



EIRC NEWS

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

Office Bearers of EIRC for 2017-18



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CMA Sanjay Gupta, President of the Institute hoisting the National Flag on 15th August amid Council Members, members, employees and students



CMA Manas Kr. Thakur, I.P.P., garlanding the National Heroes on 15th Aug., 2017 amid other members and employees



Flag hoisting at EIRC on 71st Independence Day



58th AGM of EIRC is in process on 16th August, 2017



Participants of 58th Annual General Meeting at EIRC



Presenting bouquet to Immediate Past Chairman



Felicitation to newly elected Chairman



Newly elected Chairman with other Council Members and officials of EIRC

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EIRC of ICAI

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CMA Pranab Kumar Chakraborty

Vice-Chairman

CMA Shyamal Kr Bhattacharjee

Secretary & Treasurer

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CMA Biswarup Basu (C.C.M)

* R.C.M = Regional Council Member

* C.C.M = Central Council Member

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◆ CHAIRMAN'S COMMUNIQUE ◆



My dear Professional Colleagues,

I express my sincere thanks to all my professional colleagues in the regional council and Central Council of this region for electing me as the Chairman of the Eastern India Regional Council of the Institute of Cost Accountants of India. I congratulate both CMA Shyamal Kr. Bhattacharya as Vice Chairman and CMA C.V. Ramana as Secretary and Treasurer for the term 2017-18.

I assure that our team EIRC will try our best to keep everybody's faith upon us and always go ahead for the betterment of our profession as well as towards the goal of our Institute.

During the year 2016-17, team EIRC has done tremendous jobs for conducting Career Counseling for improvement of the potential students in EIRC and Chapters of this region as well. This year also we have to face the challenge to take initiative at a larger scale on both for CMA and CAT Course.

During the previous year, we have conducted Workshops & Seminars on current topic of professional interest especially on GST & Bankruptcy Code. Extensive workshops were organized for the professionals on that issues also. We had also successfully organized GST Day on 1st July, 2017 at our EIRC premises. This year also we have a plan of conducting workshop on current issues like GST, Insolvency & Bankruptcy Code, Valuation Rules Under the Companies Act'13 etc.

I also have a plan for better computer facilities to the students of the EIRC for providing better facilities. Stress for Campus Interview for the newly pass out students is also to be given in coming days. We have also a plan for Capsule courses on practical aspect on professional interest in EIRC in near future.

I also want to draw the kind attention of our beloved professional members for their valued comments with proper justification on draft Companies (Cost Records and Audit) Amendment Rules 2017 to the proper address of the Institute within the time frame.

As you know that our Institute has already taken the issues of "Membership Drive". Massive upturn in members will very soon expand the CMA family which will not give us better visibility but also boost the branding of CMA profession. I on behalf of team EIRC, fervently request before the members to restore their membership whose name was removed due to non payment of membership fees. I also urge upon the eligible Associate members to come forward and be a fellow member of the Institute. Managing Committee of the Local Chapters is requested to kindly contact with the members to take up initiative to achieve the glorious future of our Institute.

Happy Ganesh Chochurthi, Vishwakarma Puja & Id-uz-Zoha to the members & their families

With warm regards.



CMA Pranab Kumar Chakraborty
Chairman, EIRC of ICAI

◆ SECRETARY'S COMMUNIQUE ◆



Respected Members,

Namaste !

I am very much thankful and grateful from bottom of my heart to all RCMs and CCMs of Eastern Region for giving me an opportunity to serve the Profession as Secretary cum Treasurer of EIRC for the term 2017 - 18. I also congratulate both CMA Pranab Kumar Charkraborty and CMA Shyamala Kumar Bhattacharya on their election to Chairman and Vice-Chairman of EIRC for this term.

Definitely, the Team will work for the cause of CMA Profession and keep up the best endeavours for the development of our Institute, Members, Students and other stakeholders of our Profession.

EIRC is regularly organizing many Seminars and Workshops on current and concerned topics to support our members and practitioners for updating academic and technical knowledge. I request for active participation of our members.

Due to untiring efforts of EIRC on Career Counselling programs in and around Kolkata, in this session the admissions have increased. EIRC also conducting programs for the students on practical aspects of various topics of syllabi. EIRC is planning for improvement of certain facilities to the Students. My best wishes to all the students awaiting result.

My humble request for Innovative and Instrumental ideas, suggestions and advises from you for the betterment of various activities of EIRC with respect to Members, Practitioners and Students.

Once again I express my sincere thanks to all.

With regards,



CMA Cheruvu Venkata Ramana
Secretary, EIRC of ICAI

Retail investors and Indian stock market in recent times

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Abstract:

Indian stock market is one of the most attractive destinations across the globe in recent times as reflected from rising participation in terms of foreign investment and growing number of foreign institutional investors (FII).

Foreign Institutional investment, foreign Direct Investment statistics and sensex are some of the parameters that are increasing at a faster pace. But after the sub-prime effect our stock market has been languishing in one front. This is the area of participation of retail investors.

Our stock market, like others across the world, suffered because of subprime effect (2007-08), but recovered at least in terms of index value (Sensex/nifty) by November 2010. These retail investors in recent times have been found to have lost some amount of interest and confidence in the stock market. Their participation has been reduced drastically and growth of demat account has been slowed down in the post subprime era. Many brokerage firms have closed down their shutters because of reduced retail participation. Reputed brokerage firms had acknowledged that their dwindling profitability was because of poor participation from retailers.

To find out the cause we have noticed that on several fronts our stock market fared badly. **Most of the Mutual Fund schemes were under performer** since 2008 till beginning of 2014. **Performances of mid-caps stocks were unsatisfactory.** Even under stressed market conditions in all these years it has been noticed that **abnormal variation of yearly high/low values of stocks** with declining trend of price in majority of cases. This rendered investors quite puzzled as to which level was appropriate for investment. Thus preferred way was to keep safe distance from stock market.

For a healthy stock market system, participation from different strata of society is preferred. To regain the confidence of retail investors SEBI has taken some measures and we also have made attempts to make some suggestions in the light of the facts we have encountered.

Key Words: Stock Market, Sub-prime effect, Retail investors, Mid-cap stock.

Introduction:

The stock market in 2014 has again bounced back from its lowest level in 2008 to surpass the previous record (high) and established a bull phase by May 2014. The statistical figure is quite unique and encouraging. But the dark cloud on silver lining is pinching both regulators and government as to the fact that retail investors or retail participation is far from satisfactory.

Literature Review and some remarks of reputed stock broking house:

"In the last five years, retail investors have not made money from the equity market," said Nirmal Jain, chairman of India Infoline. Instead, small investors in search of better returns have shifted their savings to bank deposits, National Savings Certificate, high-yield debt instruments and tax-free bonds, he said.

"We are **far, far away** from the return of retail investors," said Sudip Bandyopadhyay, CEO and managing director of Destimoney Securities. "The trend has emerged of late where existing retail investors have started offloading their stake as the market is approaching new record highs." (ET Bureau Oct 21, 2013, 11.23AM IST).

"The rally, which has been fuelled by select frontline stocks, has failed to restore confidence in retail investors, who burnt their fingers in the 2008 market turmoil," said Deven Choksey, managing director of KR Choksey Shares & Securities. "Also, due to high volatility, new clients are not coming in and existing clients are not comfortable churning their portfolios."

Retail investors typically invest in small and midcap stocks for quick returns, said Arun Kejriwal of Kris Research. But many of these have been hit by corporate governance issues, a sluggish economy, concerns about the US Federal Reserve ending its bond-buying programme and currency fluctuations. "Both mid and small-cap indices underperformed the broader indices with a huge margin... which kept retail investors on the sidelines," he said.

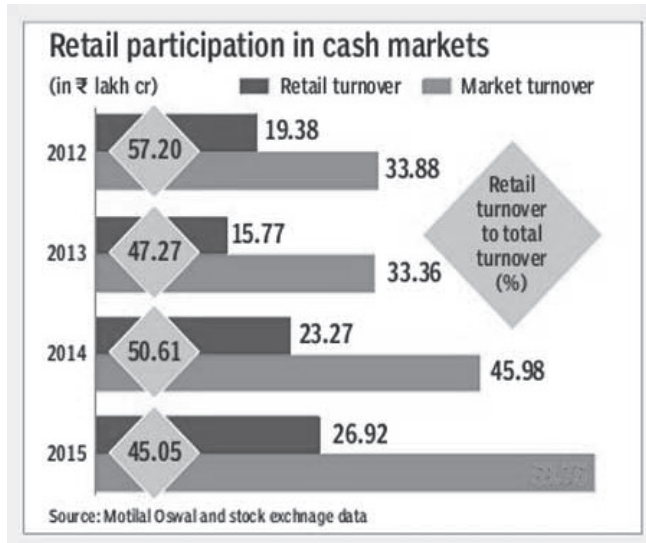
These statements indicate that the faith in the capital market has been eroded in recent times and retail players are looking

for safer places. According to Bloomberg report published on 9/4/2015, that when sensex grew smartly between 2004-14, but the proportion of retail turnover actually declined from over 80% to under 35% in 2013. Only 1.5% of population are retail investors in India

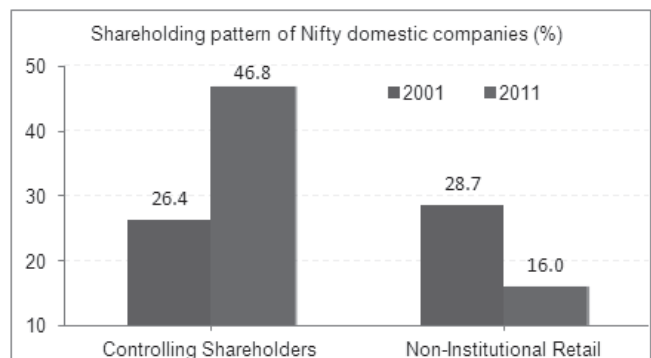
Objectives of the study: To find out the various factors responsible for absence of retail investors in the stock market

Data analysis and interpretation: (data have been collected from reliable secondary sources)

Participation of retail investors in stock market:



<http://www.financialexpress.com/market/cy15-retail-turnover-in-cash-markets-grows-15-on-year/189992/> dt 6/5/2017



A close scrutiny of the aforesaid tables will speak for itself. Average retail participation has declined by more than 50% (89.46% to 34.31%) by 2013 from the 2001 level. During this time institutional investors have magnified their strength significantly; FIIs by 6 times and DIIs by 7 times.

The daily cash market average volume of transaction by retail investors is down to Rs 4,615 crore in 2013, the lowest since 2003 and 66% down from peak of Rs 13,709 crore in 2009.

Status of demat account holders:

	April'2014	2013	2012	2011	2010	2009	2008	2007
Total demat account (rounded off)	2.30cr	2.16cr	2.06cr	2.005cr	1.80	1.66cr	1.8cr	1.14 cr

(** till 2008 average growth rate of demat account was 15%)

Despite increase of sensex to new heights regularly in 2014, the number of demat account holder increasing at declining rate. In other words deceleration has been noticed in this sector.

Actually growth rate has been slowing down from 2008. In 2008 sensex plunged from 21000 to below 8000 mark: the year when subprime effect affected the world.

It can be seen only 50 lakh accounts were added during the period of six years. The introduction of RGESS caused addition of 7lakh accounts between Nov'2012 and Apr'2013 and somewhat improvement of overall market condition from end of 2013 also contributed some enthusiasm.

The average new account addition per month is around 60,000-70,000 compared to over one lakh per month during



the 2008 bull-run. In February 2014, the net addition was only 7,000 taking into account that a huge number of accounts were closed (52000). In March'14 another 23000 accounts were closed. According to CDSL average monthly closure of demat account is between 5000-10000.

Since demat accounts are essential for online trading in the bourses, a large number of closures and the slowing pace of addition of new accounts indicate lack of investor interest in the stock market.

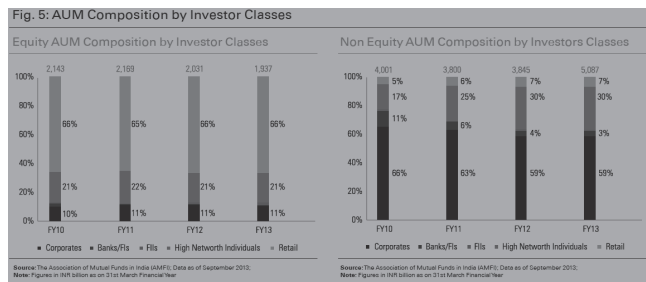
Decline of earning of brokerage house: Many reputed security trading houses like Indiabulls securities, India Infoline etc had acknowledged that their low earning during post subprime era was because of low retail participation who works under high brokerage. Many brokerage/sub brokerage firms have closed down their shutters because of reduced retail participation and subsequent low earning.

Of a population of over a billion, only 18 million are invested in equities and 10 cities contributed to over 80% of trading volume in 2010.

Status of areas of investment connected with the retail investors

Status of Mutual Fund (MF) in recent times:

Retail participation in MF:



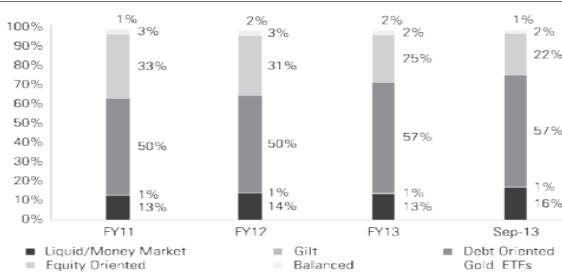
Category-wise Mutual fund performance

Category	1 year	2 years	3 years
Equity and Hybrid equity			
Large Cap Equity Fund	2.9	6	1.9
Diversified Equity Fund	2.1	6.1	1.7
Small and Mid Cap Equity Fund	3.4	8.5	2.8
Equity Oriented Hybrid Speciality Fund	3.6	5.3	2.8
International/Global Commodities	8.6	5	1.4

As on 20 Jan 2014

Source: Moneycontrol; Returns over 1 year are annualised

Fig. 3: AUM Composition by Product Category



Source: The Association of Mutual Funds in India (AMFI); Data as of September 2013

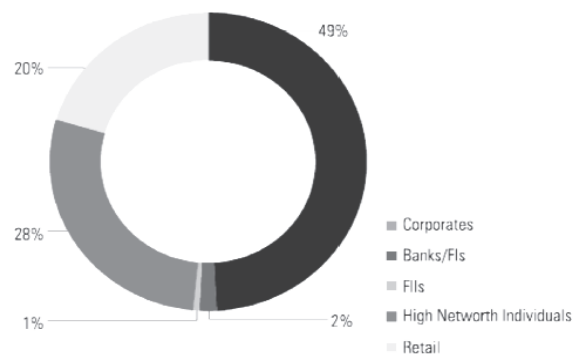
Composition of retail folios (in lakh)

Investor Classification	Mar 2014	Sep 2013	Absolute Change	% Change
Balanced	22.47	23.3	-0.83	-3.57
Debt Oriented	56.22	53.31	2.91	5.47
Equity Oriented	273.54	292.11	-18.57	-6.36
ETFs (other than Gold)	1.95	1.52	0.43	28.34
Fund of Funds investing Overseas	1.68	1.65	0.02	1.48
Gilt	0.48	0.52	-0.05	-8.94
Gold ETF	4.89	5.24	-0.35	-6.68
Liquid/Money Market	1.99	1.68	0.3	18.12
Total	363.21	379.33	-16.13	-4.25

Composition of high net worth individuals' (HNIs) folios (in lakh)

Investor Classification	Mar 2014	Sep 2013	Absolute Change	% Change
Balanced	3.51	3.97	-0.46	-11.58
Debt Oriented	7.81	7.67	0.14	1.84
Equity Oriented	16.29	17.65	-1.36	-7.7
ETFs (other than Gold)	0.03	0.03	0	12.95
Fund of Funds investing Overseas	0.12	0.08	0.04	46.97
Gilt	0.06	0.08	-0.01	-18.56
Gold ETF	0.09	0.1	-0.01	-11.34
Liquid/Money Market	0.65	0.54	0.12	21.67
Total	28.57	30.12	-1.54	-5.13

Fig. 4: AUM Composition by Investor Segment



Source: The Association of Mutual Funds in India (AMFI); Data as of September 2013

MFs have failed to perform in connection with benchmark index and are producing low returns. Even the 53% of diversified equity funds had been underperformer. All these have been happening for the last 5/6 years.

When in 2010 the index surpassed 20,000 points our MFs cut a very sorry figure, the reason for which was not clear at all.

It was reported that some fund managers connive with company promoters and market operators rigged and did circular trading. Front running is an illegal activity whereby a

fund manager or fund official makes personal gains by making trades on his account before doing a trade for the fund. This caused losses for the fund of investor and was akin to stealing. Such crimes were noted by SEBI.

Some MF companies were at one time under the scanner of SEBI and reputed fund houses like HDFC and L&T were fined for insider trading and other illegal activities. This has also dampened the confidence of the public.

Till 2013 as is evident from the graph shown here in above, the poor performance of MF can be noted with respect to benchmark indices comparing following tables. However in debt schemes slight improvement for retail segment can be noted.

Retail participation was practically 20% up to Sept 2013 in mutual fund. Returns are also very low compared to bank interest. Even HNIs are getting away from MF

It is observed that retail participation is mainly in equity oriented schemes and that too has been declining. However in 2014 the above scenario has been changed to some extent because of better stock market performance. The AUM has crossed Rs10 trillion mark in July 2014, (a sizeable part has come from retail participants) reaching highest level over the past 78 months. Returns from MFs are also in majority of cases are unsatisfactory.

It can be seen that a persistent bull phase coupled with stability in sentiment in the stock market restores retail participants' sentiment. The systematic investment plan (SIP) registration under mutual fund schemes got a shot in the arm. The number of SIP registration in July 2014 has increased to 2.8 lakhs from 1.5 lakhs in Jan'2014.

Performance of midcap stock:

The following table indicates performances of various benchmark indices

Category	Average Returns %	1 year	2 years	3 years
Benchmarks Indices				
CNX Nifty		3.6	24.9	10.4
S&P Sensex		5.5	26.7	11.3
S&P Smallcap		-11.4	4	-76.7
S&P Midcap		-8.4	15.4	-8.7

As on 20 Jan 2014
 Source: Moneycontrol; Returns over 1 year are annualised
 a few popular midcap stocks which fared better in 2005-08, but drew flak in subsequent years.

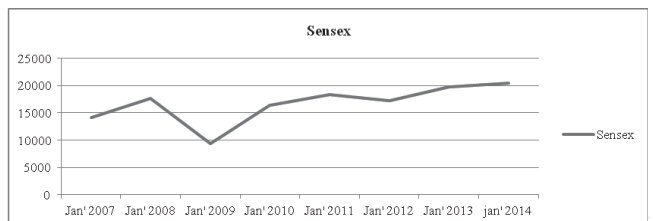
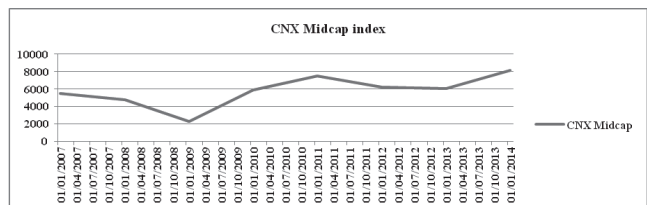
In 2008 when market crashed throughout the year and continued till Feb'2009, the sensx was down by 56% but the midcap was down by 71.8%. That was a big blow to investors in midcap category. Midcap index outpaced the sensx in subsequent years but it was noted that a big portion of midcap stock, favourite with investors in 2007-08, had failed to regain their position till beginning of 2014.

company	Price as on 3/9/14	High/low/eps/B V/Div 2013	High/low/eps/BV 2012	High/low/eps/BV 2011	High/low/eps/BV 2010	High/low/eps/BV 2009	High/low/eps 2008
DLF 100%div 2008	183.10	297.12/125/2.95/ 86.83/100%	241.35/169.55/6.13/ 85.35/100%	298.17/140/7.48/ 81.35/100%	402.51/50/4.31/ 75.59/100%	498.81/115/9.12/ 72.91/100%	1225/158/
Suzlon	23.50	24.93/72	32.35/4.75	88.49/17.5	95.60/43	145.85/3.05	2300/36.3/ Stock split 1:5
BSL Infra	2.70	3.60/0.97/-0.01/ 53.01/0%	4.58/2.61/-0.33/ 51.08/0%	8.49/2.51/-0.30/ 46.41/0%	19.28/50/0.62/ 46.40/0%	28/7.61/0.61/ 52.25/0%	590/20.90 + Stock split 1:2
Asian Elec	2.95	6.10/2.03	9.87/3.52	21.75/5.35	44.20/16.50	52.25/17	
Assam Co	4.80	9.24/3.52/0.24/ 11.86/0%	10.12/4.60/0.65/ 11.58/0%	21.70/5.75/0.60/ 10.88/0%	29.20/16.8/0.31/ 10.15/20%	23.80/6.20/0.31/ 9.97/20%	57/10/7.74
Mercator Ltd	33.25	23.9/10/8.88/ 27.36/0%	33.88/16/0.485/ 36.73/0%	59.25/15.80/4.0/ 41.91/0%	76.90/42.45/0.27/ 44.66/20%	76.75/21/7.67/ 47.89/50%	184/95/22.35
Hotel Leela	24.50	30.45/14/-18.35/ 29.28/0%	40.36/27.05/0.48/ 41.81/0%	49.30/27.55/1.00/ 22.94/15%	58.70/40.15/1.09/ 21.91/20%	50.20/16/3.84/ 18.59/40%	76.85/17.10
Indiabulls Sec	24.40	22.85/7.75/2.42	13.37/5.75/0.50	24/5.01/1.62	37.60/20.50/2.66	61.20/14.80/0.52	300/17.2 Stock split 1:5
Gamma Infra	14.55	17.28/6.85/-0.19	18.05/11.20/0.41	25.55/9.21/0.45	29.90/19/0.49	157.25/37.20/0.19	180/35
Gamma India	33.05	43.28/8.15/-56.41	63.20/35.70/-32.82	181.15/39.05/6.41	276/150.55/8.73	255/49.60/9.39	845/46.70
20 Microns	32.95	165.75/29.7/1.02 +11/10%	172.40/60/7.52/ 40.15/10%	793.20/3.84/ 31.12/15%	63.34/60/5.09/ 29.83/10%	50.40/13.25/0.94/ 25.20/0	96.25/13.85/ 3.60/22.85/0%
Celebrity fashions	17.75	8.79/1.85/0.82/ -19.55/	7.49/3.61/-0.33/ -22.45/0	21.10/4/-0.99/ -15.44/0	39.05/13.5/-6.74/ 0.20/0	24/9/-66.89/ 6.85/0	81/9/-10.99/ 73.35/0
Tata Solutions	14.70	44.62/42/-0.17/ 61.57/0	105.52/25/-1.04/ 61.74/0	232.55/41/-1.76/ 62.79/10%	64.15/18/0.33/ 64.66/10%	93.95/21/7.33/ 64.50/50%	
Ruchira Paper	24.65	19.5/13.57/7.33/ 37.30/10%	16.78/8.06/3.38/ 31.21/0	23.25/7.28/1.73/ 27.83/0	24.45/6.75/-1.92/ 26.10/0	12.45/4/-0.71/ 28.73/0	34.25/5.3/3.2/ 28.73/0
Nitin Spinners	25.55	18.48/4.75/3.08/ 62.61/0	11.55/7.06/6/ 18.91/0	15.55/3.14/7/ 58.80/0	17.9/4.5/0.14/ 17.37/0	92.55/12/-3.46/ 183.93/0	28.93/8/-1.07/ 21.69/0
Paranath Developers Ltd	25.15	44.25/23.5/1.64/ 62.61/0	65.45/35.55/ 1.37/61.34/0	61.50/25/10/1.73/ 58.80/0	149.45/45/6.74/ 111.68/0	151.35/30.55/6.12/ 183.93/0	598/21.40/22.13 97.81/30%
BYE book value		104.95/48.50/8.03/ 96.43/15%	138.85/95.25/11.32 84.26/20%	203.77/8.20/9.66/ 75.54/15%	83.32/4.5/2.39/ 68.72/0	264.73/4.75/8.87/ 67.74/12%	

It is quite interesting to note that when sensx stock recovered by 2010 a large number of midcap stock failed to perform in line with sensx stocks. The midcap index surged on at that time, keeping pace with sensx, this is quite fallacious. If we look at the above midcap chart it is revealed that most of the stocks have failed to surpass the price level at 2007/08. The earning powers of large number of midcap stock have dwindled significantly since 2008.

Sensex vs. midcap

	02-01-2007	01-01-2008	01-01-2009	04-01-2010	03-01-2011	02-01-2012	01-01-2013	01-01-2014
CNX Midcap	5520	4748	2280	5877	7492	6218	6033	8114
Sensex	14091	17649	9424	16358	18328	17194	19818	20514



As the primary index the graph it can be seen that midcap starts to decline much earlier than sensx one and takes longer time to rejuvenate.

Following tables indicate changes in midcap index

variation vis-à-vis sensex variation on a particular day.

date	Changes in sensex % (real figure)	Changes in midcap %	Advance/decline	Advance/decline ratio
21/2/2014	0.80↑ 164	0.79↑	847/554	
30/6/2014	1.25↑ 314	2.2↑	1155/398	
1/7/2014	0.40↑ 103	0.64↑	1009/540	
4/7/2014	0.54↑ 138	0.54↑	875/675	
7/7/2014	0.53↑ 138	0.24↑	801/770	
8/7/2014	-1.98↓(518)	-4.34↓	222/1359	
9/7/2014	-0.54↓(137)	-1.57↓	337/1217	
11/7/2014	-1.37↓(348)	-3.23↓	232/1316	
26/6/2014	-0.99↓ 251	-0.52↓	685/861	

Closing date	2/9/2014	18/8/2014	July'14	June'14	May'14	Apr'14
BSE Sensex	27019	26374	25895	25413	24217	22417
CNX midcap	11397	10809	10838	11096	10141	8783
BSE midcap	9007	9188	9379	8467	7323	

The above tables indicate that barring a few occasions, a sharp drop in sensex usually accompanied by much greater drop in index of midcap. The stocks in sensex category can rebound quickly but midcap stocks take longer time to regain. However, in bull phase midcap index occasionally beats sensex.

Reports on midcap stock

Retail investors typically invest in small and midcap stocks for quick returns, said Arun Kejriwal of Kris Research. But many of these have been hit by corporate governance issues, a sluggish economy, concerns about the US Federal Reserve ending its bond-buying programme and currency fluctuations. **"Both mid and small-cap indices underperformed** the broader indices with a huge margin... which kept retail investors on the sidelines," he said.

"Of 3,167 actively traded stocks on the BSE exchange, 908 were quoting below their face value (Monday.11/8/2013)

These 908 companies have seen an average value erosion of 55 per cent in their market values. Their combined market capitalisation slipped to Rs 16,508 crore from Rs 36,350 crore at the beginning of the current calendar year 2013."

Explains G Chokkalingam, executive director and chief investment officer, Centrum Wealth Management: "The market has been largely driven by foreign institutional investors over the past year, which mostly focus on large-cap stocks, besides select mid-caps. Due to lack of appetite for most of the stocks, coupled with industry slowdown, the mid-cap stocks especially have taken a huge beating whenever there are adverse news flows." (12/8/2013 http://www.business-standard.com/article/markets/908-stocks-on-bse-trade-below-their-face-value-113081200306_1.html).

The year wise investment data of FII and DII can be noted

here in this connection FII Activity for previous years equity

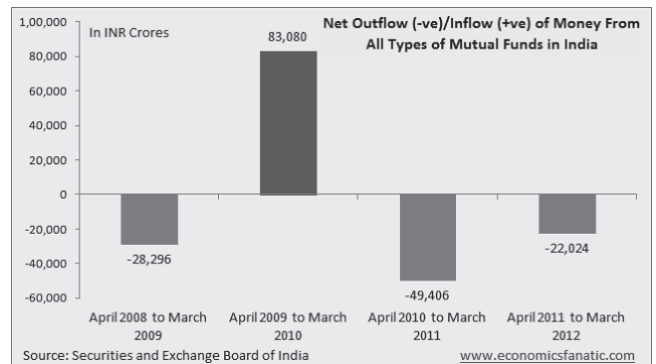
Year (Jan-Dec)	Gross Purchase (Cr)	Gross Sale (Cr)	Net Investment (Cr)
2014 upto 27 th May	373128.90	326617.20	46511.70
2013	794,231.70	681,264.70	112,968.70
2012	669,184.40	540,823.90	128,360.70
2011	611,055.60	613,770.80	-2,714.20
2010	766,283.20	633,017.10	133,266.80

MF Activity for previous years in equity market

Year (Jan- Dec)	Gross Purchase(Cr)	Gross Sale(Cr)	Net Investment(Cr)
2014 upto 27 th may	54088.00	65235.30	-11147.30
2013	104641.10	125521.40	-20880.30
2012	118,848.70	139,469.20	-20,620.90
2011	131,729.70	125,488.40	6,241.20
2010	158,151.90	186,789.90	-27,638.00

Above tables show since 2010 practically our domestic institutions are net seller whereas FIIs are net buyers. Money power of FIIs is apparently more than that of domestic institutions though both have comparable amount of resources. The lacklustre performances of DIIs (which include MFs also) are one of the causes of poor retail participation in both in equity market and mutual fund.

The market is driven by FIIs are absolutely true now.

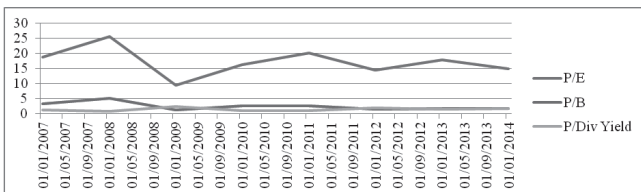


Facts on Speculative factor

Sensex vs. P/E ratio

year	Sensex range	P/E ratio	Sensex/ (P/E)
2007	12316-20498	25 maximum	820
Jan 2008	7697-21206	26 maximum	815
Jan 2009	8047-17531	12	1460
2010	15652-21108	20	1055
2011	15136-20664	20	1033
2012	15358-19612	17-18	1089
CNX Midcaps	88-21483	17-18	1193
2014	>26000	<20	1300

	02-01-2007	02-01-2008	04-01-2009	04-01-2010	03-01-2011	02-01-2012	01-01-2013	01-01-2014
P/E	18.83	25.64	9.63	16.35	20.18	14.53	17.91	14.88
P/B	3.4	5.11	1.39	2.66	2.75	1.53	1.9	1.71
P/Div Yield	1.24	0.82	2.46	1.05	1.1	2.02	1.47	1.72



The speculative factor of if any speculative index can be thought of it will be revealed that previous bull run in 2007-2008 was far more speculative than what is happening in 2014 as p/e level with respect to sensex is on lower side now on the basis of earning. **Similar is the situation for midcap stocks as midcap index has crossed 11000 in 2014.** High speculative factor makes the market unhealthy.

(The P/E represents the price one intends to pay for contemporary earnings per share of a particular stock. But it cannot explain the whole story behind his intention. One shows his interests not only on the basis of present earning and he has something in his mind and that is the future earning prospect of a particular stock. The moment the term future enters the arena some amount of speculation is considered by the investor and the P/E factor of a particular stock begins to fluctuate in the market. Market price is reflective of investor's collective perception/ sentiment towards the stock on the basis of large number of factors both quantitative and qualitative)

Thus it is viewed as the result of lacklustre performance of midcap stock for a long time has sent a bad signal to retail investors. The midcap stock is the favourite of retail investors and a good and sustained rally in midcap stock is essential for retrieving the retail investors' confidence. It has been noted that BSE retail participation improved to Rs63000cr monthly from Rs54000cr between Sept'2012 and Jan '2013 because of improved sentiment at that time.

Performance of companies raised capital through IPO/FPO issues: We have developed a chart depicting IPO

issued from 2007 to 2013 and the performance of the companies.

year	no of IPO succeeded	IPO failed	money raised(cr)	no. of scrips managed to rise up to or above IPO level							acquired/merged/not traded now	
				never	Up to 1st year	Up to 2nd year	Up to 3rd year	Up to 4th year	Up to 5th year	Up to 6th year		up to 7th year
2007	104	4	33946.22	5	95	88	52	51	38	30	24	4
2008	36	3	18339.92		36	24	19	11	9	5	NA	
2009	21	1	19306.58	2	19	14	11	9	5	NA	NA	
2010	64	2	36362.18	3	61	38	26	23	NA	NA	NA	
2011	37	3	6043.57	1	36	23	20	NA	NA	NA	NA	
2012	25	2	6865.94	1			24	21	NA	NA	NA	
2013	37	2	1645.87	6	31	26						
2014	18*	1	297.21	2	16							

*Up to 20/6/14,

IPO issued	2007	2008	2009	2010	2011	2012
Companies underperformer in current period (up to 2013) to a varying degree	76%	86%	76%	64%	46%	NIL

(We have not taken in to consideration of performances of companies for IPO issued 2013 and 2014 because of short period). With progress of years number of companies performs lacklustrely.

It has been seen that only a very small percentage of companies can maintain the issue price level or higher price for a long time whereas a large portion of companies utilize this channel for raise of capital but they cannot maintain the share price above the issue price level even for 3 years . Only a very small fraction of companies in latter days can change the situation or course favourably. **It can be noted that amount raised through IPO has been decreasing gradually. Many of the shares which are trading above the IPO level do not maintain the price above the IPO level throughout the year.**

Excessive swings of high-low level of share prices of the companies in a particular year- Yearly high/low of the stocks or annual fluctuations of the prices are important factors.

Yearly variation from lower point	No of occasions for various shares in various years 218
Up to 50%	32
50%-100%	42
100%-200%	67
200%-300%	31
300% and above	46

Above table indicates that majority of stocks' movement were over 100%. In many cases the variations were between 500-1400%. In one instance it was over 6300%. **The general retail investors seem confused as to which level is appropriate for investment in after IPO/FPO stage.** This table discloses a very dismal picture of the entire situation. **Naturally the entry /exit level was difficult to understand.**

Listing day performances in 2011

Besides the IPO table, listing day table indicate the poor performance of stock prices in recent years. This table indicates clearly how the IPO was misused by some

promoters to plunder the wealth of the investors (a sizeable part must be the retail investors). The stock prices suffered heavily on the listing days. Their current values are not at all satisfactory.

Company/face value of share	Listing day	Issue price	open	high	low	close	volume	Price on 4/10/13*
Indo Thai Sec 10/-	2/11/11	74/-	76	98.90	Rs18.85	Rs23.15	49399207	11.50
Takshel solutions 10/-	19/10/2011	150/-	157	184.30	39.10	58.15	53644144	3.85
Tijaria Polypipes 10/-	14/10/2011	60/-	61/-	67.75	16.50	18.60	59965008	3.95
Vaswani Ind ltd10/-	20/9/2011	49/-	33.70	33.70	14.00	18.40	35788647	3.35
Brooks laboratories 10/-	5/9/2011	100/-	100.00	131.60	58.15	61.50	44305878	14.50
Bhartiya Global Infmedia	28/7/2011	82.00	81.90	83.00	26.10	29.90	47578807	
Ready made Steel India 10/-	13/7/2011	108.00	115.00	117.75	62.30	66.45	33979906	82.00
Servalakshmi Paper Ltd 10/-	12/5/2011	29.00	29	48.70	17.70	19.05	147017375	2.65
Sanghvi Forging & Engineering Ltd10/-	23/5/2011	85.00	88.00	116.80	86.50	112.00	42730487	17.65
Acropetal technologies 10/-	10/3/2011	90.00	92.00	140.00	87.40	98.45	56099472	5.50

*NSE price around 10.00am

In many cases almost entire IPO was delivered on the listing day.

Various Scams were responsible for big fall in value of many midcap and large cap stocks.

Findings:

- (1) The retail participation has been slowing down
- (2) The growth of demat account has been slowed down
- (3) The performance of majority of mutual fund schemes, **where retailers put their bulk money, has been unsatisfactory.**
- (4) The performances of midcap stocks are not satisfactory. **This is also an area where retail investors have interest.**
- (5) **Excessive speculative factors** were noticed during 2007-08 bull run.
- (6) **Excessive intra year fluctuations** were noticed for midcap/small cap stocks.
- (7) **IPO/FPOs were misused** and investors had burnt their fingers.
- (8) **Listing day performance of many IPOs** were extremely unsatisfactory.

Discussion: Many contend that retail investors do not enter or exit the market at proper time. According to them the retail investors enter into the market when the bull run is in full swing or near the fag end of the same. As a result these retail investors cannot get out of the market by booking profit. Even in falling market they hold their shares in hand. Basically they do not enter the market in bear phase. In their opinion the retail investors are quick to extract the benefit from the market. This is not usually possible and they suffer.

No doubt this is an important factor but there is no such mechanism in the market to advise and guide the retail investors. At least market regulators do not say that.

How far a particular stock can rise or decline is beyond our imagination. Only the movers and shakers of the stock control the price of the same. If it is predictable, all will jump either to buy or sell the shares at that particular point. In bear phase there will be no seller and in bull phase there will be no buyer. **Thus if the entry and exit points are known for certainty the relevance of stock market disappears.**

In fact **unhealthy movement of stocks are order of the post reforms era.** Annual high/low table as mentioned above speaks that. Many of the retail investors are trapped in the stock market in the process of buy and sell and they suffer miserably. **Thus to bring back the confidence of retail investors following suggestions have been proposed by us.**

Suggestion and conclusion:

- (1) Unhealthy movement of stock should be checked by regulators
- (2) Regulators should make constant vigil about high/low of a stock in a particular year. There should be a barrier to what extent a stock can rise or go down in a year. This will frustrate abnormal speculation on that script, e.g. a stock with closing value at previous year end may not be allowed to go beyond say 30-40% of the value in up front, 20-25% in down side. In other words same percentage points of change on both sides should not be considered. **Regulators should develop a proper strategy depending on the value of stocks.**
- (3) Circuit filters also follow the same rule e.g. 5% for upper level and 3% for downside. There should be an attempt to check the downside movement.
- (4) High brokerage and demat charges are also important factors.
- (5) The performance of **mutual fund** should be closely checked.
- (6) **IPOs should be thoroughly controlled by regulators at least for four years so that abnormal downside of price can be checked.**
- (7) **As midcap stock takes longer time to bounce back regulators should closely monitor their activities.**

Pricing Policies and Strategies

Pranab Kumar Sikdar

M.Com; PGDBM; FCMA; MBA (Finance), Sr. Faculty of EIRC of ICAI; ICSI; BBA and MBA Courses

Contents

- The strategic role and significance of price;
- The ways in which price can be used tactically;
- The factors which need to be taken into account when setting a price;
- Methods of pricing.

Introduction

Price is potentially the most controllable and flexible element of the marketing mix. A key component of an organization's market strategy.

The Role and Significance of Price

Price is undoubtedly a significant strategic variable and in many markets, despite a growth in the importance of non-price factors, it is still the principal determinant of consumer choice.

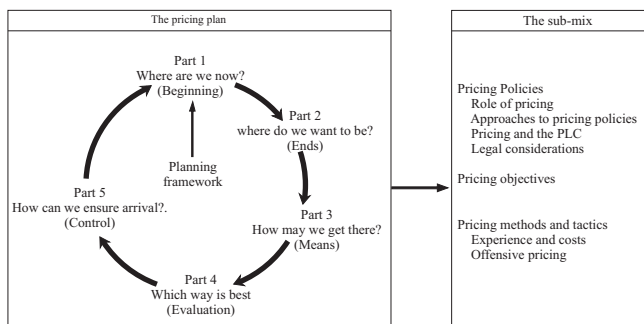


Fig 1: The Pricing plan and its likely sub-mix

Common Mistakes of Pricing

- pricing decisions are often too heavily biased towards cost structures and fail to take sufficient account of either competitors' or customers' probable response patterns;
- prices are often set independently of other mix elements and without sufficiently explicit account being taken of, for example, advertising strategies and market positioning;
- too little account is taken of the opportunities to capitalize on differentiations;
- prices often do not vary sufficiently greatly between different segments of the market;

- price often reflect a defensive rather than an offensive posture.

Approaches to Price Setting

- Price takers, which, by virtue of their size and market position, lack of product differentiation, or passive organizational culture, are either unable or unwilling to adopt a proactive pricing stance. As a result, they follow the lead set by one or more larger and more aggressive organizations within the industry.
- Price makers which, largely as the result of their size and power within the market, are able to determine the levels and patterns of price which others then follow.

In setting a price either for a new or modified product, or for an existing product, which is being introduced into a new sector of the market, the strategist needs to give explicit consideration to a variety of factors. These are summarized in Figure 2.



Fig 2: A summary of the influence on pricing strategy

Of these, the most significant are:

1. The organization's corporate objectives;
2. The nature and structure of competition;
3. The product life cycle;
4. Legal considerations;
5. Consumers and their response patterns;
6. Costs.

Taken together, these factors allow the strategist to develop the market's price profile (as depicted in Figure 3) and, subsequently, to gain a greater insight into market's pricing dynamics.

Competition

- How are our direct and indirect competitors?
- What pricing strategies does each pursue?
- Is price competition an important element of their marketing mix?
- How are they likely to behave when faced with price competition?
- What financial resources do they have available to cope with a price war?
- Are competitors' prices related to particular market segments?

Legal

- Are there any constraints upon pricing and re-pricing decisions?
- Are there legal constraints upon margins within the distribution network?
- Is there freedom to engage in price promotions?
- Do prices have to be printed to the product and/or package?
- Does retail price maintenance exist?

Customers

- How do consumers perceive these types of product?
- How important is the product's country of origin?
- How is our organization perceived?
- Do any social or cultural factors exist that might influence the prices that consumers are willing to pay?

Distribution

- What are the implications of the patterns of distribution for costs and subsequent prices?
- What margins typically exist throughout the channel?
- How are price promotions and special offers likely to be received?

Other

- Are there any trade associations that might usefully

- be consulted before setting prices?
- Is there a consumer group (e.g. The consumers' Association) which publishes comparative analyses of products which might influence consumers' perceptions of prices?
- Will our price strategy be affected by the behaviour of others in the market in the past?
- How is the market as a whole likely to respond to price changes?

Figure 3. The decisions of market's price profile.

Corporate Objectives

By starting with a statement of the firm's overall objectives and of what it is trying to achieve within each sector of the market, it is possible to identify the board dimensions of the pricing strategy and the role that price is expected to play?

The Nature and Structure of Competition

Having identified the firm's overall objectives, the focus of attention switches to the nature of competition and to the ways in which the competitive environment is likely to influence the implementation of a pricing strategy.

The Product Life Cycle

In determining the pricing policy, consideration should therefore be given to three main factors:

1. The probable length of the product's life cycle;
2. The scope that exists for a competitor to introduce a new product or new technology from another market - thereby shortening the length of the life cycle.
3. The firm's profit expectations.

The specific implications of the PLC for pricing are spelled out in Figure 4.

Product life-cycle stage	The nature of price decisions
1. Pre-launch	Establish price objectives. Analyze the various influences upon price (e.g. forecast levels of demand, costs, competitors, product characteristics, supply factors, legal and other environmental issues).
2. Introduction	Penetration or skimming prices depending on objectives and market characteristics. Determine trade discount structure. Develop special offers to encourage trial.
3. Growth	Use price to combat competition. Make use of economies of scale. Strengthen dealer ties, improve price/value perceptions.
4. Maturity	Price to protect position. Identify incremental opportunities via product differentiation. Increase options. Introduce a low -price fighting brand. Identify alternative distribution channels offering scope for higher prices.
5. Decline	Price to maximize profits, even at the expense of market share. Use price reductions in short-line segments.

Figure 4, The implications of the PLC for pricing decisions

Legal Considerations

Decising on The Pricing Objectives

Survival

Survival is arguably the most fundamental pricing objective and comes into play when the conditions facing the organization are proving to be extremely difficult.

Return on Investment

Price are set partly satisfy the needs of consumers, but more importantly to achieve a predetermined level of return on the capital investment involved.

Market Stabilization

Having identified the leader in each market, the firm determines its prices in such a way that the likelihood of the leader retaliating is minimized. In this way, the status quo is maintained and market stability ensured.

The Maintenance and Improvement of Market Position

Meeting or Following Competition

Having entered a market in which competitors are firmly entrenched, the firm may decide quite simply to take its lead in pricing from others until it has built up sufficient experience and established a firm reputation on which it can subsequently build.

Pricing to Reflect Product Differentiation

Market Skimming

With a skimming objective the marketer enters the market with a high price and only gradually lower it as he seeks a greater number of market segments.

Market Penetration

As an alternative to the gradual entry strategy of market skimming, the firm may adopt a far more aggressive approach in which prices are set a deliberately low level to ensure a high level of sales and to keep competitors at a distance.

Early Cash Recovery

Faced with problems of liquidity or a belief that the life of the product or market is likely to be short, the firm opts for a policy designed to generate a high cash flow and lead to an early recovery of cash.

Preventing New Entry

Pricing Objectives and Time Dimension

- 1 to penetrate the market and preempts competitors by offering a low price;
- 2 to skim the market and aim for early profits by opting for a high price;
- 3 to phase out an old product by raising the price and making it unattractive;
- 4 to discourage competitors from entering the market;
- 5 to develop the company's image;
- 6 to be regarded as 'fair' by customers;

- 7 to encourage market growth by a low price/high volume policy;
- 8 to avoid unnecessary provocative action.

Pricing Problems

- 1 price may be too high when compared with those of competitors and led either to a reassessment of objectives or an acceptance of an erosion of market share;
- 2 a given price, while acceptable in one sector of the market, may too high or low elsewhere;
- 3 the price may be viewed by sections of the market as exploitative and the company consequently seen as untrustworthy;
- 4 price differential across the product line may be illogical;
- 5 the price may destabilize a previously stable market;
- 6 the price may lead to a degree of confusion in the market;
- 7 the price may damage or inhibit brand loyalty;
- 8 the strategy may well lead to an increase in buyers' price sensitivity;

Methods of Pricing

Four principal factors, which influence the pricing, decision:

- 1 the company's marketing objectives;
- 2 the company's pricing objectives;
- 3 the determinants of demand including costs, competitors and consumers;
- 4 the product itself and the extent to which it has any distinguishing features.

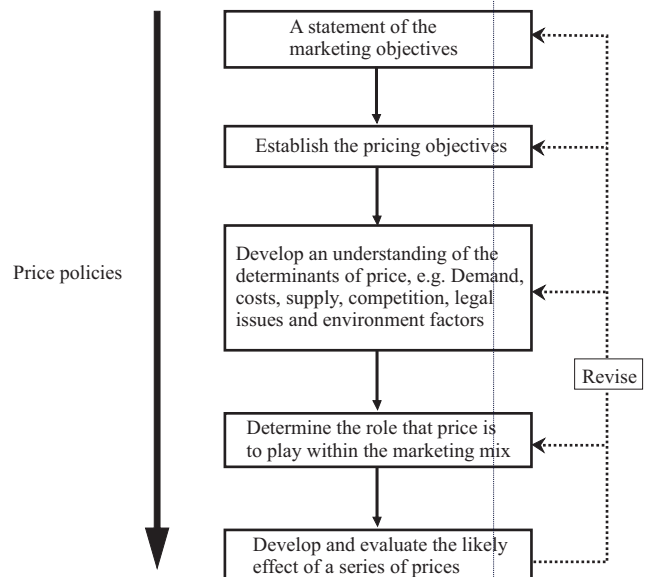


Figure 5, A framework for systematic pricing decisions

Cost-Oriented Technique

➤ Mark-up Pricing

In many ways the most straightforward technique available, mark-up or cost-plus pricing simply involves adding a standard mark-up to the total fixed and variable costs of the product.

➤ Target Return on Investment Pricing

➤ Early Cash-recovery Pricing (ECR)

Market-Oriented Technique

* Perceived Value Pricing

* Going Rate Pricing

* Consumers and their Response Patterns

* Taking Account of Competitors

Using Price as a Tactical Weapon

➤ varying prices to reflect geographic differences;

➤ offering discounts for early payment, off-season buying, and to encourage high volume purchases;

➤ trade-in allowances to boost sales when the economy generally is sluggish;

➤ discriminatory pricing in order to capitalize upon the ability or willingness of particular market segments to pay a higher price;

➤ operational feature pricing which allowed the price of the basic product such as a car to be kept low, but for substantial profits then to be made by adding accessories such as a sunroof;

➤ hitting at competitors who appear particularly vulnerable.

Internal Audit - A Value Driven Approach and Changing Role of Internal Audit

CMA Pratap Kr. Chakraborty

The concept of Internal Audit has undergone sea change in recent times. From confining itself in the area of only books of account, the present internal audit function has now spread over to various key functional areas of an organization for evaluating the decisions of management so as to comment and observe the overall performance of an enterprise. In essence, the role of internal audit has enlarged from being a mere custodian of correct and fair maintenance of books of account (and thereby detecting and deterring frauds and errors) to custodian of the entire enterprise-performance by accounting for all major managerial decisions and showing the management the direction of the enterprise. Thus, the emphasis is now towards value creation and value promotion across the various functions of an enterprise to ensure corporate prosperity over time.

The shift has lead to the following advantages: -

- Contributing towards right strategy development and formulation of the right business plan.
- Focus on capacity building of an enterprise to manage potential business / operational risks.
- Focus on improving corporate culture, ethics and governance - human side of an organization.

The dynamics and complexities of business enterprises have grown in recent times. Further, the emergence of severe global competition which cut across all nations and economies has resulted in the formulation of stricter and elaborate regulatory framework of law within which a business has to operate and sustain year after year with fairness and discipline apart from delivering reasonable returns to the stakeholders over time.

In this challenging backdrop of present business scenario, revised core areas of Internal Audit function may be articulated thus: -

- Facilitating strategic initiatives of a business
- Helping an enterprise to manage potential risks and to counter possible emerging risks.
- Critical appreciation of effectiveness of key operations / business processes in line with the short term, mid-term and long term business objectives
- Audit of compliance and regulatory issues on a

continuous basis

- Focus on ethics and discipline
- Focus on reputation and corporate image building initiatives and readiness of an enterprise for change.
- Reasonable application of data analytics to predict business trends in the foreseeable future.

Reasons behind the re-oriented role of Internal Audit are:-

- Increased competitive environment
- Need for optimal use of all resources including manpower
- Emergence of stringent regulatory compliances.
- Increased stakeholders expectations, particularly from the investors.
- Need for increased recognition of human element in an organization to drive efficiency - the need for talent building.

Other possible areas of Internal Audit function which may find increased emphasis in the near future are: -

- Assessing the capability of I.T system(s) being used in an enterprise in view of increased cyber crime leading to data theft and, thus, evaluating the soundness of MIS.
- More intense communication with audit committee, board of directors, statutory auditors and cost auditors.
- Critical appreciation of organization structure and reporting relationships.
- Evaluation of productivity initiatives in all operational areas to assess how the enterprise is being run and in this context generate relevant / key non-financial information which may be augmented with the financial information to give a wholesome picture in the process of evaluation of enterprise performance.
- To help rebalance business focus in the perspective of performance, risk - potential & emergent, and stakeholders expectations.
- To help strengthen communication - horizontal & vertical, throughout the organization.

In order to fulfill the possible new expectations of management, internal audit need to pay further attention to the following areas: -

- Risk reporting to stakeholders and developing a sound risk management framework.
- Creating an awareness amongst the top management team about the need for re-visiting the essential performance parameters of an enterprise on a continuous basis to drive continuous improvement and to remain competitive and profitable year after year
- To help management to prioritize goals and objectives on a continuous basis and to facilitate adoption of technological advancement, as may be desirable.

In essence, Internal Audit in the present time is involved in

building a culture of control, discipline, efficiency and compliance by focusing on people, process, technology and trends so that an organization becomes fundamentally strong, ethical and performance-focused over time and deliver reasonably good returns to the stakeholders year after year resulting in the creation long term corporate prosperity.

In the aforesaid context, it may be noted that the new Companies Act, 2013, vide, section 138 has emphasized the need for Internal Audit in certain category / class of companies in order to promote transparency in the area of corporate governance, regulatory compliances and to improve functional / operational performances so that these entities can create the foundation for delivering satisfactory returns to the various stakeholders over time.

Insolvency and Bankruptcy Code - 2016 and the Opportunities before CMAs

CMA Balaknath Bhattacharyya

Introduction : Insolvency and Bankruptcy Code 2016 was promulgated on 28.05.2016 and came into effect on 01.12.2016. The code has been enacted as per entry 9 of section 246 of Constitution of India which is under concurrent list. After getting the bill passed by both houses of the parliament it got the assent of President of India on 28.05.2017. The Code aims at offering a uniform, comprehensive insolvency legislation encompassing all companies, partnerships and individuals (other than financial firms). It seeks to provide an effective legal framework for timely resolution of insolvency and bankruptcy which would support development of credit markets and encourage entrepreneurship, and facilitate more investments leading to higher economic growth and development. It is one of the pillars of economic reform process in India.

Why IBC 2016 : There is a plethora of acts, rules and regulations in India to deal with the insolvency and bankruptcy issues. Consequently there is ample scope for someone charged with some misdeeds under one Act may take recourse to another act and delay the settlement of the issue for indefinite period. Thus we have experienced that in spite of having a number of Acts for recovery of bank dues the NPA of Indian Banks is piling and piling year after year and it is now reached a staggering height of 8 lakh crore rupees. And the banks are very weak in recovery of NPAs. Let us have some tables to have a clear picture about NPA.

Figure A

HIGHEST GNPA RATIOS		
PSU Bank		GNPAratio
Indian Overseas Bank		22.42
UCO Bank		17.18
United Bank of India		15.98
IDBI Bank Ltd		15.16
Bank of Maharashtra		15.08

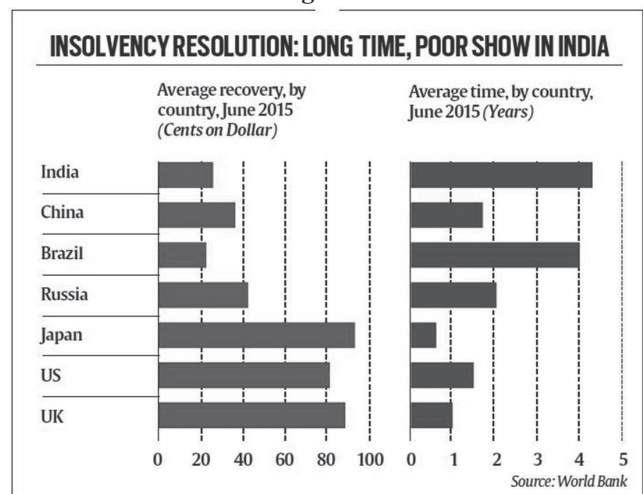
GROSS NPAs & ADVANCES (Public + private)		
Year	Gross NPAs*	GNPAratio
Dec '12	178,460	3.5
Dec '13	242,609	4.0
Dec '14	292,193	4.4
Dec '15	437,860	6.0
Dec '16	697,409	9.3

*In Rupees crore
Compiled by Care Ratings

It is revealed from above table that upto Dec 16 the Gross NPA is 6.97 lakh Crores which has increased to about 8 lakh crores as estimated.

Similarly we have another table (Figure B) for comparative insolvency resolution period and recovery rate of different countries

Figure B



While in UK the insolvency resolution period is 1 year in India it is 4.3 years. Similarly the recovery rate is more than 95% in Japan, 84% in UK and 80% in US in India it is just 23%. The ominous effects of these twin evils of non-recovery of NPA and inordinate delay in resolving insolvency resolution as envisaged are as follows:

- Accumulation of NPA. now it is staggering 8 lakh crores as estimated.
- Banks are reluctant to lend in new projects - pulling the economic growth rate downwards, which has its evil effects on employment generation, poverty alleviation etc
- Unhealthy emphasis on loans against security deprives many good business proposals of funding especially in IT and service sectors which have no assets or little assets to provide as collateral hindering the growth of economy. Consequently equity financing is resorted to which makes a project unviable due to increased cost of investment (equity)..

- Interest rate is not coming down hampering investment
- Weakening of Banks
- Poor growth of debt market - leading to poor investment in long term investment like investment in infrastructure - roads, bridges, education, health system, irrigation network etc

Consequently with a view to overcome the situation and as a part of the economic reform process Government of India enacted the code with the objectives of

- Creation of Corporate Debt market and shifting the culture of providing loan against security to providing loan against future cash flow in respect of projects
- To bring down the resolution time to a reasonable period by providing time bound resolution process. This will enable lenders to come out of the firm and invest in new project.
- Encouragement of entrepreneurship - The time bound resolution will enable the investor to get rid of the unviable project at the earliest and to invest in new project without any baggage.
- Eliminating undue emphasis on equity - development of debt market will enable an entrepreneur to have access to the cheap debt which will make his investment less costly and viable since equity investment is always costly.
- To increase the recovery rate of debt through having good resolution plans from competent investors and value maximization of assets of stressed firms. This will again be achieved through handing over the control of the firm to creditors as well as time bound resolution process.
- Augmenting Investment in infrastructural development project through corporate bond market and attracting foreign funds in corporate bond market.
- Enabling shifting and utilizing of skilled human resources to another venture through a speedy liquidation process of the existing stressed venture to which they are attached and meeting their dues.

Paradigm Shift in Insolvency Resolution Process in the IBC -2016

With a view to attaining the purpose mentioned above code has taken certain revolutionary decisions unlike provided in earlier disposition which are

- Creditors' Control :
- Time Bound Process
- Moratorium
- Preserving Value of Business
- Stress on revival rather than on liquidation
- Provision of Fresh Start Process

Creditors Control

According to the code during the entire resolution process Creditors' Committee comprising of financial creditors (lenders of Financial products) in certain cases where there is no Financial creditors the operational creditors (lenders of goods and services) will rule the roost . They will act through the insolvency professional or bankruptcy trustee or liquidator. According to BLRC (Bankruptcy Law Reforms Committee) report 'control of a company is not divine right'. With 75% consent by value the creditors committee can take any decision about the firm which includes revival or liquidation of it. There will be no control of promoter director or owner of the firm in running the business or otherwise during the insolvency resolution period unlike before.

Time Bound Process

IRP (Insolvency Resolution Process) is a time bound process. Every activity during the resolution process is to be completed within a specific period as encoded. As for example the entire insolvency resolution process is to be completed maximum within 180/270 days from insolvency commencement date (section 12), the Adjudicating Authority will appoint Interim Resolution Professional within 14 days of Insolvency Commencement Date (section 16), The Insolvency Professional will make public announcement of his appointment within 3 days of his appointment (Regulation 6.1), creditors shall submit their claims along with proofs to Interim Resolution Professional within 14 days of appointment of IRP (Regulation 6.2.c), IRP after constitution of the shall file a report of constitution of Creditors' Committee to Adjudicating authority within 30 days of his appointment (Regulation 17.1) and so on.

Moratorium

A provision for moratorium has been introduced by the code , by dint of which during the entire resolution period any suits against the corporate debtor (distressed firm) including execution of any judgment, decree or order in any court of law for recovery of any dues from the debtor ; transferring ,encumbering, alienating or disposing of by the corporate debtor of any of its asset or any recovery through implementation of SRFAESI Act 2002 is prohibited. This has been done for smooth conducting of insolvency Resolution Process.

Preserving Value of Business

Shifting of management control of the distressed firm to creditors' committee and assets remaining under the charge of Insolvency Professional as well as provision for moratorium eliminate the possibility of misappropriation and illegal removal and disposal of assets by the dishonest corporate debtor just to deprive of the creditors from their legitimate dues. Moreover time bound insolvency resolution process curbs the possibility of further erosion of value of assets.

Stress on Revival rather than on liquidation

According to BLRC liquidation of any firm adversely affect the economy as a whole by rendering the resources of the organization non functional, increasing the unemployment, diminishing the social benefit accrued from the firm, decelerating the growth of economy. Hence revival is the main motto of the Code instead of taking resort to liquidation and recovering the debt amount by disposing off the assets of the firm. This spirit of the new Code makes it different from older ones whose only objective was to recover the dues. According to IBC liquidation is the last option when all other options to revive the firm fail.

Provision of Fresh Start Process

This a new concept introduced by IBC 2016. According to provision of IBC 2016 a non- corporate debtor owning assets, qualified debts and having annual incoe under a threshold limit of Rs 20,000, 35,000 and 60,000 respectively may apply for complete discharge from debt and initiating a fresh start. This provision has been introduced to encourage entrepreneurship.

Repeal and amendment of some Acts

With a view to making the Insolvency and Bankruptcy Resolution Process strong , efficient and effective the plethora of rules ,regulations which existed under different Acts were either repealed or amended by IBC 2016 and the entire resolution and bankruptcy process has been brought under one uniform Act, IBC 2016. The Acts repealed and amended are as follows;

Acts repealed:

1. The Presidency Towns Insolvency Act, 1909
2. The Provincial Insolvency Act 1920

Acts amended

1. Companies Act 2013
2. Indian Partnership Act 1932
3. Central Excise Act 1944
4. Income Tax Act 1961
5. Customs Act 1962
6. Recovery of Debts due to Banks and Financial Institutions Act 1993
7. Finance Act 1994
8. SRFAESI Act 2002
9. SICA(Special Provisions) Repeal Act 2003
10. Payment and Settlement System Act 2007
11. LLP Act 2008

Agents for implementations of IBC 2016

For implementation of IBC 2016 certain agents have been envisaged in the Code. They are:

1. Regulatory Body - Insolvency and Bankruptcy Board of India (IBBI)
2. Adjudicating Authority - NCLT /NCLAT in case of

Corporate bodies and DRT /DRAT in case of non-Corporate bodies

3. Insolvency Professionals
4. Insolvency Professional Agencies
5. Information Utilities

Insolvency and Bankruptcy Board of India (IBBI)

IBBI established by dint of IBC 2016 is the regulating body of insolvency and bankruptcy process in India. The objective of the Board is to utilize all legislative, executive and quasi-judicial functions so as to achieve a well functioning bankruptcy process in India. It is empowered to make regulations and guidelines on matters related to insolvency and bankruptcy. It is a body to register insolvency professional agencies, insolvency professionals and information utilities and specify regulations, standards for functioning of these agencies and professionals as well as to fix their minimum eligibility requirement.

Adjudicating Authority

Adjudicating authority as provided in IBC 2016 is National Company Law Tribunal (NCLT), in relation to resolution and liquidation for corporate persons including corporate debtors and personal guarantors thereof. NCLT has the jurisdiction to entertain or dispose of any application or proceedings by or against corporate debtor or corporate person or any claim made by or against corporate debtor or corporate person or its subsidiaries situated in India. National Company Law Appellate Tribunal (NCLAT) is the appellate authority.

Similarly as per IBC 2016 Debt Recovery Tribunal (DRT) is the adjudicating authority in respect of insolvency matters of individual and firms and Debt Recovery Appellate Tribunal (DRAT) is the appellate authority.

Insolvency Professionals

An Insolvency Professional is most important lever around which the entire insolvency and bankruptcy resolution process revolves. Effectiveness of insolvency resolution process depends on the efficiency, expertise and knowledge of IP. As envisaged by BLRC it is an industry of regulated professionals who will be delegated the task of monitoring and managing matters of business by the Adjudicator, so that both creditors and the debtor can take comfort that economic value is not eroded by actions taken by the other. The role of the professional is also critical to ensure a robust separation of the Adjudicator's role into ensuring adherence to the process of the law rather than on matters of business, while strengthening the efficiency of the process.

An Insolvency Professional has to play different roles in different situations.

- Interim Resolution Professional or Resolution Professional while in charge of insolvency resolution process
- Liquidator, while in charge of a liquidation process of

corporate bodies and its personal guarantors.

- Bankruptcy Trustee, while in charge of a bankruptcy process of non-corporate bodies and individuals.

Hence the role to be played by insolvency professional is very vital as well as challenging. He has to act as manager of the concern and has to run the business so that its value is not eroded a good communicator and negotiator for the purpose of having a good resolution plan from investors as well as obtaining consent of majority of creditors (75% by value) for accepting the plan so that the firm can be revived. Since he is a trustee and custodian of the assets of the firm he must take care that assets shall not be misappropriated and its value shall not be eroded. His role as liquidator is to have maximum value of assets and to distribute the same to creditors in accordance with the provisions of the code. Hence an insolvency professional not only has to possess the expert knowledge in finance, accounts, business and industry situations, economics both micro and macro and a good knowledge of provisions of IBC 2016 and its regulations, bye laws but also has to possess good leadership and managerial skills as well as good communicating and negotiating skills. Besides above an IP must maintain integrity, objectivity, honesty, independence, impartiality transparency and confidentiality.

Insolvency Professional Agency

The IP agencies under the Board will, within the regulatory framework defined, act as self-regulating professional bodies that will focus on developing the IP profession for their role under the Code. They will induct IPs as their members, develop professional standards and code of ethics under the Code, audit the functioning of their members, discipline them and take actions against them if necessary. These actions will be within the standards that the Board will define. The Board will have oversight on the functioning of these agencies and will monitor their performance as regulatory authorities for their members under the Code. Till date three IPAs have been formed, viz, Insolvency Professional Agency of the Institute of Cost Accountants of India, Indian Institute of Insolvency Professionals of ICAI and The ICSI Insolvency Professional Agency.

Information Utility

As per BLRC report 'the information infrastructure required for the insolvency and bankruptcy process that is proposed in this report consists of two sets of rules: rules that govern information submission and rules that govern information access and release during insolvency. The operations of the process require a class of "bankruptcy and insolvency information utilities" (referred to as Ius): firms which stand ready to receive information filings that are required under this Code, and stand ready to deliver information when requested.' The functions and characteristics of IUs are

- They will accept electronic submission of data from persons who are obliged, under the Code, to submit

information.

- The Board will regulate interconnection to ensure free entry, and interoperability, between all information utilities.
- All information utilities will exhibit identical APIs for submission of information and access to database.
- The Board will prescribe minimum service quality standards including uptime, disaster recovery, latency, etc.
- No restrictions will be placed upon the use of information that is given out by information utilities, subject to applicable laws.

Information about the genuineness of debt is of utmost importance in carrying out the insolvency resolution process. This will treat debtors and creditors on equal footing and help resolve conflict between debtors and creditors. Moreover existence of any debt will be proved with the click of a mouse within no time. As a result the resolution process will be swifter. Hence Information Utilities are important infrastructures to be set up under IBC 2016. Already one IU has been set up.

Structure of IBC 2016

IBC 2016 encompasses within itself insolvency resolution, liquidation and bankruptcy in relation to corporate bodies including LLPs, individual and partnership firms. It has 5 (five) parts consisting of 21 chapters (7 each for chapter II, III and IV) and 255 sections.

Part I has clarified about the applicability of the code and provides definitions of different relevant terms. Part II deals with insolvency resolution and liquidation for corporate persons. While Chapter II under part II has codified provisions for insolvency resolution process, chapter III & Chapter V under part II codified for liquidation and voluntary liquidation process of corporate persons. Provisions of fast track insolvency resolution process have been incorporated in chapter IV. Chapter VI & VII has elaborated respectively about adjudicating authorities in relation to insolvency resolution process of corporate persons and offences that might occur during implementation of the provisions of part II alongwith relevant penalties.

Part III deals with Insolvency and Bankruptcy of Individual and Partnership firms. While chapter II under Part III has made provisions for Fresh Start process chapter III & IV has encoded different provisions for Insolvency Resolution Process and Bankruptcy order for individuals and partnership firms respectively. Chapter V have dealt with the administration of distribution of assets in case of Bankruptcy. Chapter VI & VII has elaborated respectively about adjudicating authorities in relation to insolvency resolution process of individuals and partnership firms and offences that might occur during implementation of the provisions of

part III along with relevant penalties.

Part IV deals with different institutions under IBC 2016 viz, Insolvency and Bankruptcy Board of India (IBBI), Insolvency Professional Agency (IPA), Insolvency Professionals (IP) and Information Utilities (IU). Chapter VI has detailed about inspection and investigation of different faults and frauds committed during the IRP and chapter VII has elaborated different provisions related to management of Finance, maintenance Accounts and Auditing of accounting and other records. Part V is the residual part of the Code.

Opportunities before CMAs

As is envisaged profession associated with insolvency resolution at the present context possibly is the most demanding career option a professional can undertake. It is certainly one of the most challenging, involving and rewarding career. Insolvency practitioners can find themselves running businesses, constructing and negotiating deals or investigating and advising on the viability of a business and its restructuring. Insolvency work is as much about people as it is about figures. Insolvency practitioners need the skills to deal with creditors, directors, concerned employees and a range of other stakeholders in the business. As insolvency practitioners possess knowledge and experience about all aspects of the law and procedure, they are best placed to provide advice for individual voluntary arrangements for restructuring or to act as trustees in bankruptcies. The profession will be able to rescue increasing numbers of jobs and businesses through their knowledge, good advices and skills. CMAs with their analytical bend of mind and professional acumen along with managerial capabilities and financial skills are very much competent to act as Insolvency Professionals. CMAs only after passing the

limited insolvency examination as provided under IBC 2016 will be eligible to chart a new career which is not only challenging but also satisfying as well as much more rewarding than any other career option.

Conclusion

Promulgation of IBC 2016 is a milestone in the path of economic reform process in India. It will instill confidence amongst the lenders and help create a thriving bond market. It will also help clean up the balance sheet of banks fraught with NPAs. Due to improvement in recovery rate financial institutions will also be able to provide more and more funds as loan to entrepreneurs at lower interest rate without collateral. It will also encourage entrepreneurship in India by providing easy access towards cheaper debt fund. Early exit from old unviable venture will enable an entrepreneur to change course with ease. Since revival is the main motto of the Code, economy will be more benefitted through rescuing of firms and jobs of individuals. The estimate by the United States Department for Agriculture Economic Research Service (USDA), based on data collated by World Bank and IMF, assumes the Indian economy will expand annually at an average 7.4% to \$6.84 trillion by 2030. This will make it bigger than that of the economies of Japan (\$6.37 trillion) and Germany (\$4.38 trillion). According to World Bank Job creation for woman along with GST and introduction of Bankruptcy Code can boost growth into double digits. In that case GDP figure by 2030 will be much more than estimated. Since it has created a new opportunity CMAs should grab it and take the challenge and participate in economic reform process which will catapult Indian economy to a developed one within 2030 and I think CMAs are competent enough to take the challenge.

GSTR**CMA Mrityunjay Acharjee****Form GST TRAN - 1****(See Rule -----)****Transitional ITC / Stock Statement**

1. GSTIN -
2. Legal name of the registered person -
3. Trade Name, if any -
4. Whether all the returns required under existing law for the period of six months immediately preceding the appointed date have been furnished:- Yes/No
5. Amount of tax credit carried forward in the return filed under existing laws:

(a) Amount of Cenvat credit carried forward to electronic credit ledger as central tax (Section 140(1) and Section 140(4)(a))

Sl. no.	Registration no. under existing law (Central Excise and Service Tax)	Tax period to which the last return filed under the existing law pertains	Date of filing of the return specified in Column no. 3	Balance cenvat credit carried forward in the said last return	Cenvat Credit admissible as ITC of central tax in accordance with transitional provisions
1	2	3	4	5	6
	Total				

(b) Details of statutory forms received for which credit is being carried forward

Period: 1st Apr 2015 to 30th June 2017

TIN of Issuer	Name of Issuer	Sr. No. of Form	Amount	Applicable VAT Rate
C-Form				
Total				
F-Form				
Total				
H/I-Form				
Total				

(b) Amount of vat and entry Tax paid on inputs supported by invoices/documents evidencing payment of tax carried forward to electronic credit ledger as SGST/UTGST

Details of inputs in stock					Total input tax credit claimed under earlier law	Total input tax credit related to exempt sales not claimed under earlier law	Total Input tax credit admissible as SGST/UTGST
Description	Unit	Qty	Value	VAT [and Entry Tax] paid			
1	2	3	4	5	6	7	8
Inputs							
Inputs contained in semi-finished and finished goods							

© Stock of goods not supported by invoices/documents evidencing payment of tax (credit in terms of rule 1 (4)) (To be there only in States having VAT at single point)

Details of inputs in stock				
Description	Unit	Qty	Value	Tax paid
1	2	3	4	5

8. Details of transfer of cenvat credit for registered person having centralized registration under existing law (Section 140(8))

Sl. No.	Registration no. under existing law (Centralized)	Tax period to which the last return filed under the existing law pertains	Date of filing of the return specified in Column no. 3	Balance eligible cenvat credit carried forward in the said last return	GSTIN of receivers (same PAN) of ITC CENTRAL TAX	Distribution docume /invoice		ITC of CENTRAL TAX transferred
						No.	Date	
1	2	3	4	5	6	7	8	9
	Total							

9. Details of goods sent to job-worker and held in his stock on behalf of principal under section 141**a. Details of goods sent as principal to the job worker under section 141**

Sr. No.	Challan No.	Challan date	Type of goods (inputs/ semi-finished/ finished)	Details of goods with job- worker				
				HSN	Description	Unit	Quantity	Value
1	2	3	4	7	8	9	10	11
GSTIN of Job Worker, if availabl								
	Total							

b. Details of goods held in stock as job worker on behalf of the principal under section 141

Sr. No.	Challan No.	Challan Date	Type of goods (inputs/ semi-finished/ finished)	Details of goods with job- worker				
				HSN	Description	Unit	Quantity	Value
1	2	3	4	7	8	9	10	11
GSTIN of Manufacturer								
	Total							

10. Details of goods held in stock as agent on behalf of the principal under section 142 (14) of the SGST Act**a. Details of goods held as agent on behalf of the principal**

Sr. No.	GSTIN of Principal	Details of goods with Agent				
		Description	Unit	Quantity	Value	Input Tax to be take
1		2	3	4	5	6

b. Details of goods held by the agent

Sr. No.	GSTIN of Principal	Details of goods with Agent				
		Description	Unit	Quantity	Value	Input Tax to be take
1		2	3	4	5	6

11. Details of credit availed in terms of Section 142 (11 (c))

Sr. no	Registration No of VAT	Service Tax Registration No.	Invoice/doc ument no.	Invoice/ document date	Tax Paid	VAT paid Taken as SGST Credit or Service Tax paid as Central Tax Credit
1	2	3	4	5	6	7
			Total			

12. Details of goods sent on approval basis six months prior to the appointed day (section 142(12))

Sr No.	Document no.	Document date	GSTIN no. of recipient, (if applicable)	Name & address of recipient	Details of goods sent on approval basis				
					HSN	Description	Unit	Quantity	Value
1	2	3	4	5	6	7	8	9	10
	Total								

Verification (by authorized signatory)

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom

Signature

Name of Authorized Signatory

Place

Date

Designation /Status.....

Form GST TRAN - 2
(See Rule -----)

1. GSTIN -
2. Name of Taxable person -
3. Tax Period: month..... year.....
4. Details of inputs held on stock on appointment date in respect of which he is not in possession of any invoice/document evidencing payment of tax carried forward to Electronic Credit ledger.

Opening stock for the tax period			Outward supply made					Closing balance
HSN (at 6 digit level)	Unit	Qty.	Qty	Value	Central Tax	Integrated Tax	ITC allowed	Qty
1	2	3	4	5	6	7	8	9

5. Credit on State Tax on the stock mentioned in 4 above (To be there only in States having VAT at single point)

Opening stock for the tax period			Outward supply made				Closing balance
HSN (at 6 digit level)	Unit	Qty.	Qty	Value	State Tax	ITC allowed	Qty
1	2	3	4	5	6	8	9

Verification (by authorized signatory)

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom

Signature

Name of Authorized Signatory

Place

Date

Designation /Status.....

Filing of Returns under GST Act - A detailed review

A return is a document that a taxpayer is required to file as per the law with the tax administrative authorities. Under the GST law, a normal taxpayer will be required to furnish three returns monthly and one annual return. Similarly, there are separate returns for a taxpayer registered under the composition scheme, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS)

India is converging towards its biggest tax reforms ever. The whole World is watching this roll out, as the World 3rd largest economy is moving towards a destination based tax-reporting structure. Every transaction has to be reported through the last mile with a common invoice, identifiable to the seller and recipient of goods and services.

The GST Council and the Ministry of Finance have come up with a great solution to record all such invoices in one place and collate data for the taxpayer. The processes have been simplified, and many taxes have been removed. The whole nation shall report using the same structure irrespective of where and how you carry your business.

A widespread IT system has been deployed by the Ministry to cope up with such a huge influx of data. It is called the GSTN (Goods and Service Tax Network) that will house all the information of sellers and buyers together, collaborate the details submitted and even maintain 3 registers for you for future reference and anytime reconciliation.

In this article, various types of GST Returns have been explained and also who should file GST returns online, format of GST return, process of filing GST return and much more..

Understanding the GST Returns

For properly updating the invoices, Indian taxpayers and businesses have to file certain returns with the Government. These returns have to be mandatorily filed as any non-compliance towards the same may lead to disallowance of input tax credit, apart from attracting penalties and interests, etc. Proper filing of information and passing the same in the returns is a mandatory process for smooth flow of credit to the last recipient.

The returns have been designed so that all transactions are in sync with each other and that no transaction is left unattended between the buyer and the seller. The tale starts from GSTR-1. All the data is stored in GSTN, which can be accessed by the users/taxpayers anytime online.

Types of GST Returns to be filed by normal taxpayers

GSTR-1

The taxpayer records all his outward supplies of goods and services in details in this form. This has to be mandatorily done by the 10th of the next month. This will form the basis of all future flow and match for credit reconciliations. GSTR-1 is a detailed form containing 13 different heads. The critical headings are:

- GSTIN of the Taxable Person - Auto populated result
- Name - Auto populated result
- Gross Turnover in Last Financial Year - This has to be filed only once. From next year onwards, this field will be auto populated
- The Period for which the return is being filed - Month & Year shall be available as a drop down for selection
- Taxable outward supplies - Here, IGST shall be filled only in the case of inter-state movement whereas CGST and SGST shall be filled in case of intra-state movement. Moreover, details of any exempted sales or sale at nil rate of tax shall also be mentioned here
- Outward Supplies to end customer, where the value exceeds Rs. 2.5 lakhs - Other than mentioned, all such supplies are optional in nature
- Any other supplies not covered in above 2 sections
- Debit Notes or Credit Notes Details
- Amendments to the details of any outward supplies of previous periods - This does not covers any changes by way of debit/credit notes
- Exempted, Nil-Rated and Non-GST Supplies - This is a Non-GST section. When the details of exempted sales or nil-rated sales have already been mentioned anywhere above, then only Non-GST shall be filled up here
- Export Sales
- Tax Liability arising out of advance receipts
- Tax Paid

GSTR-2A

It is available on the 11th of the next month for the recipients to see and validate the information therein. Recipients have time between 11th - 15th of the next month to change any information, delete or add, based on their books of accounts.

GSTR-2

This form is the culmination of all inward supplies of goods and services as approved by the recipient of the services. The due date is 15th of the next month. It is auto-populated with the details of GSTR-2A. GSTR-2 shall include the following heads:

- GSTIN of the Taxable Person - Auto populated result
- Name - Auto populated result
- The Period for which the return is being filed - Month & Year shall be available as a drop down for selection
- Details of all inward supplies - Auto populated with the details of GSTR-1. The taxable person can make any further addition or changes to the invoice here
- Changes to the inward supplies made for any previous period
- Import of Goods - Imports are treated as Inter-state supply and IGST shall be applicable on the same

- Import of Goods in earlier periods
- Services received from a person outside India (Import of Services)
- Import of Services in earlier periods
- Debit notes or Credit notes Details
- Amendments made to Debit or Credit notes of previous periods
- Inward supplies emanating from Unregistered persons
- Credits received from an Input Service Distributor - Auto populated from details of GSTR-6
- TDS credit from specified persons - Auto populated from details of GSTR-7
- TCS credit from E-Commerce operators - Auto populated from details of GSTR-8
- Input Tax Credit remaining to be taken against an invoice, from which initially a partial invoice was taken
- Reverse Charge tax liability
- Amendment to such reverse charge tax liability
- Tax Paid
- Input Tax Credit Reversals - A dropdown containing reasons for such reversals shall be made available
- Amendments to such Input Tax Credit Reversals

GSTR-1A

The form shall be auto-populated after filing of GSTR-2 on the 15th of the next month, having all the correct or changed information. The supplier shall have the choice to accept or reject the changes made by the recipient. Following such acceptance, the GSTR-1 shall be revised to such extent.

GSTR-3

This form is auto prepared by 20th of the next month. It will have the details of all outward as well as inward supplies of goods and services as furnished in GSTR-1 and GSTR-2. After considering both the details, GSTN will determine your input tax credit availability or the amount of tax payable.

It will have the following details:

- GSTIN of the Taxable Person - Auto populated result
- Name - Auto populated result
- Address of the person - Auto populated result
- The Period for which the return is being filed - Month & Year shall be available as a drop down for selection
- Total turnover
 1. Export Turnover
 2. Taxable Turnover
 3. Non-GST Turnover
 4. Nil Rated or Exempted Turnover
 5. Total Turnover (Sum of 1-4)
- Details of outward supplies

1. Inter-state supply to end customers
2. Intra-state supply to end customers
3. Inter-state supply to registered persons
4. Intra-state supply to registered persons
5. Exports
6. Amendments to Sales Invoices, Debit Notes and Credit Notes
7. Tax liability on such outward supplies
 - Details of inward supplies
 1. Inter-State received
 2. Intra-State received
 3. Imports
 4. Amendments to Purchase invoices, Debit Notes and Credit Notes
 5. Tax liability on such inward supplies
 6. Reversals of Input Tax Credit
 - Total tax liability for the period
 - TDS received for the period
 - TCS received for the period
 - ITC for the period

Apart from the above details, a Part B has to be filed containing the details of,

- Any taxes, interests, penalties or fees paid during the period
- Any refunds claimed during the period w.r.t. cash ledger

GSTR-9

This is the annual return, which the taxpayer has to file by 31st December of the coming financial year. It is nothing but the accumulation of all 12 monthly GSTR-3 of the taxpayer. It would also include the amount of tax paid during the year, including details of exports or imports.

Apart from the above forms, the Government shall serve those taxpayers who fail to furnish the returns on time, notice in Form GSTR-3A.

After the GSTR-3 is fully accepted for the month, then final input tax credit shall be communicated through form GST ITC-1. The details of ITC-1 has to be confirmed in due time to get the credit for that month. If the same is not done in due time, then it will disallow the credit for the month and will be computed as a tax liability for the month instead.

Returns to be filed by Composition Tax Payers

GSTR-4A

Similar to the GSTR-2A above, GSTR-4A is generated quarterly for composition scheme taxpayers. It has the details of the inward supplies as reported by suppliers in GSTR-1.

GSTR-4

With the auto-populated details of GSTR-4A, the taxpayer can furnish all his outward supplies here. The due date is 18th

of the following month and has to be filed quarterly. It also contains the details of tax payable and payment of tax.

GSTR-9A

This is the annual return for all composition tax payers. It has to be filed by 31st December of the coming financial year and includes all the quarterly returns filed by the composition tax payer.

Returns to be filed by Foreign Non-Resident Taxpayer

GSTR-5

This is a detailed form containing the particulars of outward supplies, imports, tax paid, input tax availed and remaining stock. This has to be filed monthly within 20th of the next month or if the registration is given up, then within 7 days of such surrender or expiry of registration.

Returns to be filed by an Input Service Distributor

GSTR-6A

This form will be generated by 11th of next month after the suppliers have filed their GSTR-1 on 10th of the next month. It will be auto-populated with the details of inward supplier made to them. It has to be filed on a monthly basis by the ISD.

GSTR-6

Once the details are confirmed or corrected by the ISD, then GSTR-6 will be generated. It has to be filed by the ISD by 13th of the next month. This is also a monthly filing.

Returns to be filed by a Tax Deductor

GSTR-7

Details of the tax deductions made during the month has to be furnished here. The due date is 10th of the next month.

GSTR-7A

This is a TDS certificate, which is auto-generated upon filing the GSTR-7 by the tax Deductor. It will be available for the assessee to download and keep record of. It will contain details of the tax deducted and the total amount of payment made.

Return to be filed by an E-Commerce Portal

GSTR-8

This return shall contain all the supplies made by the E-Commerce seller and the amount of tax collected as well. It has to be filed by 10th of the next month.

For those assessee whose annual turnover exceeds INR 1 Crore, then a reconciliation statement in Form GSTR-9B has to be filed by 31st December of the next fiscal year. It has to be filed annually and is basically an audited annual accounts, duly certified by competent authority.

Where the assessee is a Government body or a United Nations Body, then a monthly Form GSTR-11 has to be filed by 28th of the next month. These bodies have a UIN (Unique Identification Number) and hence will be required to furnish the details of inward supplies.

Where a taxable person's registration has been surrendered or cancelled, then a final return in Form GSTR-10 has to be filed within 3 months of such cancellation or registration. It will declare the input tax credit and capital goods held by the taxpayer, tax payable and paid at such time.

The Government has automated all the forms together by bringing the same details on a real time basis in front of the taxpayers. The step, which is of paramount importance, is Step No. 1, i.e. FORM GSTR-1. It will form the basis of all further activities.

Any shortcomings or short filings of information in the details provided by the suppliers can be rectified, changed or deleted by the recipients in ample period of time. It is a seamless process that matches all information together to get the final credit figures and tax payable, if any.

The payment challans are also a very crucial part of all the filing process. Without them, it is not possible to clear tax payments and dues in due course of time and also claim credit.

1. PMT-1: An online tax liability register arising out of return or non-return related liabilities of the taxpayer.
2. PMT-2: Credit balance online as in GSTN
3. PMT-2A: Re-credit addition to the GSTN balance of a taxpayer
4. PMT-3: Online cash ledger
5. PMT-4: Challan for payment of GST
6. PMT-5: Payment register for unregistered taxpayers
7. PMT-6: Application for claiming missing credit

Where it is found that there is an excess credit available in the account of a taxpayer, then the taxpayer has an option to claim refund of such excess credit within prescribed time. The refund application forms are different for the State and Central Governments.

There are 10 forms prescribed for the Central Government, out of which only 5 are applicable for the State application. The main form is RFD-01 where the application for refund is made.

GSTR 3B Return

In order to ease the burden on tax payers, tax authorities have introduced a simple return form called as GSTR 3B. This has to be used only for the month of July and August. Every registered tax payer (Except for composition scheme) needs to file a separate GSTR 3B for each GSTIN they have.

This is more like a self-declaration return and the tax payer is not required to provide invoice level information in this form. Only total values for each field have to be provided.

Due date for filing GSTR 3B return for July was 20th August - It has been extended to 25th August now.

For August, due date will be 20th September

dealer and

5B. The details of B2C supplies made online through e-commerce operator

5. Taxable outward inter-State supplies to un-registered persons where the invoice value is more than Rs 2.5 lakh

Place of Supply (State/UT)	Invoice details			Rate	Taxable Value	Amount	
	No.	Date	Value			Integrated Tax	Cess
1	2	3	4	5	6	7	8
5A. Outward supplies (other than supplies made through e-commerce operator, rate wise)							

5B. Supplies made through e-commerce operator attracting TCS (operator wise, rate wise)							
GSTIN of e-commerce operator							

6. Zero-rated supplies and deemed exports:

All type of zero-rated supplies, exports, deemed exports (supply to SEZ, EOUs) has to be mentioned under this head. A registered dealer has to give details of invoice, bill of export or shipping bill.

6. Zero rated supplies and Deemed Exports

GSTIN of recipient	Invoice details			Shipping bill/ Bill of export		Integrated Tax		
	No.	Date	Value	No.	Date	Rate	Taxable value	Amt.
1	2	3	4	5	6	7	8	9
6A. Exports								
6B. Supplies made to SEZ unit or SEZ Developer								
6C. Deemed exports								

7. This section contains a rate wise summary of all sales made during the month.

7A. All sales including sales made through e-commerce operator has to be mentioned here. Also separate mention of supplies made through e-commerce operator should be declared here

7B. B2C interstate supply along with place of supply i.e. name of state where invoice value is upto Rs 2.5 lakhs should be specified here

7. Taxable supplies (Net of debit notes and credit notes) to unregistered persons other than the supplies covered in Table 5

Rate of tax	Total Taxable value	Amount			
		Integrated	Central	State Tax/UT Tax	Cess
1	2	3	4	5	6
7A. Intra-State supplies					
7A (1). Consolidated rate wise outward supplies [including supplies made through e-commerce operator attracting TCS]					
7A (2). Out of supplies mentioned at 7A(1), value of supplies made through e-Commerce Operators attracting TCS (operator wise, rate wise)					
GSTIN of e-commerce operator					
7B. Inter-State Supplies where invoice value is upto Rs 2.5 Lakh [Rate wise]					
7B (1). Place of Supply (Name of State)					
7B (2). Out of the supplies mentioned in 7B (1), the supplies made through e-Commerce Operators (operator wise, rate wise)					
GSTIN of e-commerce operator					

8. Nil-rated, exempt and non-GST outward supplies:

All the other supplies whether nil rated, exempt or non-GST which has not been reported under any of the above needs to be reported under this head. This need to be further bifurcated into Inter-State, Intra-State to registered and unregistered persons.

8. Nil rated, exempted and non GST outward supplies

Description	Nil Rated Supplies	Exempted (Other than Nil rated/non-GST supply)	Non-GST supplies
1	2	3	4
8A. Inter-State supplies to registered persons			
8B. Intra- State supplies to registered persons			
8C. Inter-State supplies to unregistered persons			
8D. Intra-State supplies to unregistered persons			

9. Amendments to taxable outward supply details furnished in returns for earlier tax periods in table 4, 5 and 6 (including current and amended debit notes, credit notes, and refund vouchers):

Any correction to sales data submitted in the return of previous months pertaining to registered dealers can be done by filling in this section.

All debit notes, credit notes and refund voucher should also be entered here

9. Amendments to taxable outward supply details furnished in returns for earlier tax periods in Table 4, 5 and 6 [including debit notes, credit notes, refund vouchers issued during current period and amendments thereof]

Details of original document	Revised details of document or details of original Debit/Credit Notes or refund vouchers				Rate	Taxable Value	Amount				Place of supply				
	GSTIN No.	Inv. No.	Shipping bill No.	Value			Integrated Tax	Central Tax	State / UT Tax	Cess					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
9A. If the invoice/Shipping bill details furnished earlier were incorrect															
9B. Debit Notes/Credit Notes/Refund voucher [original]															
9C. Debit Notes/Credit Notes/Refund voucher [amendments thereof]															

10. Amendments to taxable outward supplies to unregistered persons furnished on returns for earlier tax periods:

Point 9 was for details of supplies to registered dealer furnished in previous returns. This point is for making correction to regarding details of unregistered dealers both B to B and B to C provided in earlier returns.

11. Consolidated Statement of Advances Received or adjusted in the current tax period, plus amendments from earlier tax periods.

All advances received during earlier period corresponding to invoices raised during the current period should be mentioned here.

Is exemption under GST is a Myth or a Reality for MSME?

CMA T B Chatterjee

Chairman-Indirect Tax, BCCI

Unregistered Dealer : In terms of Section 22(1) of the Central GST Act, every supplier (i.e. manufacturer, traders etc) shall be liable to be registered under the Act and to pay GST on his taxable supply in case his aggregate turnover exceeds Rs. 20 lacs in a financial year (Rs. 10 lacs for North-eastern states). However, let us see to what extent this exemption will be helpful to the B to B suppliers (i.e. For Business to Business Supply)

- (a) The above limit of Rs. 20 Lacs /10 Lacs is to be calculated after taking into account supply of all taxable and even exempted goods and services. In fact, export sales are also to be added to find out whether the aggregate turnover is below Rs. 20/10 lacs or not. As a result, there will be hardly any industry whose aggregate turnover will be less than the above threshold limit.
- (b) No exemption will be available even if the aggregate turnover is less than Rs. 20 lacs/10 lacs where the supplier is in the business of supplying goods/services on inter-state business i.e. from one state to another and in such case there will be need for compulsory registration irrespective of his annual turnover value which may be less than the above threshold limit;
- (c) No exemption will be available, if the supplier receives /consumes certain category of goods or services which are subject to payment of GST under reverse charge mechanism by the recipient in terms of Section 9(4) of The CGST Act (e.g. Advocate's Fee, Goods Transport Agency charges, Sponsorship fee, import of services etc);
- (d) Every electronic commerce operator needs to be registered irrespective of its aggregate turnover value.

From the above, it is very clear that although there is a threshold exemption limit but due to various restrictions, such benefit can hardly be enjoyed by the supplier of goods and services in a B to B segment. Now, even after considering the above restriction, there could be still some SMES whose aggregate turnover may be less than the threshold limit and be entitled to get the exemption benefit. However, let us see whether they would be able to continue to do their business as an unregistered dealer under GST regime:

- (a) All unregistered dealer will have to procure raw materials/services by making payment of GST but they would not be able to get any tax credit. As a result, the tax paid by them on such purchases will be part of their cost. Whereas, a registered dealer of the same industry will be able to procure inputs and services by paying tax but would get 100% tax credit. As a result cost of a product of a registered dealer and unregistered dealer will vary by

approx 18-20% and it will be difficult on the part of the unregistered dealer to offer competitive price to its customers.

- (b) Any purchase of goods/services by registered dealer from an unregistered dealer will be subject to payment of tax by the recipient of goods/ services under reverse charge mechanism. In other words, the receiver of goods or services i.e. registered dealer is to pay tax as applicable on such goods /services and also to deposit the tax by actual payment in the same month as if the receiver is the supplier. This will not only block working capital but also invite lot of compliances on the part of receiver of goods and services. In such case, why a registered dealer would go for procuring materials from an unregistered dealer? He will rather try to source the same goods/services from a registered dealer and would enjoy normal tax credit facility with cheaper rate.

Composition Dealer : To provide an alternate relief to the small suppliers (Traders/Manufacturers etc), there is a composition scheme applicable for those whose aggregate turnover in the preceding financial year do not exceed Rs. 75 lacs (Rs. 50 lacs for north -eastern states). Under this scheme, the registered person has only to pay output tax of 2% (manufacturer)/1% (trader) with a very nominal compliance . However this scheme will not be available to the service providers excepting small restaurants /dhabas etc. In other words it is available only to the supplier of goods;

Following are the major challenges under this scheme:

- (a) Composition dealer will not be able to get input tax credit in respect of its input of goods and services; As a result it will be part of their cost.
- (b) Composition dealer will have to pay tax on his unregistered purchase under Reverse Charge.
- (c) Composition dealer has to pay output tax of 1%/2% in respect of its output supplies but cant not charge to the customer.

Considering the constraints as stated under (a), (b) and (c) above, the cost of composition dealer will always be higher by at least 18-20% as compared to the normal registered dealer and it will be difficult to be competitive in the open market.

Conclusion: Considering the above facts into account we may conclude that while exemption/composition scheme may be helpful for small traders in B to C (Business to Consumer) segment, it will not be helpful for SMES in B to B transactions. It would always be prudent on the part of SMES to take GST Registration (even if it falls under exemption limit) to get the full benefit of GST and make its product more cost friendly and competitive.

◆ STUDENT'S SECTION ◆



Quiz Master Page

CMA Ajay Deep Wadhwa, *Former Chairman, EIRC of ICAI*

1. Who is "Missing Trader" in GST?
2. What is the full form of KRBL, India's top rice exporter?
3. Which is the largest Indian footwear manufacturer by number of pairs sold?
4. Expand "ITC" in GST.
5. India has 29 states and 7 Union Territories; but how many telecom circles are there?
6. Which is the largest listed company of the world on the basis of revenue, profit, assets and market value?
7. Which Indian city has almost 90% innerwear industry of the country?
8. Who was the first non-promoter CEO of Infosys?
9. Who is the President of ICAI – CMA?
10. What is GST Cess?

- Answers:**
1. Missing Trader is a trader who makes a sale or provides service, collects the tax and then disappears. The customer avails Input Tax Credit of such tax which is not actually paid by the selling trader.
 2. Khushi Ram and Bihari Lal
 3. Relaxo (It sold 135 million pairs in 2016-17).
 4. Input Tax Credit
 5. 22
 6. ICBC (The Industrial and Commercial Bank of China)
 7. Kolkata
 8. Vishal Sikka
 9. CMA Sanjay Gupta
 10. GST cess is a compensation cess levied under section 8 of The Goods and Services Tax (Compensation to State) Act, 2017. GST cess is levied on intra-state supply of goods or services and inter-state supply of goods or services to provide compensation to the States for loss of revenue due to implementation of GST in India.

Chapter Activities

Bhubaneswar Chapter

Observance of International Yoga Day on dated 21st June, 2017.

This Chapter has observed the 3rd International Yoga Day on 21.06.17 at its conference hall at 10.00 A.M in reference to the announcement of the United Nations General Assembly (UNGA).

60 students, Members of the Managing Committee, Members of the Chapter and Staffs of the Chapter Participated actively. Shri Kalandi Charan Singh, One of the reputed Yoga Guru at Bhubaneswar guided the participants. CMA Siba Prasad Kar, Chairman of the Chapter also addressed the gathering.

48th Annual General Meeting of the Chapter and selection of New Office Bearer of the Chapter for the year 2017 was held on 8th June, 2017.

Seminar on “GST” for observance of GST Day held on 1st July, 2017 (Saturday) at 6:30 PM

As the Institute had observed **GST Implementation Fortnight from 1st July to 14th July, 2017**, Chapter has organized a **Seminar on “GST” on 1st July, 2017 (Saturday) at 6:30 PM** at its premises. **CMA Niranjan Swain**, Sr. G.M (Finance), OPGC Ltd, Bhubaneswar inaugurated the Seminar by lighting the sacred lamp as **Chief Speaker** in the presence of **CMA Niranjan Mishra**, Council Member, ICAI as “**Guest of Honour**”, **CMA Shiba Prasad Padhi**, Member, ICAI-EIRC as “**Guest of Honour**”, **CMA Prafulla Kumar Swain**, Sr. Member of the Chapter, **CMA Surya Narayan Mishra**, Chairman, **CMA Jagatjyoti Biswa Ranjan Nayak**, Secretary, **CMA Saswat Tirpathy**, Chairman, PD Committee cum Treasurer of the ICAI-Bhubaneswar Chapter.

3 Days Soft Skill & Interview technique session for Intermediate qualified Students held from 5th to 7th July, 2017 at 9:00 AM to 11:00 AM at Chapter premises.

This Chapter has organized 3 days Soft Skill & Interview technique session for Intermediate qualified Students held from 5th to 7th July, 2017 at 9:00 AM to 11:00 AM at the Chapter premises to boost the students how to face the interview. Mr. Manish Dwivedi a well known soft skill trainer was the resource person.

Seminar on “Goods & Services Tax- It's impact on Contracts” held on 8th July, 2017 (Saturday) at 6:30 PM (Photo enclosed)

The Chapter organized a Seminar on “**Goods & Services Tax- It's impact on Contracts**” on 8th July, 2017 (Saturday) at 6:30 PM at its premises. **CMA Pravakar Mohanty**, Director (Finance), OHPC Ltd and Past President of ICAI had inaugurated the Seminar by lighting the sacred lamp as **Chief Guest** in the presence of **Dr. Anil Kumar Swain**, Prof & Heads of PG Department of Commerce, Utkal University as **Guest of Honour**, **CMA Niranjan Swain**, Sr. General Manager (Finance), OPGC Ltd as **Guest Speaker**, **CMA Prafulla Kumar Swain**, Sr. Member of the Chapter, **CMA Surya Narayan Mishra**, Chairman & Members of the Managing Committee of the ICAI-Bhubaneswar Chapter.

Mock interview was conducted for CMA Intermediate students on dated 16.07.2017.

This Chapter have conducted a mock interview for intermediate qualified students on dated 16th July, 2017 (Sunday) at Chapter. The interview was conducted by **CMA Surya Narayan Mishra**, Chairman, **CMA Omprakash Nayak**, Vice-Chairman, **CMA Jagatjyoti Biswaranjan Nayak**, Secretary, **CMA Saswat Tripathy**, Treasurer, **CMA Bikram Keshari Das**, Chairman Coaching Committee of the Chapter.

EIRC Activities during July - August, 2017

CEP on GST on 1st July

EIRC organised a programme on GST on 1st July 2017 at EIRC Seminar hall to mark the GST day as announced by the Institute. CMA T.B Chatterjee, CMA Mrityunjay Acharjee & Shri Abhishek Tibrewal were the resource persons. CMA Bibekananda Mukhopadhyay, Chairman-EIRC, CMA Pranab Kr. Chakraborty Vice-Chairman-EIRC, CMA Kaushik Banerjee Secretary-ICAI & CMA Balwinder Singh CCM also were present the programme. The programme was very lively. 134 members attended the programme.

CEP on GST on 8th August

EIRC organised a CEP Programme on GST on 8th August 2017 at EIRC Seminar hall. CMA Mrityunjay Acharjee was the resource persons. The programme was very lively and interactive. 57 members attended the programme. They all requested for one day workshop to update themselves.

71st Independence Day

EIRC celebrated the 71st independence Day. CMA Sanjay Gupta, President of the Institute hoisted the National Flag on 15th August. CMA Manas Kr. Thakur, IPP, CMA Biswarup Basu CCM, CMA Bibekananda Mukhopadhyay, Chairman, EIRC, CMA Pranab Kr. Chakraborty, Vice-Chairman, EIRC, CMA (Dr.) Umar Farooque, RCM, CMA Arundhati Basu, RCM, CMA A. K. Das, Past President, employees of EIRC, general members, students were also present.

58th Annual General Meeting, thereafter new Chairman elected on 16th August

58th Annual General Meeting (2016-17) of EIRC was held on 16th August, 2017 at EIRC premises. Regional Council Members and Central Council Members from Eastern Region were present. As per record, 39 members were present.

After AGM Council meeting was held to elect new office bearers of EIRC for the year 2017-18. CMA Pranab Kumar Chakraborty was elected as Chairman while CMA Shyamal Kumar Bhattacharjee was elected as Vice-Chairman and CMA Cheruvu Venkata Ramana was elected as the Secretary & Treasurer.

CEP on IBC 2016 on 23rd August

A program on 'IBC – How to be an IP' was organised at EIRC on 23rd August. CMA Balak Nath Bhattacharyya was the resource person. CMA Pranab Kr. Chakraborty, Chairman, EIRC and also an IP chaired the session. He welcomed the members to the program and inspired the members to equip themselves to become Insolvency Professionals (IP). He also assured all sorts of support to the interested members who would opt to be IP. The program was very familiar. Participants wanted some case study which was provided by the speaker.

The ICAI-Bhubaneswar Chapter



A view on observance of International Yoga Day on dated 21st June, 2017



A view on 48th Annual General Meeting of the Chapter held on 26.06.2017



A view on Seminar on GST held on 01.07.2017 for observance of GST Day



**CMA Indrani Boral presenting memento
CMA Mrityunjay Acharjee**



CMA Mrityunjay Acharjee addressing GST



CMA Mrityunjay Acharjee addressing



**CMA Bibekananda Mukhopadhyay,
Chairman-EIRC presenting memento
CMA T. B. Chatterjee**



**CMA Bibekananda Mukhopadhyay,
Chairman-EIRC presenting memento
Shri Abhishek Tibrewal**



Cross section of audience



**Inauguration of Oral Class at EIRC
on 22nd August, 2017, (L-R)
Chairman, CMA P. K. Charaborty,
Prabir Banerjee, PD & EO,
CMA B. Mukhopadhyay-IPC,
CMA P. K. Sikder – Faculty,
T. Ghosh, EO (IT) and
CMA P. Mukherjee, Faculty**



**CEP on IBC 2016 at EIRC
on 23rd Aug., 2017. (L-R)
Speaker, CMA Balak Nath
Bhattacharyya, Chairman,
CMA Pranab Kr. Chakraborty &
Shri Prabir Banerjee, PD & EO.**



**CMA Ranajit Ghosh presenting a memento on
behalf of EIRC to
CMA Balak Nath Bhattacharyya while
CMA P. K. Chakraborty looks on.**

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- ❖ Reputed & Experienced Faculties

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- ❖ Financial Report & Strategy
- ❖ Cost Audit & Assurance
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