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Congratulations to Prof. CMA. Gaddam Naresh Reddy

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HYDERABAD CIRCUIT

NOVEMBER - 2024

A News Magazine from the Hyderabad Chapter of
The Institute of Cost Accountants of India

hyderabad@icmai.in | 040-27635937, 27607893

Members' Meet with President

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

The Chairperson writes to you

Dear Professional Colleagues and Students,

Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence.

~Helen Keller

We are deeply saddened by the passing of Sri Ratan Tata, a visionary leader whose legacy of integrity and compassion has inspired us all. His contributions to business and society will forever be remembered.

After the festive indulgence, it's time to shift focus back to health. National Cancer Awareness Day on November 7 (India) and World Cancer Day on February 4 remind us of the importance of regular screenings, a balanced diet, and overall wellness in cancer prevention.

October was a vibrant and meaningful month for the Hyderabad Chapter, with programs that celebrated culture, bolstered student readiness, and enhanced professional growth. We began with Durga Ashtami Pooja on 10th October, a community celebration at CMA Bhavan where prayers were offered for the success of our students, members, and staff.

A highlight was the Industry Oriented Training Programme (IOT) for CMA Final students from October 14–23, offering critical industry knowledge and soft skills for their December 2024 exams.

From October 19–21, the 3-Day Health, Happiness, and Heartfulness Programmeprovided insights on physical and mental well-being, enriching our community's approach to holistic health.

On October 26, we held a Press Meet and Members' Meet attended by ICMAI President CMA Bibhuti Bhusan Nayak ji, who reinforced our commitment to professional development. He also emphasised on various opportunities available for CMAs. On October 27, a Forensic Audit sessiondelivered in-depth insights into fraud prevention, underlining the importance of ethics in our profession.

Thank you to everyone for making these events successful. I look forward to our continued collective professional growth and engagement through our Chapter.

I am pleased to inform you that student identity cards are now available on DigiLocker. This convenient digital option, accessible at https://www.digilocker.gov.in/, ensures quick and secure access to student IDs, helping you stay connected to the institute with ease.

As November arrives, we are reminded of towering figures whose legacies inspire us. We honor Rani Lakshmibai, C.V. Raman, Jawaharlal Nehru, Indira Gandhi, and Amartya Sen for their remarkable contributions to India's history, science, and social progress. Their dedication inspires us to strive for excellence and contribute meaningfully to society.

On this Children's Day, let's take a moment to celebrate the curiosity, imagination, and boundless energy that children bring into our world. May we all carry forward that sense of wonder and openness in our lives and work, keeping our minds young and our ideas fresh. Likewise, as we approach Guru Nanak Jayanti, may Guru Nanak Dev Ji's teachings inspire a respectful and collaborative culture within our profession.

Wishing you all a peaceful and blessed Gurpurab.

Best Regards,
CMA Dr. Lavanya Kanduri
Chairperson, Hyderabad Chapter of ICMAI

From the Edit Room...

This month, we are pleased to present a collection of insightful articles that address pressing issues across various sectors. CMA E. Vidya Sagar's piece on "Decarbonizing Cement Manufacturing" delves into the essential strategies the cement industry must adopt to mitigate its environmental impact. With the cement sector being a significant contributor to carbon emissions, embracing innovative technologies and sustainable practices is crucial for fostering a greener future.

In "Business Models and Cost Management in Growing Crops – Part 3," CMA N. Krishnan continues to explore effective strategies for optimizing agricultural practices. This instalment offers valuable insights into financial management and business models that can enhance productivity and sustainability in crop production.

CMA Suresh Kumar Varma Gadhiraju presents an insightful article on the burgeoning field of social enterprises and the newly emerging Social Stock Exchange. This piece sheds light on the essential frameworks supporting socially responsible business models and examines how the Social Stock Exchange is poised to drive social impact through regulated financial structures.

As part of our recurring content, we include the latest "ZR Column" by CMA D. Zitendra Rao. This feature provides thought-provoking perspectives on finance and management, addressing trends, challenges, and strategies to stay ahead in today's dynamic business environment.

Additionally, I am excited to share my article on "Forensic Audit," where I discuss the critical role of forensic auditing in maintaining financial integrity. As organizations face heightened scrutiny, understanding the methodologies and ethical considerations in forensic audits is vital for identifying discrepancies and ensuring accountability.

This month, we also had the privilege of visiting distinguished officials, including:

- *Sri K. Srinivasa Rao and Sri Laxmi Narayana Jannu, Members of TG RERA*
- *Sri Srinivas Danda, IRS, Principal Commissioner of Income Tax -4*
- *Smt M. Narmada, IRS, Commissioner of Income Tax (Appeals) Unit-4*
- *Sri MVK Rao, IRS, Deputy Commissioner of Income Tax (Judicial), Hyderabad*
- *SmtSheeta Sarin, IRS, Joint Commissioner of Income Tax (Judicial), Hyderabad*
- *Sri Kumar Pranav, IRS, Commissioner of Income Tax (Appeal Unit)*
- *Sri Shravan Gortu, IRS, Principal Commissioner of Income Tax (Revisional) -1, Hyderabad*
- *Sri PV Pradeep Kumar, Commissioner of Income Tax (TDS), Hyderabad*
- *Sri M. Vijay Kumar, IRS, Commissioner of Income Tax (Appeal) Unit -1, Hyderabad*
- *Ms. Mitali Madhusmita, IRS, Principal Chief Commissioner of Income Tax, AP & Telangana*
- *Sri K. Ravi Kiran, IRS, Commissioner of Income Tax (Administration & Taxpayer Services) AP & Telangana*
- *Sri B. Sreedhar, Assistant Director (P)*
- *Sri S. Vijaya Kumar, IEDS, Joint Director*

During our Diwali visits to these distinguished officials, we engaged in insightful discussions on the opportunities and growth potential for CMAs in the current economic landscape.

We encourage our readers to engage with these articles and share their thoughts. Your feedback is invaluable in fostering a community of learning and growth. Thank you for your continued support!

Warm Regards,
CMA Khaja Jalal Uddin
Chairman - Editorial Board
Secretary, Hyderabad Chapter

Article Contributors

CMA E. Vidya Sagar – A practising Cost Accountant since 1996, E. Vidya Sagar authored the article on "Decarbonizing Cement Manufacturing." This article likely explores strategies and methodologies for reducing carbon emissions in cement production, focusing on environmental sustainability within cost management.

CMA N. Krishnan – Practising since 2017, N. Krishnan has contributed "Business Models and Cost Management in Growing Crops – Part 3." This article is part of a series examining agricultural business models, cost efficiencies, and management practices aimed at optimizing crop production.

CMA D. Zitendra Rao – A contributor since 2006, D. Zitendra Rao authors the ZR Column, a regular feature likely covering various aspects of cost accounting, industry trends, and best practices.

CMA Khaja Jalal Uddin – A practising Cost Accountant since 2012, Jalal Uddin contributes the article "Forensic Audit." This article likely discusses forensic accounting practices, focusing on the role of cost accountants in uncovering financial irregularities and ensuring compliance.

ACTIVITIES SCORE BOARD

Month (2024-25)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	Year-to-date
No. of Programs	0	0	2	4	2	2	1	-	-	-	-	-	11
CEP Hours	0	0	9	6	3	6	2	-	-	-	-	-	26

Wishing our esteemed members a very happy birthday! May your year ahead be filled with success, good health and happiness. (October Month)

1688	CMA P. JANAKIRAMAN
2099	CMA T. VENKATA PANDU RANGA RAO
3374	CMA KAREDLA GOURINADHA SASTRY
4854	CMA K. SIVA RAM
7981	CMA M. KAMESWARA RAO
8189	CMA SANGITA GHOSH RAY
8783	CMA ATUL KUMAR AGARWAL
9201	CMA DVV. NAGENDRA PRASAD
11342	CMA P. SUBBA RAO
11346	CMA ABY ALEX
13629	CMA A. SRINIVAS VIJAY KUMAR
14368	CMA ARORA PARMOD KUMAR
14812	CMA VEMURI VISWANATH
15214	CMA ANIKODE SUBRAMANIAM A.K
15769	CMA E. CHENGALRAYULU
16138	CMA B.H. GANGADHAR RAO
16870	CMA BATHINA VENKATA RAMESH
19069	CMA KAUSTAV BANERJEE
19726	CMA GANNAVARAPPU RAJA SEKHAR
20371	CMA SANDEEP S. ZANWAR
22139	CMA SMITA VALVEKAR
23080	CMA M. CHINNARAO
23552	CMA K.S.V.S. SARMA
23772	CMA GUDAPATI NAGARAJ
23880	CMA SWARUP BANERJEE
24292	CMA DINESH KUMAR MISHRA
24637	CMA KAPADIA AJAY MADHUSUDAN
26289	CMA SHIRISH BADAMI
26912	CMA A. MANJULA ANAND
27474	CMA R. NAGENDRA PRASAD
27668	CMA DALA RAVI KUMAR
28210	CMA MALYALA MADHAVA RAO
28826	CMA GADEPALLY ANIL KUMAR
29857	CMA CHADA RAVICHANDRA
29993	CMA PANKAJ SHARMA
33897	CMA VUTARAPALLY MADHAVI KRISHNA
34135	CMA PADDAKOTLA SIVA PRASAD
34403	CMA KARLAPALAM KRISHNA KANTH
34731	CMA KALLAM NAVYA
34957	CMA YERRAPRAGADA VENKATESWARA RAO
35149	CMA PADAKANTI RAVINDRA
35266	CMA NARLA KRISHNA KISHORE
36958	CMA ELDANDI SARITHA
37179	CMA KILARI MADAN
37322	CMA NANDURI RAJYA LAKSHMI
37326	CMA NIRIKHI SRIGIRI RAO
38049	CMA L N SRUTHI KANIGALPULA
38467	CMA P CHANDU KUMARI
39784	CMA VEMULAPLLI PAVANI
39987	CMA P.S. RAGHAVENDRA RAO
40269	CMA SANGE PRAVEEN
41662	CMA MOHAMMAD SAQIB
42472	CMA KOMMU SURENDER
42654	CMA MUSHAM YASHWANTH
43340	CMA ROJANALA RAHUL
43695	CMA CH NAGA JEEVAN
45688	CMA MYLAVARAPU SITA DEVI
45754	CMA KURAPATI SATISH
45852	CMA MOHAMMED AVEES
46219	CMA D.B.S.S.SOMARAJU
46863	CMA PUPPALA NARESH
47669	CMA PUPPALA PURENDER GOUD
48772	CMA KONTHAM NARENDER
49468	CMA MAILAVARAPU SANTHOSH
50111	CMA NIMMOJI DEEPAK KUMAR
50289	CMA SHASHANI SOWMYA
50337	CMA S ABDUL KAREEM
50381	CMA PULIPATI SRUJAN KUMAR
50588	CMA M MARUTHI PRASAD
50663	CMA YARNAGULA UMA MAHESWARA RAO
51062	CMA GUDAPUREDDY PAVAN KUMAR REDDY
51344	CMA PUPPALA PRAVEEN KUMAR
51618	CMA TAMIRSI MALLIK KUMAR
51628	CMA MAYANK SHAH
52513	CMA A NIYAZ AHAMED
52774	CMA MALYALA SINDHUJA
53112	CMA PALTHYA MAMATHA
53142	CMA ABHISHEK SHARMA

Performance Track

10.10.2024 - Durga Ashtami Pooja

The Hyderabad Chapter celebrated Durga Ashtami Pooja on 10th October 2024 at CMA Bhavan, Himayatnagar, Hyderabad. During this auspicious occasion, prayers were offered for the success and well-being of students, members, and staff, fostering a sense of community and collective support within the chapter.

14.10.2024 to 23.10.2024 Industry Oriented Training Programme (IOT) for CMA FinalStudents

The Hyderabad Chapter conducted the Mandatory Industry Oriented Training (IOT) Programme at CMA Bhavan, Sanathnagar for CMA Final students in preparation for the December 2024 examination. Held from 14th to 23rd October 2024, this daily morning program covered essential industry-relevant topics such as Risk Management, Finalization of Accounts, Direct and Indirect Taxation, Project Management & Project Financing, Cost Audit, Company Formation and Contract Management, Working Capital Management, and Digital Financial Services. Additionally, modules on soft skills, including communication, interview preparation, and group discussions, helped prepare students for professional success.

19.10.2024 to 21.10.2024 - Health, Happiness, and Heartfulness Programme

The Hyderabad Chapter hosted a 3-Day Health, Happiness, and Heartfulness Programme from 19th to 21st October 2024. The event included an offline session at CMA Bhavan, Sanathnagar, followed by two online sessions, providing members with insights into physical and mental well-being. Esteemed speakers, including Mr. Samir Sahu, Dr. Bhargava Garu, Ms. Darshvinder Kaur, and Mr. Manoj Saraswat, shared valuable practices on enhancing health and happiness.

26.10.2024 - Press Meet

The Hyderabad Chapter organized a press meet on 26th October 2024 at CMA Bhavan, Himayatnagar, where CMA Bibhuti Bhusan Nayak (President of ICMAI) and key council members, including CMA Dr.K.Ch.A.V.S.N. Murthy, CMA Dr. Lavanya, CMA D.V. Rambabu, CMA Khaja Jalal Uddin, and CMA Kirti Agarwal, discussed the significant role of CMAs in driving economic growth and development.

26.10.2024 - Members' Meet with President

The Members' Meet with ICMAI President CMA Bibhuti Bhusan Nayak took place on 26th October 2024 at CMA Bhavan, Himayatnagar. Joined by CMA Dr.K.Ch.A.V.S.N. Murthy, CMA Vijay Kiran Agastya, CMA KVN Lavanya, Committee members of Hyderabad Chapter and around 100 members, the President shared insights on creating new opportunities for CMA students and emphasized the importance of communication skills and professional development.

27.10. 2024 – Forensic Audit

An online awareness session on Forensic Audit was held on 27th October 2024, led by Guru Prasad, focusing on the role of forensic audits in detecting and addressing financial fraud. The session emphasized the critical skills and resources needed for forensic investigation, underscoring the importance of forensic audits in uncovering fraud such as internal fraud, procurement fraud, asset misappropriation, and financial statement fraud. It also covered global challenges posed by occupational fraud, with discussions on the psychological factors that may lead to fraudulent behaviour, including rationalization, pressure, and opportunity. The session detailed practical forensic auditing approaches, such as data analysis, interviews, and comparisons with industry standards, to detect red flags like close customer relationships and unusual financial behaviour. Key preventive measures, including a strong code of conduct, training, and whistleblower protection, were highlighted to encourage ethical practices within organizations. The session concluded with a call for cost accountants to take responsibility for reporting fraud and gathering robust evidence, emphasizing that forensic audits are crucial in both corporate and individual cases to maintain financial integrity.

Decarbonizing Cement

CMA E. Vidya Sagar
Cost and Management Accountant in Practice

DECARBONIZING CEMENT MANUFACTURING

Cement manufacturing is an emission intensive process and one of the major pollution causing industry. The manufacturing process requires high volumes of Fuel and high power consumption. The calcination process accounts for the highest share of overall CO2 emissions and cement mill accounts for the highest power consumption in the manufacturing process.Carbon emissions cause Global warming .It is well known that Fossil Fuel is used in Kiln for thermal energy and this accounts for major emissions. Electricity (Thermal Generation) used in cement mill is another source of carbon emissions .

NET ZERO

Net Zero is an internationally agreed-upon goal that refers to a state where the amount of greenhouse gases (GHGs) produced is balanced by the amount removed from the atmosphere.The IPCC (Intergovernmental Panel on Climate Change)concluded the need for net zero CO2 by 2050 . This can be possible by reducing human-caused emissions as close to zero as possible and balancing any remaining emissions with an equivalent amount of carbon removal.Carbon removal can happen through natural approaches like restoring forests or through technologies like direct air capture and storage (DACS).

REDUCING CARBON EMISSIONS

1. **Energy Efficiency**

   Adopting energy efficiency methods to reduce energy consumption per unit The efficiency methods include grinding system efficiency, use of highly efficient clinker coolers, Improving efficiency of Electrical equipment ,etc

2. **Increasing the waste heat recovered in each step of the manufacturing process**

   In cement plants, it is estimated that nearly 30 to 35% heat is lost, primarily from the preheater and cooler waste gases. Further it is estimated that this heat loss if recovered can meet nearly 20-25% of cement plant power requirements.These waste heat gasescan be converted to Electricity using conventional systems. As this does not require additional fuel consumption it will result in reduced CO2 emissions.

3. **Use of alternative fuels**

   In the last 10-15 years Cement plants have started using various alternative fuelsto reduce Carbon emissions and to improve cost savings . Alternative fuels are often a mixture of different waste materials, and their energy value and composition can be difficult to determine.Main sources of alternative fuels are biomass . municipal solid waste, dried sewage sludge, granulated plastic, animal flours, fine crushed tires, crushed tires, rubber/plastic waste, wood waste,reagglomerated organic matter, Low chlorine spent solvents and refinery waste.

   Alternative fuels can help conserve non-renewable resources, reduce waste disposal requirements, and reduce emissions. Many Companies are now reporting in the Annual Reports the Alternate Fuels used and TSR achieved.The share of thermal energy that is sourced from alternative fuels is defined as the thermal substitution rate (TSR)

4. **Use of Renewable Energy**

   Cement operations are power intensive. The power required for cement plants are normally taken from Grid and Captive Power plants . Generation from both the sources are from Fossil fuels like Coal and PET coke which contribute to carbon emissions. Use of Renewable Energy like Solar Power and Wind Power for some areas of plant will contribute to reduction in emissions. Incentivising Renewable Energy with lower or no transmission charges is essential as it will play a pivotal role in decarbonisation.

5. **Clinker Factor**

   Clinker factor in cement refers to the amount of clinker in the cement. Reducing the clinker factor can have positive environmental impact and is one of the ways of decarbonizing cement . Major method of reducing clinker factor include Increased utilisation of fly ash in PPC, increased utilisation of steel slag in PSC and use of LC3 cement . LC3(limestone calcined clay cement,) is a new variant of cement and is estimated to have 40 per cent lower emissions per tonne of cement . This consists of unique blend of 50 per cent clinker, 30 per cent calcined clay, 15 per cent limestone, and 5 per cent gypsum.Though LC cement is a sustainable alternative to existing cement variants. fuel is required for the producing calcined clay thereby increasing its cost

6. **Carbon capture, utilization, and storage(CCUS)**

   CCUS is process that captures carbon dioxide emissions and either reuses or stores them to prevent them from entering the atmosphere.Carbon dioxide is captured from large sources, such as Cement Plants and power plants that use fossil fuels or biomass. The captured carbon dioxide can be used on-site or can be compressed and transported by pipeline, ship, rail, or truck. The captured carbon dioxide can be used in a variety of applications, such as for producing manufactured goods or in industrial processes.The captured carbon dioxide can also be injected into deep geological formations, such as oil and gas reservoirs or saline aquifers

7. **Green Cement**

Green Cement is an eco-friendly cement that uses a carbon-negative process of manufacturing. It is a sustainable eco-friendly cement that can minimize the carbon footprint of cement production across the globe The major raw materials used to produce green cement include mostly the discarded waste from the industry. The slag from the blast furnace and fly ash are the chief materials used in the manufacturing of green cement.

The majority of these are based on technological advances that include energy-efficient, low carbon production methods, new cement formulations, geopolymers, carbon-negative cements, and new concrete products. Additionally, green cement production reduces cement intake, and its major raw materials include discarded industrial wastes like blast furnace slag and fly ash.

Ekkomaxx cement, Magnesium oxychloride cement, Geopolymer cement, Ferrocrete, Calcium sulfoaluminate cement, and Sequestrated carbon cement are some examples of green cement. Some of these products have been commercialized and used in various projects whereas a number of these cements have not been utilized broadly in construction projects but possess great potential to be used.

8. **Green Hydrogen**

Green Hydrogen (GH) is a form of hydrogen that is created by electrolyzing water with the use of renewable energy sources like solar or wind energy. Water is split into hydrogen and oxygen during the electrolysis process, and the hydrogen that is created can be used as a clean, sustainable fuel. The carbon intensity ultimately depends on the carbon neutrality of the source of electricity (i.e., the more renewable energy there is in the electricity fuel mix, the “greener” the hydrogen produced). The use of Green Hydrogen for industrial applications is still at nascent stage.

Congratulations to
Prof. CMA. Gaddam Naresh Reddy sir
for being appointed as Registrar of
Prestigious Osmania University.

Business Models and Cost Management in Growing Crops – Part 3

Compiled by:
CMA N. Krishnan
Cost and Management Accountant in Practice

Use the data for decision-making

The data collected and reports generated from a costing system should add value to the Farmer.

Here are some specific examples of how farmers can manage their variable costs:

- A corn farmer can use precision agriculture techniques to target fertilizer and pesticide applications to where they are most needed. This can help to reduce input costs.
- A soyabean farmer can use cover cropping to improve soil health and reduce the need for irrigation. This can help to reduce irrigation costs.
- A wheat farmer can negotiate with suppliers to get the best possible prices on seed and fertilizer. This can help to reduce input costs.
- A tomato farmer can harvest tomatoes at the optimal ripeness to reduce the amount of waste. This can help to reduce harvesting costs.

By carefully managing their variable costs, farmers can improve their profitability and sustainability.

Here are some specific examples of how farmers can manage their fixed costs:

- A farmer can rent land instead of owning it to reduce the cost of land.
- A farmer can purchase used machinery and equipment instead of new machinery and equipment to reduce the cost of machinery and equipment.
- A farmer can negotiate with insurance companies to get the best possible rates on insurance.
- A farmer can take advantage of subsidies and other government programs to reduce the cost of labor, storage facilities, and interest on loans.

By carefully managing their fixed costs, farmers can improve their profitability and sustainability.

The following is a case study of how to Optimize profits of seasonal crops during price fluctuations using Costing data with the help of an Excel tool.

A simple tool is developed in Excel with the help of macros to demonstrate how to optimize profit, this will help farmers to maximize their revenue. This Profit Optimization Tool is developed on the principles of the theory of Optimization

The following is an illustration of how to ascertain the optimal profits by applying the Excel Tool when prices at different times are given for tomatoes and the cost of Pre-harvest, During-harvest, and Post-harvest are given, the figures taken are also illustrative.

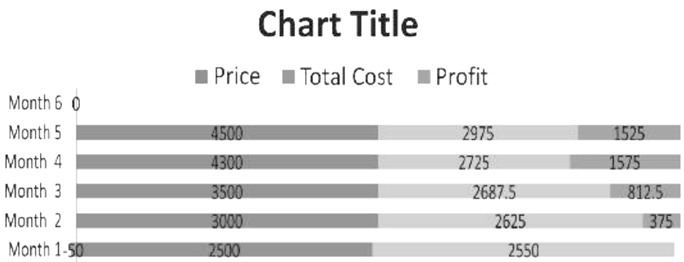
The following are the steps involved in applying the Optimization Model:

1. Define the decision variables. In this case, the decision variables are the Price of tomatoes to produce at each period and the Post-Harvest Cost incurred till the period
2. Define the objective function. The objective function is to maximize or minimize. In this case, the objective function is to maximize the total profit, which is the difference between the revenue from selling the tomatoes and the cost of producing the tomatoes up to the point of sale.
3. Define the constraints. The constraints are the limitations that we have on the decision variables. In this case, Production in tons, which is already produced cannot be increased.Also, Pre-Harvest and Harvesting Costs are already incurred
4. Formulate the optimization problem. The optimization problem is the mathematical formulation of the problem that we want to solve. It consists of the objective function, the decision variables, and the constraints.
5. Solve the optimization problem. There are several different ways to solve optimization problems. In this case, we use a linear programming solver with the help of Excel to solve the problem.

Harvesting cost per ton(Rs)	1,975	constraint
Post Harvesting Cost per ton(Rs)	500	Variable
Production in tons	1	Constraint
shelf life in months	5	Constraint

		MONTHS					
		1	2	3	4	5	6
Price	variable	2500	3000	3500	4300	4500	5000
cost increase							
cold storage	%	5	10	12.5	15	50	50
Finance	%	10	20	30	35	50	60

Optimal Solution	
Time (months)	4
Price	4,300
Harvesting Cost	1,975
Cold Storage (%)	15
Finance (%)	35
Post Harvesting Cost	750
Total Cost	2,725
Profit	1,575



Conclusion

The objective of any Business Model is to optimize profit and this is possible only if it is supported by an effective Cost Management System.

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- Concept Note on Augmenting the Farmers; Income - Road Map for CMAs
- Generally Accepted Cost Accounting Principles issued by the Institute

PRACTITIONER'S DESK

ZR Column 2nd Release - 008

CMA CA Dendukuri Zitendra Rao
Cost and Management Accountant in Practice
Mail Id: dzrandco@gmail.com

With the end of Cost Audit Season for the FY 2023-24; the practicing professional community in particular and industry in general eagerly await the notification of new Cost Rules. If the expert committee report becomes the reality – our professional development committees across PAN INDIA has big role to build the knowledge Bridge that connects the auditees and the auditors. With these opening lines I now turn to pen few nuggets and hopeful that the reader finds the same interesting

Padhenimidi (Eighteen): In October 2024 - our country stood on one stand in making an appeal to Government of India to honor Late Ratan Tata with India's highest Civilian award "BHARATH RATNA". I felt like sharing my thoughts in this column as a tribute to the departed soul. TATA has an image. I have Late JRD Tataji photo in my office receiving Bharat Ratna from the then President (probably RV) to showcase the TATA's approach "Never Compromise on Compliance" which was advocated by JRD himself. I have seen his interview long back in one of my flight journeys to New Delhi by Air India. The mantle of TATA was aptly carried out by the great *Ratan Tata* who attained liberty from this material world to reach the lotus feet of DURGA MATHA in the sacred Navaratri days. It is heartening to note that Ministry of Corporate Affairs honored this great person with the First Ever Director Identification Number (DIN) – 0000001 in the new era of corporate practices. One CS friend was quoting that "INDIA's first ever DIN turns out to be dormant FOREVER". These great TATAs as persons may not be seen physically now. But the Values they nurtured and left will be cherished forever by the mankind in general and professional community in particular. I had the opportunity to visit their MS tube plant at Jamshedpur and Heavy Vehicle Assembly line in Pune in the course of discharge of my professional obligation when I was in service at SJB Tubes and NRB Bearings during 1997 to 2000. I was feeling as if I am in a GREAT and exciting environment - personally and professionally. It is in this context one of their Senior Executive told me that in order to ensure work life balance between personal and occupational times; their Industrial Engineering Department (IED) gives the emphasis at 50% man power efficiency. Not that they have buffer man power - but quality work of 4 hours in an 8 hours day is their motto. In another interesting encounter with TATAs - I attended an interview for an entry level position at TISCO way back in 1991.I passed the GD but could not Crack Interview. When I was fumbling to answer difference between Internal Audit and Internal Check and getting into Tense situation; to make my thought process comfortable (perhaps) another member of the committee asked me to tell the full form of NTR!. For a while I felt that I am been heckled till an expert in HR matters clarified that they want me to regain my confidence. One reputed practitioner from our city also expressed his fortune to have witnessed their professional approach in the course of his attending to the audit committee for the presentation of Cost audit Report. One more CMA who is management consultant shared yet another interesting view and said TATAs have Set a Role Model for Ethics, Good Governance and highest level of compliances. The clear directives on 'No Bribes' in the process of getting the things done is a point to be noted while that was very common with many corners of society in other work places. My CMA friend hoped that the Rulers would at least now consider highest civilian award to "Him - Late Ratan Tata". My CMA friend was also mentioning that the British initially didn't agree for setting up of a steel mill in India and eventually the latest administration in UK is reportedly talking to TATAs regarding an issue with one of the steel mills. I read somewhere that it is the stand of TATAs to be on INDIA's side forever in all its global perceptions. Great decision indeed. What else a committed Indian should or could do? I am also recalled of one of the marketing slogans to my memory "We also make Steel". So much so "Let us also love TATA" . Great Ratan Tata is always in the thoughts of INDIA. ఓం నమో నారాయణాయ..

Panthommidi (Nineteen):

Those were the days of beginning of Performance Appraisal Report (PAR) of Cost Audit Era. Way back in FY 2011-12; in one PAR for a company that is in renewable energy business - I wrote "As at 31st March 2012 sanctions for Solar Cities in about 38 cities were granted. During 11th Plan Ministry of Non-conventional and renewable energy is planning to develop the same in another 60 cities. Thus, the company can plan to venture into public private Partnership mode for the upcoming Solar Cities.". The then Head Finance of that entity was asking me to delete such crazy thoughts from the PAR. In today's context i.e., in October 2024;I read a pamphlet of www.pmsuryaghar.gov.in that is been implemented in the state of Andhra Pradesh. I am happy that my crazy thought in a way turned out to be a reality and sad that I was snubbed at that time. When I shared this in my Broadcast group (a virtual platform) another senior practitioner from Chennai consoled me with the remarks "Such snubbing by the organizations is a regular show. Let them take it or leave it – we do our part as we think right". So..let us blend COST approach in our Management Accounting practices.

That's all for now. Enjoy the Festive Season.. **सर्वे भवन्तु सुखनिः।।** (May All be Happy)

~18:78~

Forensic Audit

Compiled by:
CMA Khaja Jalal Uddin
Cost and Management Accountant in Practice

FORENSIC AUDIT

In today's complex financial a landscape, audits have become crucial for maintaining transparency. integrity. and accountability within organizations. Cost & Management Accountants (CMAs) are emerging as pivotal players in this domain, leveraging their unique skills and expertise to tackle financial misconduct and fraud. As corporate partners in forensic auditing, CMAs are stepping ahead to redefine how organizations manage and mitigate financial risks. This article explores the evolving role of CMAs as forensic professionals and highlights the significance forensic audits in advancing corporate governance.

EVOLVING ROLE OF CMAS IN FORENSIC AUDITING

Cost & Management Accountants bring a wealth of knowledge in management accounting, financial analysis, and strategic decision-making. Their training in these areas equips them with a deep understanding of financial systems, internal controls, and risk management. As forensic professionals, CMAs apply these skills to investigate financial discrepancies, detect fraud, and provide actionable insights.

CMAs are increasingly being recognized for their ability to blend traditional accounting skills with forensic techniques. Their role extends beyond mere compliance. they actively engage in uncovering financial irregularities, assessing the effectiveness of internal controls, and recommending corrective measures. This shift CMAs as essential partners in forensic audits, contributing significantly to the detection and prevention of financial crimes.

FORENSIC AUDIT IN THE MANUFACTURING SECTOR

The manufacturing industry involves significant capital investment, procurement processes, and supply chains, making it vulnerable to procurement fraud, supply chain manipulation and financial misrepresentation. Forensic audits help in monitoring transactions, identifying overbilling, and detecting kickbacks and bribes.

Example: Satyam Computer Services Fraud(2009)

In what was termed "India's Enron," the Satyam Computers fraud case involved the company's chairman, Ramalinga Raju, falsifying financial statements to the tune of Rs 7800 crores. Forensic audit revealed inflated revenues, understated liabilities, and fictitious cash reserves, causing one of the largest corporate collapses in India. The case highlighted the need for forensic auditing in the manufacturing and IT sectors to ensure the accuracy of financial reporting and prevent corporate fraud.

Key Applicability in Manufacturing:

- Detection of procurement fraud, such asoverbilling and false invoicing
- Preventing manipulation of financial statements
- Monitoring supply chain transactions for fraud
- Ensuringethical practices in contract management and vendor relationships

FORENSIC AUDIT IN THE REAL ESTATE SECTOR

The real estate sector in India is known for being highly unregulated with frequent occurrence of money laundering, unreported transactions, and tax evasion. Forensic audits play a vital role in curbing the financial crimes in this sector by tracing the flow of funds and identifying irregularities in land acquisition, construction contracts, and project financing.

Example: Unitech Group Fraud Case (2017)

In 2017. Unitech Group. a major real estate developer, was embroiled in a legal battle when homebuyers filed complaints alleging non-delivery of properties despite full payments. A forensic audit revealed that the company had diverted over Rs 5000 crores of funds collected from homebuyers for personal investments and unrelated ventures. The audit evidence was crucial in the legal proceedings and in protecting the interests of homebuyers.

Key Applicability in Real Estate

- Detecting money laundering and unaccounted cash transactions
- Investigating diversion Of funds and financial mismanagement
- Ensuring transparency in land deals and project financing
- Verifying compliance with RERA (RealRegulation and Development Act)

FORENSIC AUDIT IN THE HEALTHCARE INDUSTRY

The healthcare sector is vulnerable to fraud in areas such as insurance claims, procurement of medical equipment and billing for medical services. Forensic audits are increasingly being employed in hospitals, insurance companies, and pharmaceutical firms to prevent misuse of funds and ensure compliance with medical regulations.

Example: Fortis Healthcare Fraud Case (2018)

In 2018, allegations surfaced that Fortis Healthcare's promoters, Malvinder Singh and Shivinder Singh, had siphoned off nearly Rs 500 crores from the company through fraudulent transactions. A Forensic Audit confirmed the diversion of funds, which were'used for personal investments and to settle unrelated debts. The findings prompted regulatory action, and the Singh brothers were ousted from the company's board.

Key Applicability in Healthcare

- Detecting insurance fraud and false claims
- Preventing procurement fraud in the purchase of medical equipment
- Verifying billing accuracy for patient services
- Investigating financial mismanagement in hospitals and clinics

FORENSIC AUDIT IN THE RETAIL SECTOR

In the retail industry, where large volumes of transactions occur daily, forensic audits are vital for identifying fraud related to inventory management, vendor payments, and sales misreporting. Retailers often face the risk of shrinkage, including theft and misappropriation of goods, making forensic audits essential for maintaining financial integrity.

Example: Future Retail Case (2021)

In 2021, the Future Group, one of India's largest retail conglomerates. was embroiled in a legal tussle with Amazon and other creditors over its proposed deal with Reliance Retail. A forensic audit was ordered to investigate allegations of fund diversion and mismanagement of creditors' dues. While the investigation is ongoing, the case underscores the importance of forensic audits in safeguarding stakeholders'interests and ensuringfinancial transparency in the retail sector.

Key Applicability in Retail

- Detecting inventory fraud and theft
- Verifying accuracy of vendor payments andpurchase orders
- Investigating sales misreporting and revenueleakage
- Ensuring compliance with financial regulationsand tax laws

FORENSIC AUDIT IN GOVERNMENT ANDPUBLIC SECTOR ENTERPRISES

Government and public sector enterprises (PSEs) areprone to corruption, misappropriation of funds,andprocurement fraud. Forensic audits in these sectors helpensure that taxpayer money is used appropriately andprevent financial misconduct in public projects.

Example: Coal Allocation Scam (2012)

In the infamous coal scam, a forensic auditwas conducted to investigate the irregular allocationof coal blocks to private companies. The Comptrollerand Auditor General of India (CAG) alleged a loss of Rs 1.86 lakh crore to the Government due to non- transparent bidding processes and favouritism in coal block allocations. Forensic audit played a pivotal role in uncovering the discrepancies and led to a series of legal actions against the accused parties.

Key Applicability in Government and PSEs

- Detecting corruption and kickbacks in public procurement
- Investigating financial mismanagement in Government projects
- Ensuring transparency in the allocation of public resources
- Verifying compliance with government regulations

EMERGING TRENDS IN FORENSIC AUDITS IN INDIA

Digital Forensic Audits: With increasing digitization of financial transactions. Digital forensic audits have gained prominence in India. These audits focus on detecting cybercrimes, such as hacking, data breaches. and identity theft, as they relate to financial fraud. The Reserve Bank of India has also mandated stronger cyber security measures for banks, further increasing the need for digital forensic audits.

Anti-Money Laundering (AML) Audits: Regulatory bodies like SEBI and RBI are intensifying their scrutiny of companies to ensure compliance with anti-money laundering laws. Forensic audits are used to track the source and flow of funds in businesses to detect money laundering activities, particularly in sectors such as real estate and banking.

Environmental, Social, and Governance (ESG) Audits: As companies worldwide adoptESG frameworks, forensic audits are beingused to ensure that businesses are adhering toenvironmental and social governance principles.For instance. forensic audits can investigate falseclaims about sustainable practices or fraudulntactivities in green financing projects.

Social Enterprises and Social Stock Exchange

FCMA Suresh Kumar Varma Gadhiraju
MBA, MCom, MSc, LL.B, ADADR, DCA, DISSA, DFA, PGCPV.
Cert. LOMA: L1, WIPO-DL170 & 371, CCAB, ID-IICA,
Cert. NIRDPR, ICMAISAO: CSR, ESG & SEBI/SSE-Social Impact Assessor
Regd. Independent Director, IICA: Valuation, CSR & ,ESG Professional
Cert IIAM ADR Professional, IS Security & Forensic Auditor.
: +91 9052201100 : gskvarma.co@gmail.com
: https://www.linkedin.com/in/suresh-kumar-varma-g/

Social Enterprises

A Social Enterprise i.e., a Not-for-Profit Organization (NPO) or a For Profit Social Enterprise (FPE) fulfilling the eligibility conditions as specified in SEBI ICDR Regulations or as specified by SEBI from time to time will be permitted to register or list its instruments.

Eligibility Condition for being identified as Social Enterprises

Social Enterprise

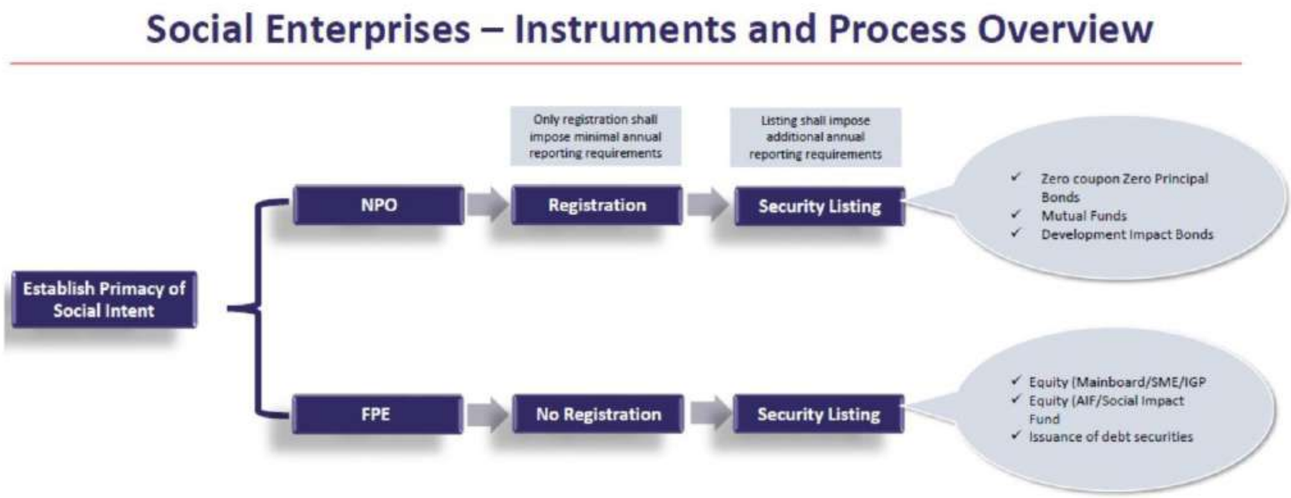
REVENUES	EXPENDITURE	BENEFICIARIES
At least 67% of the immediately preceding 3-year average of revenues comes from providing eligible activities to members of the target population	At least 67%of the immediately preceding 3-year average of expenditures has been incurred for providing eligible activities to members of the target population	Members of the target population to whom the eligible activities have been provided constitute at least 67% of the immediately preceding 3 year average of the total customer base/ beneficiaries

List of eligible activities for demonstrating primacy of Social Impact

Social Enterprise shall target underserved or less privileged population segments or regions recording lower performance in the development priorities of central or state governments.

What is the Social Stock Exchange

The Social Stock Exchange is a segment on NSE or BSE that provides Social Enterprises (Non-profit organizations (NPOs) and For-profit enterprises (FPEs)) engaged in eligible activities a unique opportunity to register itself and raise funds on a recognized exchange or an electronic fund-raising platform called as "Social Stock Exchange", under the regulatory ambit of SEBI for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.



Objectives of the Social Stock Exchange:

- Regulated platform that brings together social enterprises and donors
- Facilitate funding and growth of social enterprises
- Enabling mechanism to ensure robust standards of social impact and financial reporting

Key benefits of Social Stock Exchange

Social Enterprises can issue Zero Coupon Zero Principal Instruments (ZCZP) and their Issuance allowed only in dematerialized form and issued in either mode as Public Issue or private placement with minimum issue size of Rs.50 Lakh and minimum application size of Rs.10,000/-

Improved market access SSE will facilitate a common and a structured meeting ground between Social Enterprises and investors/donors with inbuilt regulation for providing sanctity and accountability of finances.

Synergy between investors and investee in social aims In view of flexibility of investments and capital that would be available on SSE, the canvas of choice would be much wider allowing investors and investees with similar missions and visions to connect seamlessly.

Performance based philanthropy Performance of the enterprises listed on SSE would be monitored thus it will instill a culture of performance (Social return) driven philanthropy.

Minimal Registration Cost SSE saves cost for both issuer and investor/donor by charging minimal fees for registration and listing.

Additional avenue for Social Enterprises Central and State governments till date have the biggest onus of achieving sustainable development goals. SSE will provide an alternate avenue for raising funds thereby encouraging new and existing social enterprises

Courtesy Visits

Sri Mitali Madhusmita, IRS,
Pr. Chief Commissioner of Income Tax

Sri Jayakumar M,
Regional Director

Sri Parvender Singh,
ICLS, Registrar of companies

Sri Gorthi Vasudev Rao,
Deputy Registrar, NCLT

Sri Lakshmi Narayana Jannu,
Members of TG RERA

M.Vijay Kumar, IRS,
Commissioner of Income Tax

Sri B.Sreedhar, Assistant Director (P)&
Sri S.Vijaya Kumar, IEDS, Joint Director

Smt M.Narmada, IRS,
Commissioner of Income Tax

Sri PV Pradeep Kumar,
Commissioner of Income Tax (TDS)

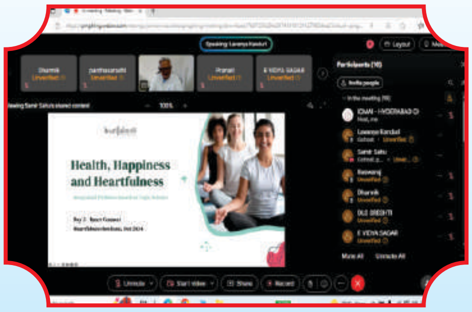
Sri Suresh Kumar Singhal,
President (FTCCI)

Sri K.Srinivasa Rao,
Member – TG RERA

Sri B. Raghu Kiran, IRS,
Additional Commissioner

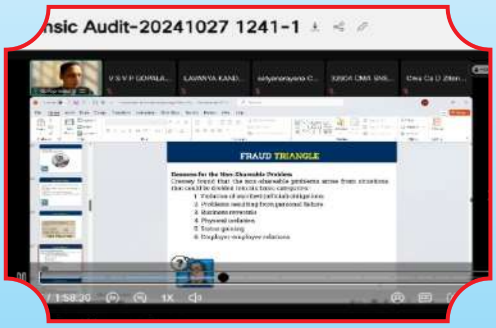
Sri P. Damodar, IRS,
Assistant Commissioner

Health, Happiness and Heartfulness Programme



Courtesy visit to CMA G. Apparao Garu,
Past Chairman, Hyd Chapter

Durga Pooja



Forensic Audit -
Online programme

If undelivered please return to:

HYDERABAD CHAPTER OF COST ACCOUNTANTS

CMA BHAVAN, Street No. 5,
Himayatnagar, Hyderabad - 500 029.
Ph. 040-27635937, 040-27607893
Web: cmahyderabad.com
Email: hyderabad@icmai.in

To

Editor: **CMA Khaja Jalal Uddin,** The Institute of Cost Accountants of India – Hyderabad Chapter, 1-2-56/44A, 5th Street, Himayatnagar, Hyderabad - 500 029.

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