Monthly Journal Regd. APENG/2012/49672
Volume No. 11 | Issue No. 5
Posting under Registration No. HD/1181/2022-24

Date of Publication
01-08-2023

Date of Posting
02-08-2023

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HYDERABAD CIRCUIT

AUGUST - 2023

A News Magazine from the Hyderabad Chapter of

The Institute of Cost Accountants of India

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Congratulations to newly elected Central and Regional Council Members

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

The Chairman writes to you

Dear Professional Colleagues and students,

I congratulate CMA Ashwin Dalwadi – President, CMA B.B. Nayak – Vice President, CMA Divya – Chairperson of SIRC and all the other elected members of the Institute's 21st Council and four Regional Councils and wish them luck as they work to advance the profession. I have no doubt that the Institute and the CMA profession will continue to flourish and reach new heights of accomplishment in the years to come because I have complete faith in the competent hands that are taking over.

I'm pleased to learn that around 300 students from four regions were chosen for the Campus Placements Drive during December 2022.

The Hyderabad chapter members have elected three members from Hyderabad for SIRC and one member for Central Council. They gave majority votes to one more member to central council even though he failed in last minute. We can't see such big representation from any other chapter to SIRC and Central Council.

We have attended Two-day Global Summit 2023 on the theme "Unlocking Sustainability: G20 Presidency Paves the Way for an ESG-driven New World Order" held on 14 - 15 July 2023 at Manekshaw Centre, Delhi.

Please note that the last date for admission/registration/enrolment to Foundation, Intermediate and Final course stand extended till 10th August, 2023 for December - 2023 term of examination. We have received around 1500 applications for admissions till now for oral coaching at Hyderabad

My best wishes to all of you on the occasions of Raksha Bandhan, Sri Krishna Astami and also we are remembering the sacrifices of our national heroes on occasion of Quit India Movement Day and India Independence Day. Remembering the sacrifices of Shri Aurobindo , he has been one of the most well-known freedom fighters. Krantiveera Sangoli Rayanna, not so well known outside of Karnataka, too was born on the same date i.e 15 August.

I am concluding my message with some positive news about our country. ISRO created history with the launch of Chandrayaan-3, its third lunar exploration mission on 14th July, 2023 from Sri Harikota, AP. The Global Firepower Report 2023 has ranked India as the 4th most powerful army in the world. Union Minister of Tourism, Culture G Kishan Reddy was conferred with the 'Global Incredible Inc Leadership Award' by the US India SME Council - an organization that promotes trade, commerce, and people-to-people exchange programs between the United States and India. Sri Kishan Reddy creates record after Sri P. V. Narasimha Rao and Mr. Syed Akbaruddin at United Nations in US from Telangana State. Profit of public sector banks increased to Rs. 1.04 lakh crore in 2022-2023, tripling from what it was in 2014. Owing to the retailisation of loans and a constant rise in deposits, Indian banks are expected to have a record year in 2023-24 (FY24) in terms of profitability, SBI Capital Markets said in its "Report on the Banking Sector".

With warm regards,
CMA K. Someswara Babu
Chairman

The Institute of
Cost Accountants of India
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ACTIVITIES SCORE BOARD

Month (2023-24)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Year-to-date
No. of Programs	0	0	0	0	-	-	-	-	-	-	-	-	0
CEP Hours	0	0	0	0	-	-	-	-	-	-	-	-	0

Finance Clips

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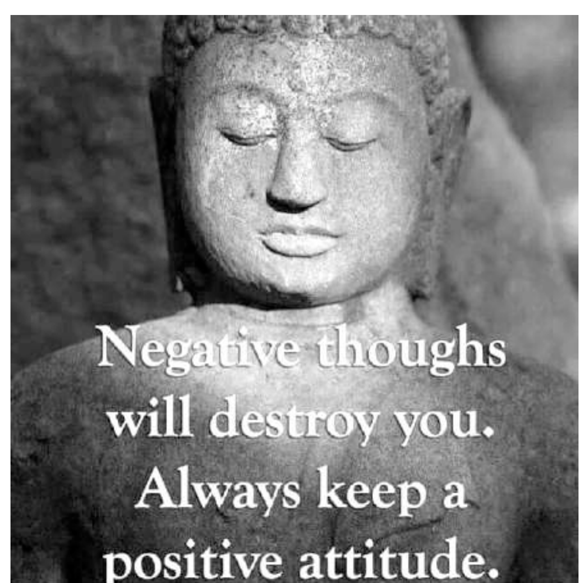
- **Annual Secretarial Compliance:** SEBI has issued two circulars outlining the format for the Annual Secretarial Compliance Report for InvITs and REITs. According to SEBI regulations, the investment manager of an InvIT and manager of a REIT are required to submit a secretarial compliance report, prepared by a practicing company secretary, to the stock exchanges within sixty days from the end of each financial year. The report should assess compliance with SEBI regulations, circulars, and guidelines. The circular provides guidelines for the appointment of a company secretary, the format of the annual secretarial compliance report, and the submission timeline. The new format of the Secretarial Compliance Report is provided in Annexure 1 of the oF the respective circular, which can be accessed by visiting InvIT and REIT and for details refer to www.sebi.gov.in

- **Professionals to have single ID on MCA portal:** The government has started the process for deactivating multiple login IDs that are in the name of a single company secretary, chartered accountant or cost accountant on the MCA21 portal, which is the platform for submitting statutory filings under the companies and LLP laws. In this regard, the corporate affairs ministry has issued a circular and professionals, who are having multiple IDs, need to get approval from their respective apex institutes for deactivating the IDs so that there is only one ID for one user, according to officials vide ET dated 19-7-2023

- **Peer Review Mandate:** Considering that some Practice Units which require to get themselves Peer Reviewed under the 2nd phase of the Peer Review mandate were not ready for the same, the ICAI's Council at its 420th Meeting held on 23rd - 24th March, 2023 decided to defer the applicability of the second phase of the mandate by three months to be made effective from July 1, 2023 and for details refer to www.icai.org

- **Nine-day fortnight work:** The senior audit manager works for Findex Group's auditing arm, Crowe Australasia, which on Wednesday announced it had moved to a nine-day fortnight after a six-month trial covering 340 employees showed improvements in employee health and engagement. Under the new model, staff work extended hours over nine days in return for getting every second Friday off work. Other companies that have introduced a nine-day fortnight or four-day week include The Walk, Inventium, Tractor Ventures, Indebted, Good Empire, Commission Factory and Versa vide the Financial Review dated 19-7-2023.

- **Cut-off date for Banks Branch Audit:** ICAI announced that traditionally, the cut-off date for the constitution of the firm and its members for the Bank Branch Auditors Panel has been 1st January of every year. However, the PDC has decided to shift this date to 1st July, starting from the year 2023-24. This change aims to leverage the readily available database of firms and members in the Self Service Portal (SSP) of the ICAI on a real-time basis and for details refer to www.icai.org



CMA Update

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GENERAL

- **Mahila Samman Scheme Banks authorized:** The Central Government has granted authorization to public sector banks and selected private banks to operate the Mahila Samman Savings Certificate Scheme 2023. The scheme aims to empower women through savings and financial inclusion and for details refer to www.rbi.gov.in

LABOUR

- **EPF interest rate for FY2022-23:** Retirement fund body EPFO on March 28, 2023, had marginally raised the interest rate on employees' provident fund (EPF) deposits to 8.15 per cent for 2022-23 for its over six crore subscribers vide PTI dated 24-7-2023.
- **Higher pension calculator launched:** A calculator has been launched by EPFO to calculate higher pension. With the help of this, employees applying for higher pension can easily calculate how much additional contribution they have to make for higher pension and for details refer to www.epfo.gov.in

INDIRECT TAXES

- **Export obligations:** The Directorate General of Foreign Trade has issued an amendment to the amnesty scheme for onetime settlement of default in export obligation by advance and EPCG Authorization holders. In accordance with the amendment, authorization holders availing the benefits of the scheme must complete the registration process by December 31, 2023, and make the payment of Customs duty plus interest to the Jurisdictional Customs Authorities by March 31, 2024 and for details refer to www.dgft.gov.in
- **No ITC claim allowed:** The Punjab authority for advance ruling (AAR) has denied input tax credit (ITC) under the goods and services tax (GST) system to a company for purchases made by a seller which has discharged its tax liability but the preceding seller has not vide the Business Standard dated 5-7-2023.
- **Differences in GSTR-1 & 3B:** GSTN has developed a functionality to enable the taxpayer to explain the difference in GSTR-1 & 3B return online as directed by the GST Council. This feature is now live on the GST portal. The functionality compares the liability declared in GSTR-1/IFF with the liability paid in GSTR-3B/3BQ for each return period. If the declared liability exceeds the paid liability by a predefined limit or the percentage difference exceeds the configurable threshold, taxpayer will receive an intimation in the form of DRC-01B. Upon receiving an intimation, the taxpayer must file a response using Form DRC-01B Part B. The taxpayer has the option to either provide details of the payment made to settle the difference using Form DRC-03, or provide an explanation for the difference, or even choose a combination of both options. If a taxpayer doesn't file response to Form GST DRC-01B for previous tax period, then for the subsequent tax period, they will not be able to file their Form GSTR-1/IFF and for details refer to www.cbic.gov.in
- **GEO Coding:** GSTN is pleased to inform that the functionality for geocoding the principal place of business address is now live for all States and Union territories. This feature, which converts an address or description of a location into geographic coordinates, has been introduced to ensure the accuracy of address details in GSTN records and streamline the address location and verification process.

INCOME TAX

- **Deemed ALP:** The Central Government has issued a notification regarding the determination of the arm's length price for international transactions and specified domestic transactions under the Income-tax Act, 1961. According to the notification, if the variation between the arm's length price and the actual transaction price does not exceed one percent for wholesale trading and three percent for other cases, the actual transaction price will be deemed as the arm's length price for the assessment year 2023-2024. The notification also provides a definition of "wholesale trading" as involving trading in goods where the purchase cost of finished goods constitutes at least 80% of the total cost and the average monthly closing inventory is 10% or less of the sales and for details refer to www.cbdt.gov.in
- **LRS Scheme:** The finance ministry clarified the threshold of Rs 7 lakh for the liberalized remittance scheme is the combined level for calculating tax

collected at source (TCS), irrespective of the purpose of remittance such as medical treatment and education. It said overseas medical expenses will include spending on ticket, medical costs and day-to-day expenses. Remittance for education will include the travel cost, tuition fee & other day-to-day expenses for studies and for details refer to TOI dated 1-7-2023.

- **Co-owning tax benefits:** The Income-tax Appellate Tribunal (ITAT), Mumbai bench, has held that co-ownership in more than one residential house will not debar the taxpayer from claiming tax exemption on long-term capital gains. This decision, given in the context of Section 54F of the Income-tax (I-T) Act, will benefit several taxpayers, as typically in large families' investments are made in joint names vide decision given in the case of Zainul Ghaswala, adjudicated by the ITAT vide TOI dated 11-6-2023.
- **IT Refunds:** An income tax assessee will get 21 days to respond to notices issued by the Central Processing Centre (CPC) regarding setoff and withholding of refund vide the Hindu Business Line dated 10-6-2023.
- **Form 10IEA:** The Central Board of Direct Taxes (CBDT) has announced procedural changes for business owners and professionals, thereby allowing them to continue with the old tax regime from FY 2023-24 vide Outlook India dated 22-6-2023.
- **IT Returns by NRIs:** The Income Tax Department clarified that non-resident Indians can still file income tax return even if their PAN becomes inoperative vide the Business Standard dated 19-7-2023.
- **NRIs PAN:** The NRIs whose PANs are inoperative are requested to intimate their residential status to their respective JAO along with supporting documents with a request to update their residential status in the PAN database vide PTI dated 18-7-2023.
- **IT Department to adjust tax paid by wife against the demand on husband:** The Income-tax Appellate Tribunal's (ITAT) Mumbai bench recently dealt with a case where the long-term capital gains earned by a non-resident Indian on sale of property were mistakenly disclosed in the tax return of his wife, also a non-resident. In turn, she had duly paid taxes against such capital gains. The ITAT bench noted it is a peculiar case where income has been declared and tax paid, but by the wrong person. It said the same income cannot be taxed twice.
- **Capital gain: Introduction:** The Income Tax Appellate Tribunal (ITAT) Mumbai has recently ruled in the case of Mihir K. Jhaveri Vs CIT that the investment in a Unit-Linked Insurance Plan (ULIP) policy must be treated as a 'Capital Asset' under Section 2(14) of the Income Tax Act. Moreover, the accretion on the surrender of the policy is to be taxed under 'Income from Capital Gains', not 'Income from Other Sources.
- **New Rules for Donations:** The new rules for donations related to religious institutions will come into effect from 1ST October 2023. Under the new rules, now charitable organizations will also have to give information about all such people who give them Rs 2 lakh & above. The religious institution will also have to give information like name, address, PAN number etc. of the donor. In this information, it will be necessary to give information about the name, address and PAN number of the person donating and for details refer to www.cbdt.gov.in
- **Carbon credits capital receipts:** ITAT Mumbai held that proceeds received by assessee-company carrying on business of power generation on sale of certified emission reduction credit (carbon credit) is a capital receipt and not business income vide decision given in the case of Godavari Sugar Mills Pvt Ltd Vs ACIT (ITAT Mumbai) Appeal Number: ITA No. 5748/Mum/2011
- **Generative AI to Tax Professionals:** Inside KPMG, its tax professionals are leaning on generative artificial intelligence to help corporate tax departments prepare for new requirements to disclose their tax obligations by country. Its clients have been given access to that "virtual assistant" for help gathering tax data and guiding them through the analysis and drafting of reports on what taxes were owed around the globe vide Bloomberg Tax dated 21-7-2023.

RBI

- **Centralized Information Management System launched:** The Reserve Bank of India celebrated the 17th Annual Statistics Day Conference to commemorate the contributions of Professor Prasanta Chandra Mahalanobis to the Indian statistical system. During the event, Governor Shaktikanta Das unveiled the Centralised Information Management System (CIMS), a state-of-the-art data warehouse. The Governor emphasized the significance of robust and timely data for policymaking and reaffirmed the Reserve

Bank's commitment to treating data as a public good.

- **Compromise settlement with Loan defaulters:** Under the new RBI norms, lenders must have board-approved policies that outline the process for compromise settlements and technical write-offs. The policy should include specific conditions such as the minimum ageing of the debt and collateral value deterioration. The policies must also establish a framework to assess staff accountability in such cases, with defined thresholds and timelines determined by the board vide 12-6-2023 of TOI.

FEMA/DGFT

- **Advance authorization Scheme:** The government simplified norms for exporters to avail benefits of an advance authorization scheme under which free imports of input materials are allowed. To make the norms fixation process more efficient, the DGFT said that it has created a user-friendly and searchable database of ad-hoc norms fixed in the previous years. These norms can be used by any exporter without approaching the norms committee, it added vide Outlook India dated 17-7-2023.
- **SEZ units:** The Government of India, through Instruction No. 113 dated 14-7-2023 issued by the Ministry of Commerce & Industry, has taken steps to reduce the compliance burden on SEZ units regarding the submission of SOFTEX forms. The instruction emphasizes the use of digital submissions and eliminates the requirement for physical copies of SOFTEX forms and invoices.

SEBI

- **Online payment facility:** SEBI has launched an online payment facility for remitting fees payable to SEBI. A dedicated link has been provided on the SEBI website's homepage, allowing securities market participants to make fee payments conveniently. The available modes of payment include net banking, NEFT/RTGS, debit cards/Rupay debit cards, and UPI and for details refer to www.sebi.gov.in
- **Disclosure - Debt Securities:** Markets regulator SEBI has notified rules for introducing the concept of general information and key information document to avoid multiple filings of documents by issuers of debt securities. A General Information Document (GID) will contain the information and disclosures specified in the common schedule and will be filed with the stock exchanges at the time of the first issuance and will have validity period of one year. Thereafter, for subsequent private placements of non-convertible securities or commercial papers within the validity period, only a Key Information Document (KID) will be required to be filed with the stock exchanges, containing material changes vide The Hindu dated 7-7-2023.
- **Standard Format for Trading:** Existing clients must be offered access to all active exchanges for the segments they have already opted for. Clients will have the option to opt-out of such access. The rules will come into effect from 1 August 2023, while exchanges must monitor this circular's implementation through a half-yearly internal audit and inspection of the stock brokers. Capital markets regulator Sebi on Wednesday prescribed a standard format for seeking the trading preference of clients for the same product in different exchanges. Currently, clients need to give separate authorization/letters in case they want to trade on different stock exchanges for a particular segment vide ET dated 21-6-2023.
- **Family pacts to be disclosed:** In a decision aimed at boosting corporate governance by seeking stricter disclosures from promoter-led companies, Sebi has made it mandatory for listed entities to disclose all family agreements, which could potentially impact the management or control of these firms the TOI dated 14-7-2023.
- **Trading freezing:** The Securities and Exchange Board of India (Sebi) has extended the practice of freezing trading accounts of top company executives during “trading window closures” to all listed companies in a phased manner. The trading window closure is a restriction period typically applicable from the end of every quarter until 48 hours after the declaration of financial results. During this period, key executives are not allowed to deal in shares of their companies to prevent the potential misuse of sensitive information. The permanent account numbers (PANs) of key executives, identified as 'designated persons' (those who can have access to unpublished price-sensitive information), are also frozen during this period vide Business Standard dated 19-7-2023.
- **New Scheme of MFs:** SEBI has introduced a new category of Mutual Fund schemes dedicated to Environmental, Social, and Governance (ESG)

investing. Under the new framework, Mutual Funds are permitted to launch multiple ESG schemes with different strategies, addressing the industry's need for green financing and for details refer to www.sebi.gov.in

- **Unique Identity Code for FPIs:** All existing FPIs that have not already provided their LEIs to the DDPs (designated depository participant) shall be provided a time period of 6 months from the date of issuance of mandate by Sebi for providing their LEI to the DDPs, failing which their account shall be blocked for further purchases until LEI is provided to the DDPs," Sebi said in the board note. The LEI is a 20-character unique identity code that is assigned to entities who are parties to a financial transaction vide ET dated 22-7-2023.

INSURANCE

- **Risk based supervision framework:** The Insurance Regulatory and Development Authority of India (IRDAI) has partnered with M/s Toronto Centre (TC), a not-for-profit organization dedicated to promoting strong supervision, to develop and implement a Risk Based Supervision (RBS) framework for the insurance sector in India. The RBS framework aims to establish a principle based regulatory regime, enhance ease of doing business, and facilitate proactive risk identification and management. By adopting global best practices, the framework emphasizes proportionality, materiality, and a holistic analysis of regulated entities' activities from a risk perspective and for details refer to www.irdai.gov.in
- **Investment in the Sovereign Green Bonds:** Pension Fund Regulatory and Development Authority (PFRDA) Chairman Deepak Mohanty on Tuesday said the regulator will allow pension funds to invest in sovereign green bonds.

COMPANIES ACT

- **Women Director position not filled:** Not Being Able to Find the Right Candidate for the Position of a Woman Director Does Not Save the Company from Penalties In the case of Ghodawat Consumer Limited, the plea that despite making all-round efforts in identifying a suitable candidate for the position of a woman director, the company was unable to find a person due to a variety of reasons, could not sustain before the AO, who imposed a penalty of 3 lakh on the company and 1 lakh each on the MD, CS, and CFO and for details refer to www.mca.gov.in
- **Green credit programme:** The Government of India has introduced the 'Green Credit Programme' as part of the LiFE (Lifestyle for Environment) movement to combat climate change and promote sustainable living. The program aims to create a market-based mechanism that incentivizes individuals, communities, and entities to adopt environmentally friendly practices. Green Credits will be generated from various sectors and entities, such as tree plantation, water conservation, sustainable agriculture, waste management, air pollution reduction, mangrove conservation, and more. These credits will be tradable incentives, initially available for selected activities on a domestic market platform.
- **CSR Funds unspent:** In the matter of Takraf India Private Limited, the ROC imposed a penalty of Rupees 29 lakh on the company and 1,45,000 on each of the four directors and a company secretary for non-compliance with the provisions of Section 135(6) of the Companies Act 2013. The company had Rupees 14,50,000 as unspent CSR, which it was required to transfer to the Unspent Corporate Social Responsibility Account within a period of 30 days from the end of the Financial Year. However, it failed to do so attracting a penalty under Section 135(7), which states that a penalty of twice the sum of the amount unpent or 1 crore, whichever is less, shall be the penalty for the contravention of the CSR provisions.
- **Getting second DIN:** As per Section 155 of the Companies Act 2013, "no individual, who haS already been allotted a Director Identification Number under section 154, shall apply for, obtain or possess another Director Identification Number. a penalty under Section 159. In the instant case, a person applied for a second DIN, which was eventually processed and allotted on 04.01.2021. The person was already holding a valid DIN since 23.08.2010 at the time of making the application for the new DIN and continued holding both of them until he decided to surrender the first one in 2022. Accordingly, the ROC imposed a penalty of Rupees 5,03,500 based on the provisions of Section 159 of the Companies Act 2013.

PRACTITIONER'S DESK

Hey CMA – Be prepared for the Challenges – Series 21 of 27

CMA CA Dendukuri Zitendra Rao
Cost and Management Accountant in Practice

It is my observation in general that the Cost Auditor is normally comfortable to give away his report based on the audited financial data. In the course of my audit algorithm - I generally use to have a glance at the report of the Statutory auditor – particularly for his comments on Cost Records in terms of Companies (Auditors's Report),2020. With the increased disclosure requirements that would ensure ASSURANCE to the readers of financials – certain new aspects are finding place in the report of Statutory Auditor. In this write up I shall be attempting to bring certain new evolutions that also matter to our Cost Auditors.

- We all know that Sec.148(5) of the Companies Act 2013 advocates "The qualifications, disqualifications, rights, duties and obligations applicable to auditors under this Chapter shall, so far as may be applicable, apply to a cost auditor appointed under this section". Even Sec.143(14) of the Companies Act 2013 emphasizes that the Powers and Duties of an Auditor (relating to the Statutory Auditor) shall apply mutatis mutandis to the cost accountant in practice conducting cost audit under section 148. Keeping in mind the above statutory aspects let us now tun our attention to certain points that are been reported by statutory Auditors and co-relate to our task of reporting mainly under the segment "Observations and Suggestions".

- Most of the companies have computerised their accounting function. Rule 3(1) of Companies (Accounts) Rules 2014 talks about"Audit Trail" facility and reporting thereon in terms of Rule 11(g) of Companies (Audit and Auditors) Rules 2014 by the Statutory Auditors. Most of the Statutory Audit Reports do contain an exclusive disclosure in this regard in terms of Se.143(3) of the Companies Act 2013. Coming to Cost Audit–the provisions of Sec.2(13)(iv) confirmsthat the Books of Account defined include the "items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section". If the books of accounts are in maintained in any software - it is implied that even the information relevant to cost recordsare expected to have been maintained under the computerised environment. The question to be addressed by our profession "Are we also concerned with the so called Audit Trail". If we are concerned what sort of "Trail" can be conducted. The provisions of Rule 3(1) of the Companies (Accounts) Rules ,2014 talk about each transaction. Can we differentiate "Financial Transaction" and "Cost Transaction".

- The only "Trail" that I am exposed all long in my 35 year long career is tracing the inputs (Raw materials consumed with the relevant Goods Receipt Note) from the given output of Finished Goods.This may or may not be relevant to what the provisions of amended Companies (Accounts) Rules 2014 intend. Some of our professional colleagues are exposed to ERP environ and the Data that is extracted there from enables us to map the actual material cost and process costs to each of the product manufactured with a feature to absorb the variance as well. What sort of "EDIT LOG" is expected to be created from the Cost audit dimension? is another question to be addressed.

- Secondly – in one of the reports of Statutory Auditor - I noticed a disclosure under Companies (Auditors's Report),2020 on the aspect of

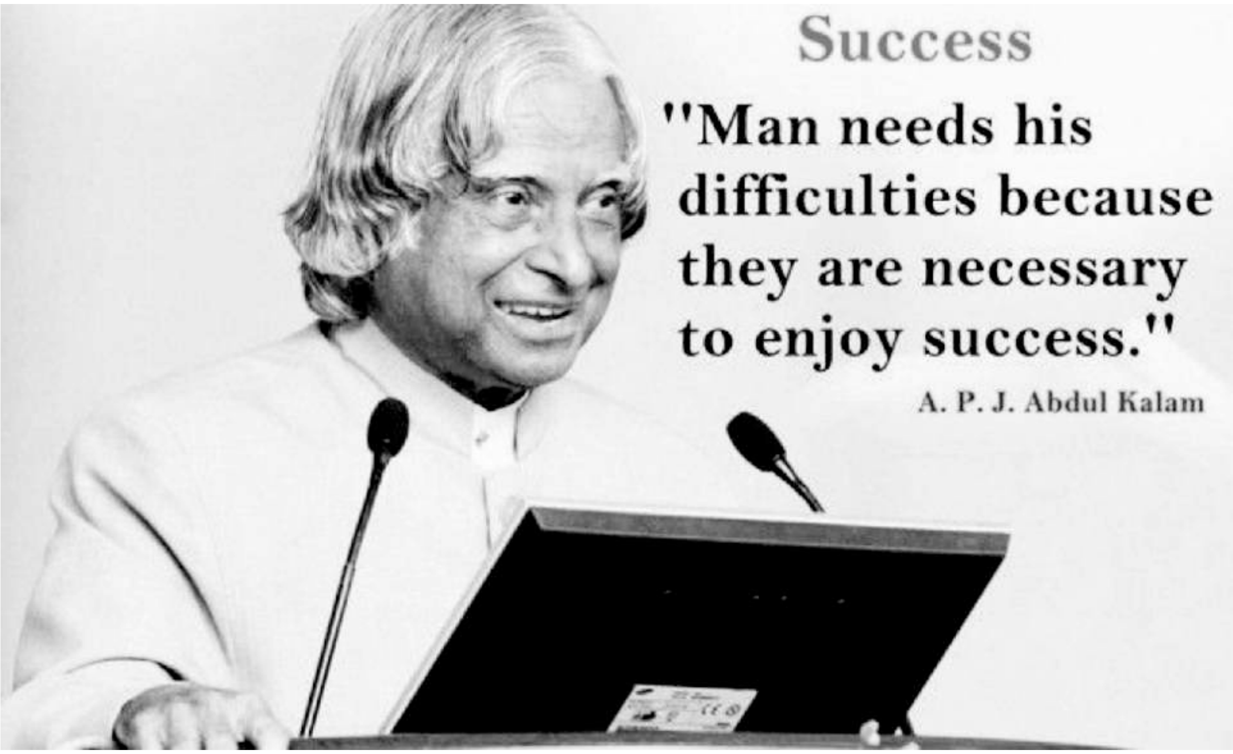
PRACTITIONER'S DESK

deviations in the periodical returns submitted to the Banks that sanctioned the working capital limits. The disclosure is with respect to physical verification of Inventory as compared with Books. The disclosure appears to have come in mainly due to the entries effected in the Books on account on account of "Sale in Transit" that was necessitated with the Ind As adoption. But in real terms there is no deviation. We the cost auditors are expected to own the domain of "Inventory" . All the more it is important to own in the context of amendment to Sec.142(2A) of the Income Tax Act. Our valuation methodology and the comments bear significance to many stakeholders. The question to be addressed "Do we mention in our report on deviations due to Ind As adjustments ?".

- Lastly for this edition – the Statutory auditors are also giving a sort of disclaimer upon the Financial Ratios reported in the Notes to Financial Statements as a part of Regulatory requirement in term of schedule III of the Companies Act 2013. The ratios include Solvency and Profitability ratios. Turning the attention to Para D4 of the Cost audit mechanism – we do attest certain very critical ratios such as "Value added to net revenue from operations" and "PBT to Net Worth". These ratios would certainly give a meaningful inference about the future prospects of the company. Though our Report is to the Board of Directors and there on to Government – perhaps some sort of disclaimer is needed even in this regard also.

Finally…..we all know that the mandatory disclosures of part 1 of CRA3 confine to seven aspects only leaving the part 2 of "Observations and Suggestions" as an open field. It is time that our profession debates on this issue and come out with a common directive in regard to the aspects discussed above.

That's all for now friends. **सर्वे भवन्तु सुखिनः** ॥ (May All be Happy)--18:78–



A Balanced Approach to Optimize Working Capital

Source : Strategic Finance Magazine *Compiled by - CMA J.S. Anand*

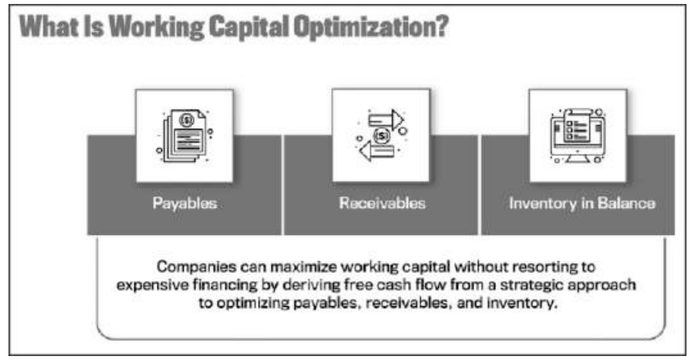
When cash is abundant, interest rates are low, and borrowing is easy, optimization of working capital is often seen as a low priority. But raising free cash flow is now a top priority for the CFO's office, as companies find their cash locked up in inventory, payables, and receivables. We're still reeling from the effects of a global pandemic and all the inventory and supply chain challenges that entailed, shifting consumer spending patterns, an economy teetering on the brink of recession, and high interest rates that have dramatically changed corporations' attitude toward borrowing. The balance has shifted, and growth is more dependent on having sufficient free cash flow than the availability of low-cost financing.

The optimization, maximization, or overall improvement of available working capital would seem to be mere table stakes in any management strategy. Unusual circumstances call for a more holistic approach that goes beyond the traditional linear methods often applied to capital management, and the CFO is particularly well-placed to see the entire end-to-end working capital picture and take decisive steps to improve it. Long-term success and continued growth require a balance of three pillars: release cash, reduce cost, and improve service.

Why Is Optimization Important?

Total working capital, reflected in the combination of payables, receivables, and inventories, does more than just reflect availability of cash. Optimization of that working capital will also reduce costs and improve services. It can also meet multiple strategic goals, including increasing shareholder value; enabling mergers and acquisitions funding, debt reduction, and share buybacks; improving profitability; funding internal projects; and facilitating growth and investment.

During 2023, we continue to see the impact of COVID-19, permanent changes in supply chain strategies, higher interest rates with an unpredictable federal policy, and a real possibility of recession. A company may be otherwise performing well, but other factors

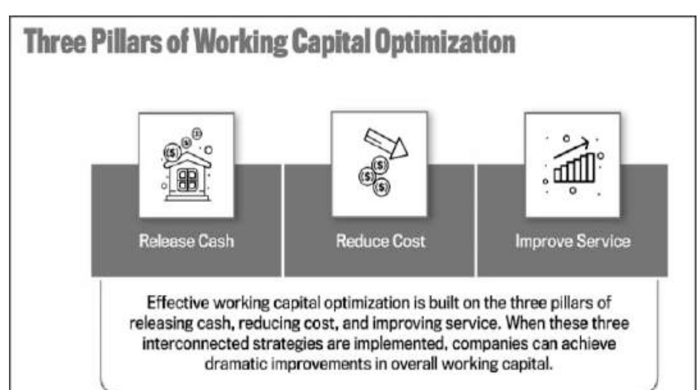


are minimizing the amount of available cash that could be used for dividends, growth, and expansion.

Without a new approach, current events could well lead to a crisis. Regardless of the merit of any organization's product line, it can't survive without liquidity. It's incumbent on the CFO to ensure that the right processes are in place and that cash is readily available—if not through financing then through other methods of working capital optimization. Fortunately, with the right strategies and tools, that optimization can be easily achieved, and cash can be made available when it's needed.

Three Pillars of Working Capital Optimization

Those tools begin with a set of three pillars: release cash, reduce cost, and improve service. A company's successful cash mentality is never a one-size-fits-all approach, and those who limit their cash strategy to one area alone, such as maximizing receivables or cutting costs, will never be able to achieve their full cash potential.



Going beyond the mainstream linear approach to capital optimization, Total Value Optimization (TVO)—a management methodology that takes into account the entire end-to-end supply chain and is endorsed by the University of Tennessee's Global Supply Chain Institute—incorporates all three of those pillars. By doing so, these changes can yield a measurable benefit over a short period of time that will allow companies to have improved free cash flow and to better position themselves for growth.

The results of employing the TVO approach can be positive across several areas of the organization, with optimization of inventory like stock keeping unit (SKU) product range management, inventory management, forecasting and planning, sales order processing, materials scheduling, manufacturing execution, and warehousing and distribution.

Using the TVO methodology, a large manufacturer of solar control and safety window film implemented a high-velocity demand-pull process and sales and operations planning process that yielded an $11 million improvement in EBITDA (earnings before interest, taxes, depreciation, and amortization) and an $18 million decrease in working capital requirement. In another example, implementation of a sales, inventory, operations, and planning (SIOP) process reduced a company's inventory position by $15 million, which allowed the company to reinvest in technology and maintain its share of a very competitive market.

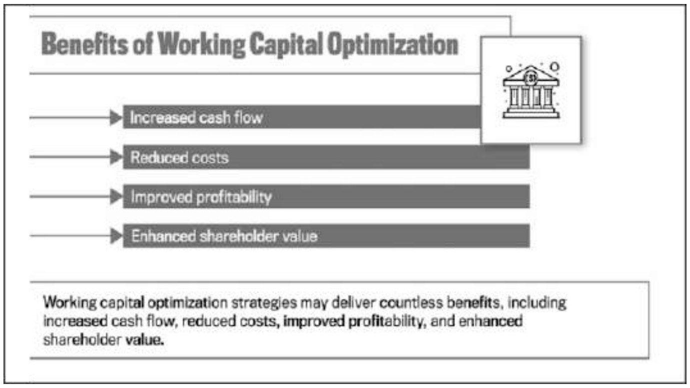
On Poor Working Capital Performance

Some macroeconomic issues such as interest rates, pandemic-induced supply chain stresses, and the possibility of recession may be beyond the finance office's control. By focusing on what can be controlled, it's possible to achieve a positive outcome and gain control of working capital even in the face of these issues.

Several inventory-related factors can contribute to poor working capital performance, potentially leading to a competitive disadvantage, lower profitability, reduced cash flow, and poor supplier relationships. With a strategic approach and the correct tools, all these issues can be remedied in any economic climate. When these inventory issues are addressed, working capital improvements can be quickly achieved.

Some of these inventory-related issues include:

- **Distribution:** Addressing issues such as a high level of stock crossovers, poor picking accuracy, and a high level of damaged or returned product will quickly return locked capital to the organization.
- **Supply chain strategy:** Improving oversights such as a lack of strategy, not considering the impact of working capital on supply chain, and not considering customer/supplier constraints will help to improve visibility and more easily address those working capital challenges.
- **Product management:** Product issues impacting working capital include an unknown product profitability level, a proliferation of product range, and product cannibalization.
- **Forecasting:** Working capital may be negatively impacted through inaccurate sales forecasting, poor accountability for accuracy of the forecast, and a forecast that isn't granular enough to impact inventory management.
- Sales order processing: Working capital may be negatively impacted through lost sales not being recorded, agreeing to unrealistic delivery parameters, and frequent changes in customer requirements.
- **Production scheduling:** Other issues to consider may include poor data integrity in product scheduling, including bills of material, lead times, inventory levels, and poor visibility.
- **Raw material planning:** Poor vendor reliability may also negatively impact cash flow, along with short notice of material requirements or inefficient raw materials receiving processes.
- **Production planning:** Issues in production planning may include a mismatch between capacity and product mix, a mismatch between order and minimum batch quantity, and poor communication with purchasing.



- **Production:** Production bottlenecks and poor order prioritization may be major factors in working capital performance, along with frequent or long changeovers, ineffective replanning for delays, and excessive or nonscientific buffers.

- **Warehousing and inventory management:** A high level of slow-moving or obsolete stock can be a significant issue in working capital, along with duplication of safety stocks and poor correlation between stock levels and customer service.

Solution and Benefits

Management must go beyond traditional linear tactics to balance optimization across three areas: payables, receivables, and inventory. Traditional drivers of payables and receivables would include tried-and-true tactics of renegotiating payment terms and offering favorable terms for clients to pay earlier. Receivables optimization may also include tactics such as reducing the quantity of potential disputes and monitoring the dispute cycle. On the payables front, taking advantage of price discount captures may also lead to some freeing of cash and lowering of potential debt interest.

Beyond payables and receivables, inventory issues are often at the root of the working capital crisis, and many companies are now seeing a whiplash effect. Companies found themselves with excess inventory, shifting sales trends, and cash being tied up in that inventory. This also led to degraded service quality, as products that customers want may no longer be available, prices will have to increase for those that are, and cutting one area too sharply could negatively impact service levels.

Reducing SKUs and product range may be seen as a short-term solution, but it also may negatively impact service. Early pay discounting may have an apparent negative impact on working capital, but doing so may also have a positive impact in other areas and drive a shorter-term boost to the profit and loss statement. Other short-term receivables tactics like factoring may also bring in working capital more quickly but could also bring higher costs later on.

Aligning sales with inventory will deliver a more accurate and predictable picture and better cash management—along with improvements in service to the customer. Using SIOP accomplishes that alignment using tactics like automation and analytics to better align the silos of sales, production, manufacturing, assembly, and logistics. The result is delivering the product as fast as possible and at the highest value, with better service to the customer.

An end-to-end solution extends from initiatives addressing raw materials, work in progress, semi-finished goods, and finished goods, with enhanced visibility in inventory at every stage of the product life cycle. Opportunities for improving cash flow and optimizing working capital are present at every step. In the raw materials phase, improving working capital may begin with segmentation by value and usage, rescheduling of suppliers, and more on-time delivery. Once work is in progress, further improvements can be gained through lead-time reduction, by outsourcing production overloads, and in the semi-finished goods arena. Improvements can also be made with order quantity reduction and better planning synchronization. Finally, regarding finished goods, a root-cause analysis should look at the reasons for nonshipments, along with a weekly follow-up that identifies actions being taken to resolve all current and future delivery problems.

Other key initiatives include inventory management solutions that set targets, review and update policies on a regular basis, and define inventory strategy for each material type and at each location. In addition, linking sales order processing with production planning may also deliver improvements, as will improved materials scheduling that defines guidelines for replenishing materials based on a coherent inventory strategy. Finally, in the critical warehousing and distribution area, improvements can be made in defining where and how much material to hold while setting up an improved warehouse flow.

How Can the CFO Optimize Working Capital?

Getting started doesn't have to be difficult, and the next steps on the optimization road map and improving the organization's financial well-being begin with analyzing the current working capital position, identifying weaknesses and opportunities for improvement, and setting some clear objectives. The CFO's office never works in isolation, and bringing in other departments that are affected by working capital will help in creating these objectives and identifying a clear set of policies and procedures—which may relate to issues around inventory, payables and receivables, and contract management. With new strategies and policies firmly in place, the cash forecast can be continuously revisited, with an eye toward gaming out multiple scenarios to identify the best possible solution as well as optionality and alternative plans.

Working capital optimization is a continuously improved process, never a one-and-done. Regular monitoring of key performance indicators (KPIs) and results will help keep optimization on track and help the organization make adjustments along the way should external circumstances change and demand a shift in approach.

Automation, Digitalization, and Analytics

Optimization will be built on a tool set that includes automation, digitalization, and predictive analytics, which may necessitate that the CFO's office expand beyond traditional tactics and strategies to set the stage for a successful transformation of the digital supply chain. By implementing automation throughout the process, from analysis to execution, the company can reduce the cost and increase the accuracy of repetitive tasks. This automation may even be projected into the next level of actual management practices. For example, in inventory management, automation can be successfully applied in some areas of decision making, such as classification of inventory or where it should be located.

In the analysis phase, automation can be applied, for example, to deliver a continuous refresh of segmentation analysis to show inventory positions on a regular basis, taking key decisions by segment and embedding that into the system on an automated basis. Automation can also include a trigger that requires human intervention for things like exceptions.

Also, the staff shortages that have plagued warehouses over the past few years can be mitigated with technologies like barcode scanning and robotics along with software automation for decision making and repetitive tasks.

Who Needs Working Capital Optimization?

A call for optimizing working capital doesn't necessarily mean that a company is failing or even at risk of failing. There are two distinct and separate needs—to be sure, some companies are ill-prepared, didn't consider the future during the times of plenty, and are facing dire circumstances now. Even those companies can still benefit from optimization practices, implementing the three levers, and deploying a TVO strategy.

Companies not facing immediate risk will still benefit by better positioning their operations and cash flow to better meet current and future challenges. Companies may remain successful but may begin to realize that their cash isn't moving as fast as it used to and may not be able to accomplish some of the more aggressive strategies that they would've considered when interest rates were at near-zero. Optimizing working capital will allow those companies to continue succeeding, stay on their growth path, and meet their goals more effectively while continuing to enjoy access to the cash they need to meet those goals. And, more importantly, the path to optimization of working capital isn't, and shouldn't be, a one-time cash release but a systematic, ongoing improvement of cash flow.

This approach of balancing the triple impact of releasing cash, reducing cost, and improving service levels, as compared to the traditional, linear approach more often undertaken to manage working capital, unlocks cash that would otherwise be tied up in inventory, payables, and receivables. The resulting cash culture enables a company to better withstand periods of slow growth or unexpected challenges while also providing much better visibility and control over inventory, receivables, and payables.

Climate Risk Disclosures and Your Supply Chain

Source : IMA

Compiled by - CMA Anand Satchit Jammalamadaka

The Global Policy Institute in August 2022 estimated that annual investment in "green" technology could hit as high as $5 trillion by 2025. This is a big deal. It wouldn't be just the largest reallocation of capital in history, but also possibly a major boost for the economy—not to mention the impact such investment would have on reversing or mitigating the human impact on the environment and climate. The year 2025 isn't far away, and the push for green solutions that began decades ago is still accelerating.

There are two main reasons for this. First is the ever-expanding list of studies that point to a dire climate situation, one that will arrive sooner than expected if we don't take action. A 2022 report from the Intergovernmental Panel on Climate Change found that limiting global warming to just 1.5°C (2.7°F) would require greenhouse gas emissions worldwide to be slashed by 43% by 2030, alongside a one-third reduction in methane. That temperature limit is reportedly the tipping point after which there's a much greater likelihood of worsening floods, droughts, wildfires, and even collapses of entire ecosystems.

The second reason—and the one that gets far less attention than the headlines and chyrons announcing impending climate disasters and increasingly frequent extreme weather events—is the recent increase in worldwide regulations not just around emissions and energy usage, but around the reporting of companies' efforts toward sustainability.

REGULATING ESG REPORTING

While there are many global regulations and policies aimed at directly reducing emissions, such as the European Union (EU) climate laws that set the goal of cutting emissions by 55% by 2030, regulations addressing environmental, social, and governance (ESG) reporting have only recently entered mainstream conversation. These regulations generally set parameters around what businesses need to disclose, and when, about their ESG efforts.

The biggest step in this direction thus far has been the EU's Corporate Sustainability Reporting Directive (CSRD), which went into effect in January 2023. The CSRD set the standards that EU companies need to follow when it comes to reporting their environmental and climate impact, and it also applies to any company that has a significant presence in the EU, "including U.S.-based companies with as little as one subsidiary or branch in the European Union." The CSRD is likely a watershed moment for ESG regulations worldwide as other countries, regions, and even individual states ready their own regulations.

In anticipation of other disclosure laws being passed around the world, the International Sustainability Standards Board was formed in November 2021 with the intention to "deliver a comprehensive global baseline of sustainability-related disclosure standards." Not long after, in 2022 the U.S. Securities & Exchange Commission (SEC) suggested its own set of climate disclosure rules for the United States, which would impact many companies based in the country or doing business within it, similar to the CSRD overseas.

Yet the SEC proposal hasn't been finalized or approved. Later in the year, the U.S. Supreme Court's ruling that the U.S. Environmental Protection Agency only has certain powers when it comes to curbing emissions cast a shadow over the SEC's plans. Additionally, despite widespread positive sentiment among U.S. citizens for taking action to prevent climate change, ideas differ on how to achieve carbon neutrality—and in some cases ESG regulations have come under fire as a result. ESG detractors and proponents of "anti-ESG" measures try to paint such regulations as purely political affairs, and one of the most ambitious state-level proposals, the Climate Corporate Accountability Act in California, failed to pass the second round of voting needed to become law.

It might take some time to sort out the finer details of how these laws will be shaped in the U.S., but the likelihood is high that some form of ESG reporting regulations will be put into place sooner rather than later. U.S. businesses will need to begin collecting, analyzing, and reporting their emissions and sustainability data before long and probably need to start doing so immediately if they're planning on doing more business in the EU or other regions that are gearing up to adopt their own such regulations.

Now is the time for businesses to begin preparing for regulatory changes. Especially since the processes needed to collect and report ESG data require coordination with multiple departments and even other companies like partners and suppliers, it will be a complex task to get them up and running—it's best not to wait until the last minute to do so.

SCOPE(s) OF REGULATIONS

ESG regulations, such as the CSRD and the SEC's proposed rules, usually require what's known as "double materiality," i.e., the impacts a company's activities will have on the climate, ecology, society, and so on, as well as the risks the company faces from a changing climate.

Since one of the most prominent factors in a company's own impact on climate and beyond is its greenhouse gas emissions output, much of this reporting will focus on quantifying and clarifying those numbers (see Kenton Swift, "Accounting for Greenhouse Gas Emissions," Management Accounting Quarterly, Winter 2019). Emissions are broken down into three categories, called "scopes," and all three need to be measured and accounted for when reporting:

Scope 1: direct emissions, such as those occurring when a company's vehicle runs or large equipment operates.

Scope 2: indirect emissions created as a result of purchasing energy (i.e., emissions created by the energy producer).

Scope 3: all other indirect emissions not covered in Scope 2; the vast majority of this scope can be traced back to a company's value chain. (See "Scope 3 Categories" for examples of the various types of Scope 3 emissions.)

Scopes 1 and 2 are much easier to measure and track because there's a high level of control and/or visibility into the sources of those emissions. Scope 3 is the one poised to create the most headaches. The activities of all suppliers done on behalf of a company would need to be disclosed under a company's Scope 3 emissions. While businesses up to now have been self-reporting (if they're reporting at all) their Scope 3 emissions, any new regulations will include specific standards and requirements for disclosure that many organizations simply aren't currently equipped to meet.

The other reason Scope 3 emissions reporting looms so large is that in addition to being the hardest to track and report on, it's also the largest category of emissions—by

SCOPE 3 CATEGORIES

1. Purchased goods and services
2. Capital goods
3. Fuel- and energy-related activities (not included in Scope 1 and Scope
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commute
8. Upstream leased assets
9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments

Source: *Management Accountants' Role in Sustainable Business Strategy: A Guide to Reducing a Carbon Footprint*, IMA, bit.ly/3GhCoSA.

a large margin. As much as two-thirds of a company's ESG footprint can be tied to its supply chain.

REPORTING ON SCOPE 3 EMISSIONS

The most pressing task then is for companies today to prepare to collect, analyze, and report on emissions tomorrow. Since Scopes 1 and 2 are already close to a company and thus easier to measure (though to be clear, that isn't to say you can ignore them), we'll focus on Scope 3. Following are some recommendations for preparing your supply chain for ESG disclosure regulations.

As with many key business activities, properly getting things done requires cross-departmental collaboration. Procurement teams will be handling much of the supplier-side interfacing, technology teams will need to put in place the needed solutions, risk management departments will need to assess and guide activity, and finance professionals will be in charge of transitioning reporting of the data.

1. ASSESS SUPPLIER RISK

The first step in addressing ESG-related supplier risks is to get a handle on your current suppliers' ESG programs and emissions. (It's helpful to think of this as another risk category, as the potential for your suppliers' activities to bring fines to your company is something that must be prepared for like any other risk.) That means data collection. Bring your suppliers onto a platform that can collect

RED FLAGS OF SUPPLIER RISK

1. Supplier is in a volatile industry. Certain industries carry more risk than others, especially when it comes to new, unproven technologies; suppliers who fall into these buckets should be assessed carefully.

2. Supplier is in (or bordering) a country with high risks of war or geopolitical volatility. A few years ago, Ukraine would have been seen as a relatively low-risk region to find suppliers. Now, with the war there still raging, risks of supply disruptions are high: neighboring countries are also at risk of such disruptions.

3. Supplier has poor communication practices. Reporting ESG figures and preparing disclosures will require careful and detailed coordination between companies and their suppliers. If certain suppliers are regularly difficult to get a hold of for other activities, there's plenty of reason to think that trend will continue.

4. Supplier is in a region with an increased risk of extreme weather events. As the climate continues to change, extreme weather events such as floods and hurricanes are becoming more frequent and more severe. Suppliers located in areas more susceptible to these events are riskier than others.

5. Supplier has no stated commitment to sustainability or climate initiatives. While a mention of a commitment to green practices on a company's website doesn't necessarily mean it's doing its part and will properly report ESG figures (some could be accused of simply paying lip service or greenwashing), failing to clear even that low bar doesn't bode well for the company's potential for meeting stringent reporting requirements.

6. Supplier has a history of noncompliance with legal or regulatory requirements. If the supplier has flouted regulations on other topics in the past, that's a likely sign it won't care too much about regulations moving forward–leaving the companies it works with potentially open to fines due to its actions.

7. Supplier isn't transparent about its sourcing strategies. Collaboration and communication are key to successful partnerships; if a supplier is opaque regarding its sourcing, there could be significant risks right under the surface that are unable to be accounted for.

8. Supplier is in an industry with high emissions. High-emissions industries require higher levels of monitoring to capture and report all emissions. It's easier to miss some aspect of the full emissions picture when there's so much going on–or to simply have emissions levels above acceptable ranges.

all relevant emissions data from each and then display that data to you in an actionable way. In many cases, that means setting a threshold for reporting and then having suppliers who aren't meeting these ESG requirements marked for further action.

From there, businesses have the choice of working with those suppliers to address the areas in which they're falling short; replacing that supplier with a new, more ESG-friendly supplier (many of the same third-party management platforms used to collect this data from current suppliers can also assess such risk in potential suppliers or even help locate new options); or simply plan on paying fines for suppliers not meeting regulations. For most companies, that last option simply won't be on the table. Why pay fines when you could address the problem that they're put in place to solve—and likely do so at a cost lower than the fine itself?

It's also impossible to overstate the importance of being proactive in putting this and the following steps in place. ESG regulations and sustainability monitoring organizations seek continuous impact, not one-off or low-impact programs that serve as bandages over the omission of a robust and effective ESG program. Getting these tracking and reporting processes going—and involving the suppliers—can be a complex and relatively time-consuming process. The longer you wait to put these items in place, the more likely you'll be to come up short of some of the reporting requirements when they're due.

2. PRIORITIZE AND BUILD IN FLEXIBILITY

As already mentioned, any new ESG regulations are just another category of risk, and whatever risk management processes you use in other areas should be utilized here as well. Just like in other risk categories, prioritization is important. Make a plan for assessing each and every supplier under contract, then start with the ones most critical to your day-to-day operations and work your way down the list. With each supplier, bring them onto whatever data management platform you'll be using, then work with them closely to assess their emissions and ESG risks. It might turn out that they need help collecting or finding a way to share that data, but it could also reveal that they're simply unable (or unwilling) to reduce these risks or provide the information you need.

This is a case for flexibility and redundancy in suppliers, making it easier to shift a small percentage of supply from a risky company to a less risky one—or even to switch over entirely. In some cases, you should renegotiate contracts when the time comes to ensure that ESG regulations and data collection are being handled properly on both ends.

Again, being proactive here is particularly helpful. Preparing today for the possibility of changing suppliers down the road—keeping a short list of options and flagging companies that might need to be replaced in the coming months or years—will serve to lessen the impact on core everyday activities that changing a supplier will have.

3. ENABLE DATA VISIBILITY

Gaining that visibility into the commitments and risks associated with your suppliers is crucial. You need to know their emissions output and sustainability efforts in order to take the correct course of action and gather what you need for reporting.

But that's sometimes easier said than done. A Deloitte survey found that fewer than 75% of organizations feel like they have good visibility into their most critical suppliers (and much less for other suppliers; only 15% said they have good visibility into second- or third-tier suppliers).

One of the keys to enabling transparency and visibility in important ESG data collection is to make it as simple as possible for suppliers to self-report that information. On their own, suppliers don't have an overwhelming amount of incentive to provide that information. If doing so is difficult to achieve or not strictly required, the chances that you never get a hold of that information increases and so too does the possibility of regulatory fines for missing ESG information.

Building those requirements for reporting into systems and contracts from the point of onboarding in third-party workflow tools is the most effective way to get suppliers used to the act of providing that information as part of their normal business activities. This goes a long way to cutting off ESG risks before they can even make it to your company when bringing on new suppliers.

What about current suppliers who aren't already reporting this data? Here too is where you can lean on those supplier management solutions to bridge that gap, as many allow for workflows and features that guide suppliers through the process of reporting the needed info—and no more than what's needed—quickly and easily.

4. REVIEW COUNTRY-SPECIFIC REGULATIONS AND PROPOSALS

No matter where you do business, your company is beholden to the laws and regulations of the countries in which your suppliers and, in some cases, your customers reside. Sometimes, like with the EU's CSRD, those rules are already laid out (or already in effect). In many others, proposals are in various stages of readiness. And the number of these proposals and laws is only going to steadily increase in the coming years.

It's up to your company to track the applicable regulations anywhere you're currently doing or plan to do business. There's bound to be plenty of overlap in what's required in different regions, but there could also be specific regulations or corner cases that are unique to one country. For example, the German Supply Chain Due Diligence Act went into effect on January 1, 2023; any companies that fit its criteria probably also need to stay within the regulations set by the CSRD.

TABLE 2: SASB INDUSTRY SECTORS

Sector	No. of industries
Consumer Goods	7
Extractives & Mineral Processing	8
Financials	7
Food & Beverage	8
Health Care	6
Infrastructure	8
Renewable Resources & Alternative Energy	6
Resource Transformation	5
Services	7
Technology & Communications	6
Transportation	9

Specific industries too could have different regulations: The Sustainability Accounting Standards Board (SASB) identifies different standards guidance for 77 unique industries within the 11 sectors in Table 2. These industry-specific standards will likely also change from country to country, which means that there's more for companies to track in any region in which they conduct business.

The unique geographic and industry details of your suppliers might also require you to assess their risk with regard to geopolitical tensions, which can fluctuate over time and from region to region. Some countries that have been reliably low-risk for decades are finding themselves in unstable situations, with war and social upheaval hitting various places around the globe. Just last year, seismic geopolitical events in Sri Lanka, Peru, and even usually stable Japan made many redo the calculus on suppliers in these areas.

The same holds true for the increased rate of extreme weather events being caused by global climate change (the kind of increase that ESG regulations in part are aimed to help slow down). If your suppliers are in countries experiencing geopolitical or weather-related uncertainty, or even just bordering countries that are, those risks should be assessed as well.

5. PREPARE YOUR DISCLOSURES PROPERLY

As with any regulation, the devil is in the details—you can't just glance at the highlights of an ESG law and expect to be compliant based on that. You need to know every applicable regulation inside and out; it's the fine details that sometimes trip up businesses and open them up to fines and penalties.

Review any disclosure documentation that already exists within your third-party risk management system and identify what's missing and what needs to be addressed. Build a disclosure plan that outlines a clear path from where you are currently and what needs to be done or acquired in order to ensure compliance.

Prepare the disclosure documents in the specific format requested by the regulation—some may require how the information is presented or that specific items must be included. This likely includes financial statements and their accompanying notes, board meeting notes, and so on.

It's important to be as accurate as possible in these disclosures. Be sure to review the documentation with all relevant stakeholders and get their input and approval before calling anything final. Only after you've done all you can to ensure the accuracy and completeness of the information should you submit the documentation to the appropriate regulatory body for review. Note deadlines for providing that information and respond in a timely fashion to any queries the regulatory body may have about your disclosures.

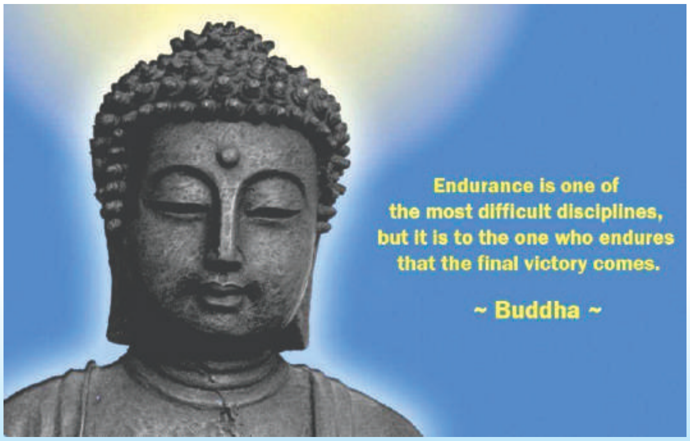
READY FOR REGULATION

Increased and specific ESG regulations are coming—and soon. In some regions, they're already in effect. Ignoring them simply isn't an option; doing so will close off areas of the world to your business or introduce the possibility for major fines.

The supply chain is a key player in meeting ESG disclosure requirements, with as much as 70% of a company's emissions being traceable to suppliers (as Scope 3 emissions). Making sure suppliers can easily provide key information on their emissions and ESG initiatives is important, and both transparency and flexibility will be key in getting their cooperation to do so.

While the specifics for many upcoming regulations, like those in the U.S., will still need to be hammered out, debated, and finalized in their respective regions and industries, there's a lot we know already. The technological capabilities for collecting, analyzing, and reporting any needed data will remain largely the same. That means companies shouldn't wait to start building out those processes.

In fact, being proactive is very much encouraged because the systems can be complex. While certain supplier management platforms can help navigate much of that complexity, the sooner current suppliers are brought up to speed and on boarding processes for new suppliers have data collection work flows built into them, the easier it will be when the regulations do go into effect. And this proactivity will serve as a competitive advantage against other companies that scramble at the last minute to put data collection and reporting capabilities into place.



Tax Compliance Calendar

Source : eztax.in

AUGUST 2023

07 TDS Payment for July 2023

10 Professional Tax (PT) on Salaries for July 2023

Professional Tax Due Date Varies from State to State. Kindly Contact eztax.in for Expert help. ^

11 GSTR 1 (Monthly) for July 2023

13 GSTR 1 IFF (Optional) (Jul 2023) for QRMP

15 Issue of TDS Certificates in Form 16A for April to June 2023

15 Provident Fund (PF) & ESI Returns and Payment for July 2023

20 GSTR 3B for July 2023(Monthly)

25 GST Challan Payment if no sufficient ITC for Jul 2023 (for all Quarterly Filers)

30 TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments) for July 2023

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Posting under registration No. HD / 1181 / 2022-24. Printed and Published by: Mrs. K. Kavitha, Superintendent on behalf of Hyderabad Chapter of Cost Accountants, 1-2-56/44A, 5th Street, Himayatnagar, Hyderabad-500 029 and printed at Gayatri Printing Press, 5-18, Durganagar, Dilsukhnagar, Hyderabad – 60 and published at Hyderabad Chapter of Cost Accountants, 1-2-56/44A, 5th Street, Himayatnagar, Hyderabad-29. Phones : 27635937/27611912.