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HYDERABAD CIRCUIT

MAY - 2023

A News Magazine from the Hyderabad Chapter of

The Institute of Cost Accountants of India

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Preplacement Orientation Programme

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

The Chairman writes to you

Dear Professional Colleagues and Students,

I wish to share two positive news-items about our country. One is on DRDO. Indian Navy has successfully demonstrated capability of our land-based ballistic missile defence system for neutralizing ballistic missile threats emerging from adversaries. Congratulations to DRDO Scientists, Indian Navy, and Co-workers for making our India Proud. The second positive is that our educational system is fast changing. A New National Education Policy (2023) is recently approved by the Indian government. Against current spend of 1.7% of GDP, the government will spend 6% of the country's GDP on education. Its motto is - Educate, Encourage and Enlighten. The government's objective in launching this policy, is for developing 21st-century skills in the students of India.

Our Hyderabad Chapter has secured nine ranks as per Results announced for Inter examination and secured one rank in Final examination, conducted by The Institute of Cost Accountants of India during December, 2022. Warmest congratulations to the successful candidates on their achievement! I am also Wishing them even more success in the future.

The Hyderabad Chapter will host o Elections on May 31, 2023 at Himayatnagar office. Last day for filing nominations is Friday, May 12, 2023, at 06:00 pm. I request all eligible members to vote with out fail.

During April month, we have organised a preplacement orientation programme for recently qualified (who appeared for December 2022 batch) students of the Institute in order to enhance their knowledge towards meeting the expectations of the industry relating to systems, practices, and soft skills. We have invited CMA D.L.S. Sreshti- Past Chairman of SIRC and Past Central Council Member as Chief Guest and CMA G.V.S. Subrahmanyam – Past Chairman of SIRC as Guest of Honour for inaugural session We have also invited CMA Dr. A.S. Durga Prasad – Past President as chief guest Dr. D.P. Nandy, CEO, ICMAI RVO as Guest of Honour for valedictory session.

I urge all members to utilise the Institute's "Members Online System" for renewal and fee payment. links are provided below for your convenience.

https://eicmai.in/MMS/Login.aspx?mode=EU

I am also recalling achievements of our Great persons Rabindranath Tagore, Maharana Pratap, and Veer savarkar on the occasion of celebration their birthdays falling in the month of May.

With warm regards,
CMA K. Someswara Babu
Chairman

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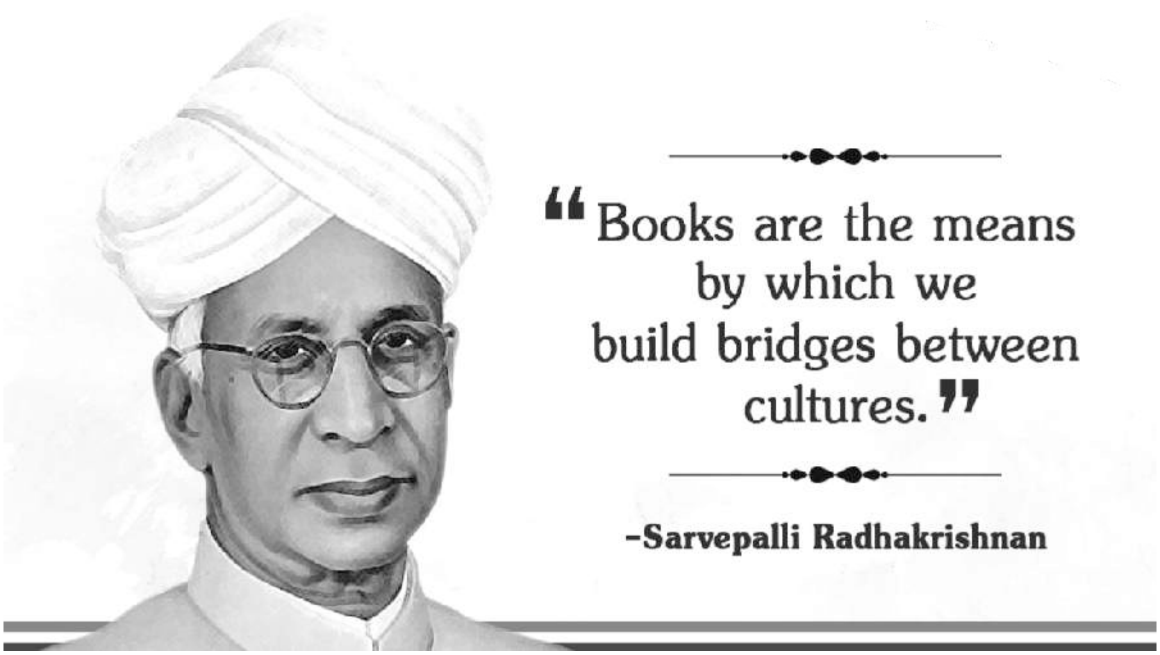

ACTIVITIES SCORE BOARD

Month (2020-21)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Year-to-date
No. of Programs	0	-	-	-	-	-	-	-	-	-	-	-	0
CEP Hours	0	-	-	-	-	-	-	-	-	-	-	-	0

Performance Track

Preplacement Orientation Programme

In order to benefit the Institute's recently qualified students (who took the December 2022 batch exam), we have organised a preplacement orientation programme. This will help them become more familiar with the systems, practises, and soft skills expected by the industry. For the opening session, we have invited CMA G.V.S. Subrahmanyam, a former chairman of SIRC, and CMA D.L.S. Sreshti, a former member of the Central Council, as the guests. We have invited Dr. D.P. Nandy, CEO, ICMAI RVO, as the Guest of Honour for the valedictory session along with chief guest CMA Dr. A.S. Durga Prasad -Past President.

> "THERE IS ALWAYS LIGHT. IF ONLY WE'RE BRAVE ENOUGH TO SEE IT. IF ONLY WE'RE BRAVE ENOUGH TO BE IT."
>
> – AMANDA GORMAN

Finance Clips

CMA RAJAPETA SATYANARAYANA
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- **Updation of Members profile:** Updation of Member's Profile at Self Service Portal with GSTIN has been issued by ICAI on 1-4-2023 and for details refer to www.icai.og • No professional tax: Govt of Maharashtra notified Maharashtra State Tax on Professions, Trades, Callings and Employments (Amendment) Bill, 2023 to notify changes in Profession Tax Rates w.e.f. 01.04.2023. One of the notable changes is that bill exempt the profession tax payable by the women who draw the monthly salary or wages upto rupees twenty-five thousand w.e.f. 01.04.2023 vide Gazeatte Notification dated 20-3-2023.
- **Renewal of Membership fee of ICSI:** The annual membership fee and certificate of practice fee for the year 2023-24 has become due for payment w.e.f. 1st April, 2023. The last date for the payment of annual membership fee and certificate of practice fee will be 30th June, 2023 and for details refer to www.icsi.org
- **Companies (Indian Accounting Standards) Amendment Rules:** MCA has notified Companies (Indian Accounting Standards) Amendment Rules vide NOTIFICATION New Delhi, the 31st March, 2023 and for details refer to www.mca.gov.in
- **Unique Digital Identity:** ICAI towards building and leveraging brand CA, the ICAI has brought in domain 'mail.ca.in' to build unique digital identity for the profession which is paramount to succeed its presence in the digital environment. The members and students could build their unique digital identity empowering the brand 'CA' in digital marketplace. Further, to help the members in smooth conduct of branch audits of banks, the Centre for Audit Quality of ICAI has released an Excel Utility which is based on the procedures outlined in the Guidance Note on Audit of Banks and the Technical Guide on the Long Form Audit Report. and for details refer to www.icai.org
- **Technical Guide on KPI:** ICAI has issued a Technical Guide on Disclosure and Reporting of Key Performance Indicators (KPIs) in offer documents and for details refer to www.icai.org • ICAI amends requirement of CPE hours for its members: ICAI has notified revised requirement of CPE hours applicable for each calendar year wef 1.4.2023. All the members (aged less than 60 years) who are not holding Certificate of Practice; and all the members who are residing abroad (whether holding Certificate of Practice or not) are required to All the members (aged less than 60 years) who are not holding Certificate of Practice; and all the members who are residing abroad (whether holding Certificate of Practice or not) are required to a. Complete at least 20 CPE credit hours of either structured or unstructured learning (as per Member's choice) during the calendar year and for full details refer to www.icai.org
- **ICAI clarification on LFAR and other issues:** ICAI has issued FAQ relating to acceptance of certain Audit by concurrent Audit-The concurrent Auditor of a Branch can undertake the assignment of LFAR only with respect to Branches which are not subject to Statutory Audit. With respect to Branches which are subject to Statutory Audit, the LFAR assignment shall be undertaken by the Statutory Auditor and for details refer to www.icai.org
- **ICSI on New Syllabus Exam:** The Institute of Company Secretaries in India (ICSI) has notified that candidates who have registered under the CS Executive old syllabus (2017) can switch over to CS Executive new syllabus (2022) comprising of 7 papers For such students who wants to switch to New Syllabus (2022) the switch over option will start from 10.00 AM on 2nd May, 2023 for December 2023 Session of Executive Programme Examination under the new syllabus (2022).
- **CAG to go paperless:** All audit work across India will become paperless and will only be carried out digitally from April 1, the Comptroller and Auditor General of India (CAG) announced on Friday vide Hindustan Times dated 31-3-2023.
- **Revised procedure for filing Form 15C or Form 15D:** The applicant who is not registered at TRACES website shall have to first register with its Permanent Account Number ('PAN") at TRACES (www.tdscpc.gov.in) for login and filling application in Form No. 15C or Form No. 15D. Detailed procedure for registration can be accessed through the link https:!/contents.tdscpc.gov.in/en/e-tutorial-taxpayer.html. The applicant shall login at TRACES website (www.tdscpc.gov.in) and submit Form No. 15C or Form No. 150 along with supporting documents using any of the following: (i) Digital Signature, (ii) Electronic Verification Code, (iii) AADHAR based Authentication, (iv) Mobile OTP and for details refer to CBDT's Notification No.1/2023 dated 29-3-2023 www.incometax.gov.in
- **Flouting Ind AS norms:** The National Financial Reporting Authority (NFRA) has pulled up a section of India Inc, including "a large listed firm", for not complying with Indian Accounting Standards (Ind AS) regarding measurement of "revenue from contracts" with customers and trade receivables. The regulator noted that these firms continue to account for these two inflows at "fair value", while Ind AS requires them to be recognised in many cases at transaction value.

CMA Update

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GENERAL

- **Interest rates:** The government has released the interest rates for the April-June quarter of the financial year 2023-24. The interest rate on Senior Citizen Savings Scheme was increased from 8 per cent to 8.2 per cent. The interest rate on National Savings Certificate (NSC) was increased from 7 per cent to 7.7 per cent. The interest rate on Sukanya Samriddhi Yojana was increased from 7.6 per cent to 8 per cent. Kisan Vikas Patra has been increased from 7.2 (120 months) to 7.5 (115 months). PPF will get 7.1 percent interest.
- **Rules for making PAN inapplicable:** Rule 114AAA of the Income-tax Rules, 1962 related to Manner of making permanent account number (PAN) inoperative is applicable from 1st day of July, 2023 vide Order No. F. No. 370142/14/2022-TPL Dated 1st April, 2023 issued by CBDT and for details refer to www.cbdt.gov.in
- **Income tax department new service:** A new Income Tax Calculator has been launched by the IT Department. It helps the tax payers to decide whether the old tax regime or the new tax regime would be better for them? Income tax calculator is available on the internet and for use log on to website of the IT Department www.incoemtax.gov.in
- **Linking PAN with AADHAAR:** The deadline to link PAN and Aadhaar (PAN-Aadhaar Link) has been extended till June 30, 2023. • PAN & Aadhar mandatory: The Finance Ministry has made PAN and Aadhaar numbers mandatory for making investments in post office schemes such as Public Provident Fund (PPF), Senior Citizen Savings Scheme (SCSS), Sukanya Samirddhi Yojana (SSY), Mahila Saman Scheme etc. The notification states that if the Aadhaar number is not submitted to the post office or bank branch within six months, i.e., by September 30, 2023, then the small savings investment will be frozen. The government issued a notification regarding the same on March 31, 2023 vide ET dated 1-4-2023.

LABOUR

- **CCS (Pension Rules):** Government has released -REVIEW & RATIONALISATION OF CCS (PENSION) RULES (Central Civil Services (Extraordinary Pension) Rules, 2023) and as per this It will be mandatory to process pension cases through "Bhavishya" an online pension sanctioning and tracking system and for details refer to Notification dated 30-1-2023 issued by the Department of pension and Pensioners' Welfare Ministry of Personnel, Public Grievances and Pensions GOI.
- **Increase in DA to Central Govt. employees & Pensioners:** On March 24, the cabinet had approved the increase of 4% dearness allowance of central employees. After this, on Monday, April 3, the Finance Ministry has also issued its notification. Now the central government employees will get an increased payment of four percent in the salary of April 2023. Along with this, three months' arrear money will also be given to them. DA will now be paid at the rate of 42% in the salary of central employees.
- **New Tax Regime:** CBDT vide Circular No. 04/2023-Income Tax dated 5-4-2023 clarified that each year, employer shall seek information from each of its employees regarding their intended Tax Regime (Old or New under section 115BAC) and deduct TDS accordingly, if intimation is not made by an employee then his default tax regime is new Income Tax regime u/s 115BAC. CBDT further clarified that this intimation would not amount to exercising of option by employee, it means a person can select any regime at the time of filing ITR u/s 139(1) vide Financial Express dated 3-4-2023.
- **Applicability of GST:** Profisolutions Pvt Ltd, which has its registered office in Karnataka and a branch office in Chennai in Tamil Nadu, had approach the Authority for Advance Ruling (AAR) seeking a ruling on whether the services provided to head office will attract GST. Services provided by employees of a company's branch office to its head office and vice versa located in different states would be liable to 18 per cent GST, the AAR has said vide ET dated 18-4-2023.

INDIRECT TAXES

- **Revocation of Registration:** Registered persons whose registration have been cancelled on or before 31/12/22 on grounds of non-filing of returns may apply for revocation of cancellation of their registrations upto 30/06/2023.Revocation to be filed only after filing all returns along with payment of tax, upto the effective date of cancellation of registration. No further extension of time period for filing application in such cases vide Notification No. 03/2023-Central Tax Dated: 31/03/2023 www.cbic.gov.in

- **ICEGATE Advisory for importers issued:** CBIC has issued IGCR module which is developed by ICEGATE, CBIC to provide a digital service to importers to avail benefits under the IGCR Rules (Import of Goods at Concessional Rate of Duty). This advisory is a complete step-by-step guide for the user to declare an advance intimation of goods to be imported, access continuity bond management module, file monthly return statements and for details refer to Advisory No: 03/2023 Date: 25th March, 2023.

- **Reduction in Late fees:** CBIC reduces Late Fees of GST Annual Return from the F.Y 2022-23 onwards as follows: Amnesty in Late Fees of GSTR-9.The maximum Late Fees is restricted to Rs. 20,000 if Annual Return for the Financial Years 2017-18 to 2021-22 are filed between 01/04/23 to 30/06/23.Notification No.08/2023-Central Tax Dated: 31/03/2023.Late Fees in case of Form GSTR-10 i.e., Final Return is restricted to Rs. 1,000 if the said returns are filed between 01/04/23 to 30/06/23.Notification No. 09/2023–Central Tax Dated: 31/03/2023 and for details refer to www.cbic.gov.in

- **Duty Credit for goods exported:** CBIC notifies manner of issue of duty credit for goods exported under the Rebate of State and Central Taxes and Levies (RoSCTL) Scheme under Foreign Trade Policy, 2023 vide Notification No. 25/2023-Customs (N.T.) Dated: 1st April, 2023 vide Notification No.25/2023-Customs (N.T) dated 1-4-2023 on www.cbic.gov.in

- **EOU Scheme:** CBIC amends 8 Custom Notifications of G&J and EOU schemes vide Notifications No 28/2023 – Customs Dated: 1st April, 2023 and for details refer to www.cbic.gov.in

- **Generation of IGCR Intimation Number:** IGCR Intimation Number (i.e. IIN) generated in the Financial Year 22-23 or before will be valid up to 31stMarch 2023 and therefore the same may be utilized for filing the Bill of Entry under IGCR till 31stMarch 2023. Further, the option to generate IINs for the next FY will be available at ICEGATE portal shortly. Therefore, the fresh IINs may be generated for the FY 2023-24 at ICEGATE portal in order to utilize the same in the Bill of Entry filed from 1stApril 2023 vide CBIC Advisory No: 04/2023 Date: 24th March, 2023 and for details refer to www.cbic.gov.in

- **Transfer/sale of one running business:** Exemption has been given to transfer of business as going concern as per Entry No.2 of Notification No. 12/2017- Central Tax (Rate). It means if a person transfers his business as going concern to another, then there will not be any GST payable on such event and as per section 18 he can also transfer ITC and liability of old GST number to new GST number. Simply, a transfer of business as going concern means, transferring asset and liability to a new person. So, if on death of a taxable person, the legal heir decides to transfer the business to another or continue business as going concern, then there will be no liability for GST payment, however if legal heir decide to close down business, then he will require to pay GST on closing stock and assets.

- **GST new rule wef 1-5-2023:** According to GSTN, it will be necessary for all businessmen with a turnover of more than 100 crores to follow this rule from May 1. Under the new rule, businesses with a turnover of more than 100 crores will not be able to upload invoices older than 7 days. This means that the receipt of transactions older than 7 days will not be able to be uploaded on GSTN and returns cannot be claimed on it. However, this rule is only for invoices. Businessmen will be able to upload debit and credit notes even after 7 days and for details refer to www.cbic.gov.in

- **Clearance from two entities with same partners:** CESTAT Ahmedabad held that value of clearance of two entities having same partners are to be clubbed and excise duty on clearance exceeding the eligible limit of SSI exemption is duly payable vide decision given in the case of Himalaya Equipment Vs C.C.E. & S.T. (CESTAT Ahmedabad) Appeal Number: Excise Appeal No. 13884 of 2013.

INCOME TAX

- **Procedure for filing Forms 15C & 15D notified:** Procedure, format and standards for filling an application in Form No. 15C or Form No. 15D for grant of certificate for no-deduction of income-tax under sub-section (3) of section 195 of the Income Tax Act, 1961 through TRACES has been notified vide Notification No.01/2023-Incometax dated 29-3-2023 issued by CBDT on www.cbdt.gov.in

- **Sec 54FRelief:** Date of sale agreement to be considered while allowing the benefit of Sec 54F Relief even if sale deed is executed later vide decision given in the case of Mrs D.Vijayalakshmi Vs ITO (2023) 148 Taxmann.com 370 (Chennai Tribunal)

- **Cost inflation index for FY 2023-24 notified:** CBDT notified Cost Inflation Index for Financial Year 2023-24 at 348 vide Notification No. 21/2023-Income Tax Dated: 10th April, 2023. Cost inflation Index for Financial Year 2022-23 was 331 so Increase in Cost Inflation Index for FY 2023-24 is mere 5.14%.
- **Non-Resident Tax payers without PAN:** The non-resident taxpayers who do not have a permanent account number or are not required to have one are exempted from mandatory electronic filing of Form 10F till September 30, 2023 and the same can be filed manually. This will bring some relief to the difficulties faced by non-residents in claiming benefits of the tax treaty as well as to the resident taxpayers while undertaking foreign remittances vide ET dated 29-3-2023.

RBI

- **Banks Licenses cancelled:** Money control's analysis shows that the RBI cancelled the licenses of 8 co-operative banks in FY2023 and fined 114 co-operative banks for irregularities. The reasons for canceling the licenses of these banks ranged from insufficient capital to failure to comply with legal regulations under the Banking Regulation Act and lack of future earning potential and for details refer to www.rbi.gov.in
- **Green Deposits:** RBI has introduced Frame work for issue of Green Deposits with effect from 1-6-2023 with the motto of Think Green for the Planet. A deposit will acquire the green color when an interest-bearing deposit is received by regulated entities for a fixed period and the proceeds of which are earmarked for being allocated towards green finance and for details refer to www.rbi.gov.in

FEMA/DGFT

- **Handbook of Procedures (HBP2023):** DGFT released Hand Book of Procedures 2023 which effective from 1-4-2023 and as per the new Hand Book-In order to move towards paperless processing, an electronic procedure has been developed to upload digitally signed documents by Chartered Accountant / Company Secretary / Cost Accountant. Exporter shall be able to link digitally uploaded annexure with the online applications under various schemes of the FTP and for downloading the HBP 2023 refer to Public Notification No. 1/2023 -DGFT dated 1-4-2023 on www.dgft.gov.in
- **Advance Scheme:** Government has notified amnesty scheme for one time settlement to close cases of default in export obligation under advance authorization and EPCG scheme vide their Public Notice number 2/2023 dated 1st April 2023 and for details refer to www.dgft.gov.in

SEBI

- **Announcements in XBRL format:** Certain announcements subjects filed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) will be available in XBRL format with effect from April 01, 2023 vide Notice No. 20230331-87 Notice Date: 31 Mar 2023 issued by BSE and for details refer to www.sebi.gov.in
- **Advertisement Code:** SEBI issued Advertisement code for Investment Advisers and Research Analysists vide Circular dated 5-4-2023 and for details refer to www.sebi.gov.in

INSURANCE

- **Commission structure:** The board policy on commission structures for intermediaries shall, at the minimum, include the certain key elements vide Circular Ref No: IRDAI/INT/CIR/MISC/82/3/2023 Date 31.03.2023 issued by IRDAI and for details refer to www.irdai.gov.in
- **Management expenses of Life Insurance:** IRDAI vide Circular No. IRDAUF&I/CIR/E0M/84/4/2023 Date: 05th April 2023 issued clarifications relating to IRDAI (Expenses of Management of insurers transacting Life Insurance business) Regulations 2023. As per the new regulations, there will be only one ceiling, that is the Expenses of the Management and insurers spend has to be within that ceiling. In the case of general insurance companies, the Expenses of the Management is freezed at 30 per cent and for standalone health insurers it is 35 per cent and for details refer to the circular on www.irdai.gov.in

COMPANIES ACT

- **Anti Competition techniques:** The Supreme Court in Excel Crop Care Ltd v. Competition Commission of India and Others dated May 8, 2017, ruled that the "relevant turnover" of the company, rather than the "total turnover," should be used to determine the punishment to be imposed on firms using anti-competitive techniques.

HEY CMA – BE PREPARED FOR THE CHALLENGES – SERIES 18 OF 27

PRACTITIONER'S DESK

CMA CA Dendukuri Zitendra Rao
Cost and Management Accountant in Practice

There is one message for me to celebrate as a Cost Accountant in Practice. One of my CMA friend sent me a message stating that one of the **CMA student** has few queris on Cost audit and Cost Records.

- It is first of its kind of experience for me in the last 20 years tenure of my practice. Normally the attidude of CMA final student is to SOME HOW pass the Cost Audit paper and to normally leave it there. It is my experience that Sec.148 of the companies act 2013 has not found its place in the heart of CMAs to the extent it is required for. Thus it is a message for me to celebrate. I shall now turn my attention to the query in specific. To be honest – the queries are of intense nature and the answers could be very subjective. I have no authoritative to reply to the said queries However I will try to unfold my thoughts for one such query - for further brainstorming among CMA fraternity.

- *In certain industries where Price Variance as part of Escalation Clause is usually received in the subsequent years. Bill is not raised just after delivery due to GST Laws, the Bill is raised only after the other party has agreed to the same, which is usually in the subsequent years specially in the cases where the customer is a State Government or Central Government or any of its Ministries or Boards. It may be a loss in the year of audit and likely to reach breakeven or profitable if you consider the Price Variance. So, should the Cost Sheets be revised of then Previous Year in the following year of Cost Audit?*

- While I was an executive in ALLWYN (the Brand close to my heart) I had the opportunity to have "hands on experience" on this topic of Price Variation Formula. We had an agreement for supply of few Automonile Fabricated Items (Adhering to the code of confidentiality I am not mentioning the name of the item been supplied for) to an organisation under Minsitry of Defence. The suuplies were continuous. As per the Purchase Order the period of supply spreads to more than one financial year - say 3 to 5 years. Payment terms include Price variation Clause as well.

- Those were the days of pre-liberalisation era and hence the Standard rates of varied steel items of varied specifications are been periodically been anounced by Joint Plant Committee.Such rates are the basis for fixing the **base material cost** as at the date of Purchase Order.

- The actual procurement costs duly supported by Vendor's Invoices are compiled. Based on the Purchase order Register data – the actual landed cost per each month is arrived at. The Bill of Material more or less remains the same for the Item been supplied for through out the contract. Thus the **actual cost** incurred towards the procurement of prime Input (which is almost 75% of our Selling Price) is arrived at. The differential costs between the **base costs and actual costs** is claimed as price varation claim

- The price variation claim also at times was enabling us to claim the labour costs and the overheads as well. We use to freeze the man hours required for the production of the said item. The average hourly rate is caliculated based on a particular methodology. In this regard it is interesting to recall the methodology discussed in para 8 of the 28 para regime of Cost audit report under erstwhile Companies Act 1956. More or less - the same principles are been followed . The differential rate is thus arrived at and applied on the agreed man hours. Finally the overheads are always caliculated as a percentage of Labour cost. The overhead Rate is always caliculated based on the audited financials of the previous year and rounded off suitably.

- Thus the total differential claim is arrved at for the product supplied . A proper invoice used to be raised for the PV Claim by addiing the **Indirect Tax Component** (at that time Central Excise Duty and CST) as well.

- Now I turn my attention to the points raised by the queriest. We all know that the **Cost is a fact and Price is a policy**. I must admit that the period of 80s and early 90s was in a way a golden period for the profession of accounting particularly in public sector (even with out computerisation). The actual costs of the procurements are any way been charged to the Profit and loss account of the respective accounting period and thus gets mapped to the Products that are produced for.

- In the course of finalisation of accounts the price varation entitlement is been arrived at and appropriate accounting treatment is given in the books on the revenue front as well on a provisional basis. The impact of indirect Tax aspect is however deffered to the actual time of Billing. *In this process the true and fair view of cost records and costs sheets was never an issue from the persetive of the company (ALLWYN).* Customer perspective is not given importance – since the claim can always be substantiated - even though it materialises at a latter date or in the subsequent financial years. Provisions are suitably adjusted for.

- **Consolidation:** The practice that is been adopted use to throw challenges from the cash flow perspective as well if not from accounting angle. Company incur the costs first and claim the amounts as Price variation claim at a latter date. In order to avert this inconvenience – we use to **RE-VISIT** the base price and fix the new base price at a regular interval of say yearly once. Thus new base is followed for subsequent price variation claims

- With Ind As era focussing at "Substance over the Form" concept - that too from the Balance Sheet perspective – it is apt that apppropriate accounting entries are passed at the end of every year to influence the Current Asset Built up. GST laws advocate a view of "Time of Supply" and "place of supply" and the "Transaction Value". The Transaction value need not always be the price charged but can also be mapped to inputs consumed. Thus if the Price variation Claims are accounted on accrual basis – necessary GST liabity can also be recorded for with out recourse to the Customer's acceptability. If in case the Claim is down sized by the customer at a latter date – we any way have the mechanism of Debit and Credit Note mechanism. In the end there may not be any need to revisit the cost sheet compiled for a specific period.

In conclusion …

It is my duty to congratulate the CMA student who has ignited my thougt process to bring back my meories of 1987-1991.

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

"You are enough just as you are."

Do Internal Controls Stifle Corporate Innovation?

Source : IMA ***Compiled by - CMA Anand Satchit Jammalamadaka***

xInternal controls are often thought of as bureaucratic hurdles that stifle creativity, but better control systems just might be a key to greater innovation.

Internal control structures can help organizations prevent fraud, monitor risk, and improve the quality of their financial information. But can internal controls also help organizations increase their innovative output? A recent research study we conducted suggests that the improved information environment from higher-quality internal controls can help companies identify and patent their most innovative ideas. In fact, we found that when companies have higher-quality internal controls, they have more patents, and those patents relate to more valuable ideas for companies.

At first glance, it isn't obvious that internal control quality would influence innovative output. On one hand, internal control systems could create an overly bureaucratic environment that hinders innovation and creativity. On the other hand, internal controls could allow for systematic documentation of projects and better information flows within organizations. Having this increased amount of information could help managers identify the most promising projects to patent.

OUR STUDY

We examined data on the internal control quality of U.S. public companies along with data on patent filings from the U.S. Patent and Trademark Office. We started our analysis by examining the relation between ineffective controls and innovation. (For the complete study, see "The Impact of Control Systems on Corporate Innovation," Contemporary Accounting Research, Summer 2022.)

Because internal operational controls of public companies are largely unobservable to outsiders, we relied upon data about financial controls, which are publicly disclosed through various financial reporting filings with the U.S. Securities & Exchange Commission. The quality of financial controls can help us better understand operational controls because financial and operational controls are largely interdependent.

To measure the quality of internal controls, we used a three-pronged approach. First, we gathered data on financial control weaknesses, which are publicly disclosed on an annual basis as required by the Sarbanes-Oxley Act of 2002.

Second, we identified instances where public companies had to restate their financial statements. Companies restate financial statements to correct errors in their original filings, which suggests these companies likely had ineffective controls when they filed their original set of financial statements. Third, we inferred ineffective controls using a statistical prediction model from academic research.

We measured innovation as either the stock market's value of patents or the number of patents. While the stock market's value of patents provides an indication of patent value based on the market response to the patent, the number of patents provides a measure of the quantity of innovation over a given period. Regardless of which of these measures we examined, we consistently found that companies with worse internal control quality also had lower innovative output.

At the start of our research, we conjectured that higher-quality controls can help managers best identify patents that position the company well in terms of market and technology changes. In other words, managers can better survey their in-process research projects and convert them into valuable patents. To explore this possibility, we examined a mechanism for this effect—the ability of companies to convert research and development (R&D) dollars into patents.

POOR INTERNAL CONTROLS HINDER INNOVATION

Ineffective control systems are likely to reduce the quality of data, as well as the quality of project tracking and identification within organizations. If poor internal controls reduce managers' ability to receive accurate and timely information, managers may be unable to identify the internal projects with the most valuable intellectual property within their organizations. In other words, managers may be unable to allocate appropriate levels of staffing and financial resources to projects that can maximize their company's R&D investments.

Consistent with our conjecture, we found that poor control quality hinders companies' ability to convert R&D dollars into patents. We interpret these results as suggesting that when the quality of internal controls is low, managers are less likely to get the most out of their investments in R&D.

The process of converting R&D into projects that can be patented can be a lengthy one. As such, it's unclear whether the investment in internal control structures pays off immediately or in future periods. Yet our evidence suggests that internal control quality influences innovative patent output in both the same year of the patent filing as well as the subsequent year after the patent filing. This evidence suggests that investments in internal controls has benefits beyond the current year.

LIMITATIONS AND IMPLICATIONS FOR PRACTICE

Combined, our evidence suggests that managers who care about innovation should consider the benefits of stronger control systems. Our evidence also suggests that control systems can lead to an increase in the quantity and value of patents as measured by the stock market's reaction to patent filings. On average for the companies in our sample, higher internal control quality is associated with increased innovative output. In particular, these control systems appear to help managers convert R&D into valuable patents.

We found these results when comparing companies with higher-quality controls to those that don't have higher-quality controls as well as when looking within the same company, examining changes in innovative output as the company's own internal control quality changes.

Our findings shouldn't be seen as advice that improving control systems will result in immediate economic payoffs. There are certainly some companies for which innovation is less important, and these companies are likely to see less benefit on the innovation front from an investment in improved controls. Furthermore, it's important to remember that while we found results on average, the results may not hold for all companies, even within those for which innovation is important.

Despite these limitations, we believe our study helps us better understand the innovative process within companies. We showed that ineffective control systems are associated with lower levels of innovative output. Overall, our evidence suggests that higher-quality control systems improve the quality of information within companies, enabling management to identify and patent projects with higher innovative potential. Broadly speaking, our study suggests effective control systems can benefit companies when it comes to innovation, which is an important strategic priority for corporate executives.

Human Capital Reporting

Source : IMA *Compiled by - CMA J.S. Anand*

It's no secret that intangibles make up the lion's share of many companies' market value. Human capital, as a large component of that value, has been the focus of an incredible body of research looking at the relationship between a company's human assets and its financial well-being, growth, innovative capacity, and long-term sustainability. In response, organizations around the world have prescribed best practices for managing, measuring, and reporting human capital.

The U.S. Securities & Exchange Commission (SEC) recently got into the game when it released its proposal for the "Modernization of Regulation S-K Items 101, 103, and 105" in August 2019. While the proposal encompassed a wide range of amendments to existing rules, perhaps the most contentious of the amendments relates to the proposed new disclosure requirements around the company's human capital, Item 101(c)(1)(xiii). (See "Human Capital Accounting—Frameworks and Guidance" at end of article.)

In an attempt to improve human capital reporting and disclosure, the SEC has proposed several revisions to the existing rule, reasoning that investors are "better served by understanding how each company looks at its human capital and, in particular, where management focuses its attention in this space." The intent of the SEC proposal is to elicit material disclosures regarding human capital that allow investors to better understand this "resource" and to see how it's managed through the eyes of company management.

Currently, SEC registrants are required to disclose only the number of employees they have. The proposed changes would require registrants to describe their human capital resources, including any human capital measures or objectives that management focuses on in managing the business, to the extent such disclosures are material to an understanding of the business. The list of further disclosures for consideration may include, but is not limited to, the following (see also "Human Capital KPIs"):

Measures or objectives that address the attraction, development, and retention of personnel;

The number and types of employees, including the number of full-time, part-time, seasonal, and temporary workers;

Measures with respect to the stability of the workforce, such as voluntary and involuntary turnover rates;

Measures regarding average hours of training per employee per year;

Information regarding human capital trends, such as competitive conditions and internal rates of hiring and promotion;

Measures regarding worker productivity;

The progress that management has made with respect to any objectives it set regarding its human capital resources; and

The same disclosure requirements for registered issuers based outside the U.S.

HUMAN CAPITAL KPIs

The information reported under the SEC's proposed rules will likely vary depending on what's considered to be material for each individual company. There are a number of employee-related areas that could be relevant, including recruitment, retention, productivity, workforce costs, diversity, engagement, training and development, and more. The information may vary by company, by industry, or over time. The various frameworks and guidance describe many different measures and KPIs that might be addressed. Here's a small sample:

- Average time to fill vacant positions
- Employee turnover
- Absenteeism rate
- Percentage of positions filled internally
- Voluntary turnover rate
- Profit per employee
- Types and number of employees hired: full-time, seasonal, and part-time
- Training costs
- Payroll and nonpayroll expenses
- Percentage of women or minorities across employee groups, at management levels, in leadership positions, or across incoming hires
- Pay equity ratios
- Employee engagement scores

As Asumi Ishibashi, Talent Management North America Lead at Willis Towers Watson, explains, the SEC proposal has come at a time when reporting on human capital is inconsistent, with companies using a variety of models and methods to manage and understand the value of their human assets. “There is an agreement that human capital is a key driver of performance,” says Ishibashi, “but we still lack a standard method of rigor in how companies are evaluating human capital. So, unlike the financial metrics that are used to assess organizational health, human capital metrics are treated separately, resulting in the inability of companies and investors to benchmark performance.”

REACTION TO THE PROPOSAL

For some, the proposal of the SEC to improve human capital disclosure is a giant step forward. According to public comments by David Vance, executive director for the Center for Talent Reporting, the proposed changes would bring human capital disclosure to U.S. public companies much sooner than expected if they went into effect, which is, in his words, a “very big deal...a game changer.” As to how this will affect the dynamic between the CFO and human resources (HR), he adds, “Most companies will rely on their heads of HR as well as accounting for guidance on what to include in their narrative on human capital. If for no other reason than risk mitigation, these leaders in turn will look to the human capital profession for guidance” (bit.ly/2TI8aQT).

For others, the question remains whether the proposed changes, and the range of further disclosure items for consideration, deliver on the insights and comparability investors want or simply pose an insurmountable task for preparers—one with possibly questionable benefit.

The end of 2019 marked the close of the proposal’s public comment period. A review of the submitted comments clearly points to the emergence of two camps: (1) those that think expanding the disclosure requirements in the audited financial statements is a necessary step in achieving transparent reporting around a company’s human capital assets and (2) those that see an added compliance burden that is not only redundant but will lead to more, not less, confusion among investors. In the first camp are investor advocates, think tanks, and industry groups; in the other, much of the financial management community.

Has the SEC gone far enough to satisfy investors, or did it go too far in the minds of America’s public companies? While that answer is still clearly up for debate, one thing that these two groups agree on is that the proposal hasn’t served to satisfy either.

According to the Human Capital Management (HCM) Coalition, the group representing institutional investors with $2.8 trillion in assets that initially petitioned the SEC to change its disclosure rules around human capital reporting, the proposed principles-based amendments and the potential subjectivity around materiality implies too much guesswork on the part of preparers and investors alike.

In the view of the HCM Coalition, the SEC hasn’t gone far enough. Its comment letter on the proposal noted, “We are concerned that relying exclusively on principles-based requirements may elicit generic disclosures that fail to provide decision-useful information and take substantial time to review and analyze.”

Aside from data collection and reporting pitfalls, the HCM Coalition is also concerned that a lack of well-defined rules on reporting key human capital information may open the door for companies that have suboptimal human capital performance to either pick and choose metrics that may paint a misleading picture of their performance or even omit critical information altogether.

Similarly, the Coalition is concerned that a company that has strong performance one year but suboptimal performance another year may choose to only report certain metrics in years where the results are the best, leading to holes in data and reducing comparability. “These potential issues could reduce investors’ faith in the markets,” the HCM Coalition notes in its comment letter, “and impair future capital formation—precisely the problems disclosure laws were enacted to mitigate.”

For Fiona Reynolds, CEO of the Principles for Responsible Investment (PRI), the SEC has taken a step backward in the face of its own judgment. In her response to the proposed amendments, she notes that the SEC's own analysis concludes that the comparability of reporting may be reduced under principles-based standards, which rely more heavily on the fallibility of managers' professional judgment and experience.

Reynolds also points out that the SEC's analysis supports a rules-based approach and that the benefits of rules-based requirements include increased comparability among companies, decreased information asymmetry, improved stock market liquidity, and lower costs of capital. She recommends, "Instead of eliminating rules-based disclosures, as the Commission proposes to do in several elements of the Proposed Rule, it should use its extensive experience reviewing and probing issuer disclosures to develop consistent rules on emerging, material topics, including line-item disclosure on access to and use of human capital resources as well as climate-related risks."

Ultimately, she concludes, "the Commission should not rely only on the principle of materiality, as without additional specific disclosure requirements, the principle is not operative in practice. Pulling disclosure requirements back to the highest order principle of materiality and rejecting or minimizing the use of specific required disclosures, is an invitation to companies to tell their stories in a manner that makes comparison difficult."

REPORTING CHALLENGES

Whether the numbers are based on prescribed disclosures or are principles-based linked to materiality, reporting on human capital in the financials comes with other challenges and issues for CFOs. According to the Committee on Corporate Reporting (CCR) of Financial Executives International, there are significant operational challenges to disclosing human capital information in Form 10-K. First, the CCR concludes in its comment letter to the SEC that it would be impractical and costly to provide human capital data within the 60-day 10-K filing timeline with the degree of precision that might be expected in a financial filing.

Second, the CCR notes, requiring this information in the 10-K would require executing disclosure controls and reviews at senior management and board levels under tight timelines established for financial reporting purposes. "Quickly collecting this data may be difficult because human capital information is often stored in varied systems across many jurisdictions."

The CCR is also concerned about what human capital information companies would be expected to include in the 10-K. While it agrees with principles-based disclosures, based on materiality, the CCR is worried that the evolving nature of human capital information across companies doesn't lend itself well to inclusion in the 10-K. More specifically, it asserts that the relationship between human capital information and financial performance is indirect and that many companies are still developing their understanding of this relationship and how it might be used for decision making. It adds, "We believe it will often be difficult to identify how a change in a human capital metric did or will affect a company's financial performance."

The CCR also points to the uniqueness of companies, suggesting that more is less when it comes to human capital reporting: "Even within voluntary disclosures…we believe the comparability of human capital disclosures across companies and even within industries may vary widely and could lead to confusion among users. We also believe it will be difficult for companies to provide consistent disclosures about what human capital information is material to their decision making, especially within the 10-K."

Finally, CFOs are worried about disclosing competitive or sensitive information. "Companies may have material human capital measures used by management related to a specific geography, product line, or key talent group that is proprietary," says the CCR. "For example, if a company had a material human capital measure related to a geographical center of excellence used to drive significant cost savings, disclosure may cause a competitor to try and replicate and/or compete for talent in the same geography."

Thomas E. Roos, senior vice president and chief accounting officer for UnitedHealth Group Incorporated, tends to agree. He calls for maintaining the status quo, noting that companies already are voluntarily disclosing key performance indicators (KPIs) with respect to human capital in a variety of ways, such as at investor conferences or in proxy statements, earnings releases, external presentations, sustainability reports, or on their websites.

“We believe that companies have adequately met investor requests through these voluntary disclosures,” Roos says, “while balancing the need to protect competitive or sensitive information. Thus, no further rulemaking is necessary.” Additionally, insofar as certain disclosures may reveal competitive information, he notes that the proposed rule, as written, “could require companies to disclose proprietary and sensitive information which may result in competitive harm to companies.”

Finally, while much of the information is currently available, he notes, “the proposed disclosures could require significant effort and cause companies to incur additional costs in order to be able to track, summarize, and review the required human capital information, which would be contrary to the ongoing simplification efforts undertaken by the SEC.”

NEXT STEPS FOR CFOs

What do experts expect the outcome of the proposed rule changes to be, and what should be on top of the to-do list for CFOs?

According to Asumi Ishibashi, achieving the optimal type and level of disclosure is going to be a long journey. “Ultimately, having a standard approach across industries and different operating models is an important goal,” she says, “but it’s still quite a way off.” The return on investment (ROI) on human capital was historically focused on managing cost, she comments, and many companies are still thinking and managing that way. “Imposing a compliance framework on companies that describes the management and measurement of human capital has moved the needle forward, but we’re not there yet.”

As to whether the proposed rule change will see the light of day or is the precursor to even further disclosure requirements around human capital, Randel K. Johnson, Michael T. Dunn, and Mark A. Katzoff, from international labor law firm Seyfarth Shaw LLP, predict it’s the thin edge of the wedge. They caution registrants to keep a close watch. They write, “Without close attention by the business community to the rulemaking process, it’s possible that the disclosure requirements could be expanded, perhaps significantly, beyond the disclosure currently contemplated by the proposed rules.” They go on to warn, “If one reads the record discussed in the proposed rules and the comments submitted, there is no question, as night follows day, that certain groups will be pressing for much broader and intrusive disclosure requirements” (bit.ly/39LNZH2).

For CFOs and their finance teams, the immediate task is to start thinking about the potential impact of the proposed human capital disclosures on their information systems, control systems, internal resources, brand, and risk, as well as their relationship with their HR functions.

According to Brittney Newell, CFO at Expansion Capital Group, a specialty lender that has provided approximately $400 million in working capital to small businesses throughout the United States, investors need to understand the correlation between a company’s employees, innovation and productivity, and overall success, regardless of whether that company is registered or private. “There are hundreds of resources available to understand the efficiency and effectiveness of our human resource management systems.

And in the age of Big Data, advanced data analytics is allowing more accuracy and a better understanding of the ROI of human capital resources. This in turn has paved the way for better management and development of those resources.” For the CFO, she adds, the SEC’s proposed amendments will require an even greater understanding of how human capital impacts the success of companies. And with the advent of more clearly defined metrics of HR success, "I see CFOs becoming close partners and advocates of the HR function."

At the same time, says Ishibashi, the proposed amendments support a compelling case for CFOs to think about financial, operational, and human capital metrics as a whole. "That's where we'll see greater collaboration between finance, HR, and IT going forward," she adds, "whether it be partnering with HR to pave the way for benchmarks, or supporting their human capital strategy based on an understanding of the relationship between the workforce and financial outcomes of their companies."

HUMAN CAPITAL ACCOUNTING—FRAMEWORKS AND GUIDANCE

A4S CFO Leadership Network, "Essential Guide Series: Social and Human Capital Accounting," 2017 Developed for finance teams, this guide contains practical examples, suggested tools, and guidance for how social and human capital can be integrated into decision making, with a focus on developing resilient and sustainable business models.

International Integrated Reporting Council, "

Creating Value: The value of human capital reporting,"

2016 This report shares developments in the reporting on human capital, identifying the benefits of human capital management and reporting—particularly when applying integrated reporting—as well as advocating for the development of an accepted approach to human capital reporting.

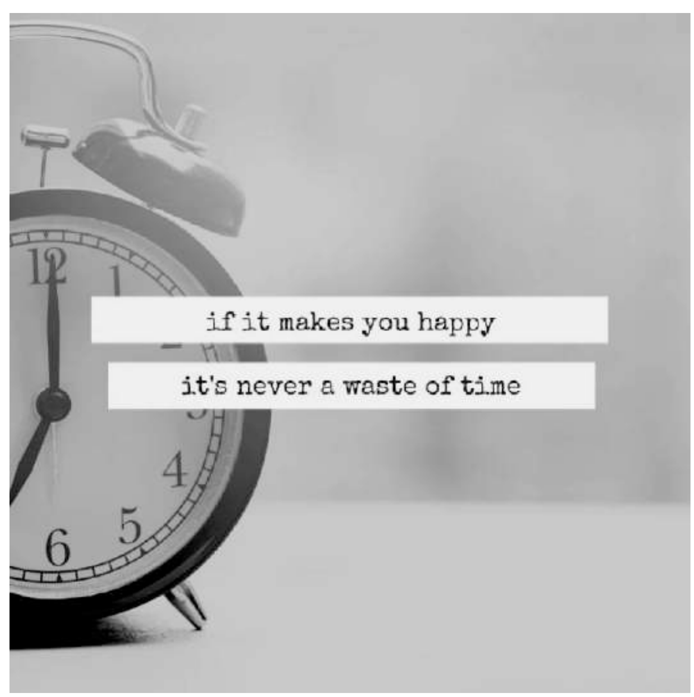
International Standards Organization (ISO), "ISO 30414:2018, Human resource management —Guidelines for internal and external human capital reporting," 2018, ISO 30414:2018 is a voluntary standard that provides guidelines for internal and external human capital reporting. Its objective is to "consider and to make transparent the human capital contribution to the organization in order to support sustainability of the workforce."

Sustainability Accounting Standards Board (SASB),

"SASB Conceptual Framework,"

2017 The SASB Conceptual Framework includes a dimension on human capital that "addresses the management of a company's human resources (employees and individual contractors) as key assets to delivering long-term value." It covers a multitude of issues, ranging from compensation, engagement, and diversity to working conditions, labor relations, safety culture, and more. The Framework guides the SASB in its approach to setting industry-specific standards for sustainability accounting.

Human Capital Management Institute, "Human Capital Financial Statements" (HCF$) The HCF$ is a private-sector reporting framework and technology solution that values the business impact of human capital according to ISO human capital reporting standards. It aims to provide a standard method with which to measure, report, and disclose a company's human capital and to help quantify human capital similar to financial statements.

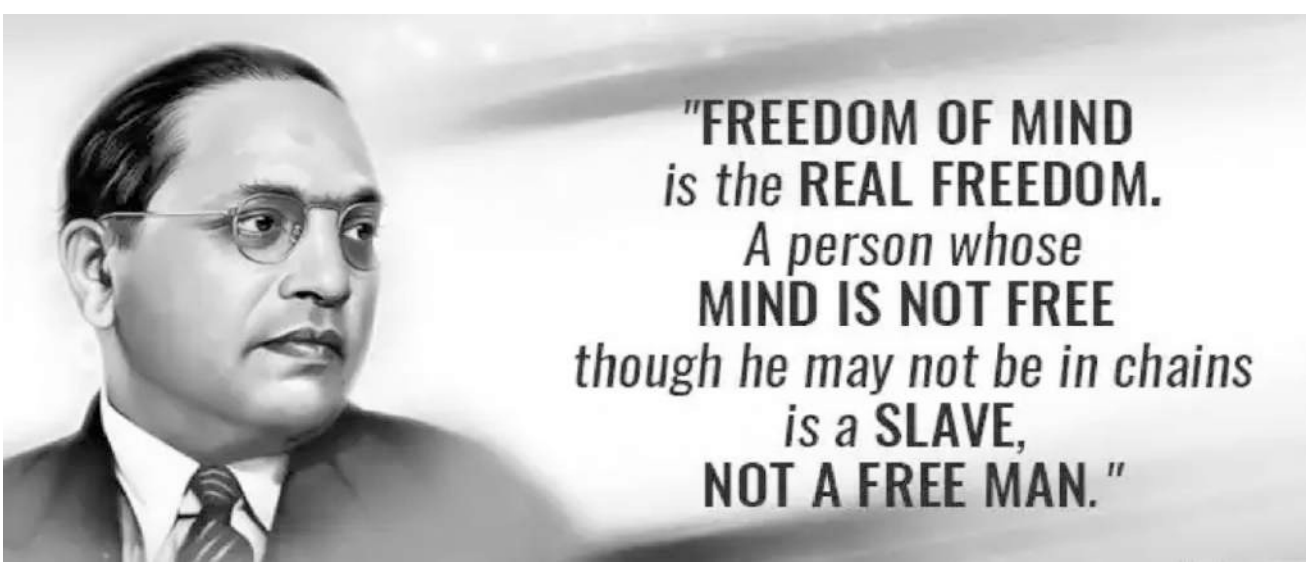


Tax Compliance Calendar

Source : eztax.in

MARCH 2023

2	TDS Payment for April 2023
10	Professional Tax (PT) on Salaries for April 2023 Professional Tax Due Date Varies from State to State. Kindly Contact eztax.in for Expert help.
11	GSTR 1 (Monthly) for April 2023
13	GSTR 1 IFF (Optional) (Apr 2023) for QRMP
15	TCS Return in Form 27EQ for Jan-Mar 2023 Quarter
15	Provident Fund (PF) & ESI Returns Payment for April 2023
20	GSTR 3B for April 2023 (Monthly) (refer GST Update)
25	GST Challan Payment if no sufficient ITC for Apr 2023 (for all Quarterly Filers) (refer GST Update)
30	Form 11 for FY 2022-23 for LLP's
30	TDS Payment in Form 26QB (Property), 26QC (Rent), 26QD (Contractor Payments) for Apr 2023
30	Issue of TCS Certificates in Form 27D for Jan to March 2023
31	TDS Return in Form 24Q, 26Q, and 27Q for Jan-Mar 2023
31	Due date for furnishing of statement u/s 285BA For FY 2022-23 (For Banks etc.)



ASSOCHAM and CFO India Awards to CMA Anil Kavadiya

CONGRATULATIONS

CMA Anil Kavadiya has won 1st best CFO award under the sectoral category of Energy at ASSOCHAM Annual Summit 2023 and 2nd award as best CFO 100 in the category of Risk management by CFO india.

ASSOCHAM hosted an award ceremony at the 'Vibrant Bharat CFO Summit and Awards' in Delhi to acknowledge the hard work and vision of the CFOs in the growth of the businesses. This demonstrates the significance and crucial role played by CFOs in directing the company. CFO india has awarded one of best CFO in Risk management in their annual summit held in Mumbai.

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