribing to user specific packages.

Areas in Real Estate Companies/firms where CMAs can play role as consultants:

CMAs can play a major role as consultants in Real Estate Companies in the following areas:

1. Arrangers of Project specific finance / working Capital finance for executing the flat promotion projects by real estate Companies/Firms:

This is a very lucrative area for CMAs as financial consultants. Availing bank finance can help these builders and flat promoters to bridge the gap between actual cash inflows and cash outflows.

The real estate Companies/firms have to incur many incidental expenses like advance payment to Land Owners in Joint development projects / in projects where there is outright purchase of Land, Layout approval/Building plan approval, Soil testing charges, Architect drawing charges, Legal Opinion by advocates for the project land etc and these expenses have to be incurred by them even before the flats are booked. Availability of Bank Finance will enable the real estate firms to part finance these expenses. Moreover, flat buyers will prefer a real estate project appraised by a Bank/Financial Institution as there will be

a commitment on the part of the builders to complete the project as per schedule, sell the flats to prospective buyers and repay the project finance on completion of the project.

CMA's have to prepare a Detailed project Report specific for a flat promotion project analysing the Locational advantages of the project, Project Cost, Means of Finance, Project Implementation Schedule, Economic viability of the project and preparation of quarterly Cash Budget.

2. Rendering professional assistance in proper drafting of Joint development Agreement, Power of Attorney, Sale and Construction Agreement:

3. Projectwise Cost Statements and Cost to Complete analysis:

Professional services in Collection of actual costs incurred for each project and allocation of overhead costs to projects – Working out the actual project costs incurred for each project – Valuation of Work in Progress – Preparing revised Cost estimates based on actual costs incurred and Cost to Complete analysis statements.

4. GST related works:

The issues in GST pertaining to real estate transactions is quite different from the regular GST related issues for manufacturers and traders. While undertaking the Consultation for GST pertaining to real estate Companies, CMA's should bear in mind the following points:

- a. The firms/companies operating in real estate sector not only undertake construction of apartments but also do pure construction of residential buildings for landowners on works contract basis. Hence, the transaction should be identified as those which are purely real estate transactions, involving GST of 5% -(Non-Affordable Housing segment) (without availing Input Tax Credit) and GST of 18% (with ITC) for pure construction contracts.

- b. CMA's can also advise the clients on GST payable on the value of flats delivered to landowners in Joint Development cases, in lieu of Cost of Land. It is pertinent to note that in GST law the value of flats delivered to landowners in JV agreement cases is a forward charge and hence includible as turnover in GSTR 3B but not in books (Para 2 of Notification No.11/2017-C.T.(Rate) and 8/2017-I.T.(Rate) both dated 28.06.2017 as amended w.e.f 01.04.2019). This will be a major reconciliation factor while filing GSTR 9C annually.
- c. GST is also payable on reverse charge basis on the value of flats remaining unbooked on the date of Transfer of Development Rights (TDR) where there is such a Transfer. (Sr.No.41(A) and 41(B), Notification No.12/2017 -C.T.(Rate) and 9/2017 I.T. (Rate) both dated 28.06.2017 inserted w.e.f 01.04.2019
- d. No GST is payable on apartments sold after obtaining completion certificate. Thus, broadly speaking, CMA's can play an active role in GST related consultancy in the areas of Filing monthly GST returns, annual returns, replying to various notices issued by the GST department, appearing before tribunals on behalf of the clients in real estate sector.

5. RERA Act and CMA's:

In order to protect the interests of the flat buyers and to regulate the construction of apartments, the Government has promulgated the Real Estate Development Regulatory Authority Act 2016. The implementation and regulation of the RERA Act is in the hands of respective State Governments and it is applicable to apartment complexes with more than 8 flats in a complex or where the area of land proposed to be developed exceeds 500 sqm. The RERA Act stipulates certificates from professionals like CAs and CMA's on the cost of completed projects, cost incurred up to date for on-going projects etc which

is a lucrative area of practice for Practicing CMAs.

6. Streamlining Books of Accounts and Income Tax filing:

The real estate sector provides ample opportunities for CMAs in streamlining maintenance of books of accounts as per the AS -7 (in non-corporate entities) mandated by ICAI or as per IND AS 115 (in case of Corporate entities) . The revenue from operations of real estate firms/companies consists of Contract Receipts as well as Work in progress (representing projects completed upto a certain stage and advances received from flat buyers) on the income side and payments made to Landowners for purchase of project land and constructions costs on the expenses side. CMAs can assist the firms / Companies in finalising the annual accounts and filing the annual income tax returns. Further, CMAs can also assist the real estate firms for payment of TDS and filing of quarterly TDS returns under various categories like payment to Contractors, Architects, Advocates, Design Engineers, Landowners (Purchase of immovable

property exceeding Rs 50 lakhs) etc. **MA**

Conclusion:

Young and experienced CMAs who have set up their practicing business have excellent opportunities in real estate sector as consultants and advisors for MSME units. CMAs can attract the clients by offering a basket of all the above services under one roof and beat the competition from CA/CS , which will also be cost effective for the clients in MSME sector (Real Estate).

References:

1. *Cushman and Wakefield report on outlook for Indian Real Estate- 2026*
2. *CBRE Research paper on MSME Sector -January 2024.*
3. *Note on GST for Builders and Developers w.e.f April 2019- by CA Yashwant J Kasar*
4. *Tamil Nadu Real Estate Regulatory Authority Rules, 2017*
5. *ICMAI Guidance note on GST for Real Estate Sector*
6. *ICMAI Guidance Note on Cost Audit for Construction Industry.*

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