THE JOURNAL FOR CMAs

# THE MANAGEMENT ACCOUNTANT

ISSN 0972-3528

December 2017 | VOL 52 | NO. 12 | Pages - 124 | ₹ 100

# Governance In Real Estate

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
www.icmai.in

# INSOLVENCY PROFESSIONAL AGENCY OF INSTITUTE OF COST ACCOUNTANTS OF INDIA (IPA OF ICAI)

(Section 8 Company of the Institute of Cost Accountants of India)

**INSOLVENCY PROFESSIONAL AGENCY OF INSTITUTE OF COST ACCOUNTANTS OF INDIA (IPA OF ICAI)**

### About IPA of ICAI:

The Insolvency Professional Agency of Institute of Cost Accountants of India (IPA of ICAI), a section 8 company incorporated under the Companies Act 2013 has been promoted by the Institute of Cost Accountants of India to enroll and regulate Insolvency Professionals (IPs) as its members in accordance with provisions of the Insolvency and Bankruptcy Code 2016, Rules, Regulations and Guidelines issued thereunder.

## ENROL AND REGISTER AS AN INSOLVENCY PROFESSIONAL

**ENROLLMENT IS OPEN: For Professionals & Advocates and Graduates having Management Experience**
IPA of ICAI enrolls the professionals as '**Insolvency Professionals'** under Regulation 7 read with Regulations 4 & 5 of Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations, 2016, if

**1. He/she has passed the 'Limited Insolvency Examination', conducted by the Insolvency & Bankruptcy Board of India (IBBI) and**
**2. Has/she has ten years of experience as -**
**(a) a cost accountant enrolled as a member of the Institute of Cost Accountants of India,**
**(b) a chartered accountant enrolled as a member of the Institute of Chartered Accountants of India,**
**(c) a company secretary enrolled as a member of the Institute of Company Secretaries of India, or**
**(d) an advocate enrolled with a Bar Council.**

**OR**

**3. He/she has fifteen years of experience in management, after receiving a Bachelor's degree from a University established or recognized by law.**

### Insolvency Professional may function as:

- Interim Insolvency Professional in Corporate, Individual and Partnership Insolvency Process; Fast Track Corporate Insolvency Process; and Fresh Start Process;
- Resolution Professionals for Corporate, Individual and Partnership Insolvency Process; Fast Track Corporate Insolvency Process; and Fresh Start Process;
- Liquidator in Liquidation Process for Corporate Persons;
- Liquidator in Voluntary Liquidation for Corporate Persons;
- Bankruptcy Professional for Bankruptcy of Individual and Partnership Firm.

### Why to enrol as Insolvency Professional ......

- It's a niche area of practice with opportunities galore
- With the first mover's advantage, there is an opportunity to create a brand name
- Adequate handholding from IBBI and the IPA of ICAI


**CMA J. K. Budhiraja**
**CEO, Insolvency Professional Agency of Institute of Cost Accountants of India**

**Registered Address:**
CMA Bhawan, 4th Floor, 3, Institutional Area
Lodhi Road, New Delhi - 110003

**Phone No.**: 011 24666141, 24666120
**Mail Id:** ipa@icmai.in
**Website:** www.ipaicmai.in

Editorial Office
CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata-700 025
Tel: +91 33 2454-0086/0087/0184 , Fax: +91 33 2454-0063
Headquarters
CMA Bhawan, 12, Sudder Street, Kolkata 700016
Tel: +91 33 2252-1031/34/35 , Fax: +91 33 2252-7993/1026
Delhi Office
CMA Bhawan, 3, Institutional Area, Lodi Road, New Delhi-110003
Tel: +91 11 24622156, 24618645 ,Fax: +91 11 4358-3642

WEBSITE
www.icmai.in

# The Institute of Cost Accountants of India

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (erstwhile The Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.

On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.

It has since been continuously contributing to the growth of the industrial and economic climate of the country.

The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

## MISSION STATEMENT

**The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.**

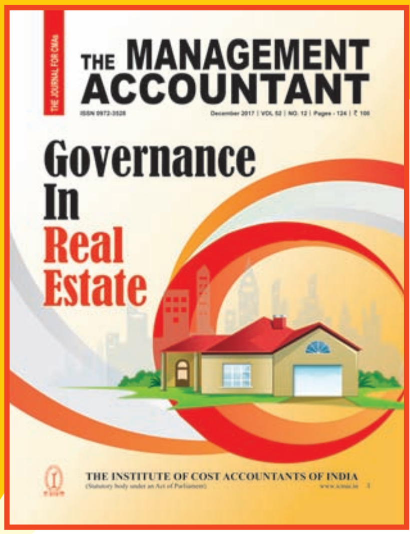
## VISION STATEMENT

**The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.**

### IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

*Behind every successful business decision, there is always a* ***CMA***




December VOL 52 NO.12 ₹ 100

# CONTENTS

THE JOURNAL FOR CMAs

DECEMBER 2017

## Inside Cover Story



*The Management Accountant, official organ of The Institute of Cost Accountants of India, established in 1944 (founder member of IFAC, SAFA and CAPA)*

***EDITOR - CMA Dr. Debaprosanna Nandy***
*on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016. e-mail: editor@icmai.in*

***PRINTER & PUBLISHER - CMA Kaushik Banerjee***
*on behalf of The Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016*

***CHAIRMAN***
***JOURNAL & PUBLICATIONS COMMITTEE - CMA Biswarup Basu***

***EDITORIAL OFFICE -*** *CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road, Kolkata -700 025*
*Tel: +91 33 2454-0086/0087/0184, Fax: +91 33 2454-0063*

***The Management Accountant technical data***

**Periodicity :** Monthly
**Language :** English

**Overall Size :** - 26.5 cm x 19.5 cm

**Subscription**
**Inland :** ₹ 1,000 p.a or ₹ 100 for a single copy
**Overseas :** US$ 150 by airmail

**Concessional subscription rates for registered students of the Institute:** ₹ 300 p.a or ₹ 30 for a single copy

***Advertisement rates per insertion (All Colours)***

| | ₹ | US$ |
|---|---|---|
| Back Cover | 80,000 | 2,500 |
| Inside Cover | 50,000 | 2,000 |
| Ordy. Full Page | 30,000 | 1,500 |
| Ordy. Half Page | 20,000 | 1,250 |
| Ordy. Qrtr. Page | 10,000 | 750 |

The Institute reserves the right to refuse any matter of advertisement detrimental to the interests of the Institute. The decision of the Editor in this regard will be final. For any query, mail to **journal.advt@icmai.in**

**The Management Accountant Journal is Indexed and Listed at:** Index Copernicus and J-gate
- Global Impact and Quality factor (2015):0.563
- UGC enlisted journal

# EDITORIAL

***Greetings!!!***

The real estate sector is one of the most globally recognized sectors. In India, real estate sector is the second largest employer after agriculture and is slated to grow at 30 per cent over the next decade. It comprises four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth of the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy. It is also expected that this sector will incur more non-resident Indian (NRI) investments in both the short term and the long term.

The Indian real estate market is expected to touch US$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP). It has witnessed high growth in recent times with the rise in demand for office as well as residential spaces. The real estate sector in India is expected to attract investments worth US$ 7 billion in 2017, which will rise further to US$ 10 billion by 2020. India has been ranked fourth in developing Asia for FDI inflows as per the World Investment Report 2016 by the United Nations Conference for Trade and Development. According to data released by Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received Foreign Direct Investment (FDI) equity inflows to the tune of US$ 24.54 billion during the period April 2000-June 2017.

The Real Estate (Regulation and Development) Act, 2016 (RERA) initiated by the Government w.e.f. May 1, 2016, was passed by parliament last year to bring clarity and fair practices that would protect the interests of buyers and also impose penalties on errant builders. This brings for the first time ever, transparency, governance and accountability in the sector whose functioning has been considered opaque and where information asymmetry and potential money laundering fraud has had maximum scope. The law will eventually segregate quality developers from casual operators, giving consumers a sigh of relief from corrupt practices in the sector. The bill, which provides for the establishment of a Real Estate Regulatory Authority (RERA) in each State/Union Territory, will bring in much-needed professionalism by regulating both commercial and residential transactions, all of which will be overseen by the RERA. The bill also establishes a fast-track dispute resolution mechanism through adjudication and a Real Estate Appellate Tribunal. While safeguarding the interests of the buyers and investors, developers will now have to comply with a host of new norms.

The Securities and Exchange Board of India (SEBI) has given its approval for the Real Estate Investment Trust (REIT) platform which will help in allowing all kinds of investors to invest in the Indian real estate market. It would create an opportunity worth Rs 1.25 trillion (US$) in the Indian market over the years. Responding to an increasingly well-informed consumer base and, bearing in mind the aspect of globalization, Indian real estate developers have shifted gears and accepted fresh challenges. The most marked change has been the shift from family owned businesses to that of professionally managed ones. Real estate developers, in meeting the growing need for managing multiple projects across cities, are also investing in centralised processes to source material and organize manpower and hiring qualified professionals in areas like project management, architecture and engineering. The growing flow of FDI into Indian real estate is encouraging increased transparency. Developers, in order to attract funding, have revamped their accounting and management systems to meet due diligence standards.

This issue presents a good number of articles on the cover story theme 'Governance in Real Estate' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.

THE JOURNAL FOR CMAs

# THE MANAGEMENT ACCOUNTANT

## -: PAPERS INVITED :-

*Cover stories on the topics given below are invited for 'The Management Accountant' for the four forthcoming months.*

*Theme*

### Paradigm shift in Indian Banking System

*January 2018*

*Subtopics*

- *Managing Risk, Regulations and Capital*
- *Digitisation and Cyber security*
- *Prospective M&A of banks in India*
- *Strategic Cost Management issues in banks*
- *Credit issues and Regulators role*
- *Transitional Cashless economy*
- *HR issues & performance parameters*
- *Role of CMAs*

*Theme*

### Transforming Energy Sector

*February 2018*

*Subtopics*

- *Game Changers & Trends in Energy Systems*
- *Power & Utilities scenario*
- *Conventional vs. Non-conventional power*
- *Power Generation & Distribution*
- *Present industry challenges*
- *Government Initiatives*
- *Role of CMAs*

*Theme*

### Fair Value Accounting : Changing Contour of Financial Reporting in India

*Subtopics*

*March 2018*

- *Corporate Reporting & Accounting Standards*
- *Financial Instrument Measurement through Fair Value Accounting*
- *Fair Value in Service Sector*
- *Fair Value Accounting and Auditing Standards*
- *Fair Value Accounting for Mergers and Acquisitions*
- *Role of CMAs*

*Theme*

### Capital Market & Derivatives

*Subtopics*

*April 2018*

- *Mechanics and Valuation Basics*
- *Pricing and Market Risk*
- *Economic function of the Derivative Market*
- *Financial Reform and Government Regulation*
- *Financial Derivatives under GST*
- *Role of CMAs in Capital Market*

***The above subtopics are only suggestive and hence the articles may not be limited to them only.***

***Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport-size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for publication anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st of the previous month.***

**Directorate of Research & Journal**

The Institute of Cost Accountants of India (Statutory body under an Act of Parliament)

CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700 025, India

Board: +91-33- 2454 0086 / 87 / 0184, Tel-Fax: +91-33- 2454 0063

www.icmai.in

# PRESIDENT'S COMMUNIQUÉ

*"Keep away from people who try to belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great."*

*-- Mark Twain*

**CMA SANJAY GUPTA**
*President*
*The Institute of Cost Accountants of India*

My Dear Professional Colleague,

Namaskaar!!!

We are in the fag end of the year 2017 and very soon entering to a new year 2018 with new opportunities and challenges.At the outset I must place my deep appreciation for the support you all are bestowing on me to carryout my duties more effectively. While we have seen good success in some areas, there are more yet to do. I am sure with your continued support we will be able to achieve our targets. While we are hungry to do more, I need your support and cooperation as usual.

Global Entrepreneurship Summit co-hosted by India and the US, for the first time held in South Asia from November 28-30, 2017 at Hyderabad. This year's Summit highlighted the theme ***"Women First, Prosperity for All"***, and focused on creating an environment that empowers innovators, particularly women, to take their ideas to the next level. Hon'ble Prime Minister of India, Shri Narendra Modi called upon entrepreneurs from across the globe to "Come, make in India, invest in India, for India and for the world". Seeking to make the most of the forum that GES presented to highlight measures initiated by the government to improve business environment, towards better investor-friendly climate as well as to curb the parallel economy, tax evasion and black money, Hon'ble Prime Minister said the efforts had been recognised by Moody's recent upgrade of India government bond ratings.

Any step taken by our Government to curb the menace of Black Money or tax evasion for economic development of the Country is always supported by the Institute by extending its wholehearted support to the Government of India. Demonetisation was one of such decisions taken by the Government on 8th November 2016. Now, since one year is passed after that decision, we all as citizen of the Country are eager to know about outcomes of Demonetisation on Indian Economy. On 6th November, 2017, I presented my views on "India after one year of demonetization: Where do we stand" during a live Interview show for DD National Channel at Doordarshan.  There are few issues to be sorted out to get the best positiveoutcomes ofdemonetisation. This will assure a new culture of honest economic activities in India and will assure faster development of the country.

Moody's Investors Services recently has raised India's sovereign rating for the first time in 13 years due to India's high growth potential in the coming years and in view of the ongoing economic and institutional reforms, which will contribute to the gradual decline in general Government debt burden. This rating upgrade, coupled with India's improved ranking in the recently declared World Bank's ease of doing business index are strong indicators of inherent economic strength of Indian economy and positive directions of reforms.

Banking & Financial Sector which is under burden of huge bad loans, to strengthen the banking sector and also to meet capital norms under Basel III, the government has recently announced a 2.11 lakh crore recapitalisation plan for the public-sector banks which will ensure adequate funding for the genuine borrowers, and the private-sector investment cycle, more employment and our economy at large will get a strong boost.

We as professionals need to take our responsibilities so that our nation continues to progress on the path of development.

## Real Estate (Regulation and Development) Act, 2016

The Real Estate (Regulation and Development) Act 2016 came into force on 1st May 2016. To implement and operationalize various provisions of the Act, all Appropriate [State] Governments are in the process of setting up concerned regulatory authorities and formulating relevant rules/regulations. Few States have already gone ahead and done so.

On going through various provisions of the Act and the Rules framed thereunder by few State Governments, it is observed that essence of the law is to regulate and control the unscrupulous activities of real estate developers; and to stop their existing practice of squeezing poor home buyers by making one-sided agreements. Entire Act revolves around the estimated cost of real estate project, apartment, plot or building. Hence, "cost" is of paramount significance to ensure that objectives of the law are fulfilled.

Under section 4(2)(l)(D) of the Act, it is provided that for the promoter to deposit seventy percent of the amounts realised in an escrow account to cover the cost of construction and the land cost and withdraw the amounts after it is certified by an engineer, an architect and a chartered accountant in practice that the withdrawal is in proportion to the percentage of completion of the project.

It is pertinent to mention here that as per the provisions of Cost and Works Accountants Act, 1959, only a cost accountant in practice is empowered to certify cost of a project, apartment, plot or building. Further, under the rules notified by Ministry of Corporate affairs, all companies engaged in the construction activities, including real estate development, roads and other infrastructure projects are required to maintain project-wise cost details and get them audited & certified from a cost accountant in practice. We are vigorously pursuing this matter with theconcerned Ministries.

Though Section 56 of RERA Act allows Cost Accountants to appear before the Appellate Tribunal or Regulatory Authority or the Adjudicating Officer on behalf of the applicant or appellant, but they have not been authorized to certify the cost of the real estate project, apartment, plot or building which is their sole domain area.

In order to safeguard the interest of millions of home buyers, your Institute is continuously taking up this matter with the Ministry of Housing & Urban Affairs, to issue an order clarifying implementation of section 4(2)(l)(D) of the Real Estate (Regulations and Development) Act, 2016 by providing that at the time of withdrawal of amounts a certificate from the cost accountant in practice certifying actual cost upto to the stage of percentage completion of the project and balance estimated cost to complete the project.

## International Affairs Department

The South Asian Federation of Accountants (SAFA) held its Board, Assembly and Committee meeting during 30th October to 1stNovember, 2017 at Colombo, Sri Lanka. It was attended by my Council colleagues CMA Dr.P.V.S.Jagan Mohan Rao and CMA Amit Anand Apte.

I am happy to share that I along with CMA Amit Anand Apte, CCM, attended Global Management Accountants Conferenceon "Costing and Pricing- A Competitive Edge"organised by Institute of Cost and Management Accountants of Pakistan on 4thNovember, 2017, Pakistan Auditorium, Dubai. Being one of the key panellists for the Technical Session on "Role of Professional Accountants in Economic Value Addition through Cost and Pricing", I spoke about "Integrated Reporting: Role ofCost &Management Accountants and Challenges and Opportunities for Professional Accountants".

CMA P. Raju Iyer, CCM attended the Members Meeting, Extraordinary General Meeting and 60thAnniversary events of the Confederation of Asian and Pacific Accountants were held during 7thto 10thNovember, 2017 at Kula Lumpur, Malaysia.

International Federation of Accountants (IFAC) held its Ordinary Council meeting during 15th-16thNovember, 2017 at Belgium. CMA (Dr.) I

Ashok, Chairman- International Affairs & Sustainability Committee represented the Institute in this meeting and event.

## Professional Development Committee

- ***Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017***

I am glad to share that 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.

- ***Workshop on "Paradigm Shift in Valuation - Opportunities for Professionals"***

Professional Development Department organized the workshop on "Paradigm Shift in Valuation - Opportunities for Professionals". The workshop witnessed august presence of Shri P. P. Chaudhary, Hon'ble Union Minister of State for Law & Justice and Corporate Affairs as the Chief Guests. The workshop received an overwhelming response from the members and other professionals. The Hon'ble Minister appreciated the initiative of the Institute by mentioning that the workshop on this topic is first of its kind. The Hon'ble Minister assured that he would consider enhancing the scope of cost audit as it is beneficial not only to the management for sustainability of a company but also to the other stakeholders like shareholders, creditors and consumers. In my address, I thanked the Hon'ble Minister for giving opportunities to the Cost Accountants under valuation rules notified by the Ministry of Corporate Affairs, for considering our request to enhance the scope of cost audit and to change the name of our Institute to Institute of Cost and Management Accountants of India.

The Hon'ble Minister released "Guidance Note on Anti Profiteering" developed by the Professional Development Department of the Institute at the workshop. I believe that the professionals and practitioners would be immensely benefited by this Guidance Note.

- ***Representation with Government, PSUs, Banks and Other Organizations***

PD Directorate continued sending representation letters to various organizations for inclusion of cost accountants for providing professional services in the area of Accounts, Internal Audit / Concurrent Audit/ Taxation, Stock audit and other assignments. Due to their efforts, J & K Small Scale Industries Development Corporation Limited and Indian Renewable Energy Development Agency Limited (IREDA) included Cost Accountants in their Tender/EoI for Internal Audit and Implementation of Ind-AS respectively and issued corrigendum in this regard. The list of organizations that were represented and those who recognized cost accountants can be seen at the PD Portal.

- ***Round Table Conference on "A Call to Action: Walk the Talk on Integrated Reporting"***

PD Directorate in association with Confederation of Indian Industry (CII) organised one Round Table Conference on "A Call to Action: Walk the Talk on Integrated Reporting" at Mumbai on 10th November, 2017 at Mumbai. As per the circular dated 6th February, 2017 of SEBI, Integrated Reporting may be adopted on a voluntary basis from the financial year 2017-18 by top 500 companies which are required to prepare Business Responsibility Report. Accordingly, a good number of CEO/CFO of top 500 companies attended the Round Table and had a discussion on Integrated Reporting. I also made a presentation giving the global scenario including the details of the contents to be given in Integrated Reporting as per norms laid down by the International Integrated Reporting Council (IIRC).

- ***CRBs 4th Annual Conference on "India & Sustainability Standards 2017"***

Centre for Responsible Business (CRB) organised its CRBs 4th Annual Conference on "India & Sustainability Standards 2017 during 15-17 November, 2017 at New Delhi wherein the Institute was the "Lead Partner". I was the Chief Guest during the valedictory session on 17th November, 2017 wherein while addressing the delegates, I spoke about the importance of Cost Management for sustainability of any entity and pivotal role being played by Cost Accountants. Further, I informed that the Institute has developed Cost Accounting Standards (CAS) and Standards on Cost Auditing (SCA) which are unique and can be utilised in standardisation of costing information.

### *Competition Commission of India*

In continuation of our collaborative activities with Competition Commission of India (CCI),the Institute organised a 'discussion session on Competition Law and related issues at Ahmedabad on 11th November 2017 and a session at the Regional Cost Convention at Madurai on 19th November 2017.The deliberations by Senior Official of CCI were well received and appreciated by the participants.

### *76th Meeting of NACAS*

I attended 76thmeeting of the National Advisory Committee on Accounting Standards (NACAS) held at ICAI Bhawan, New Delhi on 20th November 2017.

## Taxation Committee

On 13th November, 2017, CMA Niranjan Mishra, Chairman- Taxation Committee attended a meeting to discuss problems faced in tax related issues, especially under GST called by Ministry of Commerce & Industry atNew Delhi.

## Activities At Regional Councils & Chapters

### *SIRC Regional Cost Convention 2017*

On 18th November 2017, I interacted via video-conferencing during the Inaugural Session of the two-day Regional Cost Convention 2017 organised by Southern India Regional Council of Institute of Cost Accountants of India in collaboration with Madurai Chapter of the Institute on the theme "Vision 2022: Re-engineering Nation Building Process by CMAs" on 18th and 19th November 2017 at Madurai.

### *Bengal Cost Summit 2017 and Seminar on GST by Rajpur Chapter*

Bengal Cost Summit 2017 on the theme "Importance of CMA in Every Decision Making" organised by Rajpur Chapter of the Institute at J.N. Bose Auditorium, CMA Bhawan, Kolkata on 25th November 2017. Shri Sobhandeb Chattopadhyay, Minister-in-charge, Department of Power & Non-Conventional Energy Sources, Govt. of West Bengal inaugurated the Summit as the Chief Guest. I interacted via video-conferencing during the Inaugural Session of the event and also addressed the gathering. My council colleagues CMA H. Padmanabhan, CMA Manas Kumar Thakur, CMA BiswarupBasu and CMA AvijitGoswami also graced the occasion.

### *Seminar on GST by Raipur Chapter*

I am pleased to share that I was invited as a Chief Guest of the Seminar on 'GST – One Nation - One Tax, How to Overcome Practical Difficulties and Challenges' organized by the Raipur Chapter of the Institute on 11th November, 2017. This seminar was also attended by CMA Niranjan Mishra, Chairman- Taxation Committee.

### *Seminar on Cost Accounting/ Auditing Standard & GST by Bilaspur Chapter*

CMA Niranjan Mishra, Chairman - Taxation Committee enlightened the participants with his exemplary deliberations during the Seminar on Cost Accounting/ Auditing Standard & GST organised by Bilaspur Chapter of the Institute at Bilaspur on 12th November, 2017.

I wish prosperity and happiness to members, students and their families on the occasion of Christmas & Season's Greetings and pray for the success in all of their endeavours.

I will conclude with a quote from Dr. Robert Conroy "Cultivate optimism by committing yourself to a cause, a plan or a value system. You'll feel that you are growing in a meaningful direction which will help you rise above day-to-day setbacks."

Wish you a wonderful year ahead.

With warm regards,

CMA Sanjay Gupta
1st December, 2017

## *Workshop on "Paradigm Shift in Valuation-Opportunities for Professionals"*
## *November 23, 2017, India Habitat Centre, New Delhi*


*Release of Guidance Note on Anti Profiteering by Shri P.P.Chaudhary, Hon'ble Minister of State for Law & Justice and Corporate Affairs*


*Shri P. P. Chaudhary, Hon'ble Union Minister of State for Law & Justice and Corporate Affairs, Chief Guest, lighting the lamp at Workshop. CMA Sanjay Gupta, President of the Institute, CMA Manas Kumar Thakur, Immediate Past President of the Institute, CMA P Raju Iyer, Council Member are also seen*

*Shri P. P. Chaudhary, Hon'ble Union Minister of State for Law & Justice and Corporate Affairs, Chief Guest being felicitated by CMA Sanjay Gupta, President of the Institute.*


*Shri P. P. Chaudhary, Hon'ble Union Minister of State for Law & Justice and Corporate Affairs, Chief Guest deliberating at Workshop on "Paradigm Shift in Valuation – Opportunities for Professionals" on November 23, 2017 at New Delhi.*

## *SIRC Regional Cost Convention 2017, Chennai, 18th and 19th November 2017, Hotel Fortune Pandian, Madurai*


*CMA P V Bhattad, Past President honouring the Govt of Tamil Nadu State Minister I & B Shri. K Raju. Also seen CMA Dr I Ashok, Council Member, Sri. Veera Rao IAS Madurai Collector, CMA Dr A Mayil Murugan Chairman SIRC and CMA H Padmanabhan Vice President of the Institute.*

*CMA H Padmanabhan Vice President of the Institute addressing in valedictory function on 19th November at Madurai. CMA Dr I Ashok Council Member and Chairman SIRC CMA Dr A Mayil Murugan and other dignitaries are also seen.*


*Chief Guest Sri. Hari Thiagarajan Industrialist released "Young India" at Madurai RCC SIRC, a publication by CMA Sathyakumar. CMA Ashok B Nawal, CMA Dr I Ashok Council Members, Chairman SIRC CMA Dr A Mayil Murugan, other office bearers of SIRC and CMA H Padmanabhan Vice President are also seen.*

*CMA Manas Kumar Thakur Immediate Past President of the Institute addressing at SIRC RCC 2017. Also seen CMA H Padmanabhan Vice President, CMA P V Bhattad Past President, CMA Dr I Ashok Council Member and Chairman, SIRC CMA Dr A Mayil Murugan and others.*


*The Institute participated in the "Observance of Communal Harmony Campaign Week" from November 19 till November 25, 2017 and organized a cultural programme on November 24, 2017 at JN Bose Auditorium, Kolkata, Headquarters of the Institute*


*Vigilance Awareness Week 2017 observed by the employees of the Institute during the period October 30, 2017 to November 4, 2017*

*Institute observed National Unity Day on October 31, 2017 as Rashtriya Ekta Diwas to commemorate the Birth Anniversary of Sardar Vallabhbhai Patel both at its Headquarters and Delhi Office*

## "Costing and Pricing- A Competitive Edge" on 4th November, 2017, Pakistan Auditorium, Dubai




*CMA Sanjay Gupta, President of the Institute, CMA Amit Anand Apte, Council Member attended Global Management Accountants Conference on "Costing and Pricing- A Competitive Edge" organised by Institute of Cost and Management Accountants of Pakistan on 4th November, 2017, Pakistan Auditorium, Dubai*

*CMA P. Raju Iyer, Council Member of the Institute attended the Members Meeting, Extraordinary General Meeting and 60th Anniversary events of the Confederation of Asian and Pacific Accountants held during 7th to 10th November, 2017 at Kula Lumpur, Malaysia*

## Glimpses of Seminar on 'GST – "One Nation - One Tax" How to Overcome Practical Difficulties and Challenges' organized by the Raipur Chapter of the Institute on November 11, 2017




## Bengal Cost Summit 2017 on the theme 'Importance of CMA in Every Decision Making'

*The seminar was organized by Rajpur Chapter of the Institute at J N Bose Auditorium, Headquarters Kolkata on November 25, 2017. Shri Sobhandeb Chattopadhyay, Minister in Charge, Department of Power & Non Conventional Energy Resources, Govt of West Bengal inaugurated the summit as chief guest. CMA Manas Kumar Thakur, Immediate Past President, CMA H Padmanabhan, Vice President of the Institute, CMA Pranab Chakravarty, Chairman, EIRC and other eminent dignitaries were also present in the seminar.*

# RERA & the Benami Act: A Double Edged Weapon to Curb Black Money in India

**CMA Raghabendra Ray**
Asstt. Prof. of Commerce
Uttar Dinajpur
West Bengal

The real estate sector plays a catalytic role in fulfilling the need and demand for housing and infrastructure in the country. Though this sector has grown significantly in recent years, but it has been largely unregulated, with absence of professionalism and standardization and lack of adequate consumer protection. Buyers make the biggest investment of their life through immense sacrifices in buying a home, flat, shop or land. It is a fact that most booking agreements for real estate projects start by emphasizing the importance of being aware of the terms and conditions mentioned therein. But how many of the buyers take the trouble of going through these agreements, drafted in detail by the lawyers hired by developers? This is important because most clauses in these agreements are aimed at protecting builders from legal troubles while giving very few rights to buyers. If you do not have the time or inclination to go through the legalese, nobody will give you guarantee that your dream will materialize. In this way promoters used to cheat the home buyers, force home buyers to pay in cash and give shelter to home buyers interested in investing black money. They have gripped overall control in the sector and have turned the real estate industry into safe haven for generating, parking and circulating black money. While the segments in the industry have been advocating self-regulation in an era of liberalization, others have been advocating for strong legislation to regulate the private sector so that gullible consumers are not cheated. The role of the Union Government in this respect is praiseworthy as they have taken several policy initiatives i.e. the Real Estate (Regulation & Development) Act 2016, popularly known as RERA, the Benami Transactions (Prohibition) Amendment Act 2016, the Black Money Act and the very recent Goods and Services Tax Act so as to bring the realty sector back on track and towards a brighter tomorrow. The present paper is confined to look into the former two Acts only.

## 1. Objectives of the paper:

(i) To understand how RERA will help to crack down black money in the real estate sector
(ii) To understand the Benami Transaction (Prohibition) Act and the legal provisions for selecting the name in which property is to be booked
(iii) To examine the impact of Benami Transaction (Prohibition) Act on RERA
(iv) To give suggestions and draw conclusion

## 2. How RERA will help to crack down black money in the real estate sector:

The much awaited RERA which has been envisaged as a landmark reform for the real estate sector has finally become a reality after it was passed in the Parliament in March 2016. The RERA came into force on 1st May 2016 with 69 sections out of total 92 sections and the remaining 23 sections became effective from 1st May 2017. Apart from delay in handing over flats to homebuyers, the RERA would keep a close eye on the use of black money in the real estate sector. If builders and homebuyers are suspected of using unaccounted money, RERA officials can search and seize properties. It can also check books of account of builders. The following provisions in the RERA are envisaged to crack down black money.

(i) RERA provides that promoters or developers shall not advertise, market, book, sell or offer for sale any plot, apartment or building in any real estate project without registering the project with the Real Estate Regulatory Authority. The registration is compulsory where the area of land proposed to be developed exceed 500 sq. metres or number of apartments proposed to be developed exceeds 8 inclusive of all phases. The authority may, on receipt of the complaint or suo moto in this behalf or on the recommendation of the competent authority, revoke the registration after being satisfied that the promoter makes any default in complying with the Act, violates any terms or conditions of approval given by the competent authority, involved in any kind of unfair practices or irregularities, indulges in any fraudulent practices, etc. Upon revocation of registration the authority shall debar the promoter from accessing its website, disclose the name of developer in defaulters list in authority's website and freeze the project bank account of the promoter. So, promoters come under the strict control of RERA.

(ii) Not only promoters, the Act mandates that real estate agents and brokers also have to register with the authority. Agents and brokers are not allowed to market and sell any projects until they complete registration. They shall

*The real estate sector has grown significantly in recent years, but it has been largely unregulated, with absence of professionalism and standardization and lack of adequate consumer protection. Promoters have gripped overall control in the sector and have turned the real estate industry into safe haven for generating, parking and circulating black money. In these circumstances, the enactment of RERA is a historic step. Real estate is a capital intensive assets class and investments in these assets are made mostly through benami transactions. The amendment in the Benami Transaction (Prohibition) Act is carried out with an aim to prohibit benami transactions. Things are set to get tougher in future for the unscrupulous profit-makers in real estate sector with the help of the Benami Act. We have to consider the provisions of both RERA and Benami Act to get rid of the benami transactions in real estate. However, the actual results will take some time to be visible and will depend on the proper implementation at the ground level.*

maintain such books of account and records as may be prescribed, and shall not involve in any unfair trade practices. Even real estate agents can be summoned to trace the source of black money. So all participants in the real estate market come under the net of RERA.

(iii) If any person is affected by incorrect or false statement contained in the notice, advertisement or prospectus, or the model apartment, plot or building, the promoter shall be bound to return the entire investment of that person if he intends to withdraw from the proposed project along with such rate of interest and compensation as prescribed in the Act. So promoters or agents cannot cheat homebuyers by giving wrong information.

(iv) The promoter shall have to sign a declaration supported by an affidavit that he has a legal title to the land on which the development is proposed along with valid documents in support of such title where the land is owned by another person and to ensure that the land is free from all encumbrances. So promoters cannot start construction of apartment or building without his legal title.

(v) The allottee and coowner should have PAN card and Aadhar card to be required while entering into agreement for sale and registering the property in their name. Similarly, the promoter and the real estate agent also to retain the PAN and Aadhar card for registration of the real estate project and to disclose the financial details of promoter and agent.

(vi) The Act stipulates that the builder has to deposit 70% of the amount collected from the buyer in a separate bank account and must only be used for construction of that project. The builder can withdraw part of it depending on the stage of construction. This makes the use of black money difficult. So the builders cannot diversify the fund of one project to another project and thereby delay the handover the properties to buyers.

(vii) Promoters shall not accept a sum more than 10% of the cost of the apartment, plot or building as advance payment or application fee from a person without entering into written agreement for sale with such person and register the said agreement for sale under any law for the time being in force.

(viii) The provision of model Agreement for Sale (AFS) regarding mode of payment through A/C

Payee cheque/demand draft/ bankers cheque or online payment, does not apply to booking amount. But the Income Tax Act 1961 applies to booking amount. Where the flat or plot is being allotted by Govt./Govt. agency then full booking amount can be paid in cash if allowed under terms of agreement. In other cases the Income Tax Act prohibits acceptance of Rs 20,000 or more in cash as booking amount. i.e. cash upto Rs. 19,999 is allowed.

(ix) The Act provides for punishment and penalties for contravention of the provisions of the Act and non-compliance of orders of Authority or Appellate Tribunal for both promoter/ builder and allottee/buyer.

(x) Finally, RERA takes the help of Benami Act to prohibit benami transaction in real estate, which will be discussed in the next paragraph.

### 3.1 The Benami Transactions (Prohibition) Act:

The Benami Transactions (Prohibition) Act, 1988 (1988 Act) was enacted in the year 1988 to prohibit all benami transactions. The Act defined a "benami transaction" as "any transaction in which property is transferred to one person for a consideration paid or provided by another person". The Hon'ble Supreme Court in Bhim Singh vs. Kan Singh AIR 1980 SC 727 explained Benami Transaction as "Where a person buys a property with his own money but in the name of another person without any intention to benefit such other person, the transaction is called benami. In that case the transferee holds the property for the benefit of the person who has contributed the purchase money, and he is the real owner". But the 1988 Act was not comprehensive enough and lacked to make a big impact. It had several loopholes. The Benami Transactions (Prohibition) Amendment Act, 2016 (Amendment Act), seeks to amend the 1988 Act, is aimed at catching those with black money in the domestic economy hidden through benami properties. The reason for bringing an Amendment Act instead of a new Act is that the 1988 Act has penal provisions and penal provisions cannot be applied retrospectively. So if a new Act was passed in 2016, all those who acquired benami properties before 2016 would be exempted. The Benami Act contemplates the following measures against benami transactions and holding property in benami name or benamidar name:

- Prohibits entering into benami transactions so that the beneficial owner would be compelled to keep the property in his own name only and the legal complexities owing to the apparent ownership not being the real ownership, could be avoided. [Sec. 3(1)]
- Prohibits the right of real owners to recover property held benami. [Sec. 4]
- The property held benami shall be liable to confiscation by the Central Government. [Sec. 5]
- Prohibits the benamidar from re-transferring the property held by him to the beneficial owner or to any person acting on his behalf. [Sec. 6]
- Whoever enters into any benami transaction prior to the date of commencement of the Amendment Act shall be punishable with imprisonment for a term which may extend to three years or with fine or both [Section 3(2)] and on or after the date of commencement of the Amendment Act (i.e. 01.11.2016), shall be punishable in accordance with section 53 of Chapter VII of the Amendment Act.
- Section 53(1) provides that where any person enters into a benami transaction in order to defeat the provisions of any law or to avoid payment of statutory dues or to avoid payment to creditors, then the beneficial owner, benamidar and any other person who abets or induces any person to enter benami transaction shall be guilty of the offence of benami transaction:
- Where any person is found guilty of the offence of benami transaction as above, shall be punishable with rigorous imprisonment for a term not less than one year but which may extend to 7 years and shall also be liable to fine which may extend to 25% of the fair market value of the property. [Section 53(2)]

### 3.2. Legal Provisions for Selecting the Title/Name in which Property is to be Booked:

While deciding the question of name in which property is to be booked, first of all the provisions of 1988 Act and Amendment Act should be kept into consideration. It is noticed that in most of the cases an individual/beneficial owner uses the name of relatives or person standing in fiduciary capacity as apparent owner. So it is important to know the relatives in whose name property can be bought without violating the provisions of the Benami Act. The following are the legal provisions in this regard:

- An individual can purchase property in the name of his/ her spouse, son or daughter will not attract Benami Act provided the consideration is paid out of the known sources of the individual. If the property is purchased in the joint names of self and spouse, son or daughter no Benami Act will be attracted.
- If an individual buys property and register it in the sole name of his/ her brother/ sister Benami Act will be attracted. But Benami Act will not be attracted if the individual paying consideration buys it in the joint names of self and brother/ sister and with his/ her known sources. In case of half-brother or half sister same rule will be applied.
- If the property is purchased by an individual in the sole name of step-brother or step sister, or, even in the joint names of self and step-brother or step-sister, the Benami Act will be attracted.
- Benami Act will be attracted if the property is purchased in the sole name of lineal ascendant viz. parent(s), grandparents, great grandparents or lineal descendant viz. grandchild, great grandchild. If the property is purchased in the joint names of self and parent(s), grandparent(s), great grandparent(s), grandchild and great grandchild, and from his/her known sources, then Benami Act will not be applicable.
- Buying property in the sole name of son's wife, daughter's husband, brother's wife, sister's husband, brother's son, brother's daughter, sister's son, sister's daughter, husband's brother, husband's brother's wife, husband's sister, husband's sister's husband, wife's brother, wife's brother's wife, wife's sister, wife's sister's husband, father's brother, father's brother's wife, father's sister, father's sister's husband, mother's brother, mother's brother's wife, mother's sister or mother's sister's husband will attract Benami Act. No exemption will be granted for registering property even if it is bought in the joint names of self and these relative(s).
- When the property is held by a Karta, or a member of a HUF, as the case may be, and the property is held for his benefit or benefit of other members in the family and the consideration for purchase of such property has been provided or paid out of the known sources of the HUF. It will not be a benami transaction, and we can register the property in the name of any member of the family and not just Karta.
- When property is held by a person standing in fiduciary capacity viz. a trustee, executor, partner, director of a company, a depository or a participant as an agent of a depository and any other person as may be notified by the Central Government, for the benefit of another person towards whom he stands in such capacity, the transaction or arrangement will not be regarded as benami transaction.

### 4. Impact of Benami Act on RERA:

Real estate is a capital intensive assets class and investments in these assets are made mostly through benami transactions. The amendment in the Benami Transaction (Prohibition) Act 1988 is carried out with an aim to prohibit benami transactions, meaning, all real estate transactions shall be in the name of the actual owner who is paying the consideration from his known sources. So, people investing their black money in real estate projects in India through such transactions will have a hard time ahead. The Benami Transactions (Prohibition) Amendment Act 2016 is undoubtedly a very stringent law to curb illegal property transactions and put restrictions on black money into reality market in India. The practice of including the correct name in property transactions will bring transparency in the sector. With increased transparency, title risks would be minimized and buyer confidence in property transactions will get a boost. A fresh breadth of professionalism will be ushered in. We may face an increase in real estate transaction prices. The realtors entering into Benami Transactions may have to face punishment and pay the hefty amount as penalty. The Act should impact the real estate transaction volume especially land transactions and real estate prices adversely. However we expect a minimal impact on prices and transaction volume in the short run, due to the market mostly being end user driven. Investors are adopting a cautious approach in investing in real estate market. In the long run it will make India a more attractive investment destination, aligning transactions with ethical standards and will increase international institutional investors and financial institutions participation in this sector. Moreover, this will also increase the tax revenue for the Government by curbing unaccounted money into the system. The capital that is chasing land will come down and consequently the land prices will fall. The overall decline in land prices will have a cascading effect. The developers who have a huge pile of inventory, they will be in deep trouble. Eventually, they will have to reduce prices. The thorough cleansing of the sector, though painful in the short run, will do much good to land and will reinstate its past glory once more.

## 5. Suggestion and conclusion

The enactment of RERA is a historic step. Things are set to get tougher in future for the unscrupulous profit-makers in real estate sector with the help of the Benami Act so as to go after holders of benami properties hammer and tongs. Accordingly, we have to understand the provisions of both RERA and Benami Act to get best result and get rid of the benami transactions in real estate. The Benami Act only has a post-facto effect, which means the violators can be punished only when the transaction has taken place. Consequently, some amendments in the Transfer of Property Act 1882 and Registration Act 1908 are needed to make real estate transactions in India more safe and reliable. Linkage of Aadhar number and PAN of all the parties involved in property transactions should be made mandatory to not let the benami transactions take place. The authority should observe that the real estate developer cannot under-quote the project cost to RERA using unfair means and over-quote the same to buyer illegally. Many buyers prefer black transactions and under-report transaction prices while paying taxes, this should be removed. But the implementation of RERA 2016 is far from satisfactory. Out of 29 states, only 15 states have notified the state rules under the Act, while all the 7 union territories have notified by 31st July, 2017 deadline. The implementation of RERA is a case of conflicting interests. The Central Government is keen on reforming and cleaning up the real estate industry. However, for the business, RERA is seen as a hindrance. For long, the real estate industry enjoyed 'self regulation'. Now they have realized that there is no other way, so they have accepted RERA but are trying to lobby with state governments to dilute provisions. In a polity of federalism, state governments have the key role to play in the implementation of RERA. Unfortunately, the lobby of the consumer has been a weak link in the whole chain of events in RERA. Hopefully, more agitations from the consumers will pressurize the state governments to hasten the implementation and ensure speedy delivery. However, the actual results will take some time to be visible and will depend on the proper implementation at the ground level. MA

## References


1. Grant Thornton, "Real Estate (Regulationn & Development) Act (RERA) – The State Affair"
2. INDIAN LEGAL IMPETUS, Singh & Associates Advocates & Solicitors, New Delhi, November 2016, Vol.-IX, Issue XI, www.singhassociates.in
3. IT MIRROR-Mouth Piece of Income Tax Bar Association, Ahmedabad, Vol.-2, December 2016, Page 22-28
4. Rao, P S N, "RERA: An Act seeing dilution, missing deadlines and agitations", The Indian Express, New Delhi, 5th August, 2017
5. Real Estate: Beyond Dark Clouds, http://businessword.in/article/Real-Beyond-Dark-Couds/09.08.2017
6. Residential Real Estate: An Investible Asset, KPMG, June 2017, KPMG.com
7. Taxmann, "Guide to Real Estate (Regulation and Development) Act 2016", Taxmann Publication (P) Ltd. New Delhi, May 2017, ISBN: 978-93-86482-60-0
8. The Benami Transactions (Prohibition) Act 1988 (Act No. 45 of 1988), 19th May 1988
9. The Real Estate (Regulation and Development) Act 2016 (Act No. 16 of 2016), the Gazette of India, Extraordinary, Part II – Section 1, 26th March, 2016.
10. The Benami Transactions (Prohibition) Amendment Act 2016 (Act No. 43 of 2016), the Gazette of India, Extraordinary, Part-II, 11th August, 2016.


*ray.raghabendra@gmail.com*

# Liabilities and Liberties of Promoters under RERA Act

**Dr. Rajeev Babel**
Company Secretary in Practice
Udaipur, Rajasthan

## 1. Introduction

The preamble of the Real Estate (Regulatory and Development) Act, 2016 (the Act) states that it is an Act to establish the Real Estate Regulatory Authority for regulation and promotion of the real estate sector and to ensure sale of plot, apartment or building, as the case may be, or sale of real estate project, **in an efficient and transparent manner** and **to protect the interest of consumers** in the real estate sector and to establish an adjudicating mechanism for speedy dispute redressal and also to establish the Appellate Tribunal to hear appeals from the decisions, directions or orders of the Real Estate Regulatory Authority and the adjudicating officer and for matters connected therewith or incidental thereto.

**1.1.** Thus, the preamble of the Act itself speaks about the fair treatment by the builder/ developer to the buyers of the property. In Act the persons engaged in the business of real estate, by what ever name called, whether it be a builder, developer, development authority, housing societies, and even a real estate agent, are called as 'Promoter'. This article highlights the duties and functions of promoter, enunciated under the Act. Before we proceed further to discuss the liabilities of the promoter, it will be prudent to know exactly the meaning of the word 'Promoter'.

## 2. Who is 'Promoter':

**2.1. Definition:** Section 2 (zk) of Act defines 'promoter'. It means:

- a person **who constructs** or causes to be constructed an independent building or a building consisting of apartments, or converts an existing building or a part thereof into apartments, **for the purpose of selling** all or some of the apartments to other persons and includes his assignees; **or**
- a person **who develops land** into a project, whether or not the person also constructs structures on any of the plots, **for the purpose of selling** to other persons all or some of the plots in the said project, whether with or without structures thereon; **or**
- **any development authority** or any other public body in respect of allottees of:
    - ☆ buildings or apartments, as the case may be, constructed by such authority or body on lands owned by them or placed at their disposal by the Government; **or**
    - ☆ plots owned by such authority or body or placed at their disposal by the Government, for the **purpose of selling** all or some of the apartments or plots; or
- an **apex State level co-operative housing finance society** and a **primary co-operative housing society** which constructs apartments or buildings **for its Members** or in respect of the allottees of such apartments or buildings; **or**
- **any other person** who acts himself as a builder, coloniser, contractor, developer, estate developer or by any other name or claims to be acting as the holder of a **power of attorney** from the owner of the land on which the building or apartment is constructed or plot is developed for sale; **or**
- such other person who **constructs any building or apartment for sale** to the general public.

**2.2** Where the person who constructs or converts a building into apartments or develops a plot for sale and the persons who sells apartments or plots are different persons, both of them shall be deemed to be the promoters and shall be jointly liable as such for the functions and responsibilities specified, under this Act or the rules and regulations made there under.

**2.3.** An exhaustive definition of the promoter has been provided in the Act. The purpose behind the construction should be sale. Sale may be made to the general public or in case of housing society, to its members. It has also included in its ambit the development authorities, power of attorney holders, housing societies, who constructs or develops a piece of land. Even a person developing a plot (whether or not doing construction activity on it or not) for the purpose of selling it, comes within the definition of promoter.

## 3. Liability of getting Registration of Real Estate Project:

Chapter II comprising of sections 3 to 10 of the Act deals with the registration of real estate project and registration of real estate agents.

**3.1. Registration of Real Estate Project:** Section 3 of the Act deals with the subject of prior registration of real estate project with Real Estate Regulatory Authority.

**3.1.1. Registration with Regulatory Authority:** It provides that no promoter shall advertise, market, book, sell or offer for sale, or invite persons to purchase in any manner any plot, apartment or building, as the case may be, in any real estate project or part of it, in any planning area, without registering the real estate project with the Real Estate Regulatory Authority (Authority) established under Act.

**3.1.2. Transition Period Treatment:** The projects that are ongoing on the date of commencement of Act[1] and for which the completion certificate has not been issued, the promoter shall make an application to the Authority for registration of the said project within a period of three months from the date of commencement of the Act.

**3.1.3.** Where the Authority thinks it necessary, in the interest of allottees, for projects which are developed beyond the planning area but with the requisite permission of the local authority, it may, by order, direct the promoter of such project to register with the Authority, and the provisions of this Act or the rules and regulations made thereunder, shall apply to such projects from that stage of registration.

### 4. Application for registration of real estate projects:

Section 4 of the Act deals with the matter. It provides that every promoter shall make an application to the Authority for registration of the real estate project in such form, manner, within such time and accompanied by such fee as may be specified by the regulations made by the authority

**4.1. Project Details:** For registration, the promoter is required to submit the following details:

- A brief details of his enterprise including its name, registered address, type of enterprise (proprietorship, societies, partnership, companies, competent authority) and the particulars of registration, and the names and photographs of the promoter.
- A brief detail of the projects launched by him, in the past five years, whether already completed or being developed, as the case may be, including the current status of the said projects, any delay in its completion, details of cases pending, details of type of land and payments pending.
- An authenticated copy of the approvals and commencement certificate from the competent authority obtained in accordance with the laws as may be applicable for the real estate project mentioned in the application, and where the project is proposed to be developed in phases, an authenticated copy of the approvals and commencement certificate from the competent authority for each of such phases.
- The sanctioned plan, layout plan and specifications of the proposed project or the phase thereof, and the whole project as sanctioned by the competent authority.
- The plan of development works to be executed in the proposed project and the proposed facilities to be provided thereof including fire fighting facilities, drinking water facilities, emergency evacuation services, use of renewable energy.
- The location details of the project, with clear demarcation of land dedicated for the project along with its boundaries including the latitude and longitude of the end points of the project.
- Proforma of the allotment letter, agreement for sale, and the conveyance deed proposed to be signed with the allottees.
- The number, type and the carpet area of apartments for sale in the project along with the area of the exclusive balcony or verandah areas and the exclusive open terrace areas apartment with the apartment, if any;
- The number and areas of garage for sale in the project.
- The names and addresses of his real estate agents, if any, for the proposed project.
- The names and addresses of the contractors, architect, structural engineer, if any and other persons concerned with the development of the proposed project.
- A declaration, supported by an affidavit, which shall be signed by the romoter or any person authorised by the promoter, stating:—
  - that he has a legal title to the land on which the development is proposed along with legally valid documents with authentication of such title, if such land is owned by another person;
  - that the **land is free from all encumbrances,** or as the case may be details of the encumbrances on such land including any rights, title, interest or name of any party in or over such land along with details;
  - the **time period within which he undertakes to complete** the project or phase thereof, as the case may be;
  - that **seventy per cent of the amounts** realised for the real estate project from the allottees, from time to time, shall be deposited in a **separate**

**account** to be maintained in a scheduled bank to cover the cost of construction and the land cost and shall be used only for that purpose.

- The **promoter shall withdraw the amounts from the separate account, to cover the cost of the project, in proportion to the percentage of completion of the project**

- The amounts from the separate account shall be withdrawn by the promoter after it is certified by an engineer, an architect and a chartered accountant in practice that the withdrawal is in proportion to the percentage of completion of the project:

- The promoter shall get his accounts audited within six months after the end of every financial year by a chartered accountant in practice, and shall produce a statement of accounts duly certified and signed by such chartered accountant and it shall be verified during the audit that the amounts collected for a particular project have been utilised for the project and the withdrawal has been in compliance with the proportion to the percentage of completion of the project.

  - that he shall take all the pending approvals on time, from the competent authorities;
  - that he has furnished such other documents as may be prescribed by the rules or regulations made under this Act.

## 5. Promoter's functions and duties:

Chapter III of the Act, comprising of **sections 11 to 18**, deals with the 'Functions and Duties of Promoter.

**5.1. Functions and duties of promoter:** Section 11 of the Act deals with the matter.

**5.1.1. Creation of his web page:** The promoter shall create his webpage on the website of the Act Authority and enter all details of the proposed project as required under section 4(2) of the Act. The purpose of displaying on the website is that the public may have access of such information and take a prudent decision before making any booking/ purchase plan. It shall also include the followings:

- details of the registration granted by the Authority;
- quarterly up-to-date the list of number and types of apartments or plots, as the case may be, booked;
- quarterly up-to-date the list of number of garages booked;
- quarterly up-to-date the list of approvals taken and the approvals which are
- pending subsequent to commencement certificate;
- quarterly up-to-date status of the project; and
- such other information and documents as may be specified by the regulations
- made by the Authority.

**5.1.2. Advertisement:** The advertisement or prospectus issued or published by the promoter shall mention prominently the website address of the Authority, wherein all details of the registered project have been entered and include the registration number obtained from the Authority and such other matters incidental thereto.

**5.1.3. Consequences of misleading information in advertisement:** In terms of section 12 of the Act, where any person makes an advance or a deposit on the basis of the information contained in the notice advertisement or prospectus, or on the basis of any model apartment, plot or building, as the case may be, and sustains any loss or damage by reason of any incorrect, false statement included therein, he shall be compensated by the promoter in the manner as provided under this Act.

**5.1.4. Withdrawal by the investor:** If the person affected by such incorrect, false statement contained in the notice, advertisement or prospectus, or the model apartment, plot or building, as the case may be, intends to withdraw from the proposed project, he shall be returned his entire investment along with interest at such rate as may be prescribed and the compensation in the manner provided under this Act.

**5.1.5. Transparency in booking:** The promoter at the time of the booking and issue of allotment letter shall be responsible to make available to the allottee, the following information, namely:—

- sanctioned plans, layout plans, along with specifications, approved by the competent authority, by display at the site or such other place as may be specified by the regulations made by the Authority;

- the stage wise time schedule of completion of the project, including the provisions for civic infrastructure like water, sanitation and electricity.

**5.1.6. Adherence to the provisions of the Act:** The promoter shall be responsible for all obligations, responsibilties and functions under the provisions of this Act or the rules and regulations made thereunder or to the allottees as per the agreement for sale, or to the association of allottees, as the case may be, till the conveyance of all the apartments, plots or buildings, as the case may be, to the allottees, or the common areas to the association of allottees or the competent authority, as the case may be:

**5.1.7. Structural Defect:** In terms of section 14(3) of the Act, where any structural defect or any other defect in workmanship, quality or provision of services or any other obligations of the promoter as per the agreement for sale relating to such development is brought to the notice of the promoter within a period of five years by the allottee from the date of handing over possession, it shall be the duty of the promoter to rectify such defects without further charge, within thirty days, and in the event of promoter's failure to rectify such defects within such time, the aggrieved allottees shall be entitled to receive appropriate compensation in the manner as provided under this Act.

**5.1.8. Completion Certificate:** The promoter shall be responsible to obtain the completion certificate or the occupancy certificate, or both, as applicable, from the relevant competent authority as per local laws or other laws for the time being in force and to make it available to the allottees individually or to the association of allottees, as the case may be.

**5.1.9. Lease Certificate:** The promoter shall be responsible to obtain the lease certificate, where the real estate project is developed on a leasehold land, specifying the period of lease, and certifying that all dues and charges in regard to the leasehold land has been paid, and to make the lease certificate available to the association of allottees;

**5.1.10. Essential Services:** The promoter shall be responsible for providing and maintaining the essential services, on reasonable charges, till the taking over of the maintenance of the project by the association of the allottees;

**5.1.11. Formation of a Society:** The promoter shall enable the formation of an association or society or co-operative society, as the case may be, of the allottees, or a federation of the same, under the laws applicable.

Where the local laws are silent, the association of allottees, by whatever name called, shall be formed within a period of three months of the majority of allottees having booked their plot or apartment or building, as the case may be, in the project;

**5.1.12. Registered Conveyance Deed:** The promoter shall execute a registered conveyance deed of the apartment, plot or building, as the case may be, in favour of the allottee along with the undivided proportionate title in the common areas to the association of allottees or competent authority, as the case may be, as provided under section 17 of this Act;

**5.1.13. Payment of prior charges:** The promoter shall pay all outgoings until he transfers the physical possession of the real estate project to the allottee or the associations of allottees, as the case may be, which he has collected from the allottees, for the payment of outgoings (including land cost, ground rent, municipal or other local taxes, charges for water or electricity, maintenance charges, including mortgage loan and interest on mortgages or other encumbrances and such other liabilities payable to competent authorities, banks and financial institutions, which are related to the project):

Where any promoter fails to pay all or any of the outgoings collected by him from the allottees or any liability, mortgage loan and interest thereon before transferring the real estate project to such allottees, or the association of the allottees, as the case may be, the promoter shall continue to be liable, even after the transfer of the property, to pay such outgoings and penal charges, if any, to the authority or person to whom they are payable and be liable for the cost of any legal proceedings which may be taken therefor by such authority or person;

**5.1.14. No mortgage after agreement for**

**sale:** After he executes an agreement for sale for any apartment, plot or building, as the case may be, not mortgage or create a charge on such apartment, plot or building, as the case may be, and if any such mortgage or charge is made or created then notwithstanding anything contained in any other law for the time being in force, it shall not affect the right and interest of the allottee who has taken or agreed to take such apartment, plot or building, as the case may be;

**5.1.15. Cancellation of allotment:** The promoter may cancel the allotment only in terms of the agreement for sale.

**5.1.16. Maintenance of other details:** The promoter shall prepare and maintain all such other details as may be specified, from time to time, by regulations made by the Authority.

**5.2. Veracity of the advertisement:** Section 12 of the Act deals with the obligations of promoter regarding veracity of the advertisement or prospectus

**5.2.1. Compensation for false information:** Where any person makes an advance or a deposit on the basis of the information contained in the notice advertisement or prospectus, or on the basis of any model apartment, plot or building, as the case may be, and sustains any loss or damage by reason of any incorrect, false statement included therein, he shall be compensated by the promoter in the manner as provided under this Act:

**5.2.2. Withdrawal from the project:** If the person affected by such incorrect, false statement contained in the notice, advertisement or prospectus, or the model apartment, plot or building, as the case may be, intends to withdraw from the proposed project, he shall be returned his entire investment along with interest at such rate as may be prescribed and the compensation in the manner provided under this Act.

**5.3. Restrictions on acceptance of deposit/ advance for booking:**

**5.3.1.** Section 13 of the Act puts some restrictions and provides that no deposit or advance to be taken by promoter without first entering into agreement for sale. Such restrictions are:

- A promoter **shall not accept a sum more than ten per cent of the cost** of the apartment, plot, or building as the case may be, as an advance payment or an application fee, from a person **without first entering into a written agreement for sale** with such person and register the said agreement for sale, under any law for the time being in force.

- The agreement for sale shall be in such form as may be prescribed and shall specify the particulars of development of the project including the construction of building and apartments, along with specifications and internal development works and external development works, the dates and the manner by which payments towards the cost of the apartment, plot or building, as the case may be, are to be made by the allottees and the date on which the possession of the apartment, plot or building is to be handed over, the rates of interest payable by the promoter to the allottee and the allottee to the promoter in case of default, and such other particulars, as may be prescribed.

**5.4. Adherence to sanctioned plans and project specifications by the promoter:**

**5.4.1.** In terms of Section 14 of the Act the proposed project shall be developed and completed by the promoter in accordance with the sanctioned plans, layout plans and specifications as approved by the competent authorities and should be disclosed or furnished to the person who agree to take one or more of the said apartment, plot or building, as the case may be, the promoter shall not make:

- any additions and alterations in the sanctioned plans, layout plans and specifications and the nature of fixtures, fittings and amenities described therein in respect of the apartment, plot or building, as the case may be, which are agreed to be taken, without the previous consent of that person. However, The promoter may make such minor additions or alterations as may be required by the allottee, or such minor changes or alterations as may be necessary due to architectural and structural reasons duly recommended and verified by an authorised Architect or Engineer after proper declaration and intimation to the allottee.

*The Real Estate (Regulatory and Development) Act, 2016, has brought the unregulated real estate market under regulatory scanner. The mail-practices prevailing in the real estate business is causing dent on the hard earned income of the small investors. Defective title of the land, delayed tactics of legal documentations, demand for the price escalation, delay in project completion, not obtaining of the completion certificate etc. are the common issues for which the small investors were having no way to resolve the issue except to move in the civil court.*

*The Act has put certain obligations on the part of promoter to provide services in an efficient and transparent manner. The Act seeks to protect the interest of consumers in the real estate sector. If the promoter do not adhere to the provisions of the Act, then there are strict penal provisions which are mentioned in Chapter VIII, consisting of sections 59 to 72.*

- any other alterations or additions in the sanctioned plans, layout plans and specifications of the buildings or the common areas within the project without the previous written consent of at least two-thirds of the allottees, other than the promoter, who have agreed to take apartments in such building.

**5.5. Transfer of project:** Section 15 of the Act deals with the obligations of promoter in case of transfer of a real estate project to a third party and provides that:

- The promoter shall not transfer or assign his majority rights and liabilities in respect of a real estate project to a third party without obtaining prior written consent from two-third allottees, except the promoter, and without the prior written approval of the Authority. Further such transfer or assignment shall not affect the allotment or sale of the apartments, plots or buildings as the case may be, in the real estate project made by the erstwhile promoter.

- It is clarified that the allottee, irrespective of the number of apartments or plots, as the case may be, booked by him or booked in the name of his family, or in the case of other persons such as companies or firms or any association of individuals, by whatever name called, booked in its name or booked in the name of its associated entities or related enterprises, shall be considered as one allottee only.

- Onus of completion of pending obligations on the new promoter: On the transfer or assignment being permitted by the allottees and the Authority the intending promoter shall be required to independently comply with all the pending obligations under the provisions of this Act or the rules and regulations made thereunder, and the pending obligations as per the agreement for sale entered into by the erstwhile promoter with the allottees.

- No extension of time is allowed to the new promoter: Any transfer or assignment so permitted shall not result in extension of time to the intending promoter to complete the real estate project and he shall be required to comply with all the pending obligations of the erstwhile promoter, and in case of default, such intending promoter shall be liable to the consequences of breach or delay, as the case may be, as provided under this Act or the rules and regulations made thereunder.

**5.6. Insurance of the Project:** Section 16 of the Act deals with the insurance of the real estate project.

- **Insurance of Land & Building and Real Estate Project:** The promoter shall obtain all such insurances as may be notified by the appropriate Government, including but not limited to insurance in respect of title of the land and building as a part of the real estate project; and construction of the real estate project.
- **Payment of premium:** The promoter shall be liable to pay the premium and charges in respect of the insurance and shall pay the same before transferring the insurance to the association of the allottees.
- The insurance shall stand transferred to the benefit of the allottee or the association of allottees, as the case may be, at the time of promoter entering into an agreement for sale with the allottee.
- On formation of the association of the allottees, all documents relating to the insurance shall be handed over to the association of the allottees.

**5.7. Transfer of Title:** Section 17 of the Act deals with the transfer of title.

- **Registered Conveyance Deed:** It provides that the promoter shall execute a registered conveyance deed in favour of the allottee along with the undivided proportionate title in the common areas to the association of the allottees or the competent authority, as the case may be, and hand over the physical possession of the plot, apartment of building, as the case may be, to the allottees and the common areas to the association of the allottees or the competent authority, as the case may be, in a real estate project, and the other title documents pertaining thereto within specified period as per sanctioned plans as provided under the local laws:

- **Time limit:** In the absence of any local law, conveyance deed in favour of the allottee or the association of the allottees or the competent authority, as the case may be, under this section shall be carried out by the promoter within three months from date of issue of occupancy certificate.

- **Handing over the documents:**

  - **Where local laws exists:** After obtaining the occupancy certificate and handing over physical possession to the allottees, it shall be the responsibility of the promoter to handover the necessary documents and plans, including common areas, to the association of the allottees or the competent authority, as the case may be, as per the local laws.
  - **Where local laws do not exists:** In the absence of any local law, the promoter shall handover the necessary documents and plans, including common areas, the association of the allottees or the competent authority, as the case may be, **within thirty days after obtaining the occupancy certificate.**

**5.8. Return of amount and compensation:** Section 18 of the Act deals with such matter.

- **Failure to complete the project or give possession:** If the promoter fails to complete or is unable to give possession of an apartment, plot or building in accordance with the terms of the agreement for sale or, as the case may be, duly completed by the date specified therein; or due to discontinuance of his business as a developer on account of suspension or revocation of the registration under this Act or for any other reason, **he shall be liable on demand to the allottees, in case the allottee wishes to withdraw from the project**, without prejudice to any other remedy available, to return the amount received by him in respect of that apartment, plot, building, as the case may be, **with interest** at such rate as may be prescribed in this behalf **including compensation** in the manner as provided under this Act.

- **Interest for the delayed period:** Where an allottee does not intend to withdraw from the project, he shall be paid, by the promoter, interest for every month of delay, till the handing over of the possession, at such rate as may be prescribed.

- **Compensation to the allottees:** The promoter shall compensate the allottees in case of any loss caused to him due to defective title of the land, on which the project is being developed or has been developed, in the manner as provided under this Act, and the claim for compensation shall not be barred by limitation provided under any law for the time being in force.

- **Other obligations:** If the promoter fails to discharge any other obligations imposed on him under this Act or the rules or regulations made thereunder or in accordance with the terms and conditions of the agreement for sale, he shall be liable to pay such compensation to the allottees, in the manner as provided under this Act.

## 6. Liberties to the Promoter:

**6.1. Registration not required in certain case:** Section 3(2) of the Act provides that no registration of the real estate project shall be required in the following cases:

- where the area of land proposed to be developed **does not exceed five hundred square meters2** or the **number of apartments proposed to be developed does not exceed eight** inclusive of all phases.
- where the promoter has **received completion certificate** for a real estate project prior to commencement of this Act;
- where for the purpose of renovation or repair or re-development which does not involve marketing, advertising selling or new allotment of any apartment, plot or building, as the case may be, under the real estate project.

## 7. Summing up:

The Act has brought the unregulated real estate market under regulatory scanner. It has put obligations on the part of promoter to provide services in an efficient and transparent manner. The Act seeks to protect the interest of consumers in the real estate sector. If the promoter do not adhere to the provisions of the Act, then there are strict penal provisions which are mentioned in Chapter VIII, consisting of sections 59 to 72.

- **Real Estate Regulatory Authority:** Chapter V provides for the establishment of the Real Estate Regulatory Authority (Regulatory Authority) by the appropriate Government. The functions of the Regulatory Authority shall include, to register and regulate the real estate projects and agents, publish and maintain a website of records for public viewing of all real estate projects, to maintain data base and photos of promoters as defaulters including the project details for public viewing as well as of real estate agents, to ensure compliance of the regulations cast upon the promoters, allottees and the agents and such other functions as may be necessary to carry out the provisions of the Act.
- **Real Estate Appellate Tribunal:** Chapter VII of the Act provides for the establishment of the Real Estate Appellate Tribunal (Tribunal), its functions and powers. Any person aggrieved by the decision of Regulatory Authority may appeal before the Tribunal. The applicant or the appellant may either appear in person or authorise professionals (Company Secretary in Practice or Cost Accountant in Practice or Chartered Accountant in Practice) or Advocate of any High Court.

Section 79 of the Act states that no civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which the Authority or the adjudicating officer or the Appellate Tribunal is empowered by or under this Act to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act. Hence, any person aggrieved by the promoter, may raise the issue directly before the Regulatory Authority and no civil court will have the jurisdiction. Thereafter the appeal may be made to the Tribunal and the next to the High Court. MA

## FootNotes

[1]RERA received the assent of the President of India on the 25th March, 2016 and it came into force on 1st May, 2017.

[2]The threshold limit of 500 square meters or 8 apartments, may be reduced by the Appropriate Government, if it considers necessary, for exemption from registration under RERA.

*babelrajeev@gmail.com*

# The Institute of Cost Accountants of India

*(Statutory Body under an Act of Parliament)*

www.icmai.in

**Research Bulletin, Vol. 43, No. IV (ISSN 2230 9241)**


## *Call for Research Papers/Articles*

We invite you to contribute research paper/article for "Research Bulletin", a peer-reviewed Quarterly Journal of The Institute of Cost Accountants of India. The aim of this bulletin is to share innovative achievements and practical experiences from diverse domains of management, from researchers, practitioners, academicians and professionals. This bulletin is dedicated to publish high quality research papers providing meaningful insights into the management content both in Indian as well as global context.

Research Bulletin is now a Quarterly Publication of the Institute. Research Bulletin has been enlisted in the UGC approved Journal List. The next issue will be published in January, 2018.

### Guidelines to submit full Paper

- Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word (.doc) format.
- Each paper should be preferably within 5000 words including all.
- An abstract of not more than 150 words should be attached.
- The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.

### Papers are invited on the following sub-topics, but not limited to:

- Corporate Social Responsibility
- Digitization
- Corporate Governance
- Insolvency & Bankruptcy Code- 2016
- Stock Market Volatility
- Capital Market Reforms
- Empowering Women through Microfinance
- Transition to GST: Challenges & Experiences
- Cross-border Merger and Acquisition
- Enterprise Risk Management
- Financial Inclusion
- Foreign Direct Investment
- Balanced Score Card
- Integrated Reporting
- Business Valuation Models

**Papers must be received within 03rd January, 2018 in the following email id:**
**research.bulletin@icmai.in**

# Operational Performance Evaluation of Construction Companies -Total Cost Management Approach

**Dr. N.Narsaiah**
Associate Professor
Department of Business Management
Vijay Rural Engineering College
Nizamabad, Telangana

**Prof.T.Satyanarayana Chary**
Dean and Professor
Faculty of Business Management
Telangana University
Dichpally, Nizamabad, Telangana

Cost has impact over maintaining and sustainable growth as well as stands as a cause of disturbance in a project deals with lot of resources many a times final cost will turn out to be higher than originally estimated cost, hence, the situation is unsustainable. It is also due to financing problem caused by increasing claims. So the organizations opine that cost management is a weapon to curb such problems. Total Cost Management (TCM) is a systematic cost approach to all types of concerns, as it is an integrated method that manages portfolios, programs and projects by aligning with business strategy. It assists the management in scaling the profitability, asset portfolios, providing a strategy to integrate, allocate resources and co-ordinate activities to control projects. TCM can also be known as an efficient approach to continuously improve operations in any industry and reduce waste generation throughout the product and services time series. Thus, organizations find this method very useful in such reducing costs, liability, and minimize adverse cost over the production, services and by and large the total operations.

## Total Cost Management

TCM is derived from the "Ingegneria Economica", which connotes that "economics for engineering". TCM process is based on generally accepted philosophy of Deming/Shewhartcycle, and at first it was introduced in 1987, through an Italian company. Besides, the TCM can also effectively and efficiently work in managing the relationship between technical and organizational aspects that connect the economical and financial manifestations. It can be used at all levels in practice and in all types of business, academics, and institutional environments such as customers, subcontractors, government, prime contractors, construction managers, design-build, as well as entire life cycle of asset and project portfolios. Hence, TCM is a business model to managing the resources and the activities that consume such resources with a focus on encouraging and managing changes. Under TCM model, companies can consider the entire environmental impact of their products by looking for substitutes for inputs that are hazardous and generate the waste. Thus, TCM can assist the organizations in continuous improve most of operations and reduce waste generation throughout the product life cycle.

The institute of AACE International defines the TCM as:

***"Total Cost Management is the effective application of professional and technical expertise to plan and control resources, costs, profitability and risks. Simply stated, it is a systematic approach to managing cost throughout the life cycle of any enterprise, program, facility, project, product, or service. This is accomplished through the application of cost engineering and cost management principles, proven methodologies and the latest technology in support of the management process."***

The construction industry pre-dominantly registered with significant higher growth with considerable financial benefits. It is due to a great depression in 1990's there was a decline trend in generating profits by construction companies. The prime reason for the situation was the soaked market took a strong competition among construction companies. The other reason is that the construction companies comprise wide managerial methods to run their business; hence, they always obtain higher cost, which means the cost cannot be much less than the profits that they get. So TCM can help them in effective cost evaluation and performance management by ensuring a proper method of product production, rendering the services and performing a task by analyzing activity wise techniques viz., Activity Based Costing (ABC), Life cycle costing (LCC) and Target Costing (TC) for betterment.

## Review of Literature

**Al Y.S. Chen, Helmut Hergeth and Gilroy J. Zuckerman**[1], they emphasized that total cost management is a feasible approach of integrating environmental preservation activities over the entire product life cycle into corporate long-term strategies. Environmental conscious manufacturing is made possible through TCM because it seeks to reduce overall product life cycle costs and conserve resources.

**H. Lance Stephenson**[2] (2015) focused on The TCM Framework and this framework a significant contribution to the cost management profession and it is possible extension for applicable to all industries.

Marchesan, P.R.C and Formoso, C. T3 stated that cost information provided by the proposed management accounting system usefull makes the production processes more transparent moreover, helps to identify production inefficiencies; and encourages managers to introduce corrective actions; and allows the evaluation of corrective actions to be undertaken. They also indicated that the proposed model has contributed to establish systematic procedures for production control concerned not only with time management but also with cost management.

## Need for the Study

The construction company operational cost always stays out of control. For the reason that project managers prejudiced understanding of cost control, they always do not make a cost plan before starting up, which is possible to lead to extra cost. At the same time a relevant problem that must be taken into account and that is mostly undervalued in practice, is the need to include those operational cost elements that depend on the performance of the cost system within the cost model. Construction companies observing one-sidedness intends and out-dated cost control methods, which cannot adapt the development of cost-cutting measure market.

The saturated advertise takes a strong competition in the direction of competitor companies, especially for construction companies, the immense profits which are under planned financial system condition because depressed by market economy condition, consequences lead to actual profits is reducing. Construction companies monitor investments, alternative investment opportunities, operating costs and control, profitability, budgeted plans, and enhancement of the profitability on the projects. Therefore, all these aspects have comes under within the scope of the TCM process.

## Objectives of the Study

The main objective of the study is to dwell on TCM approach in construction industries that ascertain with huge level of physical asset management and associated costs. The study analyses the things through GVK Infrastructure Ltd Company as a case analysis. Hence, the study considers along with that some secondary specific objectives are:

1. To find out the cost characteristics and operational activities of construction companies to ascertain the cost through TCM.
2. To analyzing the construction companies Total Cost Management modelling.
3. To find out the costs associated with the construction companies directly or indirectly that affect the total cost in the line of inflation, deflation, increase or decrease of cost of power, cost of raw material, cost of manual labor, budgeted restrictions, etc.
4. To ascertain the cost effective profits of select company under TCM.

## Hypothesis Testing

The construction companies cost management seeks to correct the inconsistency of cost which happens or has already incurred, and control the total operating cost under the pre determined budget to ensure the achievement of target cost by using TCM. Thus, companies after acknowledge that TCM model is a reliable support for taking decisions for the benefits of customers, suppliers and stakeholders at large. So the hypothesis formulated to ascertain the main objective of the study.

**Ho:** There is no significant impact of management of operational cost on profits under TCM in select construction company.

## Data Analysis and Methodology

The present study is an analytical and case method of research. To analysis the select construction company operational activities cost data required for the study was collected from financial reports, which including sustainable reports, inventory control manual, procurement manual, audit reports, and website of the company. GVK Infrastructure Ltd Company is undertaken as a sample for the study. This study is to evaluate and deliberate on each operational activity is demanded by each different task. Operational cost and operational profit analysis is done through growth ratios and simple average ratios. On the other hand present study employed t- Test were employed to test the significance of management of operational cost and its impact on profits under the TCM. The study is done for a period of 5 years i.e., 2011-2012 to 2015-16.

## Profile of Select Company

GVK Power & Infrastructure Limited is a leading and scheduled organization and an eventual holding company of "GVK" which operates with diversify interests across various sectors including energy, resources, airports, transportation, hospitality and life sciences, transportation has presence in others like Oil & Gas, Industrial Park, Urban infrastructures etc. GVK full name is Gunupati Venkata Krishna Reddy, also recognized as Dr GVK Reddy; he is the founder chairman and managing director of GVK Power & Infrastructure Ltd, Executive Chairman of Mumbai International Airport Private Limited and Co-chairman of Bangalore International Airport Ltd. GVK is a Hyderabad-based leading Infrastructure conglomerate company. Dr. GVK Reddy was initially appointed as Chairman & Managing Director of the Company for a period of three years (i.e. from 14-10-2005 to 13-10-2008) and once again reappointed in the same position for another five years period (i.e. from 14-10-2008 to 13-10-2013). The Board of Directors of the company scheduled of its meeting held on 12-08-2013 had considered the re-appointment of Dr. GVK Reddy as Chairman & Managing Director for a further another five years period (i.e. from 14-10-2013 to 13-10-2018).

GVK Power & Infrastructure Ltd successfully executed India's foremost six-lane expressway between Jaipur to Kishangarh in the state of Rajasthan. GVK was also the primary to develop a brown field airport with Public Private Partnership (PPP) model. One of the most considerable achievements of GVK's new iconic CSIA Terminal -II was inaugurated by the hands of former honorable Prime Minister Dr. Manmohan Singh. The latest Terminal- II is home to India's largest public art program, in the form of a 3 KM multi-story Art Wall, illuminated by skylights, that has over 7050 pieces of artwork & artifacts from Maharashtra and also every region & corner of India. Obviously, yet another major achievement of GVK's Bengaluru International Airport has been renamed as Kempegowda International Airport, Bengaluru and a new terminal was inaugurated. With these two major airports being operational, GVK is set to expand in airport business both in India and abroad. It maintained and operates its business through subsidiaries, step down subsidiaries and associate companies. Revenues of the company are derived primarily from the Operating and Management fee, incentives for operating the business of subsidiaries / associate and secondarily from the interest income earned out of managing the surplus funds through a better financial planning. GVK Power & Infrastructure Ltd has taken original initiatives across many sectors that it operates in and has overcome every challenge to provide reliable infrastructure to contribute to the country's growth.

## List of Operational Activities

Construction companies entire activities associated with the regular, day to day use, support and maintenance of a building or physical asset; comprehensive of administration, management fees, normal or regular maintenance, fire protection services, pest control, snow removal, grounds care, landscaping, environmental operations and record keeping, trash-recycle removal, security services, service contracts, utility charges includes as electric, gas/oil, water, insurance and taxes.

In addition, operational activities may engage some regular maintenance and minor repair work that are incidental to operations but they do not include any significant amount of maintenance and repair work that would be included as a separate budget item. See table 1 depicts the operational activities, which are trace under the TCM in construction companies.

Table 1: List of Operational Activities trace under the TCM in construction companies

| S.NO | List of Operational Activities |
|---|---|
| 1 | Material Purchasing Cost |
| 2 | Salaries, allowances and bonus |
| 3 | Fuel Cost |
| 4 | Survey Charges |
| 5 | Civil works cost |
| 6 | Commissioning to agent cost |
| 7 | Bid and tender document charges |
| 8 | Installation labor cost |
| **9** | Power ,Water & Energy cost |
| 10 | Installation fixed assets cost |
| 11 | Rent ,Rates & Taxes |
| 12 | Insurance |
| 13 | Line operators labor cost |
| 14 | Maintenance visible cost |
| 15 | Maintenance personnel cost |
| 16 | Stores and consumables Cost |
| 17 | Assembly or Fabrication cost |
| 18 | Hardware and special finishesw |
| 19 | Travel and conveyance |
| 20 | Communication |
| 21 | Printing and stationery |
| 22 | Advertisement |
| 23 | **Losses related costs**<br>23.1. Management losses costs<br>24.2. Corrective maintenance downtime losses costs<br>24.3. Speed losses costs<br>25.4. Non-quality costs<br>26.5. Labor Savings |
| 24 | Legal and professional charges |
| 25 | Decommissioning costs |

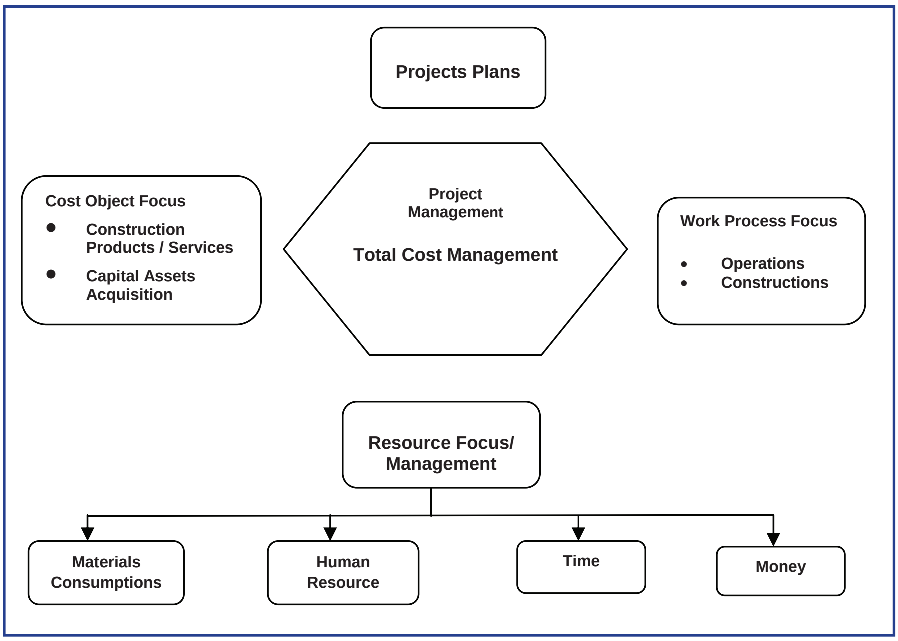
*Source: Research Work*

## 10. TCM Modelling in Construction Industies

TCM modelling is possible to employ for every manufacturing, service oriented and it is possible extension to construction industries too also. TCM is an integrating procedure that arrange outline the fields of practice of cost engineering, but also provides associations to the fields of project management, resource management, and management accounting practice. TCM provides a unique technical viewpoint that is often missing from financially focused approaches. Moreover, TCM is a business model for managing companies' resources and the activities so as to consume those resources with a focus on motivating and managing changes. TCM stress an extremely disciplined process based on careful market analysis in the specifically real estate because what customer's desire and what price they are willing to pay. In support of beginning an innovative products and services its target price cannot be recognized in a worthlessness but needs to be determined by external market factors, in particular, the strength of the new product compared to competitive offerings and market prices for comparable products in construction industries. Customers expecting from the companies as innovative environmentally friendly products, customers can be probable ready to pay more for them because these products offer more perceived value than their existing products.

Costs in TCM consist of any investments of resources in the enterprises assets including time, monetary, human, and physical resources. Total refers to TCM's comprehensive approach to managing the total resource investments during life cycle of the enterprise's strategic assets projects and operational activities. Construction companies entire life cycle cost, which may include capital expenditure, financing and operational costs, should be considered in the decision-making process. Construction companies are making asset management decisions; the companies should use a tactic that evaluates options of investing in new line of asset or existing assets, or operational alternatives (See Figure 1).

**Figure 1: Total Cost Management Modelling in Construction Industries**




*Source: Research Work*

## 11. Operational Activities Costs and Operational Profit Analysis of GVK Infrastructure Ltd under Total Cost Management

Table 2 presents the operational activities cost and operational profit analysis of GVK Infrastructure Ltd for the financial years 2011-12 to 2015-16. First and foremost operational activity is Material Purchasing cost during the financial year 2012-13 increased by 18.79 per cent over the financial year 2011-12 and subsequent financial year 2013-14 cost has declined by 57.25 per cent due to the Indian economy grew marginally by 4.7% in 2013-14 as compared to 5% in the financial year 2012-13.The material purchasing cost has tremendous increased over the financial years 2014-15 and 2015-16 by 4.20 and 175.99 per cents caused for that Indian economy remained positive on the strength of domestic absorption and the country has registered a robust and steady speed of economic growth in the financial years 2014-15 and 2015-16. Despite that global headwinds and a truant monsoon, India registered a growth of 7.2 per cent in 2014-15 and 7.6 per cent in 2015-16. Salaries, allowances and bonus activity cost ₹18,583 lakhs in the financial year 2011-12 and the costs being escalated to ₹ 48,274 lakhs in the financial year 2015-16 due to the employee benefit expenses, other administrative expenses and individual remuneration shall be determined within the appropriate grade and based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs increased.

Fuel costs in the financial years 2012-13, 2013-14 and 2014-15 declined respectively by 39.25, 64.5 and 25.86 per cents over the financial year 2011-12 due to during these years the company couldn't go ahead with the remaining works in 7 deep water blocks under NELP due to denial of access by Indian navy resulting in force majeure conditions in these blocks. As a result of this all blocks were surrendered after giving a termination notice. Besides, during the financial year 2015-16 the companies has written off projects and remain fuel cost has escalated by 63.8 per cent. Survey Charges costs in the financial year 2012-13 was ₹173 lakhs over the financial year ₹148 and the costs remaining financial years such as 2013-14 and 2014-15 was slightly increased by 0.58 and 0.57 per cent respectively reason for that construction segment contributed operational income decreased, but the cost has tremendous changes in the financial year 2015-16 increased by 58.29 per cent due to the company recognizes the importance of aligning the business objectives with specific and measureable individual segment objectives and targets. Civil works costs was ₹7540 in the financial year 2011-12 and the cost has reported increased trend to till the financial year 2014-15 by 78.76 per cent; whereas the cost was slipped by 34.99 per cent in the financial year 2015-16 due to the subsidiary companies GVK

*Cost control and Management aspect is not only limited to manufacturing and service sector, but it can be also applied to upstream industries such as Real Estate and Construction too. Construction industry deals with very complex projects, so it is requires an integrated and structured work process to ensure the completion in time and within the budget. This is possible with a superior ascertainment of cost estimation and control, scheduling, risk analysis, and benchmarking. This calls for an integrated cost approach, namely known as Total Cost Management (TCM). This paper analyses the construction companies' operational cost and client benefits by establishing the ordinal sequence among several nominal variables in an analytical way with an upshot of a case study.*

Industries Limited (GVKIL) and GVK Gautami Power Limited (GVKGPL) had continued existing construction projects of phase III and phase II power plants respectively.

Commissioning to agent cost was continuously increased except in the financial year 2014-15 declined by 22.93 per cent due to the impact of Indian economy declined in the previous year 2013-14. Bid and tender document charges reported declined in the financial years 2012-13 and 2013-14 by 84.81 and 60.98 per cent respectively over the financial year 2011-12. On the other hand the cost has escalated by 331.25 per cent in the financial year 2014-15 reason to say that the annual GDP growth rate of the country has increased. Installation labor cost was decreased by 45.45 per cent over the financial year 2011-12, but the cost remain increased by 202.38, 6.56 and 34.73 per cent respectively caused by the number of employees strength being increased.

Another operational activity cost of the company is Power & Water Charges escalated by 179.71 and 43.23 per cent respectively in the financial year 2012-13 and 2013-14 over the financial year 2011-12 due to the requirement of the company has purchased additionally with the terms and conditions of the Power Purchase Agreement ('PPA') with AP Transco. Whereas, the Power & Water Charges costs declined by 31.71 per cent in the financial year 2014-15 and the remain the cost has tremendously increased by 139.79 per cent in the financial year 2015-16 due to worse supply/availability of gas, the subsidiary companies have temporarily suspended the construction activities and intend to carry on construction once natural gas is available which management expects to happen in anticipated future. Rent, Rates & Taxes and Insurance operational activity costs was ₹ 9496 lakhs and ₹ 2,592 lakhs respectively in the financial year 2011-12 and the costs was increased to ₹ 12658 lakhs and ₹11,234 lakhs respectively in the financial year 2015-16 due to extension of the business segments over the five years.

Line operators labor cost and Assembly or Fabrication cost declined by 8.15 and 35.03 per cents in the financial year 2012-13 over the financial year 2011-12 due to the Indian economy, in Asia's third-largest, has slowed sharply from the baking growth irregular a few years ago appropriate to a string of factors, including high inflation, high interest rates, slowing global economy, delay in implementation of projects, policy holdup, slowing industrial growth and declining business sentiment. In spite of that the costs had been tremendously increased to ₹ 623 lakhs and ₹ 786 lakhs in the financial year 2015-16 due to employees possess appropriate skills, experience and knowledge in one or more fields of technical operations, marketing, administration, research or other disciplines related to the Company's business. Repairs & Maintenance cost in the financial year 2011-12 ₹ 7852 lakhs and it is increased to ₹ 15,923 lakhs in the financial year 2015-16 even though the cost had declined by 8.099 and 3.79 per cents respectively in the financial years 2012-13 and 2015-16 due to the company controlling the Repairs & Maintenance costs as compared to the earlier business operations costs.

Besides, Maintenance personnel cost and Printing and stationery operational activities costs had been increased except in the financial years 2012-13 caused by the impact of the Indian economy grew by merely 5% in 2012-13 financial year and it is registered lowest growth in last 10 years; as compared to 6.2% growth in 2011-12 financial year. Stores and consumables and Hardware and special finishes costs was ₹ 669 lakhs and ₹ 1362 lakhs respectively in the financial year 2011-12 and the costs enlarged to the ₹ 942 lakhs and ` 8023 lakhs in the financial year 2015-16 due to rapid economic growth has led to increased the burden on India's infrastructure companies and infrastructure deficit is widely to be considered one of the factors that could severely impact India's economic growth.

Travelling and conveyance cost and Legal and professional charges was ₹7,247 lakhs and ₹ 24,322 lakhs in the financial year 2011-12 respectively and these costs escalated to ₹12,202 lakhs and ₹ 49,026 lakhs respectively caused by total operational income tremendously increased each and every financial year due to extension of the business operations, so that in spite of that evidence of the company exhibit increased by 36.56% to ₹416,447 Lakhs in the financial year 2015-16 from ₹ 304,965 Lakhs in the financial year 2014-15. Communication Cost of the company has been increased except in the financial year 2013-14 declined by 26.42 per cent due to the executive members of the company are requested to point that for the purpose of raising additional long-term resources to invest in existing, expansion, new projects proper administration of the operational cost and which are being implemented. Ultimate operational activity cost is advertisement cost increased by 118.57 and 259.25 per cent in the financial years 2012-13 and 2013-14 respectively over the financial year 2011-12 aftermath the cost was declined by 65.13 per cent in the financial year 2014-15 and consequently the cost was not found in the financial year 2015-16 due to the company among other financial obligations of the Company and after consideration of the various alternative options that were available to the Company for the purposes of raising resources instead of washed-out the cost(See the table 2).

**Table 2: Operational Activities Cost and Operational Profit Analysis of GVK Infrastructure Ltd through Total Cost Management from 2011-12 to 2015-16**

₹ in Lakhs

| Operational Activities | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Average Cost |
|---|---|---|---|---|---|---|
| Material Purchasing Cost | 7,540 | 8,957 (18.79%) | 3,829 (-57.25%) | 3,990 (4.20%) | 10,996 (175.59%) | 7,062 |
| Salaries, allowances and bonus | 18,583 | 27,223 (46.49%) | 35,490 (30.37%) | 42,819 (20.65%) | 48,274 (12.74%) | 34,478 |
| Fuel Cost | 118,483 | 71,980 (-39.25%) | 25,535 (-64.5%) | 18,932 (-25.86%) | 31,012 (63.8%) | 53,188 |
| Survey charges | 148 | 173 (16.89%) | 174 (0.58%) | 175 (0.57%) | 277 (58.29%) | 189 |
| Civil works cost | 7,540 | 9,761 (29.46%) | 10,564 (8.23%) | 18,884 (78.76%) | 12,276 (-34.99%) | 11,805 |
| Commissioning to agent cost | 263 | 369 (40.30%) | 423 (14.63%) | 326 (-22.93%) | 456 (39.88%) | 367 |
| Bid and tender document charges | 270 | 41 (-84.81%) | 16 (-60.98%) | 69 (331.25%) | - - | 99 |
| Installation labor cost | 231 | 126 (-45.45%) | 381 (202.38%) | 406 (6.56%) | 547 (34.73%) | 338 |
| Power & Water Charges | 1,602 | 4,481 (179.71%) | 6,418 (43.23%) | 4,383 (-31.71%) | 10,510 (139.79%) | 5,479 |
| Rent ,Rates & Taxes | 9496 | 10472 (10.28%) | 11803 (12.71%) | 12437 (5.37%) | 12658 (1.78%) | 11,373 |
| Insurance | 2,592 | 3,584 (38.27%) | 5,363 (49.64%) | 9,878 (84.19%) | 11,234 (13.73% | 6,530 |
| Line operators labor cost | 184 | 169 (-8.15%) | 384 (127.22%) | 584 (52.08%) | 623 (6.68%) | 389 |
| Repairs &Maintenance cost | 7852 | 7216 (-8.099%) | 13047 (80.80%) | 16551 (26.85%) | 15,923 (-3.79%) | 12,118 |

| Operational Activities | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | Average Cost |
|---|---|---|---|---|---|---|
| Maintenance personnel cost | 3,820 | 3562<br>(-6.75%) | 4896<br>(37.45%) | 6245<br>(27.55%) | 8562<br>(37.10%) | 5,417 |
| Stores and consumables | 669 | 730<br>(9.11%) | 854<br>(16.98%) | 918<br>(7.49%) | 942<br>(2.61%) | 823 |
| Assembly or Fabrication cost | 254 | 165<br>(-35.03%) | 439<br>(166.06%) | 646<br>(47.15%) | 786<br>(21.67%) | 458 |
| Hardware and special finishes | 1362 | 2134<br>(56.68%) | 3657<br>(71.36%) | 5023<br>(37.35%) | 8023<br>(59.72%) | 4,040 |
| Travelling and conveyance cost | 7,247 | 8,163<br>(12.63%) | 10,085<br>(23.54%) | 11,356<br>(12.60%) | 12,202<br>(7.44%) | 9,811 |
| Communication Cost | 216 | 352<br>(62.96%) | 259<br>(-26.42%) | 679<br>(162.16%) | 738<br>(8.68%) | 449 |
| Printing and stationery | 203 | 80<br>(-60.59%) | 213<br>(166.25%) | 235<br>(10.32%) | 242<br>(2.97%) | 195 |
| Advertisement | 210 | 459<br>(118.57%) | 1,649<br>(259.25%) | 575<br>(-65.13%) | NA<br>0 | 723 |
| Legal and professional charges | 24,322 | 31,225<br>(28.38%) | 41,795<br>(33.85%) | 46,913<br>12.24%) | 49,026<br>(4.50%) | 38,656 |
| **Total Operational Cost** | **213,087** | **191,774<br>(-10.002%)** | **178,376<br>(-6.98%)** | **202,794<br>(13.68%)** | **235,955<br>(16.35%)** | **204,397** |
| **Percentage of Operational Cost in Total Revenue** | **86%** | **74%**<br>(-13.99%) | **63%**<br>(-14.019%) | **66%**<br>(5.16%) | **57%**<br>(-14.79%) | **69%** |
| **Total Operational Profit** | **36,096** | **68,991**<br>(91.13%) | **103,717**<br>(50.33%) | **102,171**<br>(-1.49%) | **180,492**<br>(76.65%) | **98,293** |
| **Percentage of Operational Profit in Total Revenue** | **14.48%** | **26.45%**<br>(82.64%) | **36.76%**<br>(38.96%) | **33.50%**<br>(-8.87%) | **43.34%**<br>(29.36%) | **31** |
| **Total Revenue** | **249,183** | **260,765**<br>(4.64%) | **282,093**<br>(8.17%) | **304,965**<br>(8.10%) | **416,447**<br>(36.55%) | **302,691** |

*Source: Compiled Data*

## 12. Test of Hypothesis

As assessed operational activity costs and operational profits of GVK Infrastructure Ltd status and performance evaluation is an essential step, which needs to be developed and provide appropriate inputs of the cost model. As a result, the GVK Infrastructure Ltd operational activity costs and operational profits attained to examine the impact of management of operational cost on profits under TCM. In order to ascertain main objective of the study the following hypothesis is formulated and tested with the help of t-Test which as follows: (See table 3).

**Table: 3 Operational activity costs and Operational Profit analysis of GVK Infrastructure Ltd from 2011-12 to 2015-16**

₹ in Lakhs

| Financial Year | Operational activity Cost | Operational Profit |
|---|---|---|
| 2011-12 | 213,087 | 36,096 |
| 2012-13 | 191,774 | 68,991 |
| 2013-14 | 178,376 | 103,717 |
| 2014-15 | 202,794 | 102,171 |
| 2015-16 | 235,955 | 180,492 |

*Source: Compiled Data*

12.1 Hypothesis Testing Results

| t-Test: Two-Sample Assuming Equal Variances | | |
|---|---|---|
| | ***Variable 1*** | ***Variable 2*** |
| Mean | 204397.2 | 98293.4 |
| Variance | 477606410.7 | 2882052068 |
| Observations | 5 | 5 |
| Pooled Variance | 1679829240 | |
| Hypothesized Mean Difference | 0 | |
| df | 8 | |
| t Stat | 4.093250977 | |
| P(T<=t) one-tail | 0.001734982 | |
| t Critical one-tail | 1.859548033 | |
| P(T<=t) two-tail | 0.003469965 | |
| t Critical two-tail | 2.306004133 | |

*Source: MS-Excel v 2007*

The results of t-Test at 8 degree of freedom at 5% significance level that the calculated value with one tail is 0.001734982 and two tail value is 0.003469965 whereas, Critical values of one tail 1.859548033 and two tail 2.30600413. Hence, null Hypothesis is accepted because the calculated value is less than the critical value. Therefore, it can be concluded that there is no significance the impact of management of operational cost on profits under TCM. It is the evidence that operational activities cost and operational profits are not appropriately maintained during the study period under TCM.

## 13. Conclusion

Ascertainment of total cost in construction companies is a complex in nature. It takes high effort and the carry out the task in a difficult way, but its mechanism and the benefits on investment can be very attractive and high. Costs cutting edge technique companies applied it is a focal method of cost management. TCM can help the construction companies in business processes and activities that can the costs and consume resources in a gigantic way. Generally, construction industry is known for high degree of uncertainty exposed with cost escalation and a commitment in completing projects, however, it requires a clear and tight control of costs at every stage to run on the wheel of profits.

Hence, TCM is an effective application of practiced and technical expertise to plan and control resources, costs, profitability and risk. It is employed to GVK Infrastructure Ltd over their operational activities costs and operational profits performance analysis and brought to the core that GVK Infrastructure Ltd is not appropriate in maintaining such costs in taking up the profits during the study period. There is a need to focus on the operational activities costs to achieve better operational profits by the company. This case analysis demonstrates that TCM offers a dynamic modelling approach that will regulate the technological innovations in construction companies as a corporate culture that stimulates the organization to woo in managing costs effectively and emerge as cost leader to compete with other player's in the market and with stand of manages technological innovations that are advantageous to the corporate environment. MA

## 14. References


1. Laufer, A. and Tucker, R.L. (1987). "Is construction project planning really doing its job? A critical examination of focus , role and process". Construction Management and Economics. London, 5(3), pp 243-266.

2. Burgelman R.A. and M.A. Maidique. (1988).

Strategic Management of Technology and Innovation. Homewood: Richard D. Irwin, Inc.

3. Monden, Y. (1989). Total Cost Management System in Japanese Automobile Corporations, in Japanese Management Accounting, Y. Monden and M. Sakurai, eds. Cambridge: Productivity Press, pp. 15-33.

4. Monden, Y. and K. Hamada. (1991).Target costing and Kaizen Costing in Japanese Automobile Companies, Journal of Management Accounting Research, 3(Fall), pp.16-34.

5. Kelly. J, and Male, S. (1993). Value management in design and construction. Theeconomic management of projects. Glasgow. E & FN Spon Inc.

6. Kaplan, R.S. and Cooper, R. (1995) "Cost and effect" Harvard Business School Press, Boston. 376 pp.

7. Cooper, R. and R.I. Slagmulder. (1997). Target Costing and Value Engineering. Montvale: The IMA Foundation for Applied Research, Inc.

8. Tyndall, G., Gopal, C., Partsch, W. and Kamauff, J. (1998). Supercharging Supply Chains: New Ways to Increase Value through Operational Excellence, John Wiley & Sons, Hoboken,N.J.

9. Maxwell, D.A.; Back, W.E. and Toon, J. (1998). "Optimazation of crew configurationsusing activity: based costing". J. Constr. Engrg. and Mgmt., ASCE, New York, NY,124(2), 162-168.

10. Shank, J.K. and J. Fisher. (1999). Case Study: Target Costing As A Strategic Tool, Sloan Management Review (Fall). pp. 73-82.

11. Koskela, L. (2000) "An exploration towards a production theory and its application toconstruction". Dr. Thesis, Technical Research Centre of Finland, Helsinki, 296 pp.

12. Jun Yang.( 2000). The analysis and comparison of domestic and overseas construction cost management, Published by Building Economy, Beijing.

13. Chuanming Chen.( 2001). Confirmation and Control of construction cost, Published byChina planning press, Beijing.

14. Xuekui Tian.( 2000). Discussion of the construction cost control of detail engine design phase, Published by Building Economy, Beijing.

15. Heilala .J, Helin. K, Montonen. J. (2006). Total cost of ownership analysis for modular final assembly systems. Int J Prod Res 44(18–19):3967–3988

16. Hollmann, John K., Editor.( 2006). Total Cost Management Framework: A Process for Applying the Skills and Knowledge of Cost Engineering, Morgantown, WV: AACE International.

17. Amadi-Echendu J, Willett R, Brown K. (2010). What is engineering asset management? In: Definitions, concepts and scope of engineering asset management. Springer, London, pp 3–16

18. Markus. G, Werner. S, (2012), Evaluating the life cycle costs of plant assets: a multidimensional view. Serb J Manag. Vol 7 No 2. pp 287–298

19. Thiede. S, Spiering. T, Kohlitz. S. (2012). Dynamic total cost of ownership (TCO) calculation of injection moulding machines. In: Leveraging technology for a sustainable world. Springer, Berlin, pp 275–280

20. Parra C, Crespo, A. (2012). Stochastic model of reliability for use in the evaluation of the economic impact of a failure using life cycle cost analysis. Case studies on the rail freight and oil. J Risk Reliable 226(4):pp392–405

*nnarsagoud@gmail.com*
*tsnchary@gmail.com*

# Real Estate (Regulation and Development) Act, 2016 (RERA) and its Potential Implications

*Accountability and transparency are two thrust areas of Real Estate (Regulation and Development) Act, 2016 (RERA), and builders will have to ensure compliance to avoid punishments. The Act provides for penalty as well as imprisonment. Builders need to have trustworthy credentials to start a project and it will be monitored during the registration of the project with the state authority. During registration information about clearances, annual report, balance sheet, cash flow statement and auditor's report need to be provided. The legal title deed and ownership documents are also necessary. To increase transparency, carpet area has to be defined and Timely completion of project is a must, failing which buyers will have to be compensated with an interest rate of State Bank of India's highest marginal cost of lending rate plus two per cent, within 45 days of it becoming due.*

**CMA Pankaj Kapoor**
Consultant
Jalandhar, Punjab

India, as developing economy with following attributes requisite regulated and sound real estate sector as one of its growth pillar,

1. India with burgeoning population facing acute housing shortage around 19 million units which will be double by 20301
2. Real estate sector contributes around 6% to India's GDP.2
3. This sector is 2nd largest employer in country after agriculture3
4. Fetching foreign investments – After November, 2015 when central government relaxed policy matters, this sector has high potential avenues for FDI/FII

Need of corrective regulation is further induced by following pitfalls (malafide practices);

1. Opaque market with differential pricing
2. Absence of structured grievance redressal mechanism
3. Siphoning off of funds by some developers
4. Slow project progress leads to delayed possession
5. Lack of information on developer or the project

All of these impacts demand and partly contributes to rising inventory levels. Thus, regulatory guidelines like RERA have emerged as the need of the hour, not only to bring much needed transparency but to help buyers and above all infuse confidence in the sector.

## Enactment of RERA

RERA before seeing light of the day, waited for long seven years. Major build-up events4 were as;

- **January 20, 2009** - National conference of Ministers of Housing, Urban Development and Municipal Affairs of States and UTs proposing a law for real estate sector
- **July, 2011** - Ministry of Law & Justice suggested central legislation for real estate sector under specified entries of concurrent list of the Constitution for regulation of contracts and transfer of property
- **June 4, 2013** - Union Cabinet approved the Real Estate Bill, 2013
- **August 14, 2013** - Real Estate Bill, 2013 introduced in Rajya Sabha
- **February 2014** - Report of the Standing Committee tabled in Rajya Sabha on February 13, 2014 and in Lok Sabha on February 17, 2014
- **March 6, 2015** - Real Estate Bill, 2013 and official amendments based on Standing Committee Report referred to the Select Committee of Rajya Sabha
- **December 9, 2015** - Union Cabinet approved the Real Estate Bill, 2015 as reported by the Select Committee of Rajya Sabha for further consideration of the Parliament
- **March 10, 2016** - Real Estate Bill, 2015 passed by Rajya Sabha
- **March 15, 2016** - Lok Sabha passed the Real Estate Bill, 2015
- **March 25, 2016** - The President of India accorded his assent to the Real Estate Bill, 2015
- **March 26, 2016** - Real Estate (Regulation and Development) Act, 2016 published in the Gazette for public information
- **April 27, 2016** - 69 Sections (Sections 2, 20-39, 41-58, 71-78, 81-92) of the Act notified by the Ministry of Housing & Urban Poverty Alleviation bringing the Act into force with effect from May 1, 2016
- **April 19, 2017** – Ministry notified all pending sections which were enforced from May 1, 2017.

## Key Highlights – Birds view

- Act has 92 sections divided into 10 chapters
- Compulsory registration (refer Section 3(2) of all residential and commercial projects;
  - ✓ With area of land proposed to be developed of more than 500 square metres, or
  - ✓ Having more than 8 apartments (all phases), or
  - ✓ For which completion certificate has not been obtained

- Mandatory disclosure of promoters, while applying for registration (prior to registration he can't advertise, promote, market (section3 (1))
- Disclosures about project details (projects launched during past 5 years) (section 4).
- 70% of amount realised from the project to be maintained in a separate account (not escrow) with schedule bank for project purposes. (Section 4(2)(I)(D)
- Agents to be mandatorily registered under RERA (Section 9)
- Mandatory quarterly disclosures of project status (section 11)
- Strict legislation against release of misleading advertisements (section 12)

- Launch of project only after Commencement Certificate in place; hence, no 'pre-launches'. Not more than 10% collection permitted before sales agreement (section 13)
- Restriction on changing plans without prior approval of 2/3rd Allottees (section 14)
- Structural defects within 5 years to be rectified without any charge (Section 14(2)
- Refund of amount/compensation in case of delay in handing over possession (Section 18)
- Establishment of Real Estate Regulatory Authority. This will regulate (Sections 20-40)
- Establishment of Central Advisory Council. This will advise and recommend (Sections 41-42)
- Establishment of Real Estate Appellate Tribunal. To act as quasi judicial body (Sections 43-58)
- Section 89 gave overriding effect to this act over any other law for the time being in force

## RERA Implications in detail

### 1. On the buyer – on gaining end

RERA is stacked in favour of protecting customer rights through;

| **Benefits** | **Reasons** |
|---|---|
| Informed decisions | • Access to track record of developer and project<br>• Timely update of project information will avoid 'information arbitrage' |
| Assurance of timely delivery and quality | • Lower probability of RERA registered projects running into legal hurdles at later stages<br>• Compensation in cases of delayed possession, an interest rate of State Bank of India's highest marginal cost of lending rate plus two per cent, within 45 days of it becoming due.<br>• Quality assurance - defects within 5 years to be rectified free of cost |
| Empower to tackle unfair practices | • Restrictions on unilateral changes in plans by the developers<br>• Penalty upto 5% of project cost for non-compliance<br>• Financial discipline on developer - restrictions on fund siphoning<br>• Provision for refund if buyer opts out, in case of delay by developer<br>• Punitive measures on developer for not honouring commitments |
| Pricing | • Uniformity of pricing as sales on carpet area instead of super built-up area |

### 2. Promoters and Developers – Need to be Bonafide

| **Impact** | **Nature** |
|---|---|
| Higher Disclosure and Compliance Requirements | • Mandatory registration of project with RERA, entailing disclosures of promoter's real estate activities of last 5 years<br>• Detailed disclosure of project plan, layout, government approvals, land title status, sub contractors leading to higher cost of compliance<br>• Periodic updation of project progress, sales, inventory and approvals<br>• Currently, sizeable funding of projects happens through pre-launch sales. With RERA, there will be an end to pre-launch concept and launch only after project is RERA registered<br>• Sales agreements to be registered with regulator, empowering buyer |

| Impact | Nature |
|---|---|
| Conscientious developers will gain from RERA | • Already have established systems, processes and management bandwidth to comply with RERA<br>• Attract funding from banks and PEs/FIIs with renewed vigour<br>• New projects will require high capital cost initially towards land payment and a provals for which developer needs to find equity partner - may see more Joint ventures |
| Unorganized players will be at losing end | • RERA will curtail practices of using land parcels without or with partial approvals to attract advance bookings<br>• Increased hesitation among financial institutions to deal with such developers |

3. Agents – Need to abide by Professionalism

| Impact | Nature |
|---|---|
| Registration of Agents with RERA | • Presently, India has a large number of real estate Agents, operating without any regulatory overview. But, RERA entails registration of agents and Agents for that States need to formulate processes , systems and guidelines for application and registration of real estate agents |
| Accountability enhanced | • Aggravated customer can file complaint against Agents too, in addition to developers, so broker as a key stakeholder in real estate sector now have to be more accountable in their dealings |

RERA covers only new and under construction projects, so Agents operating in the secondary market will not be impacted but In future, further expansion might bring them under RERA

Financial institutions – Optimist in the longer-run

| Impact | Nature |
|---|---|
| Financing Opportunities Increase | • End of pre launch and financial discipline on sales collections would result in more funding opportunities for financial institutions<br>• Reduced risk exposure due to additional and stringent compliance |
| Short Term Challenging | • Enhanced focus in NPAs recognition due to delays in underlying projects against existing loans. Mandatory prepayment clauses may face issues due to restriction of keeping 70% collections in project account |
| Long Term Benefits | • Availability of quality information will assist better credit assessment<br>• Funds diversion will reduce, enabling better assessment of project cash flows, thus reducing deviations |
| Control on project | • Clauses such as revoking of project registration based on allottee complaints and allottee having the first right of refusal on carrying out remaining work, will shift project control. Such clauses restrict enforceability by lender in case of defaults by a developer |

## International Scenario

Not only in India, but around the world, economies are beginning to establish regulatory controls in real estate sector. Let's take a look at some of them;

## Dubai

The Real Estate Regulatory Authority is the Government agency in Dubai set up in 2007. The functions and reasons for set up of this authority in Dubai are very similar to RERA in India.

## Nigeria

Real estate sector was largely unregulated there. However, with regulations coming into force, the creation of state-level RERAs in Nigeria will allow consumers to benefit from standardisation and protection, thus allowing for transparent functioning and growth in the sector.5

## United Kingdom (UK)

UK has a set of Building Regulations developed by the Government which are the minimum standards for design, construction and alterations to every building. Also, in the UK self-regulation has been a strong tradition.6

United States (US)

In the US, building code is enforced by local government officials. Building codes vary state to state there. These are updated every 3 years at least.

US Building code is based upon International Building Code (IBC) developed by the International Code Council (ICC), which is also adopted by countries like Abu Dhabi, the Caribbean Community, Colombia, Georgia.7

## Conclusion

Several developers may struggle on the implementation of RERA in the short term, as existing projects too will be under the ambit of the Act. Also, the number of deals will reduce in the short term, while the quantum of financing requirement will increase. The Act augurs well in the long term, as it will make real estate structurally a stronger industry, with better practices, making it attractive to buyers and investors alike. MA

## References

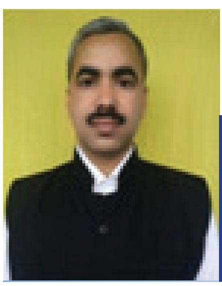

1. http://realty.economictimes.indiatimes.com/realty-check/affordable-housing-in-india-challenges-opportunities/976
2. http://www.ey.com/IN/en/Industries/Real-Estate/EY-New-avenues-in-Indias-real-estate-sector
3. http://planningcommission.nic.in/plans/planrel/fiveyr/10th/volume2/v2_ch7_6.pdf
4. Press Information Bureau, Government of India
5. http://www.businessdayonline.com/the-impact-of-regulation-on-the-real-estate-industry-in-nigeria/
6. http://www.poole.gov.uk/planning-and-buildings/building-control/what-are-building-regulations/
7. https://en.wikipedia.org/wiki/International_Building_Code


*pankajkapoor.ca@gmail.com*

# Ease of Enforcing Contracts in India

*The ability to make and enforce contracts and resolve disputes is fundamental if markets are to function properly. Good enforcement procedures enhance predictability in commercial relationships and reduce uncertainty by assuring investors that their contractual rights will be upheld promptly by local courts.*

***- OECD Policy Framework for Investment, 2015***



**Dr. P. K. Pandey**
Assistant Professor (Law)
Centre for Juridical Studies
Dibrugarh University
Dibrugarh, Assam

With the advent of liberalization, privatization and globalization, the concept of open market came into being which has transformed the national markets into global market providing free and efficient platform for business institutions and customers to transact as per their choices in a competitive environment. In such environment, the business institutions prefer to start and continue their businesses at such locations where the actual business costs including regulatory compliances are comparatively low and profits are more. At the same time, every country competes to attract more and more investments which will create jobs, maintain steady economic growth and sustainable development providing social well-being of the people of a respective country. To receive more investments, the attempts are being made by all the countries to improve the ease of doing business by investigating the rules, regulations etc. constraining the business environment. The ease of doing business is being measured globally by the World Bank since 2003 on various parameters, *inter alia*, including enforcing contracts. Having this objective in mind, the respective countries have attempted to reduce regulatory burden on business institutions, making justice delivery system more expedient, easy, effective, and inexpensive. Like other countries, India is also continuously improving its legal and justice system for providing a conducive business environment. The present paper deals with the legal provisions relating to ease of contract enforcement in India. Further, it gives some sensible suggestions also indented to make legal and regulatory system workable.

## Enforcing Contracts: Concept and Significance

The business activities involve varieties of contracts starting before the inception of the business with partners, lenders, investors, customers, suppliers, and others with the purpose of doing or not doing something which is lawful and not prohibited by the law.

In simple terms, a contract is an agreement enforceable by law which is made by competent parties, with free consent, for lawful object and lawful consideration and not declared void by the law time being in force. In business activities, the parties enter into contract for its enforcement with the thought that in case of non-performance of contractual obligations the aggrieved party can take the recourse of a legal system capable of enforcing the contracts in addition to the protection of property rights quickly, effectively, cheaply and easily.

The laws relating to enforcement of contracts are contained in the Indian Contract Act, 1872 and the Specific Relief Act, 1963. An aggrieved party can claim for loss suffered due to non-compliance of contractual obligations by the other party and in some cases for specific relief also the remedy may be requested before a civil court having the proper jurisdiction. But, it is reality that the traditional courts, due to so many factors, are over burdened and delivering justice to the aggrieved party has become a daydream. This status of affairs has created apprehension in business community who think to start business in India.

The commercial disputes, being natural in the course of business, needs efficient and fair legal and judicial machinery which can redress the grievances of aggrieved party effectively and judiciously. An efficient contract enforcement mechanism enhances the certainty of commercial relationships by attracting the potential investors having the trust in the integrity of the markets which in turn will boost our economic growth intended for sustainable development. When the investors will be sure that their contractual disputes, if any, will be upheld professionally and effectively by local courts with minimum legal formalities, they may think to start business in India.

## Enforcing Contracts in India: Current Scenario

As per the World Bank report *viz*. 'Doing Business 2017: Equal Opportunity for All', India has been ranked at 130th position among 190 countries moving up by 12 ranks from 142 in overall doing business. But, in respect of enforcing a contract it has been placed at 172nd rank globally which is the matter of serious and concrete discussions to attract the investors for development of the nation. Table-I represents the data of some selected countries having the better position regarding enforcing contracts. The data have been prepared taking into account the time taken from the date of institution of the case upto payment (completion of service of process, the issuance of judgment and the recovery of the claim value through a public sale), cost in court proceedings as percentage of claim value (court costs, enforcement costs and average attorney fees), and quality of judicial processes (court structure and proceedings, case management, court automation and alternative dispute resolution).

**Table-I: Status of Enforcing Contracts in Selected Countries**

| | Enforcing Contracts Rank | Time (days) | Cost (% of claim) | Quality of judicial processes index (0-18) |
|---|---|---|---|---|
| Korea | 1 | 290 | 12.7 | 14.5 |
| Singapore | 2 | 164 | 25.8 | 15 |
| Australia | 3 | 395 | 21.8 | 15.5 |
| Norway | 4 | 280 | 9.9 | 11 |
| China | 5 | 452.8 | 16.2 | 14.3 |
| United States | 20 | 420 | 30.5 | 13.8 |
| United Kingdom | 31 | 437 | 43.9 | 15 |
| Bhutan | 47 | 225 | 23.1 | 5.5 |
| Nepal | 152 | 910 | 26.8 | 5.5 |
| Pakistan | 157 | 1071.2 | 20.5 | 5.7 |
| Sri Lanka | 163 | 1318 | 22.8 | 7.5 |
| India | 172 | 1420 | 39.6 | 9 |

*Source: 'Doing Business 2017', World Bank.*

It is evident from the Table-I that India, in case of enforcing contracts, is in worst condition. It has been ranked below its neighbor countries also *i.e.* Bhutan, Nepal, Pakistan and Sri Lanka. In comparing average time taken in commercial disputes, it is clear that in Korea (1st rank in enforcing contract) it is only 290 days but in India it is 1420 days. Even in Bhutan also, it is only 225 days. Next, it is obvious that 39.6% of the total claim value in India is spent only on cost of dispute unlike Norway where it is only 9.9%. Quality of judicial processes index is also not satisfactory for Indian judicial system as it is only 9 unlike Australia where it is 15.5.

Table-II represents the data relating to global rank of India in enforcing contracts, time taken in enforcing contracts and costs for last ten years. It is very much clear that there is no change in time and costs related to enforcing contracts in India from 2008 till date though the global rank of India in enforcing contracts has been changed from 177 to 172 during this period.

**Table-II: Enforcing Contracts in India-A Comparative Data**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rank | 177 | 180 | 182 | 182 | 182 | 184 | 186 | 186 | 178 | 172 |
| Time (days) | 1420 | 1420 | 1420 | 1420 | 1420 | 1420 | 1420 | 1420 | 1420 | 1420 |
| Cost (% of claim) | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 | 39.6 |

*Source: 'Doing Business' Reports from 2008 to 2017, World Bank.*

The information relating to pendency of commercial disputes in High Courts with original jurisdiction is provided in Report No. 253, Law Commission of India. The data, as provided in Table-III, are collected from five High Courts as of 31.12.2013

**Table-III: Pendency of 'Commercial Disputes' in High Courts with Original Jurisdiction**

| High Court | Total Number of Civil Suits pending | Total Number of Commercial Disputes pending | % of Civil Suits that are Commercial Disputes |
|---|---|---|---|
| Bombay | 6081 | 1997 | 32.83% |
| Calcutta | 6932 | 5352 | 77.20% |
| Delhi | 12963 | 3582 | 27.63% |
| Himachal Pradesh | 354 | 88 | 24.8% |
| Madras | 6326 | 5865 | 92.71% |
| **Total** | **32656** | **16884** | **51.7%** |

*Source: Report No. 253, Law Commission of India*

As mentioned in Table-III, the number of total civil suits pending before five High Courts is 32656 out of which about 51.7% matters are related with commercial disputes.

The pendency of commercial disputes on the basis of value may be viewed in Table-IV. It is clear from this table that highest number of cases of value more than 1 crore was pending in Calcutta High Court and the minimum number of cases pending was in Himachal Pradesh High Court.

**Table-IV: Breakup of Pending Commercial Disputes in High Courts withOriginal Jurisdiction on the Basis of Value**

| High Court | Pendency of Commercial Disputes based on value | | | | Total Number of Commercial Disputes pending | Total number of Cases above Rs. 1 Crore |
|---|---|---|---|---|---|---|
| | Less than Rs 1 crore | Between Rs 1 crore and 2 crores | Between Rs 2 crores and Rs 5 crores | Rs 5 Crores and above | | |
| Bombay | 721 | 433 | 381 | 462 | 1997 | 1276 |
| Calcutta | 2851 | 583 | 308 | 842 | 5352 | 1733 |
| Delhi | 3346 | 101 | 73 | 62 | 3582 | 236 |
| Himachal Pradesh | 68 | 8 | 8 | 4 | 88 | 20 |
| Madras* | 6020 | 463 | 274 | 221 | 6978 | 958 |

* Including arbitration petitions.

*Source: Report No. 253, Law Commission of India.*

The current status of affairs in enforcing contracts in India reminds us to review the whole legal, regulatory, and judicial system to reach at top which in turn will attract the global investors making India economically strong and stout.

## Resolving Commercial Disputes:

As discussed above, the contracts may be enforced in India by judicial or non-judicial process. Under the judicial process, the civil courts having the proper jurisdiction may be approached wherein the disputes are resolved under the provisions of the Civil Procedure Code, 1908 and the Indian Contract Act, 1872 or the Specific Relief Act, 1963, as the case may be. The traditional legal and judicial mechanism of India, being adversarial in nature, is thought to be lengthy, rigid, costly, and cumbersome. In such legal framework, the enforcement of contracts has become a herculean task which cannot be termed in favour of development of economic activities. The Standing Committee on Commerce submitted its report on Ease of Doing Business, on December 21, 2015 and recommended to improve India's Ease of Doing Business rankings, *inter alia*, as under-

(a) litigation processes be simplified and shortened.

(b) creation of certified practitioners to assist dispute resolution.

(c) adjournments be limited to unforeseen and exceptional circumstances only.

(d) the implementation of e-courts will reduce time and costs involved in resolving a case.

**Commercial Court System-** Taking into account the recommendations of the Law Commission of India in Report Nos. 188 and 253, the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 has been enacted to provide for speedy disposal of high value commercial disputes. This Act has made necessary amendments in the Civil Procedure Code, 1908 also to improve the efficiency and reduce delays in disposal of commercial cases. The purpose of this Act is to accelerate economic growth, to improve the international image of the Indian justice delivery system, and to improve the faith of the investor world in the legal culture of the nation.

The term 'commercial dispute' has been defined in section 2 (c) as a dispute arising out of-

(i) ordinary transactions of merchants, bankers, financiers and traders such as those relating to mercantile documents, including enforcement and interpretation of such documents;

(ii) export or import of merchandise or services;

(iii) issues relating to admiralty and maritime law;

(iv) transactions relating to aircraft, aircraft engines, aircraft equipment and helicopters, including sales, leasing and financing of the same;

(v) carriage of goods;

(vi) construction and infrastructure contracts, including tenders;

(vii) agreements relating to immovable property used exclusively in trade or commerce;

(viii) franchising agreements;

(ix) distribution and licensing agreements;

(x) management and consultancy agreements;

(xi) joint venture agreements;

(xii) shareholders agreements;

(xiii) subscription and investment agreements pertaining to the services industry including outsourcing services and financial services;

(xiv) mercantile agency and mercantile usage;

(xv) partnership agreements;

(xvi) technology development agreements;

(xvii) intellectual property rights relating to registered and unregistered trademarks, copyright, patent, design, domain names, geographical indications and semiconductor integrated circuits;

(xviii) agreements for sale of goods or provision of services;

(xix) exploitation of oil and gas reserves or other natural resources including electromagnetic spectrum;

(xx) insurance and re-insurance;

(xxi) contracts of agency relating to any of the above; and

(xxii) such other commercial disputes as may be notified by the Central Government.

Explanation.—A commercial dispute shall not cease to be a commercial dispute merely because-

(a) it also involves action for recovery of immovable property or for realisation of monies out of immovable property given as security or involves any other relief pertaining to immovable property;

(b) one of the contracting parties is the State or any of its agencies or instrumentalities, or a private body carrying out public functions.

The above definition has to be read with section 2 (i) which provides that the value of the subject-matter in respect of a suit shall not be less than one crore rupees or such higher value, as may be notified by the Central Government.

The Act provides the establishment of Commercial Courts at district level by the State Government and Commercial Division at the High Court level by the Chief Justice of respective High Court. After notifying the establishment of Commercial Court/Commercial Division, the Chief Justice has to constitute Commercial Appellate Division.

A Commercial Court has been authorised to try all suits and applications relating to a commercial dispute of a Specified Value arising out of the entire territory of the State over which it has been vested territorial jurisdiction and the Commercial Division of that High Court has jurisdiction over all suits and applications relating to commercial disputes of a Specified Value filed in a High Court having ordinary original civil jurisdiction. The parameters to determine Specified Value of the subject-matter of the commercial dispute are provided in section 12 of the Act as under-

(a) where the relief sought in a suit or application is for recovery of money, the money sought to be recovered in the suit or application inclusive of interest, if any, computed up to the date of filing of the suit or application, as the case may be, shall be taken into account for determining such Specified Value;

(b) where the relief sought in a suit, appeal or application relates to movable property or to a right therein, the market value of the movable property as on the date of filing of the suit, appeal or application, as the case may be, shall be taken into account for determining such Specified Value;

(c) where the relief sought in a suit, appeal or application relates to immovable property or to a right therein, the market value of the immovable property, as on the date of filing of the suit, appeal or application, as the case may be, shall be taken into account for determining Specified Value;

(d) where the relief sought in a suit, appeal or application relates to any other intangible right, the market value of the said rights as estimated by the plaintiff shall be taken into account for determining Specified Value; and

(e) where the counterclaim is raised in any suit, appeal or application, the value of the subject-matter of the commercial dispute in such counterclaim as on the date of the counterclaim shall be taken into account.

A person aggrieved by the decision of the Commercial Court or Commercial Division of a High Court has option to appeal to the Commercial Appellate Division of that High Court within a period of 60 days from the date of judgment or order. The Appellate Division has been expected to dispose of appeals filed before it within a period of six months from the date of filing of such appeal.

It is worthwhile to mention that the paper-less court procedures and systems including e-filing, e-payment, e-summons and downloading of electronically signed orders in commercial courts has been introduced for easy and expeditious procedure.

The commercial courts have started functioning under the jurisdiction of the Delhi High Court, Bombay High Court, Himachal Pradesh High Court and the Gujarat High Court. (Times of India, May 29, 2016). It is expected that the system of commercial courts will dispose the cases expeditiously, fairly and at affordable and reasonable cost enhancing India's ranking in Ease of Doing Business globally which will result in making India investor friendly destination.

### Alternative Disputes Resolution System-

The commercial disputes also may be effectively resolved by a non-judicial process *i.e.* the alternative disputes resolution (ADR) system in forms of arbitration, negotiation, conciliation, and mediation. Mentioning the significance of ADR system, Supreme Court of India in *Secretary Irrigation Department Government of Orissa & others v. G.C. Roy*, observed that the alternative method of settlement of dispute through arbitration is a speedy and convenient process, which is being followed throughout the world. In India, since ancient days settlement of disputes by Panches has been a common process for resolution of disputes in an informal manner.

In this respect, it is significant to mention here that the Indian Parliament enacted the Arbitration and Conciliation Act, 1996 based on United Nations Commission on International Trade Law Model Law on International Commercial Arbitration. This enactment has been amended, from time to time, to make it effective and workable. Further, the Law Commission of India has also played very crucial role by suggesting the necessary amendments in it like-Report Nos. 176 and 246. With the objective to facilitate quick enforcement of contracts, easy recovery of monetary claims and award of just compensation for damages suffered and reduce the pendency of cases in courts and hasten the process of dispute resolution through arbitration, so as to encourage investment and economic activity, the Arbitration and Conciliation (Amendment) Act, 2015 has been enacted which came into force on 23rd October, 2015. Under this amendment, the fast track procedure also has been introduced in which the award shall be made within a period of six months.

*The Committee for Reforming the Regulatory Environment for Doing Business in India*, under the chairmanship of M. Damodaran, also recommended that there should be a mechanism to dis-incentivise use of civil courts for resolving contractual disputes, so as to encourage arbitration as a preferred manner of resolution. Further, it is also recommended that appropriate measure may be taken up to create a large pool of persons trained in the process of arbitration who could be approached by contending parties to take up their matter.

Additionally, with the objectives of promoting transparency and access to information for all stakeholders in the justice delivery system, the National Judicial Data Grid has been introduced in India which allows public access relating to cases pending in any court of India. This platform has been created to identify, manage, and reduce pendency of cases.

### Concluding Observations:

The Government of India has taken many initiatives to provide a hassle free business environment to start business in India as Union Commerce and Industry Minister *Ms. Nirmala Sitharaman* has recently said that 'roughly about 7,000 big, small, medium and nano measures have been taken on ease of doing business'. (The Economic Times, May 21, 2017). To provide an efficient and quality legal system for enforcing contracts in India, the necessary amendments have been made in existing laws in addition to enactment of new legislations also which in turn will redress the grievances of aggrieved party in a time-bound period being less-expensive. At the same time, various steps have been taken to equip the courts with information technology.

Next, the parties of a commercial dispute should be encouraged to develop and use effective self-regulatory procedures including alternative dispute resolution mechanisms which will satisfy both the parties of dispute and will save time, money and labour. Further, there should be proper training for judges, court staff, and legal practitioners to make them information technology literate and not expertise them so that they may conveniently work in e-environment. MA

## References:


1. Commercial courts begin functioning in Delhi, Mumbai, *Times of India*, May 29, 2016
2. *Doing Business 2017: Equal Opportunity for All*, Washington, The World Bank, 2017.
3. Ease of doing business: Executive and judiciary on one table, *Financial Express*, October 24, 2016
4. Have taken 7,000 steps to improve ease of doing business: Nirmala Sitharaman, *The Economic Times*, May 21, 2017
5. India up one position in WB ease of business ranking, *The Hindu*, October 25, 2016
6. *OECD Policy Framework for Investment, 2015* available at https://www.oecd.org/daf/inv/investment-policy/Policy-Framework-for-Investment-2015-CMIN2015-5.pdf
7. Report No. 188: Proposals for Constitution of Hi-Tech Fast-Track Commercial Divisions in High Courts (December, 2003), Law Commission of India.
8. Report No. 253: Commercial Division and Commercial Appellate Division of High Courts and Commercial Courts Bill, 2015 (January 2015), Law Commission of India.
9. *Report of the Committee for Reforming the Regulatory Environment for Doing Business in India*, 2013, Ministry of Corporate Affairs, Government of India.
10. Report of the Expert Committee on Prior Permissions and Regulatory Mechanism, Ministry of Commerce and Industry, Government of India.
11. *Secretary Irrigation Department Government of Orissa Secretary & others v. G.C. Roy*, 1991(2) SCALE 1369
12. *Standing Committee Report Summary* available at http://www.prsindia.org/administrator/uploads/general/1451884713_SCR%20Summary-%20Ease%20of%20Doing%20Business.pdf


*bipin05bhu@gmail.com*

# Data Mining and Analysis: An Invaluable tool for Management Accountants

*Data Mining and Analytics tools are invaluable in enabling Management accountant to gain a deeper insight into the revenue and cost behavior of the organization in terms of patterns and relationships which are not apparent otherwise and ERP data would be very valuable for the same. This article introduces the Data mining techniques and illustrates how Management accountant can apply the same on ERP data to gain insights which ultimately can be used for formulating organization strategy and devising and implementing the planning and performance management systems.*

**CMA K.R. Sreedhar**
Gen. Manager (Finance)
The Akshaya Patra Foundation
Bangalore

Many organizations have been running their business on ERP Platforms for fairly a long period, in some cases, in excess of 5 years.As a result, huge amount of transactional data has got accumulated, which could be a GOLD MINE for Management Accountant to deliver his true contribution to the success of the organization in following areas.

i. Devising and implementing the planning and performance management systems, to highlight the areas of inefficiencies and losses and opportunities for improvement.

ii. Assisting the Sr. Management in formulating the Organization's strategy, whichinvolves, providing cost and revenue inputs for developing different financial forecast models under various assumptions, interpreting and analyzing the results shown up in the models and assessing the controllable and uncontrollable risks involved in executing the various possible strategic options.

This article examineshow management accountant, through the data mining techniques, can use the invaluable ERP transactionsdata of the past period, to achieve the above objectives.

## Data Mining & Role of Management Accountant:

As per definition given by website "http://searchsqlserver.techtarget.com/definition", Data mining is sorting through large data sets to identify patterns and establish relationships to solve problems through data analysis.

The fundamental underlying assumption of Data Mining exercise are as under

a. While past may not be a perfect predictor of future, the past gives many valuable lessons which can be used for taking action in future to attain the target objectives.

b. By studying the past patterns and relationships, managers can reevaluate their assumptions about the underlying factors driving the business.

c. They can also judge whether their past decisions which were made based on the facts available at that point of time and assumptions made then, turned out to be correct or not. With this intensive analysis, they can identify the assumptions which need to be revisited and update the same.

d. They can also identify the negative external factors which influenced the outcome, which either were not predicted or for which the corrective actions were not taken in time, so that they can learn valuable lessons for the future.

e. Such analysis may also throw up issues in execution of the plan i.e., lack of adequate resources or lack of coordination among the various internal stakeholders and may be even sheer inefficiency of the organization, which would be a valuable lesson for correction in the future.

Data Mining exercise goes far beyond the regular management reporting exercise, which is limited in scope and content to reporting what is happening at present and what happened in the immediate past. The routine reports are structured based on the certain "way of viewing things", which again is based on certain underlying assumptions about business. Data Mining exercise involves, a) viewing the data from a totally different perspective b) Evaluating existing fundamental assumptions of business for its correctness or relevance or c) Developing alternate hypothesis which challenges the existing fundamental assumptions of business and testing whether the alternate hypothesis is correct or not.

Management Accountant is in a position to play a greater role in this analysis. As author wrote in his earlier article in Management Accountant on ERP ( June 2015 ) , " Unlike other functions (such as HR, Production, Marketing etc.,) whose focus is limited to their own functional areas, Management accountant deals with each and every function of the organization and their inter- relationships. Hence, he / she has an overall "integrated view" on the activities of business processes and appreciate the contribution being made by each and every function". This overall "integrated View" of the business, enables Management Accountant to be the ideal person to contribute in a major way in the Data Mining Exercise.

The Data mining includes the following techniques as mentioned in Wikipedia. The extract from Wikipedia are in italics.

Data mining involves six common classes of tasks:[4]

- *Anomaly detection (Outlier/change/deviation detection) – The identification of unusual data records, that might be interesting or data errors that require further investigation.*

Example: A few customers getting large discounts or credit period way beyond the norms, the quality rejections of supplies for a few products being very high by certain suppliers etc., This is very useful in tracking and preventing frauds and also in determining the real root cause of any repeated inefficiency.

- *Association rule learning (Dependency modelling) – Searches for relationships between variables. For example, a supermarket might gather data on customer purchasing habits. Using association rule learning, the supermarket can determine which products are frequently bought together and use this information for marketing purposes. This is sometimes referred to as market basket analysis.*

While, most popularly this is associated with marketing (E- commerce sites, suggesting books based on the search made by a buyer), this can also be used by a management accountant in other areas of supply chain, a few examples of which are given below.

  - Relationship between thevariable, shipping costs to a customer as a percentage of sales price to Quantity or Sales Value(are we going overboard on discounted shipping terms,assuming savings in terms of % of freight cost to sales, which may not be a reality.).

  - Relationship between the different grades of metal machined to the quantity & cost of machine oil and consumables. ( To appropriately allocate the costs based on cost drivers to know the true costs and margins )

- *Clustering – is the task of discovering groups and structures in the data that are in some way or another "similar", without using known structures in the data.*

Management accountant can use this technique to develop groups of objects with reference to which the value / cost analysis can be carried out. For example, instead of typical classification of customers by Geography, volume etc., clustering analysis may show up a peculiar group of customers placing rush orders during the last week of the month. The cost behavior associated with servicing this category of rush orders may be insightful for taking production and pricing decisions.

- *Classification – is the task of generalizing known structure to apply to new data. For example, an e-mail program might attempt to classify an e-mail as "legitimate" or as "spam".*

Management accountant can use this technique to classify a new object (say a newcustomer) into different groups as developed in the above cluster analysis.

- *Regression –attempts to find a function which models the data with the least error that is, for estimating the relationships among data or datasets.*

This mathematical technique is used to precisely quantify the relationship between the dependent variable to the independent variables. The data collected in the Association rule learning can be mathematically modelled to predict the outcome given the values of dependent inputs.

For example, management accountant can estimate the outward logistics expenses for a quote based on the following formula.

Estimated cost of Outward Logistics = Fixed Cost + x1*Estimated distance in KMs +x2* No of Standard packets to be delivered

The values of Fixed Cost, x1 and x2 are the values attributable to the Cost Drivers as estimated through regression technique applied on the large amount of past data, of course adjusted for inflation to bring it to current cost.

- *Summarization – providing a more compact representation of the data set, including visualization and report generation.*

The ultimate purpose of any cost analysis is to present the data in a meaningful manner to enable the management to get proper insight for decision making.

## Importance of ERP in Data Mining Exercise:

While theoretically Data mining can be done on any set of past data(such as data from a pure accounting system), the Data obtained through ERP has following characteristics, which would make it easier to get more productive analytical insight.

1. ERP by definition is an integrated tool for carrying out all facets of a business activity (supply chain etc.,)with standard business processes. Hence, ERP would provide the data comprising of both the operational and financial aspects of a supply chain activity.

2. The Data obtained through ERP is highly detailed in nature as each and every transaction would have been captured in a well-defined systematic manner.

The above two aspects would enable slicing and dicing of data combining both quantitative and financial aspects to get new insights.

Below given is a practical example of how disparate data of different functions of supply chain collected in ERP, can be used to get coherent answers for strategic questions.

Here is the list of disparate data collected from ERP for the past 12 months, in respect of itemABC

a) Purchase orders placed on each supplier for a particular item,
b) the number of times the supplies were received,
c) the quantity received against each supply for that item,
d) the order date and receipt date(lead time of supply),
e) Mode of transport and freight paid for transport the inventory
f) the inventory position and the pending demand for these items at the time of receipt of each supply,
f) the rejectionsdue to quality issues for each supplies,
g) the total cost of each supply including price paid to supplier and the freight cost.
h) Cash position

The linking of such disparate data would enable data mining exercise to answer the following setof strategic questions.

a) How many times did the organization make urgent purchase, crashing the normal lead time, and how much of such purchases are due to factors such as
   - unexpected, spurt in demand
   - Abnormal delay by supplier / transporter in specific cases
   - Abnormal rejection in QC for the supplies in specific cases
   - Temporary Cash constraints, which forced us to postpone normal purchases (inability to keep minimum stock).
b) Which suppliers supported us during our times of crisis
c) Which suppliers had abnormal quality rejections which resulted in stock shortage
d) Did we have to pay extra for such crash purchases, on a total cost of acquisition basis including freight.
e) Are our inventory policies such as minimum stock, reorder level and reorder quantity require revision.

3. ERP provides error free, reliable and authentic data, since the data would have been captured as the transactionwas taking place, and would have been subjected to controls and validation (errorchecking) mechanisms.

4. ERP provides a well- defined structured data which is easily amenable for further analysis through statistical techniques.

## Example of Approaches of Data Mining for a Management Accountant;

Experienced intelligent Management Accountants can think of many unique, creative approaches which would be suitable to meet their unique challenges / opportunities . Two examples of such approach are illustrated below.

1. Revalidating / updating certain key assumptions of busi-

ness strategy:

Evaluating the inventory policies could be an appropriate example. As we all know very well, the objective of inventory policy is to "have inventory at the right quantity, at the right time and at the right price "and to ensure the same various norms areset up and enforced in day to day working.

A company was meticulously following the below given formula for RE ORDER level, as prescribed in text books, to maintain adequate cushion to meet contingencies of maximum demand during the maximum lead time of procurement, so as to avoid the loss of production / sales.

Re – Order Level = Maximum Usage Rate * Maximum Lead Time

In respect of item A, the Reorder level had been fixed as 1000 units based on the following parameters.

Maximum Usage rate of 200units per week * maximum lead time of 5 weeks

The data mining exercise showed up the following consumption pattern in the past 52 weeks.

| Actual Usage Range | No of weeks in past one year |
|---|---|
| < 50 Units per week | 5 |
| 50 to 100 Units per week | 25 |
| 100 to 150 Units per week | 15 |
| 150 to 200 units per week | 5 |
| > 200 Units per week | 2 |
| **Total Number of Weeks** | **52** |

Taking a narrow limited view taking the parameter of Maximum usage rate of 200 Units a week seems to be correct, but you would notice only in about 7 weeks out of 52 weeks the usage is nearer to that rate. With this data in sight, company can evaluate the consequences of having maximum usage parameter set at 150 instead of 200. Would they have missed the sales opportunity in toto. Or would it have resulted in merely, the stock level dipping below the danger level for a few days, without causing any loss of sales. Or could they have managed to incur extra freightexpenditure to get goods at a shorter lead time than 5 weeks. Or even if the sales opportunities been lost, what is the loss of margin vis a vis savings due to lower inventory held throughout the year. What would have been the adverse impact in respect of non – financial factors due to loss of sale / production.

With this analysis, the company may decide to consider maximum consumption as 150 units instead of 200 units and set up it reorder level accordingly, thereby reducing the level of inventory carried in the system.

In a supply chain scenario one can think of many such typical assumptions, which needs to be revalidated considering the experience over a longer period of time.

- Other inventory policy determinant parameters such as, Lead time of procurement, ordering costs, storage costs, required safety stocks, costs of carrying lower safety stocks etc.,

- Seasonal Trends in respect of salesand, material availability, both in terms of quantity and respective prices.

- Key machine, lines performance in respect of set up time, line outputs, maintenance downtimes etc.,

- Sales distribution chain performance. An example would illustrate the point. The company was working on the assumption that mega distributors do get better sales than the retailers who pick up small quantities, fromcompany's C& F Godownin far flung areas. The data mining may show that while this trend is broadly true in totality, in terms of newly introduced key growth products on which the company is betting its future, the rate of growth of sales to Retailer segment, if far higher than the key distributor segment. Further investigation may lead to a conclusion, that mega distributors are playing it easy, by not putting focus and energy on educating its chain down the line, on pushing newly introduced products.

2. Implementing a Robust ABC Costing system:

Peter B. B. Turnkey defines ABC Costing system as "a method of measuring the cost and performanceof activities and cost objects. Assigns cost to activities based on their use of resources and assigns costto cost objects based on their use of activities. ABC recognizes the causal relationship of cost drivers toactivities."

Identification of the cost drivers which drive the incurrence of the costs and establishing a statistical / mathematical relationship between is the fundamental pre requisite ofABC analysis.

The below table ( Googled from an article from www.hmhco.com ) shows the examples of the Activity Cost Pools around which the cost data can be collected, and the Activity Cost Drivers based on which the cost can be allocated to the cost objects ( activities ).

| Activity Cost Pools | Activity Cost Drivers. |
|---|---|
| Purchase Dept. | Number of Purchase Orders |
| Receiving Dept. | Number of Receipts |
| Materials Handling | Number of Material requisitions. |
| Set up | Number of set ups |
| Inspection | Number of Inspections |
| Engineering Dept. | Number of Engineering change Orders |
| Personnel Processing | Number of employees hired or laid off |
| Supervisors | Number of direct labor hours |

The data mining exercise can bring out the relationship between the cost drivers and the costs based on the past actual data in a much more granular manner. The data mining tools can even enable to establish a more robust statistical formula for allocating the costs on the basis of quantum / value of cost drivers, as example of which is reproduced below.

Estimated cost of Outward Logistics = Fixed Cost + x1*Estimated distance in KMs +x2* No of Standard packets to be delivered

The values of Fixed Cost, x1 and x2 are the values attributable to the Cost Drivers as estimated through regression technique applied on the large amount of past data.

## Conclusion

The rapid progress of information technology has enabled gathering and accumulation of vast amount of data and its crunching at speeds and sophistication which were unimaginable even 5 years ago. Through data mining and analytics techniques, Management accounts should use this immense power to provide his valuable inputs for strategic decision making, performance monitoring and control. The best place to start with is the utilization of ERP data already available in the organization.

---

*Sreedhar_kr@yahoo.com*

# Interviewing skills: A practical perspective useful for Hiring Managers & Candidates

**CMA. Mrutyunjaya Mohanty**
Director (Finance & Commercial)
Balasore Alloys Ltd
Bangalore

The objectives of this articlesare to make aware both hiring managers and candidates in job interview with useful tips to come out with winning formula andmore importantly to avoid pitfalls.

## Shortlisting profiles

In a digital age of one-touch in a smart phone to send out resumes to hundreds of employers and head hunters, hiring manager is flooded with profiles.

### Tips for Hiring Managers

Outline a box of critical job requirement and tick against the resume' received to screen hundreds of them. A typical box for a position of "Corporate finance & treasury manager"for a mid-sized listed manufacturing company into non-ferrous metal business looks as under;

| | | | | | |
|---|---|---|---|---|---|
| *Qualification: CA or CMA or MBA(Finance) from an Institute of repute* | ✓ | *Career experience: 6-8 years post qualification experience* | ✓ | *Age bracket: 28-32 years* | ✓ |
| *Manufacturing industry experiencewith listed mid-cap / large cap companies* | ✓ | *Corporate Finance fund raising experience* | ✓ | *Cash flow preparation experience* | ✓ |
| *Current annual CTC:Rs8-14 Lakhs)* | ✓ | *Experience in foreign exchangerisk management &metal hedging* | ✓ | *Soft skill: Advanced Excel, Power point, MS project* | ✓ |
| *Exposure to working in ERP environment;preferably SAP* | ✓ | *Experience in dealing with rating agencies* | ✓ | *Experience in investment banking* | ✓ |

The above illustration has 12 boxes needs to be tickedon receipt of Resumes. Out of total 12 boxes of requirements, some needs to be defined as mandatory boxes (6marked in red colour in above illustration). The resume should be rejected if one single box in mandatory field is un-ticked. Resumes with tick mark in all mandatory field to be short listed and arranged with highest no of tick marks. The hiring manager should shortlist top 6-8 resumes with highest no of ticked ones for personal interview

### Tips for Candidates

(i) Review the Job Description(JD)carefully and do apply to openings only if you are perfectly matching the requirement. Do not just apply by clicking the openings hosted in job websites or email to employers unless your profile matches to most of the requirements related to education, age brackets, current compensation level, soft skill etc. It is better not to apply than circulating Resume to hundreds of places.

(ii) Make a powerful Resume which reflects correctly about you. Ideally this should not be more than 2-3 pages long and mandatorily have a professional photograph.Smart way of selling your Resume is to highlight your major achievements. Do not show something which you have not done. The technical/functional section should be given against each organization highlighting specific major contribution over there. I have seen some Resumeswith missing data about DOB/Age, year of acquiring various qualifications, Name of University / Institute, incorrect organization name, incorrect period of working etc. Some do copy and paste same experience from one organization to other. Hiring Managers do rejects these candidates during CV screening stage itself. If someone is not good enough increating his/her own profile, how come he/she will be good in work place.

## Audio / Video interview

Most of hiring managers prefer to set up a telephonic or video conference interview before a personal meet to short list further and call only 2-3 candidates for the final round.

### Tips for Hiring Managers:

Set up a conference telephonic call or video call with the shortlisted candidates for 15-20 minutes along with the technical/functional manager to have afirst-hand impression and getting some important feedbacksuch as;

(a) Convincing reason for leaving the current organization

(b) Validating functional knowledge

(c) Validating soft skill

(d) Visual impression, personality for the position

(e) Communication skill

(f) Cultural fitment

### Tips for Candidates:

(a) Take the audio / Video interview as if it is a face to face interview.

(b) Even if this is a telephonic interview, appear with proper attire in a proper setting. Some candidates take this lightly and even pick up telephonic calls when they are in washroom, in vehicle with noise around etc. Remember, interviewer can easily guess your setting.

(c) Do search about the organization, understand the JD and soft skill requirement, anticipate possible questions.

(d) Take a mock telephonic interview through your friend / family member and get a feedback. Don't change your natural accent.

(e) Be precise and clear in reply. Be honest and talk confidently.

## Main interview

This is a big day both for hiring managers as well as candidates. It is not easy to get high performing employees and same time not easy to get growth oriented professionally managed organizations.

### Tips for Hiring Managers

Setting up the motion for the interview. Making the candidates comfortable and releasing his/her stress with some small talks like where are you living, did you find any difficulty in searching this place etc. The interview discussion should be for a reasonable time of 45-90 minutes as to understand the candidate better. The penal members should take note of key information/ data.

### Tips for Candidates

Use your wardrobes selectively, wear some lucky suit, tie, shining shoes etc. Plan to arrive 10-15 minutes in advance. Advised to make a drill run before the interview day so that you are familiar with the road, traffic, parking etc. Greet nicely to the security personals, front office staffs and HR staffs before you are called to the interview room. On arrival, visit washroom and see through in mirror, make-up your hair and get set ready for the big occasion. Take some deep breath and be confident. Think that if you are not selected this will not be the end of the road in your life. That will make you confident.

On being called to interview room, greet the interviewers, do firm handshakes with eye contact and smile. Make a very good first impression and take your seat on being asked to do so. While speaking make good eye contact with all the panel members and do smile when required and talk clearly and confidently. Do not ramble. Stay focussed. Think before speaking. Take your time for difficult questions.

## Suggested questions with answers

I have seen many occasions hiring managers mostly confined discussion to technical/functional subjects. As we are dealing with human beings the importance of judging behavioural aspects are also equally crucial along with technical/functional skill. I have also observed candidates do not display proper response while dealing with behavioural level questions.

Following are some suggested questions to be asked by hiring managers to understand the candidate better before arriving in selecting/rejecting a candidate. I have also given some suggested answer to help the candidates preparing well for an interview.

### Tips for both Hiring Managers & Candidates

***(i) Tell me about yourself.***

➤ Give 2 minutes Resume summary touching your current role, educational credentials, major career accomplishments & personality summary. This is the key selling point opportunity. Major career recognition like best employee, best performer, rank holder in education etc should be put forth at this point.

***(ii) Some work-related functional questions from above conversation to judge in depth knowledge. Ask some cross question and ensure everything is adding up.***

- Brush up your key technical/functional knowledge before the interview day. (a) Be honest in your reply. (b) Research J.D and cite examples relevant to organization requirement

***(iii) Reporting structure.***

- Never tells the name of the boss unless asked for. Always talk with the position title. Clearly mention the reporting structure with business unit wise structure if any including dotted line ones. Carry a scratch of organization structure with people reporting to you showing your importance in the company.

***(iV)Cross check the achievements / success given in the Resume. Validate how he/she has done. Truth will come out whether someone has really done or a good script only.***

- You must be clear and confident to answer whatever is written in the Resume. Give some case study narrative to prove that you have done it.

***(v) How do you describe your personality?***

- Do talk about (a) team worker, (b) train and encourage team members for high performance, (c) independent in decision making & judgement, (d) Great follower of Ethics and ethical values (e) Transparent (f) Pro-active

***(vi) What do you look for in a job?***

- Do mention about (a) Contribute >100% to bring success at faster pace (b) Enhance staff morale (c) Contribute as a team for achieving organizational success and goals (d) Improve policy & procedure

***(vii) What are your weak points?***

- I have seen some people says they do not have weakness. They are not fully honest and brings rejections to their candidature. Interviewer at times ask cross question like "how do you improve if you don't know your weak points?" Of-course you are not a perfect animal. Learning must be till death. Think something which ultimately becomes a strong point. You can give some reply like (a) Higher expectation from others (b) Can't leave a job half done and usually find myself thinking of a possible solution to a problem when I am driving to work place or in the shower. Some may think I take it too seriously, but I have found keep ideas on the "back burner" usually saves time and efforts in the long run.

***(viii) Why you want to leave your organization?***

- There should be convincing response to this vital question. Never talk about money requirement. Never complain about your current and last employers or bosses even if those are the real reasons. Some possible answers (a) I am eager to take more challenges and I believe I find them at your organization (b) This opportunity seems to be particularly interesting and I am interested in pursuing it further (c) Admire about the organization and what appeals you like the vision, mission or core values or business excellence practices (d) My family would like to settle down in this town due to XYZ reason (f) any other specific reason which can be bought easily by hiring managers without any side effects

***(ix) What is an ideal working environment?***

- Possible answer (a) Team work is the key (b) Respect for people (c) Recognition and growth opportunities

***(x) What kind of people do you find difficult to work with?***

- Be honest and don't say you are comfortable with everyone. You can say, the only people you have difficulty are those who are not team players, who just don't perform, who complain constantly and fails to respond to any efforts to motivate them.

***(xi) How your co-workers describe you?***

Think about your strength and weakness and give some examples.

***(xii) What kind of hours you are used to work in?***

- As many hours as it takes to get the job done.

***(xiii) What is the most difficult situation you have faced?***

- Describe a challenging work issue you had faced and how you dealt with. It should havea happy ending.

*(xiv) How do you handle rejections?*

➤ Rejection is part of the business. People don't always buy what you sell. I see rejections as an opportunity. I learn from it and that make me stronger.

*(xv) What position do you expect to have in 5 years?*

➤ Your answer should not show any kind of expectation. Answer cleverly with "I don't look for any positions". I wish to exceed organizations objectives. You can expand further with a reflection of your career aspiration by saying, while looking back my career, I have accomplished a lot. I have learnt quickly and have been able to assume greater responsibilities and added more value to the organization. I don't think in terms of titles. I think more in terms of "How I can solve this problem". How I can bring success at a faster rate. Since this has been my career style to date, I do not imagine this to change. In next 5 years, I feel I will have continued to learn, to grow into a position of more responsibilities and will have made a significant contribution to the organization.

*(xvi) How much you expect if we offer the job?*

➤ This question is a tricky one as you don't want to be undercut by saying some figure and same time don't want to be rejected by asking a high one. You can ask a question back to the hiring manager like "I would like to know what are the others in the similar positions are paid". An alternate answer would be" I would expect a fair salary based on job responsibilities, my experience, my qualifications, my skills and the market value".

*(xvii) What do you know about our organization?*

➤ I have seen lot of candidates are under prepared for this question. In fact, in the current digital world these data are available in finger tips. Failure to talk about the prospective employer shows that you are in among the desperate lot and just walk for an interview whoever offers and this brings rejections.

(a) Do homework and talk about the organization's (i) products/services (ii) geographical coverage & market (iii) History & people (iv) Revenue & profitability (v) Vision, Mission and Core Values

(b) You can ask, I would like to know more, particularly from your point of view.Do you have time to cover that?

*(xviii) Why do you feel, we should hire you?*

➤ Research J.D and connect your experience and accomplishments to job requirements. This question is a good opportunity for you to showcase your strength and present some major career achievements.
Do add (a) I run those extra miles compared to my peers (b) My eagerness of taking challenging task and to perform better than management expectation (c) My excellent decision-making ability demonstrated throughout my career (d) My aggressive blend of working style to surpass target and excellent managerial ability

*(xix) How do you handle conflicts?*

➤ There is no perfect organization exists. Conflicts are natural and exists in many form (a) with fellow employees (b) with management (c) against organization rules (d) with customers & vendors (e) demand of work v/s personal life/family

➤ In conflict situation, I am among the first person to solve the problem. I know everything can't run smoothly at work place at all time. When there is conflict, I usually try to determine the source of the problem and see it can be solved. I usually pick the solution which appears to have the best outcome and then put into action.

*(xx) Why do you want to work for us?*

➤ Don't talk about your wants. Talk about their needs

(a) I would like to be part of your team/project
(b) I would like to solve company problem
(c) I can make a definitive contribution to organization's goal
(d) I want to be part of a growing organization. I want to grow along with company's growth

*(xxi) Most difficult task as a Manager.*

➤ Getting thinks planned and done on time and within budget

*(xxii) How long you would stay with us?*

- As-long-as we both feel, I am contributing, achieving and growing.

*(xxiii) How long you will take to make a meaningful contribution to our company?*

- Not long at all. I expect only a brief period of adjustment to the learning curve.

*(xxiv) Why did not you find a job before?*

- Finding a job is easy. But finding a right job is more difficult.

*(xxv) What is the ideal working environment?*

- One in which people are treated well and recognized

*(xxvi) Are you overqualified?*

- Strong company need strong people. Employer company will get a faster Return on Investment (ROI), because I have more qualification and experience than required.

*(xxvii) What is your management style?*

- "Open door management" is the best. I get the job done on time or inform management. I also follow participative management style by giving opportunity to team members in the project.

*(xxviii) What do you look for in people when you hire them?*

- Functional skill, initiative, adaptability, team work, transparency, integrity etc.

*(xxix) How to become a team worker?*

- Courtesy and understanding make a strong team

  (i) Maintain confidentiality

  (ii) Do part with co-worker's heavy assignment

  (iii) Gain Co-workers trust by demonstrating honesty & integrity

  (iv) Be a friend to team mates. Work together on problem and ideas and you may devise a whole new approach to problem solving.

  (v) Look for the "Best" in everyone we meet

*(xxx) What is the attributes of a good manager?*

- A good manager is one who plans, organize, LEADS and control effectively

- ADDS real value to the organization

- Who LEADS from the front

- Who motivates team to carryout activities of the function so that the manager meets or exceeds the goal and objectives in the organization planning cycle.

*(xxxi) Do you have any questions?*

- A lot of candidates I have interviewed either say no to questions or do not ask smart questions. They think interview is already over and no point further damaging. This is a huge misconception. Interviewer is still judging. Candidates who misses this opportunity shows that they are not interested to know more about the prospective organization. At a time, this bring rejections.

- Candidates should ask some smart questions. Note that interviewer is still judging. Do ask them about the job responsibility, clarity about reporting, span of control etc. Also ask about short term and long strategic plan of the organization,

## Conclusion

I hope the above article will help both the interviewers and candidates in their own ways. Hiring managers/ interviewers often get carried away and don't spend quality time in discussing from a wider prospective by asking smart questions and not judging behavioural attitude. Similarly, candidates often walk in for an interview ill prepared without doing any research of the job and of the organization. MA

*m.mohanty@msquaremanagement.com*

# Composition Scheme in GST


**CA Sumantra Guha**
Tax Consultant
Kolkata

Goods and Services Tax (GST) is the biggest indirect taxreform implemented in India with effect from 1st July 2017. GST has replaced most of the Indirect Taxes applicable on Goods and Services with a single unified tax structure, helping prevent double taxation, cascading effect and other various issues. Different businesses widely vary in various parameters starting from nature, size, volume etc. Accordingly, a common indirect tax structure design would have been a difficult task to be suitably complied by all sizes of businesses. The normal GST Compliance system entails certain difficulties for small scale enterprises and hence, a Composition Scheme is also introduced for specified categories of businesses. This article attempts to provide an insight on the various concepts, procedures and practices relating to the Composition Scheme under the Goods and Services Tax Regime.

The composition scheme is an alternative method of levy of Tax for small taxpayers. It is a convenient way for the small taxpayers in order to escape from too many GST formalities and pay the tax at a fixed rate based on their business turnover. Initially it was prescribed by the Goods and Services Tax Acts that a person could opt for the Composition Scheme if his aggregateturnover in the preceding financial year did not exceed fifty lakh rupees, however, this limit of fifty lakh rupees was raised to seventy five lakh rupees even before introduction of GST. This turnover limit was however, capped at rupees fifty lakhs for Nine specified States.

Now, with effect from 13th October, 2017, the preceding year aggregate turnover limit for opting the composition scheme has been raised to Rupees One Crore in general and Rupees Seventy Five Lakhs for specified States. The Nine States specified with the reduced eligible turnover limit are Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Himachal Pradesh.

## The Composition Levy Feature

A question here pops out as to what exactly is the alternative method of levy being talked about and how is it different from the normal GST levy. A composition taxpayer is allowed to pay a consolidated amount computed at the prescribed rate on its aggregate turnover, inlieu of the tax payable by him under normal circumstances. The consolidated rate of tax prescribed for payment by a composition taxpayer is as under:

- 2% for Manufacturers
- 5% for persons supplying food and beverages for human consumption (i.e. Restaurant Operators in common), and
- 1% for Other Eligible Suppliers

(The taxes are to be paid 50% as Central Tax and 50% as State Tax)

## Eligibility Conditions& Restrictions

A taxpayer is eligible to opt for the composition scheme if all the following conditions are satisfied:-

- he is not **engaged in supply of services** other than supply by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption), where such supply or service is for cash, deferred payment or other valuable consideration;
- he is not engaged in making any supply of goods which are not leviable to taxunder GST Act;
- he is not engaged in making inter-state outward supplies of goods;
- he is not engaged in making any supply of goods through an e-commerce operator who is required to collect tax at source as per applicable provisions;
- he is not a manufacturer of such goods as may be notified by the Government on the recommendations of the council, (Currently the notified Goods are
    - Ice cream and other edible ice, whether or not containing cocoa,
    - Pan masala,
    - Tobacco and other manufactured tobacco substitutes
- he is neither a casual taxable person nor a non-resident taxable person;

- the goods held in stock by him on the appointed day (i.e. 1st July, 2017) have not been purchased in the course of inter-State trade or commerce or imported from a place outside India or received from his branch situated outside the State or from his agent or principal outside the State,

- the goods held in stock by him have not been purchased from anunregistered supplier andwherepurchased, hepaysthetax under the Reverse Charge Mechanism

- he shall pay tax as per the Reverse Charge Mechanism on inward supplies of goods or services or both;

- he shall mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him; and

- he shall mentionthe words "composition taxable person" on every notice or signboard displayed at a prominent place at his principal place of business and at every additional place or places of business.

### Aggregate Turnover for Composition Scheme

The aggregate turnover here includes the value of all taxable supplies, exempt supplies and exports made by all persons under the same PAN. However, it would not include inward supplies under reverse charge as well as Central, State/Union Territory, Integrated Tax and Cess. Moreover, if a person holds more than one GST Registrations under the same PAN, such person shall not be eligible to opt for the composition scheme unless all its registrations are under composition scheme and the conditions prescribed are cumulatively fulfilled.

### Time Limit for Opting of the Scheme

Any person desirous of opting the composition scheme had to do so within 30th July, 2017 if such person was holding an existing law registration and was migrated to GST by virtue of the provisional registration allotted. This time slot was re-opened with effect from 15th September, 2017 to opt for composition scheme to be effective from 1st October, 2017.

For a person seeking new registration, the option to opt for composition scheme shall have to be chosen which applying for the registration itself. Moreover, a GST Registered person can opt for composition scheme with the start of a new Financial Year under the prescribed intimation to be filed before the commencement of the financial year.

However, surpassing the aforesaid time limits, with effect from 13th October, 2017, it has been notified that any person may opt for the Composition Scheme at any day up to 31st March, 2018 by filing the prescribed intimation to do so under Form GST CMP – 02. The composition scheme shall be made effective for such person from the first day of the month succeeding the month in which the said intimation is filed.

### Restriction on Collection of Tax

A person registered under the composition scheme shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

### Payment of Tax & Return Filing

A person opting for this scheme will have to pay tax on Quarterly Basis before 18th of the month succeeding the quarter during which the supplies were made. Such person has to file a single Quarterly GST Return (i.e.GSTR – 4).

GSTR – 4requires the following details to be declared by the composition taxpayer:

- details of turnover in the state or the union territory,

- inward supply of goods or services or both (including Reverse Charge details) and

- the tax payable on the aggregate turnover.

### Compliance for Input Tax Credit (ITC) Reversal

A person opting to pay tax under composition scheme is required to pay an amount equal to the input tax credit in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of exercise of option (rather the date immediately preceding the date of effectiveness of the scheme). The ITC on inputs shall be calculated proportionately on the basis of corresponding invoices on which credit had been availed by the registered taxable person on such inputs.

In respect of capital goods held in stock on the day immediately preceding the date of exercise of option, the input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as 5 years. For instance, assuming capital goods have been in use for 4 years, 6 months and 15 days. The useful remaining life in months will be 5 months, ignoring any part of a month.

### Seizure of Composition Scheme

The option availed by a registered person under Composition Scheme shall lapse with effect from the day on which his aggregate turnover during a Financial Year exceeds the limit of Rupees One Crore. The said person shall have to file an intimation for withdrawal from scheme in Form GST CMP-04 within seven days from the date on which the threshold limit is crossed.

Moreover, such person shall be allowed to avail the input tax credit in respect of the stock of inputs and inputs contained in semi-finished or finished goods held in stock by him and on capital goods held by him on the date of withdrawal on the condition that he furnishes a statement within 30 days of withdrawal, containing the details of such stock held by him in Form GST ITC-01.

### Reverse Charge Mechanism

The person registered under this scheme will have to pay taxes on procurement of inputs or input services covered under the Reverse Charge Mechanism. The tax can be paid by the 18th day of the month succeeding the quarter in which such supplies were received. However, as announced after the 22nd GST Council meeting held on the 6th of October, 2017 and as notified thereafter vide Notification no. 38/2017 – Central Tax, Reverse Charge Mechanism under section 9(4) (i.e. on procurement of supplies from unregistered suppliers) has been suspendedtill 31st March, 2018 for all taxpayers.

### Penal Liabilities on Violation of Scheme

A person who pays tax under the composition scheme without satisfying the prescribed conditions and without fulfilling the eligibility conditions and the proper officer has reasons to believe that such person has paid tax under Composition Scheme despite not being eligible, such person shall, in addition to any tax that may be payable by him under the normal provisions, be liable to penalty as specified in Sections 73 or 74.

### Conclusion

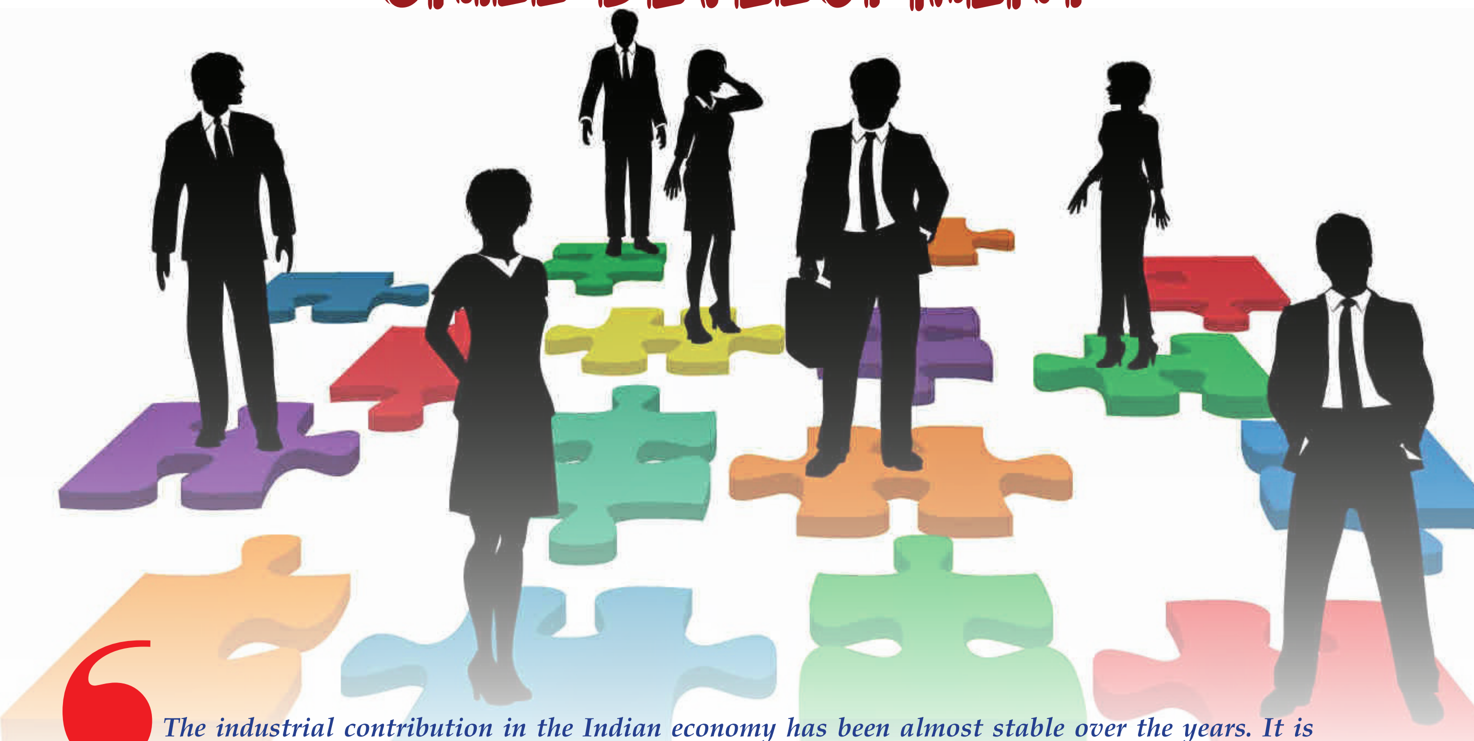
The famous saying goes, 'All good things come in small packages', and the composition scheme makes 'All things good for Small packages!'. Every scheme has merits and demerits of its own. The merits here include lesser compliance burden, simpler tax liability ascertainment and ease of doing business. However, the demerits of this scheme include the eligibility restriction on Service Industry, the One PAN One Scheme condition, restrictions on Inter-State Supplies, supply through e-commerce operators etc.

On a whole, it can be summed up to say that the Composition Scheme is a simple and easy scheme under GST for taxpayers under its purview and small taxpayers can get rid of tedious GST formalities and pay GST at a fixed rate of turnover. MA

---

*sumantraguha14@gmail.com*

# INDUSTRIALISATION THROUGH SKILL DEVELOPMENT



*The industrial contribution in the Indian economy has been almost stable over the years. It is expected that the growth rate at the industrial level would be accelerated through the mechanism/ initiatives of skill development as well as the ensuing employment opportunities that will be created. Economical models like Make in China are facing serious challenge from Make in India. Skill Development initiatives would not only accelerate the industrial growth but also open up employment opportunities before millions of trained youths in the country. Industrialisation through skill development has created a new era of competitiveness within the BRICS countries and other industrially advanced countries of the world.*

**Dr. Pankaj Kumar Roy**
Principal
Jogesh Chandra Chaudhuri College
Kolkata

Drucker in his seminal book ***'Managing for the Future –The 1990s and Beyond'*** has perceptively observed that for Karl Marx , as well as for all the nineteenth-century economists – it was axiomatic that worker output could be increased only by working harder and longer – the very idea of Marxism is based on this belief. Although Frederic Winslow Taylor disproved the axiom by starting to work on productivity in the early 1880s – his first substantial results came in the year 1883, the very year Marx died. For Taylor, it was productivity rather than production that needs to be stressed upon.

India has one of the highest number and proportion of informal workers in the world.

National Commission for Enterprises in Unorganised Sector (NCEUS) reports estimates that in 2005, out of 458 million persons employed in India, 86 percent or 395 million is in the unorganised sector, generating about 50.6 percent of the country's Gross Domestic Product (GDP).

In 2011, India had about 487 million workers compared to China's 795 million and United State's 154 million. Of these over 94 percent work in unincorporated, unrecognised enterprise ranging from push-cart vendors to home - based diamond and gem polishing operation. According to Credit Suisse's Indian's wealth increased by $2.284 trillion between 2000 to 2015 .Of this rise, the richest 1% exclusively occupies almost 61% of the total wealth.

## Good News about Employment!

There is some good news about changes in employment and wages is recent years. Some of the positive developments are as follows.

The share of agriculture in total employment declined sharply by about 10 percentage points between 2004-5 and 2011-12 .For the first time in the history of India, the share of agriculture in employment was less than 50 per cent in 2011-12. The share of manufacturing sector increased by about one percentage point in 2011-12 compared to 2004-5. The biggest increase in the share of course was in construction sector which nearly witnessed around 5 percent increase in the same period. The employment levels in the secondary and tertiary sector accounted for an increase of 5.6 percent and 1.8 percent during this period of time.

**Table 1.1 Shown Share of Employment in different Sector**

| | 1983 | 1993-04 | 2004-05 | 2011-12 |
|---|---|---|---|---|
| Agriculture & Allied activities | 68.6 | 64.8 | 58.5 | 48.9 |
| Manufacturing | 10.6 | 10.5 | 11.7 | 12.8 |
| Construction | 2.3 | 3.1 | 5.6 | 10.6 |
| Secondary Sector | 13.8 | 15.0 | 18.8 | 24.4 |
| Tertiary sector | 17.6 | 21.1 | 24.9 | 26.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

**Note: UPSS: Usual Principal Status and Subsidiary Status.**

*Source: Derived from Human Development Report (2014) and India Development Report 2015.*

## Sector Wise Growth Rate

**Table 1.2 GDP Growth Rates by Sectors: 205-6 to 2016-17 (% per annum)**

| Annual Rates | Average of 2005-06 to 2008-09 | 2009-10 | 210-11 | 2011-12* | 2012-13** | 2013-14 (PE) | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 3 | 4 | 5 | 6 | 7 | 8 | | 12 | 13 |
| Agriculture & Allied Activities | 3.8 | 0.8 | 8.6 | 5.0 | 1.5 | 4.2 | (-)0.2 | 1.1 | 4.1 |
| Manufacturing | 9.8 | 11.3 | 8.9 | 7.4 | 1.1 | -0.7 | | | |
| Industry | 9.0 | 9.2 | 7.6 | 7.8 | 1.1 | -0.1 | 2.8 | 3.1 | 7.4 |

| Annual Rates | Average of 2005-06 to 2008-09 | 2009-10 | 210-11 | 2011-12* | 2012-13** | 2013-14 (PE) | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|---|---|---|---|
| Services | 10.3 | 10.5 | 9.7 | 6.6 | 7.0 | 7.8 | 10.3 | 9.2 | 8.9 |
| Non-Agriculture | 9.9 | 10.1 | 9.0 | 7.0 | 5.0 | 4.7 | | | |
| GDP (factor cost) | 8.8 | 8.6 | 8.9 | 6.7 | 5.6 | 6.6 | 7.2 | 7.6 | 6.8 |

*2nd revised; ** first revised; PE: provisional estimates; Q: Quarterly; H: Half Yearly

*Source: National Accounts Statistics of Central Statistical Organisation and Reports of the Economic Advisory Council to the Prime Minister; GOI (2014, 2016 and 2017) along with IMF.*

In India, education and skills of workers has been low although it has been witnessing a constant rise over time. Even in 2011-12, around 78 of the rural female, 56 per cent of the rural males, 47 percent of the urban females and 30 percent of the urban males are either illiterate or educated up to primary level only. Only 5.2 percent of the rural females and 12.6 percent of the rural males have education up to higher secondary and above.

Reports on Skill Development in 2009-2010 shows that only 10 percent of work force within the age group 15-59 years has received some sort of vocational training. The highest percentage of vocational training was from the service sector, it accounts for nearly about 33 percent. This is followed by manufacturing sector to 31 percent and agricultural sector by 27 percent. Only 11 million workers had formal training and 33 million workers had non-formal training. Vast majority of workers either have no training or non-formal training that makes the problem more volatile.

**Table 1.3 Education of Workers: 1999-2000 to 2011-12 (Usual Principal and Subsidiary Status, UPSS)**

| | Female | | | Male | | |
|---|---|---|---|---|---|---|
| | 1999-2000 | 2004-05 | 2011-12 | 1999-2000 | 2004-05 | 2011-12 |
| **Rural** | | | | | | |
| Non literate | 73.9 | 66.4 | 56.3 | 39.6 | 33.8 | 28.0 |
| Literate & up to primary | 15.5 | 18.4 | 21.8 | 27.3 | 29.4 | 27.6 |
| Middle | 6.2 | 8.7 | 10.8 | 16.3 | 18.1 | 19.0 |
| Secondary | 2.8 | 3.6 | 5.9 | 9.3 | 9.3 | 12.9 |
| Higher Secondary | 0.9 | 1.4 | 2.6 | 4.2 | 4.6 | 6.6 |
| Diploma/certificate | -- | 0.5 | 0.5 | -- | 1.0 | 1.1 |
| Graduate & above | 0.6 | 0.9 | 2.1 | 3.3 | 3.8 | 5.0 |
| All | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **Urban** | | | | | | |
| Non literate | 43.9 | 37.3 | 27.9 | 16.0 | 13.1 | 11.2 |
| Literate & up to primary | 17.6 | 20.3 | 19.5 | 21.9 | 22.7 | 18.8 |

| | Female | | | Male | | |
|---|---|---|---|---|---|---|
| | 1999-2000 | 2004-05 | 2011-12 | 1999-2000 | 2004-05 | 2011-12 |
| Middle | 10.3 | 11.9 | 12.3 | 18.8 | 19.4 | 17.5 |
| Secondary | 8.8 | 7.3 | 9.1 | 16.9 | 15.0 | 16.5 |
| Higher Secondary | 5.5 | 5.1 | 7.1 | 9.4 | 9.2 | 10.9 |
| Diploma/certificate | -- | 3.4 | 2.3 | -- | 3.7 | 2.9 |
| Graduate & above | 13.9 | 14.7 | 21.8 | 16.8 | 16.9 | 22.2 |
| All | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Source: NSSO (2014).*

Growth rate of the industrial sector is estimated to moderate to around 5.2 % in 2016-17 from 7.4 % witnessed in the last fiscal year in spite of demonetization.

### Per Capita GSDP (Gross State Domestic Product)

Real per capita GSDP (Gross State Domestic Product) between 1983 and 2014 has shown improvement all across the board.

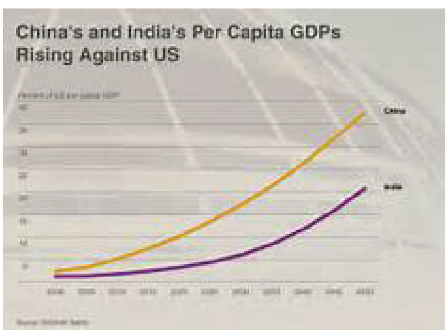
As Drucker has observed "Neither 'culture' nor 'structure'- the factors most often invoked to explain Japan's success". For him, Japan's success doesn't lie in its technology but on low cost of its capital. However for China , its success lies in its low wage cost.

India's young population is rising but China's young population is slowly falling down because stronger state mandated population control measure. Indian democracy allows for harnessing the demographic dividend to our future advantage, if we can add the flavour of skill development with highest English graduate population. Our weakness will be converted into strength.

**Table 1.4 Comparative positions of India, China and USA**

| Country | % Growth in GDP in 2017 ( Constant Price ) | % Growth in GDP in 2017 ( Current Price ) | Addition to GDP Billion $ | Addition to per capita Income ($) |
|---|---|---|---|---|
| India | 7.2 | 8.8 | 198 | 127 |
| China | 6.6 | 5.1 | 577 | 367 |
| USA | 2.3 | 4.6 | 848 | 2,173 |

Source: The Times of India 2nd June, 2017




*Source: Industrialisation of India and China.*

In spite of the fact that India's GDP growth is much faster than that of China and USA, China's per capita GDP is 2.5 times and USA's GDP is 17 times higher than that of India. The gap of per capita income between India and China has been growing wider day by day along with rising wealth inequalities.

**Table 1.5 7% Growth: Harder to Achieve**

| Year | 2003--07 | 2008-15 | 2016 | Name of the countries |
|---|---|---|---|---|
| Number of countries | 50 | 25 | 6 | Philippines , Ghana etc |

*Source: Morgan Stanley Investment Management, NDTV.com on 5th January, 2017*

Now it is harder to achieve 7% growth rate as number of countries achieving 7% growth rate it has numbered 50 during 2003-07, 25 during 2008-15 and only 6 countries in the year 2016.

## Make in India becomes Made in India to combat Made in China

Productivity is making and moving things – in manufacturing, farming, mining, construction, and transportation – has increased at an annual rate of 3 to 4 percent compounded for the last 125 years. Productivity has become the wealth of nations.

By 2020 India will have a share of about 18% of the world's skilled manpower strength of 47 million to address the world's manpower shortage of 56.7 million. The developed countries, where the percentage of skilled workforce is between 60 % to 90% of the total work force, India records a low 5%of work force (20-24 Years) with formal employability .This challenge becomes enormous as the recent studies made by NASSCOM and McKinsey stated that not more than 15 percent graduates of general education and 25 per cent of technical education are fit for employment in the informal sector which comprises 93% of the workforce. Make in India seeks to create 100 million additional jobs in manufacturing sector alone by 2022.

## Skill India

Skill India is a campaign launched by Prime Minister Narendra Damodardas Modi on 15th July 2015 which aim to train over 40 crore (400 million) people in India in different skills by 2022. It includes various initiatives of the government like National Skill Development Mission, National Policy for Skill Development Mission, and National Policy for Skill Development and Entrepreneurship, 2015, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and the Skill Loan scheme.

## Job Creation

Ease of Doing Business is a major pillar of Make in India initiative. India is holding 130th rank among 190 nations as per Doing Business Report 2017.

**Table 1.7 Ease of Doing Business in India**

| | DB 2015 Rank | DB 2016 Rank | DB 2017 Rank | Change over 3 years | Impact on change |
|---|---|---|---|---|---|
| Starting a business | 164 | 155 | 155 | 9 | Positive |
| Dealing units | 184 | 185 | 183 | 1 | Positive |
| Getting Electricity | 99 | 26 | 70 | 29 | Positive |
| Registering Property | 138 | 138 | 138 | No change | Zero |
| Protecting Minority Investors | 8 | 13 | 8 | No change | Zero |
| Trade across borders | 135 | 143 | 133 | 2 | Positive |
| Enforcing contracts | 178 | 172 | 178 | No change | Zero |
| Reclosing Insolvency | 136 | 136 | 136 | No change | Zero |
| Paying Taxes | 156 | 172 | 157 | 1 | Negative |
| Getting Credit | 36 | 44 | 42 | 6 | Negative |

*Source: International Financial Corporation (IFC)*

IFC has been publishing doing business report since 2003. First Report published in 2003 by using 5 indicator covering 133 economics. IFC has come out with the 11th edition Report on rolling business 2016. Covers 189 economies and measure aspect of regulation effecting 11 areas of the life of a business in 2016 report .2017 IFC Report covers up 190 countries of the world.

2016 India moved up nine sports in the starting a business category to 155 in 2016 from 164 last year in 2015 out of 189 economies. India has been placed at 130th position among the 190 countries in the recently released would Bank's ease of doing business index for the year 2017.

**Table 1.8 India's Changing Position on Ease of Doing Business**

| Year | Rank of Doing Business |
|---|---|
| **2015** | 164 |
| **2016** | 155 |
| **2017** | 130 |
| **2018** | 100 |

*Source: World Bank Report, 2018*

According to World Bank Report on Ease Doing Business India holds 100th rank among 190 countries of the world.

**Table 1.9 Rank of Countries Ease of Doing Business in the year 2017**

| Economy | Rank |
|---|---|
| New Zealand | 1 |
| Singapore | 2 |
| Denmark | 3 |
| Hong Kong | 4 |
| Korea | 5 |
| Norway | 6 |
| United Kingdom | 7 |
| United States of America | 8 |
| Sweden | 9 |

| Economy | Rank |
|---|---|
| Macedonia | 10 |
| Japan | 34 |
| China | 78 |
| India | 130 |

*Source: Doing Business Data Base, World Bank, 2017*

**Table 1.10 Doing Business 2018 Distance to Frontier**

| Countries | Distance to Frontier | Rank |
|---|---|---|
| Mexico | 72.27 | 49 |
| China | 65.29 | 78 |
| India | 60.76 | 100 |
| South Asia ( Regional Average ) | 53.64 | |
| Bangladesh | 40.99 | 177 |

*Source: Doing Business Report, World Bank 2018*

Ease of doing business parameter India contributes a large in each and every segment. But India has to walk more miles to make the dream into reality.

As per the statistics available the top 10 States account for more than 70 percent of the total number of MSME establishments). The top 10 States also account for 70 percent of the total employment generated within the MSME establishments. The distribution of establishments in rural and urban areas is uneven. The establishments in rural areas account for just over 50 percent of total establishments

**Table 1.11: Top 10 States in terms of number of MSME establishments**

| Rank | State | Number of Establishments | % Share |
|---|---|---|---|
| 1 | West Bengal | 5269814 | 11.62 |
| 2 | Uttar Pradesh | 5238568 | 11.55 |
| 3 | Maharashtra | 4545581 | 10.02 |

| Rank | State | Number of Establishments | % Share |
|---|---|---|---|
| 4 | Tamil Nadu | 3282197 | 7.24 |
| 5 | Andhra Pradesh | 2781291 | 6.13 |
| 6 | Kerala | 2364085 | 5.21 |
| 7 | Rajasthan | 2270936 | 5.01 |
| 8 | Gujarat | 2218464 | 4.89 |
| 9 | Karnataka | 2188860 | 4.83 |
| 10 | Madhya Pradesh | 1958550 | 4.32 |
| | Total | 32118346 | 70.80159 |
| All India | | 45363786 | 100.00 |

*Source: MSME Report, 2017, Government Of India.*

Table 1.12 Number of persons engaged in non-agricultural establishments

| Rank | State | Number of Establishments | % Share |
|---|---|---|---|
| 1 | Maharashtra | 11873493 | 10.95 |
| 2 | Uttar Pradesh | 11396965 | 10.51 |
| 3 | West Bengal | 10915626 | 10.07 |

*Source: MSME Report, 2017, Government Of India.*

John Robinson propagated choice of technique concept in his article titled "The Choice of Technique" published in the Economic Weekly on 23rd June, 1956. For Sen, one of the most difficult problems facing an underdeveloped economy attempting planned economic growth is the choice between alternative techniques of production. Amartya Sen's thesis is the extension of the John Robinson's idea, where he stated the countries choice would oscillate either between capital intensive technique and labour intensive technique. India has to follow the middle path considering its unemployment problem.

**Table 1.13 Overall Employments in Public and Private Sector**
(Employment in lakhs on 31st March)

| Sector | 1981 | 1991 | 2001 | 2011 | 2012 |
|---|---|---|---|---|---|
| **Public** | **154.8** | **190.6** | **191.4** | **175.5** | **176.1** |
| **Private** | **74.0** | **76.8** | **86.5** | **114.2** | **119.4** |
| **Total** | **228.8** | **267.4** | **277.9** | **289.7** | **295.5** |

*Source: Economic Survey, Government of India 2010-11 to 2014-15.*

Over last 30 years public sector employment has slightly increased and then coming down. On the same trajectory, private sector employment has growing up but not satisfactorily.

Considering capital intensive and labour intensive technique India has to move towards the later. It is not the large sector; rather MSME is the ultimate solution for Indian unemployment problem. Over the period 2006-07 to 2014-15 MSME sector has witness a sharp increase of number of enterprises, employment and market value of fixed asset as per Fourth All India Census of MSME .In spite of the fact Rs 253.88 billion is outstanding from 5, 28, 300 SSI / MSME units as per RBI .

**Table 1.14 Performances of SSI /MSME, Employment and Investments**

| Year | Total Working Enterprises ( in Lakhs ) | Employment ( in Lakhs) | Market Value of Fixed Assets (Rs in crore ) |
|---|---|---|---|
| 2006-07 | 361.76 | 805.23 | 868,543.79 |
| 2007-08 | 377.36 | 842 | 9,20,459.84 |
| 2008-09 | 393.7 | 880.84 | 9,77,114.72 |
| 2009-10 | 410.8 | 921.79 | 1,038,546.08 |
| 20010-11 | 428.73 | 965.15 | 1,105,934.09 |
| 2011-12 | 447.64 | 1,011.69 | 1,182,757.64 |
| 2012-13 | 467.54 | 1,061.40 | 1,268,763.67 |
| 2013-14 | 488.46 | 1,114.29 | 1,363,700.54 |
| 2014-15 | 510.57 | 1,171.32 | 1,471,912.94 |

Source: Annual Report MSME 2015-16

**Table 1.15 Growth of Sick MSME units in West Bengal**

| Year | MSMESick units | Outstanding Amount (Rs Crore ) |
|---|---|---|
| 2011 | 7,904 | 721.42 |
| 2012 | 8,816 | 724.66 |
| 2013 | 11,243 | 877.85 |

Source: GOI, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion

**Table 1.16 Declining trend of Nano Production in Sananda, Gujarat**

| Financial Year | Nano Production ( in number ) |
|---|---|
| 2010-11 | 70,432 |
| 2011-12 | 74,527 |
| 2012-13 | 53,848 |
| 2014-15 | 21,129 |
| 2015-16 | 16,903 |
| 2016 -17 | 7,591 |

Source: Eai Samay 20th August, 2017.

**Table 1.17 Skill Loan for WB from MUDRA (Micro Units Development and Refinance Agency Limited)**

| Financial Year | Person benefited ( in Lakh ) | Amount of Loan Disbursed (Rs Core ) |
|---|---|---|
| 2015-16 | 24 | 4,086 |
| 2016-17 | 44 | 10,912 |

Source: Bartaman 30th July, 2017

Taking loan from MUDRA loan, WB is the second state after Tamil Nadu. West Bengal is trailing behind in relation with many states in terms of big industry and employment, the small is beautiful if it is managed properly.

**Table 1.18 Devastated Investment Proposals in WB**

| Year | MOU (in Rs crore ) | Number of Project | Investment Proposal (in Crore ) | Number of Project | Actual Investment ( in Rs Crore ) |
|---|---|---|---|---|---|
| 2015 | 2,43,000 | 67 | 17,615 | 26 | 983 |
| 2016 | 2,50,000 | 62 | 5,204 | 34 | 3,433 |
| 2017 | 2,37,000 | 09 | 828 | 03 | NA |

Source: Anandabazar Patrica, 23rd April, 2017.

Considering the MOU (Memorandum of Understanding) the actual investment is very insignificant year after year. Labour migration from WB has high net out migration. In one hand possibility of getting job is very poor; wage earning is low in comparison with all India status and lack of social security measure. Contrast of wages in different category of workers reveals the picture.

Table 1.19 where we actually stand in terms of wages in different categories

| | Unskilled | Semi –skilled | Skilled |
|---|---|---|---|
| All India | 378 | 414 | 456 |
| West Bengal | 278 | 306 | 354 |

Source: Eai Samay 26th April, 2017.

India ranked 103rd in the World Economic Forum's Global Human Capital Index (WEFGHCI ) in comparison with Russia 16th , China 34th , Brazil 77th and South Africa 87th within the BRICS Group of Countries . Our feel good factor is that we are ahead of Pakistan but faraway of Sri Lanka as per WEFGHCI Report. We don't know how many miles we have to walk before we sleep. India's sovereign rating made by Moody is higher than before with shift from Baa3 to Baa2. Although, Standard and Poor has unaltered India's sovereign rating from BBB- given in the year January, 2007. Fitch's rank is still being awaited. The following table depict the rating changes across different agencies. Rating changes has opened up the horizon for foreign investment; interest rate will be lower and boost the market sentiment so that assured investors assure about direction of policies.

**Table 1.20 Rating Changes across Agencies**

| Moody's | | Standard and Poor | | Fitch | |
|---|---|---|---|---|---|
| July ,1999 | Ba2 | December , 1992 | BB+ | March ,2000 | BB+ |
| February ,2003 | Ba1 | October ,1998 | BB | November ,2001 | BB |
| January ,2004 | Baa3 | February , 2005 | BB+ | January ,2004 | BB+ |
| November ,2017 | Baa2 | January ,2007 | BBB- | August ,2006 | BBB- |

Source: Times of India 30th November, 2017.

## Epilogue

In retrospect, one can observe that no one can't clearly deny the necessity of skilled workers in the 21st century world in general and India in particular. However, the state has to invest highly in some Human Development indicators primarily on educational and vocational training to make skilling as an innovative idea effective. The focus has to be on the Medium, Small and Micro Industries latent potential which should be harnessed to its utmost capability. They should be given a place of priority in the larger scheme of things as far as official policies are concerned. MA

## Bibliography


1. Indian Development Report ,2015 edited by S. Mahendra Dev , Oxford University Press , 2015.
2. Managing for the Future–The 1990s and Beyond, Peter F. Drucker , Tata McGraw Hill ,1992, p 93 and 94.
3. The Choice of Technique , Amartya Sen , Oxford University Press , 1960 .
4. Derived from 1HD (2014) and India Development Report 2015.
5. World Bank Report , 2018 and IMF, 2018 .
6. MSME Annual Report 2015-16.
7. Microsoft Ventures , Zinnov , NASSCOM Start Up India Report , 2015 .
8. Economic Survey 2010-11 to 2014-15 .
9. Spot light of Economic Survey 2017.
10. Morgan Stanley Investment Management Report , NDTV.com with Pranoy Roy on 5th, January ,2017.
11. Live Mint 14th Oct,2015.
12. www.gov.in.
13. Unskilled India , Arunabha Bagchi , The Statesman , 8th October ,2017, p 6 .
14. Different Issues of the Economic Times , The Times of India , Ananda Bazar Patrika and the Eai Samay.


*pankajkumarroy61@yahoo.com*

**THE BHAWANIPUR EDUCATION SOCIETY COLLEGE**
www.thebges.edu.in

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**
www.icmai.in

THE BHAWANIPUR EDUCATION SOCIETY COLLEGE

PRESENTS

# TWO DAY NATIONAL SEMINAR ON

# PARADIGM SHIFT IN INDIAN INDIRECT TAX STRUCTURE: OPPORTUNITIES AND CHALLENGES

IN COLLABORATION WITH

DIRECTORATE OF ADVANCED STUDIES
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

22ND & 23RD DECEMBER, 2017
6TH FLOOR AUDITORIUM (CONCEPT HALL)
THE BHAWANIPUR EDUCATION SOCIETY COLLEGE
5, LALA LAJPAT RAI SARANI, KOLKATA - 700020

# India's Foreign Exchange Reserves: Problem of Plenty

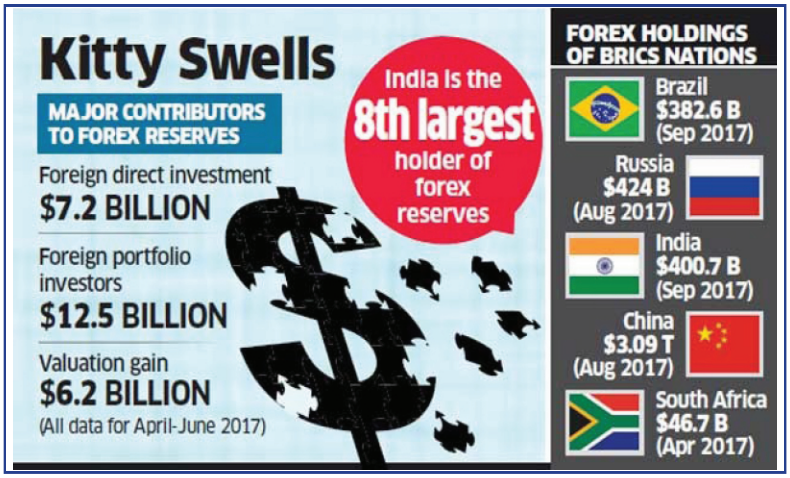
India's foreign exchange reserve crossed the magic figure of $400 billion in September, 2017 which is a whopping 45% rise from the balance in September 2013 when we had a crisis and Indian rupee reached its historic low of -68.85 against the US dollar. With a reserve of US$402.246 billion, India ranks eight in the world as on September 22, 2017 (as per RBI report).The reserves consists of US$ 377.75 billion of foreign currency assets, US$ 20.69 of gold, US$ 1.51 billion of SDRs and US$2.29 billion of Reserve position in IMF. The major contributor to this huge foreign exchange reserves are foreign direct investments in manufacturing as well as services, foreign portfolio investments and also some valuation gains, which shows the investors' confidence in the Indian economy. The huge reserves, which is about 12 months of import bill put India in a much comfortable position than that of 2013. Presently Indian rupee is one of the best performer against the Greenback among the emerging markets whereas it was the worst performer in 2013 when Mr. Ben Bernanke, then Federal Reserve chairman shaken the world market by announcing the possible tapering of quantitative easing programme which started after the financial crisis of 2007-2008.

**CMA Dr.Jayanta Kumar Seal**
Associate Professor
Indian Institute of Foreign Trade
(Under Ministry of Commerce, Government of India)
Kolkata Campus

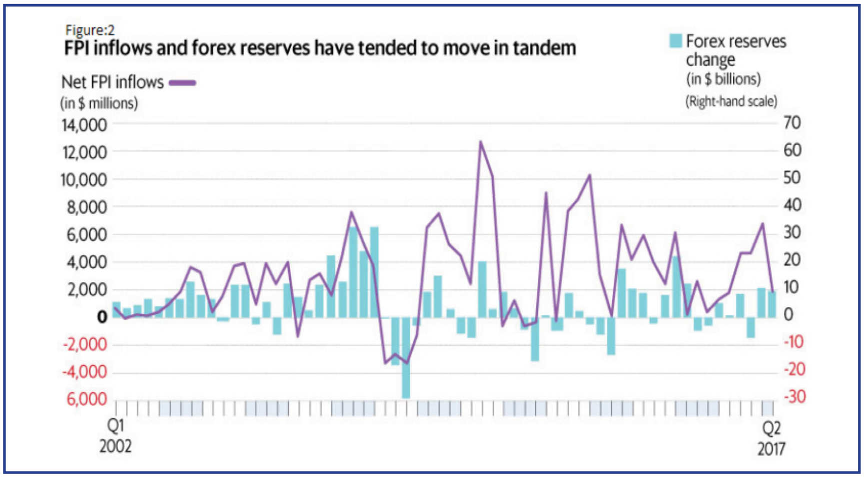
The risk free rate in India is substantially higher than that of the developed markets which is attracting more foreign portfolio investments in the debt market. The FPI in debt market is around US$ 17 billion till now in this calendar year. The FIIs are borrowing at nearly zero interest rate in their country and earning more than 6% in India. With strengthening of Indian rupee, this return is turning out to be around 10%. This arbitrage opportunity is encouraging more foreign investment in the Indian debt market and thus increasing our foreign exchange reserves which in turn is again strengthening our currency. This might lead to possible bubble. When the bubble bursts, the home currency will depreciate sharply.

The foreign exchange reserves have increased by around US$34.5 billion after the present Governor Dr.Urjit Patel has assumed his office on September 5, 2016. Though it bought some macroeconomic stability (especially after the crisis in 2013), the rising forex reserves are bringing excess liquidity by forcing the RBI to sell the local currency against the Greenback. This excess liquidity may bring in some inflationary pressure for Dr.Urjit Patel.

**Figure:1**




*Source: www.economictimes.com*




*Source: www.livemint.com*

The above table shows the relation between foreign exchange reserves and the foreign portfolio investments. The correlation calculated between the two is 0.45 which means that the foreign portfolio investments accounts for about 45% of our foreign exchange reserves.

## Effects

The huge foreign exchange reserves resulted in rupee appreciation, made our imports cheaper but exports are becoming uncompetitive. In the June quarter of 2017, our current account deficit was US$14.3 billion, up from US$0.4 billion a year earlier as per RBI data. The foreign exchange reserves have other negative effects also. The inflows are adding excess liquidity in the Indian banking system which are already flooded with funds after the demonetisation. Therefore to manage this excess liquidity, RBI will have to incur huge amount of sterilisation costs which in turn will eat the central banks profit. RBI is now forced to restart its open market operation and sell bonds as well as auction of longer duration repos to stabilise the market. Foreign portfolio investors are continuously pouring in money. As the equity market is already up and trading at a very high P/E ratio, they are investing in the debt market. RBI's position in the forward market has also changed drastically. From a net short position of US$7.4 billion in June 2016, it has a net long position of US$17.1 billion at the end of June 2017.

The other beneficiaries from a strong rupee are the importers and the big corporates who borrowed at a time when rupee was week. However exporters are badly hammered. There are job losses in the sectors like textiles, gems and jewellery, leather etc. Even domestic players are suffering due to cheap imports which is eating their market share.Though the non-oil and non-gold import has gone up substantially, the outlook for the external sector is stable with oil prices below$60 a barrel compare to $115 a barrel in June 2014. The thumb rule is a $10 per barrel decrease in oil price is expected to reduce the current account deficit by around $9.4 billion and hence improve the foreign exchange reserve.

However, if we see the performance of some major currencies with US dollar, most currencies appreciated against the Greenback and hence offsetting the effect of rupee's appreciation against US dollar. In fact Bloomberg data on spot return shows that Indian rupee has depreciated significantly against many emerging as well as developed market currencies such as Chinese Yuan, Thai Bhatt, Russian Rouble, Euro, Australian dollar etc. India has positive trade balances with some of our major trade partners like Italy, UK, and Singapore in the first quarter of the financial year 2017-18. India also had positive net exports in its trade relationship with US, UAE, Hong Kong and Vietnam.But it is not so easy to calculate the costs and benefits of huge foreign exchange reserves, especially for a country like India. It becomes more complicated if we bring the geo-strategic issues and external security into account. As per the Economic Survey 2014-15, "If power used to flow from the barrel of a gun, in an increasingly inter-dependent economic world, hard and soft power derive from a war-chest of foreign exchange reserves. China's abundant reserves have highlighted this fact. Reserves provide a cushion against shocks, creating economic and financial resilience. But they also create geo-political influence".

China has become a global power by increasing its foreign exchange reserves to more than $3 trillion. Chinese Yuan is included in SDR and it is a lender of many developed nations which are running a current account deficit. China built up the reserves by running a current account surpluses.But for India, it is the FDI, FPI and the external commercial borrowings. If India has to build up its own reserves by running a current account surpluses, it has to distort the exchange rate and devalue its currency in order to boost exports. For that a proper cost benefit analysis must be undertaken.

Recently RBI has removed the Masala bonds from the FPI investments limit in corporate bond market which has created an additional investment avenues for the foreign portfolio Investors to the extent of Rs.44000 crores. Thereforeit is expected that the foreign exchange reserves will go up in the near future due to the increase in foreign investment in corporate bond market in the form of FPI.

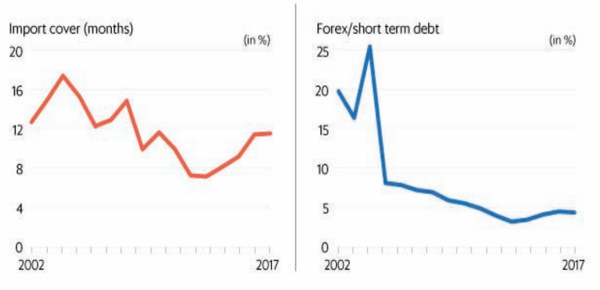
### Do we have excess Foreign Exchange reserves?

The economic survey also pointed out that the outlook for the current account and its financing is favourable and excess foreign capital may complicate the foreign exchange rate management. So is there any ideal size for foreign exchange reserves? A thumb rule is to maintain a forex reserves of maximum six months import bill. Presently we have about twelve months import bill. Professor Kaushik Basu, the former Chief economist of the World Bank and the former chief economic adviser to the government of India is of the opinion of keeping an amount of forex reserve which is necessary to cover the current account deficit. As already pointed out that our current account deficit in June quarter was US$ 14.3 billion, which is around 2.4% of GDP. Therefore a forex reserve of US$ 400 billion is much above the present current account deficit. Brad W. Setser, senior fellow at New York based think tank council on Foreign Relations, says that India's foreign exchange reserves have ranged within 15% to 20% of GDP since the financial crisis of 2008. He thinks that this level is neither too low for vulnerability nor too high for excess intervention. But forex reserves of more than 20% of GDP can be costly.

India has moved from the fixed exchange rate regime to floating (though unofficially managed float) exchange rate regime. When a country pegs its currency with another country's currency, it needs forex reserves to maintain that fixed rate. One major reason for balance of payment crisis in 1990-91 is the fixed exchange rate regime. Another important policy shift of RBI is inflation targeting instead of multiple indicator approach from June 2016. These two major policy changes of RBI has reduced the requirement of huge foreign exchange reserves.

Another important part is the composition of Forex reserves or composition of foreign exchange inflows (see the details of FPIs in Table-I at the end). At the end of March 2017, India's long term external debt, which is stable (not required to pay immediately), stood at US$ 383.9 billion compare to the short term external debt (which may be considered as vulnerable) of US$ 88.0 billion. The country's external debt are within manageable limits as pointed out by Ministry of Finance in its external debt status report. Also the foreign exchange reserves are large enough as compare to the total foreign portfolio investments in equitiesandtherefore we have enough foreign exchange reserves to withstand the external shocks. In fact the recent bull run in the stock market is a result of the huge investment by the domestic mutual funds. During the first half of the financial year, the mutual funds are the net buyers whereas the foreign portfolio investors are the net sellers. Which shows the stability of our economy.

Figure:3
India's forex reserves are not out of sync with their past levels: import cover (months) and foreign exchange as percentage of short term debt




*Source: www.livemint.com*

As already pointed out that the Indian banks are flooded with funds after the demonetization. On an average, the banks perked 2.9 trillion rupees of excess cash every day after the demonetisation compared with 259 billion rupees per day during the corresponding period of last year. In the month of March 2017, the average per day excess cash deposit with central banks by the lenders reached its peak of 5.5 trillion rupees per day. The Credit deposit ratio of Reserve Bank of India shows that out of every 100 rupees deposit, banks now lend 72 rupees, which was 75 rupees in the corresponding period of last year. Along with this there is a huge foreign portfolio investment both in equity as well as debt due to lower currency volatility and positive real interest rate. These excess money supply as well as huge foreign exchange reserve has forced the central bank to resume its open market operation. The sterilisation costs, printing of new notes after demonetisation has reduced the profitability of the central bank and it paid a dividend of 306.6 billion rupees compared to a dividend of 749 billion rupees in the last year.

## Managing the Foreign Exchange Reserves

As discussed, India's Foreign exchange reserves have crossed the magic figure of US$ 400 billion in September 2017 from US$ 1billion in 1990-91, when we had a balance of payment crisis. India's foreign exchange reserves are highest among the countries running a current account deficit. It is a result of our stable macroeconomic policy in the post reform era especially of the external sector. But excess foreign exchange reserves has a cost also. It is already discussed earlier that the cost benefit analysis of huge foreign exchange reserves are not so simple in a country like India as it has some strategic and external security issues. However, we can try to manage the excess reserve in a more profitable manner.

Our reserves are invested in Foreign Currency assets (mostly debt instruments denominated in major foreign currencies), gold, SDR and Reserve Tranche Position in the IMF. The foreign currency assets are exposed to currency risk, liquidity risk, credit risk and interest rate risk. The foreign exchange reserves are measured and expressed in US$ and therefore investment in foreign currency assets other than US$ attracts currency risk. But at the same time RBI has to invest in foreign currency assets other than US$ to diversify its portfolio risk. Liquidity risk refers to the ability to convert the foreign currency assets to cash without incurring much expenses. Since a major portion of the foreign currency assets are non-current and illiquid, we cannot avoid liquidity risk. After the financial crisis of 2007-08, the RBI has reduced its exposure to foreign commercial banks from 24.4% to 6.3% now, which has reduced the credit risk. Interest rate risk as measured by weighted average residual maturity of foreign currency assets are considered to be low. Therefore currency risk and liquidity risks are high compare to credit risk and liquidity risk.

Though RBI does not give the exact return from the foreign currency assets, it publishes earnings from foreign currency assets as a percentage of average foreign currency assets held. From this information one can make out that the return from foreign currency assets were negative in the year 2016-17.

India can create a sovereign wealth fund which can invest the reserves in some profitable projects like investing in infrastructure or other projects in other countries instead of investing in low yield securities. Also India needs foreign capital to import assets for its infrastructure and the Make in India project. Government of India can open one India Infrastructure Investment Fund by transferring funds from the foreign exchange reserves. The reserves will not onlyearn higher return but also create employment opportunities for millions.

Figure:4
**Percentage change in REER and forex reserves in emerging market economies in past 12 months**

Median

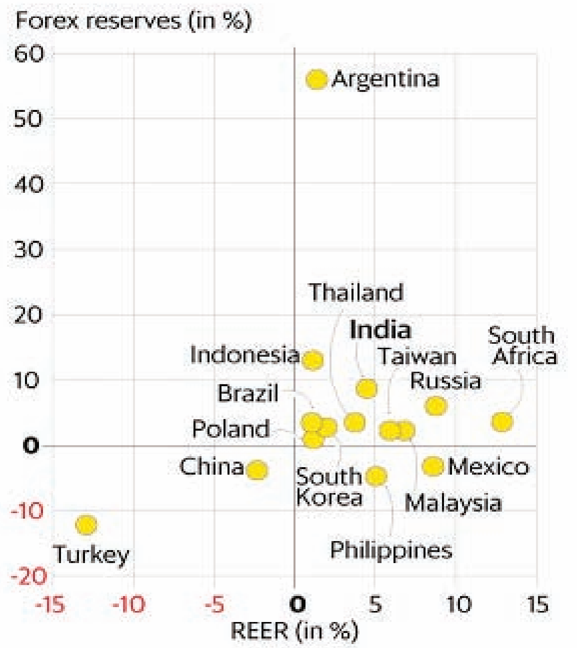
| Country | REER (in %) | Country | Forex reserves (in %) |
|---|---|---|---|
| Turkey | -12.87 | Turkey | -12.16 |
| China | -2.31 | Philippines | -4.59 |
| Brazil | 1.06 | China | -3.76 |
| Indonesia | 1.08 | Mexico | -3.09 |
| Poland | 1.2 | Poland | 0.99 |
| Argentina | 1.4 | Malaysia | 2.28 |
| South Korea | 1.98 | Taiwan | 2.39 |
| Thailand | **3.73** | South Korea | **2.85** |
| **India** | **4.49** | Brazil | 3.31 |
| Philippines | 5.07 | Thailand | 3.44 |
| Taiwan | 5.97 | South Africa | 3.56 |
| Malaysia | 6.73 | Russia | 5.97 |
| Mexico | 8.59 | **India** | **8.62** |
| Russia | 8.76 | Indonesia | 12.99 |
| South Africa | 12.84 | Argentina | 55.89 |

*Source: www.livemint.com*

## Concluding Remarks

The appreciation of rupee as a result of the huge foreign exchange reserves have a negative impact on exports though exports have gone up by 25.67% in September, 2017 as the US dollar has also depreciated with our other trading partners. But if we look at the Real Effective Exchange Rate (REER), the rupee is grossly overvalued. REER is the weighted average of a country's currency relative to an index or basket of other major currencies adjusted for the effects of inflation. The weights are determined by comparing the relative trade balances, in terms of one country's currency, with each other country within the index. The data from Bank for International Settlement shows that the REER of most of the emerging market has gone up during the recent years due to a fall in US dollar. India's REER is somewhere in the middle among these countries. The data also shows that India has accumulated more foreign exchange reserves compare to other emerging nations. It indicates that RBI is intervening in the market heavily to manage its currency.

Figure:5
**Forex reserve accumulation and REER do not seem to move together**




*Source: www.livemint.com*

As already discussed that maintaining excess foreign exchange reserves has its sterilisation costs and at the same time an emerging country like India has to maintain reserves to absorb the external shocks. When we consider our foreign exchange reserves with respect to import cover, current account deficit as a percentage of GDP and short term debt in foreign currency, we have sufficient or excess reserves. Now RBI has to decide the optimum size of the foreign exchange reserves – a very crucial and extremely difficult job. MA

**Table - I : Foreign Portfolio investments in India**

| Financial Year | INR crores | | |
|---|---|---|---|
| | Equity | Debt | Total |
| 1992-93 | 13 | 0 | 13 |
| 1993-94 | 5127 | 0 | 5127 |
| 1994-95 | 4796 | 0 | 4796 |
| 1995-96 | 6942 | 0 | 6942 |
| 1996-97 | 8546 | 29 | 8575 |
| 1997-98 | 5267 | 691 | 5958 |
| 1998-99 | -717 | -867 | -1584 |
| 1999-00 | 9670 | 453 | 10122 |
| 2000-01 | 10207 | -273 | 9933 |
| 2001-02 | 8072 | 690 | 8763 |
| 2002-03 | 2527 | 162 | 2689 |
| 2003-04 | 39960 | 5805 | 45765 |
| 2004-05 | 44123 | 1759 | 45881 |
| 2005-06 | 48801 | -7334 | 41467 |
| 2006-07 | 25236 | 5605 | 30840 |
| 2007-08 | 53404 | 12775 | 66179 |
| 2008-09 | -47706 | 1895 | -45811 |
| 2009-10 | 110221 | 32438 | 142658 |
| 2010-11 | 110121 | 36317 | 146438 |
| 2011-12 | 43738 | 49988 | 93726 |
| 2012-13 | 140033 | 28334 | 168367 |
| 2013-14 | 79709 | -28060 | 51649 |
| 2014-15 | 111333 | 166127 | 277461 |
| 2015-16 | -14172 | -4004 | -18176 |
| 2016-17 | 55703 | -7292 | 48411 |
| 2017-18 ** | -1236 | 118397 | 117161 |
| **Total** | **859718** | **413635** | **1273350** |

** upto 03-Nov-2017

*Source: National Securities Depositories Limited*

## References


1. *www.economictimes.com*
2. *www.livemint.com*
3. *www.rbi.org.in*
4. *www.financialexpress.com*
5. *www.thehindubusinessline.com*
6. *Bloomberg*
7. *Bank of International Settlements*


*jseal@iift.edu*

# Shall we Behave?

# The 2017 Nobel Prize in Economics


**About Prof. Richard Thaler:**

*Richard H. Thaler, whose work has persuaded many economists to pay more attention to human behavior, and many governments to pay more attention to economics, was awarded the Nobel Memorial Prize in Economic Sciences on Monday.*

*Professor Thaler is the rare economist to win a measure of fame before winning the prize. He is an author of a best-selling book, "Nudge," about helping people to make better decisions. He also appeared in the 2015 film "The Big Short," delivering what is surely one of the most widely viewed tutorials in the history of economics, on the causes of the 2008 financial crisis.*

**Dr. Saibal Kar**
Faculty of Economics, Centre for Studies in Social Sciences, Calcutta
Research Fellow, IZA Bonn
Research Fellow, Global Labor Organization (GLO)
Managing Editor, South Asian Journal of Macroeconomics and Public Finance (SAGE)

*The Nobel committee, announcing the award in Stockholm, said that it was honoring Professor Thaler for his pioneering work in establishing that people are predictably irrational — that they consistently behave in ways that defy economic theory. People will refuse to pay more for an umbrella during a rainstorm; they will use the savings from lower gas prices to buy premium gasoline; they will offer to buy a coffee mug for $3 and refuse to sell it for $6.*

*The committee credited Professor Thaler, who teaches at the University of Chicago Booth School of Business, for moving economics toward a more realistic understanding of human behavior, and for using the resulting insights to improve public policies, notably a sweeping shift toward the automatic enrollment of employees in retirement savings programs.*

*"In order to do good economics, you have to keep in mind that people are human," Professor Thaler said at a news conference after the announcement.*

It takes a rare economist and the rarest of Nobel laureates to accept that there is almost nothing new to be done in Economics, because most of it has been conceived and discussed by Adam Smith and later by David Ricardo. Richard Thaler, the latest Nobel Prize winner for Economics Science is one of those exceptional academics who not only directly quotes phrases from Adam Smith's celebrated work the Wealth of Nations, to prove that all the advanced notions about this subject had already been predicted three centuries earlier by an Englishman, but also draws support from George Stigler, an earlier Nobel laureate who often said that there is nothing further to discover since Adam Smith had said it all. For example, Thaler quotes from Smith in a recent article in the American Economic Review, the top journal in the profession, to suggest that thinkers of the time had full knowledge of how an individual perceives about loss aversion or present-oriented behavior. Loss aversion would imply that given a menu of choices, an individual prefers an option that minimizes expected loss. Staying away from a gamble could be one example of loss aversion; or accepting a low sure return in place of a gamble that can potentially pay several times the sure return as an example of risk aversion -- were all discussed in Smith. The current profession comes to talk about it following the work of von-Neumann & Oscar Morgenstern who published as recently as 1944. Adam smith, seemingly, has also talked about how individuals discount potentially large future earning and considers it as equivalent to that of a smaller or slightly higher current earnings, because the pleasure associated with consumption in the present far exceeds a distant (time-wise) pleasure. In fact, one believes that the concepts ruling the matter of choice and uncertainty as one of the most researched topics in economics are predominantly driven by common-sense. The parables often put in common usage, such as 'a bird in hand is worth five in the bushes', are typically about evaluating an individual's choice under uncertainty.

The main reason, this article situates the age old and time tested version of Economics into the forefront and as a motivation is because Richard Thaler, a PhD of Rochester University in USA challenged many of these over the last forty years. Thaler calls his agents of behavior making explicit choices by a name, 'Econs', instead of the usual homo economicus meaning human beings making economic decisions in the most rational ways possible. Thaler questions this very premise and actually shakes up the subject to its core. Presumably, this brings back to forefront the very essence on which economics as a subject of social sciences, but ahead of others in its approach and scientific elements uses raw and qualified intuition, rather than manufactured programs. Human beings, Thaler argues, are not computerized programs that will do everything in a way that is calculated as the best possibility. They can be irrational at times and this is precisely what the accepted neo-classical philosophy in economics rarely allows. Thaler suggests that human beings, when optimizing on everything are bound to make amends which would then be considered as irrational behavior. The conceptualization of Behavioral Economics by Thaler and somewhat earlier by Daniel Kahnemann & Amos Tversky is based on millions of examples where people do not display a textbook-like behavior. Indeed, the textbook 'man' is nothing less than a robot, who is programmed in such a manner that if he optimizes on one thing, he would optimize on everything else unless some totally exogenous element befalls him. Thaler states that almost any first grade school going child and maybe a little brighter one, easily figures out the best strategies in a game of tic-tac-toe or rock-paper-scissor. If this child can figure out the best strategy in one game, a textbook in economics will form an axiom automatically that he/she will be able to replicate and excel in a game of chess or checkers or with all the real life decisions to be made henceforth. It does not take an economist or a psychologist to see that this is hardly the case. People who still believe in supremacy of the selfish-rational-decision maker, and that includes millions of us, would argue that it must be because the complexity of games are neither same nor are conditions similar over time and space. So, it is natural that the boy excelling in tic-tac-toe loses most of the time in a game of chess or ends up choosing the wrong occupation, or the misfit life-partner. But, he/she remains a homo economicus nonetheless. Thaler suggests that these defensive arguments spawns from the fact that optimization ability as an indicator of the rational, selfish, unperturbed human behavior is essentially wrong because it does not entertain the subject of complexity associated with each task.

The need to borrow from good psychology in order to sharpen the understanding about how economic agents behave is, according to Thaler, one way of breaking a self-deceit about optimizing behavior as also about setting up questions about the 'marginalist revolution'. None less than Milton Friedman once argued that firms and businesses always determine the best strategies about production, pricing, profit, etc. by equalizing marginal revenue to marginal cost, even if direct surveys found that it is not exactly the case. It was stated that firms must always do it regardless of the fact that they do or do not understand the procedure. We have been programmed to believe in it from day one of our entry into economics, as a subject, until it has been questioned by a series of writings from Kahnemann, Tversky, Simon, and of course Thaler. The two main pillars or assumptions on which this entire faulty of human behavior as the ruthless optimizer stands are the following:

1) Agents have well defined preferences and unbiased beliefs and expectations.

2) They make optimal choices based on these beliefs and preferences.

Thaler states that the second assumption would in turn imply that economic agents continue to choose what is best because they have infinite cognitive abilities and that they have infinite will power and resolve not to be straying from the target, no matter what.

3) Despite altruistic behavior towards people that an individual cares for, it is ultimately driven by self interest and rational beliefs about immediate and future gains accruing to the person.

According to Thaler, these define the subject of economics to many, reveling in what an economist (again) would define as 'equilibrium' and namely, a situation where after a long process of trial and error, the dust settles. The inability to question these assumptions generally leads the large band of economists into self-fulfilling prophecy about what they believe and what they want. One such prophecy was commonly noticed by anybody who grew up in West Bengal, India, during the 1970s & 80s. It was a long period of leftist government in West Bengal where walls would have this graffiti, "Marxism is omnipotent, because it is true." It is then not unusual to imagine that some questions are bad questions, even if your professor kindly tells you in class that you can ask any questions because all questions are good! That the subject of economics encountered, acknowledged and admired questions about narcissist tendencies of the subject makes it potentially richer again. Kahnemann, Tversky or Thaler as the most imaginative and persuasive role players in this matter actually takes the subject and the profession forward -- even though Thaler himself wrote recently that over time Behavioral Economics shall die down.

It has not died over a long time, actually. Starting with Pigou, who claimed that since people cannot see very far into the future, the discounting of future prospects is rather high for most. The present-biased behavior is often a result of incomplete foresight into the future. And, it is the 'most' that economics should be concerned about rather than the 'experts', who are few and sparsely dominant, unless of course you are in Israel which has the largest concentration of game theorists, physicists, mathematicians etc. You could also be from Eindhoven in the Netherlands or Silicon Valley in California, where concentration of innovators and smart minds is thicker than the concentration of green house gases in our atmosphere. If you are not one of these, which do not sound like an accident of nature, then in most likelihood, you are not an example of textbook homo economicus. Then you are a subject that Thaler and others marvels about. You (rather, we) are bound to make irrational and faulty decisions all through our life -- whether it is about buying the right brand of milk, the right gift for your spouse, the best school for your child, the best quality car, about your own profession, our retirement plans and savings, etc. And people of such incorrigible characters, as if we are witnessing lifetime episodes of Three Men in a Boat [is Jerome K. Jerome an optimal name?], should have no place in an economy that wishes to grow and become the best if we are to believe in the textbook 'man'. Why would the United States be then regarded as the land of second chances, given that economically it has been one of the most prosperous nations on earth? And why would most people in some other country of considerable individual and national wealth, hold stories and information about their past that had better not be revealed? The relations just do not add up to define the homo economicus that the discipline set out for idolizing.

One would remember that paradoxes about behavioral patterns are not new in economics. The famous mathematician Nicholas Bernoulli showed that individuals consider more than the expected value of a pay-off, whether through gamble or when encountered with multiple choices about strategies and associated returns. The well-known St. Petersburg's Paradox showed that an individual has the chance of winning a grand prize of infinitely high worth if the person is willing to continue with the game for long enough while paying a small fee each time. In reality, individuals displayed little temerity in choosing to play indefinitely and spend a high amount. Instead, they wanted to pay a low fee to play the game, if at all. This is paradoxical because if one is about to win a huge sum any moment, why would she be unwilling to commit a small amount to pursue it? The paradox was independently resolved by Daniel Bernoulli and Gabriel Cramer in 1738, when they proposed that individuals did not necessarily value $200 as just the double of $100. One would evaluate gambles on the basis of expected 'utility' of the gamble rather than expected 'value' of the gamble and this became inducted into the mainstream as von-Neumann-Morgenstern utility functions two centuries later. Around the same time, Friedman and Savage showed that utility functions were largely concave at low wealth levels and convex at high wealth levels, meaning the coexistence of risk aversion and love for risk for the same individual at different stages of wealth, and perhaps life. This implies that the same individual would buy a lottery ticket and insurance, and that is still regarded as consistent behavior. Fortunately, the categorization of homo economicus accommodated these possibilities over time -- thanks to the contributions of some of the best minds that this discipline has seen through ages. Unfortunately, it did not produce answers to many other erratic outcomes that individual behavior generates every now and then. The violation of independence axiom in the theory of expected utility shall create conditions like the Allais Paradox, where a small margin of higher pay-off, but with lower probability of attaining that ever, entices people to choose it over a relatively certain return. It too was resolved by an interesting analysis by Mark Machina, which showed that for many individuals, expected utility functions 'fan out' rather than being parallel for different probabilities associated with winning a gamble.

Thaler, of course, considers all of these and puts to questions the so-called rational decisions, expectations and beliefs. The evidence-based economics, which Thaler embraces, show multiple fractures in the theoretical foundations that seem solid on the crust. The incapability of the economics discipline to engage with the odds and the non-experts (shall we call muggles?) that we meet across length and breadth of our existence, must yield to better judgments, and perhaps theories. It must be admitted that if this calls for customizable individual-specific theory, then it becomes no theory at all. It would be difficult to isolate sociology from economics and completely impossible to make pervasive policies. There should be no qualms about the fact that individuals behave similarly in most cases, especially if they belong to similar socio-economic structure. But, the introduction of heterogeneity in this peaceful world should not be treated as anomaly and mere exceptions and therefore an instrument for solidifying the core theory. These exceptions need to be accommodated as an indelible part of the core, essentially by expanding the domain of the theory.

For example, Kaushik Basu, quite some time back raised a question which for many of the younger students of the subject at that time was quite puzzling. Why do we not run away by not paying for a taxi ride? Consider living in a city where there are many taxis and equally large number of potential passengers. There are also many shady parts of the city, or that just intertwined by narrow lanes, such as one would see in the older parts of north Calcutta in India, where taking a taxi, getting off and quickly vanishing into a narrow lane is quite a plausible way to avoid paying for the ride. But that does not happen, usually. Basu states that one of the reasons that do not happen is because the powerful taxi driver may successfully chase the miscreant and bring justice on the spot. Alternatively, the taxi driver could call up the police and gather by-standers to bring justice simply because his ego gets hurt no less than his pocket. So, the passenger could be weary of these possibilities and not stray into misbehavior despite perfect (albeit, occasional) opportunities. Basu states that people do not do it because they happen to abide by certain social customs, and in certain apparatus of order, perhaps norms. That the driver does not try to extort the passenger is also on the basis of such norms and customs being adhered to, even though there is nothing of an enforceable contract. The driver could raise commotion by claiming that the passenger has not paid, although he might have received the payment already. This would be perfectly rational for the driver to charge double the payment if he finds an opportunity to extort (this time consider the driver having taken the passenger to a place where he finds his professional mates hanging around and therefore will find them to his support, and could even split the excess earnings). But that does not happen regularly either, although taxi drivers in many cities are infamous for taking the unfamiliar passenger round and round and charging ridiculous amounts. Basu does not explain that this misbehavior from both parties could actually backfire for the system. The recurrence of non-payments by the passengers would push the taxi operators to go for pre-paid versions, where fares tend to be higher than the actual fares, often. If most taxi drivers turn out to be extortionists or criminals, then the passengers would push the authorities to monitor and screen taxi drivers more seriously, which would raise their cost of compliance without affecting the fare. This cannot be equilibrium. The presence of norms and beliefs as part of human behavior would much easily resolve this problem amounting to an apparent impasse that could develop. Typical neo-classical treatment of this problem shall require implementation of taxes, or penalties, mired in incentives and disincentives and lending itself to substantial complexity since behavior of the agents must be iron clad by what defines the agent. The example could be extended to similar instances where cross country warfare has been prevented in the past. Thaler's mission and of those that believe in the power of Behavioral Economics in helping the subject and policy reach deeper, gets rewarded precisely for this reason. MA

---

*skar1801@yahoo.com*

# Rashtriya Swasthya Bima Yojana (RSBY):

## Districtwise Performance Evaluation in West Bengal

In India, where around 37.5% (2004-05) 27.5% (2007-08) and 21.9% (2011-12) of the total population lies below poverty line, it has been emperically observed that health care expenditure is one of the most important reasons for rural indebtedness. More than 80% of the expenditure on health in India is through out of pocket which is one of the highest in the world. To improve this scenario, Govt of India time to time had implemented a number of health insurance schemes both at central and state level. But most of the schemes had nor performed well in fulfilling their desired objectives in terms of reducing out of pocket expenditure and improving access to health care. Considering all the leassons learnt from these schemes and after reviewing the successfull health insurance models in the world, a unique helath insurance scheme was designed. This scheme is now papularly known as Rashtriya Swasthya Bima Yojana (RSBY) which has been launched by Ministry of Labour and Employment, Government of India in the year 2008 (1st April). RSBY was designed to provide the beneficiary cashless health insurance and to minimize their out of pocket expenses during a visit to the hospital.

The primary objective  of RSBY is to protect BPL families from catastrophic health expenditure and to promote health-seeking behavior in them.  The silent features of this scheme are mentioned below.

✓ RSBY is a Biometric smartcard based cashless and paperless social health insurance scheme. That is, IT platform is used to ensure delivery of services.

✓ Beneficiaries are entitled to hospitalization coverage up to Rs 30,000/- per family per year for most of the

**Dr Manas Kr Baidya**
Associate Professor
Department of Commerce
Malda College, Malda

diseases that require hospitalization. 1-day pre and 5-day post hospitalization expenses are included.

✓ Coverage extends to five members of the family, which includes head of the family, spouse and any three dependents.

✓ Beneficiaries need to pay only Rs 30 as registration fees (per family per year) for accessing empanelled hospitals (both private and public) across the country and across insurance providers.

✓ Policy period is can be renewed after 1 year by paying registration fee of Rs 30

✓ All pre existing diseases are covered and age is no bar.

✓ Central and state Government pay the premium (in 3:1) to the insurer selected by the state Govt on the basis of competitive bidding

✓ Transportation expenses of upto Rs 1000/- annually (with a limit of Rs 100 per hospitalization) are provided in cash for travelling to the hospital (deducted from the benefit package of Rs 30000/-)

**Box 1: Some Important Statistics**

| | |
|---|---|
| No of States including union territory RSBY implemented | 35 |
| No of Smart Cardholders as on 31.03.17 | 3.63 crore |
| No of beneficiaries covered | 11.25 crore |
| Average Premium (approx) | Rs 400 |
| No of beneficiaries availed hospitalization services as on 31.03.17 | 1.41 Crore |
| Average Claim Pay Out (approx) | Rs 5000 |

*Sources – RSBY Committee Final Draft Report, Data for 2013-14, generated on 1st September, 2014 & http://www.rsby.gov.in/index.aspx*

However, a positive outcome of the RSBY scheme is that a majority of the enrolled and hospitalized respondents did not have to spend any money on in patient treatment. The only costs borne by them is the registration fee of Rs 30/- for the smart cards.

## Scenario of RSBY in West Bengal

The scheme was lunched in west Bengal in the year 2009 (December) by Directorate of ESI Scheme, Department of Labour, Govt of W.B. This scheme was transfered to Department of Health & Family weafare and the State Nodal Agency from 23rd September 2013.

**Table 1: District wise Status of RSBY**

| S.No. | District | Year of Policy | Premium (With Service tax) | Enrollments Commen -ce-ment Date | Total Target Families: Total | Total Target Families: Enrolled | Hospitals Empan-elled: Private | Hospitals Empan-elled: Public |
|---|---|---|---|---|---|---|---|---|
| 1 | Alipurduar | 4 | 377 | 27.02.2015 | 276000 | 128833 | 10 | 9 |
| 2 | Bankura | 4 | 250 | 10.01.2014 | 568185 | 459970 | 46 | 26 |
| 3 | Birbhum | 4 | 286 | 10.01.2014 | 585473 | 435087 | 41 | 23 |
| 4 | Burdwan | 5 | 232 | 02.01.2014 | 972156 | 712746 | 110 | 43 |
| 5 | Coochbehar | 4 | 222 | 05.02.2014 | 584285 | 223919 | 7 | 16 |
| 6 | Dakshin Dinajpur | 3 | 269 | 08.12.2014 | 200661 | 112008 | 7 | 11 |
| 7 | Darjiling | 3 | 252 | 21.11.2014 | 99797 | 60788 | 12 | 9 |
| 8 | Darjiling GTA | 3 | 252 | 30.09.2015 | 83168 | 39951 | 1 | 7 |
| 9 | Hoogly | 4 | 205 | 18.12.2014 | 708031 | 385579 | 38 | 25 |
| 10 | Howrah | 4 | 240 | 06.01.2014 | 244540 | 100521 | 40 | 25 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 11 | Jalpaiguri | 4 | 377 | 16.02.2015 | 366220 | 156719 | 19 | 12 |
| 12 | Kolkata | 2 | 432 | 9.3.2013 | 282257 | 122173 | 43 | 16 |
| 13 | Maldah | 5 | 185 | 22.01.2014 | 654264 | 385776 | 20 | 20 |
| 14 | Murshidabad | 4 | 205 | 13.01.2014 | 1021376 | 670796 | 59 | 32 |
| 15 | Nadia | 4 | 262 | 12.01.2014 | 690852 | 466097 | 64 | 31 |
| 16 | North 24 Parganas | 5 | 197 | 06.02.2014 | 873041 | 379352 | 71 | 42 |
| 17 | Paschim Medinipur | 4 | 212 | 10.01.2014 | 813626 | 452855 | 63 | 34 |
| 18 | Purba Midnapore | 5 | 245 | 01.02.2014 | 565283 | 354101 | 69 | 28 |
| 19 | Purulia | 4 | 197 | 07.01.2014 | 438384 | 201499 | 16 | 23 |
| 20 | South 24 Parganas | 4 | 238 | 03.02.2015 | 754004 | 320320 | 80 | 38 |
| 21 | Uttar Dinajpur | 4 | 201 | 10.12.2014 | 318744 | 121356 | 6 | 11 |
| | Total | | | | 11100347 | 6290446 | 822 | 481 |

*Source: http://www.rsby.gov.in/index.aspx Accessed on 15/10/2017*

From the above status report, it is very much clear that there exists disparaties among the districts of West Bengal in the performance towards implementation of RSBY scheme.

However, RSBY has been ongoing since 2008. A few evaluation studies has been undertaken across some states. But these studies are state level and mainly based on household survey of the beneficiaries. Present study attemts to measure performance index score of the RSBY implementation for each of select 21 distrcts of West Bengal using secondary data.

This index helps to measure the extent of performance in the implementation process of RSBY scheme by the diffrent states or districts of a state. This study also tries to rank districts on the basis of proposed index scores. Present study is quite diffrent so far as methodology is concerned. Therefore, objective of this paper is to evaluate the relative performances of the select 21 districts of West Bengal in the implementation process of RSBY scheme using the proposed index score.

## Methodology

We measure RSBY Performance Index (RSBY-PI) of each of the select districts following the approach proposed by Sarma 2008. Our proposed index is computed based on the five parameters of RSBY implementation.

1. Conversion Ratio (%) [ No. of Families Enrolled / No. of Target Families]
2. Hospitalization Ratio (%) [ No. of Hospitalization Cases / No of Families enrolled]
3. Claim value Ratio (%) [ Claim value / No of Claims]
4. Hospitalization Vaue Ratio (%) [ Hipitalization Value / No. of Hospitalization Cases]
5. Hospital Service Ratio % [ No. of Hospitalization / No. of Hospitals]

We first calculate parameter wise index of each district.

we follow the formula –

$$pi = \frac{(A_i - m_i)}{(M_i - m_i)}$$

Where

$p_i$ = parameter i

$A_i$ = Actual value of parameter i

$m_i$ = minimum value of parameter i

$M_i$ = maximum value of parameter i

Above formula ensures that $0 \leq pi \leq 1$. Higher the value of pi, higher the relative district's performance in parameter i is.

RSBY Performance Index (RSBY-PI) is then calculated for each district by the folowing formula –

$$\text{RSBY-PI} = 1 - \frac{\sqrt{(1-p_1)^2 + (1-p_2)^2 + \quad + (1-p_n)^2}}{\sqrt{n}}$$

In the above formula, the numerator of the second component is the Euclidean distance of pi from the ideal point, normalizing it by n and subtracting by 1 gives the inverse normalized distance. The normalization is done in order to make the value lie between 0 and 1 and the inverse distance is considered so that higher value of the RSBY-PI corresponds to better RSBY scheme implementation.

### Data Source

All the data are secondary in nature of the year 2016 -17. Policy Period 01.04.2014 to 30.04.2017. All data are obtained from the two official websites of RSBY (www.rsby.gov.in & www.rsbywb.gov.in ).

## Performance Analysis

**Table 2: Descriptive Statistics of Index Scores**

| | p1 (Conversion ) | p2 (Hospi-talization) | p3 (Claim Value Ratio) | p4 (Hospitalization Value Ratio) | p5 (Hospital Service Ratio) | RSBY-PI Score |
|---|---|---|---|---|---|---|
| Average | 0.378 | 0.464 | 0.613 | 0.458 | 0.502 | **0.443** |
| MAX | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | **0.723** |
| MIN | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.051** |
| SD | 0.299 | 0.274 | 0.229 | 0.203 | 0.283 | **0.169** |

RSBY Performance Index (RSBY-PI) of 21 districts computed by using of 5 performance indicators measures the extent of relative performance of the districts of West Bengal in RSBY implementation process. From the descriptive statistics of index scores, it is very clear that there exists high disparities among the districts with regard to this scheme implementation performance as indicated by the high range of RSBY-PI score from 72.3% to 5.1% with high SD 16.9%. Average Score of 44.3% indicates that districts of West Bengal still have the huge opportunity to improve their present performance level on an average by 27 % relative to the best performing of two districts – Birbhum and Murshidabad.

It is also be observed from Table 3 that not a single district is found in getting the highest score in all the five parameters. Highest and lowest score distics in each of the five parameters are mentioned in Table 3 by bolding their scores. Even the district which stands first position considering all the parameter in together does not have the higest score in a single selecteed parameter. Interestingly, Kolkata which ranks 20 (second from the last) has performed best in one parameter namely Claim value (p3) whereas the worst performance with regard to Hospitalization (p2) and Hospital Service (p5). Uttar Dinajpur, the worst performer among all the 21 districts has paerformed badly in all the five parameters.

**Table 3 : District wise Index Scores**

| Sl No | Districts | p1(Conver-sion ) | p2 (Hospital-ization) | p3 (Claim Value Ratio) | p4 (Hospitalization Value Ratio) | p5 (Hospital Service Ratio) | RBSY-PI Score |
|---|---|---|---|---|---|---|---|
| 1 | Alipurduar | 0.201 | 0.796 | 0.513 | 0.346 | **1.000** | 0.481 |
| 2 | Bankura | **1.000** | 0.408 | 0.660 | 0.470 | 0.574 | 0.569 |

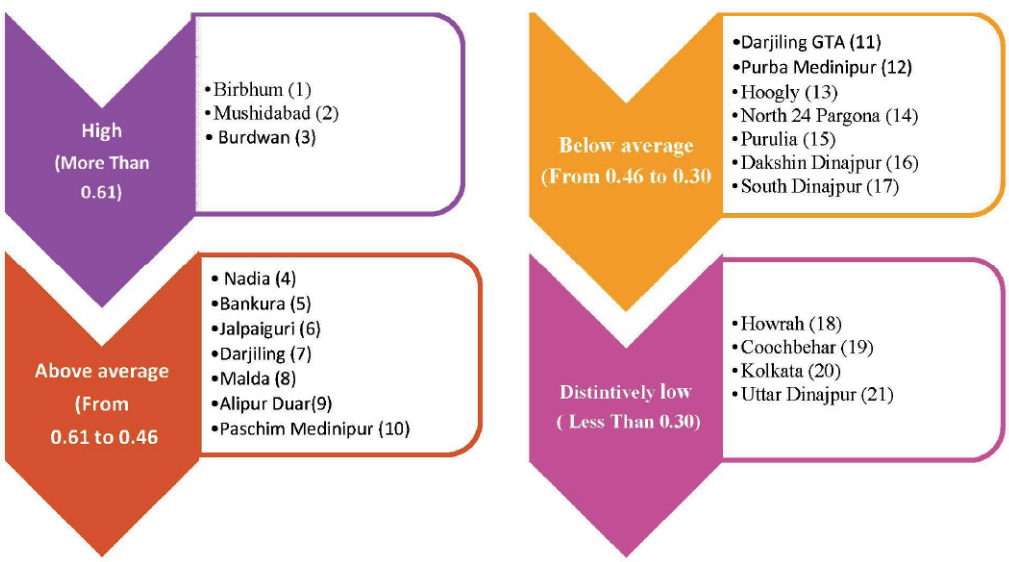
| Sl No | Districts | p1(Conversion ) | p2 (Hospitalization) | p3 (Claim Value Ratio) | p4 (Hospitalization Value Ratio) | p5 (Hospital Service Ratio) | RBSY-PI Score |
|---|---|---|---|---|---|---|---|
| 3 | Birbhum | 0.845 | 0.626 | 0.812 | 0.602 | 0.834 | 0.723 |
| 4 | Burdwan | 0.822 | 0.684 | 0.814 | 0.596 | 0.582 | 0.682 |
| 5 | Coochbehar | 0.006 | 0.186 | 0.349 | 0.236 | 0.608 | 0.250 |
| 6 | Dakshin Dinajpur | 0.414 | 0.380 | 0.183 | 0.136 | 0.531 | 0.312 |
| 7 | Darjiling | 0.533 | **1.000** | 0.582 | 0.309 | 0.460 | 0.518 |
| 8 | Darjiling GTA | 0.232 | 0.575 | 0.555 | 0.371 | 0.551 | 0.441 |
| 9 | Hoogly | 0.382 | 0.330 | 0.540 | 0.476 | 0.477 | 0.436 |
| 10 | Howrah | 0.071 | 0.354 | 0.681 | 0.462 | 0.057 | 0.284 |
| 11 | Jalpaiguri | 0.110 | 0.956 | 0.497 | **1.000** | 0.840 | 0.537 |
| 12 | Kolkata | 0.122 | **0.000** | **1.000** | 0.459 | **0.000** | 0.217 |
| 13 | Maldah | 0.487 | 0.359 | 0.543 | 0.366 | 0.845 | 0.488 |
| 14 | Murshidabad | 0.644 | 0.623 | 0.837 | 0.629 | 0.909 | 0.703 |
| 15 | Nadia | 0.685 | 0.686 | 0.640 | 0.457 | 0.619 | 0.608 |
| 16 | North 24 Parganas | 0.125 | 0.613 | 0.708 | 0.507 | 0.358 | 0.425 |
| 17 | Paschim Medinipur | 0.410 | 0.371 | 0.713 | 0.534 | 0.369 | 0.463 |
| 18 | Purba Midnapore | 0.573 | 0.267 | 0.781 | 0.573 | 0.213 | 0.440 |
| 19 | Purulia | 0.184 | 0.271 | 0.624 | 0.483 | 0.343 | 0.362 |
| 20 | South 24 Parganas | 0.103 | 0.220 | 0.836 | 0.617 | 0.116 | 0.312 |
| 21 | Uttar Dinajpur | **0.000** | 0.027 | **0.000** | **0.000** | 0.255 | 0.051 |
| | Average | **0.378** | **0.464** | **0.613** | **0.458** | **0.502** | **0.443** |

*Rashtriya Swasthya Bima Yojana (RSBY) Scheme was launched in 2008 by the Government of India with the objective of providing health insurance to BPL households. The primary aim of RSBY is to protect BPL families from catastrophic health expenditure and to promote health-seeking behavior in them. It was introduced in West Bengal in December 2009. While the importance of RSBY is widely recognized, the literature lacks a comprehensive measure that can be used to measure the extent of performance in the implementation of RSBY scheme by the diffrent states or districts of a state. This study attempts to fill this gap by measuring performance index scores of implementation process of RSBY for each of the 21 distrcts of West Bengal. Present study also attemts to rank districts on the basis of proposed index scores. The results reveal that average relative performance of entire sample is 44.2% implying that there is a scope of improvement of the districts by on an average 28.1% relative to the performance of the most efficient district- Birbhum. The most inefficient is Uttar Dinajpur. There exists high disparaties with regard to performance RSBY implemention among the districts*

## Categories and Ranking

**Ranking** is a well established approach in social science and thus it is a pertinent issue in the performance evaluation study. Present study , therefore, categorizes the districts with ranking. Estimated index score values clearly rank the districts. Magnitude of index score measures the extent of robustness of districts relative to others. In other words, higher the index score the more robust it is. Depending upon the value of index score, districts are categorized into four groups. This segregation helps to find better insights into the extent of performane with regard to implementation of RSBY scheme in the Districts of West Bengal

**Box 2: Categorical Ranking**



In order to improve performance of RSBY scheme implementation, inefficienct districts should follow the operating pratices of the districts of high performance group particularly two most efficienct districts namely Birbhu and Murshidabad.

## Conclusion

The present study has measured districtwise RSBY performance index of West Bengal following multidimensional approach in line with Sharma 2008. Constructed index incorporates information on all possible parformance aspects in the implementation of RSBY. It can be used to evaluate relative performance position of districts. This can also be used to monitor the progress of RSBY over time for the districts. The study shows that there exists high disparity among the districts with regard to the RSBY-PI scores. This average score of 44.2 on a scale of 0 to100 implies that Districts of West Bengal still have the opportunity to increase the present level of performance in RSBY on an average by 27% (71.2% - 44.2%) compared to the performance of two districts namely Birbhum (72.3%) and Murshidabad (70.3%) and by 45.8% (100% - 44.2%) to reach into the ideal position. For overall progress, Policy makers, district level officers should concentrate more on the districts of below average and distinctively low perdormance category groups (Box 2). They should follow the relatively good pratices of the three districts of high performance group. MA

## References-


1. Anaka Aiyar, V Sharma, K Narayanan,N Jain,P Bhat,S Mahendiran,J Jha, 2013,Rashtriya Swasthya Bima Yojana (A study in Karnataka), Centre for Budgetand Policy Studies (CBPS) [Accessed on 12/02/2016 available at www.gdn.int/admin/uploads/.../GDN_PEMRP_CBPS_CEA_Health.pdf ]

2. Cooper, W. W., Seiford, L. M. and Tone, K. (2007), "Data envelopment analysis: a comprehensive text with models, applications, references and DEA-Solver software", 2nd ed., New York: Springer Science + Business Media.

3. Evaluation of Implementation Process of Rashtriya Swasthya Bima Yojana in Select Districts of Bihar, Uttarakhand and Karnataka , [Accessed on 02/12/16 available at http://www.rsby.gov.in/Documents.aspx?ID=14# ]

4. 'Rashtriya Swasthya Bima Yojana Performance Trends and Policy Recommendations: An Evaluation of the Mass Health Insurance Scheme of Government of India' Center of Insurance and Risk Management, WORKING PAPER September, 2011 [Accessed on 31/01/2015 available at http://www.slideshare.net/IFMRCIRM/rashtriya-swasthya-bima-yojana-performance-trends-and-policy-recommendations-10691464]

5. RSBY Committee Final Draft Reort [accessed on 5/02/2016 available at www.rsby.gov.in ]

6. Sarma, M (2008), Index of Financial Inclusion, Working Paper No-215, Indian Council for Research on International Economic Relations.


*manasbaidya@maldacollege.ac.in*

## Eastern India Regional Council


The Region organized a seminar on 'Overview of GST – Challenges during Implementation' on November 2, 2017 and Shri Ajay Agarwal was the speaker of the seminar. On November 10, 2017 a career awareness programme was organized and Shri Prabir Banerjee, PD & Education Officer, EIRC & Shri Ajoy Ghosh, Officer, EIRC conducted the career awareness programme. On November 15, 2017 another seminar had been organized on 'Contract Management - Role of CMAs'. CMA Balak Nath Bhattacharya was the resource person.

## Northern India Regional Council

### The Institute of Cost Accountants of India-Jaipur Chapter

The Chapter organized a seminar on 'GST Updates' and 'Latest Amendments under Companies Act' on November 18, 2017 at its premises. In the first technical session CA Ranjan Mehta, leading practitioner explained in detail about the latest developments regarding GST. In the second technical session, CS Deepak Arora, leading CS Practitioner explained about the latest amendments under Companies Act.





## Southern India Regional Council


CMA Dr. A. Mayil Murugan, chairman, SIRC inaugurated the oral coaching classes of Foundation, Intermediate and Final Course on 14th August, 2017 at its premises for the students appearing in the ensuing December 2017 term examinations of the Institute. The Region celebrated the Independence Day at its premises. Shri Sridhar Pamarthi, Registrar of Companies, Chennai and Shri Chozha Naachiar Rajasekar, Industrialist & President, Tamil Chamber of Commerce were the guests of honour of the programme. Registrar of Companies highlighted the role to be played by Cost and Management Accountants in the era of 'GST'. The President, Tamil Chamber of Commerce in his address specified about the sacrifices made by freedom-fighters to get the independence for the Nation. The Region organized a Faculty Members' Meet at its premises on 15th August, 2017. SIRC organised a PD Meeting on "GST" - One Nation - One Market - One Tax" on August 15, 2017 at its premises. Shri K.T. Raghavan, Advocate & Senior Lawyer for Central Govt. in the High Court of Madras was the chief guest. SIRC organised a Study Circle Meeting on 'Recent Changes in Cost Audit' on 21st August, 2017 at its premises. CMA S.A. Murali Prasad, Director, Sam Consultancy Services Pvt. Ltd, Chennai made a power point presentation explaining the amended provisions of the Companies (Cost Records and Audit) Rules 2014 as compared to the Ind AS Provisions with particular reference to the 'Material',


'Employee Cost', 'Grants relating to Various Costs' etc. SIRC organized a Parents' Meet on 25th August, 2017 at its premises. CMA H. Padmanabhan, Vice President also addressed during the meet. The Region organised a PD Meeting on 'GST – Discrepancies, Remedies & Solutions' at its premises on August 25, 2017. Chief Guest of the event was Dr. Vinod Surana, Co-Chairman, Assocham – Southern Region, Partner & CEO, Surana & Surana International Attorneys. CMA S. Srinivasan, IRS, GST Commissioner, Chennai was the special guest. Shri Gopal Krishna Raju, GST – Expert addressed on 'GST – Discrepancies, Remedies & Solutions' with a practical approach which was well received by the members. The Institute organised its campus placement programme for CMA Final – June 2017 Batch Candidates at Chennai on 3rd and 4th October, 2017 at SIRC. The Corporates which participated in this Campus Drive include Arvind Brands - Bangalore, RSM Astute Consulting Pvt Ltd - Chennai, Chennai Petroleum Corpn. Ltd., Neyveli Lignite Corporation Ltd., L & T Constructions, Saint Gobain (I) Private Limited, ITC Food Division, PonPure Chemicals, ITC Limited, Vedanta Group, Sundaram Finance Ltd., and H-Garb Informatix Private Limited. On 8th September, 2017, Pre Placement Orientation Programme was organised by the Institute for the candidates to equip themselves with all the required employability skills with Mock Interview and Group Discussion Sessions which were handled by Corporate Trainers, Industry Experts and IT Professionals. Shri S.R. Vijayakumar, Hon. Member of Parliament, Chennai Central Constituency was the chief guest while Shri C.P. Rao, IRS, Principal Commissioner, GST & Central Excise, Chennai Zone and Shri M. Ponnuswami, Vice Chairman, CII – Tamil Nadu & CMD, Pon Pure Chemicals Ltd., Chennai were the special guests. On 19th September, 2017 a Pre Placement Orientation Programme, valedictory session was held at the premises of SIRC. CMA Sanjay Gupta, President of the Institute presided over the event while Shri M. Razzack, President, Hindustan Chamber of Commerce was the chief guest of the programme. CMA Dr. A. Mayil Murugan, Chairman, SIRC, CMA Jyothi Satish, Secretary, SIRC, CMA H. Padmanabhan, Vice President, CMA P. Raju Iyer and CMA Amit Anand Apte, Council Members of the Institute were also present in the programme. The Institute on September 22, 2017 organised a workshop on 'Competition Law and Cartel Enforcement' at SIRC inaugurated by the Chief Guest, Hon. Mr. Justice N.V. Balasubramanian, Chairman, Committee on Fixation of Fee for Self Financing



Professional Colleges. Shri K.P. Anand, Dy. Director (Law), Competition Commission of India, Govt. of India was the Resource Person who addressed the members on themes 'Overview of Competition Law & Compliance', 'Anti-Competitive Agreements, Leniency Programme and case studies / mock case experiences ' and 'Abuse of Dominant Position including predatory pricing and case studies / mock case experiences'. In order to update the practical exposure on GST for the CMA Members, SIRC organised a Five Days Capacity Building Programme on Goods and Services Tax at its premises on 21st, 22nd, 28th and 29th October 2017 and 11th November, 2017. The Five Day Sessions were mainly focused on 'Indirect Taxation System in India Past and its evolution', 'GST Legislation', 'Place of Supply of Goods and Services' , 'Input Tax Credit', 'Demand and Recovery', 'Exports and Imports under GST', 'GSTN – Special Purpose Electronic Platform' and Hand holding in Business Processes – Registration, Returns, Payments and Refunds'. The Programme was formally inaugurated by Smt. Vanathi Srinivasan, Director, Madras Fertilizers Ltd., Advocate, Vice President for BJP, Tamil Nadu State was the chief guest of the event. The valedictory session held on 11th November, 2017 was graced by Shri RR. Clement, IRS, Additional Commissioner of Income Tax, Chennai.

## The Institute of Cost Accountants of India-Visakhapatnam Chapter

The Chapter organized the Training programme on GST and other financial aspects to Dredging Corporation of India Limited Executives from November 10, 2017 till November 14, 2017 at CMA Bhawan. The workshop was inaugurated by CAPT P.M Saravanan, Head of Department (HR), Mr K.M Chowdary GMPE, Mr M.V Kondal Rao (IT) Head, Mr G.V.R Murthy, Technical Head of Dredging Corporation of India.


## The Institute of Cost Accountants of India-Trivandrum Chapter



The Chapter conducted a PD programme on November 26, 2017 on the theme 'Demonetization GST Impact on Investment Opportunities'. Chief guest of the function was CMA Manoharan Nair G S, immediate past chairman of the chapter. The theme was deliberated by Sri Binish, MBA, Area Sales Manager, Aditya Birla Sun life, Mutual Fund and he detailed on Demonetization, GST and its impact upon the investment scenario in the Country.

## The Institute of Cost Accountants of India-Cochin Chapter

The Chapter observed Rashtriya Ekta Diwas (National Unity Day), held at Center for Excellence, Vytilla, Cochin led by CMA Rakhesh R. Warrier, Vice Chairman along with Senior Member, CMA KNG Kurup, on October 31, 2017.

## The Institute of Cost Accountants of India- Ahmedabad Chapter



The Chapter on November 10 and 13, 2017 organized a campus placement programme at its office and Prof CMA SS Shah, Chairman, Training & Placement committee, CMA Ashish Bhavsar, Chairman, CMA K M Mehta, Vice Chairman, CMA P H Desai, RCM WIRC, CMA Vinod Savalia, immediate past chairman of the chapter and CMA Haren Bhatt, secretary briefed about the objective of the campus placement program. The Chapter organized a CEP Program on November 11, 2017 at Ahmedabad Management Association, Vastrapur. Shri Nandankumar, Jt. Director of Competition Commissioner of India, Delhi (Speaker) had enlightened every aspects of Competition Law.

## The Institute of Cost Accountants of India-Nasik Ojhar Chapter


The Chapter organized a career counselling programme on September 11, 2017 and the speaker was CMA Suraj Lahoti, Treasurer of the chapter. CMA Suraj Lahoti gave the details of the Institute as well as information about new syllabus to the students and also explained not only about the CMA Course but also the information about the moral aspects in order to pursue the desired professional course. An Investors Awareness campaign had been organized on November 25, 2017 by Ministry of Corporate Affairs and the Institute implemented by the Indian Government to create awareness among general public about investment and stock market, mutual funds & all other capital market instruments.

## The Institute of Cost Accountants of India-Navi Mumbai Chapter

The Chapter conducted a CEP programme on 'GST Practical Aspects – Implementation & Amendments' on November 19, 2017 at K.B. Patil College, Vashi. The speaker for this event was CMA R.K. Rathi, General Manager, Indirect Tax, Reliance Industries. The speaker decoded the provisions of Input Tax Credit (ITC) under GST Law and provided a deep insight on the eligibility of ITC for various assessees. The Chapter observed a 'Vigilance Awareness Week (VAW)' in November 2017 at Karmaveer Bhaurao Patil College, Vashi, as part of the directions issued by the Central Vigilance Commission (CVC) on the theme 'My Vision-Corruption Free India'. The programme commenced with the chairman emphasising on the importance of anti-corruption in day to day activities in society.

## The Institute of Cost Accountants of India-Bilaspur Chapter

The Chapter organized a GST programme and CMA Niranjan Mishra, Council Member was the chief guest and CMA Mrityunjay Acharjee was the key note speaker of the programme.

## Brief of the workshop on
## *“Paradigm Shift in Valuation- Opportunities for Professionals”*
## India Habitat Centre, New Delhi, 23rd November, 2017


The Institute of Cost Accountants of India organized a workshop on “Paradigm Shift in Valuation- Opportunities for Professionals on 23rd November, 2017. Shri P. P. Chaudhary, Hon’ble Minister of State for Law & Justice and Corporate Affairs, Government of India was the Chief Guest at the workshop.

At the outset, the minister praised the workshop by saying it as first-of-its-kind workshop on this topic. He, then, touched upon the success of the Prime Minister’s vision of Ease of Doing Business, how it has been achieved, and briefed about the direction of the Government’s recent initiatives. For many years, a large segment of the population falling under Food Security Act to the tune of 85% had not been attended and the problem has now been redressed by linking those peoples’ bank accounts. Linking bank accounts with AADHAR saved a huge amount of money resulted in big transformation and transparency in the economy. On social security front, houses to people and gas connections have been worked at. The government protected the interest of Minority Shareholders and India stood at Ranking 4. Other rankings are also going to improve. With the introduction/ amendment of Arbitration Act, Insolvency and Bankruptcy Code, 2016 and enforcement of securities, more investment and business is coming in the country. Government is also working on Artificial Intelligence to find out inappropriate activities in the company, thereby complete ecosystem is generated. The three biggest reforms, viz. Demonetisation, GST and AADHAR has curtailed Inspector-raj and paved the way for transparent economy. He also gave the statistics on the closure of shell companies, withdrawal and deposits of huge cash after demonetization, multiple companies having one base address etc. and told that the Government is committed to fight corruption.

He talked of enhancing the scope for Cost and Management Accountants by increasing the scope of Cost Audit. After GST implementation, plethora of opportunities for professionals and in academics has come up. The minister urged that the three professional bodies should impart training in GST to all the stakeholders. The minister said that with the globalization, it is imperative to seek authentic valuation and valuation experts have a big role to play. Moreover, Merger & Acquisition activities are also growing. Further, he concluded the speech by briefing about the valuation mandates that have been notified under the Companies Act, 2013 in the recent time.

The workshop was divided in three sessions, viz. Inaugural Session, Technical Session I and Technical Session II.

## *Inaugural Session*

CMA Amit Anand Apte, Chairman Professional Development & CPD Committee of the Institute welcomed the participants and briefed them about the theme of workshop. In the Key Note address Shri Sumant Batra, Managing Partner & Head Insolvency Practice, Kesar Dass B & Associates said that there are vast opportunities available for the Insolvency and Bankruptcy professionals under Insolvency and Bankruptcy Code, 2016 which became operational in December last year and provides for a market-determined and time-bound insolvency resolution process. There are concerns in certain quarters about various aspects of the law, including the possibility of promoters not transferring control of a company under the insolvency process.

CMA Sanjay Gupta, President narrated briefly his meeting with the minister soon after the latter took over additional charge as MoS for corporate affairs. He praised and thanked the minister for being concerned that the much awaited change in the name of the Institute to the Institute of Cost and Management Accountant has not yet been effected. He explained that the Institute worked arduously on a project accorded by MCA relating to the Ease of doing Business in India and is happy that the ranking has improved significantly and it is only a matter of time and that the ranking can be expected to touch "50". He also mentioned that the Institute worked very closely with the IBBI Board, when the code had just come into being. He mentioned that the institute is on the panel of RBI and has role to play in Banking Sector also. Talking of opportunities to professionals, he mentioned that the scope has been enhanced under different statues and now professionals are required to update their knowledge and skill.

Guest of Honor Dr. Ms. Mukulita Vijayawargiya, Whole Time Member, Insolvency and Bankruptcy Board of India began with drawing the attention to rapidly changing legal framework in the country. She said that in older times also the amendments to law did happen, but were infrequent. Nowadays, envisaging the problem, the law is amended before the problem arises and cited an example of proposed ordinance to the IBBI Code. She also said that we all value things in day-to day routine. What was required was to have values based norms for valuation. It is a welcome move by the MCA to have notified the Valuation Rules under the Companies Act, 2013 and the qualifications of the professional having been prescribed. Professional lay down the benchmarks for the society at large and are expected to carry out the work in a professional manner while adhering to the set code of conduct. In the end, she verily concluded that the professionals' role have become more prominent after the said notification.

CMA Sunil Singh, Chairman, Northern India Regional Council of the Institute summarized the main highlight of the inaugural session and gave away the formal vote of thanks.

## *Technical Session II:*

CMA Balwinder Singh, Chairman, Public Finance and Government Accounting Committee of the Institute welcomed the participants at the Technical Session I.

CMA P Raju Iyer, Chairman, Cost Accounting Standards Board of the Institute was the Chairman and Moderator for the Technical Session.

Shri Rajeev Shah, Managing Director & CEO, RBSA Advisors talked about the history of the profession valuation, type of players in the market and opportunities available for the cost accountants. He said that there are only few Indian firms in India doing the valuation work and that the major chunk of valuation work is done by the big foreign firms. He also raised the question whether Indian valuation professionals are equipped or ready to capture the market, available not only nationally but internationally as well. He laid emphasis on the need of consolidation of Indian Firms and to train the valuation professionals to help them acquire the requisite acumen.

Shri Eish Taneja, Managing Partner, EDA Associates, said that in today's time, there is shift in the role of professionals from traditional Accountants to Management Accountants. Newer opportunities are available as Corporate Valuers, Insolvency Professionals, GST Practitioners, IFRS/Ind AS Consultants, Arbitration & Conciliation experts etc. He discussed the case study on the methods of valuation, principles used in the valuation, cautions to be taken into account while adopting a particular methodology of valuation.

Shri Abhishek Pandey, Managing Director, Duff & Phelps emphasized the need of information in the valuation. He said that different people having different level of information can arrive at different value even though the other factors remain the same.

CMA Kailash Gandhi,Chairman, Western India Regional Council of the Institute summarized the main points of the Technical Session and proposed the formal vote of thanks.

### *Technical Session II*

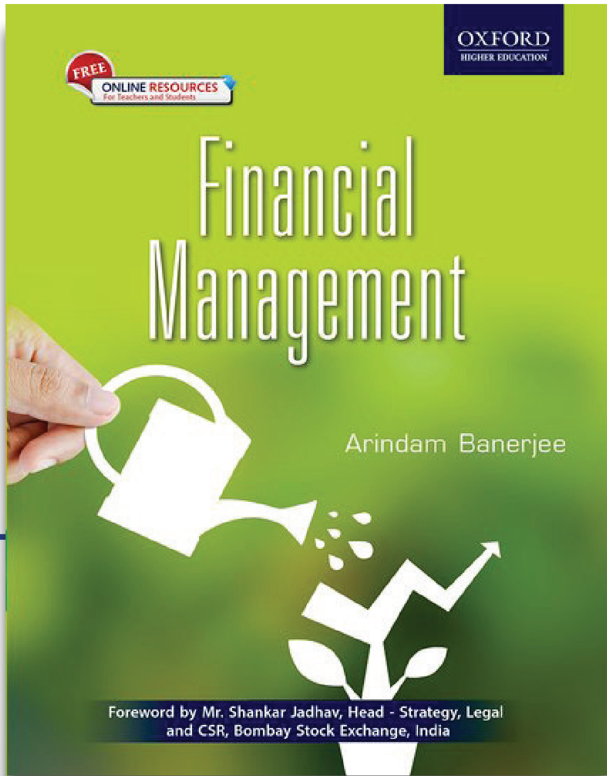
CMA Manas Kumar Thakur, Immediate Past President, The Institute of Cost Accountants of India , was the Chairman and Moderator of the Technical Session II: Anti Profiteering - Opportunities for Professionals.

Shri R. S. Khurana, IRS, Jt. Commissioner GST, CBEC explained the intent of the Government in introducing the anti-profiteering clause under GST. He explained that in spite of changing the GST rates, modifying the rates and bringing down the rates, there had been no corresponding decrease in the prices. The Government requires that the benefits arising out of GST be transferred to the end consumer and hence the term anti-profiteering. Profiteering depends on costing and therefore Government expects professionals like cost accountants to ensure that no undue profiteering takes place and the consumer are given their due share of benefit arising out of GST. He concluded by saying that the day is not far when the cost accountants are recognized by the tagline "Behind ever successful Government initiative, there is always a CMA."

CMA Dr. S.R. Bhargave, Practicing Cost Accountants, contributed and helped the institute in coming up with its publication "Guidance Note on Anti Profiteering". He talked about the unique provision on anti-profiteering included under GST Act requiring the supplier to pass on the benefits arising out of GST to consumers and thereby curbing undue profit. He discussed the Anti profiteering Rules and role of Cost Accountant as a connecting link between the Business houses and Tax Authorities.

CMA Ranjan Talwar, Partner, R.R. Associates, Tax Consultancy discussed the various aspect about the Anti Profiteering in GST. He emphasized that apart from the requirement of compliance, it is absolutely necessary that the cost accountants make the businessman understand the benefits including that of ITC arising out of GST. He said the it is important that the businessman is made aware that the taxes like excise duty which has subsumed inn GST, now will have related Input Tax Credit available, the benefit of which need be passed to the consumers.

CMA Pranab Chakrabarty,Chairman, Eastern India Regional Council of The Institute of Cost Accountants of India summarize the main points of the Technical Session and give vote of thanks.




Title of the Book: **Financial Management**

Author: **Arindam Banerjee**

Publisher: Oxford University Press

Year of Publication: 2016

No. of Pages: 656

ISBN-13:978-0-19-809517-0

ISBN-10:0-19-809517-1

## About the Author:

Arindam Banerjee is faculty, Department of Finance and Accounting at Birla Institute of Management Technology, Greater Noida. He is a fellow of The Institute of Cost Accountants of India and a Certified Financial Planner. He has also acted as course reviewer for The Institute of Cost Accountants of India. He has authored and presented many research papers, some of which are published in reputed journals. Besides, he is the editor of Global Journal of Management.

## About the Book:

Financial management is concerned with maximizing shareholder value through investment and financing decisions, efficient working capital management and judicious risk management. Every business decision has an impact over financial statements. Managers must have a clear understanding of how each of their decisions may impact the top- and bottom-line of the company. With the changing business environment, new challenges are faced by the managers along with emerging issues like liability management, corporate failure and behavioural aspects of corporate finance.

It is important to explain the core concepts of different issues of financial management in a lucid manner, comprehensible to not only to a beginner but also to established professionals. Further to connect the link between theory and practice in the real world is essential. At the same time using the technological tools especially spreadsheets in explaining and solving financial issues are pertinent. Keeping in mind, the author has tried to incorporate all this issues in a comprehensive manner.

This book is organised into eight parts comprising 27 chapters.

Part I deals the introductory aspects of financial management and consists of three chapters. Chapter 1 gives an overview of financial management. Chapter 2 discusses Indian financial markets and institutions. Chapter 3 presents financial statements such as balance sheet, profit and loss account and cash flow statement.

Part II discusses the nuances of financial analysis, planning and forecasting. Chapter 4 makes an elaborate discussion on financial analysis and chapter 5 deals with financial planning and forecasting.

Part III delves into valuation concepts. Chapter 6 discusses the concept of time value of money. Chapters

7 analyses the tools of measurement of risks and returns. Chapter 8 discusses the portfolio return, risks and theory. Chapter 9 deals systematic risk of an asset and cost of equity. Chapter 10 discusses the nuances of valuation of bonds and stocks. Valuation of option is discussed in Chapter 11.

Part IV consists of five chapters. Chapter 12 discusses concept and computation of cost of capital. The fundamental capital budgeting decisions are discussed in Chapter 13. The tools and techniques for risk evaluation are discussed in Chapter 14. Chapter 15 deals with the concepts of real option. Chapter 16 deals with liability management.

Part V comprising two chapters. Chapter 17 discusses capital structure decisions and the effect of leverage on return to shareholders. Chapter 18 discusses the important models related to dividend distribution theories.

Part VI consists of two chapters. Chapter 19 discusses the core concepts of working capital management. Chapter 20 delves into the concepts of leasing, hire purchase and project financing.

Part VII consists of chapter 21, which outlines the possible sources of long-term financing for a company.

Six special topics of interest in finance are incorporated in Part VIII. Chapter 22 discusses the models related to corporate restricting. Chapter 23 deals with corporate failures and liquidation. Concepts of major derivative contracts are discussed in Chapter 24. Chapter 25 outlines the needs and regulatory issues linked to corporate governance in India. Chapter 26 covers the behavioural aspects of corporate finance. Chapter 27 deals with different aspects of multinational financial management.

Besides, this book comprises four appendices which are very helpful for students and practitioners. Appendix 'A' illustrates on working of financial functions in Excel, Appendix 'B' on mathematical tables, Appendix 'C' on answers to chapters-end numerical questions and Appendix 'D' on some important equations.

This book contains numerous cases and examples on each topic which would be helpful to the students to understand the practical aspects of finance. Another important feature of this book is how MS Excel can be used for financial-decision making. In addition, PowerPoint slides, Video Presentation and Solutions Manual are also available for faculty and students.

The book is designed especially for the post graduate students of business management. However, it would be helpful for the students of M. Com., CMA, CA as well as for working professionals.

It is very difficult to any author to analyse in-depth of different issues relating to managing finance in a book. However, the author has tried to discuss most of the useful tools and techniques of those issues in a lucid manner.

**Reviewer:**

Dr. Ashish Kumar Sana

Professor, Department of Commerce

University of Calcutta

Email: *cu.ashis@gmail.com*

# AUTHOR/ARTICLE INDEX 2017 ( VOL.52 NOS. 1-12)

# AUTHOR/ARTICLE INDEX 2017 ( VOL.52 NOS. 1-12)

# AUTHOR/ARTICLE INDEX 2017 ( VOL.52 NOS. 1-12)

| Sl No | Article | Author | Page No | Issue No |
|---|---|---|---|---|
| 2 | 'EPC' project for Power Plants in India:Procedure, Accounting and Taxation Aspects | CMA Subhasish Paul | 73-82 | 1 |
| 3 | Enhancing Effectiveness of OFC and IFC FR by integration of Coso and CMMI | (i)j CMA Dr. Paritosh Basu<br>(ii) Lasya Priya Desiraju | 16-22 | 2 |
| 4 | Empirical study of Firm value & corporate governance for select small cap companies | (i) CMA Niranjan Pendse<br>(ii) Dr. Kaustabh Sontakke | 36-42 | 2 |
| 5 | Economy of the sugar industry | CMA S. V. Vhatte | 72-78 | 2 |
| 6 | Environmental Management Accounting reporting & analysis in pharmaceutical company | (i) Dr. N. Narsaiah<br>(ii) Prof. T. Satyanarayana Chary | 16-28 | 3 |
| 7 | Environmental Management Accounting & reporting | (i) Bal Govind Shukla<br>(ii) Dr. Hariom Gupta | 29-35 | 3 |
| 8 | Environmental management accounting and environmental reporting in a resource constrained world: Challenges for CMAs | Dr. Debrupa Chakraborty | 36-42 | 3 |
| 9 | Empower Women for sustainable Development: Role of different Arenas and Agencies in Kerala | Sanoop M S | 29-32 | 6 |
| 10 | Ease of doing Business in India-A launch pad for "Make in India" | CMA Kalyani Karna | 23-30 | 7 |
| 11 | Entrepreneurship and Skill Development | CMA V. Sowmya | 57-60 | 7 |
| 12 | Efficacy of leniency programme in cartelisation cases | Dr. P. K. Pandey | 34-38 | 8 |
| 13 | Electronic Payments Processing Ecosystem | CMA Arnab Chatterjee | 52-55 | 8 |
| 14 | Expected Growth in Productivity in India due to Promulgation of Insolvency and Bankruptcy Code 2016 | CMA Balaknath Bhattacharyya | 42-47 | 10 |
| 15 | Employee Engagement Analytics: Enhancing the firm value | (i) CMA Dr. Niranjan Mahendranath Shastri<br>(ii) Mr. Niranjan Rajpurohit | 31-35 | 11 |
| 16 | Economic Development & Indian Public Sector Enterprises | Dr. Gagan Singh | 53-63 | 11 |
| 17 | Ease of Enforcing Contracts in India | Dr. P. K. Pandey | 50-56 | 12 |
| | F | | | |
| 1 | Financial Accounting Practices in MSMEs | (i) Prof. Nikhil Bhusan Dey<br>(ii) Dr. Brajesh Kumar<br>(iii) Md. Safiqul Hassan | 94-99 | 1 |
| 2 | FI index and Global Financial Inclusion | Anurag Banerjee | 87-92 | 8 |
| | G | | | |
| 1 | Governing Boards and their Impact on Performance of Bank of Baroda | (i) D. Ragupathi<br>(ii) Dr. K Aparna | 39-47 | 1 |
| 2 | GST: Implementation and transitional issues | CMA A. B. Nawal | 79-84 | 2 |
| 3 | GST Audit: Desirable by all stakeholders "Are you ready for GST Audit" | (i) CMA Subhash C Agrawal<br>(ii) CMA Nagendra Saini | 78-98 | 4 |
| 4 | GST | CMA A. B. Nawal | 102-103 | 5 |
| 5 | GST challenges ahead | CMA Narhar K Nimkar | 60-63 | 6 |

# AUTHOR/ARTICLE INDEX 2017 ( VOL.52 NOS. 1-12)

# AUTHOR/ARTICLE INDEX 2017 ( VOL.52 NOS. 1-12)

# AUTHOR/ARTICLE INDEX 2017 ( VOL.52 NOS. 1-12)

# AUTHOR/ARTICLE INDEX 2017 ( VOL.52 NOS. 1-12)

# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

**(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)**

## INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME –DECEMBER 2017

| | PROGRAMME FOR SYLLABUS 2012 | | PROGRAMME FOR SYLLABUS 2016 | |
|---|---|---|---|---|
| Day &Date | Intermediate<br>Time: 2.00 P.M. to 5.00 P.M. | Final<br>Time: 2.00 P.M. to 5.00 P.M. | Intermediate<br>Time: 2.00 P.M. to 5.00 P.M. | Final<br>Time: 2.00 P.M. to 5.00 P.M. |
| Sunday,<br>10th December, 2017 | Financial Accounting | Corporate Laws andCompliance | Financial Accounting | Corporate Laws & Compliance |
| Monday,<br>11th December, 2017 | Laws, Ethics andGovernance | Advanced FinancialManagement | Laws & Ethics | Strategic Financial Management |
| Tuesday,<br>12th December, 2017 | Direct Taxation | Business Strategy &<br>Strategic Cost Management | Direct Taxation | Strategic Cost Management – Decision Making |
| Wednesday,<br>13th December, 2017 | Cost Accounting &Financial Management | Tax Management& Practice | Cost Accounting | Direct Tax Laws and International Taxation |
| Thursday,<br>14th December, 2017 | Operation Management<br>and Information Systems | StrategicPerformance Management | Operations Management & Strategic Management | Corporate Financial Reporting |
| Friday,<br>15th December, 2017 | Cost & Management Accountancy | Corporate FinancialReporting | Cost & Management Accounting and Financial Management | Indirect Tax Laws & Practice |
| Saturday,<br>16th December, 2017 | Indirect Taxation | Cost &Management Audit | Indirect Taxation | Cost & Management Audit |
| Sunday,<br>17th December, 2017 | Company Accounts andAudit | Financial Analysis &Business Valuation | Company Accounts & Audit | Strategic Performance Management and Business Valuation |

**EXAMINATION FEES**

| Group (s) | | FinalExamination | IntermediateExamination |
|---|---|---|---|
| One Group | (Inland Centres)<br>(Overseas Centres) | ₹1400/-<br>US $ 100 | ₹1200/-<br>US $ 90 |
| Two Groups | (Inland Centres)<br>(Overseas Centres) | ₹2800/-<br>US $ 100 | ₹2400/-<br>US $ 90 |

1. **Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.**
   **(b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.**
4. **Last date for receipt of Examination Application Forms is 10th October, 2017.**
5. **The provisions of direct tax laws and indirect tax laws, as amended by the Finance Act, 2016, including notifications and circulars issued up to 31st May, 2017, are applicable for December, 2017 term of examination for the Subjects Direct Taxation, Indirect Taxation(Intermediate) and Tax Management & Practice(Final) under Syllabus 2012 and Direct Taxation, Indirect Taxation (Intermediate) , Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016. The relevant assessment year is 2017-18. GST of 20 marks included in Paper 18- Indirect Tax laws & Practice (Final), under syllabus 2016 only.**
6. **The Companies (Cost Records & Audit) Rules 2014 as amended till 14 July 2016 are applicable for Paper 10 - Cost & Management Accountancy (Intermediate) and Paper 19 - Cost and Management Audit (Final) under syllabus 2012 and Paper 12- Company Accounts & Audit(Intermediate), Paper 19 – Cost & Management Audit(Final ) under Syllabus 2016 for December 2017 term of examination.**
7. **The provisions of the Companies Act 2013 are applicable for Paper 6 - Law, Ethics and Governance (Intermediate) and Paper 13 - Corporate Laws and Compliance (Final) under syllabus 2012 and Paper 6- Laws and Ethics (Inter) and Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government up to 31st May 2017 for December 2017 term of examination.**
8. **Pension Fund Regulatory and Development Authority Act,2013 is being included in Paper 6- Laws and Ethics(Intermediate) and Insolvency and Bankruptcy Code 2016 is being included in Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 for December 2017 term of examination.**
   **For details view link -http://icmai.in/upload/Students/Circulars/Clarification-Dec2017.pdf**
9. **Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad,Guntur, Guwahati, Haridwar,Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.**
10. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
11. **Probable date of publication of result: Inter & Final – 21stFebruary, 2018.**

*** For any examination related query, please contact exam.helpdesk@icmai.in**

**Kaushik Banerjee**
**(Secretary)**

**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

**EXAMINATION TIME TABLE & PROGRAMME – DECEMBER – 2017**

**FOUNDATION COURSE EXAMINATION**

| Day & Date | Foundation Course Examination Syllabus-2012 Time 2.00 p.m. to 5.00 p.m. | Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m. |
|---|---|---|
| Sunday, 10th December, 2017 | Fundamentals of Economics & Management | Fundamentals of Economics & Management |
| Monday, 11th December, 2017 | Fundamentals of Accounting | Fundamentals of Accounting |
| Tuesday, 12th December, 2017 | Fundamentals of Laws & Ethics | Fundamentals of Laws & Ethics |
| Wednesday, 13th December, 2017 | Fundamentals of Business Mathematics & Statistics | Fundamentals of Business Mathematics & Statistics |

**Examination Fees**

| | | |
|---|---|---|
| **Foundation Course Examination** | **Inland Centres** | **₹ 1200/-** |
| | **Overseas Centres** | **US $ 60** |

1. **The Foundation Examinationwill be conducted in Offline, descriptive (Pen & Paper)modeonly.Each paper will be of 100 marks and for 3 hours duration.**

2. Application Forms for Foundation Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.

3. STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.

4. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit cardor Net banking

   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank

5. **Last date for receipt of Examination Application Forms is 10th October, 2017.**

6. Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad , Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad,Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

7. **A candidate who is completing all conditionsfor appearing the examination as per Regulation will only be allowed to appear for examination.**
8. **Probable date of publication of result: 21stFebruary,2018.**

*** For any examination related query, please contact exam.helpdesk@icmai.in**

**Kaushik Banerjee**
**(Secretary)**

# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

www.icmai-rnj.in

# e-library

## for members & students

E-library or Digital Library provides collaborative search of all type of e-resources/on-line resources such as e-journals, e-books, e-database available with collaboration, personalization and social features to experience higher research productivity and gain valuable insights. E-Library is a special library with a focused collection of digital objects that can include text, visual material, audio material, video material, stored as electronic media formats along with means for organizing, storing, and retrieving the files and media contained in the collection. These libraries can vary immensely in size and scope, and can be maintained by individuals organizations, or affiliated with established physical library buildings or institutions, or with academic institutions. It's an electronic or online library where one can have access to books, journals, novels, articles, or any other information over net. Well-designed digital library software has the potential to enable non-specialist people to conceive, assemble, build, and disseminate new information collections. This has great social impact because it democratizes the dissemination of information. In particular, it will revolutionize the way in which education is conducted and educational materials are prepared.

CAPITALINE DATABASES

J-Gate

### CORPORATE DATABASE

Capitaline database provides fundamental and market data on more than 35,000 Indian listed and unlisted companies, classified under more than 300 industries, along with powerful analytic tools. Extensive data and analysis on every company profile, directors, 6-year financials (P&L, balance sheet, cash flow, segment data, ratios, etc), quarterly results, share price data, directors' report, Company Background, Company Snapshot, Peer Comparison, etc.

The specialized expertise in data collection, standardization and presentation built up since 1985 has earned Capitaline Plus the highest level of respect and confidence in the financial information Industry.

### JOURNAL DATABASE (Only for Members)

J-Gate is the most comprehensive database and access gateway for the discovery of global e-journal literature. Today, it qualifies to be the world's largest database of journal articles – indexing metadata of over 51 million journal articles from 47,000+ journals and 13,100+ publishers in multi disciplinary domains, updated daily.

J-Gate acts as an electronic gateway to global e-journal literature with a customization functionality to search your own subscribed journals through one single search box. The J-Gate platform is fronted by a simple, intuitive and easy-to-use interface and also gives users complete control over search filters.

Members of the Institute are requested to kindly reach us at elibrary@icmai.in with their full Name, Membership Number and Date of Birth to get J-Gate user ID and password.

Behind every successful business decision, there is always a CMA

Registered RNI 12032/66, Postal Regd. No. KOL RMS/139/2016-18
Publication Date: 10th December 2017